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SAS AB (publ)

Prospectus for the admission to trading on Nasdaq Stockholm of

SEK 1,500,000,000

Subordinated Perpetual Floating Rate Callable Capital Securities

ISIN: SE0012193910

Joint Bookrunners



Nordea



Important information

In this prospectus, the “**Issuer**”, the “**Company**” means SAS AB (publ). “**SAS**” means the Issuer with all its subsidiaries (including the SAS Consortium: Scandinavian Airlines System Denmark – Norway – Sweden) from time to time (each a “**Group Company**” and together the “**Group**”). The “**Joint Bookrunners**” means, Danske Bank A/S (“**Danske Bank**”), Nordea Bank Abp (“**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. “**DKK**” refers to Danish kroner, “**EUR**” refers to Euro, “**NOK**” refers to Norwegian kroner, “**SEK**” refers to Swedish kronor, and “**USD**” refers to U.S. dollars. “**bn**” refers to billion(s) and “**M**” refers to million(s).

Words and expressions defined in the terms and conditions of the Capital Securities and which are included in the terms and conditions of the Capital Securities included in this Prospectus at pages 46 to 74 (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 October 23, 2019 (the “**Issue Date**”) the Issuer issued capital securities in the amount of SEK 1,500,000,000, represented by Capital Securities, each with a nominal value of SEK 1,250,000 (the “**Nominal Amount**”) (the “**Initial Capital Securities**”). The Issuer may also at one or several occasions issue subsequent capital securities (the “**Subsequent Capital Securities**”) and together with the Initial Capital Securities, the “**Capital Securities**”). This prospectus (the “**Prospectus**”) has been prepared for the admission to trading of the Capital Securities on Nasdaq Stockholm. This Prospectus does not contain and does not constitute an offer or a solicitation to buy or sell Capital Securities.

Solely for the purposes of the product governance requirements set forth in Directive 2014/65/EU (as amended, “**MiFID II**”), the Joint Bookrunners (for the purposes of this paragraph, the “**Manufacturers**”) have made a target market assessment in respect of the Capital Securities, and have concluded that the target group for the Capital Securities is:

Type of client: Clients that are eligible counterparties, professional clients and retail clients, each as defined in MiFID II.

Knowledge and experience: Clients that are (i) informed investors, having one or more of the following characteristics: (a) average knowledge of the relevant financial products (an informed investor can make an informed investment decision based on the offering documentation, together with knowledge and understanding of the specific risk factors/risks highlighted with them only), or (b) some financial industry experience, and (ii) advanced investors, having one, or more of the following characteristics: (x) good knowledge of the relevant financial products and transactions, or (y) financial industry experience or accompanied by professional investment advice or included in a discretionary portfolio service.

Financial situation with a focus on the ability to bear losses: Clients that have the ability to bear losses of up to 100 percent of the capital invested in the Capital Securities.

Risk tolerance: Clients with a high risk tolerance. Clients investing in the Capital Securities are typically willing to take more risk than deposit savings or unsubordinated debt securities and do not require a fully guaranteed income or return profile.

Investment objective: Clients whose investment objective is to generate growth of the invested capital and have a long term investment horizon.

Furthermore, the Manufacturers have made an assessment as to the negative target market and concluded that the negative target market for the Capital Securities is clients that seek full capital protection or full repayment of the amount invested, are fully risk averse/have no risk tolerance or need a fully guaranteed income or fully predictable return profile.

The Manufacturers have made an assessment as to the distribution strategy for the Capital Securities, and have concluded that (i) all channels for distribution of the Capital Securities to eligible counterparties and professional clients are appropriate; and (ii) the following channels for distribution of the Capital Securities to retail clients are appropriate – investment advice, portfolio management, non-advised sales and execution services, subject to the distributor’s suitability and appropriateness obligations under MiFID II, as applicable. Any person subsequently offering, selling or recommending the Capital Securities (a “**distributor**”) should take into consideration the Manufacturers’ target market assessment. However, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Capital Securities (by either adopting or refining the Manufacturers’ target market assessment) and determining appropriate distribution channels, subject to the distributor’s suitability and appropriateness obligations under MiFID II, as applicable.

No responsibility or liability is accepted by the Joint Bookrunners as to the accuracy or completeness of the information contained or incorporated in this Prospectus. No Joint Bookrunner 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 Capital Securities have not been, and will not be, registered under the United States Securities Act of 1933 or the securities laws of any state or other jurisdiction outside Sweden. Subject to certain exemptions, the Capital Securities may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons.

No person has been authorized to provide any information or make any statements other than those contained in this Prospectus. Should such information or statements nevertheless be furnished, it/they must not be relied upon as having been authorized or approved by the Issuer and the Issuer assumes no responsibility for such information or statements. Neither the publication of this Prospectus nor the offering, sale or delivery of any Note implies that the information in this Prospectus is correct and current as at any date other than the date of this Prospectus or that there have not been any changes in the Issuer’s or SAS’s business since the date of this Prospectus. If the information in this Prospectus becomes subject to any material change, such material change will be made public in accordance with the provisions governing the publication of supplements to prospectuses in the Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC.

Each potential investor in the Capital Securities 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 Capital Securities, the merits and risks of investing in the Capital Securities 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 Capital Securities and the impact the Capital Securities 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 Capital Securities;
- (d) understand thoroughly the terms of the Capital Securities and be familiar with the behavior 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

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

Factors that could cause the Issuer’s and SAS’s 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.

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RISK FACTORS

In this section, material risk factors are illustrated and discussed, including SAS's industry and market risks, operational risks, legal risks, financial risks as well as risks relating to the Capital Securities. SAS's assessment of the materiality of each risk factor is based on the probability of their occurrence and the expected magnitude of their negative impact. The description of the risk factors below is based on information available and estimates made on the date of this Prospectus. The risk factors are presented in categories where the most material risk factors in a category are presented first under that category. Subsequent risk factors in the same category are not ranked in order of materiality or probability of occurrence. Where a risk factor may be categorized in more than one category, such risk factor appears only once and in the most relevant category for such risk factor.

Risk relating to the Issuer and SAS

Industry and market risks

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 travelers. Changes in customer behavior and the emergence of new low-cost airlines in SAS's home market have increased competition and resulted in a significant price pressure, which affects SAS's margins and revenues. Measured as available seat kilometers, capacity to, from and within Scandinavia increased by 1.1 percent during the financial year ended October 31, 2018, whereas the number of revenue passenger kilometers to, from and within Scandinavia decreased by 0.3 percent. Accordingly, the competition is intensifying within the industry. There is a risk that intensified competition and capacity growth acceleration requires SAS to lower its prices in order to keep customers and market shares, which would adversely affect its revenues and margins.

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 typically further increases competition. 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. There is also a risk that products launched, such as SAS Go Smart, SAS Plus Pro, SAS Go Light, SAS Plus Smart, fail to meet the increasing competition. Airlines also face competition from other sources of transportation, such as trains, buses, ferries and cars. Given that SAS relies on business travelers in addition to leisure travelers, 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. Significant failure to successfully respond to these competitive pressures would have an adverse effect on SAS's business, financial condition and results of operation.

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

The global reach of the business conducted by SAS through its services and flights that are offered intercontinentally means that SAS is sensitive to adverse changes in the international political landscape, particularly in Europe where SAS conducts the majority of its business, as these could quickly affect demand and conditions for air travel between different countries. Recent examples include uncertainties relating to Brexit and the China-United States trade dispute. SAS's dependence on jet fuel also results in sensitivity to the global oil market, which may be adversely affected by, for instance, prolonged hostilities or terrorist attacks in the Middle East or other oil-producing regions (see further "*SAS is exposed to risks associated with the price and availability of jet fuel*" below). There is a risk that geopolitical tensions impact demand of leisure and business travelers for flights as well as potentially impeding SAS's supply of fuel or other inputs.

The implications of the United Kingdom's withdrawal from the EU are unclear. There is a risk that the withdrawal leads to adverse economic and market conditions, as well as legal and regulatory uncertainty, in relation to aviation, labor, 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. For example there is a risk of a cessation of flights between the United Kingdom and the EU27 in a no-deal scenario. Geopolitical uncertainties, for example as a result of a hard Brexit, that significantly affect demand for SAS's services would have a material adverse effect on its business, financial condition and results of operations.

SAS is highly susceptible to adverse economic developments

SAS is a Scandinavian airline that, in addition to airline operations, also offers ground handling services, technical maintenance and air cargo services. Demand for SAS's services depends to a significant extent on general economic and industry conditions, especially in geographical areas where SAS conducts its business, such as unemployment levels, consumer confidence and the availability of consumer and business credit. Accordingly, the airline industry, including SAS, tends to experience significant adverse financial results during general economic downturns. In addition, changing corporate travel policies can change corporate travel patterns, whereas leisure travelers 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 accentuate SAS's exposure to the behavior of leisure travelers.

SAS offers flights to approximately 125 destination in Europe, the United States and Asia, and, in addition, SAS offers an extended network through its partners and Star Alliance. However, SAS's operations are mainly focused on the Scandinavian market, and approximately 70 percent of passenger revenues derived from Scandinavia in the financial year ended October 31, 2018. Accordingly, SAS is predominantly exposed to market conditions in the Scandinavian region, and any significant adverse economic developments in this region would have a material adverse effect on SAS's revenues.

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, which presents a risk to SAS's revenue and results of operations. This situation is exacerbated by the fact that SAS's flight operations have a high percentage of fixed costs that cannot be reduced on short notice and some of which cannot be reduced by any meaningful amount at all. This means that any significant decline in SAS's passenger numbers, cargo volumes or fares or freight rates would lead to a disproportionate decline in SAS's profits. 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 for SAS. 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, which thus adversely affects SAS's passenger revenues.

The susceptibility of SAS as well as the airline industry to adverse economic developments also risks leading to price pressure along the entire value chain, including pressure on cargo fees, the price of passenger tickets, and the prices SAS can charge for the services that it provides to its customers. There is a risk that the high levels of fixed costs and low profit margins that characterize the industry have a material adverse effect on SAS's business, financial condition and results of operations.

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 in, for instance, demand and earnings. With respect to earnings, since passenger revenue is recognized when SAS or other airline provides the transportation, demand peaks in the period from May to October, and is relatively lower in the period from November to April. Cash flow, however, is strongest in the second and fourth quarters and lowest in the first and third quarters due to lower passenger volumes and lower proportion of advance bookings. This is evident from the fact that SAS's average cash flow from operating activities for the financial years 2010–2018 amounted to approximately SEK 1.4 bn for the second quarters and SEK 1.0 bn fourth quarters, respectively, whereas cash flow for operating activities amounted to approximately SEK -0.5 bn for the first quarters and SEK 0.2 bn for the third quarters, respectively.

In the financial year ended October 31, 2018, SAS opened 27 new summer routes, with an additional 25 routes (including 5 new destinations) launched in SAS's summer program 2019. However, there is a risk that measures undertaken to meet seasonal fluctuations in customer demand are not successful or sufficient, and that SAS's newly launched routes and destinations do not meet or create customer demand. With respect to new destinations, there is a risk that customers deem such destinations unattractive and turn to competitors who offer flights to other destinations. Such failures risk leading to a decreased customer demand and ultimately, lower revenues for SAS. 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. However, there is a risk that fluctuations are greater than expected and that SAS is not able to adapt its network in accordance with the changed demand around holidays. Seasonal variations present a significant risk to SAS, negatively affecting its margins, competitiveness, ability to meet customer demand and revenues.

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. For example, as of October 31, 2018, SAS had aircraft orders for 59 Airbus A320neo aircraft, one A330-300 and eight Airbus A350-900s with delivery from spring 2019 through 2023. There is a risk that aircraft orders lead to SAS having too much or too little capacity, with a risk of a negative effect on margins as a consequence. 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 are, to a significant extent, incorrect, it would have an adverse effect on SAS's business, financial condition and results of operation.

Significant order books of new aircraft to be delivered to European airlines present a significant risk of structural overcapacity in the European airspace, and consequently, SAS's revenues, should the market capacity growth decline in the longer term. Furthermore, excess capacity due to lower than expected market growth risks leading to competitors lowering their ticket prices or transferring the excess capacity to markets and routes served by SAS. Such events risk leading to increased competition and further price pressure on routes affected, which in turn would have an adverse effect on SAS's business, financial condition and results of operations.

SAS is exposed to increases in airport, transit and landing fees, as well as changes in air security policies and air traffic security costs

Airport, transit and landing fees, as well as security charges and initiatives represent a significant operating cost to SAS. For example, implementation of the policy restricting liquids carried in passengers' hand luggage in 2006 had a considerable impact on the operations and costs of the airline industry as well as on SAS's operating costs, as did the advance passenger information system implemented by the United States in 2008. There is a risk that further restrictive security policies are implemented that would require additional airport fees to be levied onto SAS's business and customers, or existing fees to be increased, which presents a risk to SAS's operations and costs. Moreover, any fee increases linked to airport infrastructure would have a negative impact on SAS's margins, since such fee increases typically cannot be recouped from customers. There is also a risk that SAS is unable to pass onto customers the costs resulting from such policies or fees. The degree to which increases in airport, transit and landing fees, as well as changes in air security policies and air traffic security costs may affect SAS is uncertain, and presents a significant risk to SAS's business, financial condition and results of operations.

The airline industry is subject to extensive taxes, aviation and license fees, charges and surcharges

The airline industry is subject to extensive fees and costs such as taxes (including ticket tax and value added taxes), aviation and license 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. For example, Sweden and Norway have both implemented additional taxes on air travel. While the taxes are called environmental taxes, they have no connection with emissions or any climate protection measures. A similar tax is now also being discussed in Denmark, and in France, there is proposal to, as from 2020, introduce an environmental French departure tax for flights within the EU.

National aviation taxes create a patchwork of cost-driving taxes that affect SAS's profitability. There is a risk that SAS is unable to reduce the impact of such costs on its results by passing costs on to passengers through fees and surcharges included in ticket prices. Consequently, this presents a significant risk to SAS's passenger revenues if higher ticket prices lead to declined demand for air travel. There is also a risk that SAS is unable to pass any increases in charges, fees or other costs on to its customers. The degree to which taxes, aviation and license fees, charges and surcharges may affect SAS is uncertain, and presents a significant risk to SAS's cash flows, financial condition and results of operations.

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

In the financial year ended October 31, 2018, jet fuel comprised the single largest expense item for SAS. Jet fuel prices have historically fluctuated widely, and are likely to continue to do so in the future. On a global basis, the sources and prices of jet fuels are susceptible to significant price fluctuations due to supply/demand trends, transportation costs, government regulations and tariffs, changes in currency exchange rates, price controls, inflation and the economic climate and other unforeseen circumstances. For example, in September 2019, two Saudi Arabian oil processing facilities were attacked by drones, causing global oil prices to increase significantly immediately following the attacks.

In the financial year ended October 31, 2018, jet fuel costs amounted to around 19 percent of SAS's operating expenses (including leases, depreciation and amortization) and totaled MSEK 7,996. In the financial year ended October 31, 2017, the market price of jet fuel was on average 35 percent higher year-on-year. Jet fuel prices increased gradually during 2018 from about USD 590/ton to around USD 750/ton. The higher jet fuel prices meant that SAS' jet fuel costs, adjusted for currency effects, increased by 17.8 percent year-on-year.

SAS hedges the fluctuations in jet fuel prices. However, currently, SAS has no hedging contracts in force beyond the third quarter 2020. In addition, 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 should SAS's assumptions and estimates, with respect to the future development of jet fuel prices, prove to be incorrect. Moreover, to the extent SAS has hedged its exposure to jet fuel price increases in the future, SAS would, subsequently, be unable to participate fully in the economic benefits should jet fuel prices 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 would typically not fully protect against sudden changes in fuel prices. Any increase in fares, as a result from unexpected increases in fuel price, presents a highly significant risk to demand for air travel. Failure to adequately and successfully manage increases in jet fuel prices would have an adverse effect on SAS's costs and thereby its revenues.

SAS is exposed to risks relating to extreme weather conditions, natural disasters and an outbreak of diseases

The occurrence of extraordinary events such as activity from volcanoes, other natural or man-made disasters or extreme weather conditions, in particular if such events occur in the European airspace or otherwise in the region around any of SAS's flight destinations, would typically adversely affect SAS. For example, the volcanic ash from the Eyjafjallajökull volcano in Iceland in 2010 led to disruptions in air traffic and, subsequently, canceled SAS flights. Not only did the disruptions have negative effects on SAS's earnings for the period during which flights were canceled, but the disruptions also resulted in additional costs for extra reimbursements to customers such as hotel accommodation expenses and costs for alternative transportation. Following the outbreak of Eyjafjallajökull and the subsequent air traffic disruptions, the total negative effects on earnings (including additional costs) for SAS was approximately MSEK 700.

The airline industry is generally vulnerable to the effects of climate change and extreme weather conditions. Should climate changes lead to more extreme weather conditions in regions where SAS operates, such as more occurring and more severe storms, wildfires and floods, there is a risk that such weather conditions lead to the closure of airports, delayed and cancelled flights, reduced handling capacity at airports and ground transport access which would interfere with and disrupt SAS's operations. Also, changes in wind patterns and jet stream disruption, resulting from climate change, present a risk to SAS's customer satisfaction and retention since this would typically increase en route turbulence thus leading to operational disruption. Accordingly, increased extreme weather conditions as a result from climate change would typically negatively affect SAS's business, financial conditions and results of operations.

Historically, there has been substantial publicity regarding potent influenza viruses and other disease epidemics. Ebola, Zika virus, Severe Acute Respiratory Syndrome (SARS), Middle East Respiratory Syndrome (MERS), avian flu and swine flu are a few examples of past outbreaks. An outbreak of a disease, and the publicity pertaining thereto, typically affects travel behavior and/or the travel demand and presents a risk to SAS's operations. For example, during the SARS epidemic in 2003, SAS's earnings fell significantly in the financial year ended December, 31, 2003 due to canceled flights to Asia. In addition, if a future outbreak would result in European or national authorities imposing travel restrictions in regions where SAS conducts its business, it would typically result in cancellation and/or loss of bookings, which would have an adverse impact on SAS's revenue. Accordingly, natural disasters and outbreaks of diseases that adversely affect demand for SAS's services would have a material adverse effect on its 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 risk suffering significant losses if an aircraft is lost or subject to an accident. Incidents and wreckage may be caused by several factors, for example, the human factor, design defects, operational malfunctions, meteorological and other environmental factors and deferred maintenance. The occurrence of any substantial such incidents in relation to SAS's fleet, resulting in an accident or the grounding of such aircraft, would harm SAS's revenue and operations. The risk pertaining to such problems and accidents would also typically entail unexpected costs in 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 travelers to be reluctant to fly on SAS's

aircraft which, subsequently, presents a risk to SAS's revenues and margins. For example, in 2008, an MD-82 aircraft operated by the SAS's then wholly-owned subsidiary Spanair (which was divested in 2009 and went out of business in 2012) crashed shortly after takeoff, resulting in 154 fatalities. This had an estimated negative impact on the SAS's 2008 earnings of approximately SEK 400–500 million based on a significant reduction in Spanair bookings on a year-on-year comparison. As a result of this accident, Spanair was exposed to direct claims for compensation, as well as to the risk of litigation, by surviving passengers and by passengers' families.

Further, the airline industry is subject to risks pertaining to aircraft and engine design defects and operational malfunctions. The occurrence of any such defects or operational malfunctions with respect to an aircraft or engine, whether occurring in a single or multiple events on one or more aircraft, risks leading to unexpected costs in form of maintenance and repair costs, significant operational disruptions as well as a decrease in the public perception of the safety of air travel. An aircraft or engine defect or malfunction also risks having a material adverse effect on airlines' operations and revenues, should any examinations or safety reviews, decided upon by aviation regulators or airlines, be carried out on a certain type of aircraft, resulting from such aircraft being grounded for an indefinite period of time. For instance, in 2019, the Boeing 737 MAX-8 was grounded in response to malfunctions resulting in accidents involving aircraft flown by other airlines than SAS. It is unclear whether or when such decision will be lifted. Also, in October 2019, two of SAS's Boeing 737 NG aircraft were grounded due to structural cracks in a part of the aircraft following an inspection requested by the United States Federal Aviation Administration after an initial discovery of cracks in several Boeing 737 NG aircraft. Repairs on one of the affected aircraft are expected to be completed end of December 2019 after which it will be reinstated in full service, whereas the other affected aircraft was planned to be phased out from traffic as from November 2019. The long-term operational and financial impact of a decision to ground an aircraft or engine of a certain type presents a significant risk to airlines' business, financial condition and results of operations.

SAS has insurance to reduce the financial impact of air crashes and similar events. However, there is a risk that SAS's insurance is not sufficiently adequate to cover the losses resulting from air crashes or similar events, 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. Furthermore, the occurrence of an insurable event whether or not involving SAS, but for which SAS has insurance coverage would typically cause a substantial increase in SAS's insurance premia. The occurrence of any significant incidents involving SAS's fleet, which results in an accident or the grounding of aircraft, would have a material adverse effect on SAS's business, financial condition and results of operations.

SAS is exposed to risks relating to terrorist attacks, armed conflicts and other serious incidents

Acts of terrors, political uprisings, armed conflicts and other serious incidents or any actual or perceived risk thereof presents a significant risk to SAS as a result of consequential reduction in demand for air travel, limitations on the availability of insurance coverage, increase in insurance premium, increase in cost associated with additional security precautions and the imposition of flight restrictions over conflict zones normally crossed by SAS's flights as part of their flight routes.

Following the terrorist attacks on September 11, 2001, availability of insurance coverage was reduced, and premiums increased for SAS. While governments temporarily provided guarantees to cover part of the insurance companies' exposure to risks following the attack, there is an uncertainty as to whether governments would do so in the future in the event of another crisis. Consequently, the occurrence of a future crisis presents a significant risk for SAS in terms of reduction in insurance coverage and increased premiums. Moreover, in the aftermath of the terror incident on Delta Air Lines flight to the United States in December 2009, governments in several markets where SAS operates implemented additional security measures. A substantial portion of the costs of these measures were borne by the airlines, including SAS, and their passengers, thereby increasing SAS's costs. Further adjustments were made to insurance coverage and premiums following the accident involving Germanwings in March 2015. Further, future terrorist attacks in regions where SAS operates risk leading to changes in customers' travel behavior and decreased demand for travel which would have a negative impact on SAS's business. Accordingly, occurrences or risks relating to terrorist and other attacks, serious incidents, uprisings or conflicts in the markets in which SAS operates would have a material adverse effect on SAS's 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, would typically have a negative impact on SAS's ability to market its services and retain customers and employees. There are various events which risk bringing damage to SAS's brand or reputation, such as non-compliance with laws and regulations, labor unrest, aircraft accidents, legal proceedings and investigations, unsatisfied customers, poor working environments, operational disruptions and interruptions. For example, operational disruptions and interruptions, which range from delays to canceled flights, often adversely impact passengers and impose extra costs on airlines. Such events may be caused by difficult ground and weather conditions, accidents, industrial action and strikes, air traffic congestion, delays or non-performance by third party service providers and unscheduled maintenance. Significant disruptions to SAS's operations typically harm SAS's brand and reputation, as well as result in refund demands and requests for passenger assistance, thus presenting a significant risk to SAS.

In recent times, Northern European, and more specifically in Scandinavian, countries where SAS's operations are predominately focused, have been subject to discussions of a so called "flight shame". Available aviation technology, in terms of jet engines, does not offer zero-emission air travel and, for example, SAS's aircraft emissions account for over 99 percent of SAS's total emissions. As a result from the high levels of carbon emission associated with the airline industry, the discussion in the public arena tends to express a view that people should cut down on flying and choose other sources of transportation such as rail travel. For example, flight shame has been mentioned as one cause of falling air travel in Sweden.

Consequently, there is a risk that SAS's business is deemed by customers as a significant contributor to the negative climate impact which, subsequently, presents a risk to SAS's brand and reputation. Ultimately, the degree to which the discussion of flight shame will increase in numbers and spread geographically, is uncertain and presents a risk to SAS's brand and reputation given the nature of SAS's core business, i.e. conducting aviation.

SAS is exposed to risks relating to labor disruptions and work environment related issues

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. During the second quarter of the financial year 2019, and following a pilot strike in connection with the negotiations, SAS entered into three-year collective agreements with the pilot unions in Denmark, Norway and Sweden, which permit termination after two years.

SAS and the airline industry have a history of strikes and work stoppages. The effects of such strikes have historically been substantial, both in terms of earnings as well as customer satisfaction. For example, SAS was exposed to pilot strikes in spring 2019, which resulted in approximately 4,000 canceled flights affecting more than 370,000 passengers. During the period between November 2018 and July 2019, strikes negatively affected SAS's income before tax by approximately MSEK 615. Any prolonged strikes or labor actions by employees or external suppliers also typically incur standstill costs, lead to deterioration in the relationship with the relevant trade unions, lead to a loss of trust among customers following irregularities of flights and lead to customers claims (see further "*The adoption of new regional, national and international regulations, or the revision of existing regulations*" below). The degree to which labor disputes with trade unions (or threats thereof) will arise in connection with renegotiations of union contracts, outsourcing efforts or other activities involving unionized employees is uncertain and presents a highly significant risk to SAS's earnings as well as brand and reputation and, subsequently, its business, financial condition and results of operations.

SAS is also exposed to risks relating to work environment related issues. For example, in December 2017, the Swedish Work Environment Authority (*Arbetsmiljöverket* (the "SWEA")) initiated an investigation related to SAS's compliance with work environment laws and regulations. In a follow-up review in September 2019, the SWEA concluded that SAS had not remediated the issues identified by the SWEA. This resulted in the SWEA issuing a conditional fine against SAS. According to the SWEA's decision, the conditional fine, amounting to SEK 100,000, will be imposed should SAS not take the necessary actions with respect to the issues identified by the SWEA. Accordingly, non-compliance with work environment laws and regulations risks leading to fines and penalties as well as reputational damage to SAS, both as an employer and as an airline.

The inability to obtain labor costs at competitive levels presents a risk to SAS's financial performance

Despite the implementation of recent and on-going efficiency programs, 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 labor cost, in comparison with SAS's principal competitors. In the financial year ended October 31, 2018, SAS's total payroll expenses amounted to MSEK 8,907, of which social security expenses comprised MSEK 1,244 and pensions MSEK 783. In contrast, should SAS's decrease its labor costs, it risk leading to employees perceiving the working environment as deteriorated due to the effect of such decreases, for example, longer working hours, less time in between flights or decreased number of benefits, which would harm SAS's ability to retain talented and motivated managers and employees. Accordingly, any inability to obtain labor costs at competitive levels presents a significant risk to SAS's results and financial performance.

SAS is exposed to risk relating to starting new airlines

In 2017, SAS established the Irish subsidiary Scandinavian Airlines Ireland Limited ("SAS Ireland"). Bases have since been established in London (December 2017) and Malaga (June 2018) with nine aircraft in service at July 31, 2019. SAS Ireland was established in order to better compete with low cost operators on certain competitive traffic flows, for example Scandinavia–London. However, there are inherent risks involved with the establishment of such an operating subsidiary. In addition, there is a risk that competing airlines lower ticket prices and launch additional advertising promotional campaigns in order to protect their market shares, which would increase the risk of SAS being unsuccessful with the establishment of a new airlines.

Starting new airlines could also involve costs resulting from, among other things, staff recruitment and complying with the regulatory environment of the new jurisdiction. In addition to such contemplated costs and risks associated with establishing new airlines, there may be other unforeseen costs and risks associated with the strategy. Any foreseen costs and risks may be prove to be underestimated and the anticipated profitability of a new airline may be unfounded. The materialization of any such foreseen or unforeseen cost and/or risks presents a significant risk to SAS's business, financial condition and results of operations.

SAS is 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 holds over 40 percent of share of departures on these airports. SAS's business would typically be harmed by any circumstances causing a reduction in demand for, or access to, air transportation at any of these three airports. 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 are examples of such circumstances which present a risk to SAS's business and revenues in this regard.

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. For instance, the total value of SAS's Heathrow slots is estimated at MUSD 500 (based on recent transactions). Although there are still various secondary airports available, they are generally in less convenient locations as compared to primary airports. There is a risk that SAS is not able to obtain new slots, which risks adversely affecting SAS's business and ability to maintain its customers, since a loss of slots at such primary airports would typically increase SAS's customer's tendency to purchase tickets from other airlines who offer flights from more conveniently located airports.

Airports 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. Since SAS manages its traffic program according to a system of "hub" airports (i.e. the Copenhagen – Kastrup Airport, the Stockholm – Arlanda Airport and the Oslo – Gardermoen Airport), SAS is particularly dependent on operations and conditions at these airports. Any significant restrictions and limitations imposed by airports would have a material 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 is co-founder of Star Alliance, which comprises 26 member airlines and currently flies to approximately 1,300 destinations worldwide. In addition, SAS has also entered into approximately 90 bilateral agreements with airlines outside the Star Alliance, including, amongst others, codesharing agreements and interlining agreements. SAS derives significant benefits from its membership in the Star Alliance and from other partner airlines.

Conversely, any significant adverse developments affecting the Star Alliance cooperation, 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, would have a material adverse effect on SAS’s network and offering of destinations and/or convenient flight connections. Such events would also typically increase customers’ tendency to choose an airline who offers the desired destinations or routes that SAS no longer offers.

Hence, 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, which presents a significant risk to decreases in passenger revenue as SAS winds down its participation and transitions to a new alliance. Furthermore, provisions governing the Star Alliance membership include prohibitions preventing SAS from joining a competing alliance for a period of two years, which consequently, means that SAS would be unable to join, or at least would delay the process of joining, a new alliance. A withdrawal from Star Alliance would also result in SAS lacking applicable approvals and having difficulties in satisfying entrance requirements, integrating SAS’s technology processes with members of any such new alliance, and incurring other withdrawal and start-up costs. Accordingly, risks relating to any withdrawal from, or termination of, Star Alliance present a significant risk to SAS.

SAS relies on being substantially owned and effectively controlled by Scandinavian entities

Bilateral air transport agreements between states generally govern the designation of airlines and airports for the operation of specified routes, airline capacity and fare-approval procedures. On the basis of these agreements, contracting states give designated airlines the right to operate scheduled passenger and air-freight services on certain routes between those states (traffic rights). Most bilateral air transport agreements between the Scandinavian states and non-EU member states require that SAS remains majority owned or controlled by Scandinavian or EU (as the case may be) states, citizens and/or corporations at all times. If SAS were to cease to satisfy these restrictions, there is a risk that the contracting states under such bilateral agreements would deny SAS landing rights or the right to fly on certain routes under the terms of the agreements. This would have a material adverse effect on the variety and number of routes operated by SAS and, ultimately, SAS’s business, financial condition and results of operations.

Investment in and maintenance of aircraft represents a significant cost

SAS’s operations depend on a competitive aircraft fleet. Investments in new aircraft represent significant costs and involve long delivery times with associated risks of delays. For example, in the financial year ended October 31, 2018, SAS’s contracted future purchase commitments for aircraft orders with delivery in the 2018–2023 period totaled MUSD 3,290. 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. Not meeting customers’ preferences risks resulting in SAS’s aircraft being less attractive for customers and thus presents a risk to travel demand with respect to such aircraft (see also “*SAS’s profitability depends on accurately estimating capacity development*” above).

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. This presents a significant risk for increased costs for SAS, resulting from additional investments in order to update aircraft technology and taking necessary actions to meet any revised environmental requirements. Furthermore, there is a risk that new technology causes problems initially due to unforeseen development issues, requiring maintenance and repair resulting in unexpected costs and potentially loss of revenue during the period such aircraft are grounded (see further “*Airlines are exposed to the risk of losses from air crashes and similar disasters, design defects and operational malfunctions*” above). Accordingly, there are several risks associated with investing in new aircraft and should any investments fail to meet SAS’s expectations, or should any other risks associated with new aircraft occur, it would have an adverse effect on SAS’s business, financial condition and results of operations.

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. In the financial year ended October 31, 2018, SAS's maintenance costs totaled MSEK 2,897. 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 utilization of aircraft. If not offset by increased revenue or other cost savings, such expenses and lower utilization of each aircraft would have a material adverse effect on SAS's cash flows, financial condition and results of operations.

SAS is dependent on its ability to retain talented and motivated managers and employees

In the financial year ended October 31, 2019, SAS employed 10,146 full-time equivalents. SAS's operations are labor 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. In particular, pilots are from time to time in short supply in the European airline industry and SAS may have to expend significant amounts of time and expense in recruiting and training new pilots. There is a risk that SAS is unable to retain key personnel or recruit enough new employees with appropriate skills at a reasonable cost. Since the right and committed personnel are prerequisites for satisfied customers and better business, this presents a significant risk to SAS.

Furthermore, both the airline industry as a whole and SAS in particular are undergoing major structural changes, which set new requirements and challenges for SAS and its compiled competence. For example, SAS has increased the degree of sourcing and developing services together with business partners where this is relevant, which, together with increasing digitalization, is setting new demands on SAS's organization, management, and competence. If SAS, to a significant extent, fails to address these changes, or fails to retain and recruit qualified personnel, it would have a material adverse effect on SAS's business, financial condition and results of operations.

Risks related to SAS's pension plans

SAS's defined benefit pension plans are reported in accordance with *IAS 19 Employee Benefits (Amended)*, which, among other things, means that it is not permissible to postpone reporting of certain estimates, 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, which typically have 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. In the financial year ended October 31, 2018, the discount rate was unchanged in Sweden and Denmark, but rose in Norway, the United Kingdom and the United States. The total impact of changed discount rates entailed a positive impact on other comprehensive income of SEK 0.2 billion. During the same period, SAS raised its assumed rate of inflation for Sweden from 1.6 percent to 1.9 percent, which resulted in a negative impact on other comprehensive income of SEK 0.7 billion. The return on plan assets was below the discount rate, which entailed a negative impact on other comprehensive income of SEK 0.1 billion. Moreover, a negative item of SEK 0.2 billion was recognized under the experience gains/losses item as a result of full index adjustment. As of October 31, 2018, the sensitivity to changes in individual parameters were estimated as follows: a one percentage point change in the discount rate of interest would have an impact of approximately SEK 3.0 billion on the obligation, and a one percentage point change in the inflation assumption would have an impact of approximately SEK 2.9 billion.

If SAS's pension assumptions are incorrect or need to be adjusted due to changed market conditions or for other reasons cannot be sustained, SAS's comprehensive income may be negatively affected, the reported pension liabilities risk being significantly greater than what SAS has anticipated, and SAS's equity may decrease, all of which would 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. For example, in the financial year ended October 31, 2018, SAS's supplier payments amounted to approximately SEK 37 bn. 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 significant 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 would have an adverse impact on SAS's business, financial condition and results of operations.

As of October 31, 2018, SAS had aircraft orders for 59 Airbus A320neos, one A330-300 and eight Airbus A350-900s for delivery up through 2023. The orders mean that for the first time, SAS will have a single-type fleet of Airbus aircraft by 2023, which entails a certain level of dependency on Airbus and also risks relating to technical or mechanical issues. If technical or mechanical issues relating specifically to a certain aircraft model or engines of such aircraft occurs, there is a risk that all or part of SAS's fleet will become grounded and/or subject to same repair actions. Significant such events would adversely affect SAS's operations.

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

SAS is exposed to failures of, or disruption relating to, SAS's IT systems

SAS is increasingly dependent on its and its subcontractors' and partners' information technology systems and procedures for the efficient and secure operation of, among other things, its website, reservations, departure control, online booking and revenue management systems. Such systems are typically vulnerable to and can be disrupted or damaged by, among other things, internal error, sabotage, cyber related fraud, false-invoice fraud computer viruses, software error, physical damage or other events beyond SAS's or its subcontractors' control. For instance, outages and disruptions may result from configuration errors during upgrades or maintenance and system degradation after application upgrades. Further, SAS's information technology systems are constantly targeted by cyber-criminal organizations. Moreover, all of SAS's offered services and products are digitally available and therefore constantly exposed to attempted cyber related fraud. Cyber-criminal organizations are also targeting SAS's information technology systems that contain, for example, critical information on SAS' transport business, planning and passengers. There is a risk that SAS's cybersecurity measures are insufficient or inappropriate to detect or prevent all attempts to compromise its IT systems. There is also a risk that SAS fails to otherwise maintain sound IT infrastructure. The degree to which any prolonged or severe disruptions to SAS's IT systems may affect SAS is uncertain, and presents a significant risk to SAS's business, financial condition and results of operations.

Legal risks

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

SAS flies and operates in more than 30 countries, which means that SAS has to comply with a large number of laws and regulations. Accordingly, there are 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, like Regulation (EC) 261/2004 establishing common rules on compensation and assistance to passengers in the event of denied boarding and of cancellation or long delay of flights (the "**Flight Compensation Regulation**") and Council Regulation (EC) No. 2027/97 air carrier liability in the event of accidents, implementing the Warsaw Convention of 1929 for the Unification of Certain Rules Relating to Transportation by Air, as amended by the Montreal Convention of 1999, 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.

Under the Flight Compensation Regulation, each passenger, who has been denied boarding or whose flight has been canceled or delayed more than three hours on arrival, may be entitled to compensation of EUR 250, EUR 400 or EUR 600 per passenger, depending on the length of the flight and the cause for the cancellation or delay. Passengers subject to flight delays over two hours are also entitled to "care", including meals, drinks and telephone calls, as well as hotel accommodation if the delay extends overnight. For delays of over three hours, passengers must be given a rerouting option. For delays of over five hours, the airline is also required to offer the option of a refund of the cost of an unused ticket. Accordingly, the Flight Compensation Regulation may require SAS to incur significant costs if it experiences a large number of delays or cancelled flights, which could occur as a result of certain types of events beyond its control.

Following the pilot strike in April and May 2019, affected customers turned to SAS for standardized compensation under the Flight Compensation Regulation. SAS disputed its liability to compensate the customers with reference to the strike being an extraordinary circumstance. In August 2019, the Swedish National Board for Consumer Disputes (*Allmänna reklamationsnämnden*) ruled in favor of SAS. This notwithstanding, a number of customers and claim firms have brought claims against SAS in national courts in several EU member states. In August 2019, a claim firm representing a large number of affected customers initiated court proceedings in Denmark and Sweden against SAS, asking the courts to request a preliminary ruling from the Court of Justice of the European Union (the “CJEU”) on whether the strike was an extraordinary circumstance. If any of the courts should refer the question to the CJEU, the proceedings could take several years. If the CJEU rules against SAS, SAS could be liable to pay compensation to passengers affected by the strike. As the pilot strike affected 4,000 departures and 370,000 customers, there is a risk that SAS is deemed liable to compensate passengers affected, which in total may encompass significant amounts. The rise of agencies that only charge their clients fees if their claim is successful may also encourage more passengers to pursue compensation claims. The adoption of new regional, national and international regulations, or the revision of existing regulations presents a significant risk to SAS’s financial condition and results of operations.

SAS is involved in legal proceedings and investigations

SAS flies and operates in more than 30 countries, which means that SAS has to comply with a large number of laws and regulations. The breadth of SAS’s operations and the large number of contractual relations mean that SAS is, and may be in the future, involved in legal processes and arbitration procedures as either plaintiff or defendant, or subject of investigations from public authorities. Many disputes and investigations relate to claims arising in the ordinary course of business, including 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 November 2010, the European Commission’s 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 and the CJEU annulled the European Commission’s decision. Following the CJEU’s ruling, the European Commission took a new decision on the same issue in March 2017 and again imposed a fine of MEUR 70.2 on SAS. SAS has appealed the European Commission’s decision and a hearing was held in CJEU in July 2019. 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 is involved in various civil lawsuits initiated by cargo customers in countries, including the Netherlands and Norway. Further lawsuits by cargo customers may occur. 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 District 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 and the parties are awaiting the appeal court proceedings.

There is a risk that legal proceedings, even if a judgment favorable to SAS is handed down, and investigations by public authorities negatively impact SAS’s reputation. If an unfavorable decision were to be made against SAS, there is a risk that this leads to significant fines, damages and/or negative publicity, which would result in less confidence in SAS from its customers, suppliers and the capital markets.

SAS is subject to environmental-climate laws and regulations

The airline industry is subject to numerous environmental regulations and laws relating, among 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 typically impose costs on SAS, either directly if fees are levied, or indirectly due to compliance costs. Furthermore, changes in customer attitudes toward environmental and climate issues may over time lead to a reduced demand for air travel (see “*Damage to the brand name, wider reputation of or consumer confidence*” above).

Pursuant to Directive 2008/101/EC to include aviation activities in the scheme for greenhouse gas emission allowance trading within the Community, all flights that arrive to, or depart from, an airport situated in the territory of an EU Member State are encompassed by the EU emissions trading scheme (“EU-ETS”). EU-ETS is

a cap and trade system for carbon emissions to encourage industries to reduce their CO₂ emissions. The principle of this scheme consists of setting an annual allocation of quotas or CO₂ emission rights, with each airline being allocated a number of quotas (one quota corresponding to one ton of CO₂). At the end of each year, companies must return an amount of emission allowances that is equivalent to the tons of CO₂ they have emitted in that year. Depending on their emissions, they can also purchase or sell allowances (exchangeable quotas). For the aviation sector, the free quotas were distributed to each operator on a pro rata basis based on their revenue ton-kilometers (RTK) generated in 2010. Pending progress with a global agreement under the auspices of the International Civil Aviation Organization (“ICAO”) in autumn 2013, EU-ETS only includes intra-Europe flights up until the 2020 calendar year. Consequently, SAS, together with all other European airlines, is therefore at a competitive disadvantage in relation to non-European competitors, since they are required to incur costs for acquiring allowances that their non-European competitors do not have to. In the financial year ended October 31, 2018, SAS’s emission rights expenses in the EU-ETS totalled MSEK 110. Furthermore, in 2018, SAS received about 51 percent of the emission rights free of charge and had to procure the remainder on the open market. As of October 31, 2018, SAS had secured and 50 percent of the expected need for 2019, and had an accrued emission rights liability of MSEK 96 on the balance sheet and purchased emission rights assets of MSEK 10. However, there is a risk that SAS in the future will not be able to obtain sufficient allowances thus adversely affecting its growth and revenues.

In October 2016, ICAO agreed on a Carbon Offsetting and Reduction Scheme for International Aviation (“CORSIA”), which will apply from January 1, 2021. The aim of CORSIA is to regulate the aviation industry’s international carbon emissions. CORSIA will require each airline to purchase emissions rights for all emissions that exceed the emission levels of 2020, offsetting other industries to compensate for possible emission growth in the airline sector following 2020. The number of offsets required to be purchased, and any increase in such number, risks having an adverse impact on demand for air travel and/or reduce the margin per ticket. In addition, since CORSIA is subject to revision and adjustments on a three-year basis following its entry into force, there is uncertainty as to whether compliance measures implemented by SAS are sufficient.

From January 1, 2020, energy suppliers in Norway are required to blend in 0.5 percent Sustainable Aviation Fuel in the aircraft fuel. A reduction mandate is proposed to be introduced also in Sweden. The public hearing has closed and the draft proposal will be further processed according to the Swedish legislative process. The draft proposal indicates that new regulations are intended to enter into force on January 1, 2021. The implementation of any such regulations risks leading to increased costs for SAS, which would negatively affect its financial condition and results of operations. Compliance with EU-ETS, CORSIA and other environmental laws and regulations requires SAS to keep track of reporting and other requirements, thus requiring SAS to incur compliance costs. Failure to comply with EU-ETS, CORSIA or any other environmental laws and regulations risks resulting in substantial civil penalties. Hence, there is a risk that the implementation of CORSIA and non-compliance with other environmental laws and regulations has a material adverse effect on SAS’s financial condition and results of operations.

SAS is exposed to risks relating to credit cards

A large part of SAS’s ticket sales are made online through credit card payments, thus presenting risks relating to credit card frauds and other cyber-crimes. If credit card details and other personal data pertaining to SAS’s customers would end up in the wrong hands as a result of, for example, hacking in connection with such ticket sales, there is a risk that this harms customer confidence in SAS and result in liabilities owing to credit card companies should such credit card information be misused as a result of SAS’s security breach. Furthermore, there is a risk that payments of SAS’s tickets are made with credit cards acquired through fraud or crime, presenting a risk that SAS is held liable to refund such payments to the cardholder or credit card company. To degree to which risks relating to credit fraud and other crimes may affect SAS is uncertain, and presents a significant risk to SAS’s reputation and business.

SAS’s loyalty program, EuroBonus, enables SAS to enter into profitable partnership and collaboration agreements in order to offer certain benefits to its customers through, for instance, co-branded credit cards together with credit card providers. However, there is a risk that regulations or provisions related to, for example, tax or competition laws or any other regulations, are implemented or amended and thus have a negative effect on SAS’s possibility to benefit from collaborations with providers of payment services or credit cards. Accordingly, if such implementation or amendments would limit SAS’s possibility of offering a loyalty program or materially decrease the value of the EuroBonus program for its customers, it would risk leading to decreased profitability for SAS and a decreased demand for SAS’s services.

SAS is subject to an increasing body of data protection regulations

As part of its operations, and in order to fulfil its obligations under various laws and regulations, SAS collects and retains extensive personal information relating to its customers. Such information is subject to data protection regulations in Europe (in particular, the General Data Protection Regulation (679/2016) (the “GDPR”)) and elsewhere. SAS processes a large amount, and different types, of personal information. There is a risk that SAS is non-compliant with the GDPR and other data protection regulations. Any significant administrative and monetary sanctions (including fines up to MEUR 20 or 4 percent of a SAS’s global annual turnover) or reputational damage due to incorrect implementation or breaches of the GDPR would have a material adverse effect on SAS’s reputation, business, financial conditions and result of operations.

SAS is exposed to tax-related risks

SAS has legal entities and local branches in several jurisdictions, and is thus subject to taxation and several tax laws and regulations in Europe, Asia and the US. There is a risk that SAS’s understanding and interpretation of tax laws, tax treaties and other provisions is not correct in all respects. In the financial year ended October 31, 2018, SAS’s tax expenses totaled MSEK 452, with an effective tax rate of 22.1 percent. There is a risk that SAS’s prior or present tax position may change as a result of decisions of tax authorities or changes in tax laws and regulations, possibly with retroactive effect, which may have an adverse effect on SAS’s results of operations and financial position.

Losses carried forward cannot be used to reduce certain tax liabilities or payments, such as an increased VAT liability or administrative tax penalties. Hence, changes in tax laws or decisions of tax authorities in the jurisdictions where SAS operates presents a significant risk to SAS’s financial condition and results of operations. Please also refer to “*The airline industry is subject to extensive taxes, aviation and license fees, charges and surcharges*” above.

Financial risks

SAS is exposed to risks relating to efficiency improvement and restructuring measures

SAS has historically taken, and may in the future continue to take, measures in order to enhance efficiency within its entire organization through different efficiency improvement and restructuring programs as well as through other initiatives. For instance, SAS’s ongoing efficiency enhancement program promotes efficiency within SAS’s entire organization, and the overall target is to achieve total efficiency improvements of SEK 3 billion between 2017 and 2020. The efficiency program includes over 200 initiatives, and around one third of the initiatives relate to changed agreements with suppliers and trade unions. Sustainability is often a key consideration in many of the initiatives as more efficient resource use typically results in both environmental and financial savings. If SAS is unable to realize endeavored efficiency improvements or if SAS’s measures are insufficient or poorly executed, there is a risk that SAS’s costs will not decrease to the extent SAS expects. For example, as a result of the pilot strike in the spring 2019, the unit cost is not decreasing to the extent that SAS initially expected. The degree to which SAS will be able to fully implement, or realize the benefits of, any taken or contemplated efficiency measures, or if any such measures will meet SAS’s expectations, is uncertain and presents a highly significant risk to SAS’s continued competitiveness.

SAS will require future financing to renew its aircraft fleet and refinance existing indebtedness and financing costs may increase 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. The current aircraft fleet is comprised of both leased and owned aircraft. As of October 31, 2018, SAS’s contracted orders amounted to 59 Airbus A320neo aircraft, one Airbus A330-300 and eight Airbus A350-900s with delivery between 2019 and 2023 amounting to a total future purchase commitment, including spares, of MUS\$ 3,290 (excluding 15 of the 50 Airbus A320neo aircraft which SAS has secured from operating lessors). If SAS is unable to secure financing for the acquisition of new aircraft, this would result in SAS not being able to renew its aircraft fleet, meaning that SAS will operate an older fleet of aircraft compared to its competitors, thus potentially making SAS less attractive to customers and partners.

The amount of debt incurred by SAS has a direct impact on SAS’s financial condition and liquidity. If SAS is unable to maintain its liquidity, it would affect SAS’s ability to make scheduled payments under its indebtedness. Furthermore, 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, there is a risk that SAS’s actual cash flows differ significantly from its forecasts.

Whether SAS will be successful in the longer term in obtaining the required financing on commercially acceptable terms is dependent on, among other things, the condition of capital and credit markets, the general availability of credit, prevailing interest rates and SAS's credit-worthiness. There is a risk that SAS cannot secure financing on commercially acceptable terms, resulting in SAS being required to modify its aircraft acquisition plans, incur higher than anticipated financing costs and/or implement further efficiency improvement and restructuring programs.

At present, SAS is rated by three credit rating agencies; Standard and Poor's, Moody's and the Rating and Investment. If SAS's credit rating is downgraded, there is a risk of an increase of SAS's borrowing costs, a reduction of the availability of finance and SAS's liquidity, limited access to capital markets by adversely affecting sales and the perception of SAS, all of which would negatively affect SAS's ability to attract passengers and counterparties. Accordingly, increased costs as a result of a credit downgrade or a failure to arrange sufficient financing or refinancing when required and presents a significant risk to SAS's liquidity and financial condition.

SAS is exposed to currency exchange rate risk

SAS has currency exposure to both transaction risk and translation risk. Transaction risk arises from exchange-rate changes that impact the size of commercial revenue and costs and thus SAS' operating income. Translation risk arises during conversion of balance-sheet items in foreign currencies due to currency fluctuations. Given the international nature of SAS's business, a significant portion of its assets, liabilities, revenues and expenses are denominated in currencies other than SEK, particularly in USD, NOK and DKK, which means that SAS's results for each period are impacted by changes in exchange rates. 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 USD.

The USD is SAS's greatest deficit currency, and NOK is SAS's greatest surplus currency. In the financial year ended October 31, 2018, and continuing in 2019, SEK has weakened significantly against a number of currencies, including the USD. As of October 31, 2018, a 1 percent strengthening or weakening SEK against NOK and USD, respectively, would have a net effect on SAS's net earnings of MSEK +65/-65 and MSEK -113/+113, respectively, exclusive hedging. Hence, SAS is considerably exposed to fluctuations in SEK against several currencies, particularly in USD and NOK.

In addition, SAS is not 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. Accordingly, fluctuations in currency exchange rates present a significant risk to SAS's financial condition and results of operations.

SAS is exposed to interest rate risk

The airline industry is capital-intensive, and 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). On October 31, 2018, SAS's interest-bearing liabilities amounted to MSEK 10,092, and a decrease in interest rates would cause these liabilities to increase. Interest rates are sensitive to numerous factors beyond SAS's control, including government and central bank monetary policy in the jurisdictions in which SAS operates. As of October 31, 2018, a +/- 1 percent change in market interest rates would have impacted equity of MUS\$ +46/-46. Interest rate risks thus present a significant risk to SAS's financial condition.

SAS is not hedging all interest rate risks to which it may be exposed. Therefore, in respect of its exposure to any interest risk which is (i) hedged but such hedging transpires to be imperfect or insufficient, or (ii) not hedged, there is a risk that unfavorable fluctuations in interest rates adversely affect SAS's interest costs and thereby its margins and results of operations.

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

SAS's financial transactions give rise to exposure to credit risk vis-à-vis the financial counterparties, for example through credits, lease agreements and guarantees to external parties. Credit risk or counterparty risk pertains to the risk of loss if a counterparty does not fulfill its contractual obligations. Net impairment of accounts receivable and recovered accounts receivable, as well as the impairment of other current receivables, had an earnings impact of MSEK -14 in the financial year ended October 31, 2018. The degree to which failure by

contractual counterparties to satisfy obligations owing to SAS and other credit risks may affect SAS is uncertain, and presents a significant risk to SAS's financial condition and results of operations.

SAS is exposed to risks relating to changes in accounting standards

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.

IFRS 16, Leases replaces the current classification as either operating leases or finance leases and introduces a model, whereby the lessee recognizes an asset (the right to use an asset) and a financial liability in the balance sheet. The leasing cost is replaced in the income statement by a cost for the depreciation of the leased asset and an interest expense for the financial liability. SAS will apply the standard starting November 1, 2019. The standard is expected to have a material impact on SAS's financial reporting, since SAS has significant leasing commitments for, *inter alia*, aircraft (157 as of October 31, 2018, of which 110 were leased), premises and ground equipment. As of October 31, 2018, the nominal value of SAS's leases outstanding was around SEK 27.4 billion. Most of SAS's key ratios will be affected by the transition to IFRS 16 (some positively, others negatively). For example, the key ratio Equity/Total Assets will immediately be negatively affected. Accordingly, the transition *IFRS 16* risks having a material adverse effect on SAS's indebtedness and certain key ratios.

The Capital Securities are treated as equity pursuant to *IAS 32 Financial Instruments*, and consequently, the Capital Securities will not be accounted for as financial liabilities. However, in June 2018, the International Accounting Standard Board (the “IASB”) published the discussion paper “Financial Instruments with Characteristics of Equity” (the “Discussion Paper”). The Discussion Paper sets out the IASB's preferred approach to classification of a financial instrument such as the Capital Securities, from the perspective of an issuer, as a financial liability or an equity instrument. The changes to the accounting standards addressed in the Discussion Paper would, if implemented, likely lead to financial instruments such as the Capital Securities being classified as financial liabilities rather than equity. The IASB will during the fourth quarter 2019 decide on the direction of the project regarding the potential changes to the accounting standards. The changes proposed in the Discussion Paper and regarding the classification of the Capital Securities risk having an adverse effect on SAS's financial condition and the amount of financial liabilities. Further, if the Capital Securities are classified as financial indebtedness it would lead to the occurrence of an Accounting Event (see “Redemption of the Capital Securities” below).

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 the aircraft. If SAS decides to own the aircraft, fluctuations in the value of the aircraft would have an adverse effect on SAS's financial condition and results of operations should the value of the aircraft be impaired. During the financial year ended October 31, 2018, SAS's owned aircraft holdings had a carrying amount of MSEK 8,767 (of which MSEK 6,345 owned and MSEK 2,422 leased). Furthermore, during the same period, depreciation, amortization and impairment of aircraft totaled MSEK 1,513. If the value of the owned aircraft holdings decreases, this would result in the carrying amount decreasing by the equivalent amount. 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 realizes 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. Hence, SAS would not be credited with an increase of the value of the relevant aircraft. SAS's exposure to the residual value risks and the impairment of the value of the aircraft acquired by SAS presents a significant risk to SAS's financial condition.

Risks relating to the Capital Securities

Risk relating to the nature of the Capital Securities

The Capital Securities are subordinated to most of the Issuer's liabilities

The Capital Securities are intended to constitute deeply subordinated debt obligations of the Issuer. This means that if the Issuer is subject to any dissolution, winding-up, liquidation, restructuring (*företagsrekonstruktion*), administrative or other bankruptcy or insolvency proceedings, the Holders normally receive payment after all other creditors have been paid in full. If the Issuer is declared insolvent and a winding up is initiated, it will be required to pay the holders of senior debt and meet its obligations to all its other creditors (including unsecured creditors of all Subordinated Indebtedness) in full before it can make any payments on the Capital Securities. If this occurs, there is a risk that the Issuer not has enough assets remaining after these payments to pay amounts due under the Capital Securities, which presents a significant risk for a single Holder.

In the event of an Issuer Re-construction, unsecured debt could be subject to a mandatory write-down provided that a qualified majority of the unsecured creditors has approved such write-down. There is a risk that claims in respect of the share capital of the Issuer are not subject to loss absorbing measures under an Issuer Re-construction. Consequently there is a significant risk that the Capital Securities be, partly or completely, written-off, resulting in Holders not recovering its investment in Capital Securities upon an Issuer Re-construction and, thereby, presents a significant risk for the Holders.

In the event of a shortfall of funds on an Issuer Winding-up or Issuer Re-construction, there is a real risk that investor Holder of the Capital Securities will lose all or most of its investment and will not receive any return of the principal amount or any accrued and unpaid interest (including any Deferred Interest). By virtue of such subordination, payments to a Holder will, in the events described in the relevant Terms and Conditions, only be made after all obligations of the Issuer resulting from higher ranking claims have been satisfied. A Holder may therefore recover less than the Holders of unsubordinated or other subordinated liabilities of the Issuer that are senior to the Capital Securities.

Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Capital Securities and each Holder shall, by virtue of its holding of any Capital Security, be deemed to have waived all such rights of set-off, compensation or retention.

Holders of the Capital Securities have very limited rights in relation to the enforcement of payments on the Capital Securities

The Holders' rights of enforcement in respect of payments under the Capital Securities are subject to significant limitations. If a default is made by the Issuer for a period of 30 days or more in relation to the payment of any interest, principal or premium in respect of the Capital Securities which is due and payable, the rights of the Holders in respect of the Capital Securities are limited to instituting proceedings for an Issuer Winding-up, and the Holders may prove and/or claim in respect of the Capital Securities in an Issuer Winding-up. In addition, the Holders shall not be entitled to accelerate payments of interest or principal under the Capital Securities in any circumstances outside an Issuer Winding-up which, present a risk that the Holders does not recover their investments in Capital Securities.

Furthermore, whilst the Holders may institute other proceedings against the Issuer to enforce the terms of the Capital Securities, the Issuer shall not, by virtue of such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

Accordingly, the Holders' rights of enforcement in respect of payments under the Capital Securities are very limited, thus presenting a significant risk for a single Holder.

The Capital Securities have no maturity date

The Capital Securities are perpetual meaning that the Capital Securities have no specified maturity date. The Issuer is not obliged to redeem the Capital Securities at any time and Holders have no option to redeem the Capital Securities at any time. The Issuer may only redeem the Capital Securities in the circumstances described in Clause 11 (*Redemption and repurchase of the Capital Securities*) of the Terms and Conditions.

Holders may be required to bear financial risks of the investment in the Capital Securities for a long period of time and may not recover their investment before a redemption of the Capital Securities (if any) at the discretion of the Issuer (in particular if there is no active trading on the secondary market). Accordingly, there is a risk that

Holders may lose the whole, or parts of, their investment in the event the Issuer chooses to not redeem the Capital Securities.

The Issuer may defer interest payments

The Issuer may, at any time and in its sole discretion (except on an Interest Payment Date on which the Capital Securities are to be redeemed), elect to defer any Interest Payment, in whole or in part, which would otherwise be paid on any Interest Payment Date. If interest is deferred in accordance with the Terms and Conditions, the Issuer has no obligation to make such payment on the relevant Interest Payment Date and any such non-payment of interest does not constitute a default or any other breach of obligations under the Capital Securities, and risks leading to the Holders not receiving a return on their investment.

Any actual or anticipated deferral of interest payments will be likely to have an adverse effect on the market price of the Capital Securities. In addition, as a result of such interest deferral provisions of the Capital Securities, the market price of the Capital Securities may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to the above provisions and may be more sensitive generally to adverse changes in the Issuer's financial condition. The degree to which the market price of the Capital Securities may vary is uncertain and presents a significant risk to the value of, and the possibility to trade, the Capital Securities.

Redemption of the Capital Securities

Upon the occurrence of an Accounting Event, a Substantial Repurchase Event, a Tax Event, a Withholding Tax Event, a Change of Control Event or a Replacing Capital Event, the Issuer may redeem the Capital Securities in whole, but not some only, at any time together with any Deferred Interest and any accrued and unpaid interest. If the Capital Securities are redeemed Holders are entitled to receive a redemption amount, which may exceed the nominal amount of the Capital Securities. There is a risk that the market value of the Capital Securities is higher than the amount received at redemption and that it is not possible for Holders to reinvest such proceeds at an effective interest rate as high as the interest rate on the Capital Securities and may only be able to do so at a significantly lower rate. Accordingly, this presents a significant risk for a single Holder.

Risk relating to the admission of the Capital Securities to trading

There has been no active trading market for the Capital Securities and an established trading market for the Capital Securities may not develop

Pursuant to the Terms and Conditions, the Issuer shall use its best efforts (without assuming any legal or contractual obligation) to apply for the Capital Securities to be admitted to trading on the corporate bond list of Nasdaq Stockholm (or another Regulated Market) but there is a risk that such application will not be accepted or that the Capital Securities will not be so admitted. A failure to obtain such listing risk having a negative impact on the market value of the Capital Securities.

Prior to any admission to trading, there has been no public market for the Capital Securities. Even if a listing will occur, there is a risk that an active trading market for the Capital Securities will not evolve or, if evolved, will not be sustained. The nominal amount of the Capital Securities may not be indicative of their market value after being admitted for trading on Nasdaq Stockholm (or another Regulated Market). Furthermore, following a listing of the Capital Securities, the liquidity and trading price of the Capital Securities may vary substantially as a result of numerous factors, including market fluctuations and general economic conditions and irrespective of the performance of the Issuer and the Group. Capital Securities may be acquired by the Issuer and subsequently be cancelled by the Issuer, provided that the aggregate principal amount of the Capital Securities subject to such cancellation represents eighty (80) percent or more of the aggregate principal amount of the Capital Securities issued (which shall include, for these purposes, any Subsequent Capital Securities). The degree to which the liquidity and the trading price of the Capital Securities may vary is uncertain, and risks leading to the Holders not recovering their investments in the Capital Securities. In addition, transaction costs in any secondary market may be high, which also presents a risk to the Holders not recovering their investments in the Capital Securities.

Therefore, Holders may not be able to sell their Capital Securities at the desired time or at a price level that will provide them with a yield comparable to similar investments that have a developed secondary market. Accordingly, the purchase of Capital Securities is suitable only for Holders who can bear the risks associated with a lack of liquidity in the Capital Securities and the financial and other risks associated with an investment in the Capital Securities. The degree to which the market value of the Capital Securities may vary is uncertain, and presents a significant risk for Holders' investment in the Capital Securities.

Further, if the Issuer fails to procure listing in time, Holders holding Capital Securities on an investment savings account (*investeringsparkonto*) will no longer be able to hold the Capital Securities on such account and, thus, presents a significant risk to such Holder's tax situation.

Other risks relating to the Capital Securities

European Benchmarks Regulation

In order to ensure the reliability of reference rates (such as STIBOR), legislative action at EU level has been taken. Hence, the so-called Benchmark Regulation (Regulation (EU) 2016/1011) entered into force on January 1, 2018. The Benchmark Regulation regulates the provision of reference values, reporting of data bases for reference values and use of reference values within the EU. Since the Benchmark Regulation has only been applicable for a short period of time, the effects of it so far are difficult to assess. However, there are future risks that the Benchmark Regulation affects how certain reference rates are determined and how they are developed. This in conjunction with increased administrative requirements is likely to lead to a reduced number of entities involved in the determination of reference rates, which, in such case, would lead to a certain reference interest ceasing to be published. If this is the case for STIBOR, and e.g. the relevant fall-back solution evident from the Terms and Conditions should not work properly or negatively for either or both of the Issuer or the Holders, this may lead to difficulties with determination and calculating interest which in turn risks leading to costly and time-consuming discussions (and maybe even disputes) in respect of the matter, which in each case risks having an adverse effect on the Capital Securities, the Issuer and/or the Holders.

DESCRIPTION OF THE CAPITAL SECURITIES AND USE OF PROCEEDS

This section is only intended to serve as an introduction to the Capital Securities. Any decision to invest in Capital Securities shall be based on an assessment of all information contained in this Prospectus as well as all documents incorporated herein by reference, the Terms and Conditions of the Notes are found on page 46 to 74 in this Prospectus.

The Capital Securities

The Initial Capital Securities have a Nominal Amount of SEK 1,250,000 each and are denominated in SEK. The aggregate nominal amount of the Initial Capital Securities is SEK 1,500,000,000. In total, 1,200 Initial Capital Securities have been issued. All Initial Capital Securities are issued on a fully paid basis at an issue price of 100 percent of the Nominal Amount.

Subsequent Capital Securities may be issued in accordance with Clause 2.4 of the Terms and Conditions. This Prospectus is prepared solely for the admission to trading of the Initial Capital Securities on Nasdaq Stockholm (or any other Regulated Market), if Subsequent Capital Securities are issued, a new prospectus will be prepared for the admission to trading of such Subsequent Capital Securities.

Subsequent Notes will be issued subject to the Terms and Conditions, including, for the avoidance of doubt, the ISIN, the interest rate, the Nominal Amount and the perpetual nature applicable to the Initial Capital Securities. The issue price of the Subsequent Capital Securities may be set at the Nominal Amount, a discount or a premium compared to the Nominal Amount.

ISIN and common code

The Capital Securities have been allocated the ISIN code SE0012193910. The Capital Securities will also be allocated a trading code upon admission to trading. Such trading code has not been allocated at the date of this Prospectus.

Form of the Capital Securities

The Capital Securities are issued in dematerialized book-entry form and registered on a Securities Account (*värdepapperskonto*) on behalf of the relevant Holder. Hence, no physical securities have been issued. The Capital Securities are registered in accordance with the Central Securities Depositories and Financial Instruments Accounts Act (*lagen (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument*) and registration requests relating to the Capital Securities shall be directed to an Account Operator. The Capital Securities are governed by Swedish law and are unilateral debt instruments intended for public trading (*ensidig skuldförbindelse avsedd för allmän omsättning*) as set out in Chapter 1, section 3 of the Central Securities Depositories and Financial Instruments Accounts Act.

The Capital Securities are freely transferable, but the Holders may be subject to purchase or transfer restrictions with regard to the Capital Securities, as applicable, under local laws to which a Holder may be subject. Each Holder must ensure compliance with such restrictions at its own cost and expense.

Status of the Capital Securities

The Capital Securities are constituted by the Terms and Conditions. The Issuer undertakes to make payments in relation to the Capital Securities and to comply with the Terms and Conditions.

The Capital Securities, including the obligation to pay interest thereon, constitute direct, general, unconditional, unsecured and subordinated obligations of the Issuer. The rights and claims of the Holders in respect of the Capital Securities against the Issuer, are subordinated as described in Clause 3.2 of the Terms and Conditions.

In short, this means that (i) in the event of an Issuer Winding-up, the right of the Holders to receive payments in respect of the Capital Securities will rank *pari passu* without any preference among themselves and with any present or future claims in respect of obligations of the Issuer in respect of Parity Securities; and (ii) in the event of a company re-construction (*företagsrekonstruktion*) of the Issuer under the Company Reorganization Act (*lagen (1996:764) om företagsrekonstruktion*) the right of the Holders to receive payments in respect of the Capital Securities will rank *pari passu* without any preference among themselves and with any present or future claims in respect of obligations of the Issuer in respect of Parity Securities.

See further in Clause 3.2 of the Terms and Conditions.

Issuance, repurchase, redemption and calculation

First Issue Date and Final Maturity Date

The Initial Capital Securities were issued on October 23, 2019. The Capital Securities are perpetual and have no specified maturity date. The Issuer may only redeem the Capital Securities in the circumstances described in Clause 11 (*Redemption and repurchase of the Capital Securities*) of the Terms and Conditions, as described below. Capital Securities are not redeemable at the option of the Holders at any time.

Purchase of Capital Securities by Group Companies

The Issuer or any other Group Company may, subject to applicable regulations, at any time and at any price purchase Capital Securities on the market or in any other way.

Capital Securities held by the Issuer or a Group Company may at such Group Company's discretion be retained or sold or, if held by the Issuer, canceled by the Issuer, provided that the aggregate principal amount of the Capital Securities subject to such cancellation represents eighty (80) percent or more of the aggregate principal amount of the Capital Securities issued (which shall include, for these purposes, any Subsequent Capital Securities).

Voluntary total redemption (call option)

The Issuer may redeem all, but not some only, of the outstanding Capital Securities in full on the First Call Date, which is the date falling five years after the First Issue Date, or on any Interest Payment Date thereafter at an amount per Capital Security equal to 100 percent of the Nominal Amount together with any Deferred Interest and any other accrued and unpaid interest up to (and including) the Redemption Date.

Voluntary Redemption due to an Accounting Event, a Substantial Repurchase Event, a Tax Event or a Withholding Tax Event

Upon the occurrence of an Accounting Event, a Substantial Repurchase Event, a Tax Event or a Withholding Tax Event which is continuing the Issuer may, subject to Clause 12 (*Precondition to Special Event Redemption or Change of Control Event Redemption*) of the Terms and Conditions, redeem all, but not some only, of the Capital Securities at an amount equal to:

- (a) 101 percent of their principal amount, where such redemption occurs before the First Call Date; or
- (b) 100 percent of their principal amount, where such redemption occurs on or after the First Call Date,

together, in each case, with any Deferred Interest and any other accrued and unpaid interest up to (and including) the Redemption Date.

Redemption due to a Replacing Capital Event

Upon the occurrence of a Replacing Capital Event, the Issuer may, subject to Clause 12 (*Preconditions to Special Event Redemption or Change of Control Event Redemption*) of the Terms and Conditions, redeem all, but not some only, of the Capital Securities at any time at an amount equal to:

- (a) 103 percent of their principal amount, where such redemption occurs before the First Call Date; or
- (b) 100 percent of their principal amount, where such redemption occurs on or after the First Call Date,

together, in each case, with any Deferred Interest and any other accrued and unpaid interest up to (and including) the Redemption Date.

Change of Control Event

Upon the occurrence of a Change of Control Event, the Issuer may, no later than the Change of Control Step-up Date, subject to Clause 12 (*Precondition to Special Event Redemption or Change of Control Event Redemption*) of the Terms and Conditions, redeem all, but not some only, of the Capital Securities at an amount equal to:

- (a) 101 percent of their principal amount, where such redemption occurs before the First Call Date; or
- (b) 100 percent of their principal amount, where such redemption occurs on or after the First Call Date,

together, in each case, with any Deferred Interest and any other accrued and unpaid interest up to (and including) the Redemption Date.

Notice of redemption

Redemption in accordance with Clauses 11.3 (Voluntary Total Redemption (call option)), 11.4 (Voluntary Redemption due to an Accounting Event, a Substantial Repurchase Event, a Tax Event or a Withholding Tax Event), 11.5 (Redemption due to a Replacing Capital Event) or 11.6 (Change of Control Event) of the Terms and Conditions shall be made by the Issuer giving not less than 30, and not more than 60 Business Days' notice to the Holders and the Agent, in each case calculated from the effective date of the notice.

See further in Clause 11.7 (*Notice of redemption*) of the Terms and Conditions.

Cancellation of Capital Securities

All Capital Securities which are redeemed pursuant to Clause 11 (*Redemption and repurchase of the Capital Securities*) of the Terms and Conditions and all Capital Securities purchased and elected to be cancelled pursuant to Clause 11.8 (*Cancellation of Capital Securities*) of the Terms and Conditions will be cancelled and may not be reissued or resold.

See further in Clause 11.8 (*Cancellation of Capital Securities*) of the Terms and Conditions.

Payments in respect of the Capital Securities

Any payment or repayment under the Terms and Conditions, or any amount due in respect of a repurchase of any Capital Securities, shall be made to the person whom is registered as a Holder on the Record Date prior to an Interest Payment Date or other relevant payment date, or to such other person who is registered with the CSD on such Record Date as being entitled to receive the relevant payment, repayment or repurchase amount.

See further in Clause 8 (*Payments in respect of the Capital Securities*) of the Terms and Conditions.

Interest, default interest and deferral interest

Interest

Each Initial Capital Security 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 Capital Security 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 (or the First Issue Date if there is no such Interest Payment Date) up to (and including) the relevant Redemption Date.

Interest accrues during an Interest Period. Subject to Clause 10 (*Optional Interest Deferral*) of the Terms and Conditions, Payment of Interest in respect of the Capital Securities shall be made to the Holders on each Interest Payment Date for the preceding Interest Period.

Interest shall be calculated on the basis of the actual number of days in the Interest Period in respect of which payment is being made divided by 360 (actual/360-days basis).

The Interest Rate is calculated as STIBOR plus the applicable Margin (and if any such total rate is below zero then the Interest Rate will be deemed to be zero).

The applicable Margin is:

- (a) in respect of the period from (but excluding) the First Issue Date to (and including) the First Call Date, 8.25 percent per annum; and
- (b) in respect of the period from (but excluding) the any Reset Date, the then prevailing Margin increased by 500 basis points *per annum*.

Step-up after a Change of Control Event

Notwithstanding any other provision of Clause 9 (*Interest*) of the Terms and Conditions, if the Issuer does not elect to redeem the Capital Securities in accordance with Clause 11.6 (*Change of Control Event*) following the occurrence of a Change of Control Event, the then prevailing Interest Rate, and each subsequent Interest Rate otherwise determined in accordance with the provisions of Clause 9 (*Interest*) of the Terms and Conditions, on the Capital Securities shall be increased by 500 basis points *per annum* with effect from (but excluding) the Change of Control Step-up Date up to (and including) the relevant Redemption Date.

Default interest

If the Issuer fails to pay any amount payable by it pursuant to Clause 10.3 (*Mandatory settlement*) or Clause 11 (*Redemption and repurchase of the Capital Securities*) (except for Clause 11.1 (*No maturity*), Clause 11.2 (*Purchase of Capital Securities by Group Companies*) and Clause 11.8 (*Cancellation of Capital Securities*)) of the Terms and Conditions on its due date, default interest shall accrue on the overdue amount from (but excluding) the relevant due date up to (and including) the date of actual payment at a rate which is 200 basis points higher than the Interest Rate. The default interest shall not be capitalized but be payable to each person who was a Holder on the Record Date for the original due date. 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.

Deferral of Interest Payments

The Issuer may, at any time and at its sole discretion, elect to defer any Interest Payment, in whole or in part, on any Interest Payment Date (except on an Interest Payment Date on which the Capital Securities are to be redeemed) by giving notice of such election to the Holders, the Issuing Agent and the Agent in accordance with Clause 23 (*Notices*) of the Terms and Conditions not less than seven Business Days prior to the relevant Interest Payment Date. Notwithstanding the foregoing, failure to give such notice shall not prejudice the right of the Issuer to defer any Interest Payment as described above.

See further in Clause 10 (*Optional Interest deferral*) of the Terms and Conditions.

Use of benchmarks

Interest payable for the Capital Securities will be calculated by reference to STIBOR. This benchmark is provided by the Swedish Bankers' Association and/or its wholly owned subsidiary Financial Benchmarks Sweden AB. At the date of this Prospectus, neither of the Swedish Bankers' Association and Financial Benchmarks Sweden AB appears on the register of administrators and benchmarks maintained by ESMA pursuant to Article 36 of the Benchmarks Regulation. As far as the Issuer is aware, the provisions in Article 51 of the Benchmarks Regulation apply such that the Swedish Bankers' Association or Financial Benchmarks Sweden AB is not yet required to obtain authorization or registration.

Admission to trading of the Capital Securities

The Issuer has the intention and shall use its best efforts (without assuming any legal or contractual obligation) to ensure (i) that the Initial Capital Securities are admitted to trading on the corporate bond list of Nasdaq Stockholm or, if such admission to trading is not possible to obtain or maintain, admitted to trading on another Regulated Market within thirty (30) days after the First Issue Date, (ii) that any Subsequent Capital Securities are admitted to trading on the corporate bond list of Nasdaq Stockholm (or, if applicable, any other Regulated Market on which the Initial Capital Securities are listed) within thirty (30) days following the relevant subsequent issue date, and (iii) that the Capital Securities, once admitted to trading on Nasdaq Stockholm (or, if applicable, any other Regulated Market), continue being listed thereon. The aforementioned shall however not apply from and including the last day on which the admission reasonably can, pursuant to the then applicable regulations of the Regulated Market and the CSD, subsist.

It is estimated that the Issuer's costs in conjunction with the admission to trading will be no higher than SEK 520,000.

Decisions by Holders

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

Only a person who is, or who has been provided with a power of attorney in accordance with the Terms and Conditions from a person who is, registered as a Holder:

- (a) on the Business Day specified in the notice pursuant to Clause 16.2.2 of the Terms and Conditions, in respect of a Holders' Meeting or
- (b) on the Business Day specified in the communication pursuant to Clause 16.3.2 of the Terms and Conditions, in respect of a Written Procedure;

may exercise voting rights as a Holder at such Holders' Meeting or in such Written Procedure, provided that the relevant Capital Securities are included in the Adjusted Nominal Amount.

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

Information about decisions taken at a Holders' Meeting or by way of a Written Procedure shall promptly be published on the websites of the Issuer 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 Holders' Meeting or Written Procedure shall at the request of a Holder be sent to it by the Issuer or the Agent, as applicable.

See further in Clause 16 (*Decisions by Holders*) of the Terms and Conditions.

No direct action by Holders

Subject to certain exemptions set out in the Terms and Conditions, a Holder may not take any steps whatsoever against the Issuer to enforce or recover any amount due or owing to it pursuant to the Finance Documents, or to initiate, support or procure the winding-up, dissolution, liquidation, company reorganization (*företagsrekonstruktion*) or bankruptcy (*konkurs*) (or its equivalent in any other jurisdiction) of the Issuer in relation to any of the obligations and liabilities of the Issuer under the Terms and Conditions.

Prescription

The right to receive repayment of the principal of the Capital Securities shall be prescribed and become void ten (10) years from the relevant Redemption Date. The right to receive payment of interest (excluding any capitalized 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 Holders' right to receive payment has been prescribed and has become void.

Governing law

The Terms and Conditions of the Notes 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 District 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 Capital Securities.

The Agent and the Agency Agreement

Intertrust (Sweden) AB, Swedish Corporate ID. 556625-5476, P.O. Box 16285, SE-103 25 Stockholm, Sweden, is initially acting as Agent on behalf of the Holders in accordance with the Terms and Conditions.

Pursuant to the Agency Agreement that was entered into on or before the First Issue Date between the Issuer and the Agent, the Agent has undertaken to represent the Holders in accordance with the Terms and Conditions. The Issuer has undertaken to, among other things, pay certain fees to the Agent.

The Issuing Agent

Skandinaviska Enskilda Banken AB (publ), Swedish Corporate ID. 502032-9081, Kungsträdgården 8, SE-106 40 Stockholm, Sweden, is initially acting as Issuing Agent in accordance with the Terms and Conditions of the Capital Securities.

Use of proceeds

The Issuer shall use the Net Proceeds from the issue of Capital Securities for its general corporate purposes, including refinancing of financial indebtedness and funding of aircraft acquisitions.

INDUSTRY AND MARKET OVERVIEW

The Prospectus contains certain market and industry data from third parties. This information has been accurately reproduced and that as far as SAS is aware and is able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. However, SAS has not independently verified the information and therefore, the accuracy and completeness cannot be guaranteed.

SAS's market position is described in some places in the Prospectus. This information is based on the SAS's turnover and/or available seat kilometers ("ASK") number of offered seats and number of passengers in relation to SAS's 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 characterized by intense competition and stringent streamlining requirements, it is also characterized by healthy growth. Continuous efficiency enhancements in combination with the liberalization of the industry in the 1990s contributed to fundamental changes in the airline industry.

New business models have required existing airlines to implement additional streamlining measures. The pressure to continue enhancing efficiency is also expected to continue characterizing the industry moving forward. In parallel, the airline industry has posted healthy traffic growth for many years. Since the 1970s, global airline traffic has risen by approximately 6 percent per year¹ and, moving forward, continued advantageous growth is expected of about 4.4 percent each year.² Revenue from the Scandinavian air travel market is estimated to amount to about SEK 110 bn annually, with approximately 100 million 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 Scandinavia's economic prosperity, numerous internationally successful companies and its geography. The region is characterized by relatively long distances between reasonably small towns, many small airports and highly mountainous topography where the land masses are largely surrounded by sea. This makes other forms of transport time-consuming and inefficient. At the same time, Scandinavia's small population means that there are a limited number of routes that can be operated with multiple daily departures of larger aircraft. In addition, the Scandinavian market is also subject to high market seasonality, with a spike of demand in July. To be able to offer a broad network and high frequencies, an airline requires a flexible operating model consisting of aircraft of various sizes, optimized for different types of traffic flow. There is also increasing interest in Scandinavia as a leisure destination for travelers from other parts of the world, with many airlines operating their Scandinavian traffic from outside of Scandinavia.

The Scandinavian market has grown around 5 percent per year thus far in the 21st century,³ 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. Going forward, SAS expects the demand for air travel in Scandinavia to keep increasing, although at a slightly lower pace.

A clear trend during the 2000s was the growth of low cost carriers 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.

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.

¹ Source: The World Bank.

² Source: Airbus Forecast 2038, Embraer Forecast 2038.

³ Source: IATA DDS (Direct Data Solutions).

The airline industry in Europe has been gradually liberalized 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. In addition, the European market remains fragmented, in contrast to the U.S. market where a large consolidation of airlines has taken place, adding to the challenges for European airlines.

The airline industry is capital and labor-intensive, with a majority of fixed costs. This combined with the fact that a large proportion of sales occur close to departures, means that 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

The Issuer is the parent company of the Group. SAS's core business is to operate passenger flights on an extensive Scandinavian and international route network. SAS's three main operational hubs in Copenhagen, Stockholm and Oslo form the backbone of its flight network. Airline operations are SAS's primary business, carried out by Scandinavian Airlines System Denmark – Norway – Sweden (the "SAS Consortium"), Scandinavian Airlines Ireland Limited (SAIL) as well as through aircraft which are wet leased by SAS and operated by external production companies under the SAS brand (for these purposes "Scandinavian Airlines"). Scandinavian Airlines is one of Scandinavia's leading airlines for flights to, from and within Scandinavia, in terms of share of seat capacity per country and continues to strengthen its position.⁴ In the financial year ended October 31, 2018, a total of more than 30 million travelers flew with Scandinavian Airlines. As Scandinavian competitors are reducing capacity, this results in an increase of SAS's market share. As a result, SAS has been able to maintain its size while expanding its network and number of passengers in recent years, with an increase in the number of routes by 33 percent, and a 40 percent increase in the number of passengers, since 2012.

SAS Cargo is one of the leading providers of air freight solutions to, from and within Scandinavia. SAS Cargo's services are based on the cargo capacity of SAS's network, supplemented by dedicated truck operations. 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 utilize the cargo holds of aircraft on SAS's passenger flights, particularly its intercontinental flights, to transport merchandise, spare parts and other items for a wide customer base that includes Scandinavian corporations and other third parties. In addition, SAS Cargo has entered into a number of commercial agreements and alliances with other cargo carriers.

SAS Ground Handling provides services including baggage handling at the three hubs in Copenhagen, Stockholm and Oslo, a variety of automated and personal check-in services, boarding management and centralized departure and arrival control services. At other airports, SAS contracts ground handling services from subcontractors. In addition, SAS Ground Handling maintains agreements with certain external airlines for its ground services, primarily at SAS's hub airports, Copenhagen – Kastrup Airport, Stockholm – Arlanda Airport and Oslo – Gardermoen Airport. The outsourcing provides greater flexibility in SAS's cost and planning structure and means network changes can be implemented more quickly.

SAS Maintenance Production offers technical maintenance of aircraft and engines at six airports in Scandinavia, for SAS and other airlines.

SAS also has EuroBonus, which is one of Scandinavia's largest travel-related loyalty program and forms the core of SAS's efforts to establish a closer relationship with its customers. EuroBonus had 5.6 million members and more than 100 partners, which represents a valuable customer database.

SAS has an ongoing efficiency enhancement program that promotes efficiency within SAS's entire organization. Since 2013, SAS has delivered over SEK 6.4 bn in efficiency improvements, with additional efficiency improvements of SEK 0.9 bn expected to be realized by 2020.

Fleet

As of July 31, 2019, SAS's fleet consisted of a total of 161 aircraft, of which 53 aircraft were owned, and 108 leased. The fleet comprises 16 long-haul aircraft, 111 short-haul aircraft, and 34 regional jets. Of the leased aircraft, 34 aircraft are wet leased by SAS and operated by external production companies under the SAS brand.

Alliances and strategic cooperation arrangements

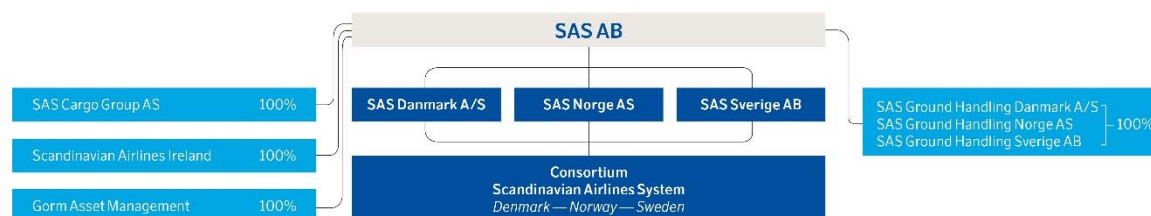
The Group is a member of the Star Alliance, which is the cornerstone of SAS's global partner and network strategy, offering SAS's customers reliable travel products and services worldwide. Star Alliance brings together 26 member airlines, offering more than 18,800 daily departures. Its combined fleet of over 4,700 airplanes flies to more than 1,317 destinations in 193 countries worldwide, making it the largest global airline alliance.

The Group has multiple bilateral agreements with airlines outside the Star Alliance, which include codesharing agreements, interlining agreements and special pro rata agreements.

⁴ Source: Innovata Schedule Data.

Legal group structure

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



The Issuer is dependent on the SAS Consortium, as the majority of the Group's operations and assets are included in the SAS Consortium.

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 Luftfartselskap A/S (DNL), the Issuer's Norwegian parent company is founded.
1946	The Issuer is formed from DDL, DNL and Svensk Interkontinental Lufttrafik AB (SILA). The first intercontinental flight Stockholm - New York.
1951	DDL, DNL and ABA form the present the SAS Consortium.
1955	SILA (which owned 50 percent 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 percent 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. Harmonization and name change of SAS's 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 percent 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 percent of SAS Component to Singapore Technologies Engineering. Furthermore Carlson Hotels acquires a 25 percent 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 approximately SEK 6 bn was carried out to implement the 'Core SAS' strategy.
2010	To further strengthen the financial preparedness and complete Core SAS a rights issue of approximately SEK 5 bn 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 percent of Widerøe.

2014	SAS completed a SEK 3.5 bn issue of preference shares. Acquisition of 100 percent of Cimber A/S and sale of Blue Travel Services and call center 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 percent of Widerøe. The Group completed the sale of 100 percent 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 wholly owned subsidiary airline with air operator certificate (AOC) in Ireland, named Scandinavian Airlines Ireland Limited.
2018	The Group places order for an additional 50 Airbus A320neo aircraft to create a single-type fleet The Norwegian government divested its 9.9 percent shareholding in the Issuer. The Group and Preem AB signed a letter of intent to secure future production of biofuel. The Group's ambition is to only use bio jet-fuel on domestic routes by 2030.
2019	SAS divested its 37.5 percent ownership in Air Greenland A/S to the Government of Greenland. The Group and Airbus S.A.S signed a memorandum of understanding regarding research into hybrid and electric aircraft eco-system and infrastructure requirements.

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 and its legal entity identifier (LEI) code is 549300ZJTLE5T4SGP021. The registered office of the board is located in Stockholm, Sweden. The registered postal address of the Issuer is Frösundaviks allé 1, SE-195 87 Stockholm, Sweden. The Issuer's website is <https://www.sasgroup.net/en/>. The information on the Issuer's website does not form part of this Prospectus unless such information is incorporated by reference into this Prospectus.

The Issuer was incorporated in Sweden on January 30, 2001 and registered with the Swedish Companies Registration Office (*Bolagsverket*) on February 23, 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 shares, subordinated shares and Class C-shares. The Issuer's share capital is SEK 7,689,909,275.10 represented by 389,582,551 shares. Each share has a quotient value of SEK 20.10. There are no subordinated shares or Class C-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 August 31, 2019, the ten largest shareholders held around 49.75 percent of the share capital and the votes in the Issuer. The Issuer's largest shareholder as of August 31, 2019 was the Government of Sweden.

Shareholder	Share capital (percent)	Votes (percent)
Government of Sweden	14.82	14.82
Government of Denmark	14.24	14.24
Knut och Alice Wallenbergs Stiftelse	6.50	6.50
Gerald Engström (shares held directly and indirectly)	4.07	4.07
Dimensional Fund Advisors	3.16	3.16
Wellington Management	1.98	1.98
Avanza Pension	1.60	1.60
Vanguard	1.36	1.36
Gladiator	1.18	1.18
Swedbank Försäkring	0.84	0.84

The Government of Sweden has indicated that it does 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, Group Management and auditor

Board of Directors

The board of directors of the Issuer consists of eleven members, eight of which are elected by the annual general meeting, with 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
Carsten Dilling	Chairman
Dag Mejdell	Member
Monica Caneman	Member
Liv Fiksdahl	Member
Lars-Johan Jarnheimer	Member
Sanna Suvanto-Harsaae	Member
Kay Kratky	Member
Oscar Stege Unger	Member
Endre Røros	Employee representative
Cecilia van der Meulen	Employee representative
Christa Ceré	Employee representative
Pål Gisle Andersen	Employee representative (deputy member)
Kim John Christiansen	Employee representative (deputy member)
Lisa Kemze	Employee representative (deputy member)
William Nielsen	Employee representative (deputy member)
Joacim Olsson	Employee representative (deputy member)
Jan Levi Skogvang	Employee representative (deputy member)

Carsten Dilling

Born 1962. Chairman of the Board since 2018. 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: Chairman of NNIT A/S and Icotera A/S, vice chairman of Højgaard Holding A/S and Board member of Terma A/S and MTH Group A/S.

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, International Post Corporation and Telecomputing.

Monica Caneman

Born 1954. Member of the Board since 2010.

Education: MBA, Stockholm School of Economics.

Other on-going assignments/positions: Chairman of Euroclear Sverige AB and of the Nasdaq AB Listing Committee.

Liv Fiksdahl

Born 1965. Member of the Board of since 2018.

Education: Finance and management at Trondheim Business School. Finance and management at Trondheim Business School.

Other on-going assignments/positions: Posten Norge AS and Nille AS.

Lars-Johan Jarnheimer⁵

Born 1960. Member of the Board since 2013.

Education: B.Sc. in Business Administration and Economics, Lund and Växjö universities.

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

⁵ On October 20, 2019, it was announced that Lars-Johan Jarnheimer was nominated as chairman of board of Telia Company AB.

Sanna Suvanto-Harsaae

Born 1966. Member of the Board since 2013.

Education: M.Sc. in Business and Economics, Lund University.

Other on-going assignments/positions: Chairman of Altia Oyj, BoConcept AS, TCM Group AS, Babysam AS, Nordic Pet Care Group AS, Workz AS och Footway AB. Vice Chairman of Paulig Oyj. Board member of CEPOS and Broman Group Oyj.

Kay Kratky

Born 1968. Member of the Board since 2019.

Education: Mechanical engineering, Technische Hochschule Darmstadt.

Other on-going assignments/positions: Member of the executive board of the Austrian Aviation Association, President of the Aviation Initiative for Renewable Energy in Germany e.V. and chairman of the advisory board of Caphenia GmbH.

Oscar Stege Unger

Born 1975. Member of the Board since 2018.

Education: Master of Science in Business Administration and Bachelor of Science in Economics at Stockholm University.

Other on-going assignments/positions: Director of Wallenberg Foundation AB.

Endre Røros

Born 1972. Employee representative Member of the Board since 2018.

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.

Christa Ceré

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

Employed at Scandinavian Airlines in Denmark.

Pål Gisle-Andersen

Born 1958. Deputy employee representative.

Kim John Christiansen

Born 1963. Deputy employee representative.

Lisa Kemze

Born 1959. Deputy employee representative.

William Nielsen

Born 1962. Deputy employee representative.

Joacim Olsson

Born 1968. Deputy employee representative.

Jan Levi Skogvang

Born 1959. Deputy employee representative.

Group Management

The Group 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 Group Management.

Name	Position
Rickard Gustafson	President and Chief Executive Officer
Simon Pauck Hansen	Executive Vice President and Chief Operating Officer
Kjetil Håbjørg	Executive Vice President and Chief Service Officer
Karl Sandlund	Executive Vice President and Chief Commercial Officer
Mattias Forsberg	Executive Vice President and Chief Information Officer
Torbjørn Wist	Executive Vice President and Chief Financial Officer
Carina Malmgren Heander	Executive Vice President and Chief of Staff

Rickard Gustafson

Born 1964. President and Chief Executive Officer. Member of Group Management since 2011.

Education: Master of Science, Industrial Economics.

Other on-going assignments/positions: Chairman of Aleris and board member of FAM AB.

Simon Pauck Hansen

Born 1976. Executive Vice President and Chief Operating Officer. Member of Group Management since 2019.

Education: Diploma in Business Administration with major in Marketing from Copenhagen Business School (HD).

Other on-going assignments/positions: None

Kjetil Håbjørg

Born 1972. Executive Vice President and Chief Service Officer. Member of Group management since 2019.

Education: Executive MBA, Master in Strategic Management, from the Norwegian Business School.

Other on-going assignments/positions: Board member of NHO Luftfart.

Karl Sandlund

Born 1977. Executive Vice President and Chief Commercial Officer. Member of Group management 2014.

Education: M.Sc. in Industrial Engineering and Management from Linköping University.

Other on-going assignments/positions: Board member of Storebrand ASA.

Mattias Forsberg⁶

Born 1972. Executive Vice President and Chief Information Officer. 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: None.

Torbjørn Wist

Born 1968. Executive Vice President and Chief Financial Officer. Member of Group Management since 2018.

Education: Business degree from Richard Ivey School of Business at the University of Western Ontario in London, Canada.

Other on-going assignments/positions: None.

Carina Malmgren Heander

Born 1959. Executive Vice President and Chief of Staff. Member of SAS Group Management since 2015.

Education: MBA, Linköping University.

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

⁶ On October 1, 2019, it was announced that Mattias Forsberg will leave his position as Executive Vice President and Chief Information Officer at SAS. Mattias Forsberg will take up his position by February 2020, at the latest.

Auditors

KPMG AB (P.O. Box 382, 101 27 Stockholm, Sweden) is the Issuer's auditor since the 2019 annual general meeting. Toms Gerhardsson, born 1969, is the auditor in charge since the 2019 annual general meeting. Toms Gerhardsson is an authorized public accountant and member of FAR, the professional institute for accountants in Sweden.

PricewaterhouseCoopers AB (SE-113 97 Stockholm, Sweden) was the Issuer's auditor since the 2013 annual general meeting, until the 2019 annual general meeting. Bo Hjalmarsson, born 1960, was the auditor in charge from the 2013 annual general meeting until the 2019 annual general meeting. Bo Hjalmarsson is an authorized public accountant and member of FAR, the professional institute for accountants in Sweden.

Other information regarding the Board of Directors and Group Management***Business address***

The address for all members of the board of directors and members of the Group 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 Group Management of the Group has any private interest that might conflict with the Issuer's interests.

LEGAL CONSIDERATIONS AND SUPPLEMENTARY INFORMATION

Approval by the Swedish Financial Supervisory Authority

The Prospectus has been approved by the Swedish Financial Supervisory Authority (*Finansinspektionen*) (the “**SFSA**”) pursuant to Article 20 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC. The SFSA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Regulation (EU) 2017/1129. The SFSA’s approval should not be considered as an endorsement of the Issuer that is the subject of this Prospectus, nor should it be considered as an endorsement of the quality of the securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the securities.

Authorization and responsibility

The Issuer has obtained all necessary resolutions, authorizations and approvals required in conjunction with the Capital Securities and the performance of its obligations relating thereto. The issuance of the Initial Capital Securities on October 23, 2019 was authorized by a resolution by the board of directors of the Issuer on September 23, 2019.

The Issuer accepts responsibility for the information contained in this Prospectus and declares that, to the best of its knowledge, the information contained in this Prospectus is in accordance with the facts and the Prospectus makes 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 contained in this Prospectus and declares that, to the best of its knowledge, the information contained in this Prospectus is in accordance with the facts and the Prospectus makes no omission likely to affect its import.

Material contracts

The following is a summary of all material contracts currently in full force and effect into which SAS has entered outside of the ordinary course of its business and which could result in SAS being under an obligation or entitlement that is material to its ability to meet its obligations to Holders in respect of the Capital Securities.

The Consortium Agreement

The SAS Consortium is a consortium established through a consortium agreement originally dated February 8, 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 Consortium Agreement, the validity of which has been extended at certain intervals, is presently effective up to and including September 30, 2040. In the event that the Consortium Agreement expires, is not extended or is terminated prior to expiring, the Constituent Companies shall remain jointly and severally liable for the obligations and liabilities incurred by the SAS Consortium. 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.

Star Alliance

The membership in Star Alliance is the cornerstone of SAS’s global partner and network strategy. Star Alliance is structured as a network of bilateral and multilateral agreements that are entered into between its individual members. At the date of this Prospectus, the Star Alliance has 26 member airlines that together offer 18,800 daily flights to 193 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.

Divestment of Air Greenland

In May 2019, SAS divested its 37.5 percent ownership in Air Greenland A/S to the Government of Greenland. The transaction was a result of several years of discussions and negotiations, ending an era of ownership which dated back over 50 years. Under the agreement, the purchase price amounted to DKK 277 million in cash. The transaction price was slightly above the book value, resulting in a marginal capital gain for SAS.

Financing

Credit facility UBS

On February 7, 2014, SAS announced 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's creditworthiness at the time of every utilization. The facility was extended in June 2016 and in January 2018, and is available to SAS until January 2021. The credit facility is subject to, among other things, common undertakings (including negative undertakings) and terms.

2001 EMTN program

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

Senior unsecured bond

In November 2017, SAS issued a senior unsecured bond, with a 5.375 percent fixed rate coupon in the total nominal amount of MSEK 1,500. In June 2018, SAS completed a tap issue in the amount of MSEK 750, thereby increasing the total nominal amount of the bond to MSEK 2,250. The bonds have a tenor of 5 years following the initial issue, meaning that the final maturity of the bonds is November 2022.

Legal and arbitration proceedings

Dispute with the European Commission and related disputes

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 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. SAS has appealed the European Commission's decision and a hearing was held in CJEU in July 2019. Judgement is expected before the end of 2019.

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 Netherlands and Norway. SAS contests its responsibility in all of these legal processes. Unfavorable 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.

Danish pension dispute

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 CAU fund citing that the CAU fund is a defined-benefit supplementary plan. The District 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 and the parties are awaiting the appeal court proceedings.

Disputes following the pilot strike in 2019

Following the pilot strike in April and May 2019, affected customers turned to SAS for standardized compensation under the Flight Compensation Regulation. SAS disputed its liability to compensate the customers with reference to the strike being an extraordinary circumstance. In August 2019, the Swedish National Board for Consumer Disputes (*Allmänna reklamationsnämnden*) ruled in favor of SAS. This notwithstanding, a number of customers and claim firms have brought claims against SAS in national courts in several EU member states. In August 2019, a claim firm representing a large number of affected customers initiated court proceedings in

Denmark and Sweden against SAS, asking the courts to request a preliminary ruling from the CJEU on whether the strike was an extraordinary circumstance. If any of the courts should refer the question to the CJEU, the proceedings could take several years. If the CJEU rules against SAS, SAS could be liable to pay compensation to passengers affected by the strike. As the pilot strike affected 4,000 departures and 370,000 customers, there is a risk that SAS is deemed liable to compensate passengers affected, which in total may encompass significant amounts.

Certain material interests

The Joint Bookrunners (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 Bookrunners having previously engaged, or in the future engaging, in transactions with other parties, having multiple roles or carrying out other transactions for third parties.

Mannheimer Swartling Advokatbyrå is SAS's legal advisor in connection with the issuance and listing of the Initial Capital Securities.

Trend information

There has been no material adverse change in the prospects of the Issuer since January 28, 2019, being the date of its last published audited financial statements.

There has been no significant change in the financial performance of the Group since July 31, 2019, being the end of the last financial period for which financial information has been published to the date of this Prospectus.

Significant changes since July 31, 2019

There has been no significant change in the financial position of the Group since July 31, 2019, being the end of the last financial period for which financial information of the Issuer has been presented.

Incorporation by reference and presentation of financial information

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

Annual Report November 2016–October 2017⁷	<p>Consolidated statement of income including statement of other comprehensive income on page 62;</p> <p>Statement of income excluding other comprehensive income – quarterly breakdown on page 63;</p> <p>Consolidated balance sheet on page 64;</p> <p>Consolidated statement of changes in equity on page 64;</p> <p>Consolidated cash-flow statement on page 65;</p> <p>Notes to the financial statements on pages 66–100; and</p> <p>Auditor’s report on pages 102–105.</p>
Annual Report November 2017–October 2018⁸	<p>Consolidated statement of income including statement of other comprehensive income on page 62;</p> <p>Statement of income excluding other comprehensive income – quarterly breakdown on page 63;</p> <p>Consolidated balance sheet on page 64;</p> <p>Consolidated statement of changes in equity on page 64;</p> <p>Consolidated cash-flow statement on page 65;</p> <p>Notes to the financial statements on pages 66–100; and</p> <p>Auditor’s report on pages 102–105.</p>
2019 Q3 Interim Report⁹	<p>Consolidated statement of income on page 8;</p> <p>Consolidated balance sheet on page 9;</p> <p>Consolidated cash flow statement on page 11; and</p> <p>Notes on pages 13–17.</p>

Information in the above documents that is not incorporated by reference is either deemed by the Issuer not to be relevant for Holders or is covered elsewhere in the Prospectus.

This Prospectus contains SAS’s audited consolidated historical financial statements for the financial years ended October 31, 2017 and 2018, respectively, which have been prepared in accordance with the Annual Accounts Act, recommendation RFR 1 – *Supplementary Accounting Rules for Corporate Groups*, and the International Financial Reporting Standards (“IFRS”) as endorsed in the European Union based on Regulation (EC) No 1606/2002 and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). The audited consolidated historical financial statements for the financial years ended October 31, 2017 and 2018, respectively, have been audited by the Group’s former auditor PricewaterhouseCoopers AB.

This Prospectus also contains unaudited interim consolidated financial statements for the period November 1, 2018 to July 31, 2019 (with comparative figures for the period November 1, 2017 to July 31, 2018). The unaudited interim consolidated financial statements for the period November 1, 2018 to July 31, 2019 has not been audited or reviewed.

In addition, this Prospectus contains certain financial information pertaining to the financial years ended October 31, 2012–2016 as well as certain alternative performance measures. Please see “*Certain financial and other information*” for additional information.

⁷ <https://www.sasgroup.net/en/wp-content/uploads/sites/2/2018/01/2017eng.pdf>.

⁸ <https://www.sasgroup.net/en/wp-content/uploads/sites/2/2019/01/sas-sas-annual-report-fiscal-year-2018-190129.pdf>.

⁹ <https://www.sasgroup.net/en/wp-content/uploads/sites/2/2019/08/sas-improved-operational-performance-in-peak-summer-season-190827.pdf>.

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.

Unless otherwise stated, no information in this Prospectus has been audited or reviewed by the Issuer's current or previous auditor.

Credit rating

The independent credit rating agencies Standard and Poor's, Moody's and Rating and Investment Information Inc have rated the Issuer. Credit rating is a way of evaluating credit risk. Standard & Poor and Moody's are registered under Regulation (EC) No. 1060/2009 (as amended) (the "CRA Regulation"). At the date of this Prospectus, Rating and Investment Information is not registered under the CRA Regulation.

At the date of this Prospectus the Issuer has the following rating.

Credit rating institute	Corporate credit rating
Moody's	B1
Rating and Investment Information	B+
Standard & Poor's	B+

The following table sets out the rating scales of Moody's, Rating and Investment Information and Standard & Poor's, respectively.

Moody's rating scale

Aaa	Baa1	B2
Aa1	Baa2	B3
Aa2	Baa3	Caa1
Aa3	Ba1	Caa2
A1	Ba2	Caa3
A2	Ba3	Ca
A3	B1	C

Rating and Investment Information rating scale

AAA	BBB	CCC
AA	BB	CC
A	B	D

A plus (+) or minus (-) sign may be appended to the categories from AA to CCC to indicate relative standing within each rating category. The plus and minus signs are part of the rating symbols.

Standard & Poor's rating scale

AAA	BBB+	B-
AA+	BBB-	CCC+
AA	BB+	CCC
AA-	BB	CCC-
A+	BB-	CC
A	B+	C
A-	B	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

The Issuer's Articles of Association are available at the Issuer's website.¹⁰

¹⁰ <https://www.sasgroup.net/en/wp-content/uploads/sites/2/2014/09/Articles-of-Association-for-SAS-AB-2014-English.pdf>.

CERTAIN FINANCIAL AND OTHER INFORMATION

In the following, certain financial information in respect of revenue, EBT (income before tax) and EBIT margin is presented. The information pertaining to the financial years ended October 31, 2017 and 2018 has been derived from SAS's Annual Reports for the financial years 2017 and 2018, respectively (incorporated by reference into this Prospectus). The information pertaining to the financial years ended October 31, 2012–2016 has been derived from SAS's Annual Reports for the financial years 2012, 2013, 2014, 2015 and 2016, respectively.¹¹ The information pertaining to the interim periods ending July 31, 2018 and 2019 has been derived from SAS's Interim Report November 2018–July 2019 (incorporated by reference into this Prospectus).

For certain additional information, please refer to “*Incorporation by reference and presentation of financial information*” in “*Legal considerations and supplementary information*”.

Revenue development

The below graph sets forth SAS's revenue development since 2012.



Note: The financial year 2012 was shortened and encompasses the period January 1–October 31, 2012.

EBT development

The below graph sets forth SAS's EBT development since 2012.

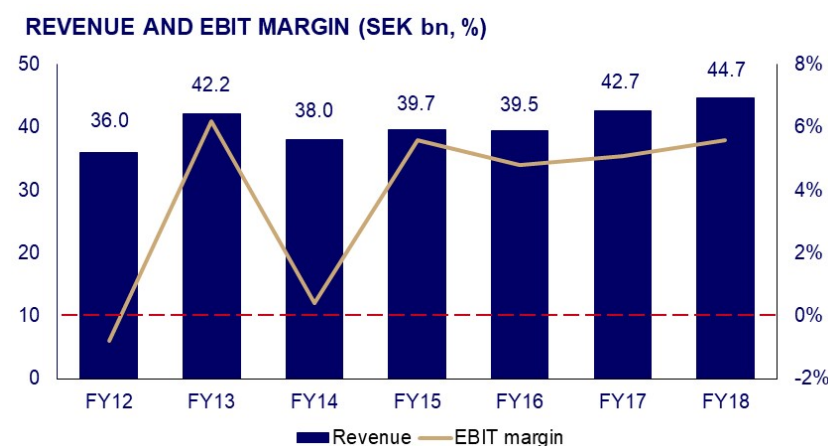


Note: The financial year 2012 was shortened and encompasses the period January 1–October 31, 2012.

¹¹ SAS's Annual Reports for the financial years 2012, 2013, 2014, 2015 and 2016 are available on SAS's website, www.sasgroup.net/en/category/investor-relations/financial-reports/annual-reports/.

EBIT margin

As a result of SAS's transformation and successful efficiency programs, SAS has, over the last years, yielded tangible results. Stable growth and probability on the back of a proven operating model has resulted in a positive revenue and EBIT margin development. The below graph sets forth SAS's revenue and EBIT margin development, respectively, since 2012.

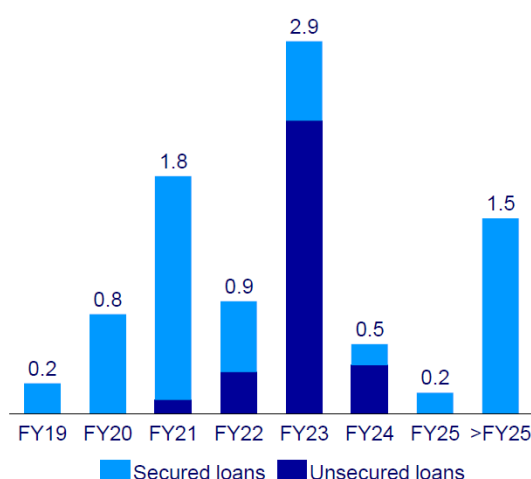


Note: The financial year 2012 was shortened and encompasses the period January 1–October 31, 2012. In the financial years ended October 31, 2012–2018, SAS's EBIT totaled MSEK -286, MSEK -155, MSEK 153, MSEK 2,225, MSEK 1,892, MSEK 2,187 and MSEK 2,521, respectively.

SAS's debt maturity profile

SAS can use bank loans, bonds, convertible bonds, subordinated loans, export credits and leasing as sources of financing. SAS's debt maturity profile is further set out in the graph below.

Maturity profile, SEKbn



Alternative performance measures

SAS uses various key figures, including alternative performance measures ("APMs"), for internal analysis purposes and for external communication of the operations' results, performance and financial position. The aim of the APMs is to illustrate the performance measures tailored to operations that, in addition to the other key figures, enable various stakeholders to more accurately assess and value SAS's historical, current and future performance and positions. The key figures support stakeholders in their assessment of SAS's earnings and performance.

The APMs facilitate comparison between different periods and are used for internal analysis of the business's performance, development and financial position, and are therefore deemed to provide valuable information to external stakeholders, such as investors, analysts, rating agencies and others. The APMs reported by SAS can, by

definition, differ from similarly named metrics presented by other companies and, accordingly, are not always comparable.

Return on invested capital and financial preparedness are calculated using averages of the qualifying periods' balance-sheet items. Average balance-sheet items comprise the accumulated average from the start of the year, calculated on a monthly basis. The return on invested capital is calculated using net capitalized leasing costs, whereby operational leasing commitments for aircraft are taken into consideration. Return on invested capital, that is based on capitalized leasing costs (x7), SAS's level of debt is raised to a level that would correspond to a situation where aircraft under operating leases would instead be owned or under finance leases. In the airline industry, capitalized leasing costs (x7) is an established method for estimating unrecognized liabilities pertaining to operating leases for aircraft.

All APMs presented below are reported on 12-month rolling basis.

%	Aug 1, 2018– July 31, 2019	Aug 1, 2017– July, 31 2018	Nov 1, 2017– Oct 31, 2018	Nov 1, 2016– Oct 31, 2017
EBIT margin	2.0	5.4	5.7	5.1
EBITDAR margin	13.0	15.8	15.5	14.0
Return on invested capital	7.3	13.0	13.6	12.8
Financial preparedness	33.1	36.3	42.4	37.2

Definitions and explanations

Measure	Definition	Explanation
EBIT margin	EBIT (operating income) divided by revenue.	The EBIT margin is used to measure operating profitability.
EBITDAR margin	EBITDAR (Operating income before tax, net financial items, income from the sale of fixed assets, share of income in affiliated companies, depreciation and amortization, and leasing costs for aircraft) divided by revenue	The EBITDAR margin is a common measure in the airline industry as it shows operating efficiency and profitability that is not affected by choice of financing structures for aircraft
Return on invested capital (ROIC)	EBIT plus the standard interest portion corresponding to 33% of net operating leasing costs in relation to average shareholders' equity, net financial debt and net capitalized leasing costs.	The Return on invested capital target corresponds with the capital markets' and SAS's internal assessment of SAS's weighted average cost of capital (WACC). This is also linked to SAS's dividend policy for holders of common shares, which stipulates that dividends can be paid when value is created through SAS's ROIC exceeding its WACC.
Financial preparedness	Cash and cash equivalents, excluding receivables from other financial institutions, plus unutilized credit facilities in relation to fixed costs. In this ratio, fixed costs are defined as payroll and other operating expenses, except jet-fuel costs and government user fees, as well as leasing costs for aircraft.	The financial preparedness metric sets a requirement for available liquidity to correspond to fixed costs for a three-month period to thereby secure SAS's solvency and freedom of action in case of major unforeseen events, both internal and external.

Reconciliation of alternative performance measures

EBITDAR margin

SEK million	Aug 1, 2018– July 31, 2019	Aug 1, 2017– July, 31 2018	Nov 1, 2017– Oct 31, 2018	Nov 1, 2016– Oct 31, 2017
EBIT, 12 month rolling	899	2,361	2,530	2,187
Income from the sale of aircraft, buildings and slot pairs	-414	-255	-479	-995
Income from the sale of shares in subsidiaries, affiliated companies and operations	0	4	4	21
Share of income in affiliated companies	-12	-28	-35	-4
Depreciation, amortization and impairment	2,054	1,708	1,763	1,635
Leasing costs for aircraft	3,435	3,113	3,156	3,116
EBITDAR, 12-month rolling	5,962	6,903	6,930	5,960
Revenue	45,951	43,684	44,718	42,654
EBITDAR margin, %	13.0	15.8	15.5	14.0

Return on invested capital (ROIC)

SEK million	Jul 31, 2019	Jul 31, 2018	Oct 31, 2018	Oct 31, 2017
EBIT, 12 month rolling	899	2,361	2,530	2,187
33% of leasing costs aircraft, 12-month rolling	1,134	1,027	1,041	1,028
33% of leasing income aircraft, 12-month rolling	0	-6	-3	-28
Total	2,033	3,382	3,568	3,187
Shareholders' equity, average	5,090	7,359	7,377	6,268
Financial net debt, average	361	-2,651	-2,612	-1,765
Capitalized leasing costs, net (x7), average	22,493	21,307	21,546	20,385
Invested capital, average	27,944	26,015	26,311	24,888
Return on invested capital, %	7.3	13.0	13.6	12.8

Financial preparedness

SEK million	Jul 31, 2019	Jul 31, 2018	Oct 31, 2018	Oct 31, 2017
Cash and cash equivalents	7,348	8,525	9,756	8,836
Receivables from other financial institutions	-313	-918	-339	-846
Unutilized credit facilities	2,877	2,709	2,785	2,700
Total	9,912	10,316	12,202	10,690
Fixed costs, 12 month rolling:				
Total operating expenses, 12-month rolling	-43,424	-39,894	-40,935	-39,810
Less jet fuel costs, 12-month rolling	9,347	7,327	7,994	6,836
Less government user fees, 12-month rolling	4,132	4,145	4,159	4,262
Total	-29,945	-28,422	-28,782	-28,712
Financial preparedness, %	33.1	36.3	42.4	37.2

TERMS AND CONDITIONS OF THE CAPITAL SECURITIES



**TERMS AND CONDITIONS FOR
SAS AB (PUBL)
SUBORDINATED PERPETUAL FLOATING RATE
CALLABLE CAPITAL SECURITIES**

ISIN: SE0012193910

SELLING RESTRICTIONS

No action is being taken that would or is intended to permit a public offering of the Capital Securities or the possession, circulation or distribution of this document or any other material relating to the Issuer or the Capital Securities in any jurisdiction other than Sweden, where action for that purpose is required. Persons into whose possession this document comes are required by the Issuer to inform themselves about, and to observe, any applicable restrictions.

PRIVACY NOTICE

The Issuer, the Agent and the Issuing Agent may collect and process personal data relating to the Holders, the Holders' representatives or agents, and other persons nominated to act on behalf of the Holders pursuant to the Terms and Conditions (name, contact details and, when relevant, holding of Capital Securities). The personal data relating to the Holders is primarily collected from the registry kept by the CSD. The personal data relating to other persons is primarily collected directly from such persons.

The personal data collected will be processed by the Issuer, the Agent and the Issuing Agent for the following purposes:

- (a) to exercise their respective rights and fulfil their respective obligations under the Terms and Conditions;
- (b) to manage the administration of the Capital Securities and payments under the Capital Securities;
- (c) to enable the Holders' to exercise their rights under the Terms and Conditions; and
- (d) to comply with their obligations under applicable laws and regulations.

The processing of personal data by the Issuer, the Agent and the Issuing Agent in relation to items (a) - (c) is based on their legitimate interest to exercise their respective rights and to fulfil their respective obligations under the Terms and Conditions. In relation to item (d), the processing is based on the fact that such processing is necessary for compliance with a legal obligation incumbent on the Issuer, the Agent or the Issuing Agent. Unless otherwise required or permitted by law, the personal data collected will not be kept longer than necessary given the purpose of the processing.

Personal data collected may be shared with third parties, such as the CSD, when necessary to fulfil the purpose for which such data is processed.

Subject to any legal preconditions, the applicability of which have to be assessed in each individual case, data subjects have the rights as follows. Data subjects have right to get access to their personal data and may request the same in writing at the address of the Issuer, the Agent and the Issuing Agent, respectively. In addition, data subjects have the right to (i) request that personal data is rectified or erased, (ii) object to specific processing, (iii) request that the processing be restricted and (iv) receive personal data provided by themselves in machine-readable format. Data subjects are also entitled to lodge complaints with the relevant supervisory authority if dissatisfied with the processing carried out.

The Issuer's, the Agent's and the Issuing Agent's addresses, and the contact details for their respective Data Protection Officers (if applicable), are found on their websites www.sas.se, www.intertrustgroup.com and www.seb.se.

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1. DEFINITIONS AND CONSTRUCTION

1.1 Definitions

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

“**1986 Subordinated Bond**” means the CHF 200,000,000 subordinated bond issued by the Scandinavian Airlines System Denmark – Norway – Sweden on January 14, 1986.

“**Account Operator**” means a bank or other party duly authorized to operate as an account operator pursuant to the Financial Instruments Accounts Act and through which a Holder has opened a Securities Account in respect of its Capital Securities.

“**Accounting Event**” means the receipt by the Issuer of an opinion of an authorized accountant (*auktoriserad revisor*) in Sweden (experienced in such matters) to the effect that, as a result of a change in the Accounting Principles or interpretation thereof, the equity treatment of the Capital Securities as “equity” in full in the Issuer’s consolidated financial statements has or will cease.

“**Accounting Principles**” means the 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 Capital Securities owned by a Group Company, irrespective of whether such person is directly registered as owner of such Capital Securities.

“**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.

“**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 unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day.

“**Capital Security**” 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 Capital Securities and any Subsequent Capital Securities.

“**Change of Control Event**” means an event where:

- (a) any person or group of persons (other than the Major Investors), acting in concert gains Control of the Issuer; or
- (b) all shares of the Issuer cease to be listed on a Regulated Market.

For this purpose, “**Control**” of the Issuer means:

- (i) the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to directly or indirectly:
 - (A) cast, or control the casting of, more than fifty (50) percent of the maximum number of votes that might be cast at a general meeting of the shareholders of the Issuer; or
 - (B) having the right to appoint or remove all, or the majority, of the directors or other equivalent officers of the Issuer; or

- (ii) the holding of more than fifty (50) percent 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 the purpose of this definition, “**acting in concert**” means, a group of persons who, pursuant to an agreement or understanding (whether formal or informal), actively cooperate, 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.

“**Change of Control Step-up Date**” means the date falling six (6) months after the date on which a Change of Control Event has occurred.

“**CSD**” means the Issuer’s central securities depository and registrar in respect of the Capital Securities, Euroclear Sweden AB, Swedish Reg. No. 556112-8074, P.O. Box 191, 101 23 Stockholm, Sweden, or another party replacing it, as CSD, in accordance with these Terms and Conditions.

“**CSD Regulations**” means the CSD’s rules and regulations applicable to the Issuer, the Agent and the Capital Securities from time to time.

“**Debt Register**” means the debt register (*skuldbok*) kept by the CSD in respect of the Capital Securities in which (i) an owner of Capital Securities is directly registered or (ii) an owner’s holding of Capital Securities is registered in the name of a nominee.

“**Deferred Interest**” has the meaning ascribed to in Clause 10.1.2.

“**Deferred Interest Payment Event**” means any one or more of the following events:

- (a) declaration or payment of any distribution or dividend or any other payment made by the Issuer on its share capital or any other obligation of the Issuer which ranks or is expressed by its terms to rank junior to the Capital Securities or any Parity Securities;
- (b) declaration or payment of any distribution or dividend or any other payment made by the Issuer or any Subsidiary of the Issuer, as the case may be, on any Parity Securities;
- (c) redemption, repurchase, repayment, cancellation, reduction or other acquisition by the Issuer or any Subsidiary of the Issuer of any shares of the Issuer or any other obligation of the Issuer which ranks or is expressed by its terms to rank junior to the Capital Securities or any Parity Securities; and/or
- (d) redemption, repurchase, repayment, cancellation, reduction or other acquisition by the Issuer or any Subsidiary of the Issuer of any Parity Securities,

save for:

- (i) in each case, any compulsory distribution, dividend, other payment, redemption, repurchase, repayment, cancellation, reduction or other acquisition required by the terms of such securities or by mandatory operation of applicable law; and
- (ii) in the case of paragraph (c) above only, any redemption, repurchase, repayment, cancellation, reduction or other acquisition that is executed in connection with, or for the purpose of (A) any reduction of the quota value of the share capital of the Issuer without a corresponding return of cash, capital or assets to shareholders of the Issuer or (B) any share buyback programme then in force and duly approved by the shareholders’ general meeting of the Issuer or the relevant Subsidiary of the Issuer (as applicable) or any existing or future stock option plan or free share allocation plan or other incentive plan, in all cases, reserved for directors, officers and/or employees of the Issuer or the relevant Subsidiary of the Issuer or any associated hedging transaction.

“**Financial Instruments Accounts Act**” means the Swedish Central Securities Depositories and Financial Instruments Accounts Act (*lag (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument*).

“**First Call Date**” means the date falling five (5) years after the First Issue Date.

“**First Issue Date**” means October 23, 2019.

“**Force Majeure Event**” has the meaning set forth in Clause 24.1.

“**Group**” means the Issuer and its Subsidiaries from time to time (each a “**Group Company**”).

“**Holder**” means the person who is registered on a Securities Account as direct registered owner (*direktregistrerad ägare*) or nominee (*förvaltare*) with respect to a Capital Security.

“**Holders’ Meeting**” means a meeting among the Holders held in accordance with Clauses 16.1 (*Request for a decision*), 16.2 (*Convening of Holders’ Meeting*) and 16.4 (*Majority, quorum and other provisions*).

“**Initial Capital Securities**” means the Capital Securities 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 relevant jurisdiction).

“**Interest**” means the interest on the Capital Securities calculated in accordance with Clauses 9.1.1 to 9.1.3.

“**Interest Payment**” means, in respect the payment of interest on an Interest Payment Date, the amount of interest payable for the relevant Interest Period in accordance with Clause 9 (*Interest*).

“**Interest Payment Date**” means subject to Clause 10 (*Optional Interest Deferral*), January 23, April 23, July 23 and October 23 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 Capital Securities shall be January 23, 2020 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 or, if the Capital Securities are redeemed before, the Redemption 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, if the Capital Securities are redeemed before, the Redemption Date.

“**Interest Rate**” means STIBOR plus the applicable Margin. For the avoidance of doubt, if any such total rate is below zero then the Interest Rate will be deemed to be zero (0).

“**Issue Date**” the First Issue Date and each other date on which Capital Securities are to be issued pursuant to these Terms and Conditions, as agreed between the Issuing Agent and the Issuer.

“**Issuer**” means SAS AB (publ), a public limited liability company incorporated under the laws of Sweden with Reg. No. 556606-8499.

“**Issuer Winding-up**” has the meaning set forth in Clause 3.2.

“**Issuer Re-Construction**” has the meaning set forth in Clause 3.2.

“**Issuing Agent**” means, initially, Skandinaviska Enskilda Banken AB (publ) and thereafter each other party appointed as Issuing Agent in accordance with these Terms and Conditions and the CSD Regulations.

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

“**Margin**” means:

- (a) in respect of the period from (but excluding) the First Issue Date to (and including) the First Call Date, 8.25 percent *per annum*; and

- (b) in respect of the period from (but excluding) any Reset Date, the Margin applicable for the period to (and including) such Reset Date increased by 500 basis points *per annum*.

“**Net Proceeds**” means the gross proceeds from the offering of the relevant Capital Securities, minus (i) in respect of the Initial Capital Securities, the costs incurred by the Issuer in conjunction with the issuance thereof, and (ii) in respect of any Subsequent Capital Securities, the costs incurred by the Issuer in conjunction with the issuance thereof.

“**Nominal Amount**” has the meaning set forth in Clause 2.3.

“**Parity Securities**” means any obligations of:

- (a) the Issuer, issued directly or indirectly by it, which rank, or are expressed to rank, *pari passu* with the Capital Securities; and
- (b) any Subsidiary of the Issuer having the benefit of a guarantee or support agreement from the Issuer which ranks or is expressed to rank *pari passu* with the Capital Securities,

in each case excluding the 1986 Subordinated Bond.

“**Quotation Day**” means, in relation to any period for which an interest rate is to be determined, two (2) Business Days before the first day of that period.

“**Record Date**” means the fifth (5) Business Day prior to (i) an Interest Payment Date, (ii) a Redemption Date, or (iii) 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 Capital Securities are to be redeemed or repurchased in accordance with Clause 11 (*Redemption and repurchase of the Capital Securities*).

“**Reference Banks**” means Danske Bank A/S, Danmark, Sverige Filial, Nordea Bank Abp, filial i Sverige, Skandinaviska Enskilda Banken AB (publ) and Swedbank AB (publ) (or such other banks as may be appointed by the Issuing Agent in consultation with the Issuer).

“**Regulated Market**” means any regulated market (as defined in Directive 2014/65/EU on markets in financial instruments).

“**Replacing Capital Event**” means one or more issuances of share capital by the Issuer during the period from the First Issue Date to the Business Day before the First Call Date the aggregate proceeds of which (net of commissions) is equal to or greater than the outstanding aggregate amount of the Capital Securities provided that such proceeds have not been used, directly or indirectly, to repurchase or redeem, or make any payments in respect of, any shares or securities of the Issuer which rank *pari passu* with, or junior, to the Capital Securities.

“**Reset Date**” means the First Call Date and each fifth anniversary thereof.

“**Securities Account**” means the account for dematerialized securities (*avstämningsregister*) 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.

“**Special Event**” means any of an Accounting Event, a Substantial Repurchase Event, a Tax Event, a Withholding Tax Event, a Replacing Capital Event or any combination of the foregoing.

“**STIBOR**” means:

- (a) the applicable percentage rate *per annum* displayed on Nasdaq Stockholm’s website for STIBOR fixing (or through another website replacing it) as of or around 11.00 a.m. on the Quotation Day for the offering of deposits in Swedish Kronor and for a period equal to the relevant Interest Period;

- (b) if no rate as described in paragraph (a) above is available for the relevant Interest Period, the rate determined by the Issuing Agent (rounded upwards to four decimal places) by interpolation between the two closest rates displayed on Nasdaq Stockholm's website for STIBOR fixing (or through another website replacing it) as of or around 11.00 a.m. on the Quotation Day for the offering of deposits in Swedish Kronor;
- (c) if no rate as described in paragraph (b) above is available for the relevant Interest Period, the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Issuing Agent at its request quoted by the Reference Banks, for deposits of SEK 100,000,000 for the relevant period; or
- (d) if no quotation is available pursuant to paragraph (c) above, the interest rate which according to the reasonable assessment of the Issuing Agent best reflects the interest rate for deposits in Swedish Kronor offered in the Stockholm interbank market for the relevant period.

“Subordinated Indebtedness” means any obligation of the Issuer, whether or not having a fixed maturity, which by its terms is, or is expressed to be, subordinated in the event of an Issuer Winding-up to the claims of all unsubordinated creditors of the Issuer but senior to the Capital Securities or to the obligations of the Issuer in respect of any Parity Securities. For the purpose of these Terms of Conditions, Subordinated Indebtedness shall include the 1986 Subordinated Bond.

“Subsequent Capital Securities” means any Capital Securities 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), which at the time is a subsidiary (*dotterföretag*) to such person, directly or indirectly, as defined in the Swedish Companies Act (*aktiebolagslagen (2005:551)*).

“Substantial Repurchase Event” shall be deemed to occur if the Issuer and/or any of its Subsidiaries repurchases and cancels or has at any time repurchased and cancelled, a principal amount of Capital Securities equal to or greater than eighty (80) percent of the aggregate principal amount of the Capital Securities issued (which shall include, for these purposes any Subsequent Capital Securities).

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

“Tax Event” means the receipt by the Issuer of an opinion of well-reputed counsel in Sweden (experienced in such matters) to the effect that, as a result of a Tax Law Change, any interest payments under the Capital Securities were, but are no longer, tax-deductible by the Issuer for Swedish tax purposes to the same extent as any unsubordinated obligations of the Issuer.

“Tax Law Change” means:

- (a) any amendment to, clarification of, or change in, the laws or treaties (or any regulations thereunder) of Sweden, or any political subdivision or any authority thereof or therein having the power to tax, affecting taxation;
- (b) any governmental action; or
- (c) any amendment to, clarification of, or change in the application, official position or the interpretation of such law, treaty (or regulations thereunder) or governmental action or any interpretation, decision or pronouncement that provides for a position with respect to such law, treaty (or regulations thereunder) or governmental action that differs from the theretofore generally accepted position,

in each case, by any legislative body, court, governmental authority or regulatory body in Sweden, irrespective of the manner in which such amendment, clarification, change, action, pronouncement, interpretation or decision is made known, which amendment, clarification or change is effective or such governmental action, pronouncement, interpretation or decision is announced on or after the date falling five (5) Business Days prior to the First Issue Date.

“**Total Nominal Amount**” means the total aggregate Nominal Amount of the Capital Securities outstanding at the relevant time.

“**Withholding Tax Event**” shall be deemed to occur if, as a result of any Tax Law Change, in making any payments on the Capital Securities, the Issuer has paid or will or would on the next Interest Payment Date be required to pay additional amounts on the Capital Securities and the Issuer cannot avoid the foregoing by taking reasonable measures available to it.

“**Written Procedure**” means the written or electronic procedure for decision making among the Holders in accordance with Clauses 16.1 (*Request for a decision*), 16.3 (*Instigation of Written Procedure*) and 16.4 (*Majority, quorum and other provisions*).

1.2 Construction

1.2.1 Unless a contrary indication appears, any reference in these Terms and Conditions to:

- (a) “**assets**” includes present and future properties, revenues and rights of every description;
- (b) any agreement or instrument is a reference to that agreement or instrument as supplemented, amended, novated, extended, restated or replaced from time to time;
- (c) a “**regulation**” includes any law, 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 organization;
- (d) a provision of regulation is a reference to that provision as amended or re-enacted; and
- (e) a time of day is a reference to Stockholm time.

1.2.2 When ascertaining whether a limit or threshold specified in Swedish Kronor 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 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.

1.2.3 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.

1.2.4 No delay or omission of the Agent or of any Holder to exercise any right or remedy under the Terms and Conditions shall impair or operate as a waiver of any such right or remedy.

1.2.5 The selling restrictions, the privacy notice and any other information contained in this document before the table of contents section do not form part of these Terms and Conditions and may be updated without the consent of the Holders and the Agent.

2. THE CAPITAL SECURITIES

2.1 The Capital Securities are denominated in Swedish Kronor and each Capital Security is constituted by these Terms and Conditions. The Issuer undertakes to comply with these Terms and Conditions.

2.2 By subscribing for Capital Securities, each initial Holder agrees that the Capital Securities shall benefit from and be subject to the Terms and Conditions and by acquiring Capital Securities, each subsequent Holder confirms such agreement.

2.3 The nominal amount of each Initial Capital Security is SEK 1,250,000 (the “**Nominal Amount**”). The Total Nominal Amount of the Initial Capital Securities as at the First Issue Date is

SEK 1,500,000,000. All Initial Capital Securities are issued on a fully paid basis at an issue price of 100 percent of the Nominal Amount.

- 2.4 The Issuer may, on one or several occasions, issue Subsequent Capital Securities. Subsequent Capital Securities shall benefit from and be subject to the Terms and Conditions, and, for the avoidance of doubt, the ISIN, the Interest Rate, the currency, the Nominal Amount and the perpetual nature applicable to the Initial Capital Securities shall apply to Subsequent Capital Securities. The issue price of the Subsequent Capital Securities may be set at the Nominal Amount, a discount or a premium compared to the Nominal Amount. Each Subsequent Capital Security shall entitle its holder to Interest in accordance with Clause 9.1.1, and otherwise have the same rights as the Initial Capital Securities.
- 2.5 The Capital Securities are freely transferable but the Holders may be subject to purchase or transfer restrictions with regard to the Capital Securities, as applicable, under local regulation to which a Holder may be subject. Each Holder must ensure compliance with such restrictions at its own cost and expense.
- 2.6 No action is being taken in any jurisdiction that would or is intended to permit a public offering of the Capital Securities or the possession, circulation or distribution of any document or other material relating to the Issuer or the Capital Securities in any jurisdiction other than Sweden, where action for that purpose is required. Each Holder must inform itself about, and observe, any applicable restrictions to the transfer of material relating to the Issuer or the Capital Securities.

3. STATUS OF THE CAPITAL SECURITIES

- 3.1 The Capital Securities, including the obligation to pay interest thereon, constitute direct, general, unconditional, unsecured and subordinated obligations of the Issuer. The rights and claims of the Holders in respect of the Capital Securities against the Issuer, are subordinated as described in Clause 3.2 below.
- 3.2 In the event of:
- (a) a voluntary or involuntary liquidation (*likvidation*) or bankruptcy (*konkurs*) of the Issuer (each an “**Issuer Winding-up**”), the Holders (or the Agent on their behalf) shall, in respect of their Capital Securities, have a claim for the principal amount of their Capital Securities and any accrued and unpaid interest (including any Deferred Interest) thereon and such claims will rank:
 - (i) *pari passu* without any preference among themselves and with any present or future claims in respect of obligations of the Issuer in respect of Parity Securities;
 - (ii) in priority to all present and future claims in respect of:
 - (A) the ordinary shares of the Issuer; and
 - (B) any other obligation of the Issuer expressed by its terms as at its original issue date to rank junior to the Capital Securities or any Parity Securities; and
 - (iii) junior in right of payment to any present or future claims of:
 - (A) all unsubordinated obligations of the Issuer; and
 - (B) all Subordinated Indebtedness; or
 - (b) a company re-construction (*företagsrekonstruktion*) of the Issuer under the Swedish Company Reorganization Act (*lag (1996:764) om företagsrekonstruktion*) (an “**Issuer Re-**

construction”), the Holders (or the Agent on their behalf) shall, in respect of their Capital Securities, have a claim for the principal amount of their Capital Securities and any accrued and unpaid interest (including any Deferred Interest) thereon and such claims will rank:

- (i) *pari passu* without any preference among themselves and with any present or future claims in respect of obligations of the Issuer in respect of Parity Securities; and
- (ii) junior in right of payment to any present or future claims of:
 - (A) all unsubordinated obligations of the Issuer; and
 - (B) all Subordinated Indebtedness.

Claims in respect of the share capital of the Issuer are not subject to loss absorbing measures under an Issuer Re-construction.

- 3.3 Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Capital Securities and each Holder shall, by virtue of its holding of any Capital Security, be deemed to have waived all such rights of set-off, compensation or retention.

4. USE OF PROCEEDS

The Issuer shall use the Net Proceeds from the issue of Capital Securities for its general corporate purposes, including refinancing of financial indebtedness and funding of aircraft acquisitions.

5. CONDITIONS FOR DISBURSEMENT

- 5.1 The Issuer shall provide to the Agent, no later than 9.00 a.m. four (4) Business Days prior to the First Issue Date (or such later time as agreed by the Agent), the following:
- (a) the Terms and Conditions and the Agency Agreement duly executed by the Issuer;
 - (b) a copy of a resolution from the board of directors of the Issuer approving the issue of the Initial Capital Securities, the terms of the Terms and Conditions and the Agency Agreement, and resolving to enter into such documents and any other documents necessary in connection therewith;
 - (c) copies of the articles of association and an up-to-date certificate of registration of the Issuer;
 - (d) evidence that the person(s) who has/have signed the Terms and Conditions, the Agency Agreement and any other documents in connection therewith on behalf of the Issuer is/are duly authorized to do so; and
 - (e) such other documents and evidence as is agreed between the Agent and the Issuer.
- 5.2 The Issuer shall provide to the Agent, no later than 9.00 a.m. four (4) Business Days prior to the Issue Date (or such later time as agreed to by the Agent) in respect of Subsequent Capital Securities, the following:
- (a) a copy of a resolution from the board of directors of the Issuer approving the issue of the Subsequent Capital Securities and resolving to enter into documents necessary in connection therewith;

- (b) copies of the articles of association and an up-to-date certificate of registration of the Issuer; and
 - (c) such other documents and evidence as is agreed between the Agent and the Issuer.
- 5.3 The Agent shall confirm to the Issuing Agent when it is satisfied that the conditions in Clause 5.1 or 5.2, as the case may be have been fulfilled (or amended or waived in accordance with Clause 17 (*Amendments and waivers*)). The relevant Issue Date shall not occur (i) unless the Agent makes such confirmation to the Issuing Agent no later than 9.00 a.m. three (3) Business Days prior to the relevant Issue Date (or later, if the Issuing Agent so agrees), or (ii) if the Issuing Agent and the Issuer agree to postpone the relevant Issue Date.
- 5.4 Following receipt by the Issuing Agent of the confirmation in accordance with Clause 5.3, the Issuing Agent shall settle the issuance of the Initial Capital Securities and pay the Net Proceeds to the Issuer on the First Issue Date. Following receipt by the Issuing Agent of the confirmation in accordance with Clause 5.3, the Issuing Agent shall settle the issuance of any Subsequent Capital Securities and pay the Net Proceeds to the Issuer on the relevant Issue Date.

6. CAPITAL SECURITIES IN BOOK-ENTRY FORM

- 6.1 The Capital Securities will be registered for the Holders on their respective Securities Accounts and no physical Capital Securities will be issued. Accordingly, the Capital Securities will be registered in accordance with the Financial Instruments Accounts Act. Registration requests relating to the Capital Securities shall be directed to an Account Operator. The Debt Register shall constitute conclusive evidence of the persons who are Holders and their holdings of Capital Securities.
- 6.2 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 Capital Security shall register their entitlements to receive payment in accordance with the Financial Instruments Accounts Act.
- 6.3 The Issuer and the Agent shall at all times be entitled to obtain information from the Debt Register. At the request of the Agent, the Issuer shall promptly obtain such information and provide it to the Agent. For the purpose of carrying out any administrative procedure that arises out of the Terms and Conditions, the Issuing Agent shall be entitled to obtain information from the Debt Register.
- 6.4 The Issuer and the Agent may use the information referred to in Clause 6.3 only for the purposes of carrying out their duties and exercising their rights in accordance with the Terms and Conditions and the Agency Agreement and shall not disclose such information to any Holder or third party unless necessary for such purposes.

7. RIGHT TO ACT ON BEHALF OF A HOLDER

- 7.1 If any person other than a Holder wishes to exercise any rights under the Terms and Conditions, it must obtain a power of attorney or other authorization from the Holder or a successive, coherent chain of powers of attorney or authorizations starting with the Holder and authorizing such person.
- 7.2 A Holder may issue one or several powers of attorney or other authorizations to third parties to represent it in relation to some or all of the Capital Securities held by it. Any such representative may act independently under the Terms and Conditions in relation to the Capital Securities for which such representative is entitled to represent the Holder.
- 7.3 The Agent shall only have to examine the face of a power of attorney or other authorization that has been provided to it pursuant to Clause 7.2 and may assume that such document has been duly authorized, 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.

- 7.4 These Terms and Conditions shall not affect the relationship between a Holder who is the nominee (*förvaltare*) with respect to a Capital Security and the owner of such Capital Security, and it is the responsibility of such nominee to observe and comply with any restrictions that may apply to it in this capacity.

8. PAYMENTS IN RESPECT OF THE CAPITAL SECURITIES

- 8.1 Any payment or repayment under the Terms and Conditions, or any amount due in respect of a repurchase of any Capital Securities, shall be made to such person who is registered as a Holder on the Record Date prior to an Interest Payment Date or other relevant payment date, or to such other person who is registered with the CSD on such Record Date as being entitled to receive the relevant payment, repayment or repurchase amount.
- 8.2 If a Holder 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 Holder 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 Holders on the relevant Record Date as soon as possible after such obstacle has been removed.
- 8.3 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.
- 8.4 If payment or repayment is made in accordance with this Clause 8, 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.
- 8.5 The Issuer is not liable to gross-up any payments under the Terms and Conditions by virtue of any withholding tax, public levy or the similar.

9. INTEREST

9.1 Interest

- 9.1.1 Each Initial Capital Security carries Interest at the applicable Interest Rate applied to the Nominal Amount from (but excluding) the First Issue Date up to (and including) the relevant Redemption Date. Any Subsequent Capital Security will carry Interest at the applicable Interest Rate applied to the Nominal Amount from (but excluding) the Interest Payment Date falling immediately prior to its issuance (or the First Issue Date if there is no such Interest Payment Date) up to (and including) the relevant Redemption Date.
- 9.1.2 Interest accrues during an Interest Period. Subject to Clause 10 (*Optional Interest Deferral*), payment of Interest in respect of the Capital Securities shall be made to the Holders on each Interest Payment Date for the preceding Interest Period.
- 9.1.3 Interest shall be calculated on the basis of the actual number of days in the Interest Period in respect of which payment is being made divided by 360 (actual/360-days basis).
- 9.1.4 Payment of Interest in respect of each Interest Period may be deferred in accordance with Clause 10 (*Optional Interest Deferral*).

9.2 Step-up after a Change of Control Event

Notwithstanding any other provision of this Clause 9, if the Issuer does not elect to redeem the Capital Securities in accordance with Clause 11.6 (*Change of Control Event*) following the

occurrence of a Change of Control Event, the then prevailing Interest Rate, and each subsequent Interest Rate otherwise determined in accordance with the provisions of this Clause 9, on the Capital Securities shall be increased by 500 basis points *per annum* with effect from (but excluding) the Change of Control Step-up Date up to (and including) the relevant Redemption Date.

9.3 Default interest

If the Issuer fails to pay any amount payable by it pursuant to Clause 10.3 (*Mandatory settlement*) or Clause 11 (*Redemption and repurchase of the Capital Securities*) (except for Clause 11.1 (*No maturity*), Clause 11.2 (*Purchase of Capital Securities by Group Companies*) and Clause 11.8 (*Cancellation of Capital Securities*)) 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 200 basis points higher than the Interest Rate. The default interest shall not be capitalized but be payable to each person who was a Holder on the Record Date for the original due date. 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.

10. OPTIONAL INTEREST DEFERRAL

10.1 Deferral of Interest Payments

10.1.1 The Issuer may, at any time and at its sole discretion, elect to defer any Interest Payment, in whole or in part, which is otherwise scheduled to be paid on an Interest Payment Date (except on any Interest Payment Date on which the Capital Securities are to be redeemed) by giving notice of such election to the Holders, the Issuing Agent and the Agent in accordance with Clause 23 (*Notices*) not less than seven (7) Business Days prior to the relevant Interest Payment Date. Notwithstanding the foregoing, failure to give such notice shall not prejudice the right of the Issuer to defer any Interest Payment as described above.

10.1.2 Any Interest Payment so deferred pursuant to this Clause 10 shall, from (but excluding) the Interest Payment Date on which such Interest Payment would (but for its deferral) have been payable to (and including) the date on which it is paid in full, itself bear interest at the Interest Rate prevailing from time to time (which interest shall compound on each Interest Payment Date) and, for so long as the same remains unpaid, such deferred interest (together with the interest accrued thereon) shall constitute “**Deferred Interest**”.

10.1.3 The deferral of an Interest Payment in accordance with this Clause 10 shall not constitute a default pursuant to Clause 15 (*Default and Enforcement*) by the Issuer under the Capital Securities or for any other purpose.

10.2 Optional Settlement

Deferred Interest may be paid, in whole or in part, at any time at the option of the Issuer following delivery of a notice to such effect given by the Issuer to the Holders, the Issuing Agent and the Agent in accordance with Clause 23 (*Notices*) not less than seven (7) Business Days prior to the date (to be specified in such notice) on which the Issuer will pay such Deferred Interest.

10.3 Mandatory settlement

The Issuer shall pay any Deferred Interest, in whole but not in part, on the first to occur of the following dates:

- (a) the tenth (10th) Business Day following the date on which a Deferred Interest Payment Event occurs;
- (b) any Interest Payment Date in respect of which the Issuer does not elect to defer all of the interest accrued in respect of the relevant Interest Period; and

- (c) the date on which the Capital Securities are redeemed or repaid in accordance with Clause 11 (*Redemption and repurchase of the Capital Securities*) or Clause 15 (*Default and Enforcement*).

Notice of any Deferred Interest Payment Event shall be given by the Issuer to the Holders, the Issuing Agent and the Agent in accordance with Clause 23 (*Notices*) within three (3) Business Days of such event.

11. REDEMPTION AND REPURCHASE OF THE CAPITAL SECURITIES

11.1 No maturity

The Capital Securities are perpetual and have no specified maturity date. The Issuer may only redeem the Capital Securities in the circumstances described in this Clause 11 (*Redemption and repurchase of the Capital Securities*). The Capital Securities are not redeemable at the option of the Holders at any time.

11.2 Purchase of Capital Securities by Group Companies

11.2.1 The Issuer or any other Group Company may, subject to applicable regulations, at any time and at any price purchase Capital Securities on the market or in any other way.

11.2.2 Capital Securities held by the Issuer or a Group Company may at such Group Company's discretion be retained or sold or, if held by the Issuer, cancelled by the Issuer, provided that the aggregate principal amount of the Capital Securities subject to such cancellation represents eighty (80) percent or more of the aggregate principal amount of the Capital Securities issued (which shall include, for these purposes, any Subsequent Capital Securities).

11.3 Voluntary total redemption (call option)

The Issuer may redeem all, but not some only, of the outstanding Capital Securities in full on the First Call Date or on any Interest Payment Date thereafter at an amount per Capital Security equal to 100 percent of the Nominal Amount together with any Deferred Interest and any other accrued and unpaid interest up to (and including) the Redemption Date.

11.4 Voluntary redemption due to an Accounting Event, a Substantial Repurchase Event, a Tax Event or a Withholding Tax Event

Upon the occurrence of an Accounting Event, a Substantial Repurchase Event, a Tax Event or a Withholding Tax Event which is continuing the Issuer may, subject to Clause 12 (*Preconditions to Special Event Redemption or Change of Control Event Redemption*), redeem all, but not some only, of the Capital Securities at an amount equal to:

- (a) 101 percent of their principal amount, where such redemption occurs before the First Call Date; or
- (b) 100 percent of their principal amount, where such redemption occurs on or after the First Call Date,

together, in each case, with any Deferred Interest and any other accrued and unpaid interest up to (and including) the Redemption Date.

11.5 Redemption due to a Replacing Capital Event

11.5.1 Upon the occurrence of a Replacing Capital Event, the Issuer may, subject to Clause 12 (*Preconditions to Special Event Redemption or Change of Control Event Redemption*), redeem all, but not some only, of the Capital Securities at any time at an amount equal to:

- (a) 103 percent of their principal amount, where such redemption occurs before the First Call Date; or
- (b) 100 percent of their principal amount, where such redemption occurs on or after the First Call Date,

together, in each case, with any Deferred Interest and any other accrued and unpaid interest up to (and including) the Redemption Date.

11.6 Change of Control Event

11.6.1 Upon the occurrence of a Change of Control Event, the Issuer may, no later than the Change of Control Step-up Date, subject to Clause 12 (*Preconditions to Special Event Redemption or Change of Control Event Redemption*), redeem all, but not some only, of the Capital Securities at an amount equal to:

- (a) 101 percent of their principal amount, where such redemption occurs before the First Call Date; or
- (b) 100 percent of their principal amount, where such redemption occurs on or after the First Call Date,

together, in each case, with any Deferred Interest and any other accrued and unpaid interest up to (and including) the Redemption Date.

11.6.2 Immediately upon the Issuer becoming aware that a Change of Control Event has occurred, the Issuer shall give notice to the Agent, the Issuing Agent and the Holders in accordance with Clause 23 (*Notices*) specifying the nature of the Change of Control Event.

11.7 Notice of redemption

Redemption in accordance with Clauses 11.3, 11.4, 11.5 or 11.6.1 shall be made by the Issuer giving not less than thirty (30) Business Days' notice and not more than sixty (60) Business Days' notice to the Holders and the Agent, in each case 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 Holder to receive the amounts due on such Redemption Date. The notice is irrevocable but may in the case of a redemption in accordance with Clause 11.3, at the Issuer's discretion, contain one or more conditions precedent that shall be satisfied prior to the Record Date. Upon fulfilment of the conditions precedent (if any), the Issuer shall redeem the Capital Securities in full at the applicable amount on the specified Redemption Date.

11.8 Cancellation of Capital Securities

All Capital Securities which are redeemed pursuant to this Clause 11 and all Capital Securities purchased and elected to be cancelled pursuant to Clause 11.2 (*Purchase of Capital Securities by Group Companies*) will be cancelled and may not be reissued or resold. The Issuer shall promptly inform the Holders, the Agent and the Issuing Agent in accordance with Clause 23 (*Notices*) of any such cancellation and for so long as the Capital Securities are admitted to trading on Nasdaq Stockholm or another Regulated Market, as the case may be, and the rules of such exchange so require, the Issuer shall promptly inform Nasdaq Stockholm or the Regulated Market, as the case may be, of the cancellation of any Capital Securities under this Clause 11.

12. PRECONDITIONS TO SPECIAL EVENT REDEMPTION OR CHANGE OF CONTROL EVENT REDEMPTION

- 12.1 Prior to the publication of any notice of redemption pursuant to Clause 11 (*Redemption and repurchase of the Capital Securities*) (other than redemption pursuant to Clause 11.3 (*Voluntary total redemption (call option)*)), the Issuer shall deliver to the Agent a certificate signed by two authorized signatories of the Issuer stating that the relevant requirement or circumstance giving rise to the right to redeem the Capital Securities is satisfied.
- 12.2 In addition, in the case of an Accounting Event, a Tax Event or a Withholding Tax Event, the Issuer shall deliver to the Agent and the Issuing Agent an opinion of independent legal, accounting or other tax advisers to the effect that the relevant requirement or circumstance giving rise to the right to redeem is satisfied (save, in the case of a Withholding Tax Event, as to whether reasonable measures to avoid paying additional amounts are available to the Issuer). Such certificate and, if applicable, opinion, shall be conclusive and binding on the Holders.
- 12.3 Any redemption of the Capital Securities in accordance with Clause 11 (*Redemption and repurchase of the Capital Securities*) shall be conditional on all Deferred Interest being paid in full in accordance with the provisions of Clause 10.3 (*Mandatory settlement*) on or prior to the date of such redemption.

13. INFORMATION TO HOLDERS

13.1 Information from the Agent

- 13.1.1 Subject to the restrictions of a non-disclosure agreement entered into by the Agent in accordance with Clause 13.1.2, the Agent is entitled to disclose to the Holders any document, information, event or circumstance directly or indirectly relating to the Issuer or the Capital Securities. Notwithstanding the foregoing, the Agent may if it considers it to be beneficial to the interests of the Holders delay disclosure or refrain from disclosing certain information.
- 13.1.2 If a committee representing the Holders' interests under the Terms and Conditions has been appointed by the Holders in accordance with Clause 16 (*Decisions by Holders*), the members of such committee may agree with the Issuer not to disclose information received from the Issuer, provided that it, in the reasonable opinion of such members, is beneficial to the interests of the Holders. The Agent shall be a party to such agreement and receive the same information from the Issuer as the members of the committee.

13.2 Information among the Holders

Subject to applicable regulations, the Agent shall promptly upon the reasonable request by a Holder forward by post any information from such Holder to the Holders which relates to the Capital Securities. The Agent may require that the requesting Holder reimburses any costs or expenses incurred, or to be incurred, by it in doing so (including a reasonable fee for its work).

13.3 Availability of the Terms and Conditions

The latest version of these Terms and Conditions (including any document amending these Terms and Conditions) shall be available on the websites of the Issuer and the Agent. Failure by the Issuer to have these Terms and Conditions (including any document amending these Terms and Conditions) available on its website shall not constitute a default pursuant to Clause 15 (*Default and Enforcement*) by the Issuer under the Capital Securities or for any other purpose.

14. ADMISSION TO TRADING ETC.

14.1 Admission to trading

The Issuer has the intention and shall use its best efforts (without assuming any legal or contractual obligation) to ensure (i) that the Initial Capital Securities are admitted to trading on the corporate bond list of Nasdaq Stockholm or, if such admission to trading is not possible to obtain or maintain, admitted to trading on another Regulated Market within thirty (30) days after the First Issue Date, (ii) that any Subsequent Capital Securities are admitted to trading on the corporate bond list of Nasdaq Stockholm (or, if applicable, any other Regulated Market on which the Initial Capital Securities are listed) within thirty (30) days following the relevant subsequent issue date, and (iii) that the Capital Securities, once admitted to trading on the relevant Regulated Market, continue being listed thereon. The aforementioned shall however not apply from and including the last day on which the admission reasonably can, pursuant to the then applicable regulations of the Regulated Market and the CSD, subsist.

14.2 The Agency Agreement

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

15. DEFAULT AND ENFORCEMENT

15.1 Proceedings

15.1.1 Without prejudice to the Issuer's right to defer the payment of interest under Clause 10 (*Optional Interest Deferral*), if a default is made by the Issuer for a period of thirty (30) days or more in relation to the payment of any interest, principal or premium in respect of the Capital Securities which is due and payable, then the Issuer shall be deemed to be in default under the Capital Securities and the Agent (acting on instructions of the Holders in accordance with these Terms and Conditions) or (subject to Clause 21.2) any Holder may institute proceedings for an Issuer Winding-up provided that such default is still continuing.

15.1.2 In the event of an Issuer Winding-up, a Holder may, provided such Holder does not contravene a previously adopted resolution in accordance with Clause 16.4.2 or 16.4.3 (if any), either independently or through the Agent prove and/or claim in such Issuer Winding-up in respect of the Capital Securities, such claim being for such amount, and being subordinated in such manner, as is provided under Clause 3.2.

15.2 Enforcement

The Agent (acting on the instructions of the Holders in accordance with these Terms and Conditions) may institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Capital Securities but in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

15.3 Extent of Holders' Remedy

No remedy against the Issuer, other than as referred to in this Clause 15, shall be available to the Agent and the Holders in relation to the Capital Securities, whether for the recovery of amounts owing in respect of the Capital Securities or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Capital Securities.

16. DECISIONS BY HOLDERS

16.1 Request for a decision

- 16.1.1 A request by the Agent for a decision by the Holders on a matter relating to the Terms and Conditions shall (at the option of the Agent) be dealt with at a Holders' Meeting or by way of a Written Procedure.
- 16.1.2 Any request from the Issuer or a Holder (or Holders) representing at least ten (10) percent of the Adjusted Nominal Amount (such request shall, if made by several Holders, be made by them jointly) for a decision by the Holders on a matter relating to the Terms and Conditions shall be directed to the Agent and dealt with at a Holders' Meeting or by way a Written Procedure, as determined by the Agent. The person requesting the decision may suggest the form for decision making, but if it is in the Agent's opinion more appropriate that a matter is dealt with at a Holders' Meeting than by way of a Written Procedure, it shall be dealt with at a Holders' Meeting.
- 16.1.3 The Agent may refrain from convening a Holders' Meeting or instigating a Written Procedure if (i) the suggested decision must be approved by any person in addition to the Holders 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 regulations.
- 16.1.4 The Agent shall not be responsible for the content of a notice for a Holders' Meeting or a communication regarding a Written Procedure unless and to the extent it contains information provided by the Agent.
- 16.1.5 Should the Agent not convene a Holders' Meeting or instigate a Written Procedure in accordance with these Terms and Conditions, without Clause 16.1.3 being applicable, the Issuer or the Holder(s) requesting a decision by the Holders may convene such Holders' Meeting or instigate such Written Procedure, as the case may be, instead. The Issuer or the Issuing Agent shall upon request provide the convening Holder(s) with the information available in the Debt Register in order to convene and hold the Holders' Meeting or instigate and carry out the Written Procedure, as the case may be. The Issuer or Holder(s), as applicable, shall supply to the Agent a copy of the dispatched notice or communication.
- 16.1.6 Should the Issuer want to replace the Agent, it may (i) convene a Holders' Meeting in accordance with Clause 16.2 (*Convening of Holders' Meeting*) or (ii) instigate a Written Procedure by sending communication in accordance with Clause 16.3 (*Instigation of Written Procedure*). After a request from the Holders pursuant to Clause 18.4.3, 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 Holders' Meeting in accordance with Clause 16.2. The Issuer shall inform the Agent before a notice for a Holders' Meeting or communication relating to a Written Procedure where the Agent is proposed to be replaced is sent and supply to the Agent a copy of the dispatched notice or communication.
- 16.1.7 Should the Issuer or any Holder(s) convene a Holders' Meeting or instigate a Written Procedure pursuant to Clause 16.1.5 or 16.1.6, then the Agent shall no later than five (5) Business Days' prior to dispatch of such notice or communication be provided with a draft thereof. The Agent may further append information from it together with the notice or communication, provided that the Agent supplies such information to the Issuer or the Holder(s), as the case may be, no later than one (1) Business Day prior to the dispatch of such notice or communication.

16.2 Convening of Holders' Meeting

- 16.2.1 The Agent shall convene a Holders' Meeting by way of notice to the Holders as soon as practicable and in any event no later than five (5) Business Days after receipt of a complete notice from the Issuer or the Holder(s) (or such later date as may be necessary for technical or administrative reasons).

- 16.2.2 The notice pursuant to Clause 16.2.1 shall include (i) time for the meeting, (ii) place for the meeting, (iii) a specification of the Record Date on which a person must be registered as a Holder in order to be entitled to exercise voting rights, (iv) a form of power of attorney, and (v) the agenda for the meeting. The reasons for, and contents of, each proposal as well as any applicable conditions and conditions precedent shall be specified in the notice. If a proposal concerns an amendment to the Terms and Conditions, such proposed amendment must always be set out in detail. Should prior notification by the Holders be required in order to attend the Holders' Meeting, such requirement shall be included in the notice.
- 16.2.3 The Holders' 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.
- 16.2.4 Without amending or varying these Terms and Conditions, the Agent may prescribe such further regulations regarding the convening and holding of a Holders' Meeting as the Agent may deem appropriate. Such regulations may include a possibility for Holders to vote without attending the meeting in person.

16.3 Instigation of Written Procedure

- 16.3.1 The Agent shall instigate a Written Procedure by way of sending a communication to the Holders as soon as practicable and in any event no later than five (5) Business Days after receipt of a complete communication from the Issuer or the Holder(s) (or such later date as may be necessary for technical or administrative reasons).
- 16.3.2 A communication pursuant to Clause 16.3.1 shall include (i) a specification of the Record Date on which a person must be registered as a Holder in order to be entitled to exercise voting rights, (ii) 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 (iii) the stipulated time period within which the Holder must reply to the request (such time period to last at least ten (10) Business Days and not longer than thirty (30) Business Days from the effective date of the communication pursuant to Clause 16.3.1). The reasons for, and contents of, each proposal as well as any applicable conditions and conditions precedent shall be specified in the notice. If a proposal concerns an amendment to the Terms and Conditions, such proposed amendment must always be set out in detail. If the voting is to be made electronically, instructions for such voting shall be included in the communication.
- 16.3.3 If so elected by the person requesting the Written Procedure and provided that it is also disclosed in the communication pursuant to Clause 16.3.1, when consents from Holders representing the requisite majority of the total Adjusted Nominal Amount pursuant to Clauses 16.4.2 and 16.4.3 have been received in a Written Procedure, the relevant decision shall be deemed to be adopted pursuant to Clause 16.4.2 or 16.4.3, as the case may be, even if the time period for replies in the Written Procedure has not yet expired.

16.4 Majority, quorum and other provisions

- 16.4.1 Only a Holder, or a person who has been provided with a power of attorney or other authorization pursuant to Clause 7 (*Right to act on behalf of a Holder*) from a Holder:
- (a) on the Business Day specified in the notice pursuant to Clause 16.2.2, in respect of a Holders' Meeting, or
 - (b) on the Business Day specified in the communication pursuant to Clause 16.3.2, in respect of a Written Procedure,

may exercise voting rights as a Holder at such Holders' Meeting or in such Written Procedure, provided that the relevant Capital Securities are included in the Adjusted Nominal Amount. Each whole Capital Security entitles to one vote and any fraction of a Capital Security voted for by a person shall be disregarded. Such Business Day specified pursuant to paragraph (a) or (b) above

must fall no earlier than one (1) Business Day after the effective date of the notice or communication, as the case may be.

- 16.4.2 The following matters shall require the consent of Holders representing at least sixty-six and two thirds (66⅔) percent of the Adjusted Nominal Amount for which Holders are voting at a Holders' Meeting or for which Holders reply in a Written Procedure in accordance with the instructions given pursuant to Clause 16.3.2:
- (a) a change of Issuer;
 - (b) a change to the currency, denomination, status or transferability of the Capital Securities;
 - (c) a change to the Interest Rate (including, for the avoidance of doubt, changes to the Margin or STIBOR) or the Nominal Amount;
 - (d) any delay of the due date for payment of any interest on the Capital Securities other than as permitted pursuant to Clause 10 (*Optional Interest Deferral*);
 - (e) a reduction of the premium payable upon the redemption or repurchase of any Capital Security pursuant to Clause 11 (*Redemption and repurchase of the Capital Securities*);
 - (f) a change to the terms dealing with the requirements for Holders' consent set out in this Clause 16.4 (*Majority, quorum and other provisions*);
 - (g) an extension of the tenor of the Capital Securities or any delay of the due date for payment of any principal or interest on the Capital Securities;
 - (h) a mandatory exchange of the Capital Securities for other securities; and
 - (i) early redemption of the Capital Securities, other than as otherwise permitted or required by these Terms and Conditions.
- 16.4.3 Any matter not covered by Clause 16.4.2, including for the avoidance of doubt the initiation of an Issuer Winding-up, shall require the consent of Holders representing more than fifty (50) percent of the Adjusted Nominal Amount for which Holders are voting at a Holders' Meeting or for which Holders reply in a Written Procedure in accordance with the instructions given pursuant to Clause 16.3.2. This includes, but is not limited to, any amendment to, or waiver of, the terms of the Terms and Conditions that does not require a higher majority (other than an amendment permitted pursuant to Clause 17.1(a) or (c)).
- 16.4.4 Quorum at a Holders' Meeting or in respect of a Written Procedure only exists if a Holder (or Holders) representing at least fifty (50) percent of the Adjusted Nominal Amount in case of a matter pursuant to Clause 16.4.2, and otherwise twenty (20) percent of the Adjusted Nominal Amount:
- (a) if at a Holders' Meeting, attend the meeting in person or by other means prescribed by the Agent pursuant to Clause 16.2.4 (or appear through duly authorized representatives); or
 - (b) if in respect of a Written Procedure, reply to the request.
- 16.4.5 If a quorum exists for some but not all of the matters to be dealt with at a Holders' Meeting or by a Written Procedure, decisions may be taken in the matters for which a quorum exists.
- 16.4.6 If a quorum does not exist at a Holders' Meeting or in respect of a Written Procedure, the Agent or the Issuer shall convene a second Holders' Meeting (in accordance with Clause 16.2.1) or initiate a second Written Procedure (in accordance with Clause 16.3.1), as the case may be, provided that the person(s) who initiated the procedure for Holders' consent has confirmed that the relevant proposal is not withdrawn. For the purposes of a second Holders' Meeting or second Written Procedure pursuant to this Clause 16.4.6, the date of request of the second Holders' Meeting pursuant to

- Clause 16.2.1 or second Written Procedure pursuant to Clause 16.3.1, as the case may be, shall be deemed to be the relevant date when the quorum did not exist. The quorum requirement in Clause 16.4.4 shall not apply to such second Holders' Meeting or Written Procedure.
- 16.4.7 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 Terms and Conditions shall be subject to the Issuer's or the Agent's consent, as applicable.
- 16.4.8 A Holder holding more than one Capital Security 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.
- 16.4.9 The Issuer may not, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any owner of Capital Securities (irrespective of whether such person is a Holder) for or as inducement to any consent under these Terms and Conditions, unless such consideration is offered to all Holders that consent at the relevant Holders' 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.
- 16.4.10 A matter decided at a duly convened and held Holders' Meeting or by way of Written Procedure is binding on all Holders, irrespective of them being present or represented at the Holders' Meeting or responding in the Written Procedure. The Holders that have not adopted or voted for a decision shall not be liable for any damages that this may cause the Issuer or the other Holders.
- 16.4.11 All costs and expenses incurred by the Issuer or the Agent for the purpose of convening a Holders' Meeting or for the purpose of carrying out a Written Procedure, including reasonable fees to the Agent, shall be paid by the Issuer.
- 16.4.12 If a decision is to be taken by the Holders on a matter relating to the Terms and Conditions, the Issuer shall promptly at the request of the Agent provide the Agent with a certificate specifying the number of Capital Securities owned by Group Companies as per the Record Date for voting, irrespective of whether such person is a Holder. The Agent shall not be responsible for the accuracy of such certificate or otherwise be responsible for determining whether a Capital Security is owned by a Group Company.
- 16.4.13 Information about decisions taken at a Holders' Meeting or by way of a Written Procedure shall promptly be published on the websites of the Issuer 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 Holders' Meeting or Written Procedure shall at the request of a Holder be sent to it by the Issuer or the Agent, as applicable.

17. AMENDMENTS AND WAIVERS

- 17.1 The Issuer and the Agent (acting on behalf of the Holders) may agree in writing to amend or waive any provision in the Terms and Conditions or any other document relating to the Capital Securities, provided that the Agent is satisfied that such amendment or waiver:
- (a) is not detrimental to the interest of the Holders as a group;
 - (b) is made solely for the purpose of rectifying obvious errors and mistakes;
 - (c) is required by any applicable regulation, a court ruling or a decision by a relevant authority;
or
 - (d) has been duly approved by the Holders in accordance with Clause 16 (*Decisions by Holders*) and it has received any conditions precedent specified for the effectiveness of the approval by the Holders.

- 17.2 Any amendments to the Terms and Conditions shall be made available in the manner stipulated in Clause 13.3 (*Availability of the Terms and Conditions*). The Issuer shall ensure that any amendments to the Terms and Conditions are duly registered with the CSD and each other relevant organization or authority. The Issuer shall promptly publish by way of press release any amendment or waiver made pursuant to Clause 17.1(a) or (c), in each case setting out the amendment in reasonable detail and the date from which the amendment or waiver will be effective.
- 17.3 An amendment to the Terms and Conditions shall take effect on the date determined by the Holders Meeting, in the Written Procedure or by the Agent, as the case may be.

18. THE AGENT

18.1 Appointment of the Agent

- 18.1.1 By subscribing for Capital Securities, each initial Holder appoints the Agent to act as its agent in all matters relating to the Capital Securities and the Terms and Conditions, and authorizes 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 Capital Securities held by such Holder, including the winding-up, dissolution, liquidation, company reorganization (*företagsrekonstruktion*) or bankruptcy (*konkurs*) (or its equivalent in any other jurisdiction) of the Issuer. By acquiring Capital Securities, each subsequent Holder confirms such appointment and authorization for the Agent to act on its behalf.
- 18.1.2 Each Holder 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 Terms and Conditions. The Agent is under no obligation to represent a Holder which does not comply with such request.
- 18.1.3 The Issuer shall promptly upon request provide the Agent with any documents and other assistance (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 Terms and Conditions.
- 18.1.4 The Agent is entitled to fees for all its work in such capacity and to be indemnified for costs, losses and liabilities on the terms set out in the Terms and Conditions and the Agency Agreement and the Agent's obligations as Agent under the Terms and Conditions are conditioned upon the due payment of such fees and indemnifications.
- 18.1.5 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

- 18.2.1 The Agent shall represent the Holders in accordance with the Terms and Conditions.
- 18.2.2 When acting pursuant to the Terms and Conditions, the Agent is always acting with binding effect on behalf of the Holders. The Agent is never acting as an advisor to the Holders or the Issuer. Any advice or opinion from the Agent does not bind the Holders or the Issuer.
- 18.2.3 When acting pursuant to the Terms and Conditions, the Agent shall carry out its duties with reasonable care and skill in a proficient and professional manner.
- 18.2.4 The Agent shall treat all Holders equally and, when acting pursuant to the Terms and Conditions, act with regard only to the interests of the Holders as a group 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 Terms and Conditions.

- 18.2.5 The Agent is always entitled to delegate its duties to other professional parties and to engage external experts when carrying out its duties as agent, without having to first obtain any consent from the Holders or the Issuer. The Agent shall however remain liable for any actions of such parties if such parties are performing duties of the Agent under the Terms and Conditions.
- 18.2.6 The Issuer shall on demand by the Agent pay all costs for external experts engaged by it in (i) a matter relating to the Issuer or the Terms and Conditions which the Agent reasonably believes may be detrimental to the interests of the Holders under the Terms and Conditions, and (ii) connection with any Holders' Meeting or Written Procedure, or (iii) in connection with any amendment (whether contemplated by the Terms and Conditions or not) or waiver under the Terms and Conditions.
- 18.2.7 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 Terms and Conditions.
- 18.2.8 Other than as specifically set out in the Terms and Conditions, the Agent shall not be obliged to monitor (i) the performance, default or any breach by the Issuer or any other party of its obligations under the Terms and Conditions, or (ii) whether any other event specified in the Terms and Conditions has occurred. 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.
- 18.2.9 The Agent shall ensure that it receives evidence satisfactory to it that the Terms and Conditions are duly authorized and executed. The Issuer shall promptly upon request provide the Agent with such documents and evidence as the Agent reasonably considers necessary for the purpose of being able to comply with this Clause 18.2.9. Other than as set out above, the Agent shall neither be liable to the Issuer or the Holders for damage due to any documents and information delivered to the Agent not being accurate, correct and complete, unless it has actual knowledge to the contrary, nor be liable for the content, validity, perfection or enforceability of such documents.
- 18.2.10 Notwithstanding any other provision of the Terms and Conditions 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 regulation.
- 18.2.11 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 Holders, 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.
- 18.2.12 The Agent shall give a notice to the Holders (i) before it ceases to perform its obligations under the Terms and Conditions by reason of the non-payment by the Issuer of any fee or indemnity due to the Agent under the Terms and Conditions or the Agency Agreement, or (ii) if it refrains from acting for any reason described in Clause 18.2.11.
- 18.3 Liability for the Agent**
- 18.3.1 The Agent will not be liable to the Holders for damage or loss caused by any action taken or omitted by it under or in connection with these Terms and Conditions, unless directly caused by its negligence or wilful misconduct. The Agent shall never be responsible for indirect or consequential loss.
- 18.3.2 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 provided to 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 Holders to delay the action in order to first obtain instructions from the Holders.

- 18.3.3 The Agent shall not be liable for any delay (or any related consequences) in crediting an account with an amount required pursuant to the Terms and Conditions to be paid by the Agent to the Holders, provided that the Agent has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognized clearing or settlement system used by the Agent for that purpose.
- 18.3.4 The Agent shall have no liability to the Issuer or the Holders for damage caused by the Agent acting in accordance with instructions of the Holders given in accordance with the Terms and Conditions.
- 18.3.5 Any liability towards the Issuer which is incurred by the Agent in acting under, or in relation to, the Terms and Conditions shall not be subject to set-off against the obligations of the Issuer to the Holders under the Terms and Conditions.

18.4 Replacement of the Agent

- 18.4.1 Subject to Clause 18.4.6, the Agent may resign by giving notice to the Issuer and the Holders, in which case the Holders shall appoint a successor Agent at a Holders' Meeting convened by the retiring Agent or by way of Written Procedure initiated by the retiring Agent.
- 18.4.2 Subject to Clause 18.4.6, 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.
- 18.4.3 A Holder (or Holders) representing at least ten (10) percent of the Adjusted Nominal Amount may, by notice to the Issuer (such notice shall, if given by several Holders, be given by them jointly), require that a Holders' Meeting is held for the purpose of dismissing the Agent and appointing a new Agent. The Issuer may, at a Holders' Meeting convened by it or by way of Written Procedure initiated by it, propose to the Holders that the Agent be dismissed and a new Agent appointed.
- 18.4.4 If the Holders 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 Holders, the Issuer shall within thirty (30) days thereafter appoint a successor Agent which shall be an independent financial institution or other reputable company with the necessary resources to act as agent under debt issuances.
- 18.4.5 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 Terms and Conditions.
- 18.4.6 The Agent's resignation or dismissal shall only take effect upon the earlier of (i) 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, and (ii) the period pursuant to Clause 18.4.4 (ii) having lapsed.
- 18.4.7 Upon the appointment of a successor, the retiring Agent shall be discharged from any further obligation in respect of the Terms and Conditions but shall remain entitled to the benefit of the Terms and Conditions and remain liable under the Terms and Conditions in respect of any action which it took or failed to take whilst acting as Agent. Its successor, the Issuer and each of the Holders shall have the same rights and obligations amongst themselves under the Terms and Conditions as they would have had if such successor had been the original Agent.
- 18.4.8 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 Terms and Conditions 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. THE ISSUING AGENT

- 19.1 The Issuer shall when necessary appoint an 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 Capital Securities. The Issuing Agent shall be a commercial bank or securities institution approved by the CSD.
- 19.2 The Issuer shall ensure that the Issuing Agent enters into agreements with the CSD, and comply with such agreement and the CSD Regulations applicable to the Issuing Agent, as may be necessary in order for the Issuing Agent to carry out its duties relating to the Capital Securities.
- 19.3 The Issuing Agent will not be liable to the Holders for damage or loss caused by any action taken or omitted by it under or in connection with the Terms and Conditions, unless directly caused by its gross negligence or wilful misconduct. The Issuing Agent shall never be responsible for indirect or consequential loss.

20. THE CSD

- 20.1 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 Capital Securities.
- 20.2 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 Holder or the admission to trading of the Capital Securities on the Regulated Market. The replacing CSD must be authorized to professionally conduct clearing operations pursuant to the Swedish Securities Markets Act (*lag (2007:528) om värdepappersmarknaden*) and be authorized as a central securities depository in accordance with the Financial Instruments Accounts Act.

21. NO DIRECT ACTIONS BY HOLDERS

- 21.1 A Holder may not take any steps whatsoever against the Issuer to enforce or recover any amount due or owing to it pursuant to the Terms and Conditions, or to initiate, support or procure the winding-up, dissolution, liquidation, company reorganization or bankruptcy in any jurisdiction of any Group Company in relation to any of the obligations and liabilities of the Issuer or any Subsidiary under the Terms and Conditions. Such steps may only be taken by the Agent.
- 21.2 Clause 21.1 shall not apply if the Agent has been instructed by the Holders in accordance with the Terms and Conditions 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 Holder to provide documents in accordance with Clause 18.1.2), 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 Terms and Conditions or the Agency Agreement or by any reason described in Clause 18.2.11, such failure must continue for at least forty (40) Business Days after notice pursuant to Clause 18.2.12 before a Holder may take any action referred to in Clause 21.1.

22. PRESCRIPTION

- 22.1 The right to receive repayment of the principal of the Capital Securities shall be prescribed and become void ten (10) years from the relevant Redemption Date. The right to receive payment of interest (excluding any capitalized 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 Holders' right to receive payment has been prescribed and has become void.

22.2 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 Capital Securities, and of three (3) years with respect to receive payment of interest (excluding capitalized 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

23.1 Any notice or other communication to be made under or in connection with the Terms and Conditions:

- (a) if to the Agent, shall be given at the address specified on its website www.intertrustgroup.com 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;
- (b) if to the Issuer, 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 Agent, to the email address notified by the Issuer to the Agent from time to time; and
- (c) if to the Holders, shall be given at their addresses registered with the CSD on a date selected by the sending person which falls no more than five (5) Business Days prior to the date on which the notice or communication is sent, and by either courier delivery (if practically possible) or letter for all Holders. A Notice to the Holders shall also be published on the websites of the Issuer and the Agent.

23.2 Any notice or other communication made by one person to another under or in connection with the Terms and Conditions 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, 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, or, in case of email, when received in readable form by the email recipient.

23.3 Any notice or other communication pursuant to the Terms and Conditions shall be in English.

23.4 Failure to send a notice or other communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.

24. FORCE MAJEURE

24.1 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.

24.2 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.

24.3 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

- 25.1 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.
- 25.2 The Issuer submits to the non-exclusive jurisdiction of the City Court of Stockholm (*Stockholms tingsrätt*).
-

SIGNATURES

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

Place:

Date:

SAS AB (PUBL)
as Issuer

Name:

Name:

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

Place:

Date:

INTERTRUST (SWEDEN) AB
as Agent

Name:

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