The English version of this prospectus is an unofficial translation of the Swedish original and in case of any discrepancies between the Swedish version and the English translation, the Swedish version shall prevail.
Distribution of this unofficial translation of the prospectus is subject to limitations in certain jurisdictions, please see Important information on the next page.

SAS

INVITATION TO SUBSCRIBE FOR PREFERENCE SHARES IN SAS AB

Carnegie Nordea SEB

IMPORTANT INFORMATION

Information to investors

The Swedish language version of 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. Disputes arising out of the contents of this prospectus, the Offering and related legal matters shall be settled exclusively by the Swedish courts.

Distribution of this prospectus is subject to restrictions under law. SAS have not taken, and will not take any actions to allow a public offering in any jurisdiction other than Sweden, Denmark and Norway. The Offering is not made to persons resident in the United States, Canada, Japan, Australia or any other jurisdiction where participation would require additional prospectuses, registration or measures besides those required by Swedish law. Consequently, the prospectus, the subscription form or any other documents in respect of the Offering may not be distributed in or into the mentioned countries or any other country or any other jurisdiction in which distribution or the Offering in accordance with this prospectus require such measures or otherwise would be in conflict with applicable regulation. Subscription for preference shares and other acquisitions of securities in violation of the restrictions described above may be void. Recipients of this prospectus are required to inform themselves about, and comply with, such restrictions. Any failure to comply with the restrictions described may result in a violation of applicable securities regulations.

Certain risks apply when investments in shares are made (see the section *Risk factors*). When an investor makes an investment decision, he or she must rely on his or her own analysis of SAS and the Offering in accordance with this prospectus, including applicable facts and risks. Potential investors should, before making an investment decision, engage their own professional advisers and carefully evaluate and consider their investment decision. Investors may only rely on the information in this prospectus and any possible supplements to this prospectus. No person is authorised to provide any information or make any statements other than those made in this prospectus and should such information or statement nevertheless be provided or made, it should not be considered to have been approved by SAS and SAS is responsible for such information or statements. Neither the publication of this prospectus nor any transaction made in respect of the Offering shall be deemed to imply that the information in this prospectus is accurate or applicable at any time other than on the date of the publication of this prospectus or that there have been no changes in SAS' business since this date. If significant changes in the information in this prospectus occur, such changes will be announced in accordance with the provisions on supplements to a prospectus under the Swedish Financial Instruments Trading Act.

As a condition for acquiring new shares under the Offering in this prospectus, each person subscribing for new shares shall be deemed to have made or, in some cases, be required to make, certain representations and warranties that will be relied upon by SAS and their contractors. SAS reserves the right to disregard any application for subscription that it believes may give rise to a breach or violation of any law, rule or regulation in any jurisdiction.

Notice regarding the United States

No paid subscribed shares or preference shares issued by SAS ("**Securities**") have been, or will be, registered under the United States Securities Act of 1933, as amended ("**Securities Act**") or the securities legislation of any state or other jurisdiction in the United States and may not be offered, sold or otherwise transferred, directly or indirectly, in the United States or to U.S. Persons as defined in regulation S of the Securities Act ("**Regulation S**"). The Securities are being offered outside the United States in compliance with Regulation S. No offer of Securities will be made in the United States or to U.S. persons.

Information to investors in the EEA

No public offering is made to any countries within the European Economic Area ("**EEA**") other than Sweden, Denmark and Norway. In other member states of the EEA which have implemented European Parliament and Council Directive 2003/71/EC (the "**Prospectus Directive**"), such offering may be made only under the exemption in the Prospectus Directive as well as every relevant implementation measure (including measures to implement European Parliament and Council Directive 2010/73/EU).

Forward-looking information

The prospectus contains certain forward-looking statements that reflect SAS'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. Forward-looking information is inherently associated with both known and unknown risks and uncertainties since depending on future events and circumstances. Forward-looking information does not constitute a guarantee of future results or performance and the outcome may differ materially from those set out in the forward-looking statement.

Factors that could cause SAS future 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 publication of the Prospectus. SAS undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or similar circumstances, other than as required by law.

Presentation of financial information

SAS's financial reports for the fiscal years 2010, 2011, 2012 and the annual report for the fiscal year 2012/2013, which have been established in accordance with the International Financial Reporting Standards ("**IFRS**"), are incorporated by reference and constitute part of this prospectus. In order to make the information more easily accessible for the reader, some financial and other information presented in the prospectus have been rounded off. Consequently, the numbers in certain columns does not exactly correspond to the total amount specified. So being the case when the amounts are specified in thousands, millions, or billions and especially in the sections Selected financial information, *Comments on financial development* and *Capitals structure and other financial information*.

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The Offering in brief

Number of preference shares in the Offering

Approximately 4,000,000 preference shares are offered for subscription in the Offering.

The Board of SAS reserves the right to increase the Offering with not more than approximately 3,000,000 additional preference shares up to no more than 7,000,000.

Subscription price (range)

SEK 500 per preference share.

Important dates

Application period for the general public	10–19 February 2014
Application period for institutional investors	10–20 February 2014
Notice of allotment	25 February 2014
Settlement date	28 February 2014
First day of trading	7 March 2014

Other

Ticker name:	SAS PREF
ISIN code:	SE0005704053

Financial information etc.

Annual General Meeting	18 February 2014
Interim report November 2013 – January 2014	14 March 2014
Interim report February – April 2014	18 June 2014
Interim report May – July 2014	10 September 2014
Year-end report (Nov 2013 – Oct 2014)	18 December 2014

Certain definitions

In this prospectus, the following definitions are used:

SAS (or the **Company**)	refers to SAS AB (corporate reg.no 556606-8499), or the group in which SAS AB is the parent company, as the context may require.
the **Group**	refers to SAS AB and its subsidiaries.
Euroclear Sweden	refers to Euroclear Sweden AB.
NASDAQ OMX Stockholm	refers to NASDAQ OMX Stockholm AB.
SEK, DKK, NOK, EUR, GBP, JPY and **USD**	refers to the Swedish krona, the Danish krone, the Norwegian krone, the Euro, the British pound, the Japanese Yen and the United States Dollar. M refers to million.
the **Offering**	arefers to the invitation to subscribe for preference shares pursuant to this prospectus.

Please see also the section *Definitions* for certain other terms used in this prospectus.

Summary

Prospectus summaries consist of information requirements presented in "items ". The items are numbered in sections A – E (A.1 – E.7).

The summary in this prospectus includes all of the items required in a summary for the relevant type of security and issuer. However, since certain items are not applicable to all types of prospectuses, there may be gaps in the numbering of the items.

Even if an item is required to be included in the summary for the relevant type of security and issuer, it is possible that no relevant information can be provided regarding the item. In such case, the information is replaced by a brief description of the item together with the indication "not applicable".

Section A – Introduction and warnings		
A.1	*Introduction and warnings*	This summary should be read as an introduction to the prospectus. Any decision to invest in the securities should be based on consideration of the prospectus as a whole by the investor. Where a claim relating to the information in this prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability may attach to those persons who produced the summary, including any translation thereof, only if the summary is misleading, inaccurate or inconsistent with other parts of the prospectus or if, together with other parts of the prospectus, it fails to provide key information to help investors when considering investing in such securities.
A.2	*Consent to use of the prospectus*	Not applicable; financial intermediaries are not entitled to use the prospectus for subsequent resale or final placement of securities.

Section B – Issuer		
B.1	*Company name and trading name*	The company's name is SAS AB. SAS operates under the trading names (trademarks) SAS and Scandinavian Airlines.
B.2	*Registered office and type of company*	The registered office is situated in Stockholm municipality. The company is a Swedish public limited liability company governed by the Swedish Companies Act (2005:551).
B.3	*Main business operations*	SAS is the Nordic region's largest airline offering passenger flights in an extensive Nordic, European and intercontinental network. Focus lies within the Nordic domestic market. The hub airports Kastrup, Arlanda and Gardemoen constitute the backbone of SAS's proprietary network with their corresponding strategic locations in the vicinity of Copenhagen, Stockholm and Oslo. SAS maintains strong market positions within business traveling in particular, as transits at the hub airports limits time passengers spend waiting in transfer and European business travelers are able to make their roundtrips in one day. SAS's customer offering revolves around value creation through focusing on simplicity, accessibility and time savings for SAS's target customers. In 2013, the average number of employees in the SAS Group was 14 127 and Scandinavian Airlines completed on average 791 flights per day to 120 destinations. Scandinavian Airlines and production unit Blue1, together constituting SAS's carrier operations, transported 27.7 million passengers, including Widerøe and charter, during 2012/2013. Scandinavian Airlines includes SAS Cargo, SAS Ground Handling (90%) and the production unit Blue1.
B.4a	*Trends*	The fourth quarter of the 2012/2013 fiscal year was characterized by intensified competition and weak economic growth, which had a negative effect on SAS's passenger revenue. The weaker conditions are expected to continue and, as usual, due to seasonality, the first quarter of 2013/2014 (November-January), will be extremely weak but positively impacted by the changed accounting rules for pensions. Market conditions are deemed to remain challenging with overcapacity in several of the Group's markets. In 2014, capacity in Scandinavia is expected to increase further and SAS plans to increase scheduled capacity by 3–4% in the 2013/2014 fiscal year. As a result, SAS expects the yield and PASK (total passenger revenue/scheduled ASK) to continue to decline in 2013/2014.

B.4a *Trends cont.*

The positive earnings impact from the 4XNG restructuring program is expected to gradually increase in 2013/2014 and is expected to strengthen the company's competitiveness. In December 2013, the IATA projected an improvement in net earnings for airlines in Europe due to enhanced efficiency and a slightly more stable European economy. In response to increased competition in Europe, there are clear signals that the major traditional airlines are attempting to streamline their operations and outsource short-haul routes to smaller, regional, wholly or part-owned companies with the aim of lowering their costs. On long-haul routes, the major airlines are consolidating their operations through the formation of joint venture companies with the objective of enhancing efficiency and improving the customer offering.

B.5 *The Group*

SAS AB is the parent of the Group, which consists of nine operating units in four countries.

B.6 *Major shareholders, etc.*

As of 31 December 2013, SAS had approximately 61,000 shareholders. In Sweden, the threshold for mandatory reporting of changes in shareholdings (referred to as "flagging") is 5% of all shares or voting rights in respect of all shares. The table below shows the shareholders with holdings corresponding to at least 5% of the shares and votes as per the 31 December 2013.

Owner/custodian	Number of ordinary shares	Number of shares and votes, %
The Swedish government	70,500,000	21.4
The Danish government	47,000,000	14.3
The Norwegian government	47,000,000	14.3
Knut and Alice Wallenberg Foundation	24,855,960	7.6
Total, the four largest shareholders	**189,355,960**	**57.6**
Other shareholders	139,644,040	42.4
Total	**329,000,000**	**100.0**

B.7 *Selected historical financial information*

The following information comprises a summary of SAS's financial statements and position for the fiscal years 2010–2012/2013. At the SAS Shareholders' Annual General Meeting on 19 April 2012 a resolution was passed to change the fiscal year to comprise the period 1 November – 31 October instead of the calendar year. The 2012 fiscal year comprised the January – October 2012 period, that is, a period of ten months, and the 2011 fiscal year comprised the period January – December 2011, that is, a twelve-month period. The 2012 Annual General Meeting resolved that the 2012 fiscal year be shortened to comprise the period 1 January 2012 – 31 October 31 2012.

The Group's condensed statement of income

MSEK	1 Nov 2012 – 31 Oct 2013	1 Jan – 31 Oct 2012	1 Jan – 31 Dec 2011	1 Jan – 31 Dec 2010
Revenue	42,182	35,986	41,412	41,070
Payroll expenses	–11,451	–11,584	–13,092	–13,894
Other operating expenses	–25,442	–22,105	–23,741	–25,115
Leasing costs for aircraft	–1,786	–1,342	–1,560	–1,815
Depreciation, amortization and impairment	–1,658	–1,426	–2,413	–1,885
Share of income and sale in afiliated companies	–464	185	40	–300
Operating income	**1,381**	**–286**	**646**	**–1,939**
Net financial income	–948	–959	–2,275	–1,130
Income before tax	**433**	**–1,245**	**–1,629**	**–3,069**
Tax	–254	260	–58	851
Net income for the period	**179**	**–985**	**–1,687**	**–2,218**
Total other comprehensive income, net after tax	–246	–292	–318	348
Total comprehensive income	**–67**	**–1,277**	**–2,005**	**–1,870**

B.7	*Selected historical financial information cont.*

The Group's condensed consolidated balance sheet

MSEK	1 Nov 2012 – 31 Oct 2013	1 Jan – 31 Oct 2012	1 Jan – 31 Dec 2011	1 Jan – 31 Dec 2010
Total fixed assets	27,415	29,692	29,883	30,591
Total current assets	8,213	7,062	9,302	11,234
Total assets	**35,628**	**36,754**	**39,185**	**41,825**
Total equity attributed to Parent Company owners	11,087	11,156	12,433	14,438
Non-controlling interests	16	–	–	–
Total shareholders' equity	**11,103**	**11,156**	**12,433**	**14,438**
Total long-term liabilites	11,111	12,111	13,889	13,932
Total current liabilites	13,414	13,487	12,863	13,455
Total shareholders' equity and liabilities	**35,628**	**36,754**	**39,185**	**41,825**

The Group's condensed cash flow statement

MSEK	1 Nov 2012 – 31 Oct 2013	1 Jan – 31 Oct 2012	1 Jan – 31 Dec 2011	1 Jan – 31 Dec 2010
Cash flow from operating activities	1,028	2,562	–482	–155
Cash flow from investing activities	–233	–619	–1,524	–1,796
Cash flow from financing activities	1,171	–2,961	763	2,819
Total cash flow for the period	**1,966**	**–1,018**	**–1,243**	**868**

Financial key figures and per share date

MSEK	1 Nov 2012 – 31 Oct 2013	1 Jan – 31 Oct 2012	1 Jan – 31 Dec 2011	1 Jan – 31 Dec 2010
Gross profit margin, %	8.3	2.7	7.3	0.6
EBIT margin, %	3.3	–0.8	1.6	–4.7
Adjusted equity/assets ratio, %[1]	23	24	26	28
Cash Flow Return On Investments CFROI, %	18.8	8.5	16.8	6.1
Debt/equity ratio[2]	0.41	0.59	0.56	0.20
Adjusted debt/equity ratio	1.49	1.54	1.33	0.89
Interest-coverage ratio	1.4	–1.6	–0.6	–1.9
Share data				
Income after tax, SEK per share	0.54	–2.99	–5.13	–6.74
Shareholders' equity, SEK per share	33.70	33.91	37.79	43.88
Market capitalization/shareholders' equity at year end, %	58	19	21	51

1) Calculated including the leasing costs of continuing operations
2) Calculated based on the financial net debt

SAS's revenue totaled MSEK 42,182 for the fiscal year 2012/2013, compared with MSEK 35,986 for the fiscal year 2012. Passenger revenue rose due to increased traffic while the exchange-rate trend had a negative impact on revenue. SAS's operating income totaled MSEK 1,381 for the fiscal year ending 2012/2013 compared with MSEK –286 for the fiscal year 2012. The improvement in earnings for SAS was principally attributable to the recognition of substantial restructuring costs in conjunction with the launch of the 4XNG restructuring program in earnings for the preceding year. SAS's revenue totaled MSEK 35,986 for the fiscal year 2012, compared with MSEK 41,412 for the fiscal year 2011. After adjustments for currency effects and nonrecurring items, revenue rose due to higher passenger revenue, primarily driven by increased traffic. SAS's revenue increased MSEK 342, or 0.8% to MSEK 41,412 for the fiscal year 2011, compared with MSEK 41,070 for the fiscal year 2010. After taking into account nonrecurring items and currency effects, revenue increased MSEK 1,443, or 3.6%, primarily due to an increase in capacity (ASK) of 6.8%.

B.8	*Selected pro forma accounts*	Not applicable; the prospectus contains no pro forma accounts.
B.9	*Earnings forecast*	Not applicable; the prospectus contains no earnings forecast or calculation of anticipated earnings.
B.10	*Qualification of audit report*	Not applicable; there are no qualifications of audit reports.
B.11	*Insufficient working capital*	Not applicable; it is SAS assessment that the working capital is sufficient for relevant needs during the coming 12-month period.

Section C – Securities		
C.1	*Securities offered*	Preference shares in SAS. The ISIN-code will be SE00005704053.
C.2	*Denomination*	The shares in SAS are denominated in Swedish kronor, SEK.
C.3	*Number of shares in the issuer*	The company's registered share capital amounts to SEK 6,612,900,000, divided into 329,000,000 ordinary shares with a quota value of SEK 20.10 per share.
C.4	*Rights associated with the securities*	Each preference share shall entitle to one-tenth of a vote at a general meeting. Where the company resolves to issue new shares in a cash issue or pursuant to a set-off issue, or to issue warrants or convertible instruments, as a general rule the shareholders enjoy pre-emptive rights to subscribe pro rata to the number of shares held previously (primary preferential right). Shares not subscribed for by virtue of such primary preferential right, are offered to all shareholders for subscription (subsidiary preferential right). The same preferential rights are to be applied for preference shares The entitlement to dividends vests in any person who, on the record date for dividends determined at the general meeting, is registered as a holder of shares in the share register maintained by Euroclear Sweden. Preference shares will have preferential rights, ahead of common shares (and any subordinated shares), to an annual dividend of SEK 50 per preference share with a quarterly payment of SEK 12.50 per preference share until the payment date for the preference share dividend immediately following the record date of 5 February 2019, where after the annual preferential right to a dividend increases by an amount corresponding to one (1)% of the subscription price per preference share and year until the payment date for preference share dividends immediately after the record date of 5 February 2023. Thereafter, the annual preferential right to a preference share dividend totals an amount corresponding to SEK 50 plus an additional amount equivalent to five (5)% of the subscription price. In all cases, dividend payments are evenly allocated over the year in the form of quarterly payments. Preference shares issued within the framework of the Offering entitle the holder to receive dividends from the record date for preference share dividends on 5 May 2014. Redemption may take place at the company's request following a Board decision at an amount per preference share corresponding to 120% of the subscription price until the payment date immediately after 5 February 2018 and 105% of the subscription price thereafter, in both cases with the addition of any Amount Outstanding per Preference Share ("Redemption Price") and the accrued portion of preference share dividends. In the event of the dissolution of the company, preference shares will carry preferential rights ahead of common shares (and any subordinated shares) to receive an amount from the company's assets per preference share corresponding to the Redemption Price on the date of the dissolution, prior to any distribution to owners of common shares (or any subordinated shares). Preference shares will not carry any other rights to additional compensation in the event of the dissolution of the company (share of distribution).
C.5	*Restrictions on transferability*	Not applicable, the preference shares are not subject to any restrictions on transferability.
C.6	*Admission to trading*	SAS have applied for listing of the preference shares on NASDAQ OMX Stockholm, in connection with the completion of the Offering. Given the application for listing is approved by NASDAQ OMX Stockholm, the first day of trading of the preference shares is expected to be on or about 7 March 2014.
C.7	*Dividend policy*	Annual dividend, if any, in respect of ordinary shares, is determined by taking into account the earnings, financial position, capital requirements and relevant macroeconomic conditions. Over a business cycle, the dividend is to be in the region of 30–40 % of SAS's result after standard tax. To protect SAS's financial position, as a rule no dividend is paid in the event of loss.

Section D – Risks		
D.1	*Main risks associated with the issuer or the industry*	An investment in securities is associated with risk. Prior to taking any investment decision, it is important to carefully analyze the risk factors that are considered to be of importance as regards the future performance of SAS and the preference share. These risk factors include, among others, the following risks mainly related to the industry and business: ***Macroeconomic development.*** General economic conditions, recessions and general industry conditions, significantly affects SAS's business, financial condition and results of operation. General economic downturns tend to have significantly adverse effects on the airline industry's results, including a decreased demand as well as excess capacity and price pressure on the relevant markets. This situation is exacerbated by the airline industry being characterized by a high proportion of fixed costs. As a result, a relatively small change in the number of passengers, the volume of cargo carried, ticket pricing or traffic mix could lead to a disproportionate fall in profits. A failure of the implementation of 4XNG as well as the high fixed costs and low profit margins that characterize the industry, may continue to have a material adverse effect on SAS's business, financial condition and results of operation. ***Competition and price development.*** SAS operates in a highly competitive market. Changes in customer behavior and the emergence of new low-cost airlines in SAS's home market has increased the competition and resulted in a significant price pressure, and hence also a reduction in yield. One reason for the increased competition is that new airlines continuously are establishing and that existing operators may increase (and decrease) their capacity, for example by shifting capacity to the Nordic region when demand for air travel drops in other parts of Europe. Competition has also intensified in respect of the total customer offer and airlines must to be able to provide a competitive offer on the ground as well as in the air. It is not certain that produced and implemented product and service concepts, become successful and may have an adverse effect on SAS's business, financial condition and results of operations. Working conditions in the airline industry also gets an increasing impact on the competition in the industry. Airlines also face competition from other sources of transportation and alternatives to business travel. It cannot be ruled out that the competition SAS faces, may have a material adverse effect on SAS's business, financial condition and results of operation. ***Financing and liquidity risk.*** SAS is dependent on the ability to obtain financing for the purchase of new aircrafts in order to meet changed capacity needs and replace existing older aircrafts, and be able to refinance existing debt when it matures. SAS's ability to obtain necessary financing on reasonable terms in the long run, depends on a number of factors, among other things, the prevailing conditions in the capital and credit markets and SAS's creditworthiness. If SAS is not able to SAS may be forced to change its plans for aircraft acquisitions, be burdened by higher financing costs than expected and/or implement additional cost saving programs. SAS is dependent on having enough liquidity to be able to fulfill its payment obligations. The liquidity is affected by, among other things, the airline industry being seasonal and SAS's indebtedness could have a significant impact on the Group's operations and liquidity. SAS's liquidity position is vulnerable to unfavorable competition and economic conditions. Further, SAS's assessment of its ability to meet short-term obligations from time to time is based on large number of assumptions and there is a risk that SAS's actual cash flows differ significantly from the forecasts. The liquidity has a major impact on the assessment of SAS's creditworthiness. A downgrade of SAS's creditworthiness, by these credit rating agencies, and/or a deterioration of SAS's creditworthiness as reflected from time to time in the pricing of credit swaps in SAS, may increase SAS's borrowing costs significantly, reduce the availability of funding and liquidity. All of the above mentioned circumstances could have a material adverse effect on SAS's business, financial condition and results of operations. In addition, there are industry and business related risks (including among others, environmental, legal, political and financial risks), and there may also be risks of which SAS is currently unaware.
D.3	*Main risks associated with the securities*	The main risks associated with the preference share and the Offering include among other: ***Terms and Conditions for the completion of the Offering.*** The Offering is conditional upon the Annual General Meeting 2014 resolving on the required decisions in accordance with the Board of Directors proposals. The Board of Directors of SAS – in consultation with Carnegie, Nordea and SEB – reserves the right to withdraw the Offering if events occur that have such material adverse effect on the company that it is inappropriate to complete the Offering or if other circumstances preclude the completion of the Offering. If the Offering is withdrawn, this will be announced through a press release on 24 February 2014 at the latest and acceptances received will be disregarded and any paid contribution will be refunded. The Board of Directors will not complete the Offering if the Board of Directors – in consultation with Carnegie, Nordea and SEB – assesses that a proper trading in the preference shares not can be achieved.

D.3	*Main risks associated with the securities cont.*	***Development and liquidity of the preference share.*** Low liquidity in the preference share may result in difficulties to dispose of the preference share at a certain time or price level. The share price of the preference shares may be subject to fluctuations as a result of a changed perception in the capital market of the preference share, due to changes in SAS operations, result or development (that could lead to deteriorated creditworthiness) and circumstances which do not need to be related to SAS. ***Future dividend on the preference shares.*** Holders of ordinary shares have not committed to vote in favor of dividends and thereby, it is not certain that the general meeting in SAS resolves on dividend on the preference shares. The company's ability to pay dividends in the future depends on numerous factors including, SAS's business, financial condition, results of operations, distributable funds, cash flow, future prospects, capital requirements, and general economic and legal restrictions, as well as contractual restrictions.

Section E – Offering		
E.1	*Issue amount and issue expenses*	With the prerequisite that the Offering is completed and that approximately 4 million preference shares are issued, SAS will be provided with proceeds from the new share issue of approximately SEK 2 billion before issue costs and other costs arising from the Offering. Should the Board of Directors decide to increase the Offering by a maximum of approximately 3 million additional preference shares, the company will receive an additional amount of approximately SEK 1.5 billion within the framework of the Offering. The total costs with respect to the Offering are estimated to MSEK 50.
E.2a	*Reasons and use of the issue proceeds*	SAS operates in a highly competitive industry characterized by price pressure and fluctuating demand, while operations are capital intensive due to recurring investments in the aircraft fleet. In order to meet the increasingly intense competition, manage the effects of the revised accounting policies related to pension plans, which threatened to dilute SAS's book equity, and to create the conditions necessary for long-term financing SAS initiated in the autumn of 2012, the restructuring program Next Generation ("4XNG"). New financial targets were adopted by SAS in conjunction with the launch of 4XNG. These new targets aim to reflect an operation that has reduced its fixed costs, improved its profitability and strengthened its cash flow. The financial targets are to reach an operating margin of a minimum of 8%, an equity/assets ratio in excess of 35% and a financial preparedness of over 20%. At the end of the 2012/2013 fiscal year, the market was characterized by reduced growth and significantly increased capacity in parallel with a decline in the NOK against the SEK. These conditions are expected to continue and, accordingly, SAS now expects that the financial targets that were originally intended to be reached in 2014/2015 will now not be reached until the end of 2015/2016. In order to improve the conditions to meet SAS's financial targets, the Board of Directors of SAS on 16 January 2014, decided to propose to the Annual General Meeting on 18 February 2014 that the Board of Directors be authorized, on one or several occasions, to decide on the new issue of preference shares, with or without deviation from the shareholders' preferential rights, and that the requisite amendments to allow this be made in the Articles of Association. The Board resolved on 6 February 2014 to make an offer to subscribe for preference shares , conditional on the Annual General Meeting resolving in line with the Board of Directors proposal. The new issue of preference shares will strengthen shareholders' equity. Thereby, the requisite conditions will be created for reaching the financial targets ahead of what would otherwise have been the case, in conjunction with providing capital for the modernization of the aircraft fleet and reducing the company's dependence on bank facilities. The capital injected will essentially be used to strengthen SAS financial conditions for continued renewal of the aircraft fleet with the aim of creating an optimized fleet for more profitable production , but also to strengthen SAS financial preparedness and to reduce its dependence on bank financing.
E.3	*Form and terms of the Offering*	**The Offering** The Offering comprises of approximately 4,000,000 preference shares. The Offering is directed to the public in Sweden, Denmark and Norway as well as to institutional investors. The Offering to the public is intended to comprise approximately 800,000 preference shares and the Institutional offering is intended to comprise approximately 3,200,000 preference shares. Final distribution of preference shares between the two categories may deviate from this intended distribution and will depend upon, inter alia, the interest from current shareholders in SAS within the Offering to the public and that conditions for an appropriate trading in the preference shares at NASDAQ OMX Stockholm are fulfilled. The Board of Directors reserves the right to increase the Offering by up to approximately 3,000,000 preference shares within the limitation set by the issue authorization as proposed by the Board of Directors.

E.3	*Form and terms of the Offering*	**Subscription price** The preference shares are issued at a subscription price at SEK 500. The subscription price in the Offering has been determined by the Company's Board of Directors, in consultation with and by recommendation from Carnegie, Nordea and SEB, based on the assesed demand from institutional investors after a form of book-building carried out during the period from 27 January to 4 February 2014. Payment can only be effected in SEK. Brokerage commission will not be charged. **Application** Application for subscription of preference shares from the public in Sweden, Denmark and Norway shall relate to a minimum of 20 preference shares and thereafter in even lots of 10 preference shares. Application in Sweden shall be made using the special application form for the Offering. Subscribers in Denmark and Norway shall apply through their custodian bank or institution. Application for subscription of preference shares in the Offering can be submitted during 10–19 February 2014. Application for subscription of preference shares from institutional investors should be forwarded to Carnegie, Nordea or SEB no later than 5.00 p.m. CET on 20 February 2014 according to special instructions. **Allotment** The allotment of preference shares will be based on demand and will be determined by the Board of Directors of SAS in consultation with Carnegie, Nordea and SEB, whereby the goal will be to achieve a strong institutional ownership base and a broad distribution of preference shares among retail investors in order to facilitate regular and liquid trading in SAS preference shares on NASDAQ OMX Stockholm. Allotment to the institutions submitting expressions of interest will take place on a fully discretionary basis. **Conditions regarding completion of the Offering** The Offering is conditional upon the Annual General Meeting in SAS 18 February 2014 to resolve on amendment of the Articles of Association in order to enable the issue of preference shares and that the Board of Directors is authorized until the Annual General Meeting 2015 to resolve upon an issue of up to 7,000,000 preference shares. The Board of Directors of SAS, in consultation with Carnegie, Nordea and SEB, reserves the right to withdraw the Offering in case events occur that have such a material adverse effect on the Company which makes it inappropriate to execute the Offering or in case other circumstances render it impossible to execute the Offering. If the Offering is withdrawn, this will be made public through a press release at the latest on 24 February 2014 and applications received will be disregarded and any received payments will be returned. The Board of Directors of SAS, in consultation with Carnegie, Nordea and SEB, will not execute the Offering in case it deems that an appropriate trading in the preference shares will not be achievable.
E.4	*Interested parties of importance for the Offering*	SAS's financial advisors in connection with the Offering are Carnegie, Nordea and SEB. These advisors (and their affiliates) have provided, and may in the future provide, various banking, financial, investment, commercial and other services for SAS for which they have received, and may in the future receive, remuneration. Nordea and SEB and certain of their affiliates have also acted as lenders and/or financial intermediaries in relation to loans granted to SAS.
E.5	*Seller of the securities and lock up agreement*	Not applicable, the Offering relates to new issued securities and lock-up agreement does not exist.
E.6	*Dilution effect*	The current new share issue will, if the Offering is fully subscribed, result an increase of the number of shares in SAS from 329,000,000 to approximately 333,000,000 shares, corresponding to an increase of approximately 1.22%. For the existing shareholders which do not participate in the Offering, a dilution effect totaling approximately 4,000,000 new shares and approximately 400,000 votes, corresponding to approximately 1.20% of the total number of shares and approximately 0.12% of the total number of votes in SAS, will occur following the new issue. The Board of Directors has reserved the right to increase the Offering with up to approximately 3,000,000 additional preference shares, resulting in a dilution effect corresponding to approximately 2.08% of the total number of shares and approximately 0.21% of the total number of votes in the company after the new issue.
E.7	*Expenses borne by the investor*	Not applicable; the issuer will not impose any charges or taxes on investors.

Risk factors

An investment in securities is associated with risk. Prior to any investment decision, it is important to carefully analyze the risk factors considered to be of importance in relation to SAS and the future performance of the preference share. The risks currently considered to be of particular importance in relation to SAS are described below, without being ranked in a specific order. There are risks both regarding circumstances linked to SAS or the industry and those that are of a more general nature as well as risks associated with the preference shares and the Offering. Some risks are beyond SAS's control. The presentation below does not purport to be complete and, for natural reasons, all risk factors cannot be predicted or described in detail. Therefore, an overall assessment must also include other information in the prospectus, as well as a general assessment of extraneous factors. The below risks and uncertainty factors may have a material adverse effect on SAS's business, financial condition and/or results of operation. They may also cause the preference shares in SAS to decrease in value, which could result in holders in SAS losing all or part of their invested capital. Additional risks that are not currently known to SAS may also have a corresponding negative impact.

Market and operational risks

Market risks

Macroeconomic development

General economic conditions, recessions, in Sweden and other parts of the world, and general industry conditions, significantly affects SAS's business, financial condition and results of operation. The demand in the airline industry is highly concentrated to the economic growth and depends on several different factors such as, for example, the prevailing economic conditions, unemployment and consumer confidence. General economic downturns tend to have significantly adverse effects on the airline industry's results. Changes in corporate travel policies can alter corporate travel patterns. Leisure travelers often choose to fly less often, postpone or refrain from air travel in economically difficult times. Businesses also tend to reduce their spending on air travel due to cost savings measures or as a result of decreased business activities involving air travel.

Moreover, economic downturns in the airline industry may result in a lower number of passengers in general, which in turn leads to excess capacity (or increased existing excess capacity) and price pressure in the markets concerned. This situation is exacerbated by the airline industry being characterized by a high proportion of fixed costs. Each separate flight has a high level of fixed costs, including costs for the use of airport infrastructure and services; take-off, landing and air traffic charges; maintenance; financing, lease and fuel costs; depreciation expenses; insurance premiums; and general labour costs. These costs are only affected to a limited extent by the number of passengers, cargo carried or the ticket structure. As a result, a relatively small change in the number of passengers, the volume of cargo carried, ticket pricing or traffic mix could lead to a disproportionate fall in profits, as fixed costs generally cannot be reduced on short notice or lowered at all to any significant extent. The airline industry's sensitivity to an adverse economic development may also result in price pressure across the whole value chain, namely pressure on freight rates, ticket prices and other services that SAS provides. SAS has implemented ambitious cost reduction programs and currently the restructuring program 4Excellence Next Generation ("4XNG") is being implemented, as described below. SAS constantly strives to improve the cost structure in order to manage increasing competition from low-cost airlines. Nevertheless, a failure of the implementation of 4XNG as well as the high fixed costs and low profit margins that characterize the industry, may continue to have a material adverse effect on SAS's business, financial condition and results of operation.

Seasonal variation

The airline industry tends to be seasonal in nature and SAS has, like other airlines, historically experienced significant variations depending on season. Generally, demand is relatively lower in the period from December to February (which often has meant that SAS's results of operation for the first quarter has been negative) and higher from April to July and from September to November, although there are variations depending on customer segment. Moreover, there is a reduced volume of business and short haul-travel in the Nordic region (SAS's home market) during March and/or April each year in connection with the Easter holidays. Should the fluctuations be greater than expected, this could have a material adverse effect on SAS's business, financial condition and results of operation.

Competition and price development

SAS operates in a highly competitive market where competition from a number of other airlines, for both leisure and business travelers, is intense. Changes in customer behavior and the emergence of new low-cost airlines in SAS's home market has increased the competition and resulted in a significant price pressure, and hence also a reduction in yield. One reason for the increased competition is that new airlines continuously are establishing and that existing operators may increase (and decrease) their capacity, for example by shifting capacity to the Nordic region when demand for air travel drops in other parts of Europe. Competition has also intensified in respect of the total customer offer and airlines must be able to provide a competitive offer on the ground as well as in the air. From time to other, SAS launches new product concepts in order to meet the increasing competition, for example SAS Go and SAS Plus, which aims to meet the increasing demand for simpler and more time efficient travel. However, it is not certain that developed and implemented product and service concepts become successful and may therefore have an adverse effect on SAS's business, financial condition and results of operations. Working conditions in the airline industry also has an increasing impact on the competition in the industry. Several low-service airlines uses flight staff from substitute agencies in different countries and are thus able to avoid Scandinavian legislation on working conditions, social security contributions and taxes, which according to SAS's assessment distorts competition. Airlines also face competition from other sources of transportation, such as trains, coaches, and cars. In respect of business travelers, SAS also faces competition from alternatives to business travel such as video conferencing and other forms of electronic communication, as these technologies continues to develop and become more widely used. It cannot be ruled out that the competition SAS faces, may have a material adverse effect on SAS's business, financial condition and results of operation.

Capacity development

The capacity of airlines is a decisive factor to profitability. Due to long delivery time, aircraft orders are based on long-term forecasts. This can lead to over- or under capacity and price impact. Adjustments to capacity are based on different assumptions and estimates made by the industry in general as well as by individual airlines in relation to the expected development in demand for air travel and market growth. If the assumptions and estimates prove to be incorrect, it can have an adverse effect on the industry and SAS's business, financial condition and results of operation. Excess capacity due to lower market growth than expected may, for example, lead to competitors lowering their ticket prices or transferring the excess capacity to markets and routes served by SAS. This could lead to increased competition and further price pressure on these lines.

Dependence on airports and other infrastructure

SAS business is dependent on, among other things, the operation and development of the airports Kastrup in Copenhagen, Arlanda in Stockholm and Gardermoen in Oslo. SAS's business would be adversely affected by circumstances causing a reduction in demand for, or access to, air transportation at any of these three airports, for example adverse changes in transportation links to these airports, deteriorations in local economic conditions, the occurrence of a terrorist attack or other security concerns, price increases in respect of airport access costs or other fees imposed on passengers.

Air traffic is limited by airport infrastructure, crowded skies, inadequate air traffic coordination, applicable environmental laws and regulations, and the limited number of slots available at many primary airports. Airports can also impose other operating restrictions such as takeoff and landing bans during certain hours, limits on aircraft noise levels, mandatory flight paths, runway restrictions and limits on the number of average daily departures as well as increased air transport fees.

It cannot be ruled out that SAS will not be able to secure additional attractive takeoff and landing times (so-called "slots"), on a temporary or long-term basis, at primary airports. Possible losses of 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 SAS's business, financial condition and results of operations.

Operational risks

Implementation of restructuring program

In November 2012, SAS launched the restructuring program 4XNG in order to achieve substantial cost savings and increased flexibility. The program aims to create marked adapted conditions for SAS. Should SAS be unable to fully implement, or otherwise realize the benefits of this program, or should the program fail to meet SAS's expectations, this could have a material adverse effect on SAS's business, financial condition and results of operations.

Historical losses

It is not certain that SAS will be able to achieve or maintain profitability in the future. SAS has reported losses during a number of years. Save for the fiscal years 2006, 2007, and 2012/2013, the Group has reported negative earnings before taxes since 2001 in relation to the business remaining within SAS today, which has caused SAS's financial condition to be weakened considerably. Factors that have contributed to these losses include, among other things, the terror attacks of 11 September 2001 (which led to a very sharp decline within the airline industry), the SARS epidemic in 2003, the financial crisis during 2008–2009, the effects of the volcanic eruption in Iceland in 2010, the Spanair bankruptcy in 2012, increased competition, excess capacity, high jet fuel prices and a general reduction of ticket prices during the period in question. Moreover, due to its financial condition, SAS has no significant reserves or flexibility to fully manage unexpected major events, such as for example sharp rises in jet fuel prices or a significantly tougher competition. SAS's future profitability and financial condition depends on several factors, among other things, the successful implementation of the restructuring program 4XNG.

Labour turnover, absence due to illness etc.

SAS's operations are labour intensive and dependent on being able to attract and retain highly qualified personnel, for example personnel with expertise in aircraft maintenance. Even if the possibility to recruit and retain qualified personnel is affected by the economic development, trough the decreased risk of personnel leaving SAS during economic downturns, it is not certain that SAS will be able to retain key personnel or recruit enough new employees with appropriate skills at a reasonable cost. SAS's flying personnel has an unusually high level of sickness absence, which results in high costs. Changes in working and employment conditions may increase sickness absence and thus increase costs further. The job satisfaction with SAS employees has decreased during the last fiscal year. If SAS fails to retain and recruit qualified personnel or if the costs of sickness absence increase, it may have an adverse effect on SAS's business, financial condition and results of operations.

Strikes

The employees of SAS are represented by approximately 35 trade unions, with some representing more than one category of employees. Virtually all of SAS's pilots, and a large part of its cabin crew and ground crew, are trade union members. SAS has entered into collective bargaining agreements with the trade unions and the majority of the agreements were renegotiated in 2012. These collective bargaining agreements have a term of 1–3 years and some agreements shall be renegotiated in the upcoming years.

Historically, the airline industry has suffered hard from disputes in the labour market. The effects of such disputes can be substantial. It cannot be ruled out that disputes with trade unions will arise in connection with negotiations on collective bargaining agreements, outsourcing decisions or other measures affecting unionized employees. Potential prolonged strikes or other measures taken by employees, as well as local labour disputes beyond SAS's control, may have a material adverse effect on SAS's business, financial condition and results of operations.

Incidents and wreckages
Airlines can suffer significant losses in connection with major incidents or wreckages. Incidents and wreckages may be caused by several factors, for example, the human factor, design defects, malfunctions, meteorological and other conditions and deferred maintenance. It cannot be ruled out that SAS will suffer from such events 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 SAS's fleet, due to an incident or a wreckage, is unsafe or unreliable, causing air travelers to be reluctant to fly on SAS's aircrafts. It cannot be ruled out that SAS's insurance coverage will not be adequate to fully cover the losses in the event of an air crash or similar disaster. In particular, SAS's insurance coverage does not cover losses from decreasing revenues caused by a negative public perception resulting from major incidents or wreckages. Should such problems affect SAS, it may have a material adverse effect on SAS's business, financial condition and results of operations. Further, it cannot be ruled out that major incidents or wreckages causes grounding of a certain aircraft type and thereby may have a material adverse effect on SAS's business, financial condition and results of operations.

Operational disruptions
Operational disruptions and interruptions range from delays to canceled flights and impose additional costs on the airlines and adversely affect the passengers. The reasons for these disruptions and interruptions, many of which are beyond SAS's control, include computer glitches, challenging ground and weather conditions, accidents, labour industrial actions, air traffic congestions, delays or non-performance by third party service providers and unscheduled maintenance. Prolonged or widespread disruptions and interruptions in SAS's operations typically harm SAS's brand and reputation, and results in refund demands and requests for passenger assistance. All these factors could have a material adverse effect on SAS's business, financial condition and results of operations.

IT security
SAS's ability to efficiently and securely process online ticket sales and reservations, as well as perform other business critical operations, relies on the well-functioning and uninterrupted operation of SAS's IT systems and processes. Such systems can be disrupted by, among other things, sabotage, hacking, computer viruses, software errors and physical damage. It cannot be ruled out that such a disruption -depending on its length or severity – may have a material adverse effect on SAS's business, financial condition and results of operations.

Crime and fraud
A large part of SAS ticket sales are made online through credit card payment. If credit card details and other personal data would end up in the wrong hands as a result of for example, hacking, in connection with such ticket sales, that could harm the customers' confidence in SAS and affect SAS's business, financial condition and results of operations. SAS may also be exposed to other types of crime, such as sabotage, fraud and embezzlement, but also internal irregularities, which may affect SAS's business, financial condition and results of operations.

Investments
SAS's operations depend on a modern and competitive aircraft fleet. Investments in new aircrafts are related to significant costs and associated with long delivery times with risk of delays. Since the delivery times for new aircrafts are several years, it is not certain that the new aircrafts truly meet SAS's capacity needs or the customers' preferences, at the time they are delivered. There is also a risk of aircrafts becoming outdated quickly, if, for example, new technology has been developed before the time of delivery or revised environmental requirements come into force. Would aircraft investments prove not to meet SAS's expectations, that may have an adverse effect on SAS's business, financial condition and results of operations.

Alliances and strategic cooperation
SAS derives significant benefits from its membership in Star Alliance and its commercial relations with other airlines, as it enables SAS to provide better service to international passengers through coordination of services, airport infrastructure and IT infrastructure. Any adverse development affecting the Star Alliance, such as, for example, 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 SAS's business, financial condition and results of operations.

Should SAS leave the Star Alliance for some reason, SAS may be subject to transition and disintegration costs as a result of termination of existing agreements with Star Alliance members, possible decreases in passenger revenue as SAS winds down its participation and possibly joins a new alliance; the inability to join – or a delay in joining – a new alliance due to the required consents not being obtained or the Star Alliance's prohibitions preventing SAS from joining a competing alliance for a period of two years, as well as other costs of withdrawal (including a withdrawal fee) and termination costs.

Dependence on external service providers
SAS is dependent upon the services of different third parties, for example aircraft manufacturers, airport operators, IT service providers, maintenance service providers, ground handling services, aircraft leasing companies as well as distributors such as travel agencies. An interruption, whether temporary or permanent, in the provision of any goods or services, whether due to SAS or an external service provider, or any inability to renew or renegotiate agreements with such service providers on commercially reasonable terms, could have a materially adverse effects on SAS's business, financial condition and results of operations.

Scandinavian ownership conditions under air transport agreement
Most bilateral air transport agreements between the Scandinavian states and non-EU member states require that SAS remain majority owned or controlled by states, citizens and/or corporations in Scandinavia or EU (according to what is stated in the specific agreement from case to case) at any given time. If the company no longer would satisfy these restrictions, the contracting states under such bilateral agreements could deny the company landing rights or the right to fly on certain routes under the terms and conditions of the agreements, which could have a material adverse effect on the SAS's business, financial condition and results of operations.

Environmental risks

Environmental directives and requirements

All airline traffic to, from and within the EU is, since 2012, subject to the EU Emission Trading Scheme. Due to vigorous criticism from a large number of states outside the EU it was resolved to exclude traffic to and from the EU until a global solution to the question could be announced within ICAO. At the ICAO Conference in October 2013, an agreement to create a global system for market-based measures was reached and is to be approved at the next conference in 2016 and implemented in 2020. Within the EEA, the rules have been applied since 1 January 2012, which constitutes a competitive disadvantage for SAS and other European airlines in relation to non-European competitors.

The airline industry is subject to numerous environmental and climate regulations relating to, among other things, aircraft noise , emissions of dangerous gases and substances, the treatment of waste products and contaminations. Environmental regulations can, among other things, mean that certain aircraft models may not be used in some airports or that takeoff and landing is prohibited during certain hours. Environmental regulations and general requirements on reduced environmental impact can result in costs for SAS, either direct costs if fees are levied or indirect costs as a result of competitive disadvantages and costs of compliance, and may thus have an adverse effect on SAS's business, financial condition and results of operations.

Legal and political risks

Laws, regulations and political decisions

The regulation of the airline industry results in airlines being exposed to political decisions that may affect the operational cost.

There are currently numerous regulatory initiatives in the markets of SAS, for example in relation to airport and airspace infrastructure, safety measures and passenger rights. Regulations can impose costs on SAS, either directly if fees are levied or indirectly due to compliance costs, which possibly cannot be passed on to the passengers. This may have an adverse effect on SAS's business, financial condition and results of operation.

Within the EEA, there are rules entitling airline passengers monetary compensation if they have been denied boarding even though they hold a valid ticket and in case of cancelled flights. Further, the European Court of Justice (ECJ) has extended this right of passengers to monetary compensation, through a number of judgments, to cases where passengers reach their final destination, but after the scheduled arrival time. Therefore, it cannot be ruled out that SAS will not incur significantly higher costs in the future due to extended passenger rights, among others in connection with cancelled or delayed flights. This may have a material adverse effect on SAS's business, financial condition and results of operation.

Tax related risks etc.

SAS's operations – including management of value added tax and the execution of transactions between group companies – are conducted in accordance with SAS's perception or interpretation of prevailing tax laws, tax agreements and other provisions on tax law as well as in accordance with SAS's perception or interpretation of relevant tax authority requirements. However, it cannot be ruled out that SAS's perception or interpretation of said laws, agreements and other provisions are not correct in all respects. SAS's prior and present tax situation may change as a result of the decisions of tax authorities or changed laws and regulations, possibly with retroactive effect, which may have a material adverse effect on SAS's results of operation and financial condition. SAS has substantial losses carried forward from previous years, that under certain conditions can be used to offset future profits and possibly raised tax assessments. However, such losses cannot be used to reduce every upcoming taxes and fees, such as, for example, increased value added tax liabilities and administrative tax penalties.

The airline industry is subject to extensive fees and costs, for example taxes, air transportation and license fees, other fees and surcharges such as take-off charges, emission charges, noise charges, ticket taxes and value added tax. Such fees and taxes burdens SAS's liquidity. The fees are typically charged on the basis of national law and hence varies from country to country. New and increased fees may be implemented and to the extent SAS is not able to pass such costs on to the passengers, these costs could have a material adverse effect on SAS's business, financial condition and results of operation.

Litigation

SAS is, and may continue to be, involved in litigation and arbitration proceedings. Many of these disputes relate to competition and employment law matters and claims arising in the ordinary course of business, including disputes relating to operational disruptions, delayed flights, lost or damaged luggage and flight accidents and claims for damages due to personal injury. The outcome of ongoing or future investigations, proceedings, litigation or arbitration proceedings can often be uncertain. If an unfavorable decision were to be given against SAS, significant fines, damages and/or negative publicity could have a material adverse effect on SAS's business, financial condition and results of operations.

Financial risks

Financing and liquidity risk

SAS is dependent on the ability to obtain financing for the purchase of new aircrafts in order to meet changed capacity needs and replace existing older aircrafts, and be able to refinance existing debt when it matures. SAS's ability to obtain necessary financing on reasonable terms in the long run, depends on a number of factors, among other things, the prevailing conditions in the capital and credit markets, the general availability of credits, prevailing interest rates and SAS's creditworthiness. It is not certain that SAS will be able to secure such financing on reasonable terms or that any financing at all can be obtained. SAS may than be forced to change its plans for aircraft acquisitions, be burdened by higher financing costs than expected and/or implement additional cost saving programs.

SAS is dependent on having enough liquidity to be able to fulfill its payment obligations. The liquidity is affected by, among other things, the airline industry being seasonal, which affects the cash flow and working capital during the year. SAS's indebtedness could have a significant impact on the Group's operations and liquidity. Its liquidity position is vulnerable to unfavorable competition and economic conditions. SAS's ability to pay dividends on the preference shares depends on, among other things, SAS's future results of operation and ability to refinance its debt, liquidity and distributable funds. All these factors are to a high extent affected by economic, financial, competitive, regulatory, operational and other conditions. Further, SAS's assessment of its ability to meet short-term obligations from time to time is based on its anticipated cash flow and liquidity needs for the upcoming twelve months. Since such assessments are based upon a large number of assumptions, there is a risk that SAS's actual cash flows differ significantly from the forecasts. The liquidity has a major impact on the assessment of SAS's creditworthiness.

At present, SAS is being evaluated by three credit rating agencies: Standard and Poor's, Moody's and R&I (Rating and Investment Information, Inc). A downgrade of SAS's creditworthiness, by these credit rating agencies, and/or a deterioration of SAS creditworthiness as reflected from time to time in the pricing of credit default swaps in SAS, may increase SAS's borrowing costs significantly, reduce the availability of funding and liquidity, limit access to capital markets, affect the public perception of SAS negatively and thereby affect SAS's turnover and impair SAS's sales and liquidity.

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

Counterparty losses

SAS's financial transactions – for instance hedging agreements entered into with financial institutions – give rise to exposure to credit risk vis-à-vis financial counterparties. Credit risk or counterparty risk relates to the risk of loss if a counterparty in a transaction does not fulfill its contractual obligations, including where a counterparty should be forced to file for bankruptcy. The risk of this has increased in light of the economic downturn in the recent years. It is not certain that limitations on the size of the amounts that may be deposited with individual institutions of particular credit ratings and the maximum permissible economic exposure to such institutions and, in addition, on the limits of the maximum aggregate amount that may be deposited with institutions of a particular credit rating band, will prevent significant losses arising as a result of the counterparty not being able to fulfill its obligations. Exposure to counterparty risk exists in respect of other agreements entered into by SAS. Any such materialized credit risk could have a material adverse impact on the SAS's financial condition and results of operations. In addition, SAS has made, and may continue to make, loans to third parties, including subsidiaries and affiliates that have been, or are expected to be, divested. Such loans expose SAS to counterparty risks, including the risks of such loans not being repaid according to the anticipated repayment schedule or at all. If these amounts are not paid, this could have a material adverse effect on SAS's cash flows and financial condition.

Fuel price

SAS is exposed to changes in the price of jet fuel. Jet fuel comprises a significant portion of an airlines' costs. SAS cannot predict the development of jet fuel prices either in the short or long run. Jet fuel prices have historically fluctuated widely, and are likely to continue to do so in the future. Airlines seek to pass on costs for jet fuel price increases to the passengers in the form of fuel surcharges. However, due to the one to two month time lag between any increase in the price of jet fuel and the corresponding increase in ticket prices, surcharges do not fully protect against sudden changes in jet fuel prices. Moreover, such surcharges may have an adverse effect on SAS's passenger revenues, if higher surcharges cause demand for air travel to decline.

Hedging cannot fully protect SAS against the effects of jet fuel price increases as there can be no assurance that SAS, at any given time, will have derivatives in place to provide a sufficient level of protection against increased jet fuel costs or that the assumptions and estimates that SAS has made with respect to the future development of jet fuel prices will prove to be correct. Moreover, to the extent SAS has hedged its exposure to future jet fuel price increases, it will not be able to participate fully in the economic benefits that a decreased jet fuel price would mean. If hedging is not in place, or SAS otherwise is unsuccessful in sufficiently protecting SAS against price fluctuations, this could have a material adverse effect on SAS's business, financial condition and results of operations.

Interest rates

SAS is affected by interest rate movements in cases where financing arrangements carry variable interest rates and when refinancing maturing debt. Movements in the yield curve (market interest rates at different maturities) affects, for instance, pension obligations, aircraft leasing obligations and the market value of SAS's financial net debt (interest-bearing assets and liabilities). Interest rates are dependent on a number of factors beyond SAS's control, including the government and central bank monetary policy in the jurisdictions in which SAS operates. An increase in interest rates would cause SAS's interests to increase and could have a material adverse effect on SAS's business, financial condition and results of operations.

There is a risk that current or future interest hedging will not sufficiently protect SAS from the adverse effects of interest rate movements. Further, the result of SAS's hedging is highly dependent on the accuracy of SAS's assumptions and forecasts. Any errors affecting such assumptions and forecasts could have a material adverse effect on SAS's business, financial condition and results of operations.

Currency exchange rate risks

SAS is exposed to currency risk, both in the form of transaction risk and translation risk. Transaction risk arises on net cash flows denominated in other currencies than SEK. Since a significant portion of SAS's revenues and expenses are denominated in other currencies than SEK, SAS's results of operations for each period are affected by changes in currency exchange rates. SAS is above all exposed to currency fluctuations in relation to the DKK, GBP, JPY, NOK and USD. Translation risk arises due to the conversion of balance sheet items entered into accounts in foreign currencies to SEK, which is SAS's reporting currency. Since SAS's business is international in nature, a significant portion of its assets, liabilities, revenues and expenses are denominated in other currencies than SEK, especially in USD, NOK and DKK. In addition, the financial statements of SAS's subsidiaries that use a currency other than SEK for financial reporting purposes, must translate assets, liabilities, revenues and expenses denominated in other currencies into SEK for the preparation of the consolidated financial statement.

There is a risk that that current or future currency hedging will not sufficiently protect SAS from the adverse effects of currency exchange rate movements. Further, the result of SAS's hedging is highly dependent on the accuracy of SAS's assumptions and forecasts. If these assumptions and forecasts prove to be incorrect, this could have a material adverse effect on SAS's business, financial condition and results of operations.

Currency exchange rate risk in aircraft investments

SAS has signed agreements for the purchase of 42 aircrafts to be delivered during 2015–2021. The list prices of these aircraft are specified in USD and the main part of the purchase price is paid upon delivery of each aircraft, while the residual of the purchase price is paid in advance (by pre-delivery payments). Approximately 93% of the total list price order value is not hedged through derivative agreements. SAS is therefore particularly exposed to the currency exchange rate development of the USD in terms of these aircraft investments. A weakened SEK against USD up until the respective delivery times means that the cost of investment increases, which may adversely affect SAS's business, financial condition and results of operations.

Pension liabilities

SAS's defined benefit pension plans are, since 1 November 2013, reported in accordance with *IAS 19 Employee benefits*, which, among other things, means that it is no longer permissible to postpone reporting of certain estimates (the so-called "corridor method" has been removed), and that all deviations in estimates must be reported immediately in other comprehensive income. As a result of the amended standard, the accumulated unreported deviations (item "Unreported estimate deviations and plan amendments") has been reported in full against equity, which has had a material adverse effect on the Group's equity. Based on, among other things, assumptions regarding interest rates, return on plan assets, inflation, future salary adjustments and changes in SAS's pension plans (that is, defined benefit pension plans are replaced by defined contribution pension plans and the possibility of right to early retirement is removed), the adoption of the revised reporting rules have had an adverse effect of approximately SEK 7 billion on the Group's equity.

Pension assumptions are important elements of the actuarial methods used to measure pension liabilities and valuating asset and may have a material effect on the reported pension liability, pension asset and the annual pension cost. The most critical assumptions are the discount rate, inflation, future salary adjustments and returns on plan assets. As of 1 November 2013, the sensitivity to changes in individual parameters can separately be estimated as follows: A one percentage point change in the discount rate affects the liability by approximately SEK 3.4 billion. A one percentage point change in the inflation assumptions affects the liability by approximately SEK 1.4 billion and a one percentage point change in the salary adjustment parameter affects the liability by approximately SEK 1.2 billion. If SAS's assumptions prove to be incorrect or if they need to be adjusted due to changed market conditions, or for any other reason cannot be sustained, the reported pension liabilities may be significantly greater than what SAS has anticipated and further burden the Group's equity, which would have an adverse effect on the Group's solvency and financial condition.

Other risks

Natural disasters, terrorist attacks, conflicts and epidemics

Epidemics and pandemics (such as SARS, avian flu and swine flu), volcanic eruptions, other natural disasters and extreme weather conditions and other similar events, as well as any related barrier to access to certain places or quarantine of personnel, could have a material adverse effect on the airline industry and on SAS's business, financial condition and results of operations.

The terrorist attacks on 11 September 2001 in the United States, and subsequent terrorist attacks in the Middle East, Southeast Asia and Europe, along with military conflicts in Afghanistan, Iraq and other places, as well as more recently occurred incidents and threats related to terrorist activity, have had a significant adverse effect on the airline industry. The adverse effects of such events, and the threat of such events, results in reduced demand for air travel, limitations on the availability of insurance coverage, increased costs in respect of security precautions, and flight restrictions over war zones. It can be very expensive or impossible to insure against these risks. These risks have had a material adverse effected on SAS's business, financial condition and results of operations and may also have so in the future. The above mentioned concerns could continue and increase significantly if new wars would commence – or if it perceived as likely that new wars will commence – or if acts of terrorism or sabotages occur, or if it is perceived as likely that such incidents will occur. These factors could have a material adverse effect on SAS's business, financial condition and results of operations.

Risks relating to the preference share and the Offering

Terms and Conditions for the completion of the Offering

The Offering is conditional upon the Annual General Meeting resolving to amend the Articles of Association and authorize the Board of Directors to resolve on the issuance of preference shares in accordance with the Board of Director's proposal and that the Annual General Meeting resolves in accordance with the Board of Director's proposal on quarterly dividends on the preference shares, provided that such are issued, up until the next Annual General Meeting. It is not certain that the Annual General Meeting takes the necessary resolutions in accordance with the Board of Director's proposals. If the Annual General Meeting fails to take the necessary resolutions, the Offering will not be possible to complete. The Board of Directors of SAS – in consultation with Carnegie, Nordea and SEB – reserves the right to withdraw the Offering if events occur that have such material adverse effect on the company that it is inappropriate to complete the Offering or if other circumstances preclude the completion of the Offering. If the Offering is withdrawn, this will be announced through a press release on 24 February 2014 at the latest and acceptances received will be disregarded and any paid contribution will be refunded. The Board of Directors will not complete the Offering if the Board of Directors – in consultation with Carnegie, Nordea and SEB – assesses that a proper trading in the preference shares not can be achieved. If these conditions are not meet, the Offering will not be completed.

Development and liquidity of the preference share

SAS intends to list the preference shares on NASDAQ OMX Stockholm. SAS will not apply for listing on other marketplaces. The preference share is a new instrument of the company and it has not been listed previously. Low liquidity in the preference share may result in difficulties to dispose of the preference share at a time desired by the preference shareholder or at price levels that would prevail if liquidity was good. It cannot be ensured that the liquidity in the preference share will be good. The share price of the preference shares may be subject to fluctuations as a result of a changed perception in the capital market of the preference share or similar securities, due to different circumstances and events such as changes in applicable laws and other rules affecting SAS's business, or changes in SAS's results of operation or business development that could lead to deteriorated creditworthiness. Stock markets may from time to time show significant fluctuations in terms of price and volume which do not need to be related to SAS's business or prospects. In addition, SAS's results of operations and prospects may from time to time be below the expectations of the capital market, analysts or investors. Any of these factors could result in the price of the preference shares falling to a level below the Subscription Price.

Future dividend on the preference shares

According to the proposed amendments to SAS's Articles of Association, the preference shares will have preferential rights to dividends over ordinary shares. Under Swedish law, the general meeting resolves on dividends by majority vote, whereby holders of preference shares have limited influence since each preference share entitles to one tenth of a vote while each ordinary share entitles to one vote. If all preference shares in the Offering are subscribed for, they will represent a voting share of approximately 0.12%. Holders of ordinary shares have not committed to vote in favor of dividends. Thereby, it is not certain that the general meeting in SAS resolves on dividend on the preference shares. The company's ability to pay dividends in the future depends on numerous factors including, SAS's business, financial condition, results of operations, distributable funds, cash flow, future prospects, capital requirements, and general economic and legal restrictions, as well as contractual restrictions (see the next risk factor). Future dividends and the size of dividends are therefore to a high extent dependent on, among other things, SAS's future business and results of operation. There are many risk factors that may adversely affect SAS's future business and it is not certain that SAS's will be able to deliver results that enables dividend, including any accumulated unpaid dividend, on the preference shares in the future. Correspondingly, there is also a risk that preference shareholders cannot be fully compensated in the event of a potential dissolution of the company.

The size of the issue proceed and dividend restrictions in revolving credit facility

In December 2006, SAS entered a credit agreement (which subsequently has been amended and replaced by a number of amendment and replacement agreements, most recently in June 2013) as debtor, with, among others, a syndicate of banks, whereby two revolving credit facilities with a combined credit limit of SEK 1.8 billion are available to SAS. Under the terms and conditions of the revolving credit facility, SAS may not distribute any dividend without the consent of the creditors. On the basis of, among other things, the revolving credit facility being unused, SAS intends to cancel the revolving credit facility following completion of the Offering.

Even though the Board of Directors of SAS – in consultation with Carnegie, Nordea and SEB – reserves the right to under certain circumstances withdraw the Offering, the Offering is not formally conditional upon SAS receiving a certain minimum compensation. The Offering may thereby be completed even if SAS do not receive an amount that enables termination of the revolving credit facility. Dividend on preference shares issued will then require that SAS obtains waivers from the creditors in respect of the dividend restrictions. If such waivers are not obtained, no dividend on the preference shares can be distributed until the maturity of the credit facility.

Currency exchange rate risk etc. for holders of preference shares

Currency exchange rate fluctuations may have an adverse effect on the value of foreign shareholders holdings and on dividends. The preference shares will be denominated in SEK and the dividend, as well as any redemption amount, to which the preference shares entitles will be distributed in SEK. An investment in preference shares by investors outside of Sweden therefore entails a currency exchange rate risk for the investor. A possible weakened SEK in relation to the relevant foreign currency will reduce the value of the investment as well as dividend on, or redemption of, the preference shares in the foreign currency. The preference shares will, as opposed to the company's ordinary shares, only be listed in Sweden, which may result in additional costs for foreign investors.

Owners with significant influence, change of control etc.

Currently the Swedish government, the Danish government and the Norwegian government together owns 50% of the outstanding shares in SAS. Even after completion of the Offering, these shareholders will have a possibility to exercise a significant influence over SAS and would, if they vote the same way, be able to exercise significant control over matters that SAS's shareholders vote on, including, among other things, approval of income statement and balance sheet, election and dismissal of directors, dividends, capital increases and amendments to SAS's Articles of Association (even if such amendments to the Articles of Association requires the support of shareholders representing at least two thirds of both the votes cast and the shares represented at the General Meeting). This means that the possibility for other shareholders to exercise influence in SAS through their voting rights, may be limited. This applies in particular to holders of preference shares, which will only be eligible for one tenth of a vote per share. There is a risk that the major shareholders will exercise their voting rights in a way that is not compatible with what is best for the minority shareholders. There is also a risk that holders of ordinary shares will exercise their voting rights in a way that not complies with the interests of the preference shareholders.

If the three Scandinavian governments would reduce their holdings, which may – regardless of trough a sale of all or part of their present holdings or by dilution as a consequence of the Offering, the utilization of convertibles or in any other way (or through a combination of these factors) – entail that the control over the company being transferred to another current or future shareholder. Such potential change of control may affect the public's view of the company, including changed creditworthiness, and may trigger conditions in agreements resulting in these agreements being terminated or having to be renegotiated, which may adversely affect SAS's business, financial conditions and result.


CFM

Invitation to subscribe for preference shares

In January 2014, the Board of Directors of SAS resolved to propose to the Annual General Meeting, to be held on 18 February 2014, that the Board of Directors be authorized to decide on the new issue of preference shares, with or without deviation from the shareholders' preferential rights, and to make the required amendments of Articles of Association. Of SAS's four largest shareholders, the Swedish government, the Danish government and the Knut and Alice Wallenberg Foundation have expressed a positive stance to vote in favor for the Board of Directors' proposals to the Annual General Meeting. The Norwegian government has declared that it is positive to SAS getting an increased flexibility to raise hybrid capital (in the form of preference shares and convertible bonds), and have petitioned the necessary authorizations from the Norwegian parliament in order to allow for voting in favor of the proposals at the Annual General Meeting on 18 February. Together, these four shareholders hold approximately 57.6% of the outstanding shares and votes in the company.

On 6 February 2014, the Board of Directors of SAS decided to announce an offer to subscribe for approximately 4,000,000 preference shares at a subscription price at SEK 500 per preference share. The subscription price has been determined by the Company's Board of Directors, in consultation with Carnegie, Nordea and SEB, based on an assessment of demand from institutional investors after a form of book-building carried out during the period from 27 January to 4 February 2014. The Offering comprises two separate parts: one offering for the general public in Sweden, Norway and Denmark, which includes the company's existing shareholders in these countries (the "Public Offering"), and one offer directed to institutional investors (the "Institutional Offering"). The reason for deviating from the shareholders' preferential rights is to attract institutional investors, who should find the new preference shares particularly appropriate due to their nature as a debt instrument, while, concurrently, offering the general public in Scandinavia the opportunity to subscribe for preference shares and, thereby, enable efficient, regular and liquid trading on the NASDAQ OMX Stockholm. The subscription period for the genera public runs from and including 10 February up to and including 19 February 2014 and for institutional investors from and including 10 February up to and including 20 February 2014. Thereafter, the Board of Directors intends to utilize the proposed authorization to issue preference shares on 24 February 2014.

The Public Offering comprises of approximately 800,000 preference shares and the Institutional Offering comprises of approximately 3,200,000 preference shares. Final allotment of preference shares between the two categories may deviate from the intended allocation and may depend on items including the interest among existing SAS's shareholders within the framework of the Public Offering and on the prerequisites for efficient trading of the preference shares on the NASDAQ OMX Stockholm being fulfilled. In the event of oversubscription, existing shareholders of SAS may be given priority in the allotment. In this case, a minimum allotment of 20 preference shares will be made to existing shareholders in SAS.

Completion of the Offering is conditional upon that the Annual General Meeting on 18 February 2014 passing the requisite resolutions. The Board of Directors furthermore reserves the right to cancel the Offering if the Board of Directors – in consultation with the banks – is of the opinion that efficient, regular and liquid trading of the preference share on the NASDAQ OMX Stockholm will not be possible, if events occur which have such materially adverse effect on the company that it would be inappropriate to carry out the Offering, or if other circumstances make the Offering impossible.

The preference shares have priority over common shares in SAS to an annual dividend of SEK 50 per preference share until the payment date for the preference share dividend immediately following the record date of 5 February 2019, where after the annual preferential right to a dividend increases by an amount corresponding to one (1)% of the subscription price per preference share and year until the payment date for preference share dividends immediately following the record date 5 of February 2023. Thereafter, the annual preferential right to a preference share dividend totals an amount corresponding to SEK 50 plus an additional amount of five (5)% of the subscription price. In all cases, dividend payments are evenly distributed over the year in the form of quarterly payments. In addition, preference shares provide no rights to any additional share of the company's profits, while the company is entitled to redeem preference shares outstanding, in full or in part, at predetermined terms. Hereby the preference shares are similar to subordinated interest-bearing perpetual capital, however, the capital contribution from preference shares will be recognized as equity.

The Offering, if subscribed for in full, will provide SAS with a total of approximately SEK 2 billion before issue costs and other costs arising from the Offering. Accordingly, the company's share capital will hereby increase by approximately SEK 80,400,000 through the new issue of approximately 4,000,000 preference shares. The number of shares in SAS will increase from 329,000,000 to approximately 333,000,000 (distributed among 329,000,000 common shares and approximately 4,000,000 preference shares) and the number of votes will increase from 329,000,000 to approximately 329,400,000, which corresponds to a dilution effect of approximately 1.20% of the number of shares and approximately 0.12% of the number of votes after the new issue.

The Board of Directors reserves the right to increase the Offering by a maximum of approximately 3,000,000 additional preference shares within the limits of the Board of Directors' proposed authorization to issue preference shares (up to no more than total 7,000,000 preference shares). SAS can hereby be provided with an additional amount of approximately SEK 1.5 billion under the framework of the Offering.

Investors are hereby invited to subscribe for preference shares in accordance with the terms and conditions of this prospectus.

Stockholm 7 February 2014

SAS AB (publ)
The Board of Directors

Background and reasons

SAS operates in a highly competitive industry characterized by price pressure and fluctuating demand, while operations are capital-intensive due to recurring investments in the aircraft fleet. In order to meet the increasingly intense competition, manage the effects of the revised accounting policies related to pensions, which threatened to dilute SAS's book equity, and to create the conditions necessary for long-term financing SAS initiated, in the autumn of 2012, the restructuring program 4Excellence Next Generation ("4XNG").

4XNG focuses on three subareas – costs, flexibility and liquidity/equity. Under 4XNG, SAS has implemented a renegotiation of employee collective agreements that has led to market adjustment of salary working and pension benefits as well as centralized administrative operations. Furthermore, SAS has carried out substantial savings within IT operations through new procurement of IT-services and through the reduction of applications. SAS has increased the flexibility of its cost base through outsourcing of certain customer service and administrative operations and the commenced outsourcing of ground handling services. The flexibility has been increased further through increased possibility of using so called wet-lease production as a complement to own production. SAS's liquidity was strengthened through disposal of assets. In order to accomplish 4XNG, SAS also gained access to a revolving and reducing credit facility of SEK 3,500 million (the "Credit facility").

The ambition with 4XNG is to lower the operating expenses by approximately SEK 3 billion over three years, of which SEK 1.5 billion was realized in 2012/2013. 4XNG has resulted in significant improvements in SAS competitive position in 2012/2013. Labor costs, excluding restructuring costs, have been reduced by approximately SEK 1,200 million (9.5%), compared with the previous year. Flight crew costs have been reduced through lower compensation and increased productivity. Significant headcount reductions have been completed within administration as well as through centralization to Sweden. SAS production (ASK) has during 2012/2013, increased by more than 6% while the currency adjusted unit cost, excluding jet fuel costs, has decreased by 5.9%.The productivity gains made possible by the new collective agreements have created the opportunity to increase production and expand the network in a cost-efficient manner. The increased possibility of wet-lease production has enabled SAS to increase production on low density routes where profitability would otherwise not be achievable and made it possible to increase traffic during the summer months. In 2012/2013, SAS increased production by launching 52 new routes and plan to launch another 43 new routes in the current year. Sales of assets, among them spare engines and 80% of the shares in Widerøe, in 2012/2013 reduced SAS's net debt by about SEK 2.8 billion. At 31 October, the financial net debt totaled slightly more than SEK 4.6 billion.

New financial targets were adopted by SAS in conjunction with the launch of 4XNG. These new targets aim to reflect an operation that has reduced its fixed costs, improved its profitability and strengthened its cash flow. The financial targets are to reach an operating margin of a minimum of 8%, an equity/assets ratio in excess of 35% and a financial preparedness of over 20%. At the end of the 2012/2013 fiscal year, the market was characterized by reduced growth and significantly increased capacity in parallel with a decline in the NOK against the SEK. These conditions are expected to continue and, accordingly, SAS now expects that the financial targets that were originally intended to be reached in 2014/2015 will now not be reached until the end of 2015/2016.

Since SAS's operations are very capital-intensive, SAS works continuously with optimizing its capital structure to maintain and create the requisite conditions for the recurring investments in line with maintaining a modern aircraft fleet. SAS has over the past years completed the fastest modernization of the aircraft fleet in its history. SAS has phased out aircraft models such as the MD80 and B737 Classic and phased in Airbus A320 and B737NG, which has led to that SAS's aircraft fleet have increased from 80% to 100% so called next generation aircraft. SAS has also entered into agreement to purchase additional new aircraft. Over the next seven years, SAS will invest in a total of 42 new aircraft comprising 12 long-haul aircraft and 30 short-haul aircraft. SAS intends to finance these investments through a combination of, either, operational leasing contracts or own funds in combination with various forms of loans, including export credit financing, EETC (*enhanced equipment trust certificates*), bank loans and bank facilities.

In addition to creating the conditions necessary for future investments, the capital structure must be able to manage the credit maturity structure. In 2012/2013, two bond loans were issued of SEK 1,500 million and EUR 35 million respectively or about SEK 1,800 million in total, to finance the repayment of the two bond loans that matured in 2014 corresponding to a total of about SEK 1,867 million. This means that SAS does not have any major unfinanced credit facilities falling due prior to 2015 when the convertible bond loan of SEK 1,600 million matures. The SAS Board of Directors has proposed that the Annual General Meeting authorize the Board of Directors to resolve on the issue of a new convertible bond intended to refinance the existing convertible bond. SAS's unutilized Credit facility, which is being reduced according to plan and currently amounts to SEK 1,800 million, is being reduced by another SEK 600 million in June 2014 and falls due in March 2015. Following the completion of the Offering, SAS aims to terminate the Credit facility in advance and SAS has therefore entered into agreement for a new facility of EUR 150 million which will be available as of 28 February 2014.

The revised IAS 19 will be applied for fiscal years starting from 1 January 2013 and onwards. As a result of the changes to the Group's fiscal year, the Group applies the amended standard for the fiscal year starting 1 November 2013. The consequences of this mean, amongst other things, that it is no longer permitted to defer recognition of certain deviations in estimates (the "corridor" approach has been eliminated) and all deviations in estimates are to be immediately recognized in other comprehensive income. Pursuant to the amended standard, accumulated unrecognized deviations are recognized in their entirety in shareholders' equity, which will have a material negative impact on the Group's shareholders' equity. The Parent Company SAS AB's recognized shareholders' equity will not be affected by this amendment. The negative effect is reduced by the changed accounting rules from the agreement reached between SAS and flight crew in Scandinavia pertaining to new collective agreements in 2012 which entail substantial changes in pension terms. The majority of defined-benefit pension plans were replaced with defined-contribution pension plans. The previous right to early retirement has also been eliminated. This has in total reduced SAS's pension obligations by SEK 18 billion. As certain employees already have early and part-time retirement, the obligation will be reduced in the coming five years and by the end of fiscal year 2017/2018 it is expected that the pension obligations will amount to approximately SEK 14 billion, resulting in a total reduction of approximately SEK 19.5 billion, corresponding to approximately 60% of the original pension obligation.

Accordingly, the carrying amount of the Group's book equity at 1 November 2013 declined, in total, by about SEK 7 billion, from about SEK 11 billion to slightly more than SEK 4 billion. After adjustment for the above, the equity/assets ratio would have amounted to approximately 15% at 31 October 2013, which can be compared with the reported equity/assets ratio for the same date of slightly more than 31%. This nonrecurring effect – which has been long known – will however not have any significant impact on liquidity.

In order to improve the conditions to meet SAS's financial targets, the Board of Directors of SAS on 16 January 2014, decided to propose to the Annual General Meeting on 18 February 2014 that the Board of Directors be authorized, on one or several occasions, to decide on the new issue of preference shares, with or without deviation from the shareholders' preferential rights, and that the requisite amendments to allow this be made in the Articles of Association. Furthermore, the Board resolved on 6 February 2014 to make an offer to subscribe for preference shares, conditional on the Annual General Meeting resolving in line with the Board of Directors proposal. The new issue of preference shares will strengthen shareholders' equity. Thereby, the requisite conditions will be created for reaching the financial targets ahead of what would otherwise have been the case, in conjunction with providing capital for the modernization of the aircraft fleet and reducing the company's dependence on bank facilities.

The Annual General Meeting may also authorize the Board of Directors to resolve on an issuance of convertible bonds with deviation from the shareholders' preferential rights, aimed at refinancing the outstanding convertible bond amounting to SEK 1,600 million. Provided that the authorization is obtained, the Board of Directors intends to carry out an issue of five year unsecured convertible bonds in close connection with or shortly after the Offering, at a rate of interest and conversion premium to be set at market terms and determined through a book-building carried out at launch, the final decision to launch such a bond being subject to market conditions being deemed favourable at the time.

Based on the accounts as of 31 October 2013, after adjustment for the negative nonrecurring effect on the Group's shareholders' equity from the unrecognized pension deviations described above and after adjustment for the capital injection of SEK 2 billion, the equity/assets ratio would be strengthened by about 7 percentage points.

With the prerequisite that the Offering is completed and that approximately 4,000,000 preference shares are subscribed for and paid-up, SAS will be provided with proceeds from the new share issue of approximately SEK 2 billion before issue costs and other costs[1] arising from the Offering. Should the Board of Directors decide to increase the Offering by a maximum of 3,000,000 additional preference shares (up to no more than 7,000,000 preference shares), the company will receive an additional amount of approximately SEK 1.5 billion within the framework of the Offering. The capital injected will essentially be used to strengthen SAS financial conditions for continued renewal of the aircraft fleet with the aim of creating an optimized fleet for more profitable production, but also to strengthen SAS financial preparedness and to reduce its dependence on bank financing.

The Board of Directors of SAS is responsible for the contents of this prospectus. Information in respect of the members of the SAS Board is provided in the section "Board of Directors, management and auditors." In this context, the Board hereby gives its assurance that it has taken all reasonable measures to ensure that, to its knowledge, the information in this prospectus complies with the actual circumstances and that no information has been omitted that could affect its content.

Stockholm 7 February 2014

SAS AB (publ)
The Board of Directors

1) The total costs with respect to the Offering are estimated to SEK 50 million. The new issue is estimated to provide SAS approximately net SEK 1.95 billion.


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The preference share in brief

The preference shares

In accordance with the proposal for the amendment to the company's Articles of Association that the Annual General Meeting held on 18 February 2014 is to resolve on, preference shares will have preferential rights, ahead of common shares (and any subordinated shares), to an annual dividend of SEK 50 per preference Share (the "Annual Dividend") from the issue date. After five years, the annual preference share dividend will increase by an equivalent one (1)% of the subscription price per preference share and year until the annual preferential right to a preference share dividend will total an amount corresponding to SEK 50 plus an additional amount equivalent to five (5)% of the subscription price. Dividends require a resolution by a General Meeting, and that the Parent Company SAS AB has distributable unrestricted equity.

The dividend is paid quarterly by one quarter (25%) of the Annual Dividend, with the first record date scheduled for 5 May 2014, and is accumulated in the event that the dividend paid were to fall below the preferential rights entitled by the preference shares. The preference shares do not carry any other entitlement to dividends. Each preference share entitles the holder to one tenth of a vote compared with SAS common shares.

Following a Board of Directors' decision, the preference shares can be redeemed, wholly or partly, at an amount per preference share corresponding to 120% of the subscription price until the payment date immediately following the record date 5 February 2018 and 105% of the subscription price thereafter, in both cases with the addition of any amount outstanding per preference share (the "Redemption Price") and the accrued portion of preference share dividends. In order for preference shares to be redeemed, the company must have unrestricted equity to the extent that the Redemption Price exceeds the quota value (*Sw. "kvotvärde"*) of the shares.

Summary of the terms and conditions for the preference shares in the Offering

Subscription price	SEK 500 per preference share.
Dividend	SEK 50 per year, with a quarterly payment of SEK 12.50 per preference share until the payment date for the preference share dividend immediately following the record date of 5 February 2019, whereafter the annual preferential right to a dividend increases by an amount corresponding to one (1)% of the subscription price per preference share and year until the payment date for preference share dividends immediately following the record date of 5 February 2023. Thereafter, the annual preferential right to a preference share dividend totals an amount corresponding to SEK 50 plus an additional amount equivalent to five (5)% of the subscription price. In all cases, dividend payments are evenly distributed over the year in the form of quarterly payments. Preference shares issued within the framework of the Offering entitle the holder to receive dividends as of the record date for preference share dividends on 5 May 2014.
Initial dividend yield	10% in annual dividend yield based on a subscription price of SEK 500 per preference share, provided that annual dividend of SEK 50 per preference share is distributed during the entire five year period.
Voting rights	Each preference share entitles the holder to one-tenth of a vote.
Non-payment of dividends	If, in a specific quarter, SAS does not pay any preference share dividends or pays preference share dividends that are less than the dividend amount according to the Articles of Association, the amount that is less than the dividend amount (the shortfall) will be added to the amount outstanding ("Amount Outstanding" according to the definition in the proposed amendment to the Articles of Association), which is to be indexed by a factor corresponding to an annual interest rate of 20% until the dividends are paid in full. No value distributions may take place to holders of common shares (or any subordinated shares) prior to the preference shareholders having received full dividends, including the Amount Outstanding.
Redemption	Redemption may take place at the company's request following a Board of Directors' decision at an amount per preference share corresponding to 120% of the subscription price until the payment date immediately following 5 February 2018 and 105% of the subscription price thereafter, in both cases with the addition of any Amount Outstanding per Preference Share (the "Redemption Price") and the accrued portion of preference share dividends.
Liquidation of the company	In the event of a liquidation of the company, the preference shares will carry preferential rights ahead of common shares (and any subordinated shares) to receive an amount from the company's assets per preference share corresponding to the Redemption Price on the date of the liquidation, prior to any distribution to owners of common shares (or any subordinated shares). preference shares will not carry any other rights to additional compensation in the event of the liquidation of the company (share of distribution).
Limitations to dividends on common shares and issue of Preference Shares	Decisions on value distributions to holders of common shares and/or subordinated shares or issues of new preference shares may not be made if the preference share capital exceeds 50% of the Group's book equity (adjusted for any proposed but undecided or unimplemented value distributions or issues of preference shares), unless such decisions are made by the shareholders' meeting at which at least two thirds of all shares of each class are represented and the decision is supported by at least two thirds of the votes cast by each share class.
Market place	The preference shares will be listed on the NASDAQ OMX Stockholm on or about 7 March 2014.
Other terms and conditions	The terms and conditions for the preference shares are regulated in the company's Articles of Association. Decisions concerning amendments to the Articles of Association that affect some aspect of the rights associated with preference shares are only valid on the basis of a decision by the shareholders' meeting supported by (i) at least two thirds of the votes and the number of shares represented at the meeting and (ii) shareholders representing at least two thirds of the preference shares represented at the meeting (unless applicable laws require a higher majority).

For a more detailed description of the terms and conditions that apply to preference shares, refer to the section *Share capital and ownership structure* and *Proposed amendments to the Articles of Association* in the section *Articles of Association*.

Record date for payment of dividends 2014/2015

5 May, 2014	5 August, 2014	5 November, 2014	5 February, 2015
SEK 12.50	SEK 12.50	SEK 12.50	SEK 12.50

Terms and instructions

The new preference shares are intended to be listed on NASDAQ OMX Stockholm. See the section *Share Capital and Ownership Structure* beginning on page 44. Shares traded on NASDAQ OMX Stockholm are registered with the Swedish central securities depository, Euroclear Sweden. The preference shares are not intended to be listed on NASDAQ OMX Copenhagen or on Oslo Børs and further not registered with the central securities depository in Denmark, VP Securities A/S ("**VP Securities**") or with the central securities depository in Norway, Verdipapirsentralen ASA ("**VPS**"). It will only be possible to subscribe, pay and trade the preference shares in SEK.

Subscribers among the public in Denmark and Norway are especially instructed to read the sections *Special conditions for subscribers in Denmark* and *Special conditions for subscribers in Norway*, respectively, at the end of this section.

Important information regarding Investeringssparkonto etc.
Those who wish to use securities accounts/depository accounts with specific rules for security transactions, for example *Investeringssparkonto* or *Kapitalförsäkring* for subscription of preference shares in the Offering must check with the bank or the financial institution managing the account or offering the insurance if this is possible and in such case application and subscription shall be done through such bank or financial institution. Those who wish to use Investeringssparkonto managed by Nordea can, however, apply in accordance with instructions stated below under section *Application, The Public Offering*.

The Offering

The Offering comprises of approximately 4,000,000 preference shares. The Offering is directed to the public[1] in Sweden, Denmark and Norway (which includes SAS's existing shareholders in these countries) as well as to institutional investors[2]. The Public Offering is intended to comprise approximately 800,000 preference shares and the Institutional Offering is intended to comprise approximately 3,200,000 preference shares. Final distribution of preference shares between the two categories may deviate from this intended distribution and will depend upon, inter alia, the interest from current shareholders in SAS within the Public Offering and that conditions for an appropriate trading in the preference shares at NASDAQ OMX Stockholm are fulfilled.

The Board of Directors reserves the right to increase the Offering by up to approximately 3,000,000 preference shares within the limitation set by the issue authorization as proposed by the Board of Directors.

Subscription price

The preference shares are issued at a subscription price of SEK 500 per preference share. The subscription price in the Offering has been determined by the Company's Board of Directors, in consultation with and by recommendation from Carnegie, Nordea and SEB, based on the assessed demand from institutional investors after a form of book-building carried out during the period from 27 January to 4 February 2014.] Payment can only be effected in SEK. Brokerage commission will not be charged.

Application

The Institutional Offering

Application for subscription of preference shares from institutional investors should be forwarded to Carnegie, Nordea or SEB no later than 5.00 p.m. CET on 20 February 2014 according to special instructions.

The Board of Directors for SAS reserves the right – in consultation with Carnegie, Nordea and SEB – to shorten or prolong the application period for the Institutional Offering. Any changes to the dates of the application period will be announced through a press release before the end of the application period.

The Public Offering

Application for subscription of preference shares from the public in Sweden, Denmark and Norway shall relate to a minimum of 20 preference shares and thereafter in even lots of 10 preference shares. Application shall in Sweden be made using the special application form for the Offering.

Application for subscription of preference shares in the Offering can be submitted during the period 10–19 February 2014.

The Board of Directors for SAS reserves the right – in consultation with Carnegie, Nordea and SEB – to prolong the application period. Any such prolongation of the application period will be announced through a press release before the end of the application period.

Note that the application is binding. Only one application per investor may be made. If multiple applications from the same investor are received, Nordea reserves the right to only consider the first received application. Applications received late, including incomplete or incorrectly completed application forms, may be disregarded. No additions or amendments may be made to the pre-printed text on the application form.

The prospectus, information brochure and application form are available on SAS website (www.sasgroup.net), Carnegie's website (www.carnegie.se), Nordea's website (www.nordea.se, see pages Sparande/Handla och placera) and SEB's website (www.seb.se/prospekt).

1) The Public Offering refers to the offering of shares to private individuals and legal entities in Sweden, Denmark and Norway who subscribe for a maximum of 2,000 preference shares.
2) The Institutional Offering refers to private individuals and legal entities who subscribe for more than 2,000 preference shares.

Application for subscription shall be made to Nordea according to one of the two following alternatives:

- Complete the application form for the Offering and deliver it to any Nordea branch office in Sweden during the application period. Applications can also be sent by mail to Nordea Bank AB (publ), Issuer Services R5303, 105 71 Stockholm, Sweden. Persons applying using the application form must have a securities account, service account or securities depository account with a Swedish securities institution or nominee of their choice. Persons lacking such an account must open one before application for subscription is made. Please note that this may take some time. Note that if the application concerns more than 250 preference shares an attested copy of a valid ID document must be enclosed with the application form. Applications must be received by Nordea no later than 5.00 p.m. CET on 19 February 2014. Note that certain bank offices close before 5.00 p.m. CET. Please note that special rules apply for those who wish to use securities accounts/depository accounts with specific rules for security transactions, for example Investeringssparkonto or Kapitalförsäkring, see above under section *Important information regarding Investeringssparkonto etc*.

  or

- Customers of Nordea's Swedish internet banking services will also have the option of applying for subscription of preference shares via Nordea's internet bank in accordance with instructions on Nordea's website (www.nordea.se). Application via Nordea's internet bank must be effected no later than 5.00 p.m. CET on 19 February 2014. When applying via internet a service account or securities depository account and, in applicable cases, a special bank account with Nordea must be stated.

As described below, Nordea will, for clients in Nordea, deduct funds from the bank account or securities depository account/Investeringssparkonto with Nordea as stated in the application. Clients in Nordea must therefore make sure that funds corresponding to at least the amount in the application are available on the settlement date 28 February 2014 from 1.00 a.m. CET. Note that the bank account must be a current account in Nordea, i.e. personkonto, PlusGirokonto privat, aktielikvidkonto, checkkonto för privatperson, externt konto/Loro II, flexkonto, personkonto med utlandsservice, PlusGirokonto/ePlusGirokonto privat med företagstjänster or utlandslönekonto.

Shareholders in SAS

Directly registered Scandinavian shareholders with a known address for SAS based on the shareholders' register kept by Euroclear Sweden as of 6 February 2014 will receive an information brochure together with an application form that shall be used for subscription. Nominees will be informed in order to notify their clients who are also shareholders in SAS about their possibility to participate in the Offering. In case of over-subscription, eligible existing shareholders in SAS who participate in the Offering may receive preferential treatment in the allocation of preference shares. In this case, a minimum allotment of 20 preference shares will be made to existing shareholders in SAS.

Applications must be received by Nordea no later than 5.00 p.m. CET on 19 February 2014. Application forms that are delivered by mail must be sent in due time in order to be received by Nordea before the end of the application period. Note that certain bank offices close before 5.00 p.m. CET.

Allotment

The allotment of preference shares will be based on demand and will be determined by the Board of Directors of SAS in consultation with Carnegie, Nordea and SEB, whereby the goal will be to achieve a strong institutional ownership base and a broad distribution of preference shares among retail investors in order to facilitate regular and liquid trading in SAS preference shares on NASDAQ OMX Stockholm.

The Institutional Offering

Allotment to the institutions submitting expressions of interest will take place on a fully discretionary basis.

Information regarding allotment and payment

Institutional investors are expected to receive information on or about 24 February 2014 in a particular order regarding the allotment, whereupon contract notes are dispatched. Full payment for allotted preference shares shall be paid in cash against delivery of interim preference shares no later than 28 February 2014 according to the specifications on the contract notes. Note that payment can only be done in SEK.

Investors in certain unqualified jurisdictions

The allotment of preference shares to investors outside the EES may be subject to securities legislation in such countries. SAS reserves the right, after their own decision, to annul applications for subscription that SAS or their advisors consider may risk breaching or neglecting laws, rules or regulations in any jurisdiction. See also section *Important information*.

The Public Offering

The allotment does not depend on when the application is submitted during the application period. Allotment will involve a minimum of 20 preference shares and thereafter in even lots of 10 preference shares. In the event of oversubscription, it is possible no allotment will be made or fewer preference shares than applied for will be allotted, in that allotment may wholly or partly be made by random selection. Applications from shareholders in SAS as well as certain customers of Carnegie, Nordea, and SEB may be considered separately in the event of oversubscription. Allotment can be made to employees of Nordea and SEB, however, without prioritizing these persons. Allotment, in such cases, will take place in accordance with the rules of the Swedish Securities Dealers Association and the regulations of the Swedish Financial Supervisory Authority.

Information regarding allotment and payment

As soon as possible after allocation, contract notes will be dispatched on or about 25 February 2014. Those who have not been allotted any preference shares will not be notified.

Those who have applied through Nordea will be able to receive information about allotment as of 9.00 a.m. CET on 25 February 2014 by contacting Nordea Issuer Services on telephone number +46 8 534 92 150. Those who have applied through their nominee will not receive any contract note from Nordea. Payment shall in such case be made in accordance with instructions from the nominee.

Full payment for allocated preference shares shall be received by Nordea no later than on the settlement date 28 February 2014 in accordance with instructions on the contract note. Note that payment can only be done in SEK.

For clients with Nordea, funds will be deducted from the stated bank account or securities depository account/Investeringssparkonto with Nordea on the settlement date 28 February 2014 or such later date resulting from a potential prolongation of the application period. Nordea has the right to deduct funds from the stated bank account or securities depository account/Investeringssparkonto corresponding to the number of preference shares in the application or such lower number of preference shares that may have been allotted in case of oversubscription.

Subscribers who are allotted preference shares, but who in the application to Nordea have not stated a special bank account or securities depository account/Investeringssparkonto with Nordea, will receive a payment instruction and payment slip together with the contract note.

Interim preference shares

Since the Offering only comprises newly issued preference shares, subscribers who have received allotment and made full payment will have so called interim shares ("BTA") registered on their service account/VP account or securities depository account. The newly issued preference shares will be registered as BTA until all preference shares issued in the Offering have been registered with the Swedish Companies Registration Office (Bolagsverket), where after BTA will automatically be converted into preference shares. The BTA will not be listed and no organized trading at Nasdaq OMX Stockholm will take place.

Registration of allotted interim preference shares

Once full payment has been made for allotted preference shares and such payment has been registered by Nordea, BTA will be registered on the subscriber's service account/VP account or securities depository account with their bank or nominee starting on or about 28 February 2014. This may, depending upon where, how and at what time during the day payment is done, take two to three banking days from the time of payment.

As confirmation of registration of BTA, Euroclear Sweden will dispatch a securities notice showing the number of BTA in SAS which have been registered to the receiver's service account/VP account. Notification to subscribers whose holdings are nominee-registered will take place in accordance to the practices of each nominee.

The preference shares will be registered as BTA until the Offering has been registered with the Swedish Companies Registration Office (Bolagsverket). Such registration is expected to occur on or around 5 March 2014. BTA:s will thereafter automatically be converted into preference shares on the subscriber's service account/VP account or securities depository account. This is expected to take place on or around 7 March 2014. No securities notice regarding such conversion will be dispatched from Euroclear Sweden.

Incomplete or missing payments

Note that if full payment is not received in time or, in applicable cases, if necessary funds are not available at the stated bank account or securities depository account/Investeringssparkonto with Nordea, allotted shares may be transferred to another party. Should the price in the event of such a transfer be less than the price set by the Offering, those who originally received allotment of preference shares will bear the difference.

Conditions regarding completion and right to withdraw the Offering

The Offering is conditional upon the Annual General Meeting in SAS 18 February 2014 to resolve on amendment of the Articles of Association in order to enable the issue of preference shares and that the Board of Directors is authorized until the Annual General Meeting 2015 to resolve upon an issue of up to 7,000,000 preference shares.

The Board of Directors of SAS, in consultation with Carnegie, Nordea and SEB, reserves the right to withdraw the Offering in case events occur that have such a material adverse effect on the Company which makes it inappropriate to execute the Offering or in case other circumstances render it impossible to execute the Offering. If the Offering is withdrawn, this will be made public through a press release at the latest on 24 February 2014 and applications received will be disregarded and any received payments will be returned.

The Board of Directors of SAS, in consultation with Carnegie, Nordea and SEB, will not execute the Offering in case it deems that an appropriate trading in the preference shares will not be achievable.

Announcement of outcome of the Offering

The final outcome of the Offering is expected to be announced through a press release on or about 24 February 2014.

Listing on the stock exchange of the preference shares

The Board of Directors of SAS has applied for listing of the Company's preference shares on NASDAQ OMX Stockholm. Under the assumption that NASDAQ OMX Stockholm will approve SAS application, trading in the company's preference shares is expected to begin on or about 7 March 2014.

Right to dividend on the preference shares

Dividend is distributed according to the resolution of the general meeting of shareholders. This is handled by Euroclear Sweden or in the case of nominee-registered holdings, in accordance to the practices of each nominee. Right to dividend vest in persons registered as holders in the preference share register maintained by Euroclear Sweden on the record day determined by the shareholders' General Meeting. The first record date after the Offering for such a dividend is 5 May 2014. Regarding deduction of Swedish preliminary tax, see section *Tax issues*. See also sections *The preference share in brief* and *Articles of Association*.

Voting rights

Each preference share carries one tenth (1/10) of a vote.

Redemption clause

The preference shares are subject to a provisions on redemption according to the Articles of Association. See also sections *The preference share in brief* and *Articles of Association*.

Miscellaneous

Nordea's receipt and handling of applications forms does not result in any client relationship between investors of the Offering and Nordea. A client relationship may occur between an investor and Nordea if

Nordea has advised the investor regarding the Offering or has contacted the investor individually regarding the Offering. The consequence of Nordea not viewing an investor of the Offering as a client is that the rules regarding protection of investors under the Securities Markets Act will not be applied at the investment. This means that neither the so called client classification nor the suitability assessment will be applicable regarding the investment. The investor is thus solely responsible for having sufficient experience and knowledge to understand the risks involved with the investment.

Information regarding handling of personal data

Those who subscribe for preference shares in the Offering will submit personal data to Nordea. Personal data submitted to Nordea will be handled in IT systems to the extent necessary in order to provide services and administer client engagements. Even personal data that is collected from others than the client in question may be handled. It may also be the case that personal data is handled in IT systems by corporations or organizations with which Nordea cooperates. Information regarding handling of personal data can be obtained from Nordea's bank branch offices, which are also accepting requests for correction of personal data.

Special instructions for subscribers in Denmark

The preference shares are not intended to be listed on NASDAQ OMX Copenhagen and further not registered with the central securities depository in Denmark, VP Securities. It will only be possible to subscribe, pay and trade the preference shares in SEK. Dividend will only be paid in SEK.

Danish custodian institutions have been informed in order to be able to notify their clients who are existing holders of ordinary shares in SAS about the possibility of participating in the Offering. In case of over-subscription, eligible existing holders of ordinary shares in SAS who participate in the Offering may receive preferential treatment in the alottment of preference shares. In this case, a minimum allotment of 20 preference shares will be made to existing shareholders in SAS.

All directly registered shareholders with a known address for SAS based on the shareholders' register kept by VP Securities as of 5 February 2014 will receive a letter with instructions.

Subscribers among the public in Denmark who would like to participate in the Offering should contact their respective local Danish custodian bank or institution for information on which type of securities depository account that can be used and how to submit a subscription through the Danish custodian. A subscriber who does not have a Danish securities depository account through which Swedish preference shares, denominated in SEK and registered with Euroclear Sweden can be held must contact a Danish custodian bank or institution in order to open an account before application for subscription is made. Please note that this may take some time. Please also note that application and payment shall take place in accordance with the agreement with, and the rules and procedures of, the relevant custodian and that the last date for submission of application may be earlier than the end of the application period.

A person in Denmark who has a Swedish VP-account, service account or nominee account with a Swedish bank or other Swedish financial institution may follow the procedures set out above in this section *Terms and instructions* instead.

Special instructions for subscribers in Norway

The preference shares are not intended to be listed on Oslo Børs and further not registered with the central securities depository in Norway, VPS. It will only be possible to subscribe, pay and trade the preference shares in SEK. Dividend will only be paid in SEK.

Norwegian custodian institutions have been informed in order to be able to notify their clients who are existing holders of ordinary shares in SAS about the possibility of participating in the Offering. In case of over-subscription, eligible existing holders of ordinary shares in SAS who participate in the Offering may receive preferential treatment in the allotment of preference shares. In this case, a minimum allotment of 20 preference shares will be made to existing shareholders in SAS.

All directly registered shareholders with a known address for SAS based on the shareholders' register kept by VPS as of 5 February 2014 will receive a letter with instructions.

Subscribers among the public in Norway who would like to participate in the Offering should contact their respective local Norwegian custodian bank or institution for information on which type of securities depository account that can be used and how to submit a subscription through the Norwegian custodian. A subscriber who does not have a Norwegian securities depository account through which Swedish preference shares, denominated in SEK and registered with Euroclear Sweden can be held must contact a Norwegian custodian bank or institution in order to open an account before application for subscription is made. Please note that this may take some time. Please also note that application and payment shall take place in accordance with the agreement with, and the rules and procedures of, the relevant custodian and that the last date for submission of application may be earlier than the end of the application period.

A person in Norway who has a Swedish VP-account, service account or nominee account with a Swedish bank or other Swedish financial institution may follow the procedures set out above in this section *Terms and instructions* instead.


SAS
Scandinavian
Airlines
OY-KBL

Market overview

The prospectus contains certain market and industry data from third parties. Although the information has been accurately reproduced and SAS considers the sources reliable, SAS has not independently verified the information why its accuracy and completeness cannot be guaranteed. As far as SAS is aware and can confirm through comparison with other information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. SAS's market position is described in some places in the prospectus. This information is based on the SAS turnover and/or ASK and number of passengers in relation to SAS's assessment of current market size and competitors' turnover and/or ASK or number of passengers.

While on the one hand, the airline industry is characterized by intense competition and stringent streamlining requirements, it is also characterized by healthy growth. Continuous efficiency enhancements in combination with the liberalization of the industry in the 1990s contributed to fundamental changes in the airline industry.

New business models have required existing airlines to implement additional streamlining measures. The pressure to continue enhancing efficiency is also expected to continue characterizing the industry moving forward. In parallel, the airline industry has posted healthy growth for many years. Since the 1970s, global airline traffic has risen by approximately 6% per year and, moving forward, continued advantageous growth is expected of about 5% each year. In 2013, the Scandinavian air travel market is expected to turnover slightly more than SEK 70 billion.

Air travel market in the nordic region

SAS provides passenger air services in a comprehensive Nordic, European and intercontinental route network. SAS's home market is the airline market in the Nordic region with about 25 million inhabitants, and hubs at Kastrup (Copenhagen), Arlanda (Stockholm) and Gardermoen (Oslo) are the core of the route network.

In relation to its population, the Nordic market is relatively large compared with the rest of Europe. In the Nordic region, each person flies almost four times per year compared with about two times per year in the rest of Europe.

In particular, it is the short-haul routes that people in Scandinavia choose to fly to a greater extent than people in other parts of Europe and the world. Key reasons for this are the relatively long distances in the Nordic region, difficult topography, relatively small towns and the fact that the Nordic Region is largely surrounded by sea, which makes other forms of transport time-consuming. Accordingly, short-haul flights are the core business and main focus for SAS. This is also a business that SAS primarily operates itself, unlike many network airlines in Europe who have outsourced parts of European production to their own LCCs or production companies. The restructuring program allows SAS to create the necessary operational conditions to compete competitively with LCCs in Europe and in the expanding leisure travel market.

In Europe, the increase in air travel has been weaker due to the economic crisis afflicting the majority of countries. However, Scandinavia has been relatively unscathed by the crisis and, accordingly, SAS has noted increased demand for air travel. General economic concerns have a negative impact on ticket prices and demand since companies have applied more restrictive travel policies.

Continued growth is expected on long-haul routes. In line with global economic growth, a realignment in global travel is ongoing in favor of Asia and Africa. Europe and North America are more mature and stable markets. Leisure travel is growing more rapidly than business travel. An underlying reason for the above is that physical business meetings are increasingly being replaced by digital meetings and digital communication.

Liberalization and increased competition

Liberalization of the air travel market in the Nordic region started at the beginning of the 1990s. Formal liberalization of the Swedish domestic market took place in 1992. The Norwegian and Danish markets were liberalized in 1994 and 1995. By the mid-1990s, all companies from EU/EEA countries were free to establish air traffic services in Scandinavia.

New regulations are constantly being introduced in the airline industry, such as, changed passenger and emission rights, which require investments and adaptations. Liberalization of the airline industry means that more airlines from different continents can compete.

New business models, such as LCCs have arisen. The impact from LCCs on existing network airlines differs according to the network, offering and airports used. Many new LCCs means that the total market has grown and existing airlines have continued to fly at, largely, unchanged volumes. New, more efficient business models have also put pressure on existing airlines and required additional efficiency enhancements since the turn of the century.

Competition in Europe remains intense, which is illustrated by the low EBIT margins expected by airlines in Europe in 2013. Enhanced efficiency and a slightly more stable European economy meant that in December 2013, IATA projected an improvement in net earnings for airlines in Europe in 2014 to USD 3.2 billion.

In response to increased competition in Europe, there are clear signals that the major traditional airlines are attempting to streamline their operations and outsource short-haul routes to smaller, regional, wholly or part-owned companies with the aim of lowering their costs. On long-haul routes, the major airlines are consolidating through the formation of joint venture companies with the objective of increasing efficiency and enhancing the customer offering.

SAS's main competitors in the intra-Scandinavian market, including domestic flights in Norway, Denmark and Sweden, are the Norwegian Air Shuttle, Malmö Aviation and Aerospace Sweden. On routes between Scandinavia and Europe, Scandinavian Airlines competitors include easyJet, Air France-KLM, British Airways, easyJet, Finnair, Easyjet and Air Berlin. On the intercontinental market Scandinavian Airlines meet stiff competition from international airlines, such as Finnair, Air France-KLM, British Airways and Delta Air Lines. Competition on intercontinental routes has also increased from airlines based in the Middle East and from the Norwegian Air Shuttle. Scandinavian Airlines' share of intercontinental air traffic to and from Scandinavia is just over 30%, over 1.4 million passengers per year.

Enhanced balance between supply and demand

Since 2000, capacity growth in the Group's home market has primarily stemmed from LCCs. Since 2010, indications point to growth leveling off and LCCs' total share of capacity stagnating. Through SAS enhanced cost base, there are better conditions for SAS to compete with LCCs in their more traditional leisure travel segment.

Capacity and traffic trends

The enhanced efficiency of the airline industry means that leisure travel has become more affordable. This, in combination with greater utilization of digital meeting forms by businesses, means that IATA expects close to 80% of market growth by 2020 to stem from leisure travel.

Capacity and traffic trends 2013

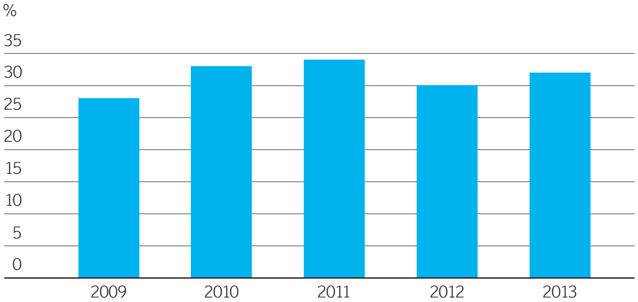
Flight capacity increased on a global basis by 6–7% in 2013 according to IATA. In Europe the increase was 2–3%. The trend in Europe differed between markets. Capacity rose about 1% in Southern Europe, about 2% in Central Europe and about 8% in Northern Europe.

Capacity growth in Northern Europe exceeded Scandinavian Airlines' growth of 6%. Moving forward, Airbus and Boeing project that global traffic will increase about 5% by 2030 and about 3% in Europe.

In 2014, capacity in Scandinavia is expected to grow. SAS plans to increase scheduled capacity by 3–4% in the fiscal year 2013/2014.

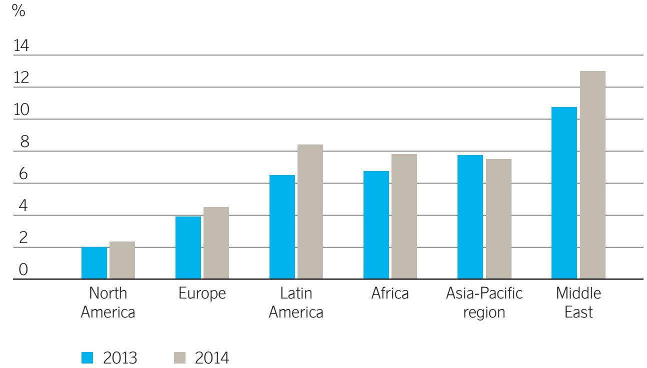
Examples of European network airline companies that outsource production in Europe to LCCs

LCCs' share of capacity in the Nordic market

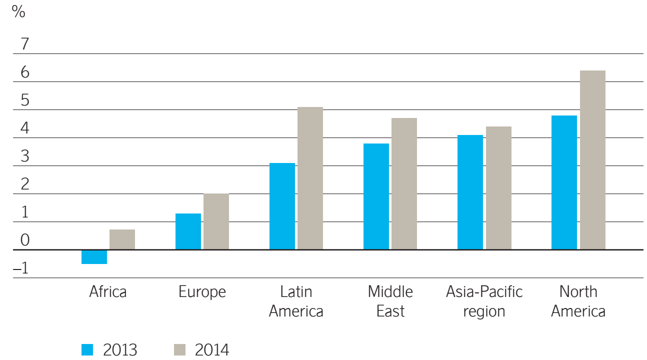


Source: APG

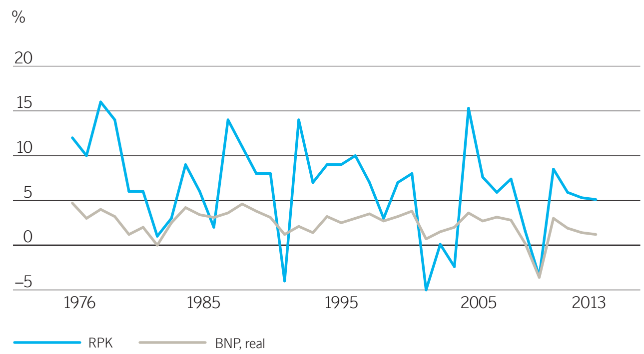
Passenger traffic (RPK) % change, IATA forecast



EBIT margin, IATA forecast



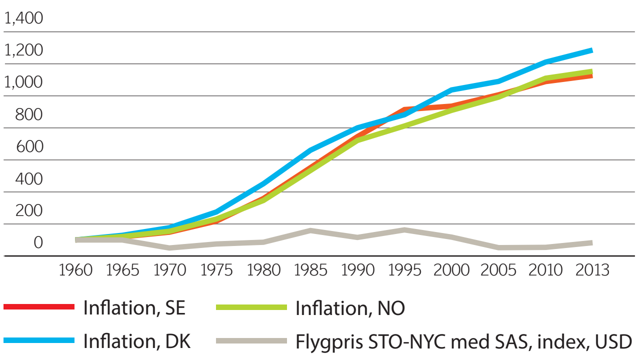
GNP and passenger traffic (RPK) growth, 1976–2013



The correlation between the trends for GNP and air travel illustrates that, historically, air travel has grown at slightly more than twice the pace of GNP. In addition, during economic downturns, air travel has declined faster than GNP.

Ticket prices compared with the consumer price index, 1960–2013

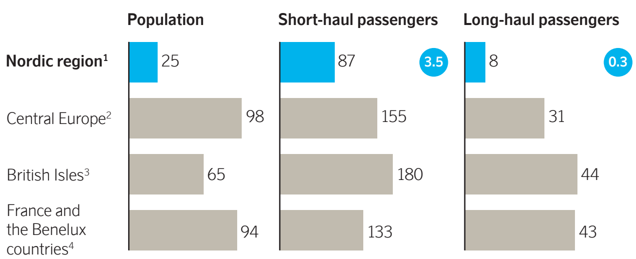
Index = 100 year 1960



Source: Statistics Sweden, Statistics Norway, Statistics Denmark and SAS

Share of short-haul passengers in the Nordic region

Million

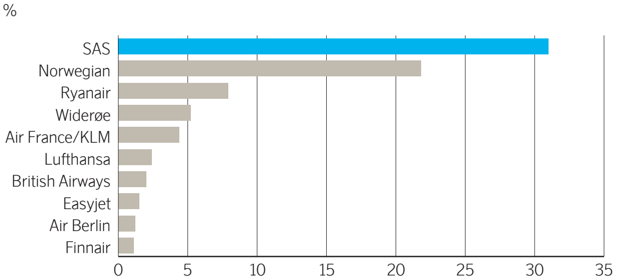


1) Nordic region = Denmark, Finland, Norway and Sweden 2) Central Europe = Germany, Austria and Switzerland 3) British Isles = UK and Ireland 4) Benelux countries = Belgium, Luxembourg and the Netherlands

Source: PaxIS 2009; Airports Council International; Global Insight-WMM

Kapacitetsandel till/från och inom Skandinavien, helåret 2013

%



Source: APG

Policy framework for civil aviation

Political and administrative decisions at national or EU level have a major strategic and economic significance for the airline industry. Extensive effort is invested to influence these developments, both by SAS and by our trade organizations IATA and AEA.

The IATA and AEA trade organizations

The airline industry attempts actively to influence civil aviation regulation through the IATA and AEA bodies, to the benefit of the entire industry and the airlines' customers. The International Air Transport Association (IATA) is a global organization with 240 member companies (84% of all global air traffic). The IATA has a central role through its contact with government agencies worldwide. The Association of European Airlines (AEA), based in Brussels, acts as the contact for European airlines with the EU's institutions. Currently, the AEA has 29 member companies. SAS is a member of both the IATA and the AEA, and the President and CEO of SAS was elected to the boards of both organizations in 2013.

Developments in the EU in 2013

Since 2012, all air traffic to, from and within the EU has been included in the European emissions trading system (ETS). However, heavy criticism from a large number of non-EU states, resulted in a decision to exempt traffic to and from the EU until recognition of a global solution for the issue under the International Civil Aviation Organization (ICAO). At the October 2013 ICAO conference, an agreement was reached to prepare a global system for market-based measures, for approval at the next conference in 2016 and implementation in 2020. New compromises on this issue continue to be discussed in the EU system.

During the year, the European Commission presented a proposed revision of Regulation 261/2004, which governs compensation and assistance to passengers in the event of delays and denied boarding. The proposal entails some measure of relief for the industry while posing problems in other areas. The final outcome is expected to be at hand after a parliamentary hearing in 2014.

Faced with the difficulties in implementing a Single European Sky, the Commission has presented a new package of measures aimed at accelerating the process. The proposal, which involves the transfer of certain management and control functions to supranational bodies, has been met with considerable skepticism by many member states. However, the airline industry deems it entirely necessary to meet future traffic flow trends and reduce the cost of air traffic control.

Towards the end of the year, a proposal was presented to regulate state and regional support to airports and from airports to airlines due to the extensive support provided to many regional airports around Europe and consequent distortion of competition. Direct support is also provided by state/municipal airports to airlines without any transparency. The guidelines are aimed at ensuring equal competition and are expected to apply from early 2014.

The Cape Town Convention

The Cape Town Convention standardizes transactions pertaining to mobile equipment (including, aircraft equipment). The Convention creates international standards for the registration of ownership, collateral and security as well as various legal procedures in the event of a suspension in payments. The Convention has been ratified by some fifty states, including Norway. SAS has proposed that Denmark and Sweden ratify the Convention, since it enables more advantageous terms to be obtained when financing items including aircraft and engines.

EuroBonus points on domestic Norwegian flights
Following a protracted legal and political process, in May 2013, the Norwegian government decided that the ban on loyalty programs on domestic Norwegian routes should cease with immediate effect.

Creative employment terms
“Flagging” has become more prominent in the Scandinavian airline industry during the past year, with several of the Group’s closest competitors at the forefront. The issues around outsourcing are of fundamental importance and concern, since this enables Scandinavian legislation pertaining to employment terms, taxes and social security expenses to be circumvented, and undermines the principle of equal competition. The issue has been noted at both national and EU level but no concrete measures are yet in place.

Infrastructure costs
Unlike other forms of transport, the airline industry defrays all of the costs for using its infrastructure through fees paid for access to airports and air traffic control services. During the fiscal year 2012/2013, Scandinavian Airlines’ infrastructure costs amounted to MSEK 7,348. Part of the cost is charged to the Group’s earnings and the remainder is paid by passengers to the respective suppliers via the airline. The monopoly structure of suppliers means that airlines often find themselves in an unequal battle when trying to reduce the fees.

Air traffic rights and takeoff/landing rights (known as slots)
For an airline to operate commercial air traffic, it must have both air traffic rights and slots. Air traffic rights are permits to conduct air traffic between two (or more) countries that have been negotiated by individual states or at EU level. Air traffic within the EU and between the EU and the US is now, essentially, fully liberalized. Slots are allocated ahead of each season (summer and winter) at each individual airport in line with rules established at IATA and approved by governing bodies, essentially, in the entire world. Slots are allocated by an independent coordinator. Priority is given to airlines that have previously used a specific arrival/departure time. Slots at airports with heavy traffic loads, for example, London Heathrow, can have a substantial commercial value and a certain degree of secondary market trading takes place. The European Commission has proposed a set of rules and regulations for this trading.

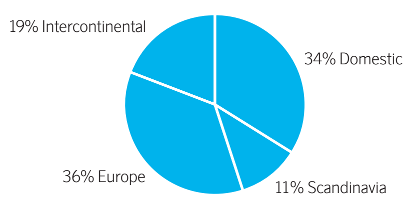
Description of operations

Overview

SAS is the Nordic region's largest airline offering passenger flights in an extensive Nordic, European and intercontinental network. The hub airports Kastrup, Arlanda and Gardermoen constitute the backbone of SAS's proprietary network with their corresponding strategic locations in the vicinity of Copenhagen, Stockholm and Oslo. The network is designed to connect the extensive regional network in the Nordics to important destinations in North America and Asia. SAS maintains strong market positions within business traveling in particular, as transits at the hub airports limits the time passengers spend in transfer and European business travelers are able to make their roundtrips in one day.

During 2012/2013, the average number of employees in the SAS Group was 14,127. Scandinavian Airlines and the production unit Blue1, together constituting SAS's carrier operations, transported 27.7 million passengers, including Widerøe and charter, during 2012/2013. Scandinavian Airlines completed on average 791 flights per day to 120 destinations. Scandinavian Airlines also include SAS Cargo, SAS Ground Handling (90%) and the production unit Blue1.

Geographical distribution, passenger revenue 2012/2013



Source: SAS Annual Report 2012/2013

History

SAS was founded as a Scandinavian airline in 1946 by national aircraft companies owned by the governments of Denmark, Norway and Sweden. In the same year, SAS operated its first intercontinental flight from Stockholm to New York. On 8 February 1951, SAS was reorganized into a single entity, Scandinavian Airlines System Denmark – Norway – Sweden ("SAS Consortium"), owned by limited liability companies that are now known as SAS Danmark, SAS Norge AS and SAS Sverige AB (together, the "Constituent Companies"). By 1980, each of SAS Danmark A/S, SAS Norge AS and SAS Sweden AB were listed on the Copenhagen, Oslo and Stockholm stock exchanges respectively, and each of the Constituent Companies were 50% owned by their respective governments and 50% owned by private interests.

In 2001, SAS completed a restructuring by creating a holding company for the Group when SAS as a holding company made three parallel public offers to the shareholders of each of the Constituent Companies to exchange their shares for the same number of newly issued shares in SAS. As a result, SAS currently holds 100% of the shares in each of the Constituent Companies. On July 6 2001, SAS was listed on the Stockholm Stock Exchange (now known as NASDAQ OMX Stockholm) with secondary listings in Copenhagen and Oslo.

Important events since 2001

2001	The events of September 11 affected the airline industry adversely. Aircraft wreckage at Milano's airport Linate. The European Commission imposed significant fines on the SAS Group and Maersk Air for breach of the EU rules on competition.
2002	SAS acquired majority control over Spanair S.A. and acquired Aeronautical Services Group (that changed name to European Aeronautical Group).
2003	SAS acquired 49% of the shares in Estonian Air.
2004	Scandinavian Airlines Danmark, Scandinavian Airlines Norge and SAS Scandinavian Airlines Sverige was incorporated as a subsidiary to the SAS consortium.
2005	SAS sold European Aeronautical Group, Jetpak Group, 67% of SAS Component Technologies and 25% of Rezidor SAS.
2006	The European commission initiated an extensive investigation of alleged breaches of competitive law within the aircraft business. The Rezidor Hotel Group was listed on the stock exchange and SAS sold its majority stake in connection with the listing.
2007	SAS sold its remaining stake in Rezidor Hotel Group. SAS took the aircraft model Dash 8 Q400 out of traffic due to incidents with the landing gear.
2008	SAS Media and SAS Facility Management and air Baltic were divested. A MD-82 belonging to Spanair was wrecked at take-off from Madrid.
2009	SAS launched the Core SAS strategy. In order to facilitate implementation of Core SAS, a rights issue of approximately SEK 6 billion was completed. The Group finalized its sale of Spanair and divested its holdings in bmi.
2010	In order to further strengthen the financial position and complete Core SAS, a rights issue of approximately SEK 5 billion was completed. Large parts of the European airspace was closed in April due to volcanic eruption on Iceland.
2011	The strategy plan 4Excellence was launched.
2012	The restructuring program 4Excellence Next Generation was launched in order to improve profitability and secure long-term financial preparedness. The Board of Directors of Spanair filed for bankruptcy and SAS reserved SEK 1.7 billion in the 2011 annual statements for outstanding claims.
2012/2013	New collective bargaining agreements that decreased the costs and enabled an increased productivity and new pension plans that reduced the pension obligations which amounted to SEK 19 billion. SAS divested 80% of Widerøe and 10% of SAS Ground Handling.

Business plan, goals and strategy

SAS's goal is to create value for customers while at the same time establishing SAS as a profitable airline in the long-term.

Focus is on the Scandinavian home market.

About 2 million of Scandinavia's approximately 20 million inhabitants make five or more return flights per year. This group constitute close to 70% of the total air travel market in Scandinavia. A shared trait of this group is that they value their time and want simple and efficient travel solutions. They are located in major cities as well as smaller towns, are well-educated, interested in technology and large consumers of media. Those who often travel for business also often travel in private. Around 1.7 million passengers of these passengers chose to travel with SAS at least once in 2013.

The frequent traveler:

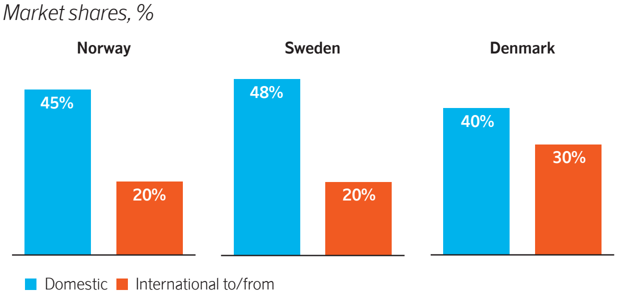
- At least five return trips per year
- Values time and ease
- Requires the same service whether traveling on business or for pleasure
- Represents about 70% of the Scandinavian travel market

The Nordic airline market is characterized by its short-haul routes which demand cost efficiency to a greater extent than for airlines in other regions. SAS has made great advances through the restructuring programs 4Excellence and 4XNG and is continuously optimizing the operations to be able to offer the passengers the best solution. These reforms allow SAS to create the necessary operational conditions to competitively contest the traditional network companies as well as LCC companies. SAS's goal is to always be the natural choice for the frequent travelers.

In 2013, SAS maintained market shares for international flights of approximately 20% in the Norway and Sweden, while the share in Denmark was closer to 30% for international flights. Market shares for domestic flights in Norway, Sweden and Denmark, amounted to 45%, 48% and 40% correspondingly.

Scandinavian Airlines market shares 2013, based on total passengers

Market shares, %



Source: SAS Annual Report 2012/2013

Services and product offering

SAS's customer offering revolves around value creation through focusing on simplicity, accessibility and time savings for SAS's target customers. The frequent travelers are therefore also the ones who value SAS's offering the most.

SAS endeavors to facilitate and make planning, booking and making a trip easier for customers. Irrespective of whether travelling in business or for pleasure, today's travelers expect the same level of ease, clarity and efficiency. This, in turn, sets requirements for the product development process. SAS's customer offering includes, for instance, transparent pricing, simplified booking via new digital services and clear offers within the ticket concepts SAS Go and SAS Plus. Customer ease is also the reason for why SAS invests in the continued development of its loyalty program EuroBonus, which aims to strengthen the offering to the frequent travelers even further, with more advantages and opportunities. SAS has also made an effort to simplify check-in and security procedures, upgraded lounges and launched a new on-board concept.

Accessibility is primarily offered through SAS's extensive proprietary route network and global reach via Star Alliance. More frequent departures to competitive prices during the entire year is a factor to why a greater share of the business travelers now also choose to fly with SAS on their spare time. To improve the offering to this key group, also in their leisure travelling, SAS have further expanded the network through the addition of leisure destinations and increased capacity, with over 6,000 departures during 2012/2013 on both new and existing routes.

SAS offers a compact time table, with almost 800 departures per day, which together with good punctuality offers a competitive edge for passengers with strict requirements for limiting time spent on travel. SAS's range of destinations varies over the season to meet the travel needs of frequent travelers and to ensure the year round relevance of the offering. The core network is therefore supplemented according to season with desirable routes to the Mediterranean, the Canary Islands and the Alps. A total of 52 new routes were opened in 2012/2013, amongst other Copenhagen – San Francisco. The expansion has primarily been carried out through an improved utilization of the aircraft fleet. Following the expansion, SAS now to larger extent compete for revenues on the leisure market.

EuroBonus

The SAS EuroBonus program has evolved from being a frequent-flyer program becoming a broad loyalty program that reflects members' everyday life – when traveling and at home. Together with external partners, earning EuroBonus points is made possible on everything from flights, hotels and rental cars to shopping, insurance, electricity and groceries. New, attractive partners are continuously being added to this partnership. By rewarding EuroBonus members and simplifying their everyday life, SAS increases their loyalty, which generates increased revenue for SAS and its business partners.

Today, EuroBonus points can be used to buy regular airline tickets, for partial payment of journeys, to shop at the EuroBonus online shop, purchase food and beverages on-board, buy gift vouchers at restaurants, stores, theme parks and much more. After only a few journeys or purchases with SAS partners, EuroBonus members are able to use their points.

The number of EuroBonus members is steadily on the rise. As of 31 October 2013, the program had 3.2 million members, up 214,000 year-on-year.

No. EuroBonus members, (1,000)

	Oct. 2013	Change	Oct. 2012	Change	Dec. 2011
Number of members, total	3,153	7.3%	2,939	4.0%	2,826
of which in Sweden	947	9.2%	867	6.3%	816
of which in Norway	897	12.8%	795	5.3%	755
of which in Denmark	603	5.2%	573	2.3%	560
of which in Finland	244	–1.6%	248	0.4%	247
of which in international	462	1.1%	457	2.0%	448
Total number of gold member	80	8.1%	74	12.1%	66
Total number of silver member	143	14.4%	125	–2.3%	128

In 2014, SAS launched certain major improvements to the EuroBonus program. The improvements comprise expanding the number of member benefits (for instance introducing a new EuroBonus level, EuroBonus Diamond), increasing the number of partners and products that simplify travel as well as earning and redeeming points.

SAS Credits

SAS's solution for small and medium-sized companies, SAS Credits, offers the companies the opportunity to (apart from earning individual bonus points) also collect Credits on behalf of the company. These may be redeemed for flights and hotel stays through the partner Rezidor Hotels. SAS Credits has grown quickly in the three years since its launch and the number of corporate contracts amounted to 35,000 as of 31 October 2013, of which 28,000 were located in Scandinavia. By the end of the fiscal year SAS Credits constituted approximately a third of SAS' portfolio of corporate contracts.

Financial targets

In conjunction with the launch of the realignment program 4XNG, SAS introduced new financial targets to reflect a business with decreasing fixed costs, improved profitability and cash flow, and a reduced balance sheet.

Financial targets	Level
Profitability: Operating margin (EBIT)	>8%
Equity / assets ratio	>35%
Financial preparedness: Cash and cash equivalents and unutilized credit facilities / fixed costs	>20%

4Excellence Next Generation

4Excellence was launched in September 2011. The program generated positive results but three main challenges remained, above all costs and flexibility, financial preparedness and shareholders' equity.

To meet the challenges SAS launched the realignment program 4Excellence Next Generation (4XNG), with the purpose of addressing the structural and financial limitations in SAS's operations. The restructuring program comprises a number of structural efficiency measures such as new collective agreements and pension terms, centralization and outsourcing of the administration, IT restructuring, and asset sales, to reduce the dependency on credit facilities. Going forward, the program aims to enable SAS, to efficiently compete in the growing leisure market while also maintaining competitiveness in the important business travel market.

The measures taken within the framework of the realignment program 4XNG are summarized in the following table:

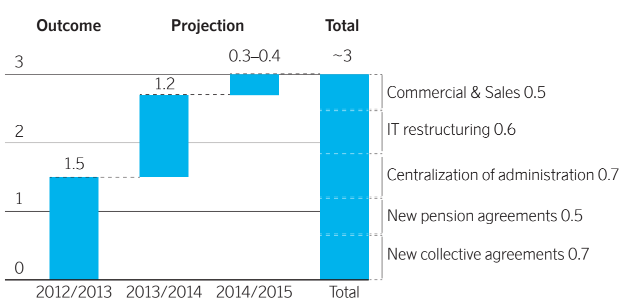
Measures	Area		
	Costs	Flexibility	Liquidity
New collective agreements	✔	✔	
Outsourcing ground handling, customer service and administrative functions		✔	
Centralisation and reduction of administration	✔		
New defined contribution pension terms	✔		✔
IT restructuring and savings	✔	✔	
Asset sales			✔

4EXCELLENCE NEXT GENERATION

Overall, the aim is to implement cost reductions of about SEK 3 billion in the period from 2013 to 2015, to reduce the impact of changed pension accounting standards on shareholders' equity and to divest assets and implement a funding plan comprising a total of approximately SEK 3 billion. Widerøe, a Norway-based airline offering regional flights, was until 30 September 2013 a wholly owned subsidiary of SAS, when 80% was sold in a first step. During the year SAS also entered a letter of intent to divest SAS Ground Handling to Swissport. In a first step 10% of the business was divested to Swissport in October 2013.

Performance and forecast, 4XNG

(SEK billion)



4XNG is estimated to have positively impacted profitability for SAS by about SEK 1.5 billion in 2012/2013.

Scandinavian Airlines

Airline operations

Scandinavian Airlines includes the Group's passenger transport operations through the brands SAS and Scandinavian Airlines, mainly flying to, from and within Norway, Denmark and Sweden.

Scandinavian Airlines continuously adjusts its routes and timetable to meet the changed requirements pertinent to the markets SAS operate in. Scandinavian Airlines is the largest airline on the Scandinavian market with a market share of approximately one-third.

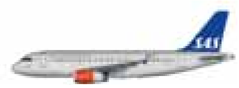
SAS Cargo and SAS Ground Handling (90%) are also part of Scandinavian Airlines.

Fleet

SAS operates a proprietary network of destinations with varying passengers volumes, traveling different distance which requires a craft with various aircraft sizes and various range for the product offering to be attractive to the frequent traveler. SAS's medium and short haul fleet strategy is based on having aircrafts of various sizes, ranging from 50 to about 200 seats, and is thereby adapted to meet customer demand in Scandinavia.

By the end of October 2013 SAS' fleet, including Blue1 comprised 139 aircraft in operation.

The average age of the operational fleet was 10.9 years, which was a reduction of around two years compared to October 2012.

Model		No.	Range (km)	Capacity (seats)
Long-haul				
	Airbus A330/A340	11	10,100–12,800	245–264
Short/medium-haul				
	Airbus A321/A320/A319	24	3,800–5,100	141–198
	Boeing 737–600/700/800	83	2,400–4,200	123–186
Regional jets				
	Bombardier CRJ900	12	2,100	88
	Boeing 717	9	2,800	115

Other operations within Scandinavian Airlines

SAS Ground Handling

In Scandinavia, ground handling services are performed by SAS Ground Handling. Outside of Scandinavia, these services are outsourced, but carried out under the management or supervision of Scandinavian Airlines personnel.

A relatively large portion of the services provided by SAS Ground Handling consists of services that are sold to other airlines that operate in Scandinavia, such as other airlines in Star Alliance. During the fiscal year 2012/2013 SAS Ground Handling was incorporated in three different geographical entities; Sweden, Norway and Denmark. During the year, a letter of intent was signed with Swissport regarding the divestment of SAS Ground Handling. As a first step, 10% of Ground Handling was sold to Swissport in October 2013.

SAS Cargo Group

Cargo space in SAS's aircrafts is marketed and sold through SAS Cargo Group, which services the global market. SAS Cargo Group is a market leader in airmail and air-freight to, from and within Scandinavia through high quality, and competitive solutions.

Spirit

Spirit operates the Group's air cargo activities on the ground. Operationally, the company is closely aligned with SAS Cargo, but revenue is mainly attributable to external customers.

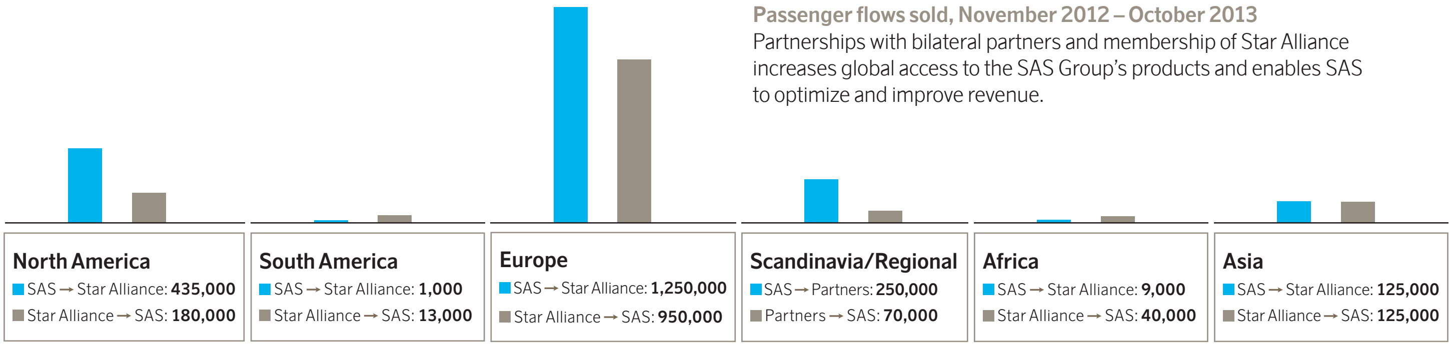
Alliances and strategic partnerships

Star Alliance

SAS is a member of Star Alliance, a co-operation constituting of 28 airlines offering 21,900 departures per day that transport about 727 million passengers per year. Star Alliance, of which SAS was a founding member in 1997, constitute the backbone of SAS's global partner and network strategy and offer SAS's clients reliable travelling over the entire world.

Through the membership in Star Alliance, SAS is able to offer customers access to a global network of destinations and convenient transfers. The co-operation also makes possible one travelling experience in which the clients can earn and use bonus points and access lounges and other time saving services. In the event of a flight being cancelled, SAS and the other members of Star Alliance have an agreement which means that shared customers are taken care of through rebooking to the final destination with the next available Star Alliance flight. This is a difference to low cost carries which are often not part of any corresponding partnership and lack access to reserve capacity.

Passenger flows sold, November 2012 – October 2013
Partnerships with bilateral partners and membership of Star Alliance increases global access to the SAS Group's products and enables SAS to optimize and improve revenue.



TAM and US Airways plan to exit Star Alliance in March 2014.

STAR ALLIANCE™

Star Alliance in brief

Member companies:	**28**	Daily departures:	**21,900**
Number of aircraft:	**4,701**	Number of airports:	**1,328**
Number of employees:	**460,238**	Number of lounges:	over **1,000**
Passengers per year:	**727** million	Countries with service:	**195**
Sales revenue (USD):	**198.98** billion		

Source: www.staralliance.com

Other partnerships
In 2013, SAS initiated a joint venture with Singapore Airlines and intensified the co-operation with Thai Airways, thereby forging even closer ties between Scandinavia and South-East Asia. The collaboration with Lufthansa has been modified, but will continue to be one of the key partnerships for SAS.

Organisation and employees

Operating structure

Simplification of the group structure continued during 2012/2013, especially following the sale of Widerøe. As a consequence, SAS has gone from having a holding company structure with several subsidiaries to being an airline organized by function. As of 31 October 2013 SAS consists of only one segment; Scandinavian Airlines.

Employees

The average number of employees within SAS is presented in the following table:

SAS employees (FTEs[1] per country)

	2012/2013 Nov–Oct	2012 Jan–Oct	2011 Jan–Dec	2010 Jan–Dec
Sweden	3,821	3,964	4,086	4,087
Denmark	4,387	4,710	4,759	4,800
Norway	5,127	5,360	5,333	5,462
Other countries	792	863	964	1,210
Total	**14,127**	**14,897**	**15,142**	**15,559**

1) The number of employees exclude discontinued operations.

SAS's average number of full-time employees amounted to 14,127 during 2012/2013, compared to an average 14,897 during the previous fiscal year, of which 1,413 and 1,328, respectively, were pilots.

Quality and security

SAS is actively working to develop its safety culture in on all levels of the organization and decrease risk exposures. Recurring evaluations show that the safety culture within SAS is good and the company is actively pursuing a leading position within the industry, operating a well-developed safety culture. Something which should be seen as a natural ambition for both SAS' customers and employees.

For more information about safety and SAS's quality and certification work, please refer to SAS Annual Report for the fiscal year 2012/2013, which is incorporated by reference in this prospectus.

Sustainability

SAS is convinced that an economically sustainable business requires a social and environmental responsibility. The environmental work is viewed as an important factor in creating value and ensuring competitiveness.

SAS strives to a sustainable and profitable development by continuously developing processes to reduce consumption of resources and making production more efficient. Such development creates value in a sustainable way, not only for the shareholders, but also for other stakeholders such as clients, employees and suppliers.

For more information on SAS's work on sustainability, environmental vision, goals, policy or program, please see SAS' Annual Report for the fiscal year 2012/2013, which is incorporated by reference in this prospectus.

Selected financial information

The following information comprises a summary of SAS's financial statements and position. The following summary of SAS's accounts should be read in conjunction with SAS's audited consolidated accounts and accompanying notes for the fiscal years: 1 January – 31 December 2010 and 2011, 1 January – 31 October 2012 and the annual report for the fiscal year 1 November 2012 – 31 October 2013, which are incorporated in this prospectus by reference. SAS's consolidated financial statements have been prepared in accordance with the EU-approved International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). Significant accounting policies are stated on pages 50–56 of the 2012/13 Annual Report. The following financial information pertaining to the periods: 1 January – 31 December 2010 and 2011, 1 January – 31 October 2012 and 1 November 2012 – 31 October 2013, has been collated from SAS's annual reports for the respective periods, which were prepared in accordance with IFRS.

At the SAS Annual General Meeting on 19 April 2012 a resolution was passed to change the fiscal year to comprise the period 1 November – 31 October instead of the calendar year. The 2012 fiscal year comprised the January – October 2012 period, that is, a period of ten months, and the 2011 fiscal year comprised the period January – December 2011, that is, a twelve-month period. The 2012 Annual General Meeting resolved that the 2012 fiscal year should be shortened to comprise the period 1 January 2012 – 31 October 2012. The aim of this change was to match the fiscal year to the Group's operations, which are conducted in two distinct periods; a winter and a summer program.

Detailed information about the accounting policies is available in Note 1 in the audited annual accounts for SAS.

The Group's condensed statement of income

MSEK	1 Nov 2012 – 31 Oct 2013	1 Jan – 31 Oct 2012	1Jan – 31 Dec 2011	1 Jan – 31 Dec 2010
Revenue	42,182	35,986	41,412	41,070
Payroll expenses		–11,584	–13,092	–13,894
Other operating expenses	–25,442	–22,105	–23,741	–25,115
Leasing costs for aircraft	–1,786	–1,342	–1,560	–1,815
Depreciation, amortization and impairment	–1,658	–1,426	–2,413	–1,885
Share of income in affiliated companies	25	32	28	12
Income from the sale of shares in subsidiaries and affiliated companies	–371	400	–	–73
Income from sale of aircraft and buildings	–118	–247	12	–239
Operating income	**1,381**	**–286**	**646**	**–1,939**
Income from other securities holdings	1	0	–1,469	–263
Financial revenue	50	96	224	174
Financial expenses	–999	–1,055	–1,030	–1,041
Income before tax	**433**	**–1,245**	**–1,629**	**–3,069**
Tax	–254	260	–58	851
Net income for the period	**179**	**–985**	**–1,687**	**–2,218**
Other comprehensive income				
Exchange-rate differences on translation of foreign operations, net after tax	–224	–29	127	–121
Cash-flow hedges – hedging reserve, net after tax	–23	–263	–445	469
Change in holdings in subsidiaries	1	–	–	–
Total other comprehensive income, net after tax	**–246**	**–292**	**–318**	**348**
Total comprehensive income	**–67**	**–1,277**	**–2,005**	**–1,870**

The Group's condensed consolidated balance sheet

MSEK	31 Oct 2013	31 Oct 2012	31 Dec 2011	31 Dec 2010
Intangible fixed assets	1,802	1,922	1,693	1,414
Aircraft	8,795	11,220	11,866	12,652
Spare engines and spare parts	147	1,349	1,367	1,393
Other tangible fixed assets	735	774	911	737
Pension funds, net	12,507	12,232	11,355	10,512
Other financial fixed assets	3,429	2,195	2,691	3,883
Total fixed assets	**27,415**	**29,692**	**29,883**	**30,591**
Expendable spare parts and inventories	361	687	705	678
Current receivables	3,101	3,586	4,789	5,043
Cash and cash equivalents	–	–	–	493
Assets held for sale	4,751	2,789	3,808	5,536
Total current assets	**8,213**	**7,062**	**9,302**	**5,698**
Total assets	**35,628**	**36,754**	**39,185**	**41,825**
Share capital	6,613	6,613	6,612	6,612
Other contributed capital	337	337	337	337
Reserves	–230	17	309	627
Retained earnings	4,367	4,189	5,175	6,862
Total equity attributed to Parent Company owners	**11,087**	**11,156**	**12,433**	**14,438**
Non-controlling interests	16	–	–	–
Total shareholders' equity	**11,103**	**11,156**	**12,433**	**14,438**
Subordinated loans	956	978	1,019	974
Bond loans	2,641	2,763	2,809	1,503
Other loans	5,054	5,260	6,179	6,866
Deferred tax liability	938	1,013	2,154	2,303
Other provisions	1,361	1,967	1,673	2,143
Other liabilities	161	130	55	143
Total long-term liabilities	**11,111**	**12,111**	**13,889**	**13,932**
Current portion of long-term loans	2,517	1,403	2,309	1,383
Short-term loans	231	411	997	1,073
Prepayments from customers	16	–	24	16
Accounts payable	1,689	1,929	1,540	1,749
Unearned transportation revenue	3,932	4,292	3,453	3,598
Current portion of other provisions	855	1,186	428	657
Accrued expenses and prepaid income	3,416	3,201	2,934	2,755
Tax liabilities	36	32	18	22
Other liabilities	722	1,033	1,160	2,070
Liabilities attributable to assets held for sale	–	–	–	132
Total current liabilities	**13,414**	**13,487**	**12,863**	**13,455**
Total shareholders' equity and liabilities	**35,628**	**36,754**	**39,185**	**41,825**

The Group's condensed cash flow statement

MSEK	1 Nov 2012 – 31 Oct 2013	1 Jan – 31 Oct 2012	1Jan – 31 Dec 2011	1 Jan – 31 Dec 2010
Cash flow from operating activities	1,028	2,562	–482	–155
Cash flow from investing activities	–233	–619	–1,524	–1,796
Cash flow from financing activities	1,171	–2,961	763	2,819
Total cash flow for the period	**1,966**	**–1,018**	**–1,243**	**868**

Financial key figures and per share data

MSEK	1 Nov 2012 – 31 Oct 2013	1 Jan – 31 Oct 2012	1Jan – 31 Dec 2011	1 Jan – 31 Dec 2010
Gross profit margin, %	8.3	2.7	7.3	0.6
EBIT margin, %	3.3	–0.8	1.6	–4.7
EBT margin before nonrecurring items in continuing operations, %	1.8	0.1	0.2	–1.1
Return on capital employed (ROCE), %[1]	6.7	–8.1	–2.2	–7.6
Return on shareholders' equity after tax, %[1]	1.7	–24.8	–12.0	–17.0
Adjusted equity/assets ratio, %[2]	23	24	26	28
EBITDA, in continuing and discontinued operations	3,503	872	3,019	246
Adjusted EBITDAR in continuing and discontinued operations	5,213	2,394	4,380	1,720
Adjusted capital employed	27,667	28,082	26,145	28,095
Cash flow return on investments, (CFROI), %	18.8	8.5	16.8	6.1
Financial net debt	4,567	6,549	7,017	2,862
Debt/equity ratio[3]	0.41	0.59	0.56	0.20
Adjusted debt/equity ratio	1.49	1.54	1.33	0.89
Interest-coverage ratio	1.4	–1.6	–0.6	–1.9
Share data				
Number of shares (millions)	329	329	329	329
Income after tax, SEK per share	0.54	–2.99	–5.13	–6.74
Cash flow from operating activities, SEK per share	3.12	7.79	–1.47	–0.47
Shareholders' equity, SEK per share	33.70	33.91	37.79	43.88
Market capitalization/shareholders' equity at year end, %	58	19	21	51
Share price at year end, SEK per share	19.50	6.45	8.00	22.50

1) Includes earnings from discontinued operations
2) Calculated including the leasing costs of continuing operations
3) Calculated based on the financial net debt

Geographic distribution of sas passenger revenues

MSEK	1 Nov 2012 – 31 Oct 2013	1 Jan – 31 Oct 2012	1Jan – 31 Dec 2011	1 Jan – 31 Dec 2010
Domestic	10,864	8,917	10,292	9,745
Intra-Scandinavian	3,384	2,928	3,453	3,368
Europe	11,449	10,089	11,340	11,683
Intercontinental	6,042	5,064	5,412	5,143
Total	**31,739**	**26,998**	**30,497**	**29,939**

Definitioner

Adjusted capital employed (AV Asset value): Total equity, plus surplus value in the aircraft fleet, plus 7 times the annual cost of operating aircraft leasing, net, plus financial net debt, less equity in affiliated companies.

Adjusted debt/equity ratio: Financial net debt plus capitalized leasing costs (x7) in relation to equity and non-controlling interests.

Adjusted equity assets ratio: Equity divided by total assets plus seven times annual operating leasing cost.

Capital employed: Total capital according to the balance sheet less noninterest-bearing liabilities.

CFROI: Adjusted EBITDAR in relation to AV.

Debt/equity ratio: Financial net debt in relation to equity and non-controlling interests.

EBIT: Operating income.

EBIT margin: EBIT divided by revenue.

EBITDA margin: EBITDA divided by revenue.

EBITDA, Operating income before depreciation: Income before net financial items, tax, depreciation, share of income in affiliated companies and income from the sale of fixed assets. Adjusted EBITDAR excludes revenue from operational aircraft leasing.

EBITDAR margin: EBITDAR divided by revenue.

EBITDAR, Operating income before depreciation and leasing costs: Operating income before net financial items, tax, depreciation, share of income in affiliated companies, income from the sale of fixed assets and leasing costs for aircraft.

EBT: Income before tax.

Equity per share: Shareholders' equity attributable to Parent Company shareholders divided by the total number of shares outstanding on the closing date.

Equity/assets ratio: Book equity plus non-controlling interests in relation to total assets.

Financial net debt: Interest-bearing liabilities less interest-bearing assets excluding net pension funds.

Gross profit margin: Operating income before depreciation (EBITDA) in relation to revenue.

Interest-coverage ratio: Operating income plus financial income in relation to financial expenses.

Net debt: Interest-bearing liabilities less interest-bearing assets.

Return on capital employed (ROCE) %: Operating income plus financial income in relation to average capital employed. Capital employed refers to total capital according to the balance sheet less non-interest-bearing liabilities.

Comments on financial development

The following information comprises a summary of SAS's financial statements and position. The following summary of SAS's accounts should be read in conjunction with SAS's audited consolidated accounts and accompanying notes for the fiscal years: 1 January – 31 December 2010 and 2011, 1 January – 31 October 2012 and the annual report for the fiscal year 1 November 2012 – 31 October 2013, which are incorporated in this prospectus by reference. SAS's consolidated financial statements have been prepared in accordance with the EU-approved International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). Significant accounting policies are stated on pages 50–56 of the 2012/13 Annual Report. The following financial information pertaining to the periods: 1 January – 31 December 2010 and 2011, 1 January – 31 October 2012 and 1 November 2012 – 31 October 2013, has been collated from SAS's annual reports for the respective periods, which were prepared in accordance with IFRS.

Comparison between the period 2012/2013 (November 2012 – October 2013) and the period 2012 (January – October 2012)

The 2012/2013 fiscal year comprises a period of 12 months and the 2012 fiscal year comprises a ten-month period, which, in combination with the seasonal variations prevalent in the airline industry, impacts comparability between these two fiscal years. The following comments pertain to the main underlying reasons for the changes between the fiscal years, over and above the deviations arising from the difference in the periods' duration of ten and 12 months respectively, for the various items in the statement of income.

Furthermore, on 30 September 2013, the sale of 80% of the shareholding of Widerøe's Flyveselskap AS (Widerøe) was completed, which means that Widerøe's earnings are included for the period November 2012 to September 2013 (11 months). Accordingly, comparison of the Group's earnings for the period November 2012 to October 2013 with the January – October 2012 period was affected by the non-inclusion of Widerøe's earnings for October.

Revenue

SAS's revenue totaled MSEK 42,182 for the fiscal year ending 31 October 2013, compared with MSEK 35,986 for the fiscal year ending 31 October 2012. Passenger revenue rose due to increased traffic while the exchange-rate trend had a negative impact on revenue. During the year, exchange-rate hedging was lower than normal and, accordingly, exchange-rate exposure was higher than normal.

Payroll expenses

SAS's payroll expenses totaled MSEK 11,451 for the fiscal year ending 31 October 2013, compared with MSEK 11,584 for the fiscal year ending 31 October 2012. The airline industry is personnel-intensive and payroll expenses relative to revenue declined 5.0 percentage points from 32.2% to 27.1%. The decrease was mainly attributable to the effects of the 4XNG restructuring program, lower restructuring costs and a positive impact pertaining to pension costs, which were partly attributable to changed terms for early retirement pensions.

Other operating expenses

Other operating expenses comprised primarily jet-fuel costs, government user fees, selling costs and technical aircraft maintenance. Other expenses at SAS totaled MSEK 25,442 for the fiscal year ending 31 October 2013, compared with MSEK 22,105 for the fiscal year ending 31 October 2012. The decline in jet-fuel costs was attributable to a lower fuel price and positive currency effects. These positive effects were partly balanced by negative hedging effects and increased volumes. Other operating expenses, excluding fuel costs, rose due to increased capacity, increased maintenance costs for engines and phase-out costs for aircraft.

Leasing costs for aircraft

SAS's leasing costs for aircraft totaled MSEK 1,786 for the fiscal year ending 31 October 2013, compared with MSEK 1,342 for the fiscal year ending 31 October 2012.

Depreciation, amortization and impairment

Depreciation, amortization and impairment costs at SAS totaled MSEK 1,658 for the fiscal year ending 31 October 2013, compared with MSEK 1,426 for the fiscal year ending 31 October 2012.

Share of income in affiliated companies

The SAS share of income in affiliated companies totaled MSEK 25 for the fiscal year ending 31 October 2013, compared with MSEK 32 for the fiscal year ending 31 October 2012.

Income from the sale of shares in subsidiaries and affiliated companies

Income from the sale of shares in subsidiaries and affiliated companies at SAS totaled MSEK –371 for the fiscal year ending 31 October 2013, compared with MSEK 400 for the fiscal year ending 31 October 2012. The income was primarily attributable to a capital loss from the sale of 80% of Widerøe, which amounted to MSEK –367.

Income from sale of aircraft and buildings
Income from the sale of aircraft and buildings at SAS totaled MSEK –118 for the fiscal year ending 31 October 2013, compared with MSEK –247 for the fiscal year ending 31 October 2012.

EBIT – Operating income
As a result of the above, SAS's operating income totaled MSEK 1,381 for the fiscal year ending 31 October 2013, compared with MSEK –286 for the fiscal year ending 31 October 2012. The improvement in earnings for SAS was principally attributable to the recognition of substantial restructuring costs in conjunction with the launch of the 4XNG restructuring program in earnings for the preceding year.

Financial items
Financial items comprise income from other securities holdings, financial revenue and financial expenses. SAS's financial items amounted to MSEK –948 for the fiscal year ending 31 October 2013, compared with MSEK –959 for the fiscal year ending 31 October 2012.

Tax
The tax expense for SAS amounted to MSEK –254 for the fiscal year ending 31 October 2013, compared with a tax income of MSEK 260 for the fiscal year ending 31 October 2012. The tax expense increased due to the changed tax rate in Sweden from 26.3% to 22.0%, which resulted in a reduction in deferred tax assets linked to loss carryforwards. Earnings were also charged with capital losses that arose in conjunction with share transfers, which were non-tax-deductible.

Other comprehensive income
SAS recognized other comprehensive income amounted to MSEK –246 for the fiscal year ending 31 October 2013, compared with MSEK –292 for the fiscal year ending 31 October 2012.

Net income for the period
As a result of the above, SAS reported comprehensive income of MSEK –67 for the fiscal year ending 31 October 2013, compared with MSEK –1,277 for the fiscal year ending 31 October 2012.

Comparison between the period 2012 (January – October 2012) and the period 2011 (January – December 2011)
The 2012 fiscal year comprises a ten-month period and the 2011 fiscal year comprises a period of 12 months, which, in combination with the seasonal variations prevalent in the airline industry, impacts comparability between these two fiscal years. The following comments pertain to the main underlying reasons for the changes between the fiscal years, over and above the deviations arising from the difference in the periods' duration of ten and 12 months respectively, for the various items in the statement of income.

Revenue
SAS's revenue totaled MSEK 35,986 for the fiscal year ending 31 October 2012, compared with MSEK 41,412 for the fiscal year 2011. After adjustments for currency effects and nonrecurring items, revenue rose due to higher passenger revenue, primarily driven by increased traffic.

Payroll expenses
SAS's payroll expenses totaled MSEK 11,584 for the fiscal year ending 31 October 2012, compared with MSEK 13,092 for the fiscal year 2011. The airline industry is personnel-intensive and payroll expenses relative to revenue rose 0.6 percentage points from 31.6% to 32.2%. The increase was attributable to items including restructuring costs related to the implementation of Core SAS, 4 Excellence and 4XNG of MSEK 979 as compared with restructuring costs of MSEK 158 for the January – December 2011 period. After taking into account nonrecurring items and currency effects, payroll expenses posted a declining trend compared with the preceding year.

Other operating expenses
Other operating expenses comprised primarily jet-fuel costs, government user fees, selling costs and technical aircraft maintenance. Other expenses at SAS totaled MSEK 22,105 for the fiscal year ending 31 October 2012, compared with MSEK 23,741 for the January – December 2011 period. Jet-fuel costs rose due to the increase in volume, increased fuel prices, reduced hedging effect and a currency effect. After taking into account nonrecurring items and currency effects, payroll expenses, excluding fuel costs, were in line with the preceding year.

Leasing costs for aircraft
SAS's leasing costs for aircraft totaled MSEK 1,342 for the fiscal year ending 31 October 2012, compared with MSEK 1,560 for the 2011 fiscal year.

Depreciation, amortization and impairment
Depreciation, amortization and impairment costs at SAS totaled MSEK 1,426 for the fiscal year ending 31 October 2012, compared with MSEK 2,413 for the 2011 fiscal year. The preceding year's costs included impairment pertaining to certain types of aircraft of MSEK 725, which were impaired due to softening market values.

Share of income in affiliated companies
SAS's share of income in affiliated companies totaled MSEK 32 for the fiscal year ending 31 October 2012, compared with MSEK 28 for the 2011 fiscal year.

Income from the sale of shares in subsidiaries and affiliated companies
Income from the sale of shares in subsidiaries and affiliated companies at SAS totaled MSEK 400 for the fiscal year ending 31 October 2012. The result was attributable to the divestment of certain real estate to Swedavia at the end of June 2012. The corresponding item for the 2011 fiscal year was MSEK 0.

Income from sale of aircraft and buildings
Income from the sale of aircraft and buildings at SAS totaled MSEK –247 for the fiscal year ending 31 October 2012, compared with MSEK 12 for the 2011 fiscal year. The capital gains/losses were primarily attributable to sales of aircraft.

EBIT – Operating income
As a result of the above, SAS's operating income totaled MSEK –286 for the fiscal year ending 31 October 2012, compared with MSEK 646 for the 2011 fiscal year.

Financial items
Financial items comprise income from other securities holdings, financial revenue and financial expenses. SAS's financial items amounted to MSEK –959 for the fiscal year ending 31 October 2012, compared with MSEK –2,275 for the 2011 fiscal year. The preceding fiscal year included impairment of loans to and leasing receivables from Spanair, which were attributable to the Board of Directors of Spanair filing for bankruptcy at the start of 2012.

Tax
The tax income for SAS amounted to MSEK 260, primarily attributable capitalization of loss carryforwards for the fiscal year ending 31 October 2012, compared with a tax expense of MSEK 58 for the 2011 fiscal year.

Other comprehensive income
SAS recognized other comprehensive income in an amount of MSEK –292 for the fiscal year ending 31 October 2012, compared with MSEK –318 for the 2011 fiscal year.

Net income for the period
As a result of the above, SAS reported comprehensive income of MSEK –1,277 for the fiscal year ending 31 October 2012, compared with MSEK –2,005 for the fiscal year ending 31 December 2011.

Comparison between the period 2011 (January – December 2011) and the period 2010 (January – December 2010)

Revenue
SAS's revenue increased by MSEK 342, or 0.8% to MSEK 41,412 for the fiscal year ending 31 December 2011, compared with MSEK 41,070 for the same period in 2010. After taking into account nonrecurring items and currency effects, revenue increased MSEK 1,443, or 3.6%, primarily due to an increase in capacity (ASK) of 6.8%. RASK and yield have been adjusted for remeasurement of the EuroBonus points liability, which positively impacted revenue by MSEK 380. The preceding year's revenue was negatively impacted by a volcanic eruption in Iceland (about MSEK 700).

Payroll expenses
SAS's payroll expenses declined MSEK 802, or 5.8% to MSEK 13,092 for the fiscal year ending 31 December 2011, compared with MSEK 13,894 for the same period in 2010. The airline industry is personnel-intensive and payroll expenses relative to revenue declined 2.2 percentage points from 33.8% to 31.6%. The decrease was mainly attributable to increased productivity among cabin crew and pilots due to renegotiated collective agreements and enhanced planning procedures.

Other operating expenses
Other operating expenses comprised primarily jet-fuel costs, government user fees, selling costs and technical aircraft maintenance. Despite increased fuel costs of 31.9%, other operating expenses at SAS decreased MSEK 1,374, or 5.5% to MSEK 23,741 for the fiscal year ending 31 December 2011, compared with MSEK 25,115 for the same period in 2010. The decrease was mainly attributable to non-recurring items such as fines, restructuring costs and negative exchange rate differences in 2010 and reduced catering costs and selling costs.

Leasing costs for aircraft
SAS's leasing costs for aircraft declined MSEK 255, or 14.0% to MSEK 1,560 for the fiscal year ending 31 December 2011, compared with MSEK 1,815 for the same period in 2010.

Depreciation, amortization and impairment
Depreciation, amortization and impairment costs at SAS increased by MSEK 528, or 28.0% to MSEK 2,413 for the fiscal year ending 31 December 2011, compared with MSEK 1,885 for the same period in 2010. The cost increase was attributable to items including impairment of aircraft totaling MSEK 725 due to declining market values. In addition, an impairment of MSEK 200 was recognized for MD-90s, which was classified as a restructuring cost.

Share of income in affiliated companies
The SAS share of income in affiliated companies increased by MSEK 16, or 133.3% to MSEK 28 for the fiscal year ending 31 December 2011, compared with MSEK 12 for the same period in 2010.

Income from the sale of shares in subsidiaries and affiliated companies
Income from the sale of shares in subsidiaries and affiliated companies at SAS increased by MSEK 73, or 100% to MSEK 0 for the fiscal year ending 31 December 2011, compared with MSEK –73 for the same period in 2010.

Income from sale of aircraft and buildings
Income from the sale of aircraft and buildings at SAS increased MSEK 251, or 105.0% to MSEK 12 for the fiscal year ending 31 December 2011, compared with MSEK –239 for the same period in 2010.

EBIT – Operating income
SAS revenue increased by MSEK 2,585, or 133.3% to MSEK 646 for the fiscal year ending 31 December 2011, compared with MSEK –1,939 for the same period in 2010.

Financial items
Financial items comprise income from other securities holdings, financial revenue and financial expenses. SAS financial items increased MSEK 1,157, or 103.5% to MSEK –2,275 for the fiscal year ending 31 December 2011, compared with MSEK –1,130 for the same period in 2010. The increase was mainly due to the item income from securities holdings, which included a substantial impairment of receivables of MSEK 1,482 in 2011 compared with MSEK 0 in 2010. In 2011, an impairment was made of loans to and leasing receivables from Spanair of MSEK –1,482, which were attributable to the Board of Directors of Spanair filing for bankruptcy at the start of 2012 as compared with 2010, when an impairment pertaining to shares in Spanair of MSEK –229 was made.

Tax

The tax expense for SAS amounted to MSEK 58 for the fiscal year ending 31 December 2011, compared with a tax income of MSEK 851 for the same period in 2010.

Other comprehensive income

SAS reported a decline in other comprehensive income of MSEK 666, or 191.4% to MSEK –318 for the fiscal year ending 31 December 2011, compared with MSEK 348 for the same period in 2010.

Net income for the period

As a result of the above, SAS reported comprehensive income of MSEK –2,005 for the fiscal year ending 31 December 2011, compared with MSEK –1,870 for the fiscal year ending 31 December 2010.

Cash flow

The 2012/2013 fiscal year comprises a period of 12 months, the 2012 fiscal year comprises a ten-month period and the 2011 fiscal year comprises a period of 12 months, which, in combination with the seasonal variations prevalent in the airline industry, impacts comparability between these fiscal years. The following comments pertain to the main underlying reasons for the changes between the fiscal years, over and above the deviations arising from the difference in the periods' differing durations of 12, ten and 12 months respectively, for the various cash-flow items.

Operating activities

SAS's cash flow from operating activities totaled MSEK 1,028 for the fiscal year ending 31 October 2013. Despite an improved operating income, this comprised a decline compared to the previous fiscal year. The decline was primarily attributable to adjustments for non-cash items and changes in working capital. The cash flow from operating activities totaled MSEK 2,562 for the fiscal year ending 31 October 2012, an increase compared to the previous fiscal year. The increase was primarily attributable to an improved operating income, adjustments for non-cash items and changes in working capital. Cash flow from operating activities totaled MSEK –482 for the fiscal year ending 31 December 2011. Despite an improved operating income, this comprised a decline compared to the previous fiscal year. The decline was primarily attributable to adjustments for non-cash items and changes in working capital.

Investing activities

The cash flow from investing activities for SAS totaled MSEK –233 for the fiscal year ending 31 October 2013, a decline compared to the previous fiscal year. The decline was primarily attributable to the decrease in investments, partly offset by fewer divestments. Cash flow was positively affected by income from the sale and leaseback of aircraft. The cash flow from investing activities totaled MSEK –619 for the fiscal year ending 31 October 2012, a decline compared to the previous fiscal year despite increased investments. The decline was primarily attributable to the divestment of subsidiaries containing six airport properties to Swedavia. The cash flow from investing activities totaled MSEK –1,524 for the fiscal year ending 31 December 2011, a decline compared to the previous fiscal year. The decline was primarily attributable to lower investments in aircraft.

Financing activities

The cash flow from financing activities for SAS totaled MSEK 1,171 for the fiscal year ending 31 October 2013, an increase compared to the previous fiscal year. The increase was primarily attributable to the increase in loans raised combined with a decrease in repayment of loans. The cash flow from financing activities totaled MSEK –2,961 for the fiscal year ending 31 October 2012, a decline compared to the previous fiscal year. The decline was primarily attributable to the decrease in loans raised. The cash flow from financing activities totaled MSEK 763 for the fiscal year ending 31 December 2011, a decline compared to the previous fiscal year. The decline was primarily attributable to the new share issue carried out in the previous fiscal year.

Capital structure and other financial information

The tables in this section reflect information about SAS's equity and debt at 31 December 2013.

Equity and liabilities

Presented below is SAS capitalization as of 31 December 2013.

MSEK	31 December 2013
Current interest bearing debt	
Against guarantee or surety	–
Against collateral	495
Without guarantee/surety or collateral	2,210
Total current interest bearing debt	**2,705**
Non-current interest bearing debt	
Against guarantee or surety	–
Against collateral	3,039
Without guarantee/surety or collateral	5,805
Total Non-current interest bearing debt	**8,844**
Equity	
Shareholders equity	6,613
Legal reserve	337
Other reserves	–100
Retained earnings including the periods result	–3,180
Non-controlling interest	20
Total equity	**3,690**

Net financial indebtedness

Presented below is SAS net indebtedness at 31 December 2013.

MSEK	31 December 2013
(A) Cash	1,950
(B) Other liquid funds	112
(C) Marketable securities	939
(D) Liquidity (A)+(B)+(C)	**3,001**
(E) Current financial receivables	360
(F) Current bank debt	–
(G) Current portion of long term debt	2,463
(H) Other current financial liabilities	242
(I) Current financial liabilities (F)+(G)+(H)	**2,705**
(J) Net current liabilities (I)–(E)–(D)	**–656**
(K) Non-current financial receivables	1,975
(L) Non-current bank debt	–
(M) Issued bonds	2,662
(N) Other non-current liabilities	6,182
(O) Non-current financial liabilities (L)+(M)+(N)	**8,844**
(P) Net non-current liabilities (O)–(K)	**6,869**
(Q) Financial net indebtedness (J)+(P)	**6,213**

Financial position

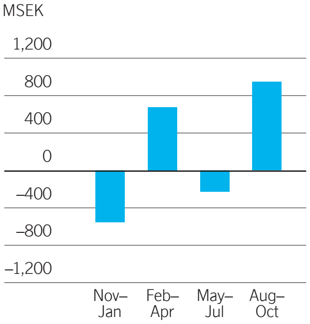
The financial position of SAS improved in 2012/2013 due to increased profitability, positive cash flow and the sale of assets. A healthy financial position is crucial for managing future repayments and deliveries of new aircraft ordered from 2015.

Cash flow and seasonal variations

SAS works continuously with analysis of balance-sheet items and trends for operations to optimize cash flow with the aim of attaining the lowest possible total funding cost. Since SAS operating liabilities exceed current assets, SAS had a working capital of about SEK 9 billion at 31 October 2013. Cash flow from operating activities in 2012/2013 amounted to MSEK 1,028.

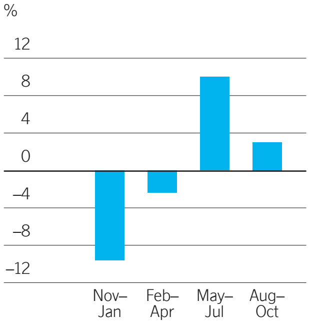
Cash flow from operating activities follows clear seasonal trends. The cash flow is strongest in periods with a high proportion of bookings and advance bookings. The proportion of advance bookings is highest in the January to May period ahead of the holiday period and in the September to October period. Since passenger revenue is recognized when SAS or another airline provides the transportation, this means that seasonal variations impact cash flow and earnings differently. In terms of earnings, the third and fourth quarters are the strongest while cash flow from operating activities is strongest in the second and fourth quarters.

Cash flow from operations after changes in working capital[1]



1) Pertains to the period Q2, 2010 to Q4, 2013

EBIT margin[1]



1) Pertains to the period Q2, 2010 to Q4, 2013

Statement regarding working capital

SAS's assessment is that the existing working capital is sufficient to cover the needs during the coming twelve month period.

New pension agreements

In November 2012, new collective agreements were signed with flight crew in Scandinavia. Among other things, the new agreements mean that the defined-benefit pension plans have, largely, been replaced with defined-contribution pension plans with effect from the first quarter of 2013/2014. When the above changes are reported in the first quarter of 2013/2014, the pension commitment will be reduced by about SEK 12.9 billion and in addition, the change in terms will give rise to an improvement in earnings of about SEK 1 billion.

Annual cost savings generated by the new pension terms are expected to amount to about MSEK 500 and reach their full effect from the 2013/2014 fiscal year.

In addition to the transition to defined-contribution pension plans, other measures included the removal of early retirement and part-time pensions, the lowering of pensionable income and raising the retirement age for cabin crew under the Alecta plan from 60 to 65. These changes have brought about an improvement in earnings of MSEK 450 in the 2012/2013 fiscal year and reduced pension commitments and actuarial gains and losses by about SEK 1.7 billion. In addition, the sale of 80% of the shares in Widerøe in September 2013 further reduced pension commitments by about SEK 2.8 billion and actuarial gains and losses by about SEK 1.1 billion.

At 31 October 2012, pension commitments totaled SEK 33.5 billion. In the 2012/2013 fiscal year, pension commitments were reduced by about SEK 5 billion and following recognition of the transition to defined-contribution pension plans, the total reduction will be about SEK 18 billion. Since some employees already have early retirement and part-time pensions in place, this commitment will decrease over the next five years and, at the end of the 2017/2018 fiscal year, pension commitments are therefore expected to amount to approximately SEK 14 billion, which means a reduction of about SEK 19.5 billion, or about 60% of the original pension commitments.

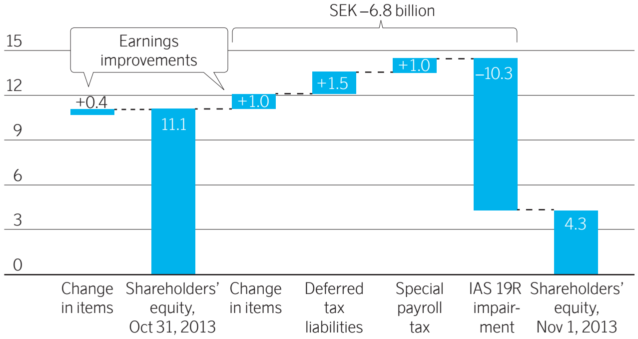
The reversal of deferred tax liabilities related to pensions will be performed in the first quarter of 2013/2014, which means that the temporary difference between the accounting and tax values will disappear. This will have a positive impact on shareholders' equity of about SEK 1.5 billion.

The remaining pension plans in Sweden (the Alecta plan and Euroben) reported a surplus of about SEK 5 billion as of November 1, 2013. This surplus may benefit SAS in the form of future reductions in premiums and, accordingly, special payroll tax will be recognized for the surplus. This will result in a net increase in pension funds of about SEK 1.2 billion, deferred tax liabilities of about SEK 0.2 billion and shareholders' equity of about SEK 1 billion.

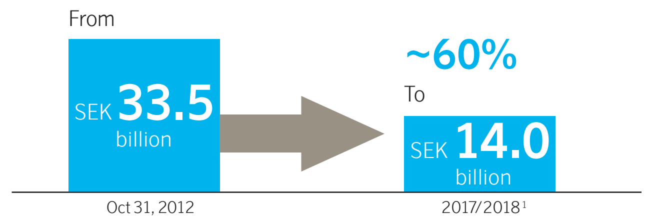
Taken together, the above means that shareholders' equity will be impaired by about SEK 7 billion on the introduction of the revised IAS 19 on 1 November 2013 and the reporting of the changed terms and conditions in the first quarter 2013/2014.

Effects of the revised IAS 19 and new pension terms

SEK billion



Defined-benefit pension commitments



1) Expected to be reached in 2017/2018. On 1 November 2013, defined-benefit pension commitments amounted to about SEK 15.6 billion.

Funding

The SAS Group uses commercial papers, bank loans, bond loans, convertible bonds, subordinated loans and leasing as sources of funding.

At 31 October 2013, SAS had contracted credit facilities of MSEK 4,155, of which MSEK 1,986 was unutilized. At the same time, SAS interest-bearing liabilities amounted to MSEK 11,510, up MSEK 623 compared with the year earlier. New loans raised during the year amounted to MSEK 3,115 and repayments amounted to MSEK 1,580. In addition, SAS's interest-bearing liabilities decreased by almost MSEK 700 due to the sale of Widerøe.

New loans raised principally, comprised a bond of MSEK 1,500 and the renewal of existing aircraft financing. SAS also issued a MEUR 35 bond under the framework of the EMTN program.

Contracted credit facilities, MSEK

Committed credit facilities, 31 Oct 2013	**Total**	**Utilized**	**Unutilized**	**Maturity**
Revolving credit facility, MSEK 1,800	1,800	–	1,800	mar 2015
Credit facility, MUSD 125	803	631	172	jan 2016
Credit facility, MUSD 59	380	380	–	okt 2017
Credit facility, MUSD 66	426	426	–	sep 2021
Credit facility, MUSD 114	732	732	–	feb 2020
Other facilities, MEUR 2	14	–	14	dec 2013
Total	**4,155**	**2,169**	**1,986**	

In November 2012, as part of securing the financial stability, SAS reached an agreement to renegotiate the existing credit facility of MEUR 366 to an amortized facility of SEK 3.5 billion and, in parallel, extend the term to 31 March 2015. The credit facilities are provided by seven banks, the three Scandinavian states and Knut and Alice Wallenberg Foundation. As a consequence of the sales conducted under the SAS restructuring program, SAS renegotiated the facility during the year. As of 31 October 2013, the credit facility was 1.8 billion. The facility consists of two parts with separate covenants, with one falling due on 1 June 2014 and the other falling due on 31 March 2015.

Preference share issue

The Board of Directors of SAS has proposed to the 2014 Annual General Meeting that the Articles of Association be amended to allow the issue of preference shares, on one or several occasions, and that the Board of Directors be authorized to decide on new issue of a maximum of 7,000,000 preference shares up to the 2015 Annual General Meeting. The Board of Directors of SAS then decided on 6 February 2014 to make the present Offering for subscription of approximately 4,000,000 preference shares at a price of SEK 500 per preference share. See sections *Invitation to subscribe for preference shares* and *Background and reasons* for further information.

Convertible bond

In addition to the proposals aimed at facilitating the Offering, the Board of Directors has proposed that the Annual General Meeting authorize the Board of Directors to decide on a convertible bond issue with deviation from shareholders' preferential rights for a maximum amount of SEK 2,000 million, relating to a number of common shares upon conversion which may not exceed 130 million common shares. The authorization shall be exercisable on one or more occasions, however not later than the date of the following Annual General Meeting. The proposed authorization regarding convertibles pertains to the issue of convertible bonds with the right for conversion into new common shares in the company. The primary purpose of a potential issue of convertible bonds is to refinance the outstanding convertible bonds of SAS amounting to SEK 1,600 million which mature in 2015. Provided that the authorization is obtained, the Board of Directors intends to carry out an issue of five year unsecured convertible bonds in close connection with or shortly after the Offering, at a rate of interest and conversion premium to be set at market terms and determined through a book-building carried out at launch, the final decision to launch such a bond being subject to market conditions being deemed favourable at the time.

Fixed-rate period

During the fiscal year 2012/2013, the SAS financial net debt declined by MSEK 1,982 and amounted to MSEK 4,567 at the closing date. The average fixed-rate period for financial net debt is governed by SAS financial policy and has a target value of 3.5 years. The average fixed-rate period was 3.5 years as of October 2013.

Creditworthiness

SAS is rated by three credit-rating agencies: Moody's, Standard & Poor's and the Japanese agency, Rating and Investment Information Inc (R&I). In November 2012, Standard & Poor's lowered their rating for SAS from B− to CCC+. Subsequent to the significant successes from implementation of the SAS restructuring program, Standard & Poor's raised their rating for SAS back to B- in August 2013. R&I lowered their rating in July 2013 to B from BB- with reference to continued strong competition from LCC's and a high debt to equity ratio. Moody's changed their outlook for SAS's credit rating from stable to positive in September 2013 prompted by SAS's increased earnings in recent quarters, actions taken to increase the liquidity and an expectation that 4XNG will continue to positively impact SAS's result.

SAS's cash and cash equivalents are placed in instruments with good liquidity or short maturity with credit ratings not lower than A3/P1 according to Moody's, or A-/A-1 according to Standard & Poor's.

Investments

Investment plan for aircraft fleet renewal

Implementation of the SAS change program allowed renewal of the SAS aircraft fleet and the order of 12 new long-haul aircraft in 2013. During the 2013–2014 period, SAS is phasing in 26 aircraft through operating leases. In addition, SAS has placed orders for 30 Airbus A320neo, four Airbus A330 Enhanced and eight Airbus A350 with delivery from 2015 to 2021. The total list price of the order amounts to about USD 5.8 billion.

Since these aircraft are significantly more efficient than existing aircraft, they are attractive from a financing perspective. SAS plans to both lease and own aircraft as this provides increased flexibility and a differentiated risk profile. SAS intends to utilize a mix of export credit financing, enhanced equipment trust certificates (EETCs), bank loans and bank facilities to finance directly owned aircraft. When leasing, which means sale and leaseback agreements, aircraft are sold on delivery and leased back over a 10–12 year period.

At 31 October 2013, the SAS aircraft fleet represented 25% of SAS assets. SAS depreciates directly-owned aircraft over twenty years utilizing a residual value of 10%. Passenger aircraft are generally used for 20 years in commercial passenger traffic but aircraft that are well maintained can operate for substantially longer periods. However, technical developments mean that newer aircraft are more economical compared with older aircraft. There are still items of value in an aircraft after it has been removed from service, for example engines.

Aircraft on firm order 2014–2021

	2014	2015	2016	2017	2018	2019	2020	2021
Airbus A320neo			4	11	7	8		
Airbus A330E/ A350		2	2		1	1	2	4

List price of aircraft ordered, MUSD

Airbus A320neo	2,550
Airbus A330E/A350	3,280

Historical investments and acquisitions/sales

The SAS 4XNG restructuring program launched in 2012 includes an undertaking to divest assets and a funding plan with potential to generate net sales proceeds totaling SEK 3 billion. The sales proceeds will strengthen the Group's financial preparedness and reduce dependence on external credit facilities. SAS will also actively evaluate the possibilities of realizing additional value from its financed aircraft portfolio and other assets.

Investing activities	1 Nov 2012 – 31 Oct 2013	1 Jan – 31 Oct 2012	1 Jan – 31 Dec 2011	1 Jan – 31 Dec 2010
Aircraft	–1,058	–535	–995	–1,652
Spare parts	–257	–135	–225	–252
Buildings, equipment and investment in progress	–287	–340	–357	–288
Shares and participations, intangible assets, etc.	–178	–263	–325	–281
Prepayments for flight equipment	–97	0	–139	–20
Acquisition of subsidiaries	0	–1,322	0	0
Total investments	**–1,877**	**–2,595**	**–2,041**	**–2,493**
Sale of subsidiaries	267	1761	0	68
Sale of aircraft, spare engines and buildings	751	211	351	350
Income from sale and lease-back of aircraft	720	0	136	264
Sale of other non-current assets, etc.	–94	4	30	15
Cash flow from investing activities	**–233**	**–619**	**–1,524**	**–1,796**

1 November 2012 – 31 October 2013

Investments for the fiscal year ending 31 October 2013 amounted to MSEK 1,877. Of these investments, MSEK 711 pertained to aircraft, MSEK 189 to engine maintenance, MSEK 158 to aircraft modifications, MSEK 257 to spare parts, MSEK 287 to primarily equipment and investments in progress, MSEK 97 as an advance payment to Airbus, MSEK 124 to capitalized system development costs and MSEK 54 for shares. Aircraft investments comprised eight MD-82s, four Boeing 717s, two Airbus A320s and one Q300. Sales conducted by SAS totaled MSEK 1,738 and comprised the sale of 80% of the shareholding in Widerøe and 18 aircraft, of which nine MD-82s, six Boeing 737-600s and three Q400s. In March, a sale and leaseback of spare engines was carried out, which generated MSEK 738.

1 January 2012 – 31 October 2012

Investments for the fiscal year ending 31 October 2012 amounted to MSEK 1,273, excluding acquisitions of subsidiaries. Of these investments, MSEK 115 pertained to aircraft, MSEK 253 to engine maintenance, MSEK 167 to aircraft modifications, MSEK 135 to spare parts, MSEK 340 to primarily equipment and investment in progress and MSEK 263 to capitalized system development costs. Aircraft purchases comprised six MD-80s and one Q300 that were previously on operational lease. Five of these MD-80s were sold on. In addition, investments totaling MSEK 340 are ongoing that are primarily attributable to aircraft.

Acquisition and divestment of subsidiaries relates to the sale of real estate to Swedavia that was completed at the end of June 2012 with a cash-flow effect of MSEK 439. During the period, 18 MD-80s and three Q400s were sold.

1 January 2011 – 31 December 2011

Investments for the fiscal year ending 31 December 2011 amounted to MSEK 2,041. Aircraft investments totaling MSEK 995 included payments for one Bombardier Q100, three Bombardier Q200s and one Bombardier Q400NG. In addition, two Boeing 737s were purchased that were both previously on operational lease. Of other investments, MSEK 225 pertained to spare parts, MSEK 357 to primarily equipment and investment in progress, MSEK 325 to capitalized system development costs and MSEK 139 to prepayments for flight equipment.

Sales of aircraft and buildings generated MSEK 487, of which MSEK 484 was attributable to divestments of aircraft. During the year, one Bombardier Q300, two Bombardier Q400s, one Boeing 737 and two McDonnell Douglas MD87s were sold. In addition, a Boeing 737 was divested through a sale and leaseback agreement.

1 January 2010 – 31 December 2010

Investments for the fiscal year ending 31 December 2010 amounted to MSEK 2,493. Aircraft investments included delivery payments for one new CRJ900, one Boeing 737 NG and three Q400 NGs, and the buy-back of one Q400 that was subsequently sold on as part of the divestment of the Q400 fleet. In addition, one Boeing 737 Classic and one Q300 were purchased that were both previously on operational lease. Of other investments, MSEK 252 pertained to spare parts, MSEK 288 to primarily equipment and investment in progress, MSEK 281 to primarily capitalized system development costs and MSEK 20 to prepayments for flight equipment.

In January, the Air Maintenance Estonia subsidiary and in June SAS Ground Services UK were divested. After taking into account selling costs and the liquid assets of the divested companies, the Group's cash and cash equivalents increased MSEK 68 on the basis of the sales.

Sales of aircraft and buildings generated MSEK 614, of which MSEK 581 was attributable to divestments of aircraft. One Airbus A321 and one Boeing 737 NG were divested under sale and leaseback agreements. In December, sales agreements were signed for five Q400s and one MD-82 for delivery in 2011.

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 Group has separated the components for depreciation purposes.

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.

Tangible fixed assets amounted to MSEK 9,677 on 31 October 2013, as stated below.

MSEK	31 Oct 2013
Land and buildings	241
Aircraft	8,795
Spare engines and spare parts	147
Workshop and aircraft servicing equipment	117
Other equipment and vehicles	105
Investment in progress	21
Prepayments relating to fixed assets	251
Total tangible assets	**9,677**

The SAS Group's fleet of aircraft at October 31, 2013*

Aircraft fleet	Age	Owned	Leased	Total	In service	Parked	Or-dered	Lease orders
Airbus A330/A340/350	11.4	5	6	11	11	0	12	1
Airbus A321/A320/A319	8.8	6	18	24	24	0	30	1
Boeing 737 Classic	22.4	0	7	7	3	1	0	0
Boeing 737 NG	11.5	17	64	81	80	4	0	7
Boeing 717	13.2	4	5	9	9	0	0	0
McDonnell Douglas MD-80-series	0	12	0	12	0	12	0	0
Bombardier CRJ900 NG	4.2	12	0	12	12	0	0	0
Total	**10.9**	**56**	**100**	**156**	**139**	**17**	**42**	**9**

Leased-out aircraft	Age	Owned	Leased	Total	In service
McDonnell Douglas MD-90-series	16.8	8	0	8	8
Bombardier Q400	5.8	0	1	1	1
Avro RJ-85	11.9	0	1	1	1
Total	**15.2**	**8**	**2**	**10**	**10**

* In addition, the following aircraft are wet leased: four CRJ200s and two ATRs for SAS Denmark, and two ATRs and four S2000s for SAS Sweden.

For information about current and future investments in aircraft and the financing thereof, see *Investment plan for aircraft fleet renewal* above.

Leasing

SAS has entered into finance and operating leasing agreements. Leasing agreements 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 agreements are classified as operating leases.

SAS has finance leases for aircraft with remaining terms of just over three years. In addition, finance leases exist with regard to aircraft vehicles and service equipment with remaining terms of up to ten years. SAS aircraft holdings can be specified as follows:

	31 Oct 2013
Owned	7,593
Finance leased	1,202
Carrying amount	**8,795**

Pledged assets

	31 Oct 2013
Related to liabilities:	
Real estate mortgages	–
Aircraft mortgages	6,395
Shares in subsidiaries	–
Related to deposits:	
Deposits and blocked bank funds	2,014
Total	**8,409**
Related to credit facility:	
Real estate mortgages	12
Aircraft mortgages	101
Mortgages for spare parts	–
Company mortgages	–
Other mortgages	324
Blocked bank funds	600
Total	**1,037**
Total collateral pledged	**9,446**

Outstanding liability at 31 October 2013, relating to aircraft mortgages was MSEK 3,516. Total collateral pledged was MSEK 9,446 at the closing date.

Financial exposure and risk management

Overall risks are monitored and identified centrally and followed-up through policies that aim to control the risks. Market risks primarily impact demand and are mitigated by greater flexibility in the cost structure to enable rapid adaptation of the production volume. Operating risks are related to factors that can constitute a hinder to production. These factors can rapidly lead to major loss of revenue for an airline company. Environmental risks are linked to SAS operations and more stringent requirements from the operating environment. SAS externally verified environmental management system provides SAS with sound control of its own operations. See the section *Risk factors* for a description of the risks that are considered to be of particular importance to SAS.

Indicative sensitivity analysis

Airline operations	Change, %	Earnings impact, MSEK
Passengers (RPK)	+/– 1%	220
Load factor	+/– 1%	300
Passenger revenue per passenger kilometer (yield)	+/– 1%	290
Unit cost	+/– 1%	370
Jet fuel price	+/– 1%	85

The sensitivity analysis is based on "ceteris paribus".

Financial risks are managed by hedging against fluctuations in currency exchange rates, interest rates and fuel prices, which mitigates short-term fluctuations, and provides flexibility to handle changes in level.

Currency risks

As a consequence of its international operations, SAS is exposed to price changes in several currencies. Transaction risk arises from exchange-rate changes that impact the size of commercial revenue and costs and thus the operating income. Currency exposure is managed through continuously hedging 40–80% of the Group's surplus and deficit currencies based on a 12-month rolling liquidity forecast.

SAS has two main net surplus and deficit currencies, principally, in USD. A decline in the SEK against, for example, the USD means a negative impact on earnings as a consequence of exchange-rate driven cost increases not being balanced by corresponding increases in revenue.

In October 2013, the Group hedged 46% of its anticipated USD deficit for the next 12 months.

Hedging is mainly performed through currency forward agreements to prevent earnings-related revaluation effects pertaining to financial assets and liabilities.

Net earnings effect of exchange-rate changes, SAS Group, November 2012 – October 2013

	SAS total
1% weakening of SEK against USD	–95
1% weakening of SEK against NOK	75
1% weakening of SEK against DKK	5
1% weakening of SEK against EUR	–5
1% weakening of SEK against JPY	6
1% weakening of SEK against GBP	7

Currency risk and aircraft investments

SAS has signed agreements for the purchase of a total of 42 aircraft with delivery from 2015 to 2021. SAS has per 31 October 2013 hedged about 7% of the list price order value through derivative agreements to limit the currency risk.

Jet fuel

The price of jet fuel was at a historic high for the 2012/2013 fiscal year. However, in April to May 2013, the fuel price declined temporarily and for a short period the price was slightly less than USD 900/tonne due to concerns about the global economy. The decline was, however, short-lived and the jet-fuel price climbed back to USD 1,000/tonne at the end of the fiscal year. In total, the jet fuel price was 3.7% lower in 2012/2013 than the corresponding year-earlier period.

Jet-fuel costs comprised 24.5% of SAS's operating expenses (excluding leasing, depreciation and amortization). 40–80% of SAS's forecast jet-fuel needs for the next 12 months are hedged.

	Nov–Jan 2013–2014	Feb–Apr 2014	May–Jul 2014	Aug–Oct 2014
Hedging of jet fuel	100%	80%	20%	7%

Jet fuel cost sensitivity November 2013 – October 2014, SEK bn

	Exchange rate SEK/USD			
Market price	5.00	6.00	7.00	8.00
USD 600/tonne	4.8	5.7	6.7	7.6
USD 800/tonne	5.7	6.8	7.9	9.1
USD 1,000/tonne	6.6	7.9	9.2	10.5
USD 1,200/tonne	7.2	8.7	10.1	11.6
USD 1,400/tonne	7.9	9.4	11.0	12.6

Other financial exposure

Counterparty losses: SAS is exposed through credits, lease agreements and guarantees to external parties. Exposure is regulated by SAS Group Finance Policy.

Liquidity: The airline industry is seasonal, which affects cash flow during the year. The target for SAS is a financial preparedness of at least 20% of fixed costs.

Interest rates: The airline industry is capital-intensive and the company is a net borrower. This exposes SAS to interest-rate changes. The finance policy regulates the proportion between variable and fixed interest rates. The objective is that the liabilities will have a fixed term of 3.5 years. The fixed-rate period was 3.5 years as of October 2013.

Important events after October 31, 2013

In November 2013, SAS announced the launch of 43 new routes in 2014. In November 2013, SAS's balance sheet and statement of income will be affected as follows by the implementation of new pension terms, the reversal of deferred tax liabilities related to pensions, the accounting for special employer's contributions as part of the Alecta and Euroben plans, and the implementation of the revised IAS 19. The above will negatively impact the Group's shareholders' equity in an amount of about SEK 7 billion:

- Pension commitments will be reduced by about SEK 12.9 billion
- Plan assets will be reduced by about SEK 10.7 billion
- Actuarial gains and losses will be impaired by about SEK 10.3 billion
- Deferred tax liabilities will be reduced by about SEK 1.2 billion
- An improvement in the statement of income (payroll expenses) of SEK 1 billion

Traffic development since 31 October 2013

	Jan 2014	Change Jan 2013 , %	Nov 2013 – Jan 2014	Change Nov 2012 – Jan 2013, %
Total production (regular traffic and charter)				
Available seat kilometers (ASK), millions	2,972	2.2%	9,290	2.8%
Revenue passengers kilometers (RPK), millions	1,954	–0.5%	6,335	–0.2%
Passenger load factor, %	65.7%	–1.8 p.e.	68.2%	–2.0 p.e.
No. of passengers, millions	1.7	–0.4%	5.6	–0.4%
Regular traffic				
Available seat kilometers (ASK), millions	2,746	3.0%	8,580	3.4%
Revenue passengers kilometers (RPK), millions	1,747	0.8%	5,686	0.7%
Passenger load factor, %	63.6%	–1.4 p.e.	66.3%	–1.8 p.e.
No. of passengers, millions	1.7	–0.2%	5.4	–0.2%

	Dec 2013	Change Dec 2012, %[1]
Yield and PASK		
Passenger revenue/RPK regular traffic (yield), SEK	0.95	–6.9
Passenger revenue/ASK regular traffic (PASK), SEK	0.66	–8.1

1) Adjusted for changes in the exchange rates.
Source: SAS Traffic figures January 2014

Significant trends

The fourth quarter of the 2012/2013 fiscal year was characterized by intensified competition and weak economic growth, which had a negative effect on SAS's passenger revenue. The weaker conditions are expected to continue and, as usual, due to seasonality, the first quarter of 2013/2014 (November-January), will be extremely weak but positively impacted by the changed accounting rules for pensions.

Market conditions are deemed to remain challenging with overcapacity in several of SAS's markets. In 2014, capacity in Scandinavia is expected to increase further and SAS plans to increase scheduled capacity by 3–4% in the 2013/2014 fiscal year. As a result, SAS expects the yield and PASK (total passenger revenue/total ASK) to continue to decline in 2013/2014.

The positive earnings impact from the 4XNG restructuring program is expected to gradually increase in 2013/2014 and is expected to strengthen SAS's competitiveness. In December 2013, the IATA projected an improvement in net earnings for airlines in Europe due to enhanced efficiency and a slightly more stable European economy.

In response to increased competition in Europe, there are clear signals that the major traditional airlines are attempting to streamline their operations and outsource short-haul routes to smaller, regional, wholly or part-owned companies with the aim of lowering their costs. On long-haul routes, the major airlines are consolidating their operations through the formation of joint venture companies with the objective of enhancing efficiency and improving the customer offering.

Share capital and ownership structure

Share information

Under SAS's current Articles of Association, as adopted by the Annual General Meeting 20 March 2013, the company's share capital shall be not less than SEK 4 billion and not more than SEK 16 billion, divided into not fewer than 200 million shares and not more than 800 million shares. The company may issue two classes of shares, ordinary shares and/or subordinated shares. In order to safeguard SAS air traffic rights, ordinary shares may under certain circumstances be redeemed and, if such redemption is not possible or deemed to be insufficient, subordinated shares may be issued by virtue of issued warrants (see *Protection of the Group's air traffic rights in the Company's Articles of Association* below). Each of the two classes of shares may be issued up to the maximum share capital as set forth in the Articles of Association. The company's registered share capital as of 31 October 2013 was SEK 6,612,900,000, distributed on 329,000,000 ordinary shares (unchanged since 1 November 2012) with a quota value of SEK 20.10 per share. The shares in SAS are issued in accordance with Swedish law, fully paid and denominated in SEK. The shareholders rights may be modified in accordance with the procedures specified in the Swedish Companies Act (2005:551).

In order to enable the Offering, the Board of Directors of SAS has proposed the Annual General Meeting 18 February 2014 to resolve on amendments of the Articles of Association (entailing that a new class of shares, preference shares, is introduced, see also the section *Articles of Association*) and authorizes the Board of Directors to resolve on a new issue of preference shares (see *Authorizations* below). The proposal on amendments in the Articles of Association entails that resolutions of issues of further preference shares must be made with stricter majority requirements than what is stipulated in the Swedish Companies Act (see *Proposed amendments to the Articles of Association*, §5, in the section *Articles of Association*).

Since 31 October 2013, there have been no changes of the number of shares. The current new share issue will, if the Offering is fully subscribed, result an increase of the number of shares in SAS from 329,000,000 to approximately 333,000,000 shares, corresponding to an increase of approximately 1.22%. For the existing shareholders which do not participate in the Offering, a dilution effect totaling approximately 4,000,000 new shares and approximately 400 000 votes, corresponding to approximately 1.20% of the total number of shares and approximately 0.12% of the total number of votes in SAS, will occur following the new issue. The Board of Directors has reserved the right to increase the Offering with up to approximately 3,000,000 additional preference shares, resulting in a dilution effect corresponding to approximately 2.08 % of the total number of shares and approximately 0.21% of the total number of votes in the company after the new issue.

Certain rights attached to the shares

General Meeting and voting rights

Notice of a General Meeting must be made through announcement in Sweden in Swedish in the Swedish Official Gazette (Sw. "*Post- och Inrikes Tidningar*") and on the company's web page. It must be announced that notice has been made in Svenska Dagbladet and, if the Board of Directors so decides, in Denmark in Danish in Berlingske Tidende or other national Danish daily newspaper and in Norway in Norwegian in Aftenposten or other national Norwegian daily newspaper.

In order to attend a General Meeting, shareholders must be included in the transcript of the entire share register as per five working days prior to the meeting, as well as notify the company not later than the day set out in the notice to the meeting.

Each share entitles to one vote and each shareholder entitled to vote, is entitled to vote for the number of shares such shareholder holds without limitation in the voting rights. The preference share is proposed to entitle to one-tenth of a vote.

Preferential right to new shares, etc.

If the company decides to issue both ordinary shares and subordinated shares in a cash issue or a set-off issue, the holders of ordinary shares and subordinated shares, shall have preferential right to subscribe for new shares of the same class in proportion to the number of shares held prior to the new share issue (primary preferential right). Shares not subscribed for by virtue of such primary preferential right, are offered to all shareholders for subscription (subsidiary preferential right). If the company decides to issue only new ordinary shares or only new subordinated shares in a cash issue or a set-off issue, only the holder of shares of that class shall have preferential right to subscribe for new shares of the same class in proportion to the number of shares held prior to the new share issue (primary preferential right). Shares not subscribed for by virtue of such primary preferential right, are offered to all shareholders for subscription (subsidiary preferential right). If the company decides to issue warrants or convertibles pertaining to either ordinary shares, subordinated shares or shares of both classes through a cash issue or an issue to set off claims, shareholders have preferential rights to subscribe for warrants as if the issue applied to the shares of either or all classes that could be subscribed for as a result of options or preferential rights to subscribe for convertibles, as if the issue had applied to the shares of either or all classes for which the convertibles carry the right of receipt in exchange. However, there are no regulations in SAS Articles of association that imply any limitation in the Company's ability to decide on cash issues or issues setting off claims that deviate from the shareholders' preferential rights.

The same preferential rights are proposed to be applied for preference shares. See § 16 in *Proposed amendments to the Articles of Association*, in the section *Articles of Association*.

Entitlement to dividends and surplus in the event of liquidation

Resolutions on payment of dividends are passed by the general meeting. Dividends may only be distributed in such an amount that, after the dividend, there is full coverage for the company's restricted equity, and only if the dividend is justifiable in light of (i) the requirements which the nature of the business, its scope, and risks impose as regards the size of equity, and (ii) the company's and the Groups need to strengthen the balance sheet, liquidity and financial position in general (the "prudence rule"). As a general rule, the shareholders may not resolve on payment of dividends which exceeds the amount proposed approved by the Board of Directors.

The entitlement to dividends vests in any person who, on the record date for dividends determined at the general meeting, is registered as a holder of shares in the share register maintained by Euroclear Sweden. Dividend normally is paid in cash per share but can also be paid in other forms (Sw. "*sakutdelning*"). Specific rules will apply for the preference share, see the sections *The preference share in brief* and *Articles of Association*. Payment in cash will be disbursed by Euroclear Sweden. Payment of dividends where the shares are traded on NASDAQ OMX Copenhagen and Oslo Børs will thereafter be disbursed by VP Securities and VPS, respectively. Where a shareholder cannot be reached through Euroclear, the shareholder's claim on the company in respect of the dividend amount will remain in force and shall be limited in time only pursuant to the rules regarding a 10-year limitations period for claims. Where any claim is time-barred, the dividend shall inure to SAS. Neither the Swedish Companies Act nor the company's Articles of Association contain any restrictions regarding the right to dividends of shareholders outside Sweden. Apart from any restrictions due to banking or clearing systems in relevant jurisdictions, disbursement to such shareholders shall take place in the same manner as payment to shareholders domiciled in Sweden. However, Swedish withholding tax is normally deducted with respect to shareholders with limited tax liability in Sweden, see *Tax considerations in Sweden*, in the section *Tax considerations*.

All ordinary shares carry the same right to share in the company's assets, dividend and any surplus in the event of liquidation. Subordinated shares, if any, does not carry any right to dividend. If the company is dissolved, a subordinated share entitles the holder to a share of the company's assets equal to that of an ordinary share, however not exceeding an amount corresponding to the subordinated share's quota value plus interest calculated from the first day the subordinated share was registered up until the day the of the distribution, with an interest rate factor corresponding to two percentage points over the 90-day STIBOR rate. Also see the section *The Preference share in brief* and Section 5 in *Proposed amendments of the Articles of Association* in the section *Articles of Association*.

Dividend policy in respect of ordinary shares

SAS's annual dividend is determined by taking into account SAS earnings, financial position, capital requirements and relevant macroeconomic conditions. Over a business cycle, the dividend is to be in the region of 30–40 % of SAS's result after standard tax. Thus, to protect SAS's financial position, as a rule no dividend is paid in the event of a loss. By taking into account, among other things, SAS's financial position and the market development, SAS has not paid any dividends since 2001. In connection with the launching of 4XNG, SAS adopted new financial targets including a financial solidity target of at least 35 %.

The Board of Directors proposes to the Annual General Meeting 2014 that no dividends is paid to the holders of ordinary shares in SAS AB for the fiscal year 2012/2013. This is motivated by SAS need to improve its financial position. A healthy financial position and financial flexibility are key to completely fulfill all measures within the restructuring program and in the renewal of SAS Group's aircraft fleet.

For information on dividends in respect of preference shares, see the section *The preference share in brief*.

Protection of the Group's air traffic rights in the articles of association

Due to reasons of civil aviation policy it has in the company's Articles of Association been introduced, a possibility to redeem ordinary shares through a reduction of the share capital and also – if such redemption is not possible or is deemed insufficient – a possibility to issue subordinated shares for subscription by virtue of already issued warrants. A precondition for both these actions is that there is a direct threat to any of the Group's air traffic rights as a result of violation, or risk of violation, by the Company or its subsidiaries of relevant provisions concerning ownership and control of the Company or its subsidiaries in any bilateral civil aviation agreement or in laws or regulations concerning conditions for air traffic rights within the EU/EEA.

Under the aforementioned conditions, the Board of Directors may resolve to redeem a sufficient number of shares held by shareholders domiciled outside Denmark, Norway or Sweden as well as shares that, even though held by a corporation so domiciled, are controlled, directly or indirectly, by persons or legal entities outside these three countries, so that a continued Scandinavian ownership and control is secured. Primarily, shares held or controlled by persons or legal entities outside the EU/EEA shall be redeemed. Before any redemption takes place, the shareholders concerned have the opportunity to reduce their holdings voluntarily within a prescribed period. Redemptions are subsequently made without refund to the relevant shareholder as the reduction amount will be transferred to the company's statutory reserve.

Should it not be possible to redeem shares or should such redemption, be deemed not sufficient by the Board of Directors, the Board of Directors may propose the general meeting to resolve on a new issue of such number of subordinated shares that it ensures a continued Scandinavian ownership and control. Such a resolution must be supported, by at least half of the votes represented on the meeting. Thus, the issued subordinated shares are subscribed for by virtue of warrants issued by the company. The warrants are today held by one of SAS subsidiaries, but SAS Board of Directors is entitled to transfer the warrants to one or more suitable legal entities domiciled in Denmark, Norway or Sweden as soon as deemed necessary due to reasons of civil aviation policy. There are a total of 75,000 issued warrants, after a rights issue and reverse split in 2010, entitling to subscription of a total of 150,000,000 subordinated shares, which would increase the company's share capital by a maximum of SEK 3,015,000,000.[1] The Board of Directors must oversee that the issued subordinated shares are redeemed as soon as the threat no longer exists.

1) After re-calculation of the number of shares that the warrants entitles to, due to a maximum utilization of the authorization to issue preference shares, up to 150 300 000 subordinated shares may be issued. Re-calculation have not yet been made for the additional number of shares from a potential conversion of the convertible bond issued by the Group in April 2010 (see *Convertibles* below).

Changes in the share capital

The table below shows the changes in the share capital since 1 January 2010.

Year	Event	Change, number of share	Change, number of preference shares	Change, share capital, SEK	Total number of shares	Total share capital, SEK	Quota value SEK per share
2010	Reduction of the share capital	–	–	–4,515,500,000	2,467,500,000	1,653,200,000	0.67
2010	New issue[1]	7,402,500,000	–	4,959,700,000	9,870,000,000	6,612,900,000	0.67
2010	Reverse split[2]	–9,541,000,000	–	–	329,000,000	6,612,900,000	20.1
2014	*Current new issue[3]*		*4,000,000*	*80,400,000*	*333,000,000*	*6,693,300,000*	*20.1*

1) Rights issue to a subscription price per share of 0.67 SEK. The net proceeds were primarily used to strengthen SAS liquidity and capital structure in order to enable the implementation of the then remaining parts of the strategy Core SAS, that was launched in February 2009. In conjunction with Core SAS, the company also implemented a rights issue during 2009 (approximately SEK 6 billion). At the launch, Core SAS comprised cost-savings of SEK 4 billion that gradually increased to SEK 5.3 billion during 2009. During 2010, SAS identified further cost-savings of SEK 2.5 billion, after which the total cost-savings within Core SAS amounted to SEK 7.8 billion. Core SAS was completed in the second quarter of 2011, when cost-reductions of SEK 7.6 billion were achieved. The remaining measures of approximately SEK 0.2 billion were then transferred to the strategy 4Excellence.
2) Reverse split 30:1.
3) If fully subscribed (excluding a possible expanded Offering).

Ownership structure

As of 31 December 2013, SAS had approximately 61,000 shareholders. The largest shareholder was the Swedish government, with approximately 21,4% of the total number of shares and votes in the company. The table below shows the largest shareholders of the company as per 31 December 2013.

Major shareholders

Shareholder/custodian	Number of ordinary shares[1]	Number of shares and votes, %
The Swedish government	70,500,000	21.4
The Danish government	47,000,000	14.3
The Norwegian government	47,000,000	14.3
Knut and Alice Wallenberg Foundation	24,855,960	7.6
JPM Chase	5,035,009	1.5
Försäkringsaktiebolaget Avanza Pension	4,627,053	1.4
Unionen	4,150,359	1.3
Robur Försäkring	2,854,923	0.9
SEB	2,743,624	0.8
CBNY-DFA-Int Sml Cap	1,974,186	0.6
Total, the ten largest shareholders	**210,741,114**	**64.1**
Other shareholders	118,258,886	35.9
Total	**329,000,000**	**100.0**

1) Danish law allows publication only at ownership over 5%.
Source: Euroclear Sweden, VP Investor Services and VPS.

In Sweden, the lowest limit for notifiable holdings (called flagging) is 5% of the shares or the voting rights of all shares.

Listing and share price development

Since 2001, the SAS-share is listed on NASDAQ OMX Stockholm (Mid Cap) with secondary listings on NASDAQ OMX Copenhagen (Mid Cap) and Oslo Børs (OB Match). The ticker symbol is “SAS” on NASDAQ OMX Stockholm and NASDAQ OMX Copenhagen, and “SAS NOK” on Oslo Børs. Of the total volume of shares traded in the fiscal year 2012/2013, 68.0% were traded in Stockholm, 25.6% in Copenhagen, and 6.4% in Oslo.

SAS have applied for listing of the preference shares on NASDAQ OMX Stockholm in connection with the completion of the Offering. The first day of trading of the preference shares is expected to be on or about 7 March 2014. The ticker symbol will be “SAS PREF”.

Central securities depository afiliation

SAS’s Articles of Association contains s CDS-clause and the company’s shares are cleared through the electronic securities system operated by Euroclear Sweden (Euroclear Sweden AB, Box 191, 101 23 Stockholm). The shares are registered on person. No share certificates have been issued with respect to the shares nor will be issued with respect to the preference shares. The ISIN-code for the ordinary shares in SAS is SE0000805574 and will for the preference shares in SAS be SE0005704053. Those shares that are traded on NASDAQ OMX Copenhagen are also registered in the electronic securities system of VP Securities, the Danish central securities depository, VPS (VP Securities A/S, Box 4040, DK-2300 Köpenhamn S, Danmark), while shares traded on Oslo Børs also are registered in the electronic securities system of the Norwegian central securities depository, VPS (Verdipapirsentralen ASA, Postboks 4, NO-0051 Oslo, Norge).

Authorisations

The Board of Directors has proposed that the Annual General Meeting 18 February 2014 authorizes the Board of Directors to, on one or several occasions and until the next Annual General Meeting – with or without deviation from the shareholders’ preferential rights – resolve on a new issue of preference shares in the company. The authorization includes a maximum of 7,000,000 preference shares. Payment for subscribed may be made in cash, by way of set-off or by payment in kind. The reason for deviation from the shareholders preferential rights is to enable the company to issue preference shares with the purpose to obtain capital at competitive terms and for this purpose be able to attract institutional investors for whom the preference shares should be suitable due to its nature of a debt instrument, in order to strengthen SAS capital structure and financial preparedness. Subsequently, the Board of Directors intend to utilize the proposed authorization to issue preference shares 24 February 2014.

The Board of Directors has also proposed that the Annual General Meeting the 18 February 2014 authorizes the Board of Directors to, on one or several occasions until the next Annual General Meeting and with deviation from the shareholders' preferential rights, resolve on an issue of a convertible bond with a right to conversion into new ordinary shares in the company (convertibles). The total loan amount may not exceed MSEK 2,000 and the number of shares that may be issued after conversion may not exceed 130 million ordinary shares. Payment for subscribed convertibles may be made in cash or by way of set-off. The issue of convertibles must be made on market terms. The reason for deviation from the shareholders preferential rights, is to create a flexibility as regards the company's possibilities to strengthen its capital structure and its financial preparedness when market conditions on the international convertible market are favorable.

The resolutions of the Annual General Meeting as regards the proposed authorizations, require the support of shareholders with at least two-thirds of the voting cast as well as the shares represented at the Annual General Meeting. The authorizations may be utilized from the date of registration at the Swedish Companies Registration Office (Sw. "*Bolagsverket*").

Warrants and convertibles

Warrants

See *Protection of the Croup's air traffic rights in the company's Articles of Association* above.

Convertibles

See *Convertible bond* in the section *Legal considerations and supplementary information* as regards outstanding convertibles.

Total amount

The table below shows a total increase of the number of shares and the share capital, and a dilution in the event of a maximum use and a complete conversion of the outstanding warrants and convertibles (before a re-calculation as a result of the pending issue of preference shares).

Security	Number of new shares	Increase of the share capital, SEK	Increase of number of shares and votes, %
Warrants	150,000,000[1]	3,015,000,000	45.59
Convertible bond	34,408,602	691,612,900,20	10.46
Maximum use of the proposed authorization as regards further convertible bonds	130,000,000	2,613,000,000	39.51
Total	**314,408,602**	**6,319,612,900,20**	**95.56**

1) The warrants only entitles to subscription for subordinated shares in the company. After a re-calculation as a result of the current issue of preference shares including a potential maximum increase of the Offering, a maximum number of total 150,300,000 subordinated shares may be issued by virtue of the warrants, to protect the Groups air traffic rights.

Shareholders' agreements

As far as the Board of Directors is aware, there are no shareholders agreements or other agreements between shareholders in SAS with the purpose of a joint influence on the company. Neither is the Board of Directors aware of any agreements or similar that may result in a change in control over the company.

Board of Directors, group management and auditors

Board of Directors

According to SAS's Articles of Association, the Board of Directors shall consist of six to eight members elected by the shareholders at a general meeting. Pursuant to aviation policy reasons the company has implemented certain suitability and competency requirements in order to have a board that at all times is composed in a manner which enables the company and its subsidiaries to maintain its air traffic rights. This entails qualifications in relation to citizenship, residency and knowledge and experience of the Scandinavian countries' society, business and cultural conditions.

The Board of Directors currently consist of seven board members and no deputy board members (all of whom were elected by the 2013 Annual General Meeting for the period until the end of the 2014 Annual General Meeting) and three employee representatives with two deputy employee representatives each. The employee representatives are appointed by SAS's employee representative groups in Denmark, Norway and Sweden pursuant to certain laws and special agreements. The Nomination committee has proposed the 2014 annual general meeting to re-elect all seven current members of the Board of Directors and proposed the new election of Carsten Dilling.

Name	Position	Board member since	Independent	Audit committee	Remuneration committee	Shareholding in the comppany[1]
Fritz H. Schur	Chairman of the Board	2001	Yes		X	40,000
Jacob Wallenberg	Vice chairman of the Board	2001	Yes		X	10,000
Monica Caneman	Board member	2010	Yes	X		4,000
Lars-Johan Jarnheimer	Board member	2013	Yes	X		10,000
Birger Magnus	Board member	2013	Yes	X		–
Dag Mejdell	Board member	2008	No[2]		X	4,214
Sanna Suvanto-Harsaae	Board member	2013	Yes			–
Anna-Lena Gustafsson	Board member*	2011	–			–
Ulla Gröntvedt	Board member*	2001	–			2,000
Asbjörn Wikestad	Board member*	2013	–			–

* Employee representative.
1) Regards board members' own shareholding as well as shares held by related persons and affiliated companies as of 31 January 2014 and all known changes thereafter.
2) Not independent in relation to larger owners in the company.

Fritz H. Schur
Born 1951. Chairman of the Board of Directors since 2008 and member of the Board since 2001.

Education and work experience: B.Sc. Economics & Business Administration, Copenhagen Business School, 1973

Other ongoing assignments/positions: Chairman of the Board of Directors of F. Uhrenholt Holding A/S, DONG Energy A/S and C.P. Dyvig & Co. A/S. Vice chairman of the Board of Directors of Klee A/S. Board member of WEPA Industrieholding SE. Board member and CEO of F. Schur & Co. A/S and Fritz Schur A/S. CEO of FSS Mid ApS, FS 1 ApS, Havnefrontens Selskabslager 909 ApS, FS 11 ApS, FS 12 ApS and Dagmar Sørensen Holding ApS.

Previous assignments (past five years): Chairman of the Board of Directors of Post Danmark A/S, PostNord AB, Care Brands A/S, PSF af 01.09.1985 A/S, Relationscore ApS and of Relation-Lab A/S.

Shareholding in the Company: 40,000 shares.

Jacob Wallenberg
Born 1956. Vice Chairman of the Board of Directors since 2001.

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

Other ongoing assignments/positions: Chairman of the Board of Directors of Investor AB. Vice Chairman of the Board of Directors of Skandinaviska Enskilda Banken AB and Telefonaktiebolaget L M Ericsson. Board member of ABB Ltd., Coca Cola Company, Handelsaktiebolaget Nitton, Knut and Alice Wallenberg Foundation, Stockholm School of Economics and Vinterskjusan Gård AB.

Previous assignments (past five years): Chairman of the Board of Directors of Air P Development AB and SGEM AB. Vice Chairman of the Board of Directors of Atlas Copco AB and Board member of Nobelstiftelsen. Deputy Board member of Jaktvårdsbolaget Sverige AB.

Shareholding in the Company: 10,000 shares.

Monica Caneman
Born 1954. Member of the Board of Directors since 2010.

Education and work experience: M.Sc. Econ and Business Administration at Stockholm School of Economics.

Other ongoing assignments/positions: Chairman of the Board of Directors of Fjärde AP-fonden, Arion bank hf and BigBag AB. Board member and CEO of Monica Caneman Konsult AB. Board member of Intermail A/S, mySafety Group AB, Poolia AB, Schibsted Sverige AB and Storebrand ASA.

Previous assignments (past five years): Chairman of the Board of Directors of Allenex AB, EDT AS, Electronic Transaction Group Nordic Holding AB, Frösunda Omsorg AB. Board member of Bring Citymail AB, EDB Business Partner ASA, Investment AB Öresund, Nordisk Energiförvaltning ASA, Orexo AB, Schibsted ASA, SJ AB, SOS Barnbyar, SOS International AS and SPP Liv Fondförsäkring AB (publ).

Shareholding in the Company: 4,000 shares.

Lars-Johan Jarnheimer
Born 1960. Member of the Board of Directors since 2013.
Education and work experience: M.Sc. Econ and Business Administration, University of Lund and Växjö.
Other ongoing assignments: Chairman of the Board of Directors of Arvid Nordquist Handelsaktiebolag, CDON Group AB and Eniro AB. Board member of Egmont International Holding AS, Ingka Holding B.V and SSRS Holding Aktiebolag. CEO and Board member of Varningsinfo i Sverige AB. Deputy member of the board of Jarnverken AB.
Previous assignments (past five years): Chairman of the Board of Directors of BabyBjörn AB. Board member of Aktiebolaget Finvision, Apoteket AB (publ), Energibolaget i Sverige AB, SCD Invest Aktiebolag, Seamless Distribution AB and Teleopti AB.
Shareholding in the Company: 10,000 shares.

Birger Magnus
Born 1955. Member of the Board of Directors since 2013.
Education and work experience: MBA, INSEAD and M.Sc., The Norwegian University of Science and Technology.
Other ongoing assignments/positions: Chairman of the Board of Directors of Storebrand ASA, Hafslund ASA, Bmenu AS, XENETA A/S, Magnus & CO A/S and the Aktiv Mot Kreft foundation. Board member of Wevideo Inc, Kristian Gerhard Jebsen Group, Aschehoug AS, Harvard Business School Publishing and the Kristian Gerhard Jebsen foundation.
Previous assignments (past five years): Chairman of the Board of Directors of Statoil Fuel & Retail ASA, Aftenposten AS, Verdens Gang AS and Media Norge AS. Board member of FINN.no, Kristian Gerhard Jebsen Skipsrederi and Aftonbladet Hierta AB.
Shareholding in the Company: None.

Dag Mejdell
Born 1957. Member of the Board of Directors since 2008.
Education and work experience: MBA, Norges Handelshögskola.
Other ongoing assignments/positions: CEO of Posten Norge AS. Chairman of the Board of Directors of Bring AS, Bring Citymail AB, Bring Citymail Sweden AB, Arbeidsgiverföreningen Spekter and International Post Corporation. Vice Chairman of the Board of Directors of EVRY ASA. Board member of Norsk Hydro ASA and IK Investment Partners Ltd.
Previous assignments (past five years):
Shareholding in the Company: 4,214 shares.

Sanna Suvanto-Harsaae
Born 1966. Member of the Board of Directors since 2013.
Education and work experience: MBA, University of Lund.
Other ongoing assignments/positions: Chairman of the Board of Directors of Babysam AS, Sunset Boulevard AS, VPG AS and Best Friend AB. Board member of Paulig Oy, Clas Ohlson AB, Altia OY, CCS AB and Upplands Motor AB.
Previous assignments (past five years): Chairman of the Board of Directors of Health & Fitness Nordic AB. Board member of Jetpak AB, BTX AS, Duni AB and Candyking AB.
Shareholding in the Company: None.

Ulla Gröntvedt
Born 1948. Member of the Board of Directors (employee representative) since 2001. Employed in Sweden.
Other ongoing assignments/positions: Deputy Board member of H.G.C Förvaltning AB and Nöjesgruppen i Luleå AB.
Previous assignments (past five years):
Shareholding in the Company: 2,000 shares.

Anna-Lena Gustafsson
Born 1959. Member of the Board of Directors (employee representative) since 2011. Employed in Denmark.
Other ongoing assignments/positions: Chairman of the Board of Directors of AE Advice Öresund AB. Board member of FTFA in Denmark.
Previous assignments (past five years):
Shareholding in the Company: None.

Asbjörn Wikestad
Born 1948. Member of the Board of Directors (employee representative) since 2013. Employed in Norway.
Other ongoing assignments/positions:
Previous assignments (past five years):
Shareholding in the Company: None.

Arbetstagarsuppleanter
Sven Cahier
Born 1951. First deputy employee representative since 2010. Employed in Sweden.
Other ongoing assignments/positions: Lay auditor in Unionen and Unionen Medlemsförsäkring AB. Deputy lay auditor of Klara Norra Fastigheter AB.
Previous assignments (past five years): Board member (employee representative) of Coor Service Management Aero AB. Lay auditor in the unemployment benefit fund of Unionen.
Shareholding in the Company: 418 shares.

Bo Nielsen
Born 1958. First deputy employee representative since 2011. Employed in Denmark.
Other ongoing assignments/positions:
Previous assignments (past five years):
Shareholding in the Company: 392 shares.

Rune Thuv
Born 1954. First deputy employee representative since 2012. Employed in Norway.
Other ongoing assignments/positions:
Previous assignments (past five years):
Shareholding in the Company: 10,238 shares.

Erik Bohlin
Born 1958. Second deputy employee representative since 2013. Employed in Sweden.
Other ongoing assignments/positions: –
Previous assignments (past five years): –
Shareholding in the Company: None.

Jan Levi Skogvang
Born 1959. Second deputy employee representative since 2013. Employed in Norway.
Other board assignments/positions: CEO of Scannor Flygerforening.
Previous assignments (past five years): Board member of Parat Arbeidstakerorganisation.
Shareholding in the Company: None.

Per Weile
Born 1948. Second deputy employee representative since 2012. Employed in Denmark.
Other ongoing assignments/positions:
Previous assignments (past five years):
Shareholding in the Company: 656 shares (200 shares held personally, 456 shares through legal person).

Group management

Name	Position	Member of Group management since	Shareholding[1]
Rickard Gustafson	CEO and president	2011	40,005
Henriette Fenger Ellekrog	Vice CEO and deputy president, Human Resources & Communication	2007	12,200
Göran Jansson	Vice CEO and CFO	2011	–
Flemming Jensen	Vice president Operations	2011	14,100
Joakim Landholm	Vice president Commercial	2012	–
Mats Lönnkvist	Vice president, General counsel	2012	2,704
Eivind Roald	Vice president Sales & Marketing	2012	84,000
Karl Sandlund	Vice president Strategic Initiatives	2014	2,000

1) Regards group management's own shareholding as well as shares held by related persons and affiliated companies as of 31 January 2014 and all known changes thereafter.

Rickard Gustafson
Born 1964. CEO and president. Member of group management since 2011.
Education and work experience: M.Sc, Industrial Economics. Several leading positions within GE Capital, both in Europe and USA.
Other ongoing assignments/positions:
Previous assignments (past five years): CEO of Trygg-Hansa Försäkringsaktiebolag Board member of SFS – Svensk Försäkrings Service AB.
Shareholding in the Company: 40,005 shares.

Henriette Fenger Ellekrog
Born 1966. Vice CEO and deputy president. Member of group management since 2007.
Education and work experience: Cand. ling. merc., Copenhagen Business School. Several leading positions within TDS A/C, most recently as Senior Executive Vice President, Corporate HR and Chief of Staff. Prior several leading various positions at Mercuri Urval A/S and Peptech (Europe) A/S.
Other ongoing assignments/positions: Chairman of the board of Svenska Flygbranchen. Board member of Svenskt Flyg, Fonden før Dansk-Norsk Samarbejde, Advisory Board for women in management positions för Dansk Industri (the Confederation of Danish Industry).
Previous assignments (past five years): Board member of Artic GreenFood A/S, Daycatch A/S and Rektoratet for University of Copenhagen expertise panel.
Shareholding in the Company: 12,200 shares.

Göran Jansson
Born 1958. Vice CEO and CFO. Member of group management since 2011.
Education and work experience: Graduate in Business Administration, University of Stockholm. Previously CFO and Vice CEO of ASSA ABLOY.
Other ongoing assignments/positions: Chairman of the Board of Directors of nWise AB. Board member of Axis AB, SPP Liv Fondförsäkring AB, AAGOJA AB and GJS Turnaround AB.
Previous assignments (past five years): Chairman of the Board of Directors of BANQIT AB. Board member of Human Care HC AB (publ), NOTE AB (publ), Sense Expo AB, Stille AB and Ur & Penn AB.
Shareholding in the Company: None.

Flemming Jensen
Born 1959. Vice president and COO. Member of group management since 2011.
Education and work experience: Pilot training, Danish air force. Previously several leading positions within SAS Production, including Chief Operating Officer Production Unit CPH, chief pilot and pilot.
Other ongoing assignments/positions: Board member of Industriens Arbejdsgivere i Kobenhavn (IAK) and Dansk Industri.
Previous assignments (past five years):
Shareholding in the Company: 14,100 shares.

Joakim Landholm

Born 1969. Vice president Commercial. Member of group management since 2012.

Education and work experience: DHS, Stockholm School of Economics. Previously operative manager of RSA Scandinavia, including Trygg-Hansa and Codan. Background within management, and strategy, and Swedbank, Accenture and GE Moneybank.

Other ongoing assignments/positions:

Previous assignments (past five years): Board member of Brädstapeln Fastighets AB, SOS International and SveLand Sakförsäkringar AB. External authorised signatory of Trygg-Hansa Försäkringsaktiebolag. Deputy Board member of Försäkringsbranschens Arbetsgivareorganisations Service Aktiebolag.

Shareholding in the Company: None.

Mats Lönnkvist

Born 1955. Vice president and General Counsel. Member of group management since 2009.

Education and work experience: LL.M, University of Uppsala. Several prior legal positions within the SAS Group and Mannheimer & Zetterlöf law firm 1984–1988.

Other ongoing assignments/positions:

Previous assignments (past five years): Board member of TeliaSonera Mobile Networks Aktiebolag.

Shareholding in the Company: 2,704 shares.

Eivind Roald

Born 1966. Vice president Sales & Marketing. Member of group management since 2012.

Education and work experience: Bachelor's degree, Norwegian School of Management BI. Previously CEO of Hewlett Packard Norway and 16 years of experience from business' such as Accenture and Willi Railo Consulting with primary focus on restructuring of sales and marketing functions.

Other ongoing assignments/positions: Board member of ScanToys AS and Crayon AS.

Previous assignments (past five years):

Shareholding in the Company: 84,000 shares.

Karl Sandlund

Born 1977. Vice president Strategic Initiatives. Member of group management since 2014.

Education and work experience: Masters in engineering in industrial economics, University of Linköping. Previously various strategic assignments within SAS and prior to that, McKinsey.

Other ongoing assignments/positions: –

Previous assignments (past five years): Deputy Board member of M&B Sandlund AB

Shareholding in the Company: 2,000 shares.

Other information on the Board of Directors and Group management

The office address for all Board members and group management is SAS's address, 195 87 Stockholm.

There are no family ties between members of the Board of Directors or group management. No member of the Board of Directors of group management has been convicted in any case relating to fraud in the past five years. No member of the Board of Directors or group management has been involved in bankruptcy, liquidation or bankruptcy administration in the past five years. There have been no allegations and/or sanctions on the part of any authority authorized through law or regulation (nor by any other professional society) against any of these persons in the past five years. No member of the Board of Directors or group management has in the past five years been banned by any court from membership of a company's administrative management or control bodies, or from holding a management or general position within a company.

No member of the Board of Directors or group management has any private interest that might conflict with SAS's interests. However, as stated above several of the members of the Board of Directors and group management have economic interests in SAS through shareholdings.

Auditor

PricewaterhouseCoopers AB (113 97 Stockholm) is the company's auditor with Bo Hjalmarssom as principal auditor since the 2013 annual general meeting. Deloitte AB (Box 1329, 111 83 Stockholm) was the company's auditor during the fiscal years 2010–2012, with Peter Gustafsson as principal auditor during the fiscal year of 2010 and Jan Palmqvist as principal auditor during the fiscal year of 2011 and 2012. Bo Hjalmarsson and Jan Palmqvist are, as is Peter Gustafsson at the time of his assignment, authorized auditors and members of FAR, the trade organization for auditors in Sweden.

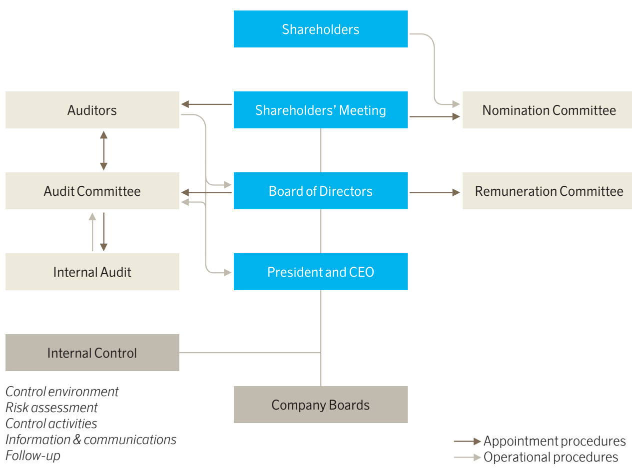
Corporate governance

Corporate governance and the Swedish corporate governance code

Corporate governance in SAS is based upon Swedish law, SAS's articles of association, the Swedish corporate governance code (the "Code") and NASDAQ OMX Stockholm's Rule Book for Issuers and other applicable rules, and recommendations issued by relevant Swedish and international organizations.

The Code is based on the principle "comply or explain". This means that a company that applies the Code may deviate from individual provisions of the Code, provided that the reason for each deviation is explained. SAS is compliant with the Code, with the exception that general meetings are conducted in Swedish, Norwegian and Danish (deviation from rule 1.5). SAS's articles of association state that general meetings shall be conducted in Swedish, Danish or Norwegian, and, if the Board of Directors so decides, in any other language.

The reason for the company's deviation from the aforementioned provision of the Code is the Group's strong Scandinavian character with a majority of the number of shareholders being domiciled in Denmark and the Board of Directors and group management comprising persons from all three Scandinavian countries. Meeting deliberations are conducted primarily in the Swedish language, and the material for the general meeting is available in Swedish. In view of the foregoing, the Board of Directors believes that any of the Scandinavian languages may be freely used at general meetings held in the company, considering the similarities of the three Scandinavian languages.



Board committees

To streamline and enhance the work of the Board of Directors there are two committees, the remuneration committee and the audit committee members are appointed by the Board of Directors. The main task of the committees is to prepare issues for the Board of Directors' decisions.

The remuneration committee

The principal responsibility of the remuneration committee is to make recommendations for the Board of Directors regarding principles of remuneration, remuneration and other terms of employment of group management, to supervise and evaluate programs for variable remuneration for group management, and supervise and evaluate compliance with guidelines for remuneration to group management decided by the annual general meeting and further the remuneration structure and compensation level in the company. The remuneration committee consists of Fritz H. Schur (chairman), Jacob Wallenberg and Dag Mejdell.

The audit committee

The principal responsibility of the audit committee is to support the Board of Directors with quality proofing the financial reporting of the company. The audit committee manages certain critical audit issues and financial reports executed by the company. The issues managed by the audit committee are internal control, compliance with regulations, uncertainties in reported values, matters arising after the balance sheet day, changes to estimates and considerations, financial and legal risks, suspected and asserted irregularities and other circumstances that affect the financial reporting of the company. The company's external auditor participates in all of the audit committee's meetings. The Board of Directors reviews, supervises and approves the company's financial statement and interim reports. The audit committee shall, without it affecting the Board of Directors' responsibility and assignments, supervise the financial reporting of the company, including the revision of the annual accounts and group accounts, review and supervise the auditor's independence and impartialness, in particular whether the auditor provides the company with other services than auditor services, and assist with the preparation of proposals to general meetings regarding the appointment of auditors and remuneration of auditors. Monica Caneman (chairman), Lars-Johan Jarnheimer and Birger Magnus are members of the audit committee.

Remuneration

Board of Directors

The table below sets out the fees to the members of the Board of Directors in accordance with resolutions adopted by the 2013 annual general meeting.

SEK (in thousands)	Position	Board – remuneration	Fee remuneration committee	Fee audit committee	Total
Fritz H. Schur	Chairman of the Board	585	70		655
Jacob Wallenberg	Vice chairman of the Board	390	25		415
Dag Mejdell	Second vice chairman of the Board	345	25		370
Monica Caneman	Board member	295		95	390
Lars-Johan Jarnheimer	Board member	295		45	340
Birger Magnus	Board member	295		45	340
Sanna Suvanto-Harsaae	Board member	295			295
Anna-Lena Gustafsson	Board member	295			295
Ulla Gröntvedt	Board member	295			295
Asbjörn Wikestad	Board member	295			295
Total		**3,385**	**120**	**185**	**3,690**

Deputy employee representatives are remunerated in accordance with a remuneration for preparations totaling 1 000 SEK per member of the Board and remuneration for participation in meetings of 3 500 SEK per member per meeting actually attended.

On 5 November 2012 the members of the Board of Directors resolved to reduce their remuneration adopted by the annual general meeting with 30 per cent until the 2014 annual general meeting. Accordingly, Board members that were members of the Board in November 2012 are entitled to the remuneration in accordance with above reduced with 30 per cent. Newly elected board members as of 20 March 2013 Annual General Meeting (Lars-Johan Jarnheimer, Birger Magnus and Sanna Suvanto-Harsaae) are remunerated in accordance with the resolution adopted by the 2013 Annual General Meeting.

Group management

The CEO, vice CEO and other members of group management, were remunerated in accordance with the table below for the fiscal year of 2012/2013.

SEK (in thousands)	Fixed salary	Other benefits[1]	Total amount fixed salary and other benefits	Pensions[2]
Rickard Gustafson	8,210	195	8,405	2,328
Henriette Fenger Ellekrog[3]	3,764	152	3,916	1,110
Göran Jansson	4,044	8	4,052	1,208
Others[3, 4]	17,666	591	18,257	4,214
Total	**33,684**	**946**	**34,630**	**8,860**

1) Other benefits include car benefits, health insurance and group life insurance.
2) Five members of group management have pensions based on premiums and two have defined-benefit pensions. As of 31 October 2013 the defined-benefit pensions totaled MSEK 1.2.
3) Recalculated to TSEK (SEK in thousands).
4) 4 persons during 2012/2013.

The CEO is entitled to severance pay equaling 12 months' salary if dismissed by SAS, unless dismissal is due to a material breach of agreement, severe breach of the CEO's obligations or criminal acts against SAS. If the CEO resigns voluntarily no severance pay will be distributed. If the CEO obtains a new position within 12 months of the dismissal the severance pay will be reduced by any amount of remuneration received from such new position.

If dismissal of the vice CEO by SAS on any other basis than material breach of agreement, severe breach of obligations or criminal acts against SAS, the vice CEO is entitled to severance pay equaling 12 months' salary, reduced by any remuneration from any other employment or assignment. Severance pay may be distributed upon the vice CEO's voluntary resignation if his responsibility or authority has essentially been changed through organizational changes, unless an offer of another employment within SAS has been made.

Severance pay for other members of group management is established according to the same principles as for the vice CEO, but with the difference that severance pay, pursuant to already signed agreements, for one member of group management totals an amount equaling two year's salary, with a deduction for remuneration from other employments or assignments of no more than 50 per cent of the total severance pay.

Articles of Association

Current Articles of Association

§ 1
The name of the Company is SAS AB. The Company is public (publ).

§ 2
The objects of the Company's business shall be directly or indirectly to conduct air traffic operations chiefly through the Scandinavian Airlines System Denmark-Norway-Sweden (SAS) Consortium, other transport and travel-related business as well as any business compatible therewith.

§ 3
Questions of amending or terminating the Consortium Agreement between SAS Danmark A/S, SAS Norge AS and SAS Sverige AB regarding SAS, as amended on May 8, 2001, shall be dealt with by the Company's General Meeting and decisions in this regard require the consent of shareholders with two-thirds of the votes cast as well as of the shares represented at the General Meeting.

§ 4
The Company's Board of Directors has its registered office in Stockholm.

§ 5
The share capital shall be at least SEK 4,000,000,000 and not more than SEK 16,000,000,000, divided into at least 200,000,000 shares and not more than 800,000,000 shares.

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

§ 6
The Board of Directors shall have six to eight members elected by the Annual General Meeting. The Board shall have the composition that may be required at any given time for the Company and its subsidiaries to retain their traffic rights for civil aviation, including citizenship and domicile requirements. Furthermore, the Board shall as a whole be representative of and have the knowledge of and experience in the social, business and cultural life prevailing in the Scandinavian countries necessary for their work. With the support of applicable laws regarding Board representation for private employees and special agreements between the Company and the employee organizations empowered in accordance with the aforementioned laws, the SAS Group's employee groups in Denmark, Norway and Sweden respectively each have the right to name one member and two deputies, in addition to the aforementioned number of Board members chosen by the General Meeting.

§ 7
The company shall have two auditors and two deputy auditors or one or two registered accounting firms to examine the management of the Board of Directors and the Managing Director as well as the Company's financial statements and accounting records.

§ 8
The financial year of the Company shall be 1 November – 31 October.

§ 9
The Company's Annual General Meeting shall be held in either Stockholm or Sigtuna.

§ 10
The Board shall be authorized to allow shareholders to vote by mail prior to a General Meeting. Mail voting may be made by electronic means if the Board so decides. The languages at the General Meeting shall be Swedish, Danish or Norwegian and, if the Board so decides, other languages as well.

§ 11
Notice of a General Meeting shall be made by an announcement:
– in Sweden in Swedish in Post- och Inrikes Tidningar and on the company's web page. That notice has been issued shall be announced in Svenska Dagbladet,
– and if the Board so decides:
– in Denmark in Danish in Berlingske Tidende or another national Danish daily newspaper and
– in Norway in Norwegian in Aftenposten or another national Norwegian daily newspaper.

To be able to attend the General Meeting, shareholders must be included in the transcript of the entire share register as per five working days prior to the meeting, as well as notify the Company not later than the day given in the notice of the meeting and also state the number of assistants by whom the shareholder will be accompanied. This day may not be a Sunday, any other public holiday, Saturday, Midsummer Eve, Christmas Eve or New Year's Eve nor fall any earlier than five working days before the meeting.

§ 12
At the General Meeting, business is conducted by open voting, unless the General Meeting decides on a ballot vote.

§ 13
At the Company's Annual General Meeting, the following business is to be conducted:
a) election of a meeting Chairman
(b) drawing up and verification of the voters' roll
(c) approval of the agenda
(d) election of two persons, in addition to the Chairman, to verify the minutes
(e) deciding the question of whether the meeting has been called in proper order
(f) presentation of the financial statements and the consolidated financial statements
(g) presentation of the auditors' report and the consolidated auditors' report
(h) decision concerning approval of the income statement and balance sheet as well as the consolidated income statement and consolidated balance sheet
(i) decision on the disposal of Company's profits or loss in accordance with the approved balance sheet
(j) decision concerning the discharge of the Directors and Managing Director from liability

(k) determination of the number of Board members
(l) determination of Directors' fees
(m) determination of fees for auditors
(n) election of the Board of Directors
(o) election of a Chairman of the Board
(p) if applicable, election of auditors and deputy auditors
(q) election of a Nomination Committee. The Nomination Committee shall be representative of the Company's shareholder composition and have the purpose of bringing about a suitable representative composition of the Board of Directors and in other respects lay a proper foundation for the General Meeting's discussion and decisions on various issues that the Annual General Meeting decides that the Nomination Committee is to prepare for each year.
(r) any other business in the power of the General Meeting in accordance with the Articles of Association.

§ 14
The Company shall be a CSD (central securities depository) registered company and the Company's shares shall be registered in a CSD register pursuant to the Financial Instruments Accounts Act (SFS 1998:1479).

§ 15
If there is a direct threat to the Company's or its subsidiaries' air traffic rights owing to the Company or its subsidiaries violating or running the risk of violating provisions concerning ownership and control in bilateral civil aviation agreements or in laws or regulations concerning the conditions for air traffic within the EEA, the Board of Directors shall be able to decide to redeem shares in accordance with clause A below. If such a redemption is not possible or, in the judgment of the Board, insufficient, a subscription for new subordinated shares with the rights that appear from clause B below shall be made by virtue of warrants issued, though only after the approval at a General Meeting by a decision supported by at least half the votes cast at the meeting.

Redemption of shares in accordance with clause A below and the subscription for new subordinated shares supported by warrants issued shall take place only to the extent that the aforementioned threat in the judgment of the Board of Directors is eliminated. The Board shall thereafter decide as soon as possible to redeem subordinated shares in accordance with clause B below to the extent possible that would eliminate the aforementioned threat after such redemption.

A. Redemption
A reduction of the share capital, though not below the minimum, shall take place through the redemption of shares for the following reasons. The Board of Directors shall resolve to redeem the shares held by persons not domiciled in Denmark, Norway or Sweden and shares held by corporations so domiciled that neither directly nor indirectly are controlled by persons or corporations domiciled in Denmark, Norway or Sweden. Shares shall in the first place be redeemed from persons or corporations that are not domiciled or are not controlled by persons or corporations domiciled in countries within the EEA.

To enable the Company to determine domicile in accordance with this Article 15, shareholders whose shares are registered in the Danish Securities Centre (VP) shall register their name, address and shareholding in a special register maintained by VP Services A/S, CVR no. 302011183 (VP Investor Services). Such a register shall be maintained in accordance with the provisions valid at any given time of the Danish Companies Act concerning the keeping of share register. In the event of redemption, shares that according to transcripts of the share register/nominee register kept by Euroclear Sweden AB in Sweden, of the share register kept by the Norwegian Central Securities Depository (VPS) and of the register kept by VP Investor Services in Denmark as specified above (jointly called the Register Transcript), that were acquired last be redeemed first. For cases in which the date of acquisition cannot be determined, this date shall be regarded as the date of the decision to redeem, and the shares shall be redeemed in proportion to the affected shareholders' holdings. If the required number of shares cannot be redeemed from persons or corporations not domiciled or not controlled by persons or corporations domiciled in countries within the EEA, shares shall be redeemed from other persons or corporations not domiciled in Denmark, Norway or Sweden. In this instance, shares acquired last according to the Register Transcript shall be redeemed first. For cases in which the date of acquisition cannot be determined, this date shall be regarded as the date of the decision to redeem shares, and the shares shall be redeemed in proportion to the affected shareholders' holdings. It is incumbent upon each shareholder to see to it that his domicile appears on the Register Transcript at all times or otherwise to prove his domicile when so requested by the Company. It is also incumbent upon each shareholder that is a corporation, when so requested by the Company, to prove who, directly or indirectly, controls the said corporation. Shareholders whose domicile cannot be determined from the Register Transcript as well as shareholders who when so requested by the company do not prove direct or indirect control are in the event of a redemption considered to be domiciled outside the EEA.

Shareholders, whose shares may be redeemed in accordance with this provision, shall be notified by the Company in writing stating the number of shares that may be redeemed from said shareholders (the Number of Redeemable Shares). Shareholders are able within ten business days after notification to prove their domicile to the Company, and if applicable, the direct or indirect control of a corporation, that may result in said shareholders not being covered by the redemption. If a shareholder has reduced his holdings by the Number of Redeemable Shares according to the Register Transcript that can be obtained immediately after the fortieth business day after the notification has been sent out, no shares of this shareholder will be redeemed. However, if this shareholder has not reduced his holdings by the Number of Redeemable Shares according to such a Register Transcript, this number of shares can be redeemed immediately, or the number of shares required for the holding to be reduced by the Number of Redeemed Shares, if lower.

Shares will be redeemed without any refund to the shareholder. The reduction amount shall be transferred to statutory reserves.

B. Subordinated shares
In addition to ordinary shares, the Company shall be able to issue subordinated shares. Each of these two classes of shares, ordinary shares as well as subordinated shares, can be issued up to the Company's maximum share capital stated in Article 5. Subordinated shares shall be redeemable. If not all outstanding subordinated shares are redeemed, subordinated shares shall be redeemed from their owners in proportion to the number of shares they already own and to the extent this cannot

take place by drawing lots. In the event of redemption, redeemed shares shall be refunded with an amount corresponding to the share's nominal value plus interest calculated from the first day the subordinated shares were registered up until the date the amount of redemption was paid, with an interest rate corresponding to two percentage points over the 90-day STIBOR rate.

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

§ 16

If the Company issues new ordinary shares and subordinated shares in a cash issue or an issue to set off claims, the holder of ordinary shares and subordinated shares shall have the preferential right to subscribe for new shares in the same class in proportion to the number of shares the holder already owns (primary preferential right). Shares not subscribed for through a primary preferential right shall be offered to all shareholders for subscription (subsidiary preferential right). If the shares so offered are insufficient to cover the subscription taking place through a subsidiary preferential right, the shares shall be distributed among the shareholders in proportion to the number of shares they already own, and if this cannot be done, by drawing lots.

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

If the company decides to issue warrants or convertibles pertaining to ordinary shares or subordinated shares or shares of both types through a cash issue or an issue to set off claims, shareholders have preferential rights to subscribe for warrants as if the issue applied to the shares of either or both types that could be subscribed for as a result of options or preferential rights to subscribe for convertibles, as if the issue had applied to the shares of either or both types for which the convertibles carry the right of receipt in exchange. What is stated above shall not imply any limitation in the Company's ability to decide on cash issues or issues setting off claims that deviate from the shareholders' preferential rights.

If the share capital is increased through a bonus issue, new shares of each existing share type shall be issued in relation to the number of shares of the same type that already exist. Accordingly, old shares of a certain type shall carry entitlement to new shares of the same type. What is stated above shall not imply any limitation on the Company's ability to issue shares of a new type through a bonus issue following the appropriate changes to the Articles of Association.

Proposed amendments to the Articles of Association

In order to enable the Offering, the Board of Directors of SAS has proposed the Annual General Meeting 18 February 2014 to resolve on amendments of §§ 5 and 15–16 in the Articles of Association (entailing that a new class of shares, preference shares, is introduced and also certain changes following thereof). The Board of Directors has also proposed that § 9 be amended (the option to hold General Meetings in Solna). The proposed amendments are set forth below in *italics*.

§ 5

A. Share capital, number of shares and certain restrictions on share issues and value transfers

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

As long as preference shares are in issue and as long as the Preference Share Quota (as calculated below) exceeds 1/2, may resolutions on:

(i) any further issue of preference shares; or

(ii) any value transfers to holders of ordinary shares and/or subordinated shares (excluding resolutions on redemption of subordinated shares according to Section 15, clause B., below).

Only be passed if at least two thirds (2/3) of all ordinary shares and all preference shares, respectively, are represented at the general meeting at which the resolution is passed, and the resolution is supported by shareholders representing at least two thirds (2/3) of the votes cast within each of the above mentioned share classes. However, this provision shall not limit the board of directors' possibilities to resolve on an issue either by (a) virtue of an authorization, or (b) a subsequent approval from the general meeting, provided that the resolution of the general meeting in accordance with (a) and (b), respectively, is passed in accordance with the majority requirements set out above and that the board of directors, when resolving on a share issue, observes the limitations that follows from the Preference Share Quota.

The Preference Share Quota is calculated as follows:

$$\frac{A \times B}{C}$$

where:

A is the Redemption Price pursuant to Section 5, clause E. below;

B is the total number of registered preference shares taking into account additional, resolved, but not registered issues, and preference shares which may be issued due to the exercise of issued convertibles or warrants and other financial instruments which can lead to the issuance of further preference shares, excluding such preference shares which are held by the Company or which are subject to redemption following a resolution by the general meeting or the board of directors; and

C is the book value of the group's equity according the latest interim report by the board of directors, with deductions for any proposed, but not resolved upon nor implemented value transfer under item (ii) above; and any proposed but not resolved upon nor paid Preference Dividend under Section 5, clause D. below.

B. Share class and voting rights
Shares may be issued in three classes, ordinary shares, subordinated shares and preference shares. Each ordinary share and subordinated share entitles the holder to one (1) vote. Each preference share entitles the holder to one-tenth (1/10) of a vote.

Ordinary shares and subordinated shares may be issued up to a number corresponding to 100 percent of the Company's share capital. Preference shares may be issued up to a number corresponding to 10 percent of the share capital.

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

D. Dividends
If the general meeting resolves on a dividend, the preference shares shall have priority over ordinary shares and subordinated shares to an annual dividend in accordance with the following.

Priority to dividend per preference share ("Preference Dividend") shall:

i. *from and including the first payment date (see below) following the registration of the preference shares at the Swedish Companies Registration Office up to and including the payment date immediately following the record date 5 February 2019, amount to SEK 50 per year, evenly divided into quarterly payments; and*
ii. *from and including the payment date following the record date 5 February 2019 and for the time thereafter, the Preference Dividend shall increase with an amount corresponding to 1 percent of the subscription price for preference shares at the first issue of preference shares ("Initial Subscription Price") per year, evenly divided into quarterly payments. Adjustments according to the above shall be made annually, from and including the payment date immediately following the record date on 5 February 2019 up to and including the payment date immediately following the record date 5 February 2023, after which the Preference Dividend shall total an amount equivalent to SEK 50 plus 5 percent of the Initial Subscription Price, per year, evenly divided into quarterly payments.*

Payment of dividend on preference shares shall be made quarterly. Record dates shall be 5 February, 5 May, 5 August and 5 November. In the event such day is not a banking day, i.e. a day that is not a Sunday, public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve, the record date shall be the closest preceding banking day. Payment of dividend on preference shares shall be made on the third banking day after the record date.

If no dividend has been paid on preference shares, or if only dividend less than the Preference Dividend has been paid, the preference shares shall, in addition to future Preference Dividend, entitle to receipt of an amount, evenly divided on each preference share, constituting the difference between what should have been paid as dividend in accordance with the above and the actual amount paid ("Outstanding Amount"), before value transfers to holders of ordinary shares or subordinated shares can be made. The Outstanding Amount shall be adjusted upwards with a factor corresponding to an annual interest rate of 20 percent, whereby the upward adjustment shall start from and including the quarterly date on which a part of the dividend payment was made (or should have been made, in the event no dividend was paid at all). Also payment of dividend on the Outstanding Amount requires that the general meeting resolves on a dividend.

The preference shares shall not otherwise entitle to any dividend.

E. Redemption of preference shares
A reduction of the share capital, however not below the minimum capital, can be made by redemption of a certain number of or all of the preference shares following a resolution of the board of directors. When such resolution is passed, an amount corresponding to the reduction amount shall be transferred to the statutory reserve if the required funds for this purpose are available.

The distribution of preference shares that are to be redeemed shall be made pro rata in relation to the number of preference shares that each preference shareholder holds on the date of the board of directors' resolution on redemption. If such allocation as set out above is not even, the board of directors shall resolve on allocation of surplus preference shares that are to be redeemed. If the resolution to redeem shares is approved by all holders of preference shares the board of directors may, however, freely resolve which preference shares that are to be redeemed.

The redemption price for each redeemed share shall be an amount (the "Redemption Price") calculated in accordance with the following:

i. *Until and including the first payment date following the record date 5 February 2018, an amount corresponding to (i) 120 percent of the Initial Subscription Price; plus (ii) any accrued part of preference share dividend; plus (iii) any Outstanding Amount adjusted upwards with an annual interest in accordance with clause D. above. However, the redemption price shall never be less than the share's quota value.*
ii. *From the day immediately after the first payment date following the record date 5 February 2018 and for the time thereafter, an amount corresponding to (i) 105 percent of the Initial Subscription Price; plus (ii) any accrued part of preference share dividend; plus (iii) any Outstanding Amount adjusted upwards with an annual interest in accordance with clause D. above. However, the redemption price shall never be less than the share's quota value.*

"Any accrued part of preference share dividend" refers to accrued dividend for the period starting with the day after the last record date for payment of dividends on preference shares, up until the date for payment of the Redemption Price. The number of days shall be calculated based on the actual number of days in relation to 90 days.

A holder of a preference share that is to be redeemed shall be required to, within three months from receipt of written notification of the board of directors' resolution on redemption, receive the Redemption Price for the share or, where permission from the Swedish Companies Registration Office or the district court is required, from the receipt of notification that such a decision has become legally binding.

F. Dissolution of the Company
In the event the Company is dissolved, preference shares shall have priority over ordinary shares and subordinated shares to receive from the Company's assets an amount per preference share corresponding to the Redemption Price as calculated in accordance with clause E. above, as per the date of the dissolution before any distributions are made to the holders of ordinary shares and subordinated shares. The preference shares shall not otherwise carry any entitlement to a share of distribution.

G. Recalculation in the event of certain corporate events
In the event the number of preference shares is changed through a split, reverse split or other similar corporate event, the amounts to which preference shares entitle according to clauses D.-F. in this Section 5 shall be recalculated to reflect such change.

The resolution requires the support of shareholders representing not less than two thirds of the votes cast as well as the shares represented at the Annual General Meeting.

§ 9
The Company's Annual General Meeting shall be held in either Stockholm, *Solna* or Sigtuna.

§ 15
If there is a direct threat to the Company's or its subsidiaries' air traffic rights owing to the Company or its subsidiaries violating or running the risk of violating provisions concerning ownership and control in bilateral civil aviation agreements or in laws or regulations concerning the conditions for air traffic within the EEA, the Board of Directors shall be able to decide to redeem *ordinary* shares in accordance with clause A. below. If such a redemption is not possible or, in the judgment of the Board, insufficient, a subscription for new subordinated shares with the rights that appear from clause B. below shall be made by virtue of warrants issued, though only after the approval at a General Meeting by a decision supported by at least half the votes cast at the meeting.

Redemption of *ordinary* shares in accordance with clause A. below and the subscription for new subordinated shares supported by warrants issued shall take place only to the extent that the aforementioned threat in the judgment of the Board of Directors is eliminated. The Board shall thereafter decide as soon as possible to redeem subordinated shares in accordance with clause B. below to the extent possible that would eliminate the aforementioned threat after such redemption.

A. Redemption
A reduction of the share capital, though not below the minimum, shall take place through the redemption of *ordinary* shares for the following reasons. The Board of Directors shall resolve to redeem the *ordinary* shares held by persons not domiciled in Denmark, Norway or Sweden and ordinary shares held by corporations so domiciled that neither directly nor indirectly are controlled by persons or corporations domiciled in Denmark, Norway or Sweden. *Ordinary* shares shall in the first place be redeemed from persons or corporations that are not domiciled or are not controlled by persons or corporations domiciled in countries within the EEA.

To enable the Company to determine domicile in accordance with this Article 15, shareholders whose *ordinary* shares are registered in the Danish Securities Centre (VP) shall register their name, address and shareholding in a special register maintained by VP Services A/S, CVR no. 302011183 (VP Investor Services). Such a register shall be maintained in accordance with the provisions valid at any given time of the Danish Companies Act concerning the keeping of share register. In the event of redemption, *ordinary* shares that according to transcripts of the share register/nominee register kept by Euroclear Sweden AB in Sweden, of the share register kept by the Norwegian Central Securities Depository (VPS) and of the register kept by VP Investor Services in Denmark as specified above (jointly called the Register Transcript), that were acquired last be redeemed first. For cases in which the date of acquisition cannot be determined, this date shall be regarded as the date of the decision to redeem, and the *ordinary* shares shall be redeemed in proportion to the affected shareholders' holdings *of ordinary shares*. If the required number of *ordinary* shares cannot be redeemed from persons or corporations not domiciled or not controlled by persons or corporations domiciled in countries within the EEA, *ordinary* shares shall be redeemed from other persons or corporations not domiciled in Denmark, Norway or Sweden. In this instance, *ordinary* shares acquired last according to the Register Transcript shall be redeemed first. For cases in which the date of acquisition cannot be determined, this date shall be regarded as the date of the decision to redeem *ordinary* shares, and the *ordinary* shares shall be redeemed in proportion to the affected shareholders' holdings *of ordinary shares*. It is incumbent upon each shareholder to see to it that his domicile appears on the Register Transcript at all times or otherwise to prove his domicile when so requested by the Company. It is also incumbent upon each shareholder that is a corporation, when so requested by the Company, to prove who, directly or indirectly, controls the said corporation. Shareholders whose domicile cannot be determined from the Register Transcript as well as shareholders who when so requested by the company do not prove direct or indirect control are in the event of a redemption considered to be domiciled outside the EEA.

Shareholders, whose *ordinary* shares may be redeemed in accordance with this provision, shall be notified by the Company in writing stating the number of *ordinary* shares that may be redeemed from said shareholders (the Number of Redeemable *Ordinary* Shares). Shareholders are able within ten business days after notification to prove their domicile to the Company, and if applicable, the direct or indirect control of a corporation, that may result in said shareholders not being covered by the redemption. If a shareholder has reduced his holdings by the Number of Redeemable *Ordinary* Shares according to the Register Transcript that can be obtained immediately after the fortieth business day after the notification has been sent out, no *ordinary* shares of this shareholder will be redeemed. However, if this shareholder has not reduced his holdings by the Number of Redeemable *Ordinary* Shares according to such a Register Transcript, this number of *ordinary* shares can be redeemed immediately, or the number of *ordinary* shares required for the holding to be reduced by the Number of Redeemed *Ordinary* Shares, if lower.

Shares will be redeemed without any refund to the shareholder. The reduction amount shall be transferred to statutory reserves.

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

A subordinated share does not entitle a holder to dividends. If the Company is dissolved, a subordinated share entitles the holder to a share of the Company's assets equal to that of *an ordinary share, how-*

ever not exceeding an amount corresponding to the subordinated share's quota value plus interest calculated from the first day the subordinated share was registered up until the day the of the distribution, with an interest rate factor corresponding to two percentage points over the 90-day STIBOR rate.

§ 16

If the Company issues new ordinary shares, *preference shares* and subordinated shares in a cash issue or an issue to set off claims, the holder of ordinary shares, *preference shares* and subordinated shares shall have the preferential right to subscribe for new shares in the same class in proportion to the number of shares the holder already owns (primary preferential right). Shares not subscribed for through a primary preferential right shall be offered to all shareholders for subscription (subsidiary preferential right). If the shares so offered are insufficient to cover the subscription taking place through a subsidiary preferential right, the shares shall be distributed among the shareholders in proportion to the number of shares they already own, *irrespective of being ordinary shares*, preference shares or subordinated shares, and if this cannot be done, by drawing lots.

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

If the company decides to issue warrants or convertibles pertaining to either ordinary shares, *preference shares* or subordinated shares or shares of all classes through a cash issue or an issue to set off claims, shareholders have preferential rights to subscribe for warrants as if the issue applied to the shares of either or all classes that could be subscribed for as a result of options or preferential rights to subscribe for convertibles, as if the issue had applied to the shares of either or all classes for which the convertibles carry the right of receipt in exchange. What is stated above shall not imply any limitation in the Company's ability to decide on cash issues or issues setting off claims that deviate from the shareholders' preferential rights.

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

Legal considerations and supplementary information

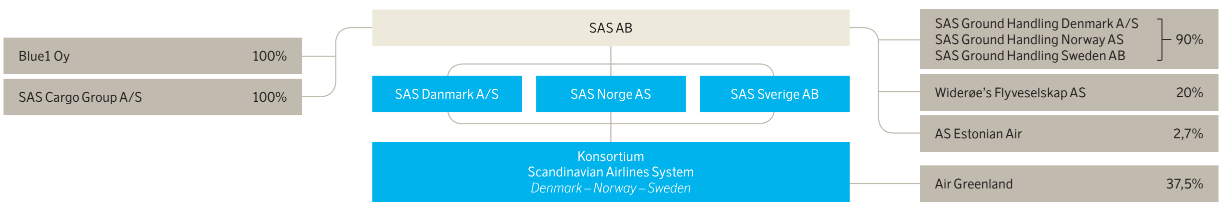
General company and Group information

The Company's legal and commercial name is SAS AB. The corporate registration number of SAS is 556606-8499 and the registered office of its Board of Directors is located in Stockholm Municipality, Sweden. The Company was incorporated in Sweden on 30 January 2001 and registered with the Swedish Companies Registration Office (Sw. "*Bolagsverket*") on 23 February 2001, from which date it has been operating. The Company is a public limited liability company (Sw. "*publikt aktiebolag*") regulated by the Swedish Companies Act (Sw. "*aktiebolagslagen (2005:551)*").

SAS conducts business under the trade names (trademarks) SAS and Scandinavian Airlines.

SAS AB is the parent of the Group, which consists of nine operating units in four countries. The most important subsidiaries and affiliates are listed in the below table.

SAS Group's legal structure January 27, 2014



Subsidiary/affiliate	Country	Percentage of shares and votes, %
SAS Danmark A/S	Denmark	100
SAS Norge AS	Norway	100
SAS Sverige AB	Sweden	100
Scandinavian Airlines System Denmark-Norway-Sweden (SAS Consortium)	Denmark, Norway, Sweden	100
Blue 1 Oy	Finland	100
SAS Cargo A/S	Denmark	100
SAS Ground Handling Denmark A/S	Denmark	90
SAS Ground Handling Norway AS	Norway	90
SAS Ground Handling Sweden AB	Sweden	90
SAS Struktur Göta KB	Sweden	100
SAS Struktur Freja KB	Sweden	100
SAS Struktur Sonja KB	Sweden	100
SAS Struktur Tyke KB	Sweden	100
Air Greenland A/S	Denmark	37.5

Material agreements

The following is a summary of material agreements into which SAS has entered within the two years immediately preceding the date of this Prospectus, as well as a summary of any other agreement that contains obligations and entitlements that are material to SAS (in both cases excluding agreements entered into in the ordinary course of business).

Star Alliance

The membership in Star Alliance is the cornerstone of SAS's global partner and network strategy. Star Alliance is structured as a network of bilateral and multilateral agreements that are entered into between its individual members. At the date of this Prospectus, the Star Alliance has 28 members that together offer 21,900 daily flights to 195 countries and transport approximately 727 million passengers on a yearly basis. The alliance is governed by a master agreement among all Star Alliance members that establishes a general framework for bilateral or multilateral agreements between its individual members. Under this master agreement, SAS has agreed to certain obligations should SAS choose to leave the Star Alliance, including a withdrawal fee and an agreement not to join a similar competing alliance for a period of two years.

The bilateral and multilateral agreements under the Star Alliance range from those covering mutual recognition of frequent flyer programs, codesharing and joint servicing of certain routes to those that provide for joint ownership and income sharing between member airlines on certain routes.

Joint venture with Singapore Airlines

In May 2012, SAS entered into a joint venture agreement with Singapore Airlines that covers profit sharing, coordination of time tables and joint sales activities relating to flight connections between Scandinavia and Singapore. The cooperation leads to better and quicker connections in both Copenhagen and Singapore and more departures between the two hubs. Depending on the future market development, the joint venture cooperation may be increased with additional flight frequencies and destinations in Scandinavia.

Collective agreements

SAS is bound by collective agreements with about 35 unions in Sweden, Norway and Denmark. The main occupational categories that fall within the scope of the collective bargaining agreements are ground staff, cabin crew and pilots. In November 2012 new collective agreements with flight personnel in Scandinavia were signed. These agreements were necessary in order for SAS to secure its financing until 2015 and therefore be able to continue its operations. The new agreements have resulted in market standard salaries and working conditions and have opened up for considerable improvements in the efficiency of planning and scheduling. In addition, these agreements have resulted in extensive changes to pension terms. Most defined benefit pension plans have been replaced with defined contribution pension plans. Also, the possibility of early retirement has been removed. The pension commitments are estimated to be reduced by approximately 60% as a result of the changes to the pension terms.

Agreement with Tata Consultancy Services

During the fiscal year 2012/2013 SAS entered into an agreement with a term of five years with Tata Consultancy Services ("TCS") regarding most parts of the Groups' IT services. The remaining IT organisation has been reduced and restructured in order to create a more clear and commercial connection to the business. In connection with the transfer to TCS, systems and infrastructure are being consolidated and simplified.

Agreement with Amadeus

During March 2009, SAS entered into an agreement with Amadeus regarding IT- and distribution services. The agreement, which is effective for ten years, means that SAS replaces its internal and outdated booking system RESAID with Amadeus' passenger system for sales, booking and check-in. Through the agreement SAS is streamlining its business and decreases its distribution costs including discounts as a result of SAS providing its lowest price classes. Further, the agreement contains a five-year provision on SAS using Amadeus' online-trade solution for online sales.

Acquisitions and divestitures

Sale of Widerøe

In May 2013, SAS announced the signing of an agreement relating to the sale of 80% of SAS's shares in Widerøe's Flyveselskap AS (Widerøe) to a group of investors consisting of Torghatten ASA, Fjord1 AS and Nordland Fylkeskommune. The transaction closed in September 2013. The total purchase price was approximately SEK 2 billion, including related airplane transactions, which reduced SAS's net debt with a corresponding amount. SAS intends to sell the remaining 20% of Widerøe in 2016.

SAS Ground Handling

On 31 October 2013, 9.98% of the shares in SAS Ground Handling Denmark, SAS Ground Handling Norway and SAS Ground Handling Sweden were sold to Swissport International Ltd (Swissport). The sale and outcourcing of SAS Ground Handling is an important part of SAS's strategy to further increase the operational flexibility of SAS. Therefore, this agreement is an important step in the implementation of this strategy. According to the letter of intent signed by SAS and Swissport in March 2013, the aim is to transfer the full ownership of SAS Ground Handling in Denmark, Sweden and Norway to Swissport.

Credit agreements

Revolving credit facility

In December 2006, the SAS Consortium entered into a credit agreement (as amended and restated from time to time, and as last amended and restated in June 2013) as borrower with, at present, a bank syndicate of 7 banks, the three Scandinavian governments and Knut and Alice Wallenberg Foundation, whereby two revolving credit facilities with a total credit limit of SEK 1.8 billion have been made available to the SAS Consortium (the "RCF Credit Agreement"). The revolving credit facilities are available to the SAS Consortium until 1 June 2014 and 31 March 2015, respectively. SAS and certain of its subsidiaries have granted security for the obligations of SAS under the RCF Credit Agreement. The RCF Credit Agreement contains customary/common undertakings (including negative undertakings such as, amongst other things, dividend restrictions) and terms. Following completion of the Offering SAS intends to cancel the facilities, which could result in some fees being advanced (so called "exit fees") amounting to approximately SEK 175 million.

Bilateral facility with UBS

On 7 February 2014 SAS announced that the company has entered into a EUR 150 million financing agreement with UBS AG, London Branch. This financing agreement will be made available for utilisation on 28 February 2014 and will be available to SAS until January 2017. The interest rate is variable and based on prevailing market conditions including SAS's creditworthiness. This agreement is subject to, amongst other things, customary undertakings (including negative undertakings) and terms.

Notes

In March 2011 the SAS Consortia issued notes in SEK (the "2011 SEK Notes") and EUR (the "2011 EUR Notes") (jointly the "2011 Notes"). In addition, in September 2013 SAS issued notes in SEK (the "2013 SEK Notes") (all notes hereinafter jointly referred to as the "Notes").

The 2011 SEK Notes have a 10.5% fixed rate coupon and a total nominal amount of SEK 1.3 billion, and the 2011 EUR Notes have a 9.65% fixed rate coupon and a total nominal amount of EUR 75 million. 2011 SEK Notes and 2011 EUR Notes have been repurchased in an amount of SEK 83 million and SEK 11 million, respectively. The 2011 Notes will be due and payable in June 2014. The 2013 SEK Notes have a 9.00% fixed rate coupon and a total nominal amount of SEK 1.5 billion and will mature in November 2017. The noteholders have a right to request early redemption of the Notes at their nominal amount together with accrued interest if certain changes of control occur in relation to SAS. The terms and conditions of the Notes contain certain customary/common undertakings (including negative undertakings such as, amongst other things, restrictions on granting security for other debt) and terms.

The terms and conditions of the 2013 SEK Notes contain restrictions to the effect that SAS may not carry out dividends or other distributions when the equity to total assets ratio is less than 35%. However, by way of a noteholders' decision on 6 February 2014, the noteholders have approved an amendment to the original terms and conditions pursuant to which SAS may propose and pay dividends on preference shares in accordance with their terms, provided that no event of default is outstanding under the terms and conditions. Nevertheless, the terms and conditions of the 2013 SEK Notes still contain restrictions on dividends and other distributions according to which, amongst other things, SAS may not pay dividends other than in relation to preference shares until the 2013 SEK Notes have been redeemed in full (provided that the above mentioned equity to total assets ratio and certain other requirements are not satisfied).

Convertible bonds

In April 2010 SAS issued convertible bonds with a 7.5% fixed rate coupon in a total nominal amount of SEK 1.6 billion that, subject to certain conditions, are convertible into shares (the "Convertible Bonds"). Certain of SAS's subsidiaries have guaranteed SAS's obligations in relation to the Convertible Bonds. Unless previously redeemed, converted or repurchased and cancelled, the Convertible Bonds will mature in 2015. SAS has a right to redeem the Convertible Bonds if, amongst other things, the value of the shares on NASDAQ OMX Stockholm exceeds, for a specified period of time, 150% of the conversion price. The Convertible Bonds are convertible to shares at the option of the bondholder at a conversion price of SEK 46.50, subject to adjustments for certain dilutive effects, until the maturity date. The right to convert the Convertible Bonds is subject to certain conditions. The Convertible Bonds can give a right to a maximum of 34,408,602 shares in the Company, corresponding to approximately 10.46% of the total number of outstanding shares on the date of this Prospectus. The terms and conditions of the Convertible Bonds contain undertakings, negative undertakings and event of default provisions.

Legal and arbitration proceedings

SAS is involved in disputes, some of which will be settled in court. Reserves are made in the Group's accounts in cases where SAS deems that a probable and quantifiable risk of liability exists. The following is a summary of the disputes deemed to be of significant importance to SAS, and that could have, or has recently had, an adverse outcome which could have a substantial negative financial effect on SAS.

Air cargo industry lawsuits

As a consequence of the European Commission's decision in the cargo investigation in November 2010, SAS and other airlines fined by the European Commission are involved in various civil lawsuits in Europe (England, 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.

Review of state participation in a revolving credit facility

SAS notes that the European Commission and the EFTA Surveillance Authority decided to initiate an in-depth review in June 2013 of the three state shareholders' participation in SAS's renewal of the Credit Agreement, as described under *Revolving credit facility* in the section *Material agreements* above, in order to determine whether it constitutes state aid. SAS is not formally a party in the matter and has limited insight in the matter. The effects of the state shareholders' participation being deemed to constitute a government subsidy are not clear and no provisions have been made.

Related party transactions

SAS applies IAS 24 *Related party disclosures*. All transactions are made on market terms. All transactions between SAS and related parties during the fiscal years 2010–2012/2013 are described in the table below. No transactions between SAS and related parties after 31 October 2013 are, alone or together, material for the company.

MSEK	2012/2013 Nov–Oct	2012 Jan–Oct	2011 Jan–Dec	2010 Jan–Dec
Revenue from sales to affiliates	22	17	23	31
Costs of sales to affiliates	33	24	28	22

For information on remuneration to the Board members and the group management, see *Remuneration* in the section entitled *Board of Directors, group management and auditor*.

Advisors

SAS's financial advisors in connection with the Offering are Carnegie, Nordea and SEB. These advisors (and their affiliates) have provided, and may in the future provide, various banking, financial, investment, commercial and other services for SAS for which they have received, and may in the future receive, remuneration. Nordea and SEB and certain of their affiliates have also acted as lenders and/or financial intermediaries in relation to loans granted to SAS.

Mannheimer Swartling Advokatbyrå are SAS's legal advisors in connection with the Offering.

Incorporation by reference etc.

SAS's financial reports for the fiscal years 2010, 2011, 2012 (January – October) and the annual report for the fiscal year 2012/2013 (November 2012 – October 2013) have been incorporated into this prospectus by reference and should be read as part of this Prospectus. The mentioned financial reports for the fiscal years 2010, 2011, 2012 (January – October) are found in SAS annual report for the fiscal year 2010 (where reference is made to pages 60–133), for the fiscal year 2011 (where reference is made to pages 45–101) and the fiscal year 2012 (where reference is made to pages 36–89). The parts not referred to contains information that is to be found in other parts of the prospectus. The mentioned annual reports have been audited by the auditor of the company and each auditor's report has been attached to the respective annual report.

Save for SAS's audited consolidated financial statements for the fiscal years 2010, 2011, 2012 and 2012/2013, no information in this prospectus has been audited or reviewed by the company's auditor.

Documents on display

The following documents are available electronically at SAS's website, www.sasgroup.net. Copies of the documents are also available at SAS's head office, Kabinvägen 5 at Arlanda, during the period of validity of this prospectus (regular office hours during weekdays):

- SAS's Articles of Associations; and
- SAS's annual reports for the fiscal years 2010, 2011, 2012 and 2012/2013 (including auditor's reports).

Tax considerations

Taxation Sweden

The following is a summary of certain Swedish tax consequences of the Offering to subscribe for preference shares in SAS. The summary only applies to individuals or limited liability companies tax resident in Sweden, unless otherwise stated. The summary does not address shares held by partnerships or shares held as current assets in business operations. Moreover, the summary does not address the specific rules on tax-exempt capital gains and dividends (including non-deductibility for capital losses) in the corporate sector that may be applicable when shares are considered to be held for business purposes (Sw. näringsbetingade andelar) by the shareholder. Neither are the specific rules covered that could be applicable to holdings in companies that are, or have previously been, closely held companies or shares acquired on the basis of such holdings. Moreover, the summary does not address shares or other equity-related securities that are held on a so-called investment savings account (Sw. investeringssparkonto) and that are subject to special rules on standardised taxation. Special tax rules apply to certain categories of taxpayers, for example, investment companies and insurance companies. The tax treatment of each individual shareholder depends on such investor's particular circumstances. Each holder of Shares should therefore consult a tax advisor for information on the specific implications that may arise in an individual case, including the applicability and effect of foreign rules and tax treaties.

Individuals

Capital gains taxation

Upon the sale or other disposition of listed shares, a taxable capital gain or deductible capital loss may arise. Capital gains are taxed as income from capital at a tax rate of 30%. The capital gain or loss is calculated as the difference between the sales proceeds, after deducting sales costs, and the tax basis. The tax basis for all shares of the same class and type is calculated together in accordance with the average cost method. It should be noted that the BTAs (paid subscription shares) in this context are not considered to be of the same class and type as the existing shares that entitled the shareholder to the preferential right in the rights issue until the resolution of the rights issue has been registered with the Swedish Companies Registration Office. Alternatively, shareholders may choose to use 20% of the sales proceeds after deducting sales costs, as the tax basis for the sale of listed shares.

Capital losses on listed shares are fully deductible against taxable capital gains on shares and on other listed equity-related securities realized in the same year except for units in securities funds or special funds which consist solely of Swedish receivables (Sw. *räntefonder*). Up to 70% of capital losses on shares that cannot be offset in this way are deductible against other capital income. If there is a net loss in the capital income category, a tax reduction is allowed against municipal and national income tax, as well as against real estate tax and municipal real estate charges. A tax reduction of 30% is allowed on the portion of such net loss that does not exceed SEK 100,000 and of 21% on any remaining loss. Such net loss cannot be carried forward to future fiscal years.

Dividends taxation

For individuals, dividends on listed shares are taxed as income from capital at a rate of 30%. A preliminary tax of 30% is generally withheld on dividends paid to individuals resident in Sweden. The preliminary tax is withheld by Euroclear Sweden or, regarding nominee-registered shares, by the Swedish nominee.

Limited liability companies

Capital gains and dividends taxation

For a limited liability company, all income, including taxable capital gains and dividends, is taxed as business income at a tax rate of 22%. Capital gains and capital losses are calculated in the same manner as set forth above with respect to individuals. Deductible capital losses on shares and other equity-related securities may only be deducted against taxable capital gains on such securities. Under certain circumstances such capital losses may also be deducted against capital gains in another company in the same group, provided that the companies can tax consolidate (Sw. "*bolagen har koncernbidragsrätt*"). A capital loss that could not be utilized during a given year may be carried forward and offset taxable capital gains on shares and other equity-related securities during subsequent fiscal years without any limitation in time.

Shareholders who are not tax resident in Sweden

Capital gains taxation

Shareholders not tax resident in Sweden and who are not operating a business from a permanent establishment in Sweden are normally not liable for Swedish capital gains taxation on the disposal of shares. The shareholders may, however, be subject to taxation in their country of residence. Under a specific tax rule, individuals that are not tax resident in Sweden may, however, be subject to tax in Sweden on the sale of shares if they have been resident or lived permanently in Sweden at any time during the calendar year of such disposal or during any of the preceeding ten calendar years. The applicability of this rule may, however, be limited by tax treaties between Sweden and other countries.

Dividends taxation

For shareholders not tax resident in Sweden who receive dividends from a Swedish limited liability company, Swedish withholding tax is normally payable. The withholding tax rate is 30%. However, the tax rate is generally reduced for shareholders resident in other jurisdictions with which Sweden has entered a tax treaty. The majority of Sweden's tax treaties enable an at-source reduction of the Swedish withholding tax to the tax rate stipulated in the treaty at the time of payment of dividends, provided that necessary information is made available to Euroclear Sweden, or in the case of nominee-registered shares, the nominee, in relation to the person entitled to such dividends. If a 30% withholding tax is deducted from a payment to a person entitled to be taxed at a lower rate, or in case too much withholding tax has otherwise been withheld, a refund can be claimed from the Swedish Tax Agency prior to the expiry of the fifth calendar year following the dividend distribution.

Taxation Denmark

The following is a summary of material Danish tax considerations relating to the acquisition, possession and sale of shares for investors who are Danish tax residents unless otherwise stated. The summary is based on laws, regulations, court rulings and decisions currently in force in Denmark, all of which may be subject to change, in some cases with retroactive effect. The summary does not purport to be an exhaustive description of all tax considerations that may be relevant in relation to the acquisition, ownership and sale of shares. Investors should consult their own tax advisors regarding the tax consequences in their specific circumstances. The summary does not include a description of the tax consequences for professional investors, pension funds or certain other financial investors.

Individuals

Capital gains taxation

Gains from the sale of shares are taxed as share income at a rate of 27% on the first DKK 49,200 in 2014 (for cohabiting spouses, a total of DKK 98,400) and at a rate of 42% on share income exceeding DKK 49,200 (for cohabiting spouses over DKK 98,400). Such amounts are subject to annual adjustments and include all share income (i.e., all capital gains and dividends derived by the individual or cohabiting spouses, respectively).

Gains and losses on the sale of shares admitted to trading on a regulated market are calculated as the difference between the purchase price and the sales price. The purchase price is generally determined using the average method as a proportion of the aggregate purchase price for all the shareholder's shares in the company.

Losses on the sale of shares admitted to trading on a regulated market can only be offset against other share income deriving from shares admitted to trading on a regulated market, (i.e., received dividends and capital gains on the sale of shares admitted to trading on a regulated market). Unused losses will automatically be offset against a cohabiting spouse's share income deriving from shares admitted to trading on a regulated market and additional losses can be carried forward indefinitely and offset against future share income deriving from shares admitted to trading on a regulated market.

Losses on shares admitted to trading on a regulated market may only be set off against gains and dividends on other shares admitted to trading on a regulated market if the Danish tax authorities have received certain information concerning the ownership of the shares. This information is normally provided to the Danish tax authorities by the securities dealer.

Dividends taxation

Dividends paid to individuals who are tax residents of Denmark are taxed as share income, as described above. All share income must be included when calculating whether the amounts mentioned above are exceeded.

Swedish withholding tax, if any, may be creditable in Denmark.

Limited liability companies

Capital gains taxation

For the purpose of taxation of sales of shares made by shareholders, a distinction is made between Subsidiary Shares, Group Shares, Tax-Exempt Portfolio Shares and Taxable Portfolio Shares::

"Subsidiary Shares" is generally defined as shares owned by a shareholder holding at least 10% of the nominal share capital of the issuing company.

"Group Shares" is generally defined as shares in a company in which the shareholder of the company and the issuing company are subject to Danish tax consolidation or fulfil the requirements for international tax consolidation under Danish law.

"Tax-Exempt Portfolio Shares" is defined as shares not admitted to trading on a regulated market owned by a shareholder holding less than 10% of the nominal share capital in the issuing company,

"Taxable Portfolio Shares" is defined as shares that do not qualify as Subsidiary Shares, Group Shares or Tax-Exempt Portfolio Shares.

Gains or losses on disposal of Subsidiary Shares, Group Shares and Tax-Exempt Portfolio Shares are not included in the taxable income of the shareholder.

Special rules apply with respect to Subsidiary Shares in order to prevent avoidance of the 10% ownership requirement through certain holding company structures just as other anti-avoidance rules may apply. These rules will not be described in further detail.

Capital gains from the sale of Taxable Portfolio Shares admitted to trading on a regulated market are taxable at a rate of 24.5% (this rate is reduced to 23.5% in 2015 and 22% in 2016) irrespective of ownership period. Losses on such shares are generally deductible. Gains and losses on Taxable Portfolio Shares admitted to trading on a regulated market are taxable according to the mark-to-market principle. According to the mark-to-market principle, each year's taxable gain or loss is calculated as the difference between the market value of the shares at the beginning and end of the tax year. Thus, taxation will take place on an accrual basis even if no shares have been disposed of and no gains or losses have been realised. If the Taxable Portfolio Shares are sold or otherwise disposed of before the end of the income year, the taxable income of that income year equals the difference between the value of the Taxable Portfolio Shares at the beginning of the income year and the value of the Taxable Portfolio Shares at realisation. If the Taxable Portfolio Shares have been acquired and realised in the same income year, the taxable income equals the difference between the acquisition sum and the realisation sum. If the Taxable Portfolio Shares are acquired in the income year and not realised in the same income year, the taxable income equals the difference between the acquisition sum and the value of the shares at the end of the income years.

A change of status from Subsidiary Shares/Group Shares/Tax-Exempt Portfolio Shares to Taxable Portfolio Shares (or vice versa) is for tax purposes deemed to be a disposal of the shares and a reacquisition of the shares at market value at the time of change of status.

Special transition rules apply with respect to the right to offset capital losses realised by the end of the 2009 income year against taxable gains on shares in the 2010 income year or later.

Dividends taxation
Dividends paid on Portfolio Shares (both Tax-Exempt and Taxable) are subject to the standard corporate tax rate of 24.5% (this rate is reduced to 23.5% in 2015 and 22% in 2016) irrespective of ownership period.

Dividends received on Subsidiary Shares and Group Shares will not be subject to taxation irrespective of ownership period.

The Swedish withholding tax, if any, may be creditable in Denmark.

Shareholders who are not tax resident in Denmark
Dividends taxation
Under Danish tax law, dividends paid to non-resident shareholders in respect of Swedish shares are generally not subject to Danish taxation.

Capital gains taxation
A non-resident of Denmark will generally not be subject to Danish taxation on any gains realized on the sale of Swedish shares.

Taxation Norway

The statements herein regarding Norwegian taxation are unless otherwise stated based on Norwegian laws, rules and regulation in force in Norway as of the date of this Prospectus, and are subject to any changes in law occurring after such date. Such changes could be made on a retrospective basis.

The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, own or dispose of the Preference Shares. The summary is intended to serve as a general guideline and does not provide a complete description of all relevant issues (e.g., for investors for whom special laws, rules or regulations may be applicable). Furthermore, the summary only focuses on the shareholder categories explicitly mentioned below (personal shareholders and limited liability companies). It should be noted that the participation exemption applicable to Norwegian limited liability companies as described below will also apply to certain other legal entities such as savings banks, insurance companies and others. The statements only apply to shareholders who are beneficial owners of the shares.

The summary below is based on the assumption that the Company is (a) considered to be genuinely established in Sweden and (b) considered to have genuine economic business activities in Sweden according to current Norwegian tax legislation. The Company is of the opinion that these requirements are fulfilled.

Shareholders who cease to be resident in Norway for tax purposes (due to domestic tax law or tax treaty) should consult with and rely upon their own tax advisors with respect to the tax position in their country of residence and the tax consequences related to ceasing to be resident in Norway for tax purposes.

In general, Shareholders are advised to consult their own tax advisers concerning the overall and individual tax consequences of their ownership of Preference Shares.

Please note that for the purpose of the summary below, a reference to a Norwegian or foreign shareholder refers to the tax residency rather than the nationality of the shareholder.

Individuals
Capital gains taxation
Sale, redemption or other disposal of preference shares are considered a realization for Norwegian tax purposes. A capital gain or loss generated by a Norwegian Personal Shareholder through a disposal of shares in the Company is taxable or tax deductible in Norway. Such capital gain or loss is included in or deducted from the shareholder's ordinary income in the year of disposal. Ordinary income is taxable at a rate of 27%. The gain is subject to tax and the loss is tax-deductible irrespective of the duration of the ownership and the number of shares disposed of.

The taxable gain/deductible loss is calculated per share as the difference between the consideration for the share and the Norwegian Personal Shareholder's cost price of the share, including any costs incurred in relation to the acquisition or realization of the share. From this capital gain, Norwegian Personal Shareholders are entitled to deduct a calculated allowance, provided that such allowance has not already been used to reduce taxable dividend income. See "Taxation of dividends – Norwegian Personal Shareholders" below for a description of the calculation of the allowance. The allowance may only be deducted in order to reduce a taxable gain, and cannot increase or produce a deductible loss, i.e. any unused allowance exceeding the capital gain upon the realization of a share will be annulled.

If the Norwegian Personal Shareholder owns shares acquired at different points in time, the shares that were acquired first will be regarded as the first to be disposed of, on a first-in first-out basis.

Dividends taxation
Dividends received by shareholders who are individuals resident in Norway for tax purposes from the Company are taxable as ordinary income for such shareholders at a flat rate of 27% to the extent the dividend exceeds a tax-free allowance.

The allowance is calculated on a share-by-share basis. The allowance for each share is equal to the cost price of the share multiplied by a determined risk-free interest rate based on the effective rate after tax of interest on treasury bills (No. "*statskasseveksler*") with three months maturity. The allowance is calculated for each calendar year, and is allocated solely to Norwegian Personal Shareholders holding shares at the expiration of the relevant calendar year. Norwegian Personal Shareholders who transfer shares will thus not be entitled to deduct any calculated allowance related to the year of transfer. Any part of the calculated allowance one year exceeding the dividend distributed on the share ("excess allowance") may be carried forward and set off against future dividends received on, or gains upon realization, of the same share. Any excess allowance will also be included in the basis for calculating the allowance on the same share the following years.

If certain requirements are met, Norwegian Personal Shareholders may also be entitled to a tax credit in the Norwegian tax calculated on dividends received for any withholding tax imposed on the dividends in the jurisdiction where the Company is resident for tax purposes.

Net wealth tax
The value of shares is included in the basis for the computation of wealth tax imposed on Norwegian Personal Shareholders. Currently, the marginal wealth tax rate is 1% of the value assessed. The value for assessment purposes for shares listed on Oslo Børs is the listed value as of 1 January in the year of assessment.

Limited liability companies

Capital gains and dividends taxation

Norwegian Corporate Shareholders are exempt from tax on capital gains derived from the realization of shares qualifying for participation exemption. Losses upon the realization and costs incurred in connection with the purchase and realization of such shares are not deductible for tax purposes.

Dividends received by shareholders who are limited liability companies (and certain similar entities) resident in Norway for tax purposes on shares qualifying for participation exemption, are effectively taxed at a rate of 0.81% (3% of dividend income from such shares is included in the calculation of ordinary income for Norwegian Corporate Shareholders and ordinary income is subject to tax at a flat rate of 27%).

Duties on transfer of shares

No stamp or similar duties are currently imposed in Norway on the transfer or issuance of shares.

Shareholders who are not tax resident in Norway

Companies registered and resident for tax purposes abroad will normally not be tax liable to Norway. Tax residency is decided on the basis of the place of effective management of the company. If the company is effectively managed from Norway, through board decisions etc, there is a risk that questions regarding tax residency will arise.

Companies conducting parts of their business in Norway may also be tax liable to Norway through a permanent establishment in Norway.

Tax liability to Norway according to the rules mentioned above is affected by the way the companies operate, and is therefore subject to the companies' own control.

Capital gains taxation

As a general rule, capital gains generated by non-Norwegian Shareholders from shares in non-Norwegian companies are not taxable in Norway unless the non-Norwegian shareholder holds the shares in connection with the conduct of a trade or business in Norway.

Dividends taxation

As a general rule, dividends received by a shareholder not resident in Norway for tax purposes from shares in non-Norwegian companies are not subject to Norwegian taxation unless the Non-Norwegian Shareholder holds the shares in connection with the conduct of a trade or business in Norway.

Definitions

Adjusted capital employed (AV Asset value) Total equity, plus surplus value in the aircraft fleet, plus 7 times the annual cost of operating aircraft leasing, net, plus financial net debt, less equity in affiliated companies.
Adjusted debt/equity ratio Financial net debt plus capitalized leasing costs (x7) in relation to equity and non-controlling interest.
Adjusted equity assets ratio Equity divided by total assets plus seven times annual operating leasing cost.
AEA The Association of European Airlines.
Affiliated company Company where the SAS Group's holding amounts to at least 20% and at the most 50%.
AOC Air Operator Certificate
ASK, Available seat kilometers The total number of seats available for passengers multiplied wit by the number of kilometers which they are flown.
ATK, Available tonne kilometers The total number of tonnes of capacity available for the transportation of passengers, freight and mail multiplied by the number of kilometers which this capacity is flown.
Available seat kilometers See ASK.
Available tonne kilometers See ATK.
Block hours Refers to the time from when the aircraft leaves the departure gate until it arrives at the destination gate.
[**Book equity** Total shareholders' capital attributable to Parent Company shareholders excluding non-controlling interets.]
CAGR compound annual growth rate.
CAPEX (Capital Expenditure) Future payments for aircraft on firm order.
Capital employed Total capital according to the balance sheet less non-interest bearing liabilities.
Capitalized leasing costs (x 7) The annual cost of operating leases for aircraft multiplied by seven.
Cash flow from operations Cash flow from operating activities before changes in working capital.
CASK See unit cost.
CFROI Adjusted EBITDAR in relation to AV.
Code share When one or more airlines' flight number is stated in the time-table for a flight, while only one of the airlines operates the flight.
CSI Customer Satisfaction Index measures how customers perceive SAS's services.
Debt/equity ratio Financial net debt in relation to equity and non-controlling interests.
Dividend yield, average price Dividend as a percentage of the averages hare price during the year.
Earnings per share (EPS) Income after tax after divided by the total number of shares.
EBIT (including capital gains) Operating income.
EBITDA margin EBITDA divided by revenue.
EBITDA, Operating income before depreciation Income before net financial items, tax, depreciation, share of income in affiliated companies and income from the sale of fixed assets.
EBITDAR margin EBITDAR divided by revenue.
EBITDAR, Operating income before depreciation and leasing costs Operating income before net financial items, tax, depreciation, share of income in affiliated companies, income from the sale of fixed assets and leasing costs for aircraft.
EBT Income before tax.
EEA European Economic Area
Equity method Shares in affiliated companies are taken up at the SAS group's share of equity, taking acquired surplus and deficit values into account.
Equity per share Book equity divided by the total number of shares outstanding on the closing date.
Equity/assets ratio Book equityplus non-controlling interest in relation to total assets.
Finance leasing Based on leasing agreement where the risks and rewards of ownership of the leased assets remain with the lessee. The asset is reported as a fixed asset in the balance sheet because the lessee has an obligation to purchase the asset at the end of the lease. The commitment to pay future leasing charges is entered as a liability.
Financial net debt Interest bearing liabilities less interest bearing assets excluding net pension funds.
Financial net debt, market adjusted (x 7) Financial net debt plus capitalized leasing costs, multiplied by seven.
Financial preparedness Cash and cash equivalents including unutilized credit facilities/ fixed costs.
FTE Full-time equivalent.
Gross profit margin Operating income before depreciation (EBITDA) in relation to revenue.
IATA International Air Transport Association. A global association of more than 200 airlines.
ICAO International Civil Aviation Organization, the United Nations' specialized agency for international civil aviation.
Interest-coverage ratio Operating income plus financial income in relation to financial expenses.
Interline revenue Ticket settlement agreements between airlines.
LCC Low Cost Carrier
Market capitalization Share price multiplied by the number of shares outstanding.
Net debt Interest-bearing liabilities less interest-bearing assets.
NPV Net present value, used to calculate capitalized future costs of operating leases for aircraft, for example.
Operating leasing Based on leasing agreement in which the risks and rewards of ownership remain with the lessor and is equivalent to renting. The leasing charges are expensed on a current basis in the statement of income.
PASK (unit revenue) passenger revenue/ASK (scheduled).
P/CE ratio Average share price divided by cash flow per share after paid tax.
P/E ratio Average share price divided by earnings per share after standard tax.
RASK Total traffic revenue/Total ASK (scheduled+charter).
Regularity The percentage of flights completed in relation to flights scheduled.
Return on book equity after tax Net income for the period attributed to shareholders in the Parent Company in relation to average equity excluding non-controlling interests.
Return on capital employed (ROCE), % Operating income plus financial income in relation to average capital employed. Capital employed refers to total capital according to the balance sheet less non-interest-bearing liabilities.

Revenue passenger kilometers (RPK) See RPK.
Revenue tonne kilometers (RTK) See RTK.
RPK, Revenue passenger kilometers Number of paying passengers multiplied by the distance they are flown in kilometers.
RTK, Revenue tonne kilometers The number of tonnes of paid traffic (passengers, freight and mail) multiplied by the distance this traffic is flown in kilometers.
Sale and leaseback Sale of an asset (aircraft, building, etc.) that is then leased back.
Total load factor RTK divided by ATK.
Total return The sum of the change in share price including dividends.
Unit cost (CASK), total The airline's total operating costs including aircraft leasing and depreciation adjusted for currency and restructuring costs less non-traffic-related revenue per total ASK (scheduled and charter).
Unit revenue See PASK.
WACC, Weighted average cost of capital Includes the average cost of liabilities, equity and operating leases for aircraft. The source of funds are calculated in accordance with the current market value of equity and liabilities and the capitalized present value of operating lease costs for aircraft.
Wet lease agreement Leasing in of aircraft including crew.
Yield Passenger revenue in relation to RPK (scheduled)

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