

This prospectus was approved by the Swedish Financial Supervision Authority on 21 December 2017.

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**SAS AB (publ)**

**Prospectus for the admission to trading on Nasdaq Stockholm of**

**SEK 1,500,000,000 5.375%**

**Fixed Rate Senior Unsecured Notes 2017/2022 guaranteed by  
Scandinavian Airlines System Denmark – Norway - Sweden**

**ISIN: SE0010520338**

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LEGAL#16682378v1

**Joint Lead Managers**



**Nordea**



## Important information

In this prospectus, the “**Issuer**”, the “**Company**” means SAS AB (publ). The “**SAS Consortium**” or “**Guarantor**” means Scandinavian Airlines System Denmark – Norway – Sweden. “**SAS**” means the Issuer with all its subsidiaries (including the SAS Consortium) from time to time (each a “**Group Company**” and together the “**Group**”). The “**Joint Lead Managers**” means, Danske Bank A/S, Danmark Sverige Filial (“**Danske Bank**”), Nordea Bank AB (publ) (“**Nordea**”), Swedbank AB (publ) (“**Swedbank**”) and Skandinaviska Enskilda Banken AB (publ) (“**SEB**”).

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

Words and expressions defined in the terms and conditions of the Notes and which are included in the terms and conditions of the notes included in this Prospectus at pages 46 to 67 (inclusive) (the “**Terms and Conditions**”) have the same meanings when used in this Prospectus, unless expressly stated or the context requires otherwise.

### Notice to investors

On 24 November 2017 (the “**Issue Date**”) the Issuer issued notes in the amount of SEK 1,500,000,000, represented by Notes, each with a nominal value of SEK 1,000,000 (the “**Nominal Amount**”) (the “**Initial Notes**”). The payment obligations under the Notes are guaranteed by the SAS Consortium. The Issuer may also at one or several occasions issue subsequent notes (the “**Subsequent Notes**”) and together with the Initial Notes, the “**Notes**”). This prospectus (the “**Prospectus**”) has been prepared for the admission to trading of the Notes on Nasdaq Stockholm. This Prospectus does not contain and does not constitute an offer or a solicitation to buy or sell Notes.

The Prospectus has been approved and registered by the Swedish Financial Supervisory Authority (*Finansinspektionen*) (the “**SFSA**”) pursuant to the provisions of Chapter 2, Sections 25 and 26 of the Swedish Financial Instruments Trading Act (*lagen (1991:980) om handel med finansiella instrument*) (the “**Trading Act**”). Approval and registration by the SFSA do not imply that the SFSA guarantees that the information provided in the Prospectus is correct and complete nor a guarantee that the Notes will be admitted to trading on Nasdaq.

No responsibility or liability is accepted by the Joint Lead Managers as to the accuracy or completeness of the information contained or incorporated in this Prospectus. No Joint Lead Manager accepts any liability in relation to the information contained or incorporated by reference in this Prospectus.

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

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

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

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

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- (d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

### Forward-looking statements and market data

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

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

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

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## RISK FACTORS

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

### RISK RELATING TO THE ISSUER AND SAS

#### Industry and market risks

##### ***The airline industry is highly susceptible to adverse economic developments***

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

Moreover, economic downturns in the airline industry generally result in a lower overall number of passengers, which, in turn, leads to excess capacity (or increased existing excess capacity) and price pressure in the affected markets. This situation is exacerbated by the fact that flight operations have a high percentage of fixed costs. The share of total flight costs attributable to the cost for aircraft and hangars, which are the same regardless of the number of passengers flying, is very high compared with the marginal cost for each additional passenger, whereas the revenue from a flight is primarily dependent on the number of passengers or the volume of cargo transported and the fares or freight rates paid. This means that any decline in passenger numbers, cargo volumes or fares or freight rates can lead to a disproportionate decline in profits, since the aforementioned fixed costs generally cannot be reduced on short notice, and some of these costs cannot be reduced by any meaningful amount or at all. Furthermore, reducing flight frequency through the ad hoc cancellation of flights to reduce the fixed costs associated with flights is not always a viable option. After a certain point, decreasing the frequency of flights significantly decreases the attractiveness of the offers for SAS's customers, since the necessary minimum flight frequency is no longer assured.

The susceptibility of the airline industry to adverse economic developments can also lead to price pressure along the entire value chain, that is, pressure on cargo fees, the price of passenger tickets, and the prices SAS can charge for the services that it provides to its customers. SAS has implemented an ambitious efficiency programme (as described below) and continuously seek to improve its cost structure and increase its cost flexibility to address the decrease in passenger yield. Notwithstanding this, both a failure to implement and realise the benefits from the efficiency programme and the high levels of fixed costs and low profit margins that characterise the industry may have an adverse effect on SAS's business, financial condition and results of operations.

##### ***SAS's business and the airline industry are exposed to geopolitical conditions***

As well as macroeconomic conditions, the airline industry is sensitive to geopolitical tensions. Examples of such current and/or recent tensions include the relationship between Russia and Ukraine, potential U.S. travel restrictions, and international sanctions imposed by the EU and the U.S. on, amongst others, Russia. Such

geopolitical tensions can impact upon the demand of leisure and business travellers for flights as well as potentially impeding SAS's supply of fuel or other inputs.

In June 2016, voters in the UK voted to exit the European Union in a non-binding referendum. On 29 March 2017, the UK commenced the process for leaving the bloc by triggering Article 50 of the Treaty of Lisbon. Article 50 envisages a timeframe of two years from the date of notification to negotiate the UK's exit. There is no precedent for such a process and as such the implications of the UK's withdrawal are unclear. There are risks, however, that the withdrawal could lead to adverse economic and market conditions, as well as legal and regulatory uncertainty, namely in relation to aviation, labour, the environment, data protection, competition and other matters applicable to the provision of air transportation services by SAS or its joint business or codesharing partners. Any of these effects may have an adverse effect on SAS's business, financial condition and results of operations.

### ***The airline industry is highly competitive***

SAS operates in a highly competitive market and is in intense competition with a number of other air carriers for both leisure and business travellers. Changes in customer behaviour and the emergence of new low-cost airlines in SAS's home market has increased competition and resulted in a significant price pressure which can reduce yield and profit. In 2015/2016, the number of seats offered in Scandinavia increased by around 4.7%. One reason for the increased competition is that new airlines are continuously 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. Consolidation and the formation of new international alliances could further strengthen this competitive offering. 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 time, SAS launches new product concepts in order to meet the increasing competition, for example SAS Go Light, SAS Go and SAS Plus. If the implemented and developed product services concepts do not become successful, this may have an adverse effect on SAS's business, financial condition and results of operations.

Airlines also face competition from other sources of transportation, such as trains, buses, ferries and cars. Given that SAS relies on business travellers in addition to leisure travellers, it also faces competition from alternatives to business travel such as video conferencing and other methods of electronic communication as these technologies continue to develop and become more widely used.

Failure to successfully respond to these competitive pressures could have an adverse effect on SAS's business, financial condition and results of operation.

### ***Demand for airline travel and SAS's business is subject to strong seasonal variations***

The airline industry tends to be seasonal in nature and SAS, like other airlines, has historically experienced substantial seasonal fluctuations. Generally, the demand peaks in the period from May to October and is relatively lower in the period from November to April. Furthermore, public holidays, which alter the general seasonal changes in demand, are usually addressed by adapting the schedule and network to the expected traffic flows around such holiday, periods as well as by offering seasonal routes. Should fluctuations be greater than expected or should SAS not adapt its network in accordance with the changed demand around holidays, this could have an adverse effect on SAS's business, financial condition and results of operations.

### ***SAS's profitability depends on accurately estimating capacity development***

The capacity of airlines is a decisive factor to their profitability. Due to the long delivery time, aircraft orders are based on long-term forecasts. This can lead to SAS having too much or too little capacity resulting in a subsequent 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 may have an adverse effect on SAS's business, financial condition and results of operation. Excess capacity due to lower than expected market growth 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 routes which in turn may have an adverse effect on SAS's business, financial condition and results of operations.

***The airline industry is exposed to increases in airport, transit and landing fees, as well as changes in air security policies and air traffic security costs affecting the airline industry***

Airport, transit and landing fees, as well as security charges and initiatives represent a significant operating cost to SAS. By way of example, implementation of the policy restricting liquids carried in passengers' hand luggage had a considerable impact on the operations and costs of the airline industry, as did the advance passenger information system implemented by the United States. Further restrictive security policies could be implemented and additional airport fees may be levelled or existing fees increased, in each case in the market that SAS operates. If SAS is unable to pass onto customers the costs resulting from such policies or fees then this could have an adverse effect on SAS's business, financial condition and results of operations.

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

The airline industry is subject to extensive fees and costs such as taxes (including ticket tax and value added taxes), aviation and licence fees, charges and surcharges such as take-off charges, emission charges, noise charges, terminal navigation charges and security charges, which are typically levied on the basis of national legislation and thus vary among countries and represent a significant part of SAS's operational costs. Specifically, in June 2016, the Norwegian state introduced an airport departure tax for flights in, to and from Norway whilst the Swedish government is currently considering a proposal to introduce a new tax on airline tickets which could take effect from 2018.

New charges may be introduced and if SAS is unable to pass any increases in charges, fees or other costs on to its customers, these increases could have an adverse effect on SAS's cash flows, financial condition and results of operations.

***SAS is exposed to risks associated with the price and availability of jet fuel***

Fuel comprises a significant portion of airlines' costs. The Issuer cannot predict the development of either short or long-term jet fuel prices. Jet fuel prices have historically fluctuated widely, and are likely to continue to do so in the future. Hedging does not fully protect SAS against the effects of jet fuel price increases since, at any given time, SAS may not have derivatives in place to provide any particular level of protection against increased jet fuel costs or that the assumptions and estimates SAS has made with respect to the future development of jet fuel prices may prove to be incorrect. Moreover, to the extent SAS has hedged its exposure to jet fuel price increases in the future, SAS could be unable to participate fully in the economic benefits should jet fuel prices subsequently decrease. Due to potential time lag between any increase in the price of jet fuel and the corresponding increase in fares, fuel surcharges passed on to passengers may not fully protect against sudden changes in fuel prices. Further, such surcharges may also have a negative effect on passenger revenues if higher surcharges cause demand for air travel to decline.

Accordingly, failure to adequately and successfully manage increases in jet fuel prices could have an adverse effect on SAS's business, financial condition and results of operations.

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

Activity from volcanoes, other natural or man-made disasters or extreme weather conditions, in particular if such occur in the European airspace or otherwise in the region around any of SAS's major flight destinations, could have an adverse effect on SAS's the business, financial condition and results of operations.

An outbreak of a disease that affects travel demand or travel behaviour such as Ebola, Zika virus, Severe Acute Respiratory Syndrome (SARS), avian flu, swine flu or other illness could have an adverse effect on SAS's business, financial condition and results of operations.

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

Airlines can suffer significant losses if an aircraft is lost or subject to an accident. Incidents and wreckages may be caused by several factors, for example, the human factor, design defects, malfunctions, meteorological and other environmental factors and deferred maintenance. Losses can also take the form of passenger claims and repair and replacement costs, as well as losses connected to any public perception that SAS's fleet is unsafe or unreliable, causing air travellers to be reluctant to fly on SAS's aircraft.

Insurance coverage, if available, may not always be sufficiently adequate to cover the losses resulting from an air crash or similar disaster whilst certain other risks are uninsurable. In particular, SAS's insurance does not cover losses from decreasing revenues caused by negative public perception resulting from air crashes or similar incidents. Further, the occurrence of an insurable event whether or not involving SAS but for which SAS has insurance coverage could cause a substantial increase in SAS' insurance premia.

The occurrence of any incidents involving any of SAS's fleet, which results in an accident or the grounding of such aircraft, could therefore have an adverse effect on SAS's business, financial condition and results of operations.

***Terrorist attacks and armed conflicts, as well as their aftermath, have had an adverse effect on SAS's business and may have so again***

Acts of terrors, political uprisings and armed conflicts or any actual or perceived risk thereof significantly adversely impact the airline industry as a result of the consequential reduction in demand for air travel, limitations on the availability of insurance coverage, increase in insurance premia, increase in cost associated with additional security precautions and the imposition of flight restrictions over conflict zones. Future occurrences or risks thereof of terrorist attacks, uprisings or conflicts in the markets in which SAS operates may have an adverse effect on SAS' business, financial condition and results of operations.

**Operational risks**

***Damage to the brand name, wider reputation of or consumer confidence***

SAS's brand name and reputation have significant commercial value and SAS relies on positive brand recognition as part of its overall business model. Any damage to SAS's brand image or reputation, whether owing to a single event or series of events, could have an adverse impact on SAS's ability to market its services and retain customers. Ultimately, such impact could have an adverse effect on SAS's business, financial condition and results of operations.

***SAS has established an Irish subsidiary which could face certain difficulties associated with starting a new airline***

In January 2017, SAS decided to establish an Irish subsidiary, Scandinavian Airlines Ireland Limited ("**SAS Ireland**") in order to better compete with low cost operators on certain competitive traffic flows, for example Scandinavia-London. SAS Ireland will hold a separate air operator certificate (AOC) and is currently setting up a management team in Ireland and will register aircraft there. It is expected that SAS Ireland will be flying by the end of 2017 and will have nine Airbus A320s at bases in London and Malaga.

The strategic decision of establishing an operating subsidiary in a new market should offer cost savings to SAS, however there are inherent risks involved with the establishment of such an operating subsidiary. The negotiations for new collective bargaining agreements with SAS Consortium pilots and cabin crew may be affected and existing customers may consider that such a strategy damages SAS's brand. Entering a new market may also involve costs resulting from staff recruitment and complying with the regulatory environment of the new jurisdiction.

As well as such contemplated costs and risks associated with establishing SAS Ireland, there may be unforeseen costs and risks associated with the strategy. Furthermore any foreseen costs and risks may be prove to be underestimated and the anticipated profitability of SAS Ireland may be unfounded. The materialisation of any such foreseen or unforeseen cost and/or risks could have an adverse effect on SAS's business, financial condition and results of operations.

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

The success of SAS's strategy depends on, among other things, the operation and development of the Copenhagen – Kastrup Airport, the Stockholm – Arlanda Airport and the Oslo - Gardermoen Airport. SAS's business would be harmed by any 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, deterioration in local economic conditions, the occurrence of a terrorist attack or other security concerns, or price increases associated with airport access costs or fees imposed on passengers.

Air traffic is limited by airport infrastructure, crowded skies, inadequate air traffic coordination, applicable environmental rules and regulations and, in particular, the limited number of slots available at many primary airports. Airports at which SAS operates can also impose other operating restrictions such as curfews, limits on

aircraft noise levels, mandatory flight paths, runway restrictions and limits on the number of average daily departures as well as increased user fees.

Any failure to maintain existing key slots, obtain new slots or meet the requirements laid down by the airports could have an adverse effect on SAS's business, financial condition and results of operations.

***SAS faces risks relating to adverse developments of SAS's strategic alliances and cooperation agreements with partner airlines***

SAS derives significant benefits from its membership in the Star Alliance and from other partner airlines, as it enables SAS to better serve international passengers through efficient and effective coordination of services, airport infrastructure and IT infrastructure. Any adverse developments affecting the Star Alliance, such as one or more principal members leaving the Star 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.

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

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

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

***Investment in new aircraft represents a significant cost and there is a risk of such investment not meeting SAS's expectations***

SAS's operations depend on a competitive aircraft fleet. Investments in new aircraft represent significant costs and involve long delivery times with risk of delays. Since the delivery time for new aircraft is several years, it is not certain that new aircraft will accurately meet SAS's capacity needs or the customers' preferences at the time they are delivered. There is also a risk of new aircraft becoming outdated quickly, if, for example, new technology has been developed before the time of delivery or revised environmental requirements come into force. Aircraft with new technology may cause problems initially due to unforeseen development issues. Aircraft investments failing to meet SAS's expectations may have an adverse effect on SAS's business, financial condition and results of operations.

***SAS's maintenance expenses will increase as its fleet ages***

Inherent to the nature of all aircraft is a tendency to require increasing levels of maintenance as they age, demanding higher maintenance and repair expenses as a result. Should SAS decide to retain aircraft for longer than its current policy, it is likely that scheduled and unscheduled aircraft maintenance expenses would increase as a percentage of revenue. Increased maintenance also means a lower utilisation of aircraft. If not offset by increased revenue or other cost savings, such expenses and lower utilisation of each aircraft could have a material adverse effect on SAS's cash flows, financial condition and results of operations.

***SAS's ability to successfully execute its strategy is dependent on its ability to retain talented and motivated managers and employees***

SAS's operations are labour intensive and dependent on being able to attract and retain highly qualified and motivated personnel, for example pilots, cabin crew and employees with expertise in aircraft engineering and maintenance. 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. Further, a backdrop of structural changes in the airline industry is setting



may give rise to new requirements and challenges for SAS and its compiled competence. For example, SAS is now increasingly sourcing and developing services together with external business partners, where this is relevant, and also increasing digitalisation, both of which may lead to setting new demands on SAS's organisation and its staff.

If SAS fails to address these changes, or fail to retain and recruit qualified personnel, it may have an adverse effect on SAS's business, financial condition and results of operations.

### ***Labour disruptions could adversely affect SAS's operations***

Around thirty five unions represent SAS's employees, with some unions representing more than one category of employees. Substantially all of SAS's pilots, and a large percentage of the cabin crew and ground crew, belong to unions. SAS has collective bargaining agreements with the unions, the majority of which were renegotiated in 2017; however, these agreements are subject to renegotiation in the coming years.

SAS and the airline industry have a history of strikes and work stoppages. The effect of such strikes can be substantial and it is a risk that similar labour disputes with the trade unions (or threats thereof) will arise in connection with the renegotiation of union contracts, outsourcing efforts or other activities involving its unionised employees at some point in the future. Any prolonged strikes or labour action by employees or external suppliers may incur standstill costs, lead to deterioration in the relationship with the relevant trade unions and lead to a loss of trust among customers, all of which may have an adverse effect on SAS's business, financial condition and results of operations.

### ***The inability to obtain labour costs at competitive levels may harm SAS's financial performance***

Despite the implementation of recent and on-going efficiency programmes, after taking into account differences in products and services as provided by SAS in comparison with its local low cost competitors, SAS estimates that its annual cost base will continue to exceed the annual cost base of its principal low cost carrier competitors significantly. This difference primarily reflects higher salary, pension and allowances for pilots and cabin crew, as well as administrative costs, social welfare tax and other indirect labour cost, in comparison with SAS's principal competitors. Inability to obtain labour costs at competitive levels could have an adverse impact on SAS's business, financial condition and results of operations.

### ***Risks related to SAS's pension plans***

SAS's defined benefit pension plans are, since 1 November 2013, reported in accordance with *IAS 19 Employee Benefits (Amended)*, 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 as other comprehensive income.

Pension assumptions are important elements of the actuarial methods used to measure pension liabilities and valuing 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 2016, 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 3.3 billion and a one percentage point change in the inflation assumptions affects the liability by approximately SEK 2.8 billion. If SAS's pension 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, SAS's comprehensive income may be negatively affected, the reported pension liabilities may be significantly greater than what SAS has anticipated and SAS's equity may decrease, all of which could have an adverse effect on SAS's solvency and financial condition.

### ***SAS is dependent on third-party services***

As is increasingly standard for the airline industry, SAS is gradually more dependent upon the services of various third parties, such as aircraft manufacturers, airport operators, IT service providers, maintenance support providers, ground services, aircraft leasing companies, wet lease operators and distributors such as travel agencies. In particular, SAS has moved from conducting the majority of its operations itself to an increased degree of sourcing and developing services together with business partners. SAS is generally dependent on these third party service providers, which are beyond SAS's control, for its operations and performance. An interruption, whether temporary or permanent, in the provision of any goods or services, whether by a member of SAS or a third party service provider, any inability to renew or renegotiate contracts with such service

providers on commercially reasonable terms or action by regulatory bodies having jurisdiction over suppliers could have an adverse impact on SAS's business, financial condition and results of operations.

In particular, SAS is dependent on third-party distribution channels to distribute a significant proportion of its airline tickets. To remain competitive, it will need to successfully manage distribution costs and rights, increase distribution flexibility and contribute to developing the functionality of third-party distribution channels. Any inability to do so or any material disruption to this type of ticket distribution could have an adverse effect on SAS's business.

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

SAS is increasingly dependent on its information technology systems and procedures for the efficient and secure operation of, amongst other things, its website, reservations, departure control, online booking and revenue management systems. Such systems may be vulnerable to and can be disrupted or damaged by, among other things, internal error, sabotage, computer viruses, software error, physical damage or other events beyond SAS's control. SAS's cybersecurity measures may not detect or prevent all attempts to compromise its IT systems and failure to do so, or otherwise maintain sound IT infrastructure, could therefore result in disruptions and if they were to continue for a considerable length of time may adversely impact SAS' business, financial condition and results of operations.

**Legal risks**

***The Consortium Agreement***

The SAS Consortium is a consortium established through a consortium agreement originally dated 8 February 1951 as subsequently amended (the "**Consortium Agreement**") among the three limited liability companies SAS Danmark A/S, SAS Norge AS and SAS Sverige AB (the "**Constituent Companies**"). The Constituent Companies are wholly owned subsidiaries of the Issuer.

The Consortium Agreement, the validity of which has been extended at certain intervals, is presently effective up to and including 30 September 2020. In the event that the Consortium Agreement expires on 30 September 2020 and it is not extended beyond that date, the Constituent Companies shall remain jointly and severally liable for the obligations and liabilities incurred by the SAS Consortium while the Consortium Agreement was in force and effect, including the liabilities under the Guarantee (as defined below).

Pursuant to the articles of association of the Issuer, an amendment or termination of the Consortium Agreement shall be resolved by the shareholders of the Issuer with two thirds majority at a shareholders meeting.

A termination or expiry of the Consortium Agreement may result in SAS's principal operating entity ceasing to exist at law and that may have a material adverse effect on SAS's business, financial condition and results of operations.

***SAS is exposed to crime and fraud***

A large part of SAS's ticket sales are made online through credit card payments. 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, then this could harm customer confidence in SAS and may result in liabilities owing to credit card companies should such credit card information be misused as a result of SAS' security breach. SAS may also be exposed to other types of crime, such as sabotage, fraud and embezzlement, but also internal irregularities.

Materialisation of any of the above risks may have an adverse effect on SAS's business, financial condition and results of operations.

***The adoption of new regional, national and international regulations, or the revision of existing regulations***

There are currently numerous regulatory initiatives in the markets in which SAS operates, including in relation to ticket taxes, airport and airspace infrastructure, safety measures and passenger rights (including but not limited to those rights relating to cancelled or delayed flights). Regulations may impose additional requirements or restrictions on airline operations and/or impose costs on SAS, either directly if fees are levied or indirectly due to compliance costs for example, customers may be entitled to compensation in a cash amount equal to €250, €400 or €600 per passenger and in certain circumstances, SAS may be required to offer the option of a full refund of the cost of the unused ticket.

Increased regulation may increase SAS' cost base or restrict its current and future operations which, in turn, could have an adverse effect on SAS's business, financial condition and results of operation.

***SAS is subject to an increasing body of data protection regulations, infringements of which could result in fines and reputation damage***

As part of its operations, SAS collects and retains personal information received from customers. This information is subject to data protection regulations in Europe and elsewhere. In particular, the General Data Protection Regulation (679/2016) (GDPR) will take effect from May 2018. Compliance with the GDPR will be an added operational cost and there are substantial fines for non-compliance (up to EUR 20 million or 4 per cent of a company's global annual turnover). It is anticipated that SAS will continue to collect increasing amounts of personal data, raising the potential risk of non-compliance with the GDPR which, in turn, could have an adverse effect on SAS's business, financial conditions and results of operations.

***SAS is subject to environmental-climate laws and regulations including, but not limited to, restrictions regarding noise pollution and greenhouse gas emissions***

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

The principle of this scheme consists of setting an annual allocation of quotas or CO<sub>2</sub> emission rights, with each airline being allocated a number of quotas (one quota corresponding to one ton of CO<sub>2</sub>). At the end of each year, companies must return an amount of emission allowances that is equivalent to the tons of CO<sub>2</sub> they have emitted in that year. Depending on their emissions, they can also purchase or sell allowances (exchangeable quotas). For the aviation sector, the free quotas were distributed to each operator on a *pro rata* basis based on their revenue ton-kilometres (RTK) generated in 2010.

The European directive applies to all European and non-European airlines flying into and out of the European Economic Area. This has raised strong opposition from governments around the world and, primarily, from the US, China, Russia and India. As a consequence, the European Commission decided in November 2012 to freeze the application with respect to traffic to and from the EU, pending progress with a global agreement under the auspices of the International Civil Aviation Organisation in autumn 2013. However, as the system has been applied in the European Union since 1 January 2012, SAS, together with all other European airlines, is therefore at a competitive disadvantage in relation to non-European competitors.

In October 2016, the International Civil Aviation Organisation agreed a Carbon Offsetting and Reduction Scheme for International Aviation (**CORSIA**), the aim of which is to regulate the aviation industry's international carbon emissions from 2021. CORSIA will also rely on offsets from other industries to compensate for possible emission growth in the airline sector. The number of offsets required to be purchased will be specified over the next few years, and as yet SAS are unable to assess the financial consequences of the scheme.

The airline industry is subject to numerous environmental regulations and laws relating, amongst other things, to aircraft noise and engine emissions, the use of dangerous substances and the treatment of waste products and contaminated sites. Environmental regulations can, among other things, mean that certain aircraft models may not be used in some airports or that take-off and landing is prohibited during certain hours. Environmental regulations and laws can impose costs on SAS either directly if fees are levied or indirectly due to compliance costs. Further, changes in customer attitudes toward environmental and climate issues may over time lead to a reduced demand for air travel.

Failure to comply with environmental laws and regulations may increase SAS' cost base and failure to heed public opinion may lead to overcapacity both of which may have an adverse effect on SAS's business, financial condition and results of operation.

***SAS is involved in legal proceedings and investigations***

SAS is, and may continue to be, involved in litigation and arbitration both as plaintiff and defendant or a subject of investigations from public authorities. Many disputes and investigations relate to claims arising in the ordinary course of business including, but not limited to, investigations and legal proceedings relating to competition law matters, taxation arrangements, service interruption, flight delays, lost or damaged luggage, flight accidents and personal injury claims. In particular, SAS is involved in various civil lawsuits initiated by cargo customers in Europe pursuant to the European Commission's cargo investigation decision in November 2010 and which was renewed in March 2017. SAS contests its responsibility in all of the civil legal processes.

There is a risk that legal proceedings, even if a judgment favourable to SAS is handed down, and investigations by public authorities could negatively impact SAS' reputation. In addition, if an unfavourable decision were to be made against SAS in any such proceedings or a negative outcome results from any such investigations, significant fines, damages and/or negative publicity could result which may have an adverse effect on SAS's business, financial condition and results of operations.

***SAS is exposed to tax-related risks***

It cannot be ruled out that the tax authorities in Sweden and other relevant countries will assess that SAS does not conduct its business, including transactions between group companies, in Scandinavia and a number of other countries in accordance with applicable tax laws, treaties and the requirements of tax authorities in such countries. SAS's prior or present tax position may change as a result of the decisions of tax authorities or changes in laws and regulations, possibly with retroactive effect, which may have an adverse effect on SAS's results of operations and financial position. Losses of SAS carried forward cannot be used to reduce certain tax liabilities or payments, such as an increased VAT liability or administrative tax penalties. One example is that the Swedish government is currently considering to change the ability to deduct interest rates expenses for corporations.

Decisions of tax authorities or changes in laws and regulations could have a material adverse impact on SAS's business, financial condition and results of operations.

**Financial risks**

***SAS has a history of reported losses in the 2000s***

It is not certain that SAS will be able to achieve or maintain profitability in the future. SAS has a history of reported losses during a number of years in the 2000s. SAS's future profitability and financial condition depends on several factors including, among other things, the successful implementation of the efficiency programme. If SAS does not achieve or maintain profitability this could, amongst other things, negatively impact SAS's cash flow and its ability to fulfil its obligations under the Notes, which could have an adverse effect on SAS's business, financial condition and results of operations.

***SAS has set up efficiency improvement and restructuring programme, the implementation of which may not be successful***

In June 2017, SAS doubled its efficiency programme from SEK 1.5 bn to 3.0 bn in order to achieve substantial cost savings and increased flexibility. Around one third of the initiatives depend on changed agreements with suppliers and trade unions. Should SAS be unable to fully implement, or realise the benefits of, this programme, or should the programme fail to meet SAS's expectations, then this could have an adverse effect on SAS's business, financial condition and results of operations.

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

SAS is dependent upon its ability to obtain financing to acquire additional aircraft to meet capacity needs and to replace existing aircraft as they age and to refinance existing obligations as they fall due. Whether SAS will be successful in the longer term in obtaining the required financing on commercially acceptable terms is dependent on a range of factors including the condition of capital and credit markets, the general availability of credit, prevailing interest rates and SAS's credit-worthiness. To the extent that SAS cannot secure financing and financing on commercially acceptable terms, SAS may be required to modify its aircraft acquisition plans, incur higher than anticipated financing costs and/or implement further efficiency improvement and restructuring programmes in addition to its current efficiency programme of SEK 3.0bn.

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

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

Accordingly, increased costs as a result of a credit downgrade or a failure to arrange sufficient financing or refinancing when required could therefore have an adverse effect on SAS's business, financial condition and results of operations.

***SAS is exposed to currency exchange rate risk***

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

Additionally, SAS is also exposed to foreign exchange risk arising from fuel and aircraft purchases, acquisition of spare parts, divestment of aircraft and aircraft lease payments, most of which are denominated in US dollars. SAS is therefore particularly exposed to the US dollar exchange rate in that the cost of certain investments will rise with any weakening of Swedish Kronor against US dollars.

SAS is not, nor is it currently contemplating, hedging all currency risk that might arise from its operational cash flows in foreign currencies or its liabilities denominated in foreign currencies. Therefore, in respect of its exposure to any currency risk which is (i) hedged but such hedging transpires to be imperfect or insufficient or (ii) not hedged, any unfavourable fluctuations in foreign currencies may adversely impact SAS's business, financial condition and results of operations.

***SAS is exposed to interest rate risk***

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

SAS is not, nor is it currently contemplating, hedging all interest rate risk to which it may be exposed. Therefore, in respect of its exposure to any interest rate risk which is (i) hedged but such hedging transpires to be imperfect or insufficient or (ii) not hedged, any unfavourable fluctuations in interest rates may adversely impact SAS's business, financial condition and results of operations.

***SAS faces risks associated with losses from counterparties in certain financial and other transactions***

All SAS's financial transactions, for example, access to lines of credit, lease arrangements, the management of financial risk through hedging or insurances, liquidity management and day to day banking transactions including making cash deposits, involve contracting with financial counterparties and therefore gives rise to an exposure to if a financial counterparty does not fulfil its contractual obligations, including where a financial counterparty is forced to file for bankruptcy. Accordingly, failure by contractual counterparties to satisfy obligations owing to SAS could have an adverse impact on SAS's business, financial condition and results of operations.

In addition, SAS has made, and may continue to make, loans to third parties, including to SAS's subsidiaries and affiliates that have been, or are expected to be, divested. Such loans expose SAS to counterparty risk, including the risk of such loans not being repaid within the anticipated repayment schedule or at all. There is a risk that commercial receivables and loans described above will not be repaid within the anticipated time schedule or at

all. The failure to receive these amounts will have an adverse impact on SAS's cash flows and financial condition.

***Future changes in accounting standards may affect SAS's financial position.***

SAS prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. Future changes in the IFRS accounting standards may lead to significant changes in the reported financial statements of SAS. Although the Issuer's current leasing and debt arrangements provide for relevant covenants to be assessed based on current accounting standards, a change in said standards may affect the Issuer's position when renewing or acquiring further financing. The occurrence of any such events could have an adverse effect on the Issuer's business, financial condition and results of operations.

***SAS is exposed to the residual value risk and also to the impairment of the value of the aircraft it owns during the ownership period.***

When SAS is acquiring an aircraft directly from a manufacturer, SAS enters into an agreement with the manufacturer to purchase the aircraft. The decision whether to own or sell and leaseback the aircraft is typically taken prior to the expected delivery of the aircraft. SAS is therefore exposed to fluctuations in the market value of aircraft. If SAS decides to own the aircraft, fluctuations in the value of the aircraft will have an adverse effect on SAS's financial condition and results of operations should the value of the aircraft be impaired. A decrease in the market value involve risks for SAS, especially to the extent that SAS wishes or needs to rely on the sales proceeds of sold aircraft to discharge debts relating to the financing of such aircraft. On the other hand, if SAS finances the purchased aircraft through a sale and leaseback financing arrangement, SAS realises the market value of the aircraft at the time of the transaction and any future changes in aircraft value will not have an impact on the payments under the lease arrangement. Currency fluctuations and negative development in the general market conditions may also decrease the market value of SAS's fleet.

Materialisation of any of the above risks may have an adverse effect on SAS's business, financial condition, and results of operations.

**RISKS RELATING TO THE NOTES**

***Restrictions of the Guarantee***

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

Since the obligations under the Notes will not be secured by any security there is a risk that the proceeds of any enforcement sale of assets in connection with any insolvency procedure or winding-up of the Issuer, the SAS Consortium or the participating shareholders in the SAS Consortium would be insufficient to satisfy all amounts then due on or in respect of the Notes.

***Security over assets granted to third parties***

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

***Dependence on subsidiaries***

The Issuer is dependent on its subsidiaries' and, in particular, the SAS Consortium's ability to make payments to it in order to fulfil its payment obligations under the Notes. Most assets are owned by, and most revenues are generated in, the SAS Consortium. The SAS Consortium is legally separated from the Issuer and has no obligation to make payments to the Issuer of any surpluses generated from its business. The SAS Consortium's ability to make payments is restricted by, among other things, the availability of funds, corporate restrictions, the

terms of the SAS Consortium's indebtedness and local law. If a subsidiary of the Issuer is subject to any foreclosure, dissolution, winding-up, liquidation, recapitalisation, administrative or other bankruptcy or insolvency proceeding, the creditors of such subsidiary (including the Noteholders as regards the SAS Consortium by virtue of the guarantee provided by it) will generally be prioritised due to their position in the capital structure and will generally be entitled to payment in full from the sale or other disposal of the assets of such a subsidiary before the Issuer, as a direct or indirect shareholder, will be entitled to receive any distributions from such a subsidiary.

### ***The market price of the Notes may be volatile***

The market price of the Notes could be subject to significant fluctuations in response to general market conditions (including, without limitations, actual or expected changes in prevailing interest rates), actual or anticipated variations in SAS's operating results and those of its competitors, adverse business developments, changes to the regulatory environment in which SAS operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Notes, as well as other factors. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations, which, if repeated in the future, could adversely affect the market price of the Notes without regard to SAS's operating results, financial condition or prospects.

### ***Liquidity risks***

The Issuer undertakes to apply for listing of the Notes on Nasdaq Stockholm or another Regulated Market. However, there is a risk that the Notes might not be admitted to trading. Further, even if the Notes are admitted to trading on a Regulated Market, active trading in the Notes does not always occur and hence there is a risk that a liquid market for trading in the Notes will not form or will not be maintained, even if the Notes are listed. As a result, the Noteholders may be unable sell their Notes when they so desire or at a price level which allows for a profit comparable to similar investments with an active and functioning secondary market or for a sale at par. Lack of liquidity in the market may have a negative impact on the market value of the Notes. Furthermore, the nominal value of the Notes may not be indicative of the market price of the Notes if the Notes are admitted for trading on Nasdaq Stockholm, as the Notes may trade below their nominal value (for instance, to allow for the market's perception of a need for an increased risk premium).

Moreover, there is a risk that it may be difficult or impossible to sell the Notes (at all or at reasonable terms) due to, for example, severe price fluctuations, close-down of the relevant market or trade restrictions imposed on the market.

### ***Certain material interests***

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

### ***Interest rate risk***

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

### ***Credit risk***

Investors in the Notes assume a credit risk relating to the Issuer and SAS. If the Issuer or SAS' financial position were to deteriorate then there is a risk that the Issuer would not be able to fulfil its payment obligations under the Notes. A decrease in the Issuer's or SAS' creditworthiness (i) may cause the market to view the Notes as a riskier investment and which may, in turn, have an adverse effect on the market value of the Notes and (ii) may also reduce the prospects of the Issuer arranging debt financing when the Notes mature.

### ***Refinancing risk***

The Issuer may eventually be required to refinance certain or all of its outstanding debt, including the Notes. The Issuer's ability to successfully refinance its debt, including the Notes, depends, among other things, on the conditions of the bank market, the capital markets and SAS's own financial condition at such time. As a result,

the Issuer's access to financing sources may neither be available on favourable terms nor available at all. The Issuer's inability to refinance its debt obligations on favourable terms, or at all, could have an adverse effect on SAS's business, financial condition and results of operations and on the Issuer's ability to repay amounts due under the Notes.

***The Notes may not be a suitable investment for all investors***

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in these Risk Factors or any marketing material distributed in connection with the issue of the Notes;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact other notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- understand thoroughly the Terms and Conditions; and
- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

If an investor fails to meet any of the conditions enumerated above, or it is otherwise not possible to determine whether the Notes are a suitable investment for the investor, there is a risk that the investor will not be able to bear losses in respect of the Notes, that the investor will not have the necessary knowledge and experience to invest in the Notes, and/or the Notes will not be compatible with the investment objectives of the investors.

***The Notes may be redeemed prior to maturity***

The Terms and Conditions will include certain provisions pursuant to which the Issuer will have the right to redeem all outstanding Notes prior to the final redemption date. If the Notes are redeemed before the final redemption date, the Noteholders will receive an early redemption amount which equals or exceeds the nominal amount of the Notes, together with accrued but unpaid Interest. However, there is a risk that the market value of the Notes is higher than the early redemption amount and that it may not be possible for Noteholders to reinvest such proceeds at an effective interest rate as high as the interest rate on the Notes and may only be able to do so at a significantly lower rate. In addition, the Terms and Conditions will contain certain mandatory prepayment rights in favour of the Noteholders, however, it is possible that the Issuer will not have sufficient funds at the time of the mandatory prepayment to make the required redemption of Notes.

***Noteholder representation and Noteholders' meetings***

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

The Terms and Conditions for the Notes will include certain provisions regarding Noteholders' meetings. Such meetings may be held in order to decide on matters relating to the Noteholders' interests. The Terms and Conditions for the Notes will allow for stated majorities to bind all Noteholders, including Noteholders who have not taken part in the meeting and those who have voted differently to the required majority at a duly convened and conducted Noteholders' meeting. Consequently, the actions of the majority and/or the Agent (as applicable) in such matters could impact a Noteholder's rights in a manner that would be undesirable for some of the Noteholders.



***Restrictions on the transferability of the Notes***

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended, or any U.S. state securities laws. Subject to certain exemptions, a Noteholder may not offer or sell the Notes in the United States. The Issuer has not undertaken to register the Notes under the U.S. Securities Act or any U.S. state securities laws or to effect any exchange offer for the Notes in the future. Furthermore, the Issuer has not registered the Notes under any other country's securities laws. It is the Noteholder's obligation to ensure that the offers and sales of Notes comply with all applicable securities laws.

***Clearing and settlement***

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

***Change of law***

This Prospectus and the Terms and Conditions are, governed by Swedish law in force at the date of issuance of the Notes. No assurance can be given on the impact of any possible future legislative measures, regulations, changes or modifications to administrative practices or case law. Such changes could mean that the secondary market for the Notes becomes limited or ceases to exist, that Notes become illegal for some investors to hold, cannot be traded on the marketplace, will be treated differently as regards taxation or lead to consequences that cannot be anticipated at this time. Such changes may result in an adverse effect on the value of the Notes, that the Noteholders cannot sell them at the anticipated terms or that the Issuer redeems them prematurely.

## DESCRIPTION OF THE NOTES AND USE OF PROCEEDS

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### CERTAIN TERMS AND CONDITIONS OF THE NOTES

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

### THE INITIAL NOTES AND SUBSEQUENT NOTES

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

### ISIN AND COMMON CODE

The Notes have been allocated the ISIN code SE0010520338. The Notes will also be allocated a common code upon admission to trading. Such common code has not been allocated at the date of this Prospectus.

### FORM OF THE NOTES

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

### STATUS OF THE NOTES

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

### GUARANTEE

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

### ISSUE DATE AND REDEMPTION

The Notes were issued on 24 November 2017. Unless previously redeemed in whole or in part in accordance with the Terms and Conditions, the Issuer shall redeem all outstanding Notes at the Nominal Amount (together with any accrued but not yet paid Interest) on 24 November 2022 (the “**Final Maturity Date**”).

#### ***Issuer’s purchase of Notes***

The Issuer and any other Group Company may, subject to applicable law, at any time and at any price purchase Notes on the market or in any other way. The Notes held by the Issuer or such other Group Company may at the Issuer’s or such other Group Company’s discretion be retained or sold but may not be cancelled.

#### ***Voluntary total redemption by the Issuer (call option)***

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

<b><i>Time</i></b>	<b><i>Price per Note</i></b>
(a) any time prior to the First Call Date	at an amount per Note equal to one-hundred (100) per cent. of the Nominal Amount together with accrued but unpaid Interest, plus the Applicable Premium;

***Time***

(b) on or after the First Call Date to, but not including, the date falling 48 months after the First Issue Date

(c) on or after the date falling 48 months after the First Issue Date to, but not including, the Final Maturity Date

***Price per Note***

at an amount per Note equal to 102.6875 per cent. of the Nominal Amount, together with accrued but unpaid Interest; and

at an amount per Note equal to 101.34375 per cent. of the Nominal Amount, together with accrued but unpaid Interest, provided that the Issuer may redeem all, but not some only, of the Notes at 100.00 per cent. of the Nominal Amount, together with accrued but unpaid Interest in the period from and including the first Business Day falling 3 months prior to, but excluding, the Final Maturity Date if such redemption (in whole or in part) is or will be financed (i) by way of one or several Market Loan issues, and/or (ii) proceeds received by the Issuer pursuant to an offering of additional shares in the Issuer.

The “**Applicable Premium**” means the higher of:

(a) 1.00 per cent. of the Nominal Amount; and

(b) an amount equal to

(i) 102.6875 per cent. of the Nominal Amount; plus

(ii) all remaining scheduled Interest payments on the Notes until the First Call Date,

discounted (for the time period starting from the relevant Redemption Date to the First Call Date) using a discount rate equal to the yield of the Swedish Government Bond Rate with a maturity date on or about the First Call Date plus 0.50 per cent., minus

(i) accrued but unpaid Interest up to the relevant Redemption Date; and

(ii) the Nominal Amount.

***Early redemption due to illegality (call option)***

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

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

Upon the occurrence of (i) a Change of Control Event or (ii) a Listing Failure Event, each Noteholder shall have the right to request that all, or only some, of its Notes be repurchased at a price per Note equal to 101 per cent. of the Nominal Amount together with accrued but unpaid Interest, during a period of twenty (20) Business Days following a notice from the Issuer of the Change of Control Event or the Listing Failure Event pursuant to the Terms and Conditions (after which time period such right shall lapse).

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

***Mandatory Redemption due to a Restricted Disposal***

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

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

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

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

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

#### **INTEREST-RELATED INFORMATION AND PAYMENTS**

Each Initial Note carries Interest at 5.375 per cent. *per annum*, from (but excluding) the First Issue Date up to (and including) the relevant Redemption Date. Any Subsequent Note will carry Interest at 5.375 per cent. *per annum*, from (but excluding) the Interest Payment Date falling immediately prior to its issuance up to (and including) the relevant Redemption Date.

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

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

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

#### **ACCELERATION AND PREPAYMENT OF THE NOTES**

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

- (a) the Issuer does not pay on the due date any amount payable by it under the Finance Documents, unless the non-payment:
  - (i) is caused by technical or administrative error; and
  - (ii) is remedied within three (3) Business Days (in the case of a failure to pay principal or Interest) or five (5) Business Days (in the case of any other payment), in each case from the due date;

- (b) the Issuer does not comply with any terms or conditions of the Finance Documents to which it is a party (other than those terms referred to in paragraph (a) above or set out in Clause 11.7 (*Listing of the Notes*) of the Terms and Conditions), unless the non-compliance:
  - (i) is capable of remedy; and
  - (ii) is remedied within fifteen (15) Business Days of the earlier of the Agent giving notice and the Issuer becoming aware of the non-compliance;
- (c) any Finance Document becomes invalid, ineffective or varied (other than in accordance with the provisions of the Finance Documents), and such invalidity, ineffectiveness or variation has a detrimental effect on the interests of the Noteholders;
- (d) any Material Group Company is, or is deemed for the purposes of any applicable law to be, Insolvent;
- (e) any attachment, sequestration, distress or execution, or any analogous process in any jurisdiction, affects any asset of a Material Group Company having an aggregate value of USD 10,000,000 and is not discharged within thirty (30) Business Days of such proceedings having commenced, provided that there shall not be an Event of Default for so long as such proceedings are being contested in good faith; or
- (f) any Financial Indebtedness of any Group Company is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described), provided that no Event of Default will occur under the Terms and Conditions (i) if the aggregate amount of Financial Indebtedness declared to be or otherwise becoming due and payable is less than USD 10,000,000 or (ii) in relation to any Financial Indebtedness relating to any derivative transaction unless the relevant Group Company is the defaulting party under the relevant hedging arrangement or treasury transaction.

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

## **GENERAL UNDERTAKINGS**

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

- (a) Nature of Business;
- (b) Distributions;
- (c) New Debt Instruments
- (d) Authorisations
- (e) Maintaining the Rating;
- (f) Listing of the Notes;
- (g) Undertakings relating to the Agency Agreement; and
- (h) CSD related undertakings.

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

### ***Listing***

The Issuer shall use its best efforts to ensure that the Initial Notes are admitted to trading on Nasdaq Stockholm or on another Regulated Market within sixty (60) calendar days after the First Issue Date. It is expected that the total cost for the admission to trading of the Notes will not exceed SEK 200,000.

Following the listing, the Issuer shall use its best efforts to maintain the admission to trading as long as any Note is outstanding, but, however, no longer than up to and including the last day on which the listing reasonably can, pursuant to the then applicable regulations of the Regulated Market and the CSD, subsist.

## INFORMATION TO NOTEHOLDERS

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

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

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

## DECISIONS BY NOTEHOLDERS

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

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

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

- (a) on the Business Day specified in the communication pursuant to Clause 15(b) of the Terms and Conditions, in respect of a Noteholders' Meeting, or
- (b) on the Business Day specified in the communication pursuant to Clause 16(c) of the Terms and Conditions, in respect of a Written Procedure,

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

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

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

For further information on Decision by Noteholders, see Clauses 14 to 16 of the Terms and Conditions.

**PRESCRIPTION**

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

**GOVERNING LAW**

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

**THE CSD**

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

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

**THE ISSUING AGENT**

Nordea Bank AB (publ), Swedish Corporate ID No. 516406-0120, with address SE-103 25 Stockholm, Sweden, has acted as issuing agent in accordance with the Terms and Conditions and the CSD Regulations.

**THE AGENT AND THE AGENCY AGREEMENT**

Intertrust (Sweden) AB, Swedish Corporate ID No. 556625-5476, with address Sveavägen 9, Box 162 85, SE-103 25 Stockholm, Sweden is acting as Agent.

Pursuant to the Agency Agreement dated 20 November 2017 and made between the Issuer and the Agent, the Agent undertakes to represent the Noteholders in accordance with the Terms and Conditions and the Agency Agreement. The Issuer undertakes to, among other things, pay certain fees to the Agent and to indemnify the Agent against costs, losses or liabilities incurred by the Agent in acting or omitting to act as Agent under any Finance Documents.

The Agency Agreement is governed by Swedish law.

**RATINGS**

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

**USE OF PROCEEDS**

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

## INDUSTRY AND MARKET OVERVIEW

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*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 and accordingly 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 market position is described in some places in the Prospectus. This information is based on the SAS turnover and/or available seat kilometres (“ASK”) number of offered seats and number of passengers in relation to SAS assessment of current market size and competitors' turnover and/or ASK, number of seats or number of passengers.*

While on the one hand, the airline industry is characterised by intense competition and stringent streamlining requirements, it is also characterised by healthy growth. Continuous efficiency enhancements in combination with the liberalisation 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 characterising the industry moving forward. In parallel, the airline industry has posted healthy traffic 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. Revenue from the Scandinavian air travel market is estimated to amount to about SEK 100 billion annually, with approximately 90 billion journeys made. This makes the Scandinavian air travel market, in relation to its population, relatively large compared with the rest of Europe.

This is due to the fact that Scandinavia has a high level of economic prosperity as well as many internationally successful companies. Geographically, the region is characterised by relatively long distances with relatively small towns and difficult and highly mountainous topography, where the land masses are largely surrounded by sea, making other forms of transport time-consuming and inefficient.

The Scandinavian market has grown around 4% per year thus far in the 21st century, despite the occurrence of several external events, such as ash clouds and terrorism that had a negative impact on growth. Growth is greatest on leisure routes to Europe and intercontinental routes.

A clear trend during the 2000s was the growth of low cost carriers (“LCCs”) with product offerings primarily adapted for leisure travel. Combined with increased prosperity, this trend has contributed to stronger growth in leisure travel than business travel. At the same time, airlines have increasingly differentiated their offerings to different customer segments. The product offering within both the low-price and premium product segments has been developed, particularly on intercontinental routes. The trend is for more extensive diversification of products and services across the entire price spectrum, as well as ever greater emphasis on loyalty programs.

External events that cause concern affect demand for local air travel, but major incidents can also affect global demand. For example, the attacks in Paris in November 2015 affected general demand for air travel for a limited period. Other terror attacks and political instability in Europe in 2016 affected demand for leisure travel in the local markets and instead contributed to an increase in demand in other markets.

Increased prosperity, technical development and economic growth are all examples of factors that affect airlines' growth. These factors, along with increased segmentation and attractive pricing, have contributed to air traffic increasing more than economic growth, both globally and in Europe.

As a result of this relatively strong growth, the expansion of civil aviation infrastructure has not kept pace with traffic growth. This means occasional capacity shortages in Europe's infrastructure. These shortcomings make it increasingly difficult to obtain the arrival and departure times, known as slots, necessary to expand traffic. This applies particularly to new operators, while existing airlines have their slots guaranteed as long as they are used. Such slots can be of significant value.

The airline industry in Europe has been gradually liberalised since 1990. However, major sections of the value chain are regulated in great detail, for example with regard to safety and air traffic rights. Many rules are set at national levels, which means airlines have to abide by different conditions at times. Airlines are the final link in the value chain and are pressured by suppliers with strong negotiating positions in parallel with fierce competition for every customer. Historically airlines found it difficult to create financial value for their shareholders however the industry's profitability has increased over the past few years following extensive streamlining among network airlines and lower jet-fuel prices.



The airline industry is capital and personnel-intensive, with a high proportion of fixed costs. Due to a major proportion of sales being generated near departures, airlines are rapidly affected by changes in demand. The industry is also dependent upon a large number of subcontractors and authorities, thus making it particularly exposed to many different external factors.

## BUSINESS DESCRIPTION

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

Since 2002, the Group has announced a number of initiatives to decrease its cost base and improve its profitability. These improved the operational competitiveness of SAS and focused the Group on its core operation. However, In 2011, the 4Excellence strategy was launched and in November 2012, 4Excellence Next Generation (4XNG) was launched.

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

Following the implementation of 4XNG, SAS has continued to implement efficiency enhancing measures. In June 2017, SAS doubled its current efficiency programme from SEK 1.5bn to 3.0bn to address the airline industry's continuous changing requirements, pressure on unit revenue and growth in the leisure travel segment. The efficiency programme aims to increase productivity and resource utilisation across the organisation. To strengthen the competitiveness in the growing leisure travel segment and to counter pressure on the yield, SAS will also refine its base offering and develop additional ancillary services to increase the differentiation of the customer offering. These measures will be noticeable over the coming years and will require considerable effort from the organisation.

### SAS' BUSINESS STRUCTURE

The Group has one main business segment: Scandinavian Airlines.

#### *Scandinavian Airlines*

The business segment comprises Scandinavian Airlines' flight operations, SAS Ground Handling, SAS Cargo and air cargo handling. Scandinavian Airlines operates scheduled and charter flights primarily from three major hubs, Oslo, Copenhagen and Stockholm Arlanda. From these hubs and other airports, Scandinavian Airlines during 2016/2017 served 118 destinations in Scandinavia, the rest of Europe, North America and Asia.

SAS Ground Handling provide services including baggage handling at the three hubs in Copenhagen, Oslo and Stockholm, a variety of automated and personal check-in services, boarding management and centralised departure and arrival control services. All line stations outside the hubs, apart from Malmö and Gothenburg have been outsourced. In addition, Ground Handling maintains agreements with certain external airlines for its ground services, primarily at SAS hub airports, Copenhagen, Stockholm Arlanda and Oslo. The outsourcing of the line stations is a long-term strategic measure aimed at achieving higher flexibility in the cost base.

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

### FLEET

As of 31 October 2017, SAS fleet consisted of a total of 158 aircraft, of which 43 aircraft were owned, and 115 leased, The fleet comprises 16 long-haul aircraft, 118 short-haul aircraft, and 24 regional jets. Of the leased aircraft, 33 aircraft are wetleased by SAS and operated by external production companies under the SAS brand.

### ALLIANCES AND STRATEGIC COOPERATION ARRANGEMENTS

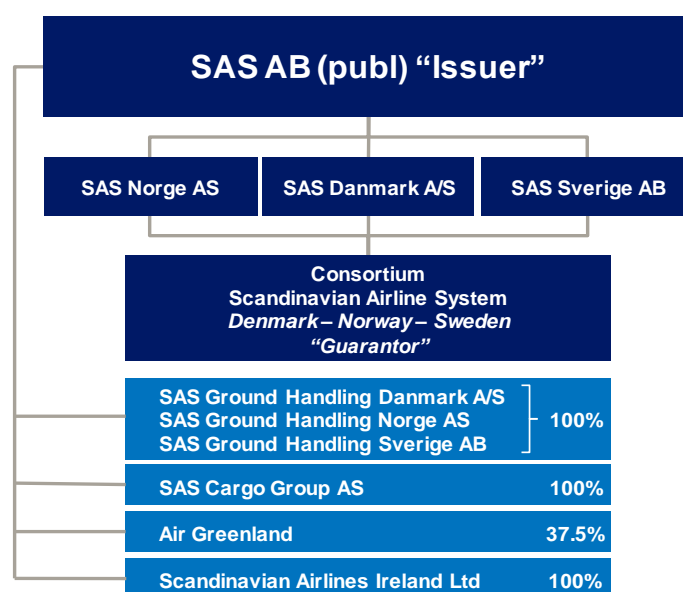
The Group is a member of the Star Alliance, which is the cornerstone of SAS' global partner and network strategy, offering SAS' customers reliable travel products and services worldwide. The Star Alliance is the

largest airline alliance in the world with 28 member airlines that operate approximately 18,500 daily flights to 192 countries.

The Group has also entered into approximately 90 bilateral agreements with airlines outside the Star Alliance, which include codesharing agreements, interlining agreements and special pro rata agreements.

## LEGAL GROUP STRUCTURE

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



## HISTORY OF THE GROUP

- 1918** Det Danske Luftfartselskab A/S (DDL), the Issuer's Danish parent company, is founded.
- 1920** DDL is listed on the Copenhagen Stock Market.
- 1924** AB Aerotransport (ABA), the Issuer's Swedish parent company, is founded.
- 1927** Det Norske Luftfartselskab A/S (DNL), the Issuer's Norwegian parent company is founded.
- 1946** The Issuer is formed from DDL, DNL and Svensk Interkontinental Lufttrafik AB (SILA). The first intercontinental flight Stockholm - New York.
- 1951** DDL, DNL and ABA form the present the SAS Consortium.
- 1955** SILA (which owned 50 per cent of ABA) was quoted on the "Stockbrokers' List" in Sweden.
- 1960** The Issuer opens its first hotel, the SAS Royal Hotel Copenhagen.
- 1967** DNL is listed on the Oslo Stock Exchange.
- 1980** SILA is listed on the Stockholm Stock Exchange.
- 1986** Spanair is founded.
- 1989** SAS International Hotels owns 40 per cent of Intercontinental Hotels Group. This stake is later sold in 1992.
- 1994** Focus on airline operations in the Group - sale of a number of subsidiaries.

- 1996** The Issuer celebrates its 50th anniversary on August 1. Harmonisation and name change of SAS parent company to SAS Danmark A/S, SAS Norge ASA and SAS Sverige AB.
- 1997** The Issuer is one of the founders of the Star Alliance.
- 1998** Air Botnia (later named Blue1) becomes a wholly owned subsidiary of the Group.
- 1999** The Group becomes a majority owner of Widerøe.
- 2001** A single SAS share is established. On July 6, SAS AB is listed on the stock exchanges in Stockholm, Copenhagen and Oslo. Braathens is acquired by the Group in December.
- 2002** Rezidor SAS Hospitality signs a master franchise agreement with Carlson Hotels Worldwide and SAS acquires majority control over Spanair S.A.
- 2003** Acquisition of 49 per cent of the shares in Estonian Air.
- 2004** Incorporation of Scandinavian Airlines Sverige, SAS Braathens and Scandinavian Airlines Danmark.
- 2005** The Group sells European Aeronautical Group to Navtech Inc. The Group sells Jetpak Group to Polaris Private Equity and 67 per cent of SAS Component to Singapore Technologies Engineering. Furthermore Carlson Hotels acquires a 25 per cent stake in Rezidor SAS.
- 2006** Rezidor Hotel Group is listed on the Stockholm stock exchange and SAS sells its majority stake in the hotel group in connection thereto.
- 2007** SAS Flight Academy is sold, the remaining minority stake in the Rezidor Hotel Group is divested and SAS Braathens AS changes its name to SAS Scandinavian Airlines Norge AS.
- 2008** SAS Facility Management sold to Coor. SAS Group sells airBaltic to the management of the Company.
- 2009** A rights issue of appr SEK 6 billion was carried out to implement the 'Core SAS' strategy.
- 2010** To further strengthen the financial preparedness and complete Core SAS a rights issue of appr SEK 5 billion was carried out.
- 2011** Rickard Gustafson became new CEO of SAS. The strategy plan 4Excellence was launched.
- 2012** The strategy plan 4Excellence Next Generation was launched. The strategy plan 4Excellence Next Generation was launched due to the need to improve profitability and secure long-term financial preparedness.
- 2013** The Group completed the sale of 80 per cent of Widerøe.
- 2014** SAS completed a SEK 3.5 bn issue of preference shares.
- Acquisition of 100 per cent. of Cimber A/S and sale of Blue Travel Services and call centre operations.
- 2015** Sale of Blue 1 to CityJet.
- Sale of SAS Ground Handling's line stations in Norway to Widerøe.
- 2016** The Group completed the sale of 20 per cent. of Widerøe.

The Group completed the sale of 100 per cent of Cimber A/S.

**2017** The Group completed a new issue of common shares of MSEK 1,270.

The Group supplements its production in Scandinavia with bases in London and Malaga (to commence operation in 2018) using a new air operator certificate (AOC) in Ireland, named Scandinavian Airlines Ireland Limited (“**SAIL**”).

## THE ISSUER

### GENERAL CORPORATE AND GROUP INFORMATION

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

Under its current articles of association, the Issuer's share capital shall not be less than SEK 4,000,000,000 and not more than SEK 16,000,000,000, divided into not fewer than 200,000,000 and not more than 800,000,000 shares. The Issuer has three classes of shares: common share, preference shares and subordinated shares. The Issuer's share capital is SEK 7,830,609,275.10 represented by 389,582,551 shares. Each share has a quotient value of SEK 20.10. There are no subordinated shares issued or outstanding.

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

### MAJOR SHAREHOLDERS

As of 30 November 2017, the ten largest shareholders held around 56.2 per cent. of the share capital and the votes in the Issuer. The Issuer's largest shareholder as of 30 November 2017 was the Swedish government.

Shareholder	Share capital (per cent)	Votes (per cent)
Swedish government	14.8	14.8
Danish government	14.2	14.2
Norwegian government	9.9	9.9
Knut and Alice Wallenbergs Foundation	6.5	6.5
State Street Bank & Trust Com., Boston	1.5	1.5
Engström, Gerald	1.4	1.4
Försäkringsbolaget, Avanza Pension	1.3	1.3
Euroclear Bank S.A/N-V, W8-IMY	1.1	1.1
Färna Invest AB	1.1	1.1
Ålandsbanken i ägares ställe	1.0	1.0

Norwegian and Swedish governments have indicated that they do not intend to remain as shareholders in SAS in the longer term. However, SAS has no information as to when such divestment could occur.

### BOARD OF DIRECTORS, SENIOR MANAGEMENT AND AUDITOR

#### Board Of Directors

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

Name	Position
Fritz H. Schur	Chairman
Jacob Wallenberg	Member
Dag Mejdell	Member
Monica Caneman	Member
Carsten Dilling	Member
Lars-Johan Jarnheimer	Member
Berit Svendsen	Member
Sanna Suvanto-Harsaae	Member
Jens Lippestad	Employee representative
Cecilia van der Meulen	Employee representative
Janne Wegeberg	Employee representative
Endre Roros	Employee representative (deputy member)
Pål Gisle-Andersen	Employee representative (deputy member)
Stefan Ottosson	Employee representative (deputy member)
Joachim Olsson	Employee representative (deputy member)
Christa Cere	Employee representative (deputy member)
Kim John Christiansen	Employee representative (deputy member)

## **Members**

### **Fritz H. Schur**

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

**Education:** B. Sc. Economics and Business Administration.

**Other on-going assignments/positions:** Chairman of the companies in the Fritz Schur Group and C.P. Dyvig & Co. A/S. Vice Chairman of the Board of Brd. Klee A/S. Board member of WEPA Industrieholding SE.

### **Jacob Wallenberg**

*Born 1956. Vice Chairman of the Board since 2001.*

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

**Other on-going assignments/positions:** Chairman of Investor AB. Vice Chairman of ABB Ltd, FAM AB, Patricia Industries and Telefonaktiebolaget LM Ericsson, and board member of the Stockholm School of Economics, the Knut and Alice Wallenberg Foundation and the Confederation of Swedish Enterprise.

### **Dag Mejdell**

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

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

**Other on-going assignments/positions:** Chairman of Norsk Hydro ASA, Sparebank 1 SR Bank ASA, NSB AS and International Post Corporation. Board member of Telecomputing AS.

### **Monica Caneman**

*Born 1954. Member of the Board since 2010.*

**Education:** MBA, Stockholm School of Economics.

**Other on-going assignments/positions:** Chairman of Arion bank hf, Bravida Holding AB and Big Bag AB. Board member of Comhem AB, Intermail A/S and Nets AB.

### **Carsten Dilling**

*Born 1962. Member of the Board since 2014.*

**Education:** B.Sc. and M.Sc. in Economics and Business Administration, Copenhagen Business School.

**Other on-going assignments/positions:** Vice Chairman of NNITT A/S.

### **Lars-Johan Jarnheimer**

*Born 1960. Member of the Board since 2013.*

**Education:** MBA, University of Lund and Växjö.

**Other on-going assignments/positions:** Chairman of Qliro-Group, Arvid Nordqvist HAB and Ingka Holding B.V (IKEA's parent company). Board member of Egmont International Holding AS and Elite Hotels.

**Berit Svendsen**

*Born 1963. Member of the Board since 2016.*

**Education:** M.Sc. in Electronic Systems Design, Norwegian University of Science and Technology (NTNU), M.Sc. in Technology Management, NTNU/NHH and Massachusetts Institute of Technology, Sloan School of Management, Boston, USA.

**Other on-going assignments/positions:** Board member of DNB ASA and Bisnode AB.

**Sanna Suvanto-Harsaae**

*Born 1966. Member of the Board since 2013.*

**Education:** MBA, University of Lund.

**Other on-going assignments/positions:** Chairman of Babysam AS, Sunset Boulevard AS, TCM AS, Bext VPG AS, Workz AS, Altia OYj, BoConcept AS and Footway AB. Board member of Paulig Oy, Broman group OYj, Clas Ohlson AB and Upplands Motor AB.

**Employee Representatives****Jens Lippestad**

*Born 1960. Employee representative Member of the Board since 2014.*

Employed at Scandinavian Airlines in Norway.

**Cecilia Van Der Meulen**

*Born 1955. Employee representative Member of the Board since 2017.*

Employed at Scandinavian Airlines in Sweden.

**Janne Wegeberg**

*Born 1951. Employee representative Member of the Board since 2016.*

Employed at Scandinavian Airlines in Denmark.

**Deputy Employee Representatives****Endre Røros**

*Born 1972. Deputy employee representative.*

**Pål Gisle-Andersen**

*Born 1958. Deputy employee representative.*

**Stefan Ottosson**

*Born 1970. Deputy employee representative.*

**Joacim Olsson**

*Born 1968. Deputy employee representative.*

**Christa Cere**

*Born 1977. Deputy employee representative.*



## **Kim John Christiansen**

*Born 1963. Deputy employee representative.*

## **SENIOR MANAGEMENT**

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

<b>Name</b>	<b>Position</b>
Rickard Gustafson	President and CEO
Mattias Forsberg	Executive Vice President and CIO.
Göran Jansson	Deputy President and CFO
Carina Malmgren Heander	Executive Vice President and Chief of Staff.
Annelie Nässén	Executive Vice President Sales and Marketing.
Lars Sandahl Sorensen	Executive Vice President, Chief Operating Officer.
Karl Sandlund	Executive Vice President Product, Network & Revenue.

## **Rickard Gustafson**

*Born 1964. President and CEO. Member of Group management since 2011.*

**Education:** M.Sc, Industrial Economics.

**Other on-going assignments/positions:** No other current assignments.

## **Mattias Forsberg**

*Born 1972. Executive Vice President and CIO. Member of Group management since 2016.*

**Education:** Master Degree in Engineering Physics and a Bachelor Degree in Economics at Uppsala University.

**Other on-going assignments/positions:** No other current assignments.

## **Göran Jansson**

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

**Education:** Graduate in Business Administration from Stockholm University.

**Other on-going assignments/positions:** Board member of SPP.

## **Carina Malmgren Heander**

*Born 1959. Executive Vice President and Chief of Staff. Member of Group management since 2015.*

**Education:** MBA, Linköping University.

**Other on-going assignments/positions:** Board member of Svedbergs AB and Scandinavian Track Group AB.

## **Annelie Nässén**

*Born 1968. Executive Vice President Sales & Marketing. Member of Group management since 2017.*

**Education:** Bachelor of Management / BI Norwegian Business School Oslo, DIHM Marketing Management / IHM Business School.

**Other on-going assignments/positions:** No other current assignments.

## **Lars Sandahl**

*Born 1963. Executive Vice President, Chief Operating Officer. Member of Group management since 2015.*

**Education:** Economics & Management degrees from Kansai Gaidai University & St. Cloud University.

**Other on-going assignments/positions:** Board member of NKT Holding A/S, The Danish Industry Foundation, Confederation of Danish Industry, IAK and Sport Event Denmark.

## **Karl Sandlund**

*Born 1977. Executive Vice President Product, Network & Revenue. Member of Group management 2014.*

**Education:** Master of Science in Industrial Engineering and Management from Linköping University.

**Other on-going assignments/positions:** No other current assignments.

## **AUDITORS**

PricewaterhouseCoopers AB (SE-113 97 Stockholm, Sweden) is the Issuer's auditor since the 2013 annual general meeting, and was re-elected at the 2017 annual general meeting. Bo Hjalmarsson, born 1960, is the auditor in charge since the 2013 annual general meeting. Bo Hjalmarsson is an authorised public accountant and member of FAR, the professional institute for accountants in Sweden.

## **OTHER INFORMATION REGARDING THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT**

### ***Business address***

The address for all members of the board of directors and members of the senior management is c/o SAS AB (publ), SE-195 87 Stockholm, Sweden.

### ***Conflicts of interest***

No member of the board of directors of the Issuer or senior management of the Group has any private interest that might conflict with the Issuer's interests.

## THE GUARANTOR

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### GENERAL

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

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

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

For the benefit of all existing and future creditors of the SAS Consortium and/or the Constituent Companies, the Issuer issued on 11 February 2004 an irrevocable undertaking (the “**Irrevocable Undertaking**”) valid until 30 September 2020 unless extended, guaranteeing the due fulfilment of all of the SAS Consortium's interest bearing liabilities, leasing obligations and other financial obligations, entered into during the validity of the Irrevocable Undertaking, provided that any liabilities or obligations subordinated by contract against other creditors of the Guarantor shall remain subordinated on such same terms also against all creditors of the Issuer.

### BUSINESS OVERVIEW

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

### BOARD OF DIRECTORS AND SENIOR MANAGEMENT OF THE SAS CONSORTIUM

#### *Board of Directors*

<b>Name</b>	<b>Position</b>
Rickard Gustafsson	Chairman
Carina Malmgren Heander	Member
Karl Sandlund	Member
Lars Sandahl Sørensen	Member
Mattias Forsberg	Member
Annelie Nässén	Member
Janne Wegeberg	Employee representative
Cecilia van der Meulen	Employee representative
Jens Lippestad	Employee representative

#### *Senior Management*

Göran Jansson	President
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For further details on the board of directors and senior management of the SAS Consortium, see section “The Issuer board of directors, senior management and auditor”.

**AUDITORS OF THE SAS CONSORTIUM**

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

**OTHER INFORMATION REGARDING THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT*****Business address***

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

***Conflicts of interest***

No member of the board of directors or the Senior Management of SAS Consortium has any private interest that might conflict with the Issuer's interests.

## **LEGAL CONSIDERATIONS AND SUPPLEMENTARY INFORMATION**

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### **AUTHORISATION AND RESPONSIBILITY**

The Issuer has obtained all necessary resolutions, authorisations and approvals required in conjunction with the Notes and the performance of its obligations relating thereto. The issuance of the Initial Notes on 24 November 2017 was authorised by a resolution by the board of directors of the Issuer on 9 November 2017.

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

### **MATERIAL CONTRACTS**

With the exception of the Terms and Conditions dated 20 November 2017 set out on pages 46 - 67 (inclusive) and the Guarantee Agreement dated 24 November 2017 set out on pages 68 - 70 (inclusive), the following is a summary of all other material contracts currently in full force and effect into which the Issuer has entered outside of the ordinary course of its business and which contain obligations or entitlements that could have a material impact on the Issuer's ability to meet its obligations under the Notes.

#### ***Star Alliance***

The membership in Star Alliance is the cornerstone of SAS' 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 member airlines that together offer 18,500 daily flights to 192 countries and transport approximately 640 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 Copenhagen, Stockholm and Singapore and more departures between the two hubs.

#### ***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. During 2017, SAS agreed three year collective agreements with its pilots and cabin crew unions. This follows important amended collective agreements signed in 2012 that opened up for considerable improvements in the efficiency of planning and scheduling. In addition, the 2012 agreements 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 was removed. The pension commitments have been reduced by approximately 50% as a result of the changes to the pension terms since 2012.

#### ***Acquisitions and divestitures***

##### **Credit facility UBS**

On 7 February 2014 SAS published that the company had entered into a credit facility with UBS AG, London Branch of total MEUR 150. The interest payable under the facility is based on SAS' creditworthiness at the time of every utilisation. The facility was extended in June 2016, and is available to SAS until January 2019. The

credit facility is subject to, amongst other things, common undertakings (including negative undertakings) and terms.

## **Notes**

### **2001 EMTN programme**

In May 2001, a MEUR 1,000 European Medium-Term Note programme was established. The EMTN programme makes it possible for the Group to issue bonds with fixed or floating interest rates in any currency.

### **Convertible bonds**

In March 2014 SAS issued convertible bonds with a 3,625% 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”). The Convertible Bonds are guaranteed by the SAS Consortium. As of 31 October 2017, SAS had outstanding bonds issued under private placements in an amount of MEUR 100. Unless previously redeemed, converted or repurchased and cancelled, the Convertible Bonds will mature in 2019. SAS has a right to redeem the Convertible Bonds if, amongst other things, the value of the shares on Nasdaq Stockholm exceeds, for a specified period of time, 130% of the conversion price. The Convertible Bonds are convertible to shares at the option of the bondholder at a conversion price of SEK 23.73 following the Private Placement in November 2017, 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 66,329,543 shares in the Company, corresponding to approximately 17% 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**

The European Commission’s decision in November 2010 found SAS and many other airlines guilty of alleged participation in a global air cargo cartel in the 1999–2006 period and ordered SAS to pay a fine of MEUR 70.2. SAS appealed the decision in January 2011 and in December 2015, the Court of Justice of the European Union (CJEU) annulled the European Commission’s decision including the MEUR 70.2 fine. The CJEU’s ruling entered into force and the MEUR 70.2 fine was repaid to SAS at the beginning of March 2016. The European Commission took a new decision on the same issue in March 2017 and again imposed fines on SAS and many other airlines for alleged participation in a global air cargo cartel in the 1999–2006 period. The fine of MEUR 70.2 was the same as that imposed under the 2010 decision. The fine was recognized as a nonrecurring item by SAS in its Q2 earnings for the 2016/2017 fiscal year. SAS has appealed the European Commission’s decision. The appeal process could take several years. As a consequence of the European Commission’s decision in the cargo investigation in November 2010 and the renewal of that decision in March 2017, SAS and other airlines fined by the Commission are involved in various civil lawsuits initiated by cargo customers in countries including the UK, the Netherlands and Norway. SAS contests its responsibility in all of these legal processes. Unfavourable outcomes in these disputes could have a significantly negative financial impact on SAS. Further lawsuits by cargo customers cannot be ruled out. No provisions have been made.

A group of former Braathens cabin crew have, through the Parat trade union, initiated a legal process against SAS at a general court in Norway with a claim for correction of a work time factor (part-time percentage) in the calculation of pension rights in the occupational pension plan in accordance with the Norwegian Occupational Pensions Act. The lawsuit contains no specified demand for compensation. SAS contests the claim. SAS won the initial case, however the judgement has been appealed by the counterparty. The financial exposure is difficult to quantify, but SAS considers the risk of a negative outcome to be limited and no provisions have been made. A large number of former cabin crew of SAS in Denmark are pursuing a class action against SAS at a Danish court, demanding additional payments from SAS to the Pension Improvements Fund for Cabin Crew (the CAU fund) citing that the CAU fund is a defined-benefit supplementary plan. The City Court of Copenhagen, in a judgment in December 2016, rejected the cabin crew’s demand for further payments into the CAU fund by SAS. The cabin crew appealed the judgment in January 2017.

In February 2017, SAS together with the International Air Transport Association (IATA) filed a complaint with the Danish Transport, Construction and Housing Authority (DTCHA) about excessively high fees at Copenhagen Airport, and demanded a reduction in fees. Throughout 2017, the parties have been in correspondence, and in December 2017, the parties entered into an agreement which entails, inter alia, lower airport charges at Copenhagen Airport for the period until March 31, 2019. Due to this agreement, SAS and IATA have withdrawn the complaint with the DTCHA.

In addition to the above, the labor unions at SAS are pursuing some 20 claims against SAS in Denmark, Norway and Sweden for smaller amounts, which mainly pertain to interpretation of labor legislation and collective agreements. SAS contests the claims of the labor unions in all of these legal processes.

### **CERTAIN MATERIAL INTERESTS**

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

Mannheimer Swartling Advokatbyrå are SAS legal advisors in connection with the issuance of the Initial Notes.

### **TREND INFORMATION**

There has been no material adverse change in the prospects of the Issuer since 31 October 2016 being the date of SAS' last published audited financial statements.

### **SIGNIFICANT CHANGES SINCE 12 DECEMBER 2017**

There has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) or general affairs of the Issuer since 12 December 2017, being the date of publishing the latest interim report of the Group.

### **INCORPORATION BY REFERENCE**

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

#### ***The Issuer***

**Annual Report  
November 2014 –  
October 2015** As regards the audited consolidated financial information and audit report on pages 48 – 84 and 89.

**Annual Report  
November 2015 -  
October 2016** As regards the audited consolidated financial information and audit report on pages 58 – 93 and 98.

**2017 Q4 Interim Report** As regards the unaudited interim consolidated financial information for the period 1 November 2016 – 31 October 2017 on pages 11 – 12 (including comparable numbers for the period 1 November 2015 – 31 October 2016).

#### ***The Guarantor***

**SAS Consortium Financial Report  
November 2014 – October 2015** As regards pages 2-3.

**SAS Consortium Financial Report  
November 2015 – October 2016** As regards pages 2-4.

The information referred to above is available for inspection at: <https://www.sasgroup.net/en/category/investor-relations/financial-reports/>

## **PRESENTATION OF FINANCIAL INFORMATION**

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### **THE ISSUER**

This Prospectus contains SAS audited consolidated historical financial statements for 2015 and 2016 which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as adopted by the EU. This Prospectus also contains unaudited interim consolidated financial statements for the periods 1 November 2016 to 31 October 2017 and 1 November 2015 to 31 October 2016. The mentioned financial statements have been incorporated by reference into, and form part of, this Prospectus. Certain financial and

other information presented in this Prospectus has been rounded off for the purpose of making this Prospectus more easily accessible for the reader. As a result, the figures in tables may not tally with the stated results.

With the exception of the Issuer's audited consolidated historical financial statements for 2015 and 2016, no information in this Prospectus has been audited or reviewed by the Issuer's auditor. Financial data in this Prospectus that have not been audited by the Issuer's auditor stem from internal accounting and reporting systems.

## **THE GUARANTOR**

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

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

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

## **DESCRIPTION OF ACCOUNTING PRINCIPLES**

### **Accounting Policies**

#### ***Translation of foreign currencies***

Transactions in currencies other than the entity's functional currency (foreign currencies) are remeasured at the rates of exchange prevailing on the dates of the transactions. At each balance-sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance-sheet date. Non-monetary items that are measured in terms of cost in a foreign currency are not translated. Exchange-rate differences arising due to translation are recognised as gains or losses in the period in which they arise.

#### ***Financial instruments***

Financial instruments are recognised in the SAS Consortium's balance sheet when the SAS Consortium becomes a party according to the contractual provisions of the instrument and all financial instruments, except currency derivatives, are measured at cost.

#### ***Derivative financial instruments***

The SAS Consortium primarily holds derivative financial instruments to hedge various financial risks such as foreign currency, interest-rate and fuel risks.

The derivatives used to hedge future cash flows in the form of interest payments and fuel purchases are recognised at cost.

The derivatives used to hedge currency risks regarding exchange-rate changes in financial net debt are remeasured due to changes in exchange rates.

### **Financial assets**

#### ***Loan receivables and accounts receivable***

Receivables in affiliated companies are categorised as loan receivables and accounts receivable and are measured at amortised cost.

Amortised cost for receivables and liabilities is calculated using the effective interest method, where any premiums or discounts and directly attributable costs and revenue are capitalised over the contract period using the effective interest rate. The effective interest rate is the rate that yields the instrument's cost when calculating the present value of future cash flows.

Accounts receivable are categorised as loan receivables and accounts receivable. Since the term of accounts receivable is expected to be 11 days, the value of each receivable is recognised at its nominal amount with no



discount, which is deemed to be a good estimate of fair value. Accounts receivable are assessed individually for impairment and all impairment losses are recognised in profit or loss as other operating expenses.

### ***Cash and cash equivalents***

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

### ***Financial liabilities and equity***

Financial liabilities are categorised according to their contractual provisions.

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

### ***Accounts payable***

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

### ***Borrowings***

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

All borrowings are categorised as other liabilities and initially measured at fair value less direct transaction costs. Thereafter, borrowings are measured at amortised cost using the effective interest method, with the exception of any long-term borrowings which are recognised as fair-value hedges. The hedged risk related to long-term borrowings designated as fair-value hedges is measured at fair value.

### ***Tangible fixed assets***

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

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

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

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

Asset class	Depreciation
Aircraft	20 years*
Spare equipment and spare parts	20 years*
Engine components (average)	8 years
Workshop and aircraft servicing equipment	5-10 years

Other equipment and vehicles	3-5 years
Buildings	5-50 years

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

### ***Leasing***

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

#### ***The SAS Consortium as lessee***

Finance leases – At the beginning of the lease term, finance leases are recognised at the lower of the fair value of the lease's asset and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet under other loans. Lease payments are apportioned between finance charges and reduction of the lease obligation so that a constant rate of interest is recognised on the remaining balance of the liability. The useful life of the asset corresponds to the SAS Consortium's policy for owned assets. Gains on the sale and leaseback of property and equipment that give rise to a finance lease are deferred and allocated over the lease term.

Sale and leaseback agreements are classified according to the abovementioned principles for finance and operating leasing, respectively.

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

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

#### ***The SAS Consortium as lessor***

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

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

### ***Intangible assets***

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

Intangible assets are recognised in the balance sheet when:

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

Development costs that do not meet the criteria specified above are expensed in the period they arise. Costs for systems development are recognised as an asset provided that they meet the criteria specified above. Capitalised development costs are amortised on a straight-line basis over the estimated useful life of the asset, which amounts to 3-15 years. Amortisation of capitalised development costs is included in the depreciation/amortisation item in the statement of income.

### ***Emission rights***

Any emission rights received without the need for payment of any consideration from the respective countries' government agencies are recognised at their nominal amounts, which in practice means that the intangible asset and the prepaid income are valued at zero. Any emission rights purchased for own use are recognised as intangible assets at cost after impairment. A provision is recognised in the balance sheet commensurate to the extent that emission rights used correspond to emission rights held. This provision is measured at the cost of the emission rights held. The provision is measured at the current market price with a corresponding cost in the statement of income commensurate to the extent the emission rights used exceed the amount of emission rights held.

### ***Impairment of tangible and intangible assets with determinable useful lives***

The SAS Consortium continuously evaluates whether any indications exist of a need for impairment of any tangible and intangible assets with determinable useful lives to identify any potential need for impairment. If any such indication is identified, the recoverable amount of the asset is calculated (or as part of the cash generating unit ("CGU") to which it belongs) to determine the extent of any impairment loss. The recoverable amount is defined as the higher of an asset's fair value less selling costs and value in use (VIU). If the estimated recoverable amount of the asset (or the CGU) is lower than its carrying amount, the carrying amount of the asset (or the CGU) is impaired. The recoverable amount is determined based on the type of asset.

At each balance-sheet date, a review is conducted to assess for indications that any earlier impairment losses no longer exist or have improved. When such indications exist, the recoverable amount is recalculated and the carrying amount is increased to the lower of the recoverable amount and the carrying amount that the asset would have had if the previous impairment had not taken place.

### ***Expendable spare parts and inventories***

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

### ***Provisions and contingent liabilities***

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

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

### ***Remuneration of employees***

#### *Pensions*

The SAS Consortium has various pension plans for its employees. These vary considerably due to different legislation and agreements on occupational pension systems in the individual countries.

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

Pension costs for the year comprise the present value of the current service cost plus net interest, which is calculated using the discount rate used to measure the net defined-benefit pension liability or pension assets.

#### *Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The SAS Consortium

recognises severance pay when such an obligation exists according to employment contracts or for termination as a result of an offer made to encourage voluntary redundancy.

### **Revenue recognition**

#### *Passenger revenue*

Sales of passenger tickets are recognised as a short-term unearned transportation revenue liability in the SAS Consortium's balance sheet. Passenger revenue is recognised when SAS or another airline provides the transportation. Tickets that have not been utilised by the passenger and have expired are recognised as revenue. The SAS Consortium estimates unutilised tickets each period on the basis of historical utilisation levels for unutilised tickets over the past two or three-year period, and continuously recognises revenue and reduces the short-term unearned transportation revenue liability based on that estimate.

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

#### *Charter revenue*

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

#### *Mail and freight revenue*

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

#### *Interest income*

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

#### *Other revenue*

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

### **Loyalty programme**

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

The allocation of loyalty points must be shown as a separate identifiable transaction when purchasing airline tickets. The portion of the ticket price that is allocated to loyalty points is measured at fair value and recognised as an income first in the period in which the obligation is met.

### **Borrowing expenses**

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

### **Taxes**

The SAS Consortium does not recognise any income tax since it is not a tax subject.

## CREDIT RATING

The independent credit rating agencies Standard and Poor's and Moody's have rated the Issuer. Credit rating is a way of evaluating credit risk. Both Standard & Poor and Moody's are registered under Regulation (EC) No. 1060/2009 (as amended) (the "CRA Regulation"). At the date of this Prospectus the Issuer has the following rating.

SAS AB (publ)	Moody's	Standard & Poor's
Credit rating	B1	B+

Further, here is the credit scale from each credit agency.

Moody's <sup>1</sup>	Standard & Poor's <sup>2</sup>
Aaa	AAA
Aa1	AA+
Aa2	AA
Aa3	AA-
A1	A+
A2	A
A3	A-
Baa1	BBB+
Baa2	BBB-
Baa3	BB+
Ba1	BB
Ba2	BB-
Ba3	B+
B1	B
B2	B-
B3	CCC+
Caa1	CCC
Caa2	CCC-
Caa3	CC
Ca	C
C	D

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning credit rating agency.

## DOCUMENTS ON DISPLAY

Copies of the following documents are available at the Issuer's office, Frösundaviks Allé 1, Solna, Stockholm, Sweden, during the validity period of this Prospectus (regular office hours):

- the Issuer's Articles of Association;
- the Consortium Agreement;
- the Irrevocable Undertaking;
- the Issuer's Annual Reports for the financial years 2015 and 2016 (including audit reports); and

<sup>1</sup> For more information on rating, visit [www.moody.com](http://www.moody.com).

<sup>2</sup> For more information on rating, visit [www.standardandpoors.com](http://www.standardandpoors.com)

- the Annual Reports of the operating subsidiaries of the Issuer (including auditor's reports) for the financial years 2015 and 2016.

## TERMS AND CONDITIONS OF THE NOTES

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### Terms and Conditions

SAS AB (publ)

Senior Unsecured Fixed Rate SEK Notes 2017/2022

ISIN SE0010520338

Dated 20 November 2017

## 1. DEFINITIONS AND CONSTRUCTION

### 1.1 Definitions

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

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

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

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

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

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

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

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

- (a) 1.00 per cent. of the Nominal Amount; and
- (b) an amount equal to
  - (i) 102.6875 per cent. of the Nominal Amount; plus
  - (ii) all remaining scheduled Interest payments on the Notes until the First Call Date,

discounted (for the time period starting from the relevant Redemption Date to the First Call Date) using a discount rate equal to the yield of the Swedish Government Bond Rate with a maturity date on or about the First Call Date plus 0.50 per cent., minus

- (i) accrued but unpaid Interest up to the relevant Redemption Date; and
- (ii) the Nominal Amount.

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

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

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

- (a) any person or group of persons (other than the Major Investors), acting in concert gains Control of the Issuer;
- (b) all shares of the Issuer cease to be listed on a Regulated Market;
- (c) the Issuer (directly or indirectly) cease to own hundred (100) per cent. of the participating shares in the SAS Consortium; or
- (d) the SAS Consortium enters into a transaction or a series of transactions for the disposal of all or substantially all of its assets, directly or indirectly, to any person not being the Issuer or a Group Company wholly-owned (directly or indirectly) by the Issuer.

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

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

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

"**CSD**" means Euroclear Sweden AB, Swedish Reg. No. 556112-8074, P.O. Box 191, 101 23 Stockholm, Sweden or any other party replacing it as the Issuer's central securities depository and registrar in respect of the Notes, in accordance with these Terms and Conditions.

"**CSD Regulations**" means the CSD's rules and regulations applicable to the Issuer, the Agent and the Notes from time to time.

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

"**Final Maturity Date**" means 24 November 2022.

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

"**Financial Indebtedness**" means:

- (a) moneys borrowed (including under any bank financing or Market Loans);
- (b) the amount of any liability in respect of any lease which is treated as a balance sheet liability in accordance with the Accounting Principles (other than any liability in respect of a lease which would, in accordance with the Accounting Principles in force prior to 1 January 2019 have been treated as an operating lease);
- (c) receivables sold or discounted (other than on a non-recourse basis, provided that the requirements for de-recognition under the Accounting Principles are met);
- (d) any amount raised under any other transaction (including the obligation to pay deferred purchase price) having the commercial effect of a borrowing or otherwise being classified as borrowing under the Accounting Principles;
- (e) the marked-to-market value of derivative transactions entered into in connection with protection against or benefit from fluctuation in any rate or price (if any actual amount is due as a result of a termination or a close-out, such amount shall be used instead);
- (f) counter-indemnity obligations in respect of guarantees or other instruments issued by a bank or financial institution; and



(g) (without double counting) liabilities under guarantees or indemnities for any of the obligations referred to in paragraphs (a) to (f) above.

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

**"First Call Date"** means 24 November 2020.

**"First Issue Date"** means 24 November 2017.

**"Force Majeure Event"** has the meaning set forth in Clause 24(a)(a).

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

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

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

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

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

**"Insolvent"** means, in respect of a relevant person, that it is deemed to be insolvent, or admits inability to pay its debts as they fall due, in each case within the meaning of Chapter 2, Sections 7-9 of the Swedish Bankruptcy Act (*konkurslagen (1987:672)*) (or its equivalent in any other jurisdiction), suspends making payments on any of its debts or by reason of actual financial difficulties commences negotiations with its creditors (other than the Noteholders) with a view to rescheduling any of its indebtedness (including company reorganisation under the Swedish Company Reorganisation Act (*lag (1996:764) om företagsrekonstruktion*) (or its equivalent in any other jurisdiction)) or is subject to involuntary winding-up, dissolution or liquidation (other than any winding-up, dissolution or liquidation commenced as a result of a petition which is frivolous or vexatious or which is contested on bona fide grounds, which in either case is discharged, stayed or dismissed with 30 Business Days of commencement).

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

**"Interest Payment Date"** means 24 November of each year or, to the extent such day is not a Business Day, the Business Day following from an application of the Business Day Convention. The first Interest Payment Date for the Notes shall be 24 November 2018 and the last Interest Payment Date shall be the relevant Redemption Date.

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

**"Interest Rate"** means 5.375 per cent. *per annum*.

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

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

**"Listing Failure Event"** means (i) that the Notes are not registered and admitted to trading on Nasdaq Stockholm or another Regulated Market within sixty (60) calendar days after the First Issue Date, or (ii) that a de-listing is made to the contrary of Clause 11.7(c).

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

"**Market Loan**" means any loan or other indebtedness where an entity issues subordinated debentures, bonds or any other debt securities (including, for the avoidance of doubt, medium term note programmes and other market funding programmes), provided in each case that such instruments and securities are, or can be, quoted, registered and/or admitted to trading on a Regulated Market or on any unregulated recognised market place.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"**Swedish Government Bond Rate**" means direct obligations of Sweden (*statsobligationer*) with a fixed maturity equal to the period from the Redemption Date to the First Call Date, provided that if the period from the Redemption Date to the First Call Date:

- (a) is not equal to the fixed maturity of a direct obligation of Sweden for which a weekly average yield is given, the Swedish Government Bond Rate shall be obtained by linear interpolation from the weekly average yields of direct obligations of Sweden for which such yields are given; and
- (b) is less than one (1) year, the weekly average yield on actually traded direct obligations of Sweden adjusted to a fixed maturity of one year shall be used.

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

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

"**Total Nominal Amount**" means the total aggregate Nominal Amount of the Notes outstanding at the relevant time.

"**Unsecured Debt Instruments**" means bonds, notes or other debt securities (however defined) (i) which at the date of issue of the bonds, notes or debt securities constitutes debt and/or borrowings in accordance with Accounting Principles, (ii) which have a final maturity of more than eighteen months from the date of their issuance, (iii) which are, or are intended to be, quoted, registered and/or admitted to trading on a Regulated Market and (iv) in respect of which the obligation owed thereunder are not secured or supported by Security, surety or otherwise.

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

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

## 1.2 Construction

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

## 2. STATUS OF THE NOTES

- (a) The Notes are denominated in Swedish Kronor and each Note is constituted by these Terms and Conditions. The Issuer undertakes to make payments in relation to the Notes and to otherwise comply with these Terms and Conditions.
- (b) By subscribing for Notes, each initial Noteholder agrees that the Notes shall benefit from and be subject to the Finance Documents and by acquiring Notes, each subsequent Noteholder confirms such agreement.

- (c) The maximum aggregate Initial Nominal Amount on the First Issue Date shall be SEK 1,500,000,000.
- (d) Each Initial Note shall have an initial nominal amount of SEK 1,000,000 (the "**Initial Nominal Amount**"). All Initial Notes are issued on a fully paid basis at an issue price of 100 per cent. of the Initial Nominal Amount.
- (e) Provided that no Event of Default is continuing or would result from such issue, the Issuer may, on one or several occasions, issue Subsequent Notes. Subsequent Notes shall benefit from and be subject to the Finance Documents, and, for the avoidance of doubt, the ISIN, the interest rate, the currency, the nominal amount and the final maturity applicable to the Initial Notes shall apply to Subsequent Notes. The issue price of the Subsequent Notes may be set to par or at a discount or premium compared to the Nominal Amount. The aggregate nominal amount of the Notes is not limited. Each Subsequent Note shall entitle its holder to Interest in accordance with Clause 8, and otherwise have the same rights as the Initial Notes.
- (f) The Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu* with all direct, unconditional, unsubordinated and unsecured obligations of the Issuer, except those obligations which are mandatorily preferred by law, and without any preference among them.
- (g) The payment obligations of the Issuer under the Notes and the Finance Documents are guaranteed by the SAS Consortium in accordance with the Guarantee.
- (h) No action is being taken in any jurisdiction that would or is intended to permit a public offering of the Notes or the possession, circulation or distribution of any document or other material relating to the Issuer or the Notes in any jurisdiction other than Sweden, where action for that purpose is required. Each Noteholder must inform itself about, and observe, any applicable restrictions to the transfer of material relating to the Issuer or the Notes.

### 3. USE OF PROCEEDS

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

### 4. TRANSFER RESTRICTIONS

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

### 5. NOTES IN BOOK-ENTRY FORM

- (a) The Notes will be registered for the Noteholders on their respective Securities Accounts and no physical notes will be issued. Accordingly, the Notes will be registered in accordance with the Financial Instruments Accounts Act. Registration requests relating to the Notes shall be directed to an Account Operator.
- (b) Those who according to assignment, Security, the provisions of the Swedish Children and Parents Code (*föräldrabalken (1949:381)*), conditions of will or deed of gift or otherwise have acquired a right to receive payments in respect of a Note shall register their entitlements to receive payment in accordance with the Financial Instruments Accounts Act.
- (c) The Issuer and the Agent shall at all times be entitled to obtain information from the debt register (*skuldbok*) kept by the CSD in respect of the Notes. At the request of the Agent, the Issuer shall promptly obtain such information and provide it to the Agent.
- (d) For the purpose of or in connection with any Noteholders' Meeting or any Written Procedure, the Issuing Agent shall be entitled to obtain information from the debt register kept by the CSD in respect of the Notes.

- (e) The Issuer shall issue any necessary power of attorney to such persons employed by the Agent, as notified by the Agent, in order for such individuals to independently obtain information directly from the debt register kept by the CSD in respect of the Notes. The Issuer may not revoke any such power of attorney unless directed by the Agent or unless consent thereto is given by the Noteholders.
- (f) The Agent may use the information referred to in paragraphs (c) to (e) (inclusive) above only for the purposes of carrying out their duties and exercising their rights in accordance with the Finance Documents and shall not disclose such information to any Noteholder or third party unless necessary for such purposes.

## **6. RIGHT TO ACT ON BEHALF OF A NOTEHOLDER**

- (a) If any person other than a Noteholder wishes to exercise the rights of a Noteholder under the Finance Documents on behalf of the Noteholder, it must obtain a power of attorney or other proof of authorisation from the Noteholder or a successive, coherent chain of powers of attorney or proofs of authorisation starting with the Noteholder and authorising such person.
- (b) A Noteholder may issue one or several powers of attorney to third parties to represent it in relation to some or all of the Notes held by it. Any such representative may act independently under the Finance Documents in relation to the Notes for which such representative is entitled to represent the Noteholder and may further delegate its right to represent the Noteholder by way of a further power of attorney.
- (c) The Agent shall only have to examine the face of a power of attorney or other proof of authorisation that has been provided to it pursuant to Clause 6(b) and may assume that it has been duly authorised, is valid, has not been revoked or superseded and that it is in full force and effect, unless otherwise is apparent from its face or the Agent has actual knowledge to the contrary.

## **7. PAYMENTS IN RESPECT OF THE NOTES**

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

## **8. INTEREST**

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

- (b) Interest accrues during an Interest Period. Payment of Interest in respect of the Notes shall be made to the Noteholders on each Interest Payment Date for the preceding Interest Period in accordance with Clause 7 (*Payments in respect of the Notes*).
- (c) Interest shall be calculated on the basis of a 360-day year comprised of twelve months of 30 days each (30/360-days basis) and, in case of an incomplete month, the actual number of days elapsed.
- (d) If the Issuer fails to pay any amount payable by it under the Terms and Conditions on its due date, default interest shall accrue on the overdue amount from (but excluding) the due date up to (and including) the date of actual payment at a rate which is two (2) per cent. higher than the Interest Rate. Accrued default interest shall not be capitalised. No default interest shall accrue where the failure to pay was solely attributable to the Agent or the CSD, in which case the Interest Rate shall apply instead.

## **9. REDEMPTION AND REPURCHASE OF THE NOTES**

### **9.1 Redemption at maturity**

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

### **9.2 Issuer's purchase of Notes**

Any Group Company may, subject to applicable law, at any time and at any price purchase Notes on the market or in any other way. The Notes held by a Group Company may at such Group Company's discretion be retained or sold by any such Group Company but may not be cancelled by the Issuer.

### **9.3 Voluntary total redemption (call option)**

- (a) The Issuer may redeem all, but not only some, outstanding Notes in full:
  - (i) any time prior to the First Call Date, at an amount per Note equal to one-hundred (100) per cent. of the Nominal Amount together with accrued but unpaid Interest, plus the Applicable Premium;
  - (ii) at an amount per Note equal to 102.6875 per cent. of the Nominal Amount, together with accrued but unpaid Interest, if the call option is exercised on or after the First Call Date to, but not including, the date falling 48 months after the First Issue Date; and
  - (iii) at an amount per Note equal to 101.34375 per cent. of the Nominal Amount, together with accrued but unpaid Interest, if the call option is exercised on or after the date falling 48 months after the First Issue Date to, but not including, the Final Maturity Date.
- (b) Notwithstanding paragraph (a)(iii) above, the Issuer may redeem all, but not only some, outstanding Notes in full at any time from and including the first Business Day falling three (3) months prior to, but excluding, the Final Maturity Date at an amount per Note equal to one-hundred (100) per cent. of the Nominal Amount, together with accrued but unpaid Interest, provided that the redemption (in whole or in part) is or will be financed (A) by way of one or several Market Loan issues, and/or (B) proceeds received by the Issuer pursuant to an offering of additional shares in the Issuer.
- (c) Redemption in accordance with Clause 9.3(a) and 9.3(b) shall be made by the Issuer giving not less than fifteen (15) Business Days' notice to the Noteholders and the Agent, calculated from the effective date of the notice. The notice from the Issuer shall specify the Redemption Date and also the Record Date on which a person shall be registered as a Noteholder so as to receive the amounts due on such Redemption Date. Any such notice is irrevocable but may, at the Issuer's discretion, contain one or more conditions precedent. Upon the fulfillment of the conditions precedent (if any), the Issuer is bound to redeem the Notes in full at the applicable amount on the specified Redemption Date.

### **9.4 Early redemption due to illegality (call option)**

- (a) The Issuer may redeem all, but not only some, of the outstanding Notes, at an amount per Note equal to the Nominal Amount together with accrued but unpaid Interest, on a Redemption Date determined by

the Issuer, if it is or becomes unlawful for the Issuer to perform its obligations under the Finance Documents.

- (b) The Issuer may give notice of any redemption pursuant to Clause 9.4(a) no later than twenty (20) Business Days after having received actual knowledge of any event specified therein (after which time period such right shall lapse).
- (c) A notice of redemption in accordance with Clause 9.4(b) is irrevocable and such notice shall specify the Redemption Date and also the Record Date on which a person shall be registered as a Noteholder so as to receive the amounts due on such Redemption Date. The Issuer is bound to redeem the Notes in full at the applicable amount on the specified Redemption Date.

#### **9.5 Mandatory repurchase due to a Change of Control Event or Listing Failure Event (put option)**

- (a) Upon the occurrence of a Change of Control Event, each Noteholder shall during a period of twenty (20) Business Days from the effective date of a notice from the Issuer of the Change of Control Event pursuant to Clause 10.1(b) (after which time period such right shall lapse) have the right to request that all, or only some, of its Notes be repurchased at a price per Note equal to 101 per cent. of the Nominal Amount together with accrued but unpaid Interest. However, such period may not start earlier than upon the occurrence of the Change of Control Event.
- (b) Upon the occurrence of a Listing Failure Event, each Noteholder shall during a period of twenty (20) Business Days from the effective date of a notice from the Issuer of the Listing Failure Event pursuant to Clause 10.1(b) (after which time period such right shall lapse) have the right to request that all, or only some, of its Notes be repurchased at a price per Note equal to 101 per cent. of the Nominal Amount together with accrued but unpaid Interest.
- (c) The notice from the Issuer pursuant to Clause 10.1(b) shall specify the Record Date on which a person shall be registered as a Noteholder to receive interest and principal, the Redemption Date and include instructions about the actions that a Noteholder needs to take if it wants Notes held by it to be repurchased.
- (d) If a Noteholder has so requested, and acted in accordance with the instructions in the notice from the Issuer, the Issuer shall, or shall procure that a person designated by the Issuer will, repurchase the relevant Notes and the repurchase amount shall fall due on the Redemption Date specified in the notice given by the Issuer pursuant to Clause 10.1(b). The Redemption Date must fall no later than forty (40) Business Days from the end of the period referred to in Clause 9.5(a).
- (e) The Issuer shall comply with the requirements of any applicable securities laws or regulations in connection with the repurchase of Notes. To the extent that the provisions of such laws and regulations conflict with the provisions in this Clause 9.5, the Issuer shall comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Clause 9.5 by virtue of the conflict.
- (f) Any Notes repurchased by the Issuer pursuant to this Clause 9.5 may at the Issuer's discretion be retained or sold (but may not be cancelled).
- (g) The Issuer shall not be required to repurchase any Notes pursuant to this Clause 9.5, if a third party in connection with the occurrence of a Change of Control Event offers to purchase the Notes in the manner and on the terms set out in this Clause 9.5 (or on terms more favourable to the Noteholders) and purchases all Notes validly tendered in accordance with such offer. If Notes tendered are not purchased within the time limits stipulated in this Clause 9.5, the Issuer shall repurchase any such Notes within five (5) Business Days after the expiry of the time limit.
- (h) No repurchase of Notes pursuant to this Clause 9.5 shall be required if the Issuer has given notice of a redemption pursuant to Clause 9.3 (*Voluntary total redemption(call option)*) provided that such redemption is duly exercised.

#### **9.6 Mandatory Redemption due to a Restricted Disposal**

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

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

## 10. INFORMATION TO NOTEHOLDERS

### 10.1 Information from the Issuer

- (a) The Issuer will make the following information available to the Noteholders by way of press release and by publication on the website of the Group:
- (i) as soon as the same become available, but in any event within four (4) months after the end of each financial year, its audited consolidated financial statements for that financial year prepared in accordance with the Accounting Principles;
  - (ii) as soon as the same become available, but in any event within two (2) months after the end of each quarter of its financial year, its unaudited consolidated financial statements or the year-end report (*bokslutskommuniké*) (as applicable) for such period prepared in accordance with the Accounting Principles;
  - (iii) as soon as practicable following an acquisition or disposal of Notes by a Group Company, the aggregate Nominal Amount held by Group Companies; and
  - (iv) any other information required by the Swedish Securities Markets Act (*lag (2007:582) om värdepappersmarknaden*) and the rules and regulations of the Regulated Market on which the Notes are registered and admitted to trading.
- (b) The Issuer shall immediately notify the Noteholders and the Agent upon becoming aware of the occurrence of a Change of Control Event or a Listing Failure Event. A notice may be given in advance of the occurrence of such event, conditioned upon the occurrence thereof.
- (c) If the Agent is investigating an event or circumstance which it reasonably believes is an Event of Default or which would (with the expiry of a grace period, the giving of notice or any combination of any of the foregoing) constitute an Event of Default, the Issuer shall within 30 days from the Agent's request submit a compliance certificate to the Agent. Such compliance certificate shall be in a form agreed between the Issuer and the Agent and shall contain (i) a confirmation that no Event of Default has occurred (or if an Event of Default has occurred, what steps have been taken to remedy it), and (ii) copies of any notices sent to the Regulated Market on which the Notes are listed.
- (d) The Issuer shall immediately notify the Agent (with full particulars) upon becoming aware of the occurrence of any event or circumstance which constitutes an Event of Default, or any event or circumstance which would (with the expiry of a grace period, the giving of notice or any combination of any of the foregoing) constitute an Event of Default, and shall provide the Agent with such further information as it may reasonably request in writing following receipt of such notice. Should the Agent not receive such information, the Agent is entitled to assume that no such event or circumstance exists or can be expected to occur, provided that the Agent does not have actual knowledge of such event or circumstance.



- (e) The Issuer is only obliged to inform the Agent according to this Clause 10.1 if informing the Agent would not conflict with any applicable laws or the rules and regulations of a securities market on which any securities of the Issuer is listed. If such a conflict would exist pursuant to the rules and regulation of such securities market or otherwise, the Issuer shall however be obliged to either seek approval from the relevant securities market or undertake other reasonable measures, including entering into a non-disclosure agreement with the Agent, in order to be able to timely inform the Agent according to this Clause 10.1.

## **10.2 Information from the Agent**

- (a) The Agent is entitled to disclose to the Noteholders any event or circumstance directly or indirectly relating to the Issuer or the Notes. Notwithstanding the foregoing, the Agent may, if it considers it to be beneficial to the interests of the Noteholders, delay disclosure or refrain from disclosing certain information, other than in respect of an Event of Default that has occurred and is continuing, and comply with a non-disclosure agreement entered into pursuant to Clause 10.1(e).
- (b) If a committee representing the Noteholders' interests under the Finance Documents has been appointed by the Noteholders in accordance with Clause 14 (*Decisions by Noteholders*), the members of such committee may agree with the Issuer not to disclose information received from any Group Company, provided that it, in the reasonable opinion of such members, is beneficial to the interests of the Noteholders. The Agent shall be a party to such agreement and receive the same information from the Issuer as the members of the committee.

## **10.3 Information among the Noteholders**

Upon request by a Noteholder, the Agent shall promptly distribute to the Noteholders any information from such Noteholder which relates to the Notes. The Agent may require that the requesting Noteholder reimburses any costs or expenses incurred, or to be incurred, by the Agent in doing so (including a reasonable fee for the work of the Agent) before any such information is distributed.

## **10.4 Publication of Finance Documents**

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

## **11. GENERAL UNDERTAKINGS**

### **11.1 General**

The Issuer undertakes to (and shall, where applicable, procure that each other Group Company will) comply with the undertakings set out in this Clause 11 for as long as any Note remain outstanding.

### **11.2 Nature of Business**

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

### **11.3 Distributions**

- (a) The Issuer shall not:
- (i) declare, make or pay any dividend or any other distribution in cash or in kind on or in respect of its share capital other than dividends or distributions (A) made in respect of any employee share purchase or share option scheme or (B) requested by a minority of shareholders in accordance with the Swedish Companies Act (*aktiebolagslagen (2005:551)*);
  - (ii) repurchase any of its own shares other than in connection with any employee share purchase or share option scheme; or
  - (iii) redeem its share capital or other restricted equity with repayment to its shareholders.

- (b) Notwithstanding paragraph (a), the Issuer may make such transfer of value to its shareholders in an aggregate amount in any financial year (including the transfer of value in question) not exceeding fifty (50) per cent. of the Group's consolidated net profit for the previous financial year, if at the time of such payment:
- (i) no Event of Default is continuing, or would occur as a result from such restricted payment; and
  - (ii) such transfer of value is permitted by law.
- (c) Notwithstanding paragraphs (a) and (b), provided that no Event of Default is continuing, or would occur as a result from such restricted payment, the Issuer may always pay dividends in respect of or redeem:
- (i) any preference shares (*preferensaktier*) issued by it and/or
  - (ii) any other financial product or instrument (other than common shares (*stamaktier*), to which (b) above shall apply) issued by it whether or not such financial product or instrument constitutes share capital.

#### **11.4 New Debt Instruments**

The Issuer shall not, and shall ensure that no other Group Company will issue any Unsecured Debt Instruments with a final maturity date prior to the Final Maturity Date.

#### **11.5 Authorisations**

The Issuer shall procure that licences and permits of the Group (taken as a whole) to operate regular air traffic are in full force and effect if failure to effect those licences or permits has or is reasonably likely to have a detrimental effect on the interests of the Noteholders.

#### **11.6 Maintaining the Rating**

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

#### **11.7 Listing of the Notes**

The Issuer shall use its best efforts to ensure that:

- (a) the Initial Notes are registered and admitted to trading on the corporate bond list of Nasdaq Stockholm or another Regulated Market within 60 calendar days after the First Issue Date and with an intention to complete such listing within 30 calendar days after the First Issue Date;
- (b) any Subsequent Notes are registered and admitted to trading on the corporate bond list of Nasdaq Stockholm or another Regulated Market as applicable within 30 calendar days after the issuance of such Subsequent Notes; and
- (c) that the Notes, once registered and admitted to trading on the corporate bond list of Nasdaq Stockholm or any other Regulated Market, continue to be registered and admitted to trading thereon for as long as any Note is outstanding (however, taking into account the rules and regulations of the applicable Regulated Market and the CSD (in each case as amended from time to time) preventing trading in the Notes in close connection to the redemption of the Notes).

#### **11.8 Undertakings relating to the Agency Agreement**

- (a) The Issuer shall, in accordance with the Agency Agreement:
  - (i) pay fees to the Agent;
  - (ii) indemnify the Agent for costs, losses and liabilities;
  - (iii) furnish to the Agent all information requested by or otherwise required to be delivered to the Agent; and
  - (iv) not act in a way which would give the Agent a legal or contractual right to terminate the Agency Agreement.

- (b) The Issuer and the Agent shall not agree to amend any provisions of the Agency Agreement without the prior consent of the Noteholders if the amendment would be detrimental to the interests of the Noteholders.

#### **11.9 CSD related undertakings**

The Issuer shall keep the Notes affiliated with a CSD and comply with all applicable CSD Regulations.

#### **12. EVENTS OF DEFAULT AND ACCELERATION OF THE NOTES**

- (a) The Agent is entitled to, and shall following a demand in writing from a Noteholder (or Noteholders) representing at least 33.33 per cent. of the Adjusted Nominal Amount (such demand may only be validly made by a person who is a Noteholder on the Business Day immediately following the day on which the demand is received by the Agent and shall, if made by several Noteholders, be made by them jointly) or following an instruction given pursuant to Clause 12(d), on behalf of the Noteholders (i) by notice to the Issuer, declare all, but not only some, of the outstanding Notes due and payable together with any other amounts payable under the Finance Documents, immediately or at such later date as the Agent determines, and (ii) exercise any or all of its rights, remedies, powers and discretions under the Finance Documents, if:
- (i) the Issuer does not pay on the due date any amount payable by it under the Finance Documents, unless the non-payment:
    - (A) is caused by technical or administrative error; and
    - (B) is remedied within three (3) Business Days (in the case of a failure to pay principal or Interest) or five (5) Business Days (in the case of any other payment), in each case from the due date;
  - (ii) the Issuer does not comply with any terms or conditions of the Finance Documents to which it is a party (other than those terms referred to in sub-paragraph (i) above or set out in Clause 11.7 (*Listing of the Notes*)), unless the non-compliance:
    - (A) is capable of remedy; and
    - (B) is remedied within fifteen (15) Business Days of the earlier of the Agent giving notice and the Issuer becoming aware of the non-compliance;
  - (iii) any Finance Document becomes invalid, ineffective or varied (other than in accordance with the provisions of the Finance Documents), and such invalidity, ineffectiveness or variation has a detrimental effect on the interests of the Noteholders;
  - (iv) any Material Group Company is, or is deemed for the purposes of any applicable law to be, Insolvent;
  - (v) any attachment, sequestration, distress or execution, or any analogous process in any jurisdiction, affects any asset of a Material Group Company having an aggregate value of USD 10,000,000 and is not discharged within thirty (30) Business Days of such proceedings having commenced, provided that there shall not be an Event of Default for so long as such proceedings are being contested in good faith; or
  - (vi) any Financial Indebtedness of any Group Company is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described), provided that no Event of Default will occur under this Clause 12 (i) if the aggregate amount of Financial Indebtedness declared to be or otherwise becoming due and payable is less than USD 10,000,000 or (ii) in relation to any Financial Indebtedness relating to any derivative transaction unless the relevant Group Company is the defaulting party under the relevant hedging arrangement or treasury transaction.
- (b) The Agent may not accelerate the Notes in accordance with Clause (a) by reference to a specific Event of Default if it is no longer continuing or if it has been decided, on a Noteholders Meeting or by way of a Written Procedure, to waive such Event of Default (temporarily or permanently).
- (c) The Agent shall notify the Noteholders of an Event of Default within five (5) Business Days of the date on which the Agent received actual knowledge of that an Event of Default has occurred and is

continuing. The Agent shall always be entitled to take the time necessary to consider whether an occurred event constitutes an Event of Default.

- (d) If the Noteholders instruct the Agent to accelerate the Notes, the Agent shall promptly declare the Notes due and payable and take such actions as may, in the opinion of the Agent, be necessary or desirable to enforce the rights of the Noteholders under the Finance Documents, unless the relevant Event of Default is no longer continuing.
- (e) If the right to accelerate the Notes is based upon a decision of a court of law, an arbitration tribunal or a government authority, it is not necessary that the decision has become enforceable under law or that the period of appeal has expired in order for cause of acceleration to be deemed to exist.
- (f) In the event of an acceleration of the Notes in accordance with this Clause 12, the Issuer shall redeem all Notes at an amount equal to the redemption amount specified in Clause 9.3 (*Voluntary total redemption (call option)*), as applicable considering when the acceleration occurs.

### 13. DISTRIBUTION OF PROCEEDS

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

Any excess funds after the application of proceeds in accordance with sub-paragraphs (i) to (iv) above shall be paid to the Issuer.
- (b) If a Noteholder or another party has paid any fees, costs, expenses or indemnities referred to in Clause 13(a)(i) such Noteholder or other party shall be entitled to reimbursement by way of a corresponding distribution in accordance with Clause 13(a)(i).
- (c) Funds that the Agent receives (directly or indirectly) in connection with the acceleration of the Notes constitute escrow funds (*redovisningsmedel*) and must be held on a separate interest-bearing account on behalf of the Noteholders and the other interested parties. The Agent shall arrange for payments of such funds in accordance with this Clause 13 as soon as reasonably practicable.
- (d) If the Issuer or the Agent shall make any payment under this Clause 13, the Issuer or the Agent, as applicable, shall notify the Noteholders of any such payment at least fifteen (15) Business Days before the payment is made. The notice from the Issuer shall specify the Redemption Date and also the Record Date on which a person shall be registered as a Noteholder so as to receive the amounts due on such Redemption Date. Notwithstanding the foregoing, for any Interest due but unpaid the Record Date specified in Clause 7(a) shall apply and for any partial redemption in accordance with Clause 9.6(a)(iii) due but not made, the Record Date as specified in Clause 9.6(a)(iii) should apply.

#### 14. DECISIONS BY NOTEHOLDERS

- (a) A request by the Agent for a decision by the Noteholders on a matter relating to the Finance Documents shall (at the option of the Agent) be dealt with at a Noteholders' Meeting or by way of a Written Procedure.
- (b) Any request from the Issuer or a Noteholder (or Noteholders) representing at least ten (10) per cent. of the Adjusted Nominal Amount (such request may only be validly made by a person who is a Noteholder on the Business Day immediately following the day on which the request is received by the Agent and shall, if made by several Noteholders, be made by them jointly) for a decision by the Noteholders on a matter relating to the Finance Documents shall be directed to the Agent and dealt with at a Noteholders' Meeting or by way of a Written Procedure, as determined by the Agent. The person requesting the decision may suggest the form for decision making, but if it is in the Agent's opinion more appropriate that a matter is dealt with at a Noteholders' Meeting than by way of a Written Procedure, it shall be dealt with at a Noteholders' Meeting.
- (c) The Agent may refrain from convening a Noteholders' Meeting or instigating a Written Procedure if (i) the suggested decision must be approved by any person in addition to the Noteholders and such person has informed the Agent that an approval will not be given, or (ii) the suggested decision is not in accordance with applicable laws.
- (d) Should the Agent not convene a Noteholders' Meeting or instigate a Written Procedure in accordance with these Terms and Conditions, without paragraph (c) being applicable, the Issuer or the Noteholder(s) requesting a decision by the Noteholders may convene such Noteholders' Meeting or instigate such Written Procedure, as the case may be, instead. The Issuer or the Issuing Agent shall upon request provide the Issuer or the convening Noteholder(s) with the information available in the debt register (*skuldbok*) kept by the CSD in respect of the Notes in order to convene and hold the Noteholders' Meeting or instigate and carry out the Written Procedure, as the case may be.
- (e) Should the Issuer want to replace the Agent, it may (i) convene a Noteholders' Meeting in accordance with Clause 15(a) or (ii) instigate a Written Procedure by sending communication in accordance with Clause 16(a), on both cases with a copy to the Agent. After a request from the Noteholders pursuant to Clause 18.4(c), the Issuer shall no later than ten (10) Business Days after receipt of such request (or such later date as may be necessary for technical or administrative reasons) convene a Noteholders' Meeting in accordance with Clause 15(a). The Issuer shall inform the Agent before a notice for a Noteholders' Meeting or communication relating to a Written Procedure where the Agent is proposed to be replaced is sent and shall, on the request of the Agent, append information from the Agent together with the a notice or the communication. If applicable, the Issuing Agent shall provide the Issuer with the information available in the debt register (*skuldbok*) kept by the CSD in respect of the Notes in order to convene and hold the Noteholders' Meeting or instigate and carry out the Written Procedure, as the case may be.
- (f) Only a person who is, or who has been provided with a power of attorney pursuant to Clause 6 (*Right to Act on Behalf of a Noteholder*) from a person who is, registered as a Noteholder:
- (i) on the Business Day specified in the communication pursuant to Clause 15(b), in respect of a Noteholders' Meeting, or
  - (ii) on the Business Day specified in the communication pursuant to Clause 15(b), in respect of a Written Procedure,
    - may exercise voting rights as a Noteholder at such Noteholders' Meeting or in such Written Procedure, provided that the relevant Notes are included in the Adjusted Nominal Amount. Such Business Day specified pursuant to paragraph (i) or (ii) above must fall no earlier than one (1) Business Day after the effective date of the notice or communication, as the case may be.
- (g) The following matters shall require the consent of Noteholders representing at least eighty (80) per cent. of the Adjusted Nominal Amount for which Noteholders are voting at a Noteholders' Meeting or for which Noteholders reply in a Written Procedure in accordance with the instructions given pursuant to Clause 16(b):
- (i) a change to the terms of any of Clause 2(a), and Clauses 2(f) to 2(h);

- (ii) a reduction of the premium payable upon the redemption or repurchase of any Note pursuant to Clause 9 (*Redemption and Repurchase of the Notes*);
  - (iii) a change to the Nominal Amount (other than in connection with a partial redemption) or the Interest Rate;
  - (iv) a change to the terms for the distribution of proceeds set out in Clause 13 (*Distribution of Proceeds*);
  - (v) a release or waiver of the Guarantee;
  - (vi) a change to the terms dealing with the requirements for Noteholders' consent set out in this Clause 14;
  - (vii) a change of issuer, an extension of the tenor of the Notes or any delay of the due date for payment of any principal or Interest on the Notes;
  - (viii) a mandatory exchange of the Notes for other securities; and
  - (ix) early redemption of the Notes, other than upon an acceleration of the Notes pursuant to Clause 12 (*Events of Default and Acceleration of the Notes*) or as otherwise permitted or required by these Terms and Conditions.
- (h) Any matter not covered by Clause 14(g) shall require the consent of Noteholders representing more than 50 per cent. of the Adjusted Nominal Amount for which Noteholders are voting at a Noteholders' Meeting or for which Noteholders reply in a Written Procedure in accordance with the instructions given pursuant to Clause 16(b). This includes, but is not limited to, any amendment to, or waiver of, the terms of any Finance Document that does not require a higher majority (other than an amendment permitted pursuant to Clause 17(a)(i) or (17(a)(ii))), an acceleration of the Notes.
- (i) Quorum at a Noteholders' Meeting or in respect of a Written Procedure only exists if a Noteholder (or Noteholders) representing at least fifty (50) per cent. of the Adjusted Nominal Amount in case of a matter pursuant to Clause 14(g), and otherwise twenty (20) per cent. of the Adjusted Nominal Amount:
- (i) if at a Noteholders' Meeting, attend the meeting in person or by telephone conference (or appear through duly authorised representatives); or
  - (ii) if in respect of a Written Procedure, reply to the request.
- If a quorum exists for some but not all of the matters to be dealt with at a Noteholders' Meeting or by a Written Procedure, decisions may be taken in the matters for which a quorum exists.
- (j) If a quorum does not exist at a Noteholders' Meeting or in respect of a Written Procedure, the Agent or the Issuer shall convene a second Noteholders' Meeting (in accordance with Clause 15(a)) or initiate a second Written Procedure (in accordance with Clause 16(a)), as the case may be, provided that the relevant proposal has not been withdrawn by the person(s) who initiated the procedure for Noteholders' consent. For the purposes of a second Noteholders' Meeting or second Written Procedure pursuant to this paragraph (j), the date of request of the second Noteholders' Meeting pursuant to Clause 15(a) or second Written Procedure pursuant to Clause 16(a), as the case may be, shall be deemed to be the relevant date when the quorum did not exist. The quorum requirement in Clause 14(i) shall not apply to such second Noteholders' Meeting or Written Procedure.
- (k) Any decision which extends or increases the obligations of the Issuer or the Agent, or limits, reduces or extinguishes the rights or benefits of the Issuer or the Agent, under the Finance Documents shall be subject to the Issuer's or the Agent's consent, as appropriate. Any amendments to the Guarantee requires the consent of the SAS Consortium.
- (l) A Noteholder holding more than one Note need not use all its votes or cast all the votes to which it is entitled in the same way and may in its discretion use or cast some of its votes only.
- (m) The Issuer may not, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Noteholder for or as inducement to any consent under these Terms and Conditions, unless such consideration is offered to all Noteholders that consent at the relevant Noteholders' Meeting or in a Written Procedure within the time period stipulated for the consideration to be payable or the time period for replies in the Written Procedure, as the case may be.

- (n) A matter decided at a duly convened and held Noteholders' Meeting or by way of Written Procedure is binding on all Noteholders, irrespective of them being present or represented at the Noteholders' Meeting or responding in the Written Procedure. The Noteholders that have not adopted or voted for a decision shall not be liable for any damages that this may cause other Noteholders.
- (o) All costs and expenses incurred by the Issuer or the Agent for the purpose of convening a Noteholders' Meeting or for the purpose of carrying out a Written Procedure, including reasonable fees to the Agent, shall be paid by the Issuer.
- (p) If a decision shall be taken by the Noteholders on a matter relating to the Finance Documents, the Issuer shall promptly at the request of the Agent provide the Agent with a certificate specifying the number of Notes owned by Group Companies or (to the knowledge of the Issuer) Affiliates, irrespective of whether such person is directly registered as owner of such Notes. The Agent shall not be responsible for the accuracy of such certificate or otherwise be responsible for determining whether a Note is owned by a Group Company or an Affiliate.
- (q) Information about decisions taken at a Noteholders' Meeting or by way of a Written Procedure shall promptly be sent by notice to each person registered as Noteholder on the date referred to in subparagraphs (i) or (ii) of Clause 14(f), as the case may be, and also be published on the websites of the Group and the Agent, provided that a failure to do so shall not invalidate any decision made or voting result achieved. The minutes from the relevant Noteholders' Meeting or Written Procedure shall at the request of a Noteholder be sent to it by the Issuer or the Agent, as applicable.

#### **15. NOTEHOLDERS' MEETING**

- (a) The Agent shall convene a Noteholders' Meeting as soon as practicable and in any event no later than ten (10) Business Days after receipt of a valid request from the Issuer or the Noteholder(s) (or such later date as may be necessary for technical or administrative reasons) by sending a notice thereof to each person who is registered as a Noteholder on a date selected by the Agent which falls no more than five (5) Business Days prior to the date on which the notice is sent.
- (b) The notice pursuant to Clause 15(a) shall include (i) time for the meeting, (ii) place for the meeting, (iii) agenda for the meeting (including each request for a decision by the Noteholders), (iv) the day on which a person must be a Noteholder in order to exercise Noteholders' rights at the Noteholders' Meeting and (v) a form of power of attorney. Only matters that have been included in the notice may be resolved upon at the Noteholders' Meeting. Should prior notification by the Noteholders be required in order to attend the Noteholders' Meeting, such requirement shall be included in the notice.
- (c) The Noteholders' Meeting shall be held no earlier than ten (10) Business Days and no later than thirty (30) Business Days after the effective date of the notice.
- (d) Without amending or varying these Terms and Conditions, the Agent may prescribe such further regulations regarding the convening and holding of a Noteholders' Meeting as the Agent may deem appropriate. Such regulations may include a possibility for Noteholders to vote without attending the meeting in person.

#### **16. WRITTEN PROCEDURE**

- (a) The Agent shall instigate a Written Procedure as soon as practicable and in any event no later than ten (10) Business Days after receipt of a valid request from the Issuer or the Noteholder(s) (or such later date as may be necessary for technical or administrative reasons) by sending a communication to each person who is registered as a Noteholder on a date selected by the Agent which falls no more than five (5) Business Days prior to the date on which the communication is sent.
- (b) A communication pursuant to Clause 16(a) shall include (i) each request for a decision by the Noteholders, (ii) a description of the reasons for each request, (iii) a specification of the Business Day on which a person must be registered as a Noteholder in order to be entitled to exercise voting rights, (iv) instructions and directions on where to receive a form for replying to the request (such form to include an option to vote yes or no for each request) as well as a form of power of attorney, and (v) the stipulated time period within which the Noteholder must reply to the request (such time period to last at least ten (10) Business Days and not longer than thirty (30) from the effective date of the

communication pursuant to Clause 16(a)). If the voting shall be made electronically, instructions for such voting shall be included in the communication.

- (c) When consent from Noteholders representing the requisite majority of the total Adjusted Nominal Amount pursuant to Clauses 14(g) and 14(h) have been received in a Written Procedure, the relevant decision shall be deemed to be adopted pursuant to Clause 14(g) or 14(h), as the case may be, even if the time period for replies in the Written Procedure has not yet expired.

## 17. AMENDMENTS AND WAIVERS

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

## 18. APPOINTMENT AND REPLACEMENT OF THE AGENT

### 18.1 Appointment of the Agent

- (a) By subscribing for Notes, each initial Noteholder appoints the Agent to act as its agent in all matters relating to the Notes and the Finance Documents, and authorises the Agent to act on its behalf (without first having to obtain its consent, unless such consent is specifically required by these Terms and Conditions) in any legal or arbitration proceedings relating to the Notes held by such Noteholder including the winding-up, dissolution, liquidation, company reorganisation (*företagsrekonstruktion*) or bankruptcy (*konkurs*) (or its equivalent in any other jurisdiction) of the Issuer. By acquiring Notes, each subsequent Noteholder confirms such appointment and authorisation for the Agent to act on its behalf.
- (b) Each Noteholder shall immediately upon request provide the Agent with any such documents, including a written power of attorney (in form and substance satisfactory to the Agent), that the Agent deems necessary for the purpose of exercising its rights and/or carrying out its duties under the Finance Documents. The Agent is under no obligation to represent a Noteholder which does not comply with such request.
- (c) The Issuer shall promptly upon request provide the Agent with any relevant documents and other assistance (in form and substance satisfactory to the Agent, acting reasonably), that the Agent deems necessary for the purpose of exercising its rights and/or carrying out its duties under the Finance Documents.
- (d) The Agent is entitled to fees for its work and to be indemnified for costs, losses and liabilities on the terms set out in the Finance Documents and the Agency Agreement and the Agent's obligations as Agent under the Finance Documents are conditioned upon the due payment of such fees and indemnifications.
- (e) The Agent may act as agent or trustee for several issues of securities issued by or relating to the Issuer and other Group Companies notwithstanding potential conflicts of interest.



## 18.2 Duties of the Agent

- (a) The Agent shall represent the Noteholders in accordance with the Finance Documents. However, the Agent is not responsible for the execution or enforceability of the Finance Documents.
- (b) When acting in accordance with the Finance Documents, the Agent is always acting with binding effect on behalf of the Noteholders. The Agent shall act in the best interests of the Noteholders as a group and carry out its duties under the Finance Documents in a reasonable, proficient and professional manner, with reasonable care and skill.
- (c) The Agent is entitled to delegate its duties to other professional parties, but the Agent shall remain liable for the actions of such parties under the Finance Documents.
- (d) The Agent shall treat all Noteholders equally and, when acting pursuant to the Finance Documents, act with regard only to the interests of the Noteholders and shall not be required to have regard to the interests or to act upon or comply with any direction or request of any other person, other than as explicitly stated in the Finance Documents.
- (e) The Agent is entitled to engage external experts when carrying out its duties under the Finance Documents. The Issuer shall on demand by the Agent pay all reasonably incurred costs for external experts engaged after the occurrence of an Event of Default, or for the purpose of investigating or considering (i) an event or circumstance which the Agent reasonably believes is or may lead to an Event of Default or (ii) a matter relating to the Issuer which the Agent reasonably believes may be detrimental to the interests of the Noteholders under the Finance Documents. Any compensation for damages or other recoveries received by the Agent from external experts engaged by it for the purpose of carrying out its duties under the Finance Documents shall be distributed in accordance with Clause 13 (*Distribution of Proceeds*).
- (f) The Agent shall, as applicable, enter into agreements with the CSD, and comply with such agreement and the CSD Regulations applicable to the Agent, as may be necessary in order for the Agent to carry out its duties under the Finance Documents.
- (g) Notwithstanding any other provision of the Finance Documents to the contrary, the Agent is not obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation.
- (h) If in the Agent's reasonable opinion the cost, loss or liability which it may incur (including reasonable fees to the Agent) in complying with instructions of the Noteholders, or taking any action at its own initiative, will not be covered by the Issuer, the Agent may refrain from acting in accordance with such instructions, or taking such action, until it has received such funding or indemnities (or adequate Security has been provided therefore) as it may reasonably require.
- (i) The Agent shall give a notice to the Noteholders (i) before it ceases to perform its obligations under the Finance Documents by reason of the non-payment by the Issuer of any fee or indemnity due to the Agent under the Finance Documents or the Agency Agreement or (ii) if it refrains from acting for any reason described in Clause 18.2(h).

## 18.3 Limited liability for the Agent

- (a) The Agent will not be liable to the Noteholders for damage or loss caused by any action taken or omitted by it under or in connection with any Finance Document, unless directly caused by its negligence or wilful misconduct. The Agent shall never be responsible for indirect loss.
- (b) The Agent shall not be considered to have acted negligently if it has acted in accordance with advice from or opinions of reputable external experts engaged by the Agent or if the Agent has acted with reasonable care in a situation when the Agent considers that it is detrimental to the interests of the Noteholders to delay the action in order to first obtain instructions from the Noteholders.
- (c) The Agent shall not be liable for any delay (or any related consequences) in crediting an account with an amount required pursuant to the Finance Documents to be paid by the Agent to the Noteholders, provided that the Agent has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by the Agent for that purpose.

- (d) The Agent shall have no liability to the Noteholders for damage caused by the Agent acting in accordance with instructions of the Noteholders given in accordance with Clause 14 (*Decisions by Noteholders*) or a demand by Noteholders given pursuant to Clause 12(a).
- (e) Any liability towards the Issuer which is incurred by the Agent in acting under, or in relation to, the Finance Documents shall not be subject to set-off against the obligations of the Issuer to the Noteholders under the Finance Documents.

#### **18.4 Replacement of the Agent**

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

#### **19. APPOINTMENT AND REPLACEMENT OF THE ISSUING AGENT**

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

## 20. APPOINTMENT AND REPLACEMENT OF THE CSD

- (a) The Issuer has appointed the CSD to manage certain tasks under these Terms and Conditions and in accordance with the CSD Regulations and the other regulations applicable to the Notes.
- (b) The CSD may retire from its assignment or be dismissed by the Issuer, provided that the Issuer has effectively appointed a replacement CSD that accedes as CSD at the same time as the old CSD retires or is dismissed and provided also that the replacement does not have a negative effect on any Noteholder or the listing of the Notes on the Regulated Market. The replacing CSD must be authorised to professionally conduct clearing operations pursuant to the Securities Markets Act (*lag (2007:528) om värdepappersmarknaden*) and be authorised as a central securities depository in accordance with the Financial Instruments Account Act (*lag (1998:1479) om kontoföring av finansiella instrument*).

## 21. NO DIRECT ACTIONS BY NOTEHOLDERS

- (a) A Noteholder may not take any steps whatsoever against any Group Company to enforce or recover any amount due or owing to it pursuant to the Finance Documents, or to initiate, support or procure the winding-up, dissolution, liquidation, company reorganisation (*företagsrekonstruktion*) or bankruptcy (*konkurs*) (or its equivalent in any other jurisdiction) of any Group Company in relation to any of the liabilities under the Finance Documents. Such steps may only be taken by the Agent.
- (b) Clause 21(a) shall not apply if the Agent has been instructed by the Noteholders in accordance with the Finance Documents to take certain actions but fails for any reason to take, or is unable to take (for any reason other than a failure by a Noteholder to provide documents in accordance with Clause 18.1(b)), such actions within a reasonable period of time and such failure or inability is continuing. However, if the failure to take certain actions is caused by the non-payment of any fee or indemnity due to the Agent under the Finance Documents or the Agency Agreement or by any reason described in Clause 18.2(h), such failure must continue for at least forty (40) Business Days after notice pursuant to Clause 18.2(i) before a Noteholder may take any action referred to in Clause 21(a).
- (c) The provisions of Clause 21(a) shall not in any way limit an individual Noteholder's right to claim and enforce payments which are due to it under Clause 9.4 or other payments which are due by the Issuer to some but not all Noteholders.

## 22. PRESCRIPTION

- (a) The right to receive repayment of the principal of the Notes shall be prescribed and become void ten (10) years from the Redemption Date. The right to receive payment of interest (excluding any capitalised interest) shall be prescribed and become void three (3) years from the relevant due date for payment. The Issuer is entitled to any funds set aside for payments in respect of which the Noteholders' right to receive payment has been prescribed and has become void.
- (b) If a limitation period is duly interrupted in accordance with the Swedish Act on Limitations (*preskriptionslag (1981:130)*), a new limitation period of ten (10) years with respect to the right to receive repayment of the principal of the Notes, and of three (3) years with respect to receive payment of Interest (excluding capitalised Interest) will commence, in both cases calculated from the date of interruption of the limitation period, as such date is determined pursuant to the provisions of the Swedish Act on Limitations.

## 23. NOTICES AND PRESS RELEASES

### 23.1 Notices

- (a) Any notice or other communication to be made under or in connection with the Finance Documents:
  - (i) if to the Agent, shall be given at the address registered with the Swedish Companies Registration Office on the Business Day prior to dispatch or, if sent by email by the Issuer, to the email address notified by the Agent to the Issuer from time to time;
  - (ii) if to the Issuer, shall be given at the address specified on the website [www.sasgroup.net](http://www.sasgroup.net) on the Business Day prior to dispatch or, if sent by email by the Agent, to the email address notified by the Issuer to the Agent from time to time; and

- (iii) if to the Noteholders, shall be given at their addresses as registered with the CSD, on the date such person shall be a Noteholder in order to receive the communication, and by either courier delivery or letter for all Noteholders. A Notice to the Noteholders shall also be published on the websites of the Group and the Agent.
- (b) Any notice or other communication made by one person to another under or in connection with the Finance Documents shall be sent by way of courier, personal delivery or letter or, if between the Issuer and the Agent, by email and will only be effective, in case of courier or personal delivery, when it has been left at the address specified in Clause 23.1(a) or, in case of letter, three (3) Business Days after being deposited postage prepaid in an envelope addressed to the address specified in Clause 23.1(a), or in the case of email, when received in readable form by the email recipient.
- (c) Any notice pursuant to the Finance Documents shall be in English.
- (d) Failure to send a notice or other communication to a Noteholder or any defect in it shall not affect its sufficiency with respect to other Noteholders.

### **23.2 Press releases**

- (a) Any notice that the Issuer or the Agent shall send to the Noteholders pursuant to Clauses 9.3 (*Voluntary total redemption (Call option)*), 9.4 (*Early redemption due to illegality (call option)*), 10.1(b), 12(c), 14(q), 15(a), 16(a) and 17(c) shall also be published by way of press release by the Issuer or the Agent, as applicable.
- (b) In addition to Clause 23.2(a), if any information relating to the Notes or the Group contained in a notice the Agent may send to the Noteholders under these Terms and Conditions has not already been made public by way of a press release, the Agent shall before it sends such information to the Noteholders give the Issuer the opportunity to issue a press release containing such information. If the Issuer does not promptly issue a press release and the Agent considers it necessary to issue a press release containing such information before it can lawfully send a notice containing such information to the Noteholders, the Agent shall be entitled to issue such press release.

### **24. FORCE MAJEURE AND LIMITATION OF LIABILITY**

- (a) Neither the Agent nor the Issuing Agent shall be held responsible for any damage arising out of any legal enactment, or any measure taken by a public authority, or war, strike, lockout, boycott, blockade, natural disaster, insurrection, civil commotion, terrorism or any other similar circumstance (a "**Force Majeure Event**"). The reservation in respect of strikes, lockouts, boycotts and blockades applies even if the Agent or the Issuing Agent itself takes such measures, or is subject to such measures.
- (b) The Issuing Agent shall have no liability to the Noteholders if it has observed reasonable care. The Issuing Agent shall never be responsible for indirect damage with exception of gross negligence and wilful misconduct.
- (c) Should a Force Majeure Event arise which prevents the Agent or the Issuing Agent from taking any action required to comply with these Terms and Conditions, such action may be postponed until the obstacle has been removed.
- (d) The provisions in this Clause 24 apply unless they are inconsistent with the provisions of the Financial Instruments Accounts Act which provisions shall take precedence.

### **25. GOVERNING LAW AND JURISDICTION**

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

## GUARANTEE

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### **Guarantee Agreement**

between

**SAS AB (publ)**

as Issuer

**Scandinavian Airlines System Denmark – Norway – Sweden**

as Guarantor

and

**Intertrust (Sweden) AB**

as Agent

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

24 November 2017

**THIS GUARANTEE AGREEMENT (THIS "AGREEMENT") IS DATED 24 NOVEMBER 2017 AND MADE BETWEEN:**

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

### **BACKGROUND**

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

## **1. DEFINITIONS AND CONSTRUCTION**

### **1.1 Definitions**

"**2013 Guarantee**" means the guarantee granted by the guarantor pursuant to the terms of a guarantee agreement dated 23 September 2013 and made between the Issuer, the Guarantor and the Agent (formerly known as CorpNordic Sweden AB) (the "**2013 Guarantee Agreement**") whereby the guarantor guaranteed, amongst other things, all payment obligations of the Issuer under the senior unsecured fixed rate SEK notes 2013/2017 with ISIN SE0005423597 ("**2013 Notes**") issued pursuant to terms and conditions entered into by the Issuer and countersigned by the Agent on 23 September 2013 ("**2013 Terms and Conditions**").

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

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

"**Terms and Conditions**" means the terms and conditions for SAS AB (publ) Senior Unsecured Fixed Rate SEK Notes issue 2017/2022 dated 20 November 2017 with ISIN: SE0010520338.

## 1.2 Construction

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

## 2. GUARANTEE

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

## 3. SUCCESSORS AND ASSIGNS

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

#### **4. NO WAIVER**

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

#### **5. MODIFICATIONS**

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

#### **6. RELEASE OF THE GUARANTOR**

- (a) The Guarantor will be deemed released from all obligations under this Agreement without any further action required on the part of any Noteholder or the Agent upon the irrevocable discharge of the Guaranteed Obligations in full.
- (b) The Agent shall, at the sole cost and expense of the Issuer, and upon receipt at the request of the Agent of reasonable evidence that this Clause 6 have been complied with, deliver an appropriate instrument evidencing such release upon receipt of a director's certificate from the Issuer certifying the compliance with this Clause 6.
- (c) The Agent hereby confirms that the Guaranteed Obligation (as defined in the 2013 Guarantee Agreement) have been satisfied in full on 15 November 2017 and that the Issuer and the Guarantor has been released from such Guaranteed Obligations and all other obligations and liabilities contained in, and in relation to, the 2013 Notes, any Finance Documents (as defined in the 2013 Terms and Conditions) and any other document related thereto, including but not limited, to any agency agreement.

#### **7. SEVERABILITY**

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

#### **8. GUARANTEE LIMITATIONS**

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

#### **9. NOTICES**

Clause 22.1 (*Notices*) of the Terms and Conditions shall apply also to this Agreement.

#### **10. GOVERNING LAW AND JURISDICTION**

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

**ADDRESSES**

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