

INVITATION TO SUBSCRIBE FOR SHARES IN SAS AB'S RIGHTS ISSUE AND BONDHOLDER OFFER



The distribution of this prospectus and the subscription for new shares are subject to restrictions in certain jurisdictions (see "Selling and transfer restrictions").

GLOBAL COORDINATOR, SOLICITATION AGENT AND JOINT BOOKRUNNER



SOLICITATION AGENTS AND JOINT BOOKRUNNERS





IMPORTANT INFORMATION

For certain definitions used in this prospectus, see “*Certain definitions*” on the next page.

A Swedish version of this prospectus has been approved and registered by the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*) (the “**SFSA**”) in accordance with Article 20 in 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 (the “**Prospectus Regulation**”).

The prospectus and the offerings hereunder are governed by Swedish law. Disputes arising in connection with this prospectus, the offerings and related legal matters shall be settled exclusively by Swedish courts. The prospectus has been prepared in both Swedish and English language versions. In the event of any conflict between the versions, the Swedish version shall prevail.

SAS has not taken, and will not take, any actions to allow a public offering in any jurisdiction other than Sweden, Denmark, Norway and Finland. The offerings are not being made to persons resident in the United States, Australia, Canada, Hong Kong, India, Japan, Singapore, South Africa or any other jurisdiction where participation would require additional prospectuses, registration or measures besides those required by Swedish, Danish, Norwegian or Finnish law. Consequently, the prospectus may not be distributed in or into the mentioned countries or any other country or jurisdiction in which distribution or the offerings in accordance with this prospectus require such measures or otherwise would be in conflict with applicable regulations. Subscription of shares and other acquisitions of securities in violation of the restrictions described above may be void. Recipients of this prospectus are required to inform themselves about, and comply with, such restrictions. Any failure to comply with the restrictions described may result in a violation of applicable securities regulations. For further information, see “*Selling and transfer restrictions*”.

Investing in shares is associated with risk (see “*Risk factors*”). When an investor makes an investment decision, he or she must rely on his or her own analysis of SAS and the offerings in accordance with this prospectus, including applicable facts and risks. Potential investors should, before making an investment decision, engage their own professional advisers and carefully evaluate and consider their investment decision. Investors may only rely on the information in this prospectus and any possible supplements to this prospectus. No person is authorized to provide any information or make any statements other than those made in this prospectus. Should such information or statement nevertheless be provided or be made, it should not be considered to have been approved by SAS, and SAS is not responsible for such information or statements. Neither the publication of this prospectus nor any transaction made in respect of it shall be deemed to imply that the information in this prospectus is accurate or applicable at any time other than on the date of the publication of this prospectus or that there have been no changes in SAS’ business since this date. If significant changes relating to the information contained in this prospectus occur, such changes will be announced in accordance with the provisions on prospectus supplements under the Prospectus Regulation.

As a condition for subscription of shares under the offerings in this prospectus, each person applying for subscription of shares shall be deemed to have made or, in some cases, be required to make, certain representations and warranties that will be relied upon by SAS and its advisors (see “*Selling and transfer restrictions*”). SAS reserves the right to declare null and void any subscription of shares that SAS and its advisors believe may give rise to a breach or violation of any law, rule or regulation in any jurisdiction.

Important information to investors in the United States

None of the subscription rights, paid subscription shares (Sw. *betalda tecknade aktier* – “**BTA**”) or new shares in SAS (collectively, “**Securities**”) offered, as applicable, in connection with the Rights Issue or the Bondholder Offer have been, or will be, registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or the securities laws of any state or other jurisdiction of the United States and may not be offered, subscribed for, exercised, pledged, sold, resold, delivered or otherwise transferred, directly or indirectly, in or into the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws in any state or other jurisdiction of the United States. The Securities are being offered outside the United States in offshore transactions in reliance on Regulation S under the Securities Act. No public offering of the Securities will be made in the United States. Any offering of the Securities made in the United States in connection with the Rights Issue will only be made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, to a limited number of persons that (i) are qualified institutional buyers as defined in Rule 144A under the Securities Act (“**QIBS**”); and (ii) have executed and delivered an investor letter to SAS. Persons receiving the prospectus are hereby notified that SAS may be relying on an exemption from the registration requirements of Section 5 of the Securities Act. For a description of these and certain further restrictions regarding the Securities and the distribution of this prospectus, see “*Selling and transfer restrictions*”.

Up until 40 days after the initiating of the Rights Issue, an offer or a transfer of Securities within the United States made by a securities broker (regardless of whether such securities broker participates in the Rights Issue or not) may constitute a breach of the registration requirements of the Securities Act.

The Securities have not been approved or disapproved by the U.S. Securities and Exchange Commission (“**SEC**”), any state regulatory authority in the United States or any other U.S. regulatory authority. Nor have any of the foregoing authorities passed upon or endorsed the merits of the offerings or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offense in the United States.

If, at any time, SAS is neither subject to Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the “**U.S. Exchange Act**”), nor exempt from reporting pursuant to Rule 12g3-2(b) under the U.S. Exchange Act, it will furnish, upon request, to any owner of the Securities, or any prospective purchaser designated by any such owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act.

Important information to investors in the EEA

Within the European Economic Area (“**EEA**”), no public offering of Securities is made in other countries than Sweden, Denmark, Norway and Finland. In other member states of the EU, such an offering of Securities may only be made in accordance with the Prospectus Regulation. In other member states of the EEA which have implemented the Prospectus Regulation in their national legislation, any offer of Securities may only be made in accordance with an applicable exemption in the Prospectus Regulation and/or in accordance with an applicable exemption under a relevant national implementation measure. In other member states of the EEA which have not implemented the Prospectus Regulation in their national legislation, any offer of Securities may only be made in accordance with an applicable exemption under national law. Each recipient of this prospectus will be considered to have represented and guaranteed that they do not have or will not make any offer to the public in any member state of the EEA. For additional information, see “*Selling and Transfer Restrictions*”.

Forward-looking statements

The prospectus contains certain forward-looking statements that reflect SAS’ present view of future events, assumptions made by and information currently available to SAS’ management, as well as financial and operational development. Words such as “intend”, “assess”, “expect”, “may”, “plan”, “believe”, “estimate” and other expressions entailing indications or predictions of future development or trends, not based on historical facts, constitute forward-looking statements. Forward-looking statements are included, for example, in “*Business description–Impact of the COVID-19 pandemic and return to service*” and “*Operating and financial review*”. Forward-looking statements are inherently associated with both known and unknown risks and uncertainties as they depend on future events and circumstances. Forward-looking statements are not a guarantee of future results or development, and actual outcomes may differ materially from those set out in the forward-looking statements.

Factors that may cause SAS’ future results and development to differ from the forward-looking statements include, but are not limited to, those described in “*Risk factors*”. The forward-looking statements contained in this prospectus apply only as of the date of this prospectus. SAS does not undertake any obligation to publicly announce any update or change in forward-looking statements as a result of new information, future events or similar circumstances other than as required by applicable laws and regulations.

Presentation of financial information

Certain figures in this prospectus, including financial data, have been rounded to facilitate understanding of the information. Accordingly, figures shown in totals in certain tables may not be an exact arithmetic aggregation of the figures which precede them. Unless otherwise stated, no information in this prospectus has been reviewed or audited by SAS’ auditor.

TABLE OF CONTENTS

Summary	2
Dansk resumé	9
Norsk sammendrag	16
Risk factors	23
Presentation of financial information and certain other information	43
Invitation to subscribe for shares in SAS AB	45
Background and reasons	47
Terms and conditions for the Rights Issue	49
Terms and conditions for the Bondholder Offer	56
Business description	59
Selected historical financial information	80
Operating and financial review	86
Capitalization, indebtedness and other financial information	114
Board of Directors, Group Management and Auditor	118
Shares and share capital	123
Legal considerations and supplementary information	130
Tax issues	136
Selling and transfer restrictions	144
Definitions and glossary	148
Addresses	149

THE RIGHTS ISSUE IN BRIEF

Preferential rights

Each existing share in SAS entitles eligible holders to nine (9) subscription rights. Each subscription right entitles eligible holders to subscribe for one (1) new share. Shares not subscribed for with preferential rights shall be offered to shareholders and other investors for subscription without preferential rights.

Subscription price

SEK 1.16 per share.

Record date for participation in the Rights Issue

30 September 2020

Subscription period

2 October–19 October 2020 17:00 CEST

Trading in subscription rights

2 October–15 October 2020

Trading in BTA 1s

2 October–30 October 2020 (Nasdaq Stockholm)

15 October–30 October 2020 (Nasdaq Copenhagen)

THE BONDHOLDER OFFER IN BRIEF

Subscription price

SEK 1.16 per share.

Record date

19 October 2020

Application period

2 October–19 October 2020 17:00 CEST

Trading in BTA 2s

23 October–30 October 2020 (Nasdaq Stockholm)

OTHER INFORMATION

Ticker:	SAS
ISIN code share:	SE0003366871
ISIN code subscription right (the Rights Issue):	SE0014957031
ISIN code BTA 1s (the Rights Issue):	SE0014957049
ISIN code BTA 2s (the Bondholder Offer):	SE0014957072
LEI code:	549300ZJTLE5T4SGP021

Financial information

Year-end report 2020: 3 December 2020

CERTAIN DEFINITIONS

In this prospectus, the following definitions are used:

“**SAS**” refers to, depending on the context, SAS AB (publ) (corporate ID No. 556606-8499), the group in which SAS AB (publ) is the parent company or the airline operations (including cargo, ground handling and technical maintenance) conducted under the SAS brand. The “**Company**” refers to SAS AB (publ) (corporate ID No. 556606-8499). The “**Group**” refers to SAS AB (publ) and its subsidiaries.

The “**Rights Issue**” refers to the new issue of shares with preferential rights for eligible existing shareholders in accordance with the terms and conditions of this prospectus.

The “**Bonds**” refers to the SAS MSEK 2,250 senior unsecured fixed rate bond due 24 November 2022 (ISIN SE0010520338).

The “**Bondholder Offer**” refers to the offer to the holders of the Bonds to subscribe for new shares in accordance with the terms and conditions of this prospectus.

“**SEB**” refers to Skandinaviska Enskilda Banken AB (publ).

“**Euroclear Sweden**” refers to Euroclear Sweden AB.

“**Nasdaq Stockholm**” refers to the Swedish regulated market Nasdaq Stockholm or its operator Nasdaq Stockholm AB, as the context may require.

“**SEK**”, “**EUR**”, “**USD**”, “**DKK**” and “**NOK**” refers to Swedish kronor, Euro, U.S. dollars, Danish kronor and Norwegian kroner, respectively. **M** indicates millions. **T** indicates thousand.

Unless otherwise stated, “**shares**” refer to common shares in the Company.

For additional definitions and a glossary, please refer to “**Definitions and glossary**”.

SUMMARY

INTRODUCTION AND WARNINGS

This prospectus has been drawn up in relation to the issuance and admission to trading on regulated markets of new shares in SAS AB (publ) (corporate ID No. 556606-8499), SE-195 87 Stockholm, Sweden. The ISIN code of the shares is SE0003366871. SAS' LEI code is 549300ZJTLE5T4SGP021.

On 30 September 2020, the SFSA (with postal address P.O. Box 7821, SE-103 97 Stockholm, Sweden, telephone number +46 (0)8 408 980 00, and website www.fi.se) in its capacity as competent authority under Regulation (EU) 2017/1129 (the Prospectus Regulation) approved this prospectus.

This summary should be read as an introduction to the prospectus. Any decision to invest in the securities should be based on consideration of the prospectus as a whole by the investor. An investor could lose all or part of the invested capital. Where a claim relating to the information in this prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus, or where it does not provide, together with other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.

KEY INFORMATION ON THE ISSUER

WHO IS THE ISSUER OF THE SECURITIES?

SAS AB (publ) (corporate ID No. 556606-8499) is the issuer of the securities under this prospectus. The Board of Directors of SAS has its statutory seat (Sw. *säte*) in Stockholm, Sweden. The Company is a public limited liability company (Sw. *publikt aktiebolag*) incorporated in Sweden in 2001. The Company conducts operations in accordance with the Swedish Companies Act (Sw. *aktiebolagslagen (2005:551)*). SAS' LEI code is 549300ZJTLE5T4SGP021.

Principal activities

SAS is the Nordic region's largest airline, offering passenger flights in an extensive Nordic, European and intercontinental network. The hub airports Kastrup, Arlanda and Gardermoen constitute the backbone of SAS' network with their corresponding strategic locations in the vicinity of Copenhagen, Stockholm and Oslo. SAS' network is designed to connect the Group's extensive regional network in the Nordics with the rest of Europe and selected destinations in North America and Asia. SAS has historically maintained strong market positions within business traveling in particular. During fiscal year 2019, the average number of employees in the Group was 10,445. SAS transported 29.8 million passengers, including charter, during fiscal year 2019 and had in average 789 departures scheduled per day to 127 destinations. Since the outbreak of the COVID-19 pandemic, SAS and its operations have been severely impacted by the pandemic and the consequences thereof. SAS has, for example, been forced to cancel most of its flights and ground most of the aircraft, lost most of its revenues and temporarily laid-off most of its employees. In June 2020, SAS re-commenced limited operations. In August 2020, SAS' total capacity (available seat kilometers, ASK) and total number of passengers were 73.4% and 74.2% lower, respectively, than in August 2019.

Major shareholders

As of 31 August 2020, SAS had 108,936 shareholders. The table below shows SAS' shareholders with a direct or indirect holding corresponding to 5% or more of the share capital and the votes in SAS as of 31 August 2020.

Shareholder	Number of shares	Shares and votes (%)
Government Offices of Sweden	56,700,000	14.82
Government of Denmark	54,475,402	14.24
Knut and Alice Wallenberg Foundation	24,855,960	6.50
Other shareholders	246,551,189	64.44
Total	382,582,551	100.00

Source: Euroclear Sweden, VP Securities and VPS.

Auditor

KPMG AB (P.O. Box 382, 101 27 Stockholm, Sweden) is SAS' auditor. The authorized public accountant Tomas Gerhardsson is the auditor in charge.

Group Management

The table below sets forth the members of SAS' Group Management as of the date of this prospectus.

Name	Position
Rickard Gustafson	President and Chief Executive Officer
Simon Pauck Hansen	Executive Vice President and Chief Operating Officer
Charlotte Svensson	Executive Vice President and Chief Information Officer
Kjetil Håbjørg	Executive Vice President and Chief Service Officer
Karl Sandlund	Executive Vice President and Chief Commercial Officer
Magnus Örnberg	Executive Vice President and Chief Financial Officer
Carina Malmgren Heander	Executive Vice President and Chief of Staff

WHAT IS THE KEY FINANCIAL INFORMATION REGARDING THE ISSUER?

The historical financial information presented below (other than alternative performance measures) has been derived from SAS' audited consolidated financial statements for the fiscal years 2017, 2018 and 2019, respectively, which have been prepared in accordance with the Swedish Annual Accounts Act (Sw. *årsredovisningslagen (1995:1554)*), Recommendation RFR 1 — *Supplementary Accounting Rules for Corporate Groups*, and the EU-approved International Financial Reporting Standards ("IFRS") and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), and SAS' reviewed consolidated financial statements for the interim period 1 November 2019–31 July 2020 (with comparative figures for the period 1 November 2018 to 31 July 2019), prepared in accordance with the IAS 34 *Interim Financial Reporting* and the Swedish Annual Accounts Act.

Condensed consolidated statement of income

MSEK	Fiscal year			Interim period	
	2019	2018	2017	1 Nov 2019– 31 Jul 2020	1 Nov 2018– 31 Jul 2019
Operating income (EBIT)	1,166	2,521	2,187	-6,811	-21
Income before tax (EBT)	794	2,041	1,725	-6,880	-302
Net income for the year/period	621	1,589	1,149	-6,696	-240
Earnings per share, SEK	1.54	3.7	2.42	-17.66	-0.65
Operating income (EBIT) margin ¹⁾	2.5%	5.7%	5.1%	-39.0%	-0.1%

1) Alternative performance measure (non-IFRS measure). Operating income (EBIT) divided by revenue.

Condensed consolidated balance sheet

MSEK	31 October 2019	31 October 2018	31 October 2017	31 July 2020	31 July 2019
Total assets	34,012	34,199	32,555	52,433	32,008
Total equity	5,372	7,268	8,058	-1,371	3,072
Financial net debt, MSEK ¹⁾	328	-2,432	-2,799	28,917	1,137

1) Alternative performance measure (non-IFRS measure). Interest-bearing liabilities less interest bearing assets excluding net pension funds (2020 including IFRS 16, while earlier periods do not include IFRS 16).

Condensed consolidated of cash-flow statement

MSEK	Fiscal year			Interim period	
	2019	2018	2017	1 Nov 2019– 31 Jul 2020	1 Nov 2018– 31 Jul 2019
Cash flow from operating activities	3,318	4,559	2,443	-2,163	2,119
Cash flow from investing activities	-4,580	-2,679	-87	-6,972	-3,072
Cash flow from financing activities	269	-963	-1,887	6,619	-1,456
Cash flow from the year/period	-993	917	469	-2,516	-2,409

WHAT ARE THE KEY RISKS THAT ARE SPECIFIC TO THE ISSUER?

COVID-19 has had a material adverse effect on SAS and SAS remains subject to significant risks related to the outbreak and countermeasures

The COVID-19 pandemic has had and continues to have a material adverse effect on the global economy and the travel sector is one of the worst affected sectors with a fall in demand of air travel. As an effect of the COVID-19 pandemic, and the measures that authorities have taken to prevent the spread of COVID-19, the demand for international air travel was essentially non-existent from the middle of March 2020 until the beginning of June 2020. As a direct consequence, SAS' operating revenue decreased. During its third fiscal quarter (May to July 2020), SAS' revenue fell 81.3% compared to the same period 2019. Demand going forward remains uncertain and is heavily dependent on the easing of travel restrictions as well as passenger confidence and willingness to travel. The further spread, worsening and/or reemergence (a so-called second wave), and the related consequences of the COVID-19 pandemic, including the reintroduction of restrictions are very difficult to predict. Despite the measures taken by SAS, the

financial performance for the fiscal year 2020 will continue to be significantly affected by a loss of revenue as a result of lower ticket sales and significant negative cash flows to an extent and for a duration that are uncertain. Protracted uncertainty and a lack of containment of the COVID-19 pandemic, as well as actions imposed in different jurisdictions, and general economic downturn, present a major threat to the airline industry and might continue to have a highly material adverse effect on SAS' operations, revenues, cash flow, liquidity and results of operations, and could ultimately force SAS to enter into liquidation or bankruptcy proceedings.

The recovery of air travel, including for SAS, is expected to be slow and the future characteristics of the airline industry are highly uncertain

The COVID-19 pandemic has created a global crisis for the aviation industry, including SAS. There is material uncertainty with respect to future demand due to the current market conditions in the aviation industry. Therefore, SAS expects a longer recovery period than experienced in previous downturns. SAS' current expectation is that the ramp-up phase for the airline industry may last until at least 2022 before demand can reach

more normalized levels, with a return to pre COVID-19 levels a few years thereafter. The COVID-19 pandemic may also have long-term negative effects on demand for air travel due to changes in travelers' perception of the travel experience and a general reluctance to travel by air. Demand for business travel may also be negatively affected in the long term by video conferencing making significant inroads as a substitute for in-person meetings. Since the COVID-19 situation is continuously changing, it is not possible to predict the recovery period or the short-, medium- and long-term consequences for the airline industry with any certainty other than the expectations of material adverse negative effects that may be long-term.

SAS is subject to risks relating to its revised business plan and the implementation thereof

Given the actual and anticipated negative financial impacts of the COVID-19 pandemic, the Board of Directors of SAS has decided on a revised business plan. The revised business plan is based on rightsizing SAS and its cost structure to reflect a new situation of lower expected demand. The appropriateness and successful implementation of SAS' revised business plan could be affected by a number of factors beyond SAS' control. The revised business plan has been based on certain targets and projections which are subject to considerable uncertainty and could differ materially from actual results. The appropriateness of the revised business plan remains dependent on expectations and assumptions regarding the future, including the assumption that the ramp-up phase for the airline industry and SAS may last until at least 2022 before demand can reach more normalized levels. If market conditions, including the future impact of COVID-19 pandemic on the aviation industry, deviate materially from the expectations and assumptions underlying the revised business plan, the business plan may not be appropriate and SAS may not be able to implement it, which would have a material adverse effect on SAS' business, expenses, results of operations and future prospects.

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

SAS is sensitive to adverse changes in the international political landscape, particularly in Europe where SAS conducts the majority of its business, as these can 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' dependence on jet fuel also results in sensitivity to the global oil market, which may be adversely affected by, for instance, economic unrest and prolonged hostilities or terrorist attacks in the Middle East or other oil-producing regions. There is a risk that geopolitical tensions impact demand of leisure and business travelers for flights as well as potentially impeding SAS' supply of fuel, cost of fuel or other inputs. Geopolitical uncertainties that significantly affect demand for SAS' services would have a material adverse effect on its business, revenues and results of operations.

SAS is highly susceptible to adverse economic developments

Demand for SAS' services depends to a significant extent on general economic and industry conditions, especially in geographical areas where SAS conducts its business. Accordingly, the airline industry, including SAS, tends to experience significant adverse financial results during general economic downturns. The ongoing COVID-19 pandemic has and will continue to have significant negative effects on the global economy. The pandemic as well as measures introduced in the wake thereof are having considerable economic consequences, and GDP is expected to fall sharply in most countries during

2020. Any continuation of reduced demand would have a material adverse effect on SAS' liquidity and ability to secure sufficient bank and capital market financing to meet its obligations, which may have a material adverse effect on SAS' business, financial condition, results of operations and future prospects. Approximately 70% of SAS' passenger revenues in fiscal year 2019 were derived from travels sold in Scandinavia. 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' revenues. Moreover, economic downturns in the airline industry generally result in a lower 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 significant risk to SAS' revenues and results of operations. This situation is exacerbated by the fact that SAS' 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. The susceptibility of SAS to adverse economic developments also risks leading to price pressure along the entire value chain. 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' operating income and financial condition.

SAS is exposed to risks relating to the conditions for receiving state aid as well as complaints or appeals concerning the European Commission's state aid approvals

With respect to the Recapitalization Plan and the capital injection by the major shareholders, the governments of Denmark and Sweden have also made state aid notifications to the European Commission. The European Commission granted the state aid in August 2020. The decision sets out certain conditions to which SAS will need to adhere, including bans on share buybacks, payments of dividends and other non-mandatory interest payments to non-state creditors, as well as a ban on bonus payments and other limitations to the remuneration of SAS' management. Until the conditions are fully released, the conditions will limit SAS' possibilities to carry out the activities set out above and there is a risk that SAS is unable to retain and recruit key personnel. There is a significant risk that appeals or complaints will be filed against the decision by the European Commission. If the General Court of the European Union (and in case of appeal, the European Court of Justice) concludes that none of the exemptions to the general prohibition against state aid were applicable and that the state aid that the Company received thereby was unlawful, SAS could be under an obligation to repay the aid received. Thus, if the decisions were to be annulled, it would present a material risk to SAS and its operations. It would also jeopardize SAS' existence as SAS does not expect to be able to raise such amounts of capital in the market.

Risks relating to compliance with regional, national and international regulations, the adoption of new regulations, and the revision of existing regulations

SAS must comply with a large number of national, regional and international laws and regulations. Regulations, like Regulation (EC) No. 1008/2008 ("Air Services Regulation") and Regulation (EC) No. 261/2004 (the "Flight Compensation Regulation") may impose additional requirements or restrictions on airline operations and/or impose costs on SAS. Pursuant to the Air Services Regulation, air carriers that are subject to the air traffic regulation rules of the EU must have an operating license for the transportation of passengers, mail and/or freight in commercial air traffic. The Air Service Regulation also sets certain requirements for the air carrier's financial preparedness. Under the Flight Compensation Regulation, each

passenger, who has been denied boarding or whose flight has been canceled, may under certain circumstances be entitled to compensation. Non-compliance with currently applicable regulations, the adoption of new regional, national and international regulations, or the revision of existing regulations or the imposition of additional administrative charges or costs may result in significant additional profitability-reducing expenses, which may have a material adverse effect on SAS' results of operations and future prospects. If a licensing authority no longer is satisfied that SAS can meet its financial obligations, it may ultimately also result in the suspension or revocation of one or several of SAS' operating licenses, thereby making it impossible for SAS to carry out its airline operations.

Risks related to the Recapitalization Plan, SAS' liquidity and future access to capital

In light of the COVID-19 pandemic, the Board of Directors of SAS has decided to adopt a recapitalization plan (the "**Recapitalization Plan**"), consisting of the following components: (i) the directed issue of shares in the amount of approximately MSEK 2,006 (the "**Directed Issue**") to the governments of Sweden and Denmark (the "**Major Shareholders**"); (ii) the Rights Issue of new shares available to eligible shareholders that seeks to raise approximately MSEK 3,994; (iii) the directed issue of new hybrid notes in a total amount of MSEK 6,000 to the Major Shareholders (the "**New State Hybrid Notes**"); (iv) the conversion of MSEK 1,500 subordinated perpetual floating rate capital securities (ISIN SE0012193910) (the "**Existing Hybrid Notes**") into new shares at 90% of par value; and (v) the conversion of the MSEK 2,250 Bonds at 100% of par value into new commercial hybrid notes (the "**New Commercial Hybrid Notes**") or into new shares through the Bondholder Offer. If the Recapitalization Plan is not implemented and/or fails, SAS will not be able to remedy the liquidity shortage and the negative equity caused by the COVID-19 outbreak, which would have a material adverse effect on SAS' financial condition and may force SAS to file for liquidation or bankruptcy. Given the high level of uncertainty regarding the further impact of the COVID-19 pandemic and the recovery of the aviation industry, there is a risk that the Recapitalization Plan will not be sufficient to allow SAS to have positive cash flow and to satisfy its liquidity needs. Consequently, there is a risk that SAS' capital resources will not at all times be sufficient to satisfy SAS' business and liquidity needs. The effects the COVID-19 pandemic has had on the global economy in general and the aviation industry in particular may make it difficult for SAS to then access the financial markets. Any extended duration, increased impact and/or reemergence of the COVID-19 pandemic, and continued reduced demand for air travel would have a material adverse effect on SAS' liquidity and capital position as well as SAS' ability to secure sufficient capital market and bank financing to execute its business strategy and satisfy its payment obligations and could ultimately force SAS to enter into liquidation or bankruptcy proceedings.

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. Whether SAS will be successful in the longer term in obtaining the required financing on commercially acceptable terms, if at all, is dependent on, among other things, the condition of capital and credit markets, the general availa-

bility of credit, prevailing interest rates and SAS' 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. The restructuring measures carried out by SAS in response to the COVID-19 outbreak may negatively affect such discussions and financiers' willingness to provide financing to SAS. Any failure to arrange sufficient financing or refinancing when required presents a significant risk to SAS' liquidity and financial condition. In July 2020, Standard and Poor's and Moody's, respectively, downgraded SAS' credit rating further due to, among other, risks relating to the Recapitalization Plan. With a downgraded credit rating there is a risk of an increase of SAS' borrowing costs, a reduction of the availability of finance and SAS' liquidity, limited access to capital markets and deteriorated perception of SAS. Accordingly, increased costs as a result of a credit downgrade presents a significant risk to SAS' liquidity and financial condition.

SAS is exposed to currency exchange rate risk

SAS has currency exposure to both transaction risk and translation risk. A significant portion of SAS' assets, liabilities, revenues and expenses are denominated in currencies other than SEK, particularly in USD, NOK and DKK, which means that SAS' 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' largest deficit currency, and NOK is SAS' largest surplus currency. In fiscal year 2019, SEK weakened 5% against the USD. This had a net negative impact on SAS' revenue and costs of MSEK -1,060. From 1 November 2019, SAS has adopted the new standard IFRS 16 *Leases*. A major impact from applying IFRS 16 is that SAS is exposed to exchange-rate fluctuations. SAS does not hedge all currency risk that might arise from its operational cash flows in foreign currencies or its liabilities denominated in foreign currencies. Moreover, there is a risk that SAS will not be able to hedge currency risk to the same extent as historically, since the COVID-19 pandemic has increased the risk that hedging counterparties may not always be available. Accordingly, fluctuations in currency exchange rates present a significant risk to SAS' financial condition, financial net and results of operations.

KEY INFORMATION ON THE SECURITIES

WHAT ARE THE MAIN FEATURES OF THE SECURITIES?

This prospectus relates to (i) the Directed Issue of up to 1,729,170,834 new shares in SAS to the Major Shareholders, (ii) the Rights Issue of up to 3,443,242,959 new shares in SAS to eligible existing shareholders, (iii) the directed issue of up to 1,163,793,103 new shares in SAS to the holders of Existing Hybrid Notes as part of the conversion thereof, and (iv) the directed issue of up to 969,827,586 new shares in SAS to the holders of Bonds through the Bondholder Offer. The ISIN code of the shares in SAS is SE0003366871.

As of the date of this prospectus, there are 382,582,551 shares in SAS (all of which are common shares¹⁾), each with a quota value of SEK 20.10 per share. The shares have been issued in accordance with Swedish law, are fully paid and are denominated in SEK.

1) Subordinated shares and shares of series C can also be issued under SAS' Articles of Association.

RIGHTS ATTACHED TO THE SECURITIES

Each common share entitles the holder to one (1) vote. To be entitled to participate in a General Meeting, the shareholder must be registered in SAS' share register on the sixth banking day prior to the meeting, and notify the Company of the participation not later than on the day specified in the notice of the meeting.

Should the Company decide to issue new common shares, subordinated shares and series C shares through a cash issue or a set-off issue, owners of common shares, subordinated shares and series C shares shall have preferential right to subscribe for new shares of the same series in proportion to their existing shareholdings (primary preferential right). Shares that are not subscribed for with primary preferential right shall be offered to all shareholders for subscription (subsidiary subscription). Should the Company decide through a cash issue or a set-off issue to offer only common shares, subordinated shares or series C shares, only the owners of the shares in that class have the preferential right to subscribe for shares in proportion to the number of shares the owners already own of the same class issued (primary preferential right). Shares not subscribed for through a primary preferential right shall be offered to all shareholders for subscription (subsidiary preferential right).

The above shall not constitute any restriction on the possibility to decide on a cash issue or a set-off issue, deviating from the preferential rights of the shareholders. What is stated above about the shareholders' preferential rights shall apply mutatis mutandis for new issues of warrants and convertibles not made against contribution in kind. An increase of the share capital through a bonus issue with issuance of new shares may only be made by issuing common shares. Accordingly, only holders of common shares have preferential rights to subscribe for such issued common shares.

All common shares carry the same right to share in the Company's profit and any surplus in the event of liquidation.

DIVIDEND POLICY

SAS' dividend policy entails that dividends to holders of shares can only be paid when value is created through SAS' return on invested capital (ROIC) exceeding its weighted average cost of capital (WACC). Dividends require a resolution by a shareholders' meeting, and that SAS has distributable earnings. The Group's financial position, earnings, expected performance, investment requirements and relevant economic conditions should also be taken into account.

It should be noted that the capital injection by the Major Shareholders under the Recapitalization Plan has been subject to approval by the European Commission under applicable state aid rules. The approval decision is subject to conditions under the European Commission's Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, which include, among others, a ban on dividends until all the financial instruments subscribed for by the Major Shareholders as part of the Recapitalization Plan and deemed state aid have been fully redeemed or sold.

WHERE WILL THE SECURITIES BE TRADED?

The shares in SAS are listed on the regulated market of Nasdaq Stockholm under the short code "SAS", with secondary listings on the regulated market of Nasdaq Copenhagen and on the regulated market of Oslo Børs.

WHAT ARE THE KEY RISKS THAT ARE SPECIFIC TO THE SECURITIES?

The share price can be volatile, and the share price development is affected by several factors

Since an investment in shares may decrease in value, there is a risk that investors will not recover their invested capital. SAS' shares are listed on Nasdaq Stockholm and secondarily listed on Nasdaq Copenhagen and Oslo Børs. The performance of a share depends on multiple factors, some of which are company specific, whilst others are related to the stock market in general. Moreover, stock exchanges worldwide have been very volatile and share prices subject to extraordinary swings as a result of the COVID-19 pandemic. There is a risk that there will not always be an active and liquid market for trading in SAS' shares on either stock exchange where the shares are traded, which would affect investors' possibilities to sell shares at a point in time and at a price considered desirable. This risk is magnified by the increase in the Major Shareholders' ownership in SAS after the Recapitalization Plan. This presents a significant risk for a single investor. Depending on the further spread and development of the COVID-19 pandemic and further measures taken by governments in response thereto, SAS' stock price may be particularly volatile regardless of the results and performance of the Group.

SAS' ability to pay future dividends depends on several factors, including restrictions under applicable state aid rules

Payment of dividends may only take place if there are distributable funds held by SAS and by an amount that appears to be justified taking into consideration the demands with respect to the size of shareholders' equity which are imposed by the nature, scope and risks associated with the operations as well as SAS' consolidation needs, liquidity and position in general for a certain fiscal year. Furthermore, future dividends, and the size of any such dividends, depend on the Group's future results, financial position, cash flows, working capital requirements and other factors. No dividend has been paid since 2001. It should also be noted that the capital injection by the Major Shareholders have been subject to approval by the European Commission under state aid rules which include, among others, a ban on dividends. Given the COVID-19 pandemic and the difficulty to predict when SAS can return to normal operations, no dividend is expected in the foreseeable future. Accordingly, there is a significant risk that payable dividends are not available in any fiscal year.

Trading in subscription rights and paid subscription shares (BTA) may be limited

In the Rights Issue, both subscription rights of and paid subscription shares ("BTA 1s") will be subject to trading for a limited period of time. Subscription rights will be traded on Nasdaq Stockholm, Nasdaq Copenhagen and Oslo Børs, while BTA 1s will be traded on Nasdaq Stockholm and Nasdaq Copenhagen. Trading in these instruments may be limited, which may cause problems to individual holders in selling their subscription rights and/or BTA 1s and thereby mean that the holders will not be able to compensate themselves for the economic dilution effect that the Rights Issue carries as well as being unable to realize the value of their BTA 1s. Bondholders who accept the Bondholder Offer and subscribe for new shares will receive paid subscription shares ("BTA 2s"). The BTA 2s will only be subject to trading on Nasdaq Stockholm for a limited period of time. Trading in these instruments may be limited, which may cause problems to individual holders in selling their BTA 2s and thereby mean that the holders will not be able to

realize the full value of their BTA 2s. Limited liquidity could also enhance fluctuations in the market price of subscription rights and/or BTA 1s and BTA 2s, respectively. Consequently, pricing of these instruments risk being incorrect or misleading.

KEY INFORMATION ON THE OFFER OF SECURITIES TO THE PUBLIC AND THE ADMISSION TO TRADING ON A REGULATED MARKET

UNDER WHICH CONDITIONS AND TIMETABLE CAN I INVEST IN THE SECURITIES?

The Rights Issue

On 23 September 2020, the Board of Directors of SAS resolved, as authorized by the Extraordinary General Meeting on 22 September 2020, to increase the Company's share capital through a new share issue with preferential rights for SAS' shareholders. The resolution entails that SAS' share capital will increase by a maximum of approximately MSEK 2,582 through the issuance of not more than 3,443,242,959 new shares. SAS' shareholders have preferential right to subscribe for new shares in relation to the number of shares previously held. The record date for participation in the Rights Issue is 30 September 2020.

Those who on the record date were registered as shareholders of SAS will receive nine (9) subscription rights for each share held on the record date. Each subscription right entitle to subscription for one (1) new share. To the extent that new shares are not subscribed for with preferential rights, they shall be allotted to shareholders and other investors (the general public in Sweden, Denmark, Norway and Finland as well as qualified investors) who have subscribed for shares without preferential rights. Such allotment shall firstly be made to those who have also subscribed for shares by exercise of subscription rights. Subscription shall take place during the period from 2 October 2020 up to 17:00 CEST on 19 October 2020, or such later date as determined by the Board of Directors. The subscription price has been set at SEK 1.16 per share. Provided that the Rights Issue is fully subscribed, SAS will consequently raise in total approximately MSEK 3,994 before issue costs.

Shareholders who elect not to participate in the Rights Issue will through the issuance of not more than 3,443,242,959 new shares have their holdings diluted by up to approximately 90.0% based on the current number of shares in SAS.

New shares that are subscribed for with subscription rights as well as without subscriptions rights are expected to be registered with the Swedish Companies Registration Office around 30 October 2020. Following registration of the new shares at the Swedish Companies Registration Office they will be admitted to trading on Nasdaq Stockholm, Nasdaq Copenhagen and Oslo Børs. Such trading is expected to commence on or around 3 November 2020.

The Bondholder Offer

On 23 September 2020, the Board of Directors of SAS resolved, as authorized by the Extraordinary General Meeting on 22 September 2020, to increase the Company's share capital through the Bondholder Offer. The resolution entails that SAS' share capital will increase by a maximum of MSEK 727 through the issuance of not more than 969,827,586 new shares. The right to subscribe for the new shares vests, with deviation from the shareholders' preferential rights, with the holders of Bonds.

Those who validly tender their Bonds under the Bondholder Offer are entitled to subscribe for new shares at a subscription price of SEK 1.16 per share by setting off the claim under their Bonds as consideration. However, the aggregate number of new shares to be issued to holders of the Bonds under the Bondholder Offer is limited to 969,827,586 shares (corresponding to 50% of the total nominal amount of the Bonds). In case of oversubscription, the allotment to Bondholders who have subscribed for shares for more than 50% of the nominal amount of their Bonds will be scaled down on the part exceeding 50% *pro rata* based on the number of Bonds submitted. Any remaining nominal amount of their Bonds not used as payment for shares will be used as payment for subscription for New Commercial Hybrid Notes. Acceptance of the Bondholder Offer shall take place during the period from 2 October 2020 up to 17:00 CEST on 19 October 2020, or such later date as determined by the Board of Directors. Provided that the Bondholder Offer is accepted in full, it will contribute with up to MSEK 1,125 before issue costs to SAS' shareholders' equity through the conversion of debt.

Existing shareholders will through the issuance of not more than 969,827,586 new shares have their holdings diluted by up to approximately 71.7%, based on the current number of shares in SAS.

The new shares are expected to be registered with the Swedish Companies Registration Office around 30 October 2020. Following registration of the new shares at the Swedish Companies Registration Office they will be admitted to trading on Nasdaq Stockholm, Nasdaq Copenhagen and Oslo Børs. Such trading is expected to commence on or around 3 November 2020.

Additional shares admitted to trading under the Recapitalization Plan

As a part of the Recapitalization Plan, the Board of Directors of SAS resolved on 23 September 2020, as authorized by the Extraordinary General Meeting on 22 September 2020, to also increase the Company's share capital through the Directed Issue to the Major Shareholders as well as through a directed issue of shares to the holders of the Existing Hybrid Notes. The Directed Issue entails that SAS' share capital will increase by a maximum of MSEK 1,297 through the issuance of not more than 1,729,170,834 new shares. The directed issue to holders of the Existing Hybrid Notes is a part of the conversion of these notes to shares and entails that SAS' share capital will increase by a maximum of MSEK 873 through the issuance of not more than 1,163,793,103 new shares.

Both share issues are expected to be registered with the Swedish Companies Registration Office around 30 October 2020. Following registration of the new shares at the Swedish Companies Registration Office the shares issued in these share issues will be admitted to trading on Nasdaq Stockholm, Nasdaq Copenhagen and Oslo Børs. Such trading is expected to commence on or around 3 November 2020.

The share issues performed as a part of the Recapitalization Plan entails that the Company's share capital will increase by a maximum of MSEK 5,480 through the issuance of not more than 7,306,034,482 new shares (from 382,582,551 shares before the share issues to a total of not more than 7,688,617,033 shares). For existing shareholders who are not entitled or decline, as the case may be, to subscribe for new shares in the share issues, the shareholding will accordingly be diluted with up to 7,306,034,482 new shares, corresponding to approximately 95.0% of the shares and votes in SAS after the share issues.

Recapitalization costs

The total recapitalization costs are estimated at approximately MSEK 155. No expenses are charged to investors by SAS.

WHY IS THIS PROSPECTUS BEING PRODUCED?

The COVID-19 pandemic has created a global crisis for the aviation industry, including SAS. What started with travel restrictions to mainland China quickly led to global travel restrictions, quarantines and strict advice against unnecessary travel. Effectively, these measures eliminated the core foundation of SAS business model and for the first time in history, SAS offered no scheduled international flights to/from Scandinavia with almost the entire fleet grounded from mid-March. This resulted in a significant and sharp drop in number of passengers and consequently revenues for SAS. The decline in demand has triggered SAS to implement a broad range of measures to radically reduce costs, preserve cash and adapt to new market conditions. Approximately 90% of the workforce is or has been on temporary layoff schemes and there has been a significant reduction of the route network. Most non-essential spend and projects have been suspended. In addition, capital expenditures have been reduced by reaching agreements with the majority of suppliers (including lessors) on payment holidays and discounts and by deferring aircraft deliveries and postponing other investments. Measures have also been taken to strengthen SAS' liquidity through securing a SEK 3.3 billion credit facility guaranteed to 90% by the Danish and Swedish states.

Despite countries starting to re-open their borders and easing of the travel restrictions made it possible for SAS to resume limited operations in June 2020, SAS currently estimates that the ramp-up phase for the airline industry is currently expected to last until at least 2022 before demand can reach more normalized levels, with a return to pre COVID-19 levels a few years after, and is subject to considerable uncertainty. SAS will need to demonstrate its ability to transform to meet a new and very challenging reality. As response to an environment characterized by lower passenger numbers and revenue generation, SAS is pursuing a revised business plan to ensure a cost-efficient recovery. However, neither the broad measures implemented to date nor the planned efficiency improvements under the revised business plan will be sufficient to help restore the Group's equity position to pre COVID-19 levels, creating a need for SAS to secure additional funding in order to continue as a key provider of important Scandinavian airline infrastructure. On 30 June 2020, SAS therefore announced a recapitalization plan, and on 14 August 2020 a revised recapitalization plan, to counteract the effects of the pandemic. The Recapitalization Plan includes capital injections from the Danish and Swedish states as well as burden sharing between SAS shareholders and holders of the Bonds and the Existing Hybrid Notes.

Provided that the Rights Issue is fully subscribed for, the gross proceeds of the Rights Issue will in total amount to approximately MSEK 3,994 before deducting expenses related to the Rights Issue of approximately MSEK 51¹⁾. The Group intends to use the net proceeds of the Rights Issue of up to approximately MSEK 3,943 to strengthen its capital structure, and to create a financial preparedness to meet the effects of continued weak demand for air travel (based on current expectations), changed passenger patterns and other external factors. Provided that the Bondholder Offer is accepted in full, it

will contribute approximately MSEK 1,125 before issue costs and net MSEK 1,111²⁾ to SAS' shareholders' equity through the conversion of debt.

Overall, the Recapitalization Plan aims to convert SEK 2.25 billion of debt to equity and raise SEK 12 billion of new equity, before recapitalization costs estimated at approximately MSEK 155, and thereby restore equity by SEK 14.25 billion. Following a successful implementation of the Recapitalization Plan, SAS will cancel, and prepay any amount outstanding, of its SEK 3.33 billion three-year revolving credit facility agreement, 90% guaranteed by the Major Shareholders, in accordance with its terms and conditions.

The Group's current working capital is, in the opinion of SAS, not sufficient for the Group's present requirements for a period of twelve months from the date of this prospectus. As a consequence of the COVID-19 pandemic, SAS' ability to generate positive cash-flow, access cash and other resources in order to pay for running costs and meet liabilities as they fall due is not sufficient to cover SAS' expected negative cash-flow generated from the operations during the next twelve months (based on SAS' revised business plan and current market assessment). SAS is, however, confident that all components of the Recapitalization Plan can be implemented and thereby generate sufficient working capital for the next twelve months from the date of this prospectus. If the Recapitalization Plan is not successfully implemented and fails, SAS will not be able to recapitalize and remedy the liquidity shortage and the negative equity caused by the COVID-19 pandemic, which would have a highly material adverse effect on SAS' financial condition. As a result, SAS may be forced to enter into liquidation or bankruptcy proceedings.

SUBSCRIPTION UNDERTAKINGS AND UNDERWRITING COMMITMENTS IN THE RIGHTS ISSUE

The Major Shareholders and the Knut and Alice Wallenberg Foundation, together holding approximately 35.6% of the shares and votes in SAS, have undertaken to subscribe for their respective *pro rata* shares of the Rights Issue. In addition, the Major Shareholders have underwritten subscription for additional shares, corresponding to approximately 45.9% of the Rights Issue. Altogether, said shareholders consequently have undertaken to subscribe for and underwrite, respectively, shares corresponding to approximately 81.5% of the Rights Issue.

INTERESTS OF ADVISORS, ETC.

SAS' financial advisor in relation to the Recapitalization Plan is SEB. SEB is also Global Coordinator, Solicitation Agent and Joint Bookrunner in connection with the offerings under this prospectus. Danske Bank A/S, Danmark, Sverige Filial and Swedbank AB (publ) are Solicitation Agents and Joint Bookrunners in connection with the Rights Issue. SEB, Danske Bank and Swedbank (and their affiliates) have in the ordinary course of business provided, and may in the future provide, various banking, financial, investment, commercial and other services to SAS for which SEB, Danske Bank and Swedbank have received, and may receive, compensation. Furthermore, SEB, Danske Bank and Swedbank (and their affiliates) are lender and/or broker of loans granted to SAS.

- 1) The total recapitalization costs are estimated at approximately MSEK 155, of which approximately MSEK 51 are expected to be allocated towards the Rights Issue.
- 2) The total recapitalization costs are estimated at approximately MSEK 155, of which approximately MSEK 14 are expected to be allocated towards the conversion of the Bonds.

DANSK RESUMÉ

INDLEDNING OG ADVARSLER

Dette prospekt er udarbejdet i anledning af emissionen og optagelse til handel på regulerede markeder af nye aktier i SAS AB (publ) (selskabsreg. nr. 556606-8499), 195 87 Stockholm, Sverige. ISIN-koden for aktierne er SE0003366871. SAS' LEI-kode er 549300ZJTLE5T4SGP021.

Den svenske tilsynsmyndighed Finansinspektionen ("SFSA", med postadresse PO-box 7821, SE-103 97 Stockholm, Sverige, telefonnr. +46 (0)8 408 980 00 og hjemmeside www.fi.se) godkendte den 30. september 2020 dette prospekt i egenskab af kompetent myndighed i henhold til Forordning (EU) 2017/1129 (Prospektforordningen).

Dette resumé bør læses som en introduktion til prospektet. Enhver beslutning om at investere i værdipapirerne bør træffes på baggrund af prospektet som helhed. En investor kan miste hele eller en del af den investerede kapital. Hvis der indbringes en sag vedrørende oplysningerne i prospektet for en domstol, kan den sagsøgende investor være forpligtet efter national ret til at betale omkostningerne i forbindelse med oversættelse af prospektet, inden sagen indledes. Kun de personer, som har indgivet resuméet og eventuelle oversættelser heraf, kan falde et civilretligt ansvar, men kun såfremt resuméet er misvisende, unøjagtigt eller uoverensstemmende, når det læses sammen med prospektets øvrige dele, eller såfremt det ikke, når det læses sammen med prospektets øvrige dele, indeholder nøgleoplysninger, således at investorerne lettere kan tage stilling til, om de vil investere i de pågældende værdipapirer.

NØGLEOPLYSNINGER OM UDSTEDEREN

HVEM ER UDSTEDEREN AF VÆRDIPAPIRERNE?

SAS AB (publ) (selskabsreg. nr. 556606-8499) er udsteder af værdipapirerne i henhold til dette prospekt. SAS' bestyrelse har hovedsæde i Stockholm, Sverige. Selskabet er et svensk aktieselskab (*publikt aktiebolag*) stiftet i Sverige i 2001. Selskabet driver virksomhed i henhold til den svenske selskabslov (*aktiebolagslagen (2005:551)*). SAS' LEI-kode er 549300ZJTLE5T4SGP021.

Koncernledelse

Tabellen nedenfor viser medlemmerne af SAS' koncernledelse pr. prospektdatoen.

Navn	Stilling
Rickard Gustafson	President og Chief Executive Officer
Simon Pauck Hansen	Executive Vice President og Chief Operating Officer
Charlotte Svensson	Executive Vice President og Chief Information Officer
Kjetil Håbjørg	Executive Vice President og Chief Service Officer
Karl Sandlund	Executive Vice President og Chief Commercial Officer
Magnus Örnberg	Executive Vice President og Chief Financial Officer
Carina Malmgren Heander	Executive Vice President og Chief of Staff

Revisor

KPMG AB (PO-box 382, 101 27 Stockholm, Sverige) er SAS' revisor. Hovedrevisor er statsautoriseret revisor Tomas Gerhardsson.

Hovedvirksomhed

SAS er Nordens største flyselskab og tilbyder passagerflyvning i et omfattende nordisk, europæisk og interkontinentalt netværk. Hub-lufthavnene Kastrup, Arlanda og Gardermoen udgør med deres strategiske placering i nærheden af hhv. København, Stockholm og Oslo knudepunkterne i SAS' netværk. SAS' netværk er designet til at forbinde koncernens omfattende regionale netværk i Norden med resten af Europa og udvalgte destinationer i Nordamerika og Asien. SAS har historisk set haft en stærk markedsposition, særligt inden for forretningsrejser. I regnskabsåret 2019 var der i gennemsnit 10.445 ansatte i koncernen. SAS transporterede i regnskabsåret 2019 29,8 mio. passagerer, herunder charterpassagerer, og havde i gennemsnit 789 afgangene pr. dag til 127 destinationer. Udbruddet af COVID-19-pandemien har haft alvorlige konsekvenser for SAS og SAS' drift. SAS har f.eks. være tvunget til at aflyse de fleste afgangene og lade de fleste fly blive på jorden. Selskabet har mistet det meste af indtægtsgrundlaget, og det har været nødvendigt at afskedige de fleste medarbejdere midlertidigt. I juni 2020 genoptog SAS driften i begrænset omfang. I august 2020 var SAS' samlede kapacitet (målt i sædekilometer, ASK) og samlede antal passagerer hhv. 73,4% og 74,2% lavere end i august 2019.

Hovedaktionærer

SAS havde pr. 31. august 2020 108.936 aktionærer. Tabellen nedenfor viser de af SAS' aktionærer, der pr. 31. august 2020 direkte eller indirekte var indehaver af 5% eller mere af aktiekapitalen og stemmerettighederne i SAS.

Aktionær	Antal aktier	Aktier og stemmer (%)
Den svenske stat	56.700.000	14,82
Den danske stat	54.475.402	14,24
Knut and Alice Wallenberg Foundation	24.855.960	6,50
Øvrige aktionærer	246.551.189	64,44
I alt	382.582.551	100,00

Kilde: Euroclear Sweden, VP Securities og VPS.

HVILKE OPLYSNINGER UDGØR UDSTEDERS NØGLEREGNSKABSOPPLYSNINGER?

De historiske regnskabsoplysninger nedenfor (bortset fra de alternative nøgletal) stammer fra SAS' reviderede koncernregnskab for regnskabsårene 2017, 2018 og 2019, som er udarbejdet i overensstemmelse med den svenske årsregnskabslov (*årsredovisningslagen (1995:1554)*), RFR 1 — *Supplerende regnskabsregler for koncerner* og de EU-godkendte International Financial Reporting Standards ("IFRS") og fortolkninger udarbejdet af Financial Reporting Interpretations Committee (IFRIC) og SAS' koncernregnskab for delperioden 1. november 2019 - 31. juli 2020 (med sammenligningstal for perioden 1. november 2018 – 31. juli 2019) udarbejdet i overensstemmelse med IAS 34 *Interim Financial Reporting* og den svenske årsregnskabslov.

Sammendrag af koncernresultatopgørelse

MSEK	Regnskabsår			Delperiode	
	2018/2019	2017/2018	2016/2017	1. nov. 2019– 31. jul. 2020	1. nov. 2018– 31. jul. 2019
Driftsresultat (EBIT)	1.166	2.521	2.187	-6.811	-21
Resultat før skat (EBT)	794	2.041	1.725	-6.880	-302
Årets/periodens nettoresultat	621	1.589	1.149	-6.696	-240
Indtjening pr. aktie, SEK	1,54	3,7	2,42	-17,66	-0,65
EBIT-margin ¹⁾	2,5%	5,7%	5,1%	-39,0%	-0,1%

1) Alternativt nøgletal (ikke-IFRS nøgletal). Driftsresultat (EBIT) divideret med indtægter.

Sammendrag af koncernbalancer

MSEK	31 Oktober 2019	31 Oktober 2018	31 Oktober 2017	31 Jul 2020	31 Jul 2019
Aktiver i alt	34.012	34.199	32.555	52.433	32.008
Egenkapital i alt	5.372	7.268	8.058	-1.371	3.072
Finansiell nettogæld, MSEK ¹⁾	328	-2.432	-2.799	28.917	1.137

1) Alternativt nøgletal (ikke-IFRS nøgletal). Rentebærende gæld minus rentebærende aktiver ekskl. pensionsmidler netto (2020 inkluderer IFRS 16, mens tidligere perioder inkluderer ikke IFRS 16).

Sammendrag af koncernpengestrømsopgørelser

MSEK	Regnskabsår			Delperiode	
	2018/2019	2017/2018	2016/2017	1. nov. 2019– 31. jul. 2020	1. nov. 2018– 31. jul. 2019
Pengestrøm fra driftsaktiviteter	3.318	4.559	2.443	-2.163	2.119
Pengestrøm fra investeringsaktiviteter	-4.580	-2.679	-87	-6.972	-3.072
Pengestrøm fra finansieringsaktiviteter	269	-963	-1.887	6.619	-1.456
Årets/periodens pengestrøm	-993	917	469	-2.516	-2.409

HVILKE ER DE VÆSENTLIGSTE RISICI FOR UDSTEDER?

COVID-19 har haft en væsentlig negativ indvirkning på SAS, og SAS er fortsat udsat for væsentlige risici som følge af udbruddet og modforanstaltningerne

COVID-19-pandemien har haft og fortsætter med at have en væsentlig negativ indvirkning på den globale økonomi, og rejsebranchen er med faldende efterspørgsel efter flyrejser en af de mest berørte brancher. Som følge af COVID-19-pandemien og de foranstaltninger, som myndighederne traf for at forhindre spredning af COVID-19, var der stort set ingen efterspørgsel efter internationale flyrejser fra midten af marts 2020 indtil starten af juni 2020. Som en direkte konsekvens heraf faldt SAS' driftsindtægter. I tredje kvartal (maj til juli 2020) faldt SAS' indtægter med 81,3% i forhold til samme periode i 2019. Den fremtidige efterspørgsel er stadig usikker og afhænger i høj grad af en lempelse af rejserestriktionerne og passagerernes tillid og rejselyst. Det er meget svært at forudsige, om der kommer yderligere spredning, forværring og/eller et nyt udbrud (en såkaldt anden bølge), og hvilke afledte konsekvenser COVID-19-pandemien vil have, herunder genindførslen af restriktioner. Trods de af SAS truffne foranstaltninger vil resultatet for regnskabsåret 2020 fortsat være præget af et

betydeligt indtægtstab som følge af lavere billetsalg og negative pengestrømme, hvis omfang og varighed er uvis. Langvarig usikkerhed og problemer med at inddæmme COVID-19-pandemien samt foranstaltninger truffet i forskellige jurisdiktioner og den generelle recession udgør en betydelig trussel for luftfartsindustrien og vil fortsat kunne have en væsentlig negativ indvirkning på SAS' drift, indtægter, pengestrømme, likviditet og driftsresultat og vil i sidste ende kunne tvinge SAS ind i en likvidations- eller konkursproces.

Genopretningen af flytrafikken, herunder for SAS, forventes at trække ud, og fremtiden for luftfartsindustrien tegner meget usikker

COVID-19-pandemien har skabt en global krise for luftfartsindustrien inkl. SAS. Den fremtidige efterspørgsel er forbundet med stor usikkerhed i lyset af de nuværende markedsforhold i luftfartsindustrien. SAS forventer derfor en længere genopretningsperiode end under tidligere afmatninger. SAS vurderer, at genopretningsfasen for luftfartsindustrien vil vare indtil i hvert fald 2022, før efterspørgslen har normaliseret sig, hvorefter der igen vil gå nogle år, inden man er tilbage på niveauet før COVID-19. COVID-19-pandemien kan også få langsigtede negative

konsekvenser for efterspørgslen efter flyrejser som følge af ændringer i folks opfattelse af rejseoplevelsen og en generel frygt for at rejse med fly. Efterspørgslen efter forretningsrejser kan også blive negativt påvirket på lang sigt, ved at videomøder i højere grad erstatter personlige møder. Da COVID-19-situationen konstant ændrer sig, er det ikke muligt med sikkerhed at forudsige, hvor lang genopretningsperioden bliver, eller hvad konsekvenserne bliver for luftfartsindustrien på kort, mellem-lang og lang sigt, men det forventes, at de negative konsekvenser bliver langvarige.

SAS er udsat for risici i relation til SAS' reviderede forretningsplan og implementeringen deraf

I lyset af de faktiske og potentielle negative konsekvenser af COVID-19-pandemien har SAS' bestyrelse besluttet at revidere forretningsplanen. Den reviderede forretningsplan sigter mod at tilpasse SAS og SAS' omkostningsstruktur til en ny situation med forventet lavere efterspørgsel. En vellykket gennemførelse af SAS' reviderede forretningsplan afhænger af en række faktorer, som SAS ikke har kontrol over. Den reviderede forretningsplan er baseret på visse mål og antagelser, som er behæftet med betydelig usikkerhed, og som kan afvige væsentligt fra de faktiske resultater. Om den reviderede forretningsplan lykkes eller ej afhænger af en række forventninger og antagelser om fremtiden, herunder antagelsen om, at genopretningsfasen for luftfartsindustrien og SAS kan vare indtil i hvert fald 2022, før efterspørgslen er normaliseret. Hvis markedsforholdene for luftfartsindustrien, herunder den fremtidige effekt af COVID-19-pandemien, afviger væsentligt fra de forventninger og antagelser, som ligger til grund for den reviderede forretningsplan, er der risiko for, at forretningsplanen ikke holder, og at SAS ikke kan implementere den, hvilket vil have en væsentlig negativ indvirkning på SAS' forretning, udgifter, driftsresultat og fremtidsudsigter.

SAS' virksomhed og flybranchen er udsat for geopolitiske risici

SAS er følsom over for negative ændringer i det internationale politiske landskab, særligt i Europa, hvor SAS driver det meste af sin virksomhed, da sådanne ændringer hurtigt kan påvirke efterspørgslen og forholdene for flytrafikken mellem lande. Som nylige eksempler kan nævnes usikkerheden som følge af Brexit og handelskrigen mellem Kina og USA. SAS' afhængighed af flybrændstof gør også SAS følsom over for ændringer på det globale oliemarked, der kan blive negativt påvirket af f.eks. økonomisk uro og lange perioder med fjendtligheder eller terrorangreb i Mellemøsten eller andre olieproducerende regioner. Der er risiko for, at geopolitiske spændinger kan påvirke efterspørgslen fra ferie- og forretningsrejsende efter flyrejser og potentielt påvirke SAS' adgang til brændstof, udgifter til brændstof mv. Geopolitisk usikkerhed, der i væsentlig grad påvirker efterspørgslen efter SAS' tjenester, vil have en væsentlig negativ indvirkning på SAS' forretning, indtægter og driftsresultat.

SAS er meget følsom over for en negativ økonomisk udvikling

Efterspørgslen efter SAS' tjenester afhænger i høj grad af den generelle økonomiske situation og brancheforholdene, særligt i de geografiske områder, hvor SAS driver sin virksomhed. Der er en tendens til, at flybranchen, herunder SAS, oplever væsentlige negative finansielle resultater under en økonomisk afmatning. Den nuværende COVID-19-pandemi har haft og vil fortsat have væsentlige negative konsekvenser for den globale økonomi. Pandemien og de foranstaltninger, der er truffet i kølvandet på den, har betydelige økonomiske konsekvenser, og BNP forventes at falde kraftigt i de fleste lande i 2020. En fortsat lavere efterspørgsel vil have en væsentlig negativ

indvirkning på SAS' likviditet og evne til at opnå tilstrækkelig finansiering fra banker og kapitalmarkeder til at opfylde SAS' forpligtelser, hvilket kan få en væsentlig negativ indvirkning på SAS' virksomhed, finansielle stilling, driftsresultat og fremtidsudsigter. Ca. 70% af SAS' passagerindtægter i regnskabsåret 2019 stammede fra rejser solgt i Skandinavien. SAS er således primært eksponeret for markedsforholdene i Skandinavien, og en mærkbar negativ økonomisk udvikling i denne region vil have en væsentlig negativ indvirkning på SAS' indtægter. Derudover medfører økonomisk afmatning i luftfartsindustrien generelt færre passagerer, som igen fører til overkapacitet (eller en stigning i den nuværende overkapacitet) og prispres på de berørte markeder, hvilket udgør en væsentlig risiko for SAS' indtægter og driftsresultat. Situationen forværres af, at SAS' flyvirksomhed har en høj andel af faste omkostninger, som ikke kan reduceres med kort varsel, og hvoraf nogle slet ikke kan reduceres nævneværdigt. SAS' følsomhed over for negative ændringer i økonomien risikerer også at føre til prispres gennem hele værdikæden. Der er risiko for, at den høje andel af faste omkostninger og lave overskudsgrad, som karakteriserer branchen, har en væsentlig negativ indvirkning på SAS' driftsresultat og finansielle stilling.

SAS er udsat for risici i relation til betingelserne for at få statsstøtte og klager eller indsigelser over EU-Kommissionens godkendelse af statsstøtte

Den danske og svenske stat har anmeldt Rekapitaliseringsplanen og kapitaltilførslen fra hovedaktionærerne til EU-Kommissionen som statsstøtte. EU-Kommissionen godkendte statsstøtten i august 2020. I afgørelsen fastsættes visse betingelser, som SAS skal overholde, herunder forbud mod aktietilbagekøb, udbyttebetaling og andre frivillige rentebetalinger til ikke-statslige kreditorer samt forbud mod bonusbetalinger og andre begrænsninger i aflønningen af SAS' ledelse. Indtil betingelserne er udløbet, vil de begrænse SAS' mulighed for træffe ovennævnte dispositioner, og der er risiko for, at SAS ikke vil være i stand til at fastholde og rekruttere nøglemedarbejdere. Der er stor risiko for, at der vil blive indgivet indsigelser eller klager mod EU-Kommissionens afgørelse. Hvis Retten (eller EU-Domstolen i tilfælde af appel) finder, at ingen af undtagelserne fra det generelle forbud mod statsstøtte gælder, og at statsstøtten dermed var ulovlig, kan SAS blive tvunget til at tilbagebetale støtten. Hvis afgørelsen omstødes, vil det således indebære en væsentlig risiko for SAS og SAS' forretning. Det vil også bringe SAS' eksistens i fare, da SAS ikke forventer at kunne rejse kapital af den størrelsesorden i markedet.

Risici relateret til overholdelse af regionale, nationale og internationale regler, vedtagelse af nye regler og revision af eksisterende regler

SAS skal overholde et stort antal nationale, regionale og internationale love og regler. Forordninger såsom Forordning (EU) 1008/2008 ("Lufttrafikforordningen") og Forordning (EU) 261/2004 ("Flykompensationsforordningen") kan stille yderligere krav til flydrift og/eller medføre omkostninger for SAS. I henhold til Lufttrafikforordningen skal luftfartsselskaber, der er underlagt EU's regler for lufttrafik, have licens til transport af passagerer, post og/eller kommerciel fragt. Lufttrafikforordningen indeholder også visse krav til luftfartsselskabets finansielle beredskab. I henhold til Flykompensationsforordningen kan passagerer, som er blevet nægtet boarding, eller hvis fly er blevet aflyst, i nogle tilfælde have krav på erstatning. Manglende overholdelse af gældende regler, vedtagelse af nye regionale, nationale eller internationale regler og revision af eksisterende regler eller indførelse af yderligere gebyrer og omkostninger kan være forbundet med væsentlige overskuds-

reducerende ekstraudgifter, hvilket kan have en væsentlig negativ indvirkning på SAS' driftsresultat og fremtidsudsigter. Hvis en licensudstedende myndighed ikke længere mener, at SAS kan opfylde SAS' finansielle forpligtelser, kan det i sidste ende resultere i suspension eller inddragelse af en eller flere af SAS' driftslicenser, således at det ikke længere er muligt for SAS at drive flyvirksomhed.

Risici relateret til Rekapitaliseringsplanen, SAS' likviditet og adgang til kapital i fremtiden

I lyset af COVID-19-pandemien har SAS' bestyrelse besluttet at vedtage en rekapitaliseringsplan ("**Rekapitaliseringsplanen**") bestående af følgende komponenter: (i) en emission af aktier for et beløb på ca. MSEK 2.006 (den "**Rettede Emission**") rettet mod den svenske og danske stat ("**Hovedaktionærerne**"), (ii) Fortegningsemissionen af nye aktier til nuværende aktionærer med henblik på at rejse ca. MSEK 3.994, (iii) en rettet emission af nye hybridobligationer for et beløb på MSEK 6.000 til Hovedaktionærerne (de "**Nye Statshybridobligationer**"), (iv) konvertering af MSEK 1.500 efterstillede obligationer med variabel rente og uden udløbsdato (ISIN SE0012193910) (de "**Eksisterende Hybridobligationer**") til nye aktier til 90% af den pålydende værdi, og (v) konvertering af MSEK 2.250 obligationerne til 100% af den pålydende værdi til nye kommercielle hybridobligationer (de "**Nye Kommercielle Hybridobligationer**") eller til nye aktier gennem Tilbuddet til Obligationsejere. Hvis Rekapitaliseringsplanen ikke implementeres og/eller mislykkes, vil SAS ikke være i stand til at afhjælpe den likviditetsmangel og negative egenkapital, som er forårsaget af COVID-19-udbruddet, hvilket vil have en væsentlig negativ indvirkning på SAS' finansielle stilling og vil kunne tvinge SAS til at indgive likvidations- eller konkursbegæring. I lyset af den store usikkerhed, som er forbundet med effekten af COVID-19-pandemien og genopretningen af flybranchen, er der risiko for, at Rekapitaliseringsplanen ikke er tilstrækkelig til at sikre SAS et positivt cash flow og dække SAS' likviditetsbehov. Der er således risiko for, at SAS' kapitalberedskab ikke til enhver tid vil være tilstrækkeligt til at dække SAS' forretningsmæssige behov og likviditetsbehov. Effekten af COVID-19-pandemien på den globale økonomi generelt og på flybranchen i særdeleshed kan gøre det svært for SAS at få adgang til de finansielle markeder. Hvis COVID-19-pandemien trækker ud, eller hvis den får mere alvorlige konsekvenser og/eller bryder ud igen, og hvis efterspørgslen efter flyrejser forbliver lav, vil det få en væsentlig negativ indvirkning på SAS' likviditet og kapitalgrundlag og på SAS' evne til at opnå tilstrækkelig finansiering på kapitalmarkeder og i banker til at gennemføre sin forretningsstrategi og opfylde sine betalingsforpligtelser, hvilket i sidste ende kan tvinge SAS til at indgive likvidations- eller konkursbegæring.

SAS får brug for fremtidig finansiering til fornyelse af flyflåden og refinansiering af eksisterende gæld, og en lavere kreditvurdering kan betyde højere finansieringsomkostninger

SAS er afhængig af at kunne skaffe finansiering til køb af nye fly, der kan dække kapacitetsbehovet og til udskiftning af eksisterende fly, efterhånden som de bliver ældre, og til refinansiering af gæld, efterhånden som den forfalder. Hvorvidt det vil lykkes SAS på lang sigt at opnå den nødvendige finansiering på kommercielt acceptable vilkår, afhænger bl.a. af forholdene på kapital- og kreditmarkederne, den generelle adgang til kredit, renteniveauet og SAS' kreditværdighed. Der er en risiko for, at SAS ikke vil være i stand til at opnå finansiering på kommercielt acceptable vilkår, hvilket betyder, at SAS må ændre sine planer om køb af nye fly, acceptere højere finansieringsomkostninger og/eller indføre yderligere effektivitetsforbedringer og

omstruktureringsprogrammer. Den omstrukturering, som SAS har gennemført som reaktion på COVID-19-udbruddet, kan have en negativ indvirkning på sådanne drøftelser og på långiveres vilje til at tilbyde SAS finansiering. Hvis det ikke lykkes at opnå tilstrækkelig finansiering eller refinansiering, vil det udgøre en væsentlig risiko for SAS' likviditet og finansielle stilling. I juli 2020 nedjusterede Standard and Poor's og Moody's igen SAS' kreditvurdering bl.a. som følge af risici knyttet til Rekapitaliseringsplanen. Med nedjusteringen er der risiko for, at SAS' låneomkostninger stiger, at det bliver sværere at få adgang til finansiering og til kapitalmarkederne, at SAS' likviditet bliver presset, og at det går ud over SAS' omdømme. Øgede omkostninger som følge af den lavere kreditvurdering udgør således en væsentlig risiko for SAS' likviditet og finansielle stilling.

SAS er udsat for valutarisiko

SAS' valutaeksponering omfatter både en transaktionsrisiko og en omregningsrisiko. En væsentlig del af SAS' aktiver, passiver, indtægter og udgifter er denomineret i andre valutaer end SEK, særligt USD, NOK og DKK, hvilket betyder, at SAS' resultat for hver periode påvirkes af ændringer i valutakurser. Derudover er SAS udsat for valutarisiko ved køb af brændstof, fly og reserve-dele, ved salg af fly og i forbindelse med leasingbetalinger til fly, som overvejende foregår i USD. USD er SAS' største under-skudsvaluta, og NOK er SAS' største overskudsvaluta. I regnskabsåret 2019 faldt SEK med 5% i forhold til USD. Den negative effekt heraf på SAS' indtægter og omkostninger var MSEK -1.060. SAS gik pr. 1. november 2019 over til den nye regnskabsstandard IFRS 16 *Leasingaftaler*. Anvendelsen af IFRS 16 betyder, at SAS er udsat for valutakursudsving. SAS afdækker ikke alle valutarisiko, der måtte opstå i forbindelse med det driftsmæssige cash flow i udenlandsk valuta eller SAS' gæld i udenlandsk valuta. Derudover er der risiko for, at SAS ikke vil være i stand til at afdække sin valutarisiko i samme omfang som tidligere, idet COVID-19-pandemien har øget risikoen for, at er ikke altid vil være modparter til at afdække risiciene. Valutakursudsving udgør således en væsentlig risiko for SAS' finansielle stilling, nettofinansiering og driftsresultat.

NØGLEOPLYSNINGER OM VÆRDIPAPIRERNE

HVAD ER VÆRDIPAPIRERNES VÆSENTLIGSTE KARAKTERISTIKA?

Dette prospekt vedrører (i) en Rettet Emission af op til 1.729.170.834 nye aktier i SAS til Hovedaktionærerne, (ii) en Fortegningsemission af op til 3.443.242.959 nye aktier i SAS til de nuværende aktionærer, (iii) en rettet emission af op til 1.163.793.103 nye aktier i SAS til indehavere af Eksisterende Hybridobligationer som led i konvertering deraf og (iv) en rettet emission af op til 969.827.586 nye aktier i SAS til Obligationsejerne gennem Tilbuddet til Obligationsejere. Aktierne i SAS har ISIN-kode SE0003366871.

Pr. prospektdatoen er der 382.582.551 aktier i SAS (som alle er ordinære aktier¹⁾) med en stykværdi på SEK 20,10 per aktie. Aktierne er udstedt i SEK i henhold til svensk ret og er fuldt indbetalt.

RETTIGHEDER KNYTTET TIL VÆRDIPAPIRERNE

Hver ordinær aktie giver indehaveren ret til en (1) stemme. For at deltage på en generalforsamling skal aktionærer være indført i SAS' aktionærfortegnelse senest på den sjette bankdag forud for generalforsamlingens afholdelse og skal give Selskabet meddelelse om deltagelse inden for den i indkaldelsen fastsatte frist.

1) Subordinerede aktier og serie C-aktier kan også udstedes i henhold til SAS' vedtægter.

Såfremt Selskabet beslutter at udstede nye ordinære aktier, subordinerede aktier og serie C-aktier ved en kontantemission eller modregningsemission (*Sv. kvittningsemission*) har indehavere af ordinære aktier, subordinerede aktier og serie C-aktier fortegningsret til de nye aktier i samme serie i forhold til deres nuværende aktiebesiddelse (primær fortegningsret). Aktier, der ikke tegnes ved udnyttelse af den primære fortegningsret, skal udbydes til tegning blandt alle aktionærer (sekundær tegning). Såfremt Selskabet beslutter kun at udbyde ordinære aktier, subordinerede aktier eller serie C-aktier ved en kontantemission eller modregningsemission, har kun indehavere af aktier i den pågældende serie fortegningsret til aktier i forhold til deres eksisterende aktiebesiddelse i den samme serie (primær fortegningsret). Aktier, der ikke tegnes ved udnyttelse af den primære fortegningsret, skal udbydes til tegning blandt alle aktionærer (sekundær tegning).

Ovennævnte skal ikke begrænse muligheden for at træffe beslutning om en kontantemission eller modregningsemission, hvor aktionærernes fortegningsret fraviges. Det ovenfor anførte vedrørende aktionærernes fortegningsret finder tilsvarende anvendelse ved udstedelse af warrants og konvertible instrumenter, hvor betaling ikke sker ved apportindskud. En kapitalforhøjelse ved udstedelse af fondsaktier i form af nye aktier kan alene ske ved udstedelse af ordinære aktier. Som følge heraf skal alene indehavere af ordinære aktier have fortegningsret til at tegne sådanne ordinære aktier.

Alle ordinære aktier giver samme ret til en andel af Selskabets overskud og af et eventuelt likvidationsprovenu.

UDBYTTEPOLITIK

SAS' udbyttepolitik indebærer, at der kun udbetales udbytte til aktionærer, når der skabes værdi, dvs. når SAS' afkast af den investerede kapital (ROIC) overstiger SAS' vægtede gennemsnitlige kapitalomkostning (WACC). Beslutning om udbetaling af udbytte træffes på generalforsamlingen og forudsætter, at SAS har frie midler til udlodning. Der tages endvidere hensyn til koncernens finansielle stilling, indtjening, forventede resultater, investeringsbehov og relevante økonomiske forhold.

Det bemærkes, at Hovedaktionærernes kapitaltilførsel som led i Rekapitaliseringsplanen var betinget af EU-Kommissionens godkendelse i henhold til reglerne om statsstøtte. I henhold til de EU-Kommissionens Midlertidige Rammestemmelser for statsstøttetiltag til støtte af økonomien i forbindelse med COVID-19-udbruddet er der visse betingelser knyttet til godkendelsen, herunder et forbud mod udbetaling af udbytte, indtil alle de finansielle instrumenter, som er tegnet af Hovedaktionærerne som led i Rekapitaliseringsplanen, og som udgør statsstøtte, er fuldt ud indfriet eller solgt.

HVOR VIL VÆRDIPAPIRERNE BLIVE HANDELT?

Aktierne i SAS er noteret på det regulerede marked Nasdaq Stockholm under kortnavnet "SAS" med sekundære noteringer på de regulerede markeder Nasdaq Copenhagen og Oslo Børs.

HVILKE VÆSENTLIGE RISICI ER SPECIFIKKE FOR VÆRDIPAPIRERNE?

Aktiekursen kan svinge og påvirkes af en række faktorer.

Da en investering i aktier kan falde i værdi, er der en risiko for, at investorer mister den investerede kapital. SAS' aktier er noteret på Nasdaq Stockholm med sekundære noteringer på Nasdaq

Copenhagen og Oslo Børs. Aktiekursens udvikling afhænger af forskellige faktorer, hvoraf nogle er selskabsspecifikke, mens andre er relateret til aktiemarkedet som helhed. Derudover har børserne globalt set været meget volatile, og der har været ekstraordinære store udsving i aktiekurserne som følge af COVID-19-pandemien. Der er risiko for, at der ikke altid vil være et aktivt og likvidt marked for handel med SAS-aktier på de børser, hvor aktierne handles, hvilket vil påvirke investorernes mulighed for at sælge aktierne på det ønskede tidspunkt og til den ønskede pris. Hovedaktionærernes øgede ejerandel af SAS efter Rekapitaliseringsplanen øger denne risiko. Dette udgør en væsentlig risiko for enkeltinvestorer. Afhængig af spredningen af COVID-19-pandemien og de yderligere foranstaltninger, der måtte blive truffet som reaktion herpå, kan kursen på SAS-aktierne være særlig volatil uanset koncernens resultater.

SAS' evne til at betale udbytte fremover afhænger af en række faktorer, herunder restriktioner som følge af statsstøttere reglerne

Der kan kun udbetales udbytte, hvis SAS har frie midler til udlodning, og hvis det anses for forsvarligt under hensyntagen til kravene til egenkapitalens størrelse, som er afhængig af virksomhedens art, omfang og risici samt SAS' konsolideringsbehov, likviditet og generelle finansielle stilling i det pågældende regnskabsår. Endvidere afhænger SAS' muligheder for at udbetale udbytte i fremtiden og størrelsen af et sådant udbytte af koncernens fremtidige resultat, finansielle stilling, cash flow, driftskapitalbehov og andre faktorer. Der er ikke udbetalt udbytte siden 2001. Det bemærkes endvidere, at Hovedaktionærernes kapitaltilførsel har været betinget af EU-Kommissionens godkendelse under statsstøttere reglerne, som bl.a. indebærer et forbud mod udbetaling af udbytte. I lyset af COVID-19-pandemien og det forhold, at det er svært at forudsige, hvornår SAS kan vende tilbage til normal drift, forventes der ikke at blive udbetalt udbytte foreløbigt. Der er således en betydelig risiko for, at der ikke vil være midler til rådighed til udlodning i noget regnskabsår.

Handel med tegningsretter og betalte, tegnede aktier (BTA) kan være omfattet af begrænsninger

I forbindelse med Fortegnningsemissionen vil der kun kunne handles tegningsretter og betalte, tegnede aktier ("BTA1'er") i en begrænset periode. Tegningsretterne handles på Nasdaq Stockholm, Nasdaq Copenhagen og Oslo Børs, mens BTA1'er handles på Nasdaq Stockholm og Nasdaq Copenhagen. Handlen med disse instrumenter kan være begrænset, hvilket kan gøre det svært for indehaverne at sælge deres tegningsretter og/eller BTA1'er og således medføre, at indehaverne ikke kompenseres for den udvandingseffekt, som Fortegnningsemissionen indebærer eller ikke vil kunne realisere værdien af deres BTA1'er. Obligationsejere, som accepterer Tilbuddet til Obligationsejere og tegner nye aktier, modtager betalte, tegnede aktier ("BTA2'er"). BTA2'erne vil kun kunne handles på Nasdaq Stockholm i en begrænset periode. Handlen med disse instrumenter kan være begrænset, hvilket kan gøre det svært for indehaverne at sælge deres BTA2'er og således betyde, at de ikke kan realisere den fulde værdi af deres BTA2'er. Begrænset likviditet kan også forstærke udsvingene i markedsprisen henholdsvis tegningsretter, på BTA1'er og/eller BTA2'er. Dermed er der en risiko for forkert eller vildledende prissætning af disse instrumenter.

NØGLEOPLYSNINGER OM UDBUDET AF VÆRDIPAPIRER TIL OFFENTLIGHEDEN OG OPTAGELSEN TIL HANDEL PÅ ET REGUL-ERET MARKED

PÅ HVILKE VILKÅR OG EFTER HVILKEN TIDSPPLAN KAN JEG INVESTERE I DETTE VÆRDIPAPIR?

Fortegnelsemissionen

SAS' bestyrelse besluttede den 23. september 2020 efter bemyndigelse fra den ekstraordinære generalforsamling afholdt den 22. september 2020 at forhøje Selskabets aktiekapital ved udstedelsen af nye aktier med fortegningsret for SAS' aktionærer. Beslutningen indebærer, at SAS' aktiekapital forhøjes med op til ca. MSEK 2.582 ved udstedelse af op til 3.443.242.959 nye aktier. SAS' aktionærer har fortegningsret til de nye aktier i forhold til deres nuværende aktiebesiddelse. Registreringsdatoen for deltagelse i Fortegnelsemissionen er den 30. september 2020.

Aktionærer, der på registreringsdatoen er registreret som aktionærer i SAS, modtager ni (9) tegningsretter for hver aktie, som de er indehaver af på registreringsdatoen. Hver tegningsret giver ret til tegning af en (1) ny aktie. I det omfang de nye aktier ikke tegnes ved udnyttelse af tegningsretter, tildeles de til aktionærer og andre investorer (offentligheden i Sverige, Danmark, Norge og Finland samt kvalificerede investorer), som har tegnet aktier uden fortegningsret. En sådan tildeling sker i første omfang til dem, der også har tegnet aktier ved udnyttelse af tegningsretter. Tegning sker i perioden fra den 2. oktober 2020 til og med kl. 17:00 den 19. oktober 2020 eller en sådan senere dato, som bestyrelsen måtte fastsætte. Tegningskursen er fastsat til SEK 1,16 pr. aktie. Såfremt Fortegnelsemissionen fuldtægnes, vil SAS således rejse kapital svarende til ca. MSEK 3.994 før emissionsomkostninger.

Aktionærer, der vælger ikke at deltage i Fortegnelsemissionen, vil ved udstedelsen af op til 3.443.242.959 nye aktier få deres aktiebesiddelse udvandet med op til ca. 90,0% baseret på det nuværende antal aktier i SAS.

Nye aktier, der tegnes såvel ved udnyttelse af tegningsretter som uden tegningsretter, forventes at blive registreret i det svenske selskabsregister omkring den 30. oktober 2020. Når de nye aktier er blevet registreret i det svenske selskabsregister, vil de blive optaget til handel på Nasdaq Stockholm, Nasdaq Copenhagen og Oslo Børs. Denne handel forventes at begynde omkring den 3. november 2020.

Tilbuddet til Obligationsejere

SAS' bestyrelse besluttede den 23. september 2020 efter bemyndigelse fra den ekstraordinære generalforsamling afholdt den 22. september 2020 at forhøje Selskabets aktiekapital ved fremsættelse af Tilbuddet til Obligationsejere. Beslutningen indebærer, at SAS' aktiekapital forhøjes med op til MSEK 727 ved udstedelse af op til 969.827.586 nye aktier. Retten til at tegne de nye aktier tilfalder Obligationsejerne, idet aktionærernes fortegningsret således fraviges.

Obligationsejere, der indleverer deres Obligationer i forbindelse med Tilbuddet til Obligationsejere, kan tegne nye aktier til en tegningskurs på SEK 1,16 pr. aktie, idet betalingen sker ved modregning (gældskonvertering) af Obligationssfordringen. Det samlede antal nye aktier, der kan udstedes til Obligationsejerne som led i Tilbuddet til Obligationsejere, er dog begrænset til 969.827.586 aktier (svarende til 50% af Obligationernes samlede nominelle beløb). I tilfælde af overtegning vil tildelingen til Obligationsejere, der har tegnet aktier for mere end 50% af deres Obligationers nominelle beløb, blive reduceret for

så vidt angår den del af tegningen, der overstiger 50%, *pro rata* baseret på antallet af indleverede Obligationer. Alene den del af tegningen, der overstiger 50% af det nominelle beløb af den relevante Obligationsejers Obligationer, vil blive underlagt en sådan nedsættelse. Eventuelle resterende nominelle beløb på deres Obligationer, som ikke anvendes som betaling for aktier, vil blive anvendt som betaling for tegning af Nye Kommercielle Hybridobligationer. Tilbuddet til Obligationsejere skal accepteres i perioden fra den 2. oktober 2020 til og med kl. 17:00 den 19. oktober 2020 eller en sådan senere dato, som bestyrelsen måtte fastsætte. Såfremt Tilbuddet til Obligationsejere accepteres fuldt ud, vil det bidrage med op til MSEK 1.125 før emissionsomkostninger til SAS' egenkapital ved konvertering af gæld.

De nuværende aktionærer vil ved udstedelsen af op til 969.827.586 nye aktier få deres aktiebesiddelse udvandet med op til ca. 71,7% baseret på det nuværende antal aktier i SAS.

De nye aktier forventes at blive registreret i det svenske selskabsregister omkring den 30. oktober 2020. Når de nye aktier er blevet registreret i det svenske selskabsregister, vil de blive optaget til handel på Nasdaq Stockholm, Nasdaq Copenhagen og Oslo Børs. Denne handel forventes at begynde omkring den 3. november 2020.

Optagelse af yderligere aktier til handel som led i Rekapitaliseringsplanen

Som led i Rekapitaliseringsplanen besluttede SAS' bestyrelse den 23. september 2020 efter bemyndigelse fra den ekstraordinære generalforsamling afholdt den 22. september 2020 også at forhøje Selskabets aktiekapital ved en Rettet Emission til Hovedaktionærerne og ved en rettet emission af aktier til indehaverne af Eksisterende Hybridobligationer. Den Rettede Emission indebærer, at SAS' aktiekapital forhøjes med op til MSEK 1.297 ved udstedelse af op til 1.729.170.834 nye aktier. Den rettede emission til indehavere af Eksisterende Hybridobligationer indgår som led i konverteringen af disse obligationer til aktier og indebærer en forhøjelse af SAS' aktiekapital med op til MSEK 873 ved udstedelse af op til 1.163.793.103 nye aktier.

Begge emissioner forventes at blive registreret i det svenske selskabsregister omkring den 30. oktober 2020. Når de nye aktier er blevet registreret i det svenske selskabsregister, vil aktierne udstedt i forbindelse med disse emissioner blive optaget til handel på Nasdaq Stockholm, Nasdaq Copenhagen og Oslo Børs. Denne handel forventes at begynde omkring den 3. november 2020.

De emissioner, der sker som led i Rekapitaliseringsplanen, indebærer en forhøjelse af Selskabets aktiekapital med op til MSEK 5.480 ved udstedelse af op til 7.306.034.482 nye aktier (fra 382.582.551 aktier før emissionen til højst 7.688.617.033 aktier). De nuværende aktionærer, der enten ikke har ret til eller ikke ønsker at tegne nye aktier i forbindelse med emissionerne, vil få deres aktiebesiddelse udvandet med op til 7.306.034.482 nye aktier svarende til ca. 95,0% af aktierne og stemmerettighederne i SAS efter emissionerne.

Rekapitaliseringsomkostninger

Det anslås, at de samlede rekapitaliseringsomkostninger udgør ca. MSEK 155. SAS pålægger ikke investorerne nogen omkostninger.

HVORFOR UDARBEJDES DETTE PROSPEKT?

COVID-19-pandemien har skabt en global krise for luftfartsindustrien inkl. SAS. Hvad der begyndte med rejserestriktioner til det kinesiske fastland, udviklede sig hurtigt til globale rejserestriktioner, karantæner og anbefalinger om at undgå unødvendig rejseaktivitet. Disse tiltag fjernede reelt grundlaget for

SAS' forretningsmodel, og for første gang i historien kunne SAS ikke tilbyde internationale ruteflyvninger til/fra Skandinavien, da det meste af flåden måtte blive på jorden fra midten af marts. Det medførte et betydeligt og drastisk fald i antallet af passagerer og dermed i SAS' indtægter. Den lavere efterspørgsel har fået SAS til at træffe en række foranstaltninger med henblik på at reducere omkostningerne, opretholde likviditeten og tilpasse sig den nye markedssituation. Ca. 90% af arbejdsstyrken er eller har været midlertidigt hjemsendt, og rutenettet er kraftigt reduceret. De fleste ikke-nødvendige udgifter og projekter er blevet sat på pause. Herudover er anlægsinvesteringerne reduceret ved indgåelse af aftaler med de fleste leverandører (herunder leasinggivere) om betalingsudsættelse og rabatter og ved udskydelse af flyleverancer og udsættelse af andre investeringer. Der er også truffet foranstaltninger med henblik på at styrke SAS' likviditet, idet der er opnået en kreditfacilitet på SEK 3,3, som er garanteret med 90% af den danske og svenske stat.

Selv om nogle lande er begyndt at genåbne deres grænser og hæve rejserestriktionerne, hvilket gjorde det muligt for SAS at genoptage en del af driften i juni 2020, forventer SAS p.t., at genopretningsfasen for luftfartsindustrien vil vare indtil i hvert fald 2022, før efterspørgslen har normaliseret sig, hvorefter der igen vil gå nogle år, inden man er tilbage på niveauet før COVID-19. Denne vurdering er dog forbundet med stor usikkerhed. SAS vil skulle bevise, at SAS formår at tilpasse sig en ny og meget udfordrende virkelighed. For at kunne agere i et marked med færre passagerer og indtægter har SAS vedtaget en revideret forretningsplan, der skal sikre en omkostningseffektiv genopretning. Hverken de brede tiltag, der er implementeret indtil videre, eller de planlagte effektivitetsforbedringer, der er beskrevet i den reviderede forretningsplan, vil dog være tilstrækkelige til at genskabe koncernens egenkapital til niveauet før COVID-19. SAS har derfor behov for yderligere finansiering for at kunne fortsætte som leverandør af vigtig skandinavisk flyinfrastruktur. SAS offentliggjorde den 30. juni 2020 derfor en rekapitaliseringsplan og den 14. august 2020 en revideret rekapitaliseringsplan for at afbøde effekterne af pandemien. Rekapitaliseringsplanen indebærer kapitaltilførsler fra den danske og svenske stat og en fordeling af den økonomiske byrde mellem SAS' aktionærer og indehavere af Obligationer og Eksisterende Hybridobligationer.

Forudsat, at Fortegningsemissionen fuldtægnes, vil bruttooprovenuet fra Fortegningsemissionen udgøre i alt ca. MSEK 3.994 før emissionsomkostninger relateret til Fortegningsemissionen på ca. MSEK 51¹⁾. Koncernen har til hensigt at anvende nettooprovenuet på op til ca. MSEK 3.943 til at styrke SAS' kapitalstruktur og skabe et finansielt beredskab med henblik på at afbøde effekterne af den fortsat lave efterspørgsel efter flyrejser (baseret på de nuværende forventninger), ændrede passagemønstre og andre eksterne faktorer. Såfremt Tilbuddet til Obligationsejerne accepteres fuldt ud, vil det bidrage med ca. MSEK 1.125 før emissionsomkostninger og MSEK 1.111²⁾ netto til SAS' egenkapital ved konvertering af gæld.

Rekapitaliseringsplanen har overordnet set til formål at konvertere gæld på SEK 2,25 mia. til egenkapital og rejse ny egenkapital på SEK 12 mia. før rekapitaliseringsomkostninger, der forventes at udgøre ca. MSEK 155, og dermed at genskabe egenkapitalen med SEK 14,25 mia. Efter vellykket implementering af Rekapitaliseringsplanen vil SAS opsigte den treårige

revolverende kreditfacilitet på SEK 3,33 mia., hvor Hovedaktionærerne har stillet en garanti for 90%, og tilbagebetale det udestående beløb i henhold til aftalens vilkår.

Koncernens nuværende driftskapital er efter SAS' vurdering ikke tilstrækkelig til at dække koncernens nuværende behov i en periode på tolv måneder regnet fra prospektdatoen. Som følge af COVID-19-pandemien vil SAS ikke kunne generere et positivt cash flow eller skaffe sig adgang til likviditet og andre ressourcer til betaling af driftsomkostningerne og tilbagebetaling af gæld, efterhånden som den forfalder, i tilstrækkelig grad til at dække SAS' forventede negative cash flow fra driften i de næste tolv måneder (baseret på SAS' reviderede forretningsplan og en vurdering af markedet pt.). SAS er dog sikker på, at alle dele af Rekapitaliseringsplanen kan implementeres og således generere tilstrækkelig driftskapital til de næste tolv måneder regnet fra prospektdatoen. Hvis Rekapitaliseringsplanen ikke implementeres med succes og mislykkes, vil SAS ikke være i stand til at rekapitalisere og afhjælpe den likviditetsmangel og negative egenkapital, som er forårsaget af COVID-19-pandemien, hvilket vil have en væsentlig negativ indvirkning på SAS' finansielle stilling. Dette kan tvinge SAS til at indgive likvidations- eller konkursbegæring.

TEGNINGSFORPLIGTELSE OG -GARANTIER I FORBINDELSE MED FORTEGNINGSEMISSIONEN

Hovedaktionærerne og Knut and Alice Wallenberg Foundation, der tilsammen ejer ca. 35,6% af aktierne og stemmerettighederne i SAS, har forpligtet sig til at tegne nye aktier svarende til deres respektive forholdsmæssige andel af Fortegningsemissionen. Derudover har Hovedaktionærerne forpligtet sig til at garantere tegning af yderligere aktier svarende til ca. 45,9% af Fortegningsemissionen. Alt i alt har de nævnte aktionærer således forpligtet sig til at tegne hhv. garantere tegning af aktier svarende til 81,5% af Fortegningsemissionen.

RÅDGIVERINTERESSER MV.

SAS' finansielle rådgiver i forbindelse med Rekapitaliseringsplanen er SEB. SEB er også Global Coordinator, Solicitation Agent og Joint Bookrunner i forbindelse med de i prospektet beskrevne udbud. Danske Bank A/S, Danmark, Sverige Filial, og Swedbank AB (publ) er Solicitation Agents og Joint Bookrunners i forbindelse med Fortegningsemissionen. SEB, Danske Bank og Swedbank (og deres tilknyttede virksomheder) har leveret og vil i fremtiden kunne levere forskellige bankrelaterede, finansielle, investeringsmæssige, kommercielle og andre ydelser til SAS mod betaling. Derudover er SEB, Danske Bank og Swedbank (og deres tilknyttede virksomheder) långivere og/eller formidlere af lån til SAS.

1) De totale rekapitaliseringsomkostninger anslås til ca. MSEK 155, hvoraf ca. MSEK 51 forventes at være relateret til fortegningsemissionen.

2) De totale rekapitaliseringsomkostninger anslås til ca. MSEK 155, hvoraf ca. MSEK 14 forventes at være relateret til konverteringen af Obligationer.

NORSK SAMMENDRAG

INNLEDNING OG ADVARSEL

Dette prospektet er utarbeidet i forbindelse med utstedelse og opptak til handel på regulert marked av nye aksjer i SAS AB (publ) (org. nr. 556606-8499), SE-195 87 Stockholm, Sverige. ISIN-koden for aksjene er SE0003366871. SAS' LEI-kode er 549300ZJTLE5T4SGP021.

Dette prospektet ble godkjent av den svenske Finansinspektionen (med postadresse postboks 7821, SE-103 97 Stockholm, Sverige, telefonnummer +46 (0)8 408 980 00, og hjemmeside www.fi.se) som kompetent myndighet i henhold til Europaparlaments- og rådsforordning (EU) 2017/1129 (prospektforordningen) den 30. september 2020.

Dette sammendraget skal leses som en introduksjon til prospektet. Enhver investering i verdipapirene bør baseres på prospektet i sin helhet. Investoren kan tape hele eller deler av investeringsbeløpet. Dersom et krav relatert til informasjon angitt i prospektet blir bragt inn for en domstol, kan den saksøkende investor i henhold til nasjonal lovgivning bli nødt til å bære kostnadene med oversettelse av prospektet i forkant av at rettsforhandlingene innledes. Erstatningsansvar kan utelukke pålegges personer som har utarbeidet eller oversatt sammendraget, og kun dersom sammendraget er villedende, unøyaktig, eller inkonsistent, når lest i sammenheng med de andre delene av prospektet; eller når sammendraget, lest sammen med de andre delene av prospektet, ikke gir nøkkelinformasjon for å hjelpe investorene når de vurderer om de skal investere i slike verdipapirer.

NØKKELINFORMASJON OM UTSTEDEREN

HVEM ER UTSTEDER AV VERDIPAPIRENE?

SAS AB (publ) (org.nr. 556606-8499) er utsteder av verdipapirene i henhold til dette prospektet. Styret i SAS har sitt sete i Stockholm, Sverige. Selskapet ble etablert i Sverige i 2001, og er et offentlig aksjeselskap (sv. publikt aktiebolag). Selskapet er underlagt den svenske aktiebolagslagen (2005:551). SAS' LEI-kode er 549300ZJTLE5T4SGP021.

Hovedvirksomhet

SAS er Nordens største flyselskap, og tilbyr passasjerflyginger innenfor et utstrakt nordisk, europeisk og interkontinentalt nettverk. Hovedflyplassene Kastrup, Arlanda and Gardermoen utgjør ryggraden av SAS' nettverk, med sine korresponderende strategiske plasseringer i nærheten av København, Stockholm og Oslo. SAS' nettverk er utformet med sikte på å knytte Konsernets omfattende regionale nettverk i Norden sammen med resten av Europa, samt utvalgte destinasjoner i Nord-Amerika og Asia. SAS har historisk sett hatt en sterk markedsposisjon, særlig innenfor markedet for forretningsreiser. I regnskapsåret 2019 hadde Konsernet i gjennomsnitt 10 445 ansatte. SAS transporterte i regnskapsåret 2019 29,8 millioner passasjerer, inkludert charter, og hadde i gjennomsnitt 789 planlagte avganger pr. dag til 127 destinasjoner. Siden utbruddet av covid-19-pandemien har SAS og dets virksomhet blitt hardt rammet av pandemien og konsekvensene av denne. Konsernet har for eksempel blitt tunget til å kansellere flesteparten av sine flyvninger og til å sette flesteparten av sine fly på bakken, mistet størsteparten av sine inntekter og permittert mesteparten av sine ansatte inntil videre. I juni 2020 gjenopptok SAS en begrenset del av sin virksomhet. I august 2020 var SAS' totale kapasitet (tilgjengelige setekilometer, ASK) og totalt antall passasjerer henholdsvis 73,4 % og 74,2 % lavere enn i august 2019.

Hovedaksjonærer

Pr. 31. august 2020 hadde SAS 108 936 aksjonærer. Tabellen under viser SAS' aksjonærer med et direkte eller indirekte eierskap på mer enn 5 % av aksjekapitalen og stemmene i SAS pr. 31. august 2020.

Aksjonær	Antall aksjer	Aksjer og stemmer (%)
Den svenske staten	56 700 000	14,82
Den danske staten	54 475 402	14,24
Knut og Alice Wallenbergs Stiftelse	24 855 960	6,50
Øvrige aksjonærer	246 551 189	64,44
Totalt	382 582 551	100,00

Kilde: Euroclear Sweden, VP Securities og VPS.

Konsernledelse

Tabellen under viser medlemmene av SAS' konsernledelse pr. dato for dette prospektet.

Navn	Stilling
Rickard Gustafson	President og Chief Executive Officer
Simon Pauck Hansen	Executive Vice President og Chief Operating Officer
Charlotte Svensson	Executive Vice President og Chief Information Officer
Kjetil Håbjørg	Executive Vice President og Chief Service Officer
Karl Sandlund	Executive Vice President og Chief Commercial Officer
Magnus Örnberg	Executive Vice President og Chief Financial Officer
Carina Malmgren Heander	Executive Vice President og Chief of Staff

Revisor

KPMG AB (postboks 382, 101 27 Stockholm, Sverige) er SAS' revisor. Statsautorisert revisor Tomas Gerhardsson er hovedansvarlig revisor.

HVA ER UTSTEDERENS FINANSIELLE NØKKELINFORMASJON?

Den historiske finansielle informasjonen presentert under (med unntak av alternative resultatmål) er hentet fra SAS-konsernets reviderte konsoliderte regnskap for henholdsvis regnskapsårene 2016/2017, 2017/2018 og 2018/2019, som er utarbeidet i samsvar med den svenske årsredovisningslagen (1995:1554), anbefaling RFR 1 — *Supplementary Accounting Rules for Corporate Groups* samt EU-godkjente International Financial Reporting Standards («IFRS») og tolkninger utarbeidet av International Financial Reporting Interpretations Committee (IFRIC), samt SAS-konsernets gjennomgåtte konsoliderte regnskap for delårsperioden 1. november 2019 til 31. juli 2020 (med sammenlignbare tall for perioden 1. november 2018 til 31. juli 2019), utarbeidet i samsvar med IAS 34 *Delårsrapportering* og den svenske årsredovisningslagen.

Sammendrag av konsernets resultatregnskap

MSEK	Regnskapsåret			Delårsperioden	
	2018/2019	2017/2018	2016/2017	1. nov 2019– 31. jul 2020	1. nov 2019– 31. jul 2019
Driftsresultat (EBIT)	1 166	2 521	2 187	-6 811	-21
Resultat før skatt (EBT)	794	2 041	1 725	-6 880	-302
Resultat for perioden/året	621	1 589	1 149	-6 696	-240
Resultat pr. aksje, SEK	1,54	3,7	2,42	-17,66	-0,65
Driftsinntekt (EBIT) ¹⁾	2,5%	5,7%	5,1%	-39,0%	-0,1%

1) Alternative resultatmål (non-IFRS measure). Driftsinntekt (EBIT) fordelt på omsetning.

Sammendrag av konsernets balanse

MSEK	31. oktober 2019	31. oktober 2018	31. oktober 2017	31. juli 2020	31. juli 2019
Totale eiendeler	34 012	34 199	32 555	52 433	32 008
Total egenkapital	5 372	7 268	8 058	-1 371	3 072
Finansiell nettogjeld, MSEK ¹⁾	328	-2 432	-2 799	28 917	1 137

1) Alternative resultatmål (non-IFRS measure). Rentebærende gjeld minus rentebærende eiendeler eksklusive netto pensjonsmidler (2020 inkluderer IFRS 16, mens tidligere perioder ikke inkluderer IFRS 16).

Sammendrag av konsernets kontantstrømoppstilling

MSEK	Regnskapsåret			Delårsperioden	
	2018/2019	2017/2018	2016/2017	1. nov 2019– 31. jul 2020	1. nov 2018– 31. jul 2019
Kontantstrøm fra driften	3 318	4 559	2 443	-2 163	2 119
Kontantstrøm fra investeringsvirksomheten	-4 580	-2 679	-87	-6 972	-3 072
Kontantstrøm fra finansieringsvirksomheten	269	-963	-1 887	6 619	-1 456
Kontantstrøm for perioden/året	-993	917	469	-2 516	-2 409

HVILKE NØKKELRISIKOER ER SPESIFIKKE FOR UTSTEDEREN?

Covid-19 har hatt en vesentlig negativ innvirkning på SAS og SAS er fremdeles utsatt for betydelig risiko knyttet til utbruddet og mottiltak

Covid-19-pandemien har hatt, og fortsetter å ha en betydelig negativ innvirkning på den globale økonomien, og med et fall i etterspørselen på flyreiser, er reisebransjen en av de verst rammede sektorene. Som en konsekvens av covid-19-pandemien, og tiltak iverksatt av myndighetene for å hindre spredning av covid-19, ble etterspørselen etter internasjonale flyvninger i det alt vesentlige ikke-eksisterende fra midten av mars 2020 til begynnelsen av juni 2020. Som en direkte konsekvens ble SAS' driftsinntekter redusert. I tredje kvartal (mai til juli 2020) falt SAS' omsetning med 81,3 % sammenlignet med samme periode i 2019. Fremtidig etterspørsel er fremdeles usikker, og er sterkt avhengig av lettelsener i reiserestriksjonene, så vel som av passasjerenes tillit og villighet til å reise. Ytterligere spredning, forverring og/eller gjentatte utbrudd (en såkalt andre bølge), og relaterte konsekvenser av covid-19-pandemien, inkludert gjeninnføring av restriksjoner, er svært vanskelige å

forutsi. På tross av de tiltak SAS har innført, vil SAS' økonomiske resultat for regnskapsåret 2019/2020 fortsette å bli betydelig påvirket av tapt omsetning som en følge av lavere billettsalg, samt betydelig negativ kontantstrøm, hvis utstrekning og varighet for tiden er usikker. En langvarig usikkerhet og en manglende evne til å begrense covid-19-pandemien, utgjør, sammen med tiltak som iverksettes i ulike jurisdiksjoner og en generell lavkonjunktur, alvorlige trusler mot flybransjen, og vil kunne fortsette å ha en betydelig negativ innvirkning på SAS' virksomhet, omsetning, kontantstrøm, likviditet og driftsresultater, hvilket i ytterste konsekvens vil kunne resultere i avvikling eller konkurs.

Gjenoppbygging av flytrafikk, inkludert for SAS, er forventet å bli langsom, og flybransjens fremtidige utforming er svært usikker

Covid-19-pandemien har forårsaket en global krise for flybransjen og SAS. Som en følge av den nåværende markeds-situasjonen i flybransjen, foreligger det betydelig usikkerhet knyttet til fremtidig etterspørsel. På denne bakgrunn forventer SAS at det vil ta lengre tid å komme tilbake enn under tidligere konjunkturedgangsperioder. På nåværende tidspunkt er SAS'

vurdering at gjenopprettingsfasen for flybransjen forventes å pågå frem til i alle fall 2022, før etterspørselen når mer normaliserte nivåer, og at man først noen år deretter vil oppnå tilsvarende nivåer som før covid-19. Covid-19-pandemien kan også medføre langsiktige negative konsekvenser for etterspørselen etter flyreiser på grunn av endringer i de reisendes oppfatning av reiseopplevelsen, samt en utbredt motvillighet til å reise med fly. Etterspørselen etter forretningsreiser kan også bli negativt påvirket på lang sikt, ved at videokonferanser i økende grad erstatter fysiske møter. Ettersom covid-19-situasjonen endres fortløpende, er det ikke mulig å forutse med noen form for sikkerhet hvor lang gjenopprettingsperioden kommer til å være, samt hvilke konsekvenser pandemien medfører for flybransjen på kort, mellomlang og lang sikt, likevel slik at forventningene er at de betydelige negative konsekvensene kan bli langvarige.

SAS er eksponert for risiko knyttet til sin reviderte forretningsplan og dens implementering

Med bakgrunn i covid-19-pandemiens negative økonomiske konsekvenser, har styret i SAS vedtatt en revidert forretningsplan. Den reviderte forretningsplanen tar sikte på å tilpasse SAS' størrelse og kostnadsstruktur til en ny situasjon med en forventet lavere etterspørsel. Implementeringen av den reviderte forretningsplanen, samt resultatet derav, kan påvirkes av en rekke faktorer som ligger utenfor SAS' kontroll. Den reviderte forretningsplanen er basert på bestemte mål og antakelser som er gjenstand for betydelig usikkerhet, og som i vesentlig grad kan avvike fra faktiske resultater. Den reviderte forretningsplanens formålstjenlighet er basert på forventninger og antakelser om fremtiden, herunder antakelsen om at gjenopprettingsfasen for flybransjen og for SAS kan vare frem til i alle fall 2022, og at etterspørselen først deretter oppnår mer normaliserte nivåer. Dersom markedssituasjonen, herunder fremtidige konsekvenser av covid-19-pandemien, avviker vesentlig fra de forventninger og antakelser som ligger til grunn for den reviderte forretningsplanen, er det en risiko for at forretningsplanen ikke er formålstjenlig, og at SAS ikke er i stand til å implementere den, hvilket igjen kan få betydelig negative konsekvenser for SAS' virksomhet, utgifter, driftsresultat og framtidssutsikter.

SAS' virksomhet og flybransjen er gjenstand for risiko relatert til geopolitiske forhold

SAS er sensitiv for negative endringer i det internasjonale politiske landskapet, særlig i Europa, hvor SAS driver hoveddelen av sin virksomhet, ettersom dette på kort tid kan påvirke etterspørselen etter, og vilkårene for flyreiser mellom ulike land. Som tidsnære eksempler kan nevnes usikkerheter knyttet til Brexit, og handelskonflikten mellom Kina og USA. SAS' avhengighet av flydrivstoff innebærer at SAS også påvirkes av det globale oljemarkedet, som igjen kan påvirkes negativt av blant annet økonomisk uro og lengre perioder med fiendtlighet eller terroraksjoner i Midtøsten eller andre oljeproduerende regioner. Det er en risiko for at geopolitiske spenninger påvirker etterspørselen etter flyreiser for fritids- og forretningsreisende, og at dette i tillegg forverrer SAS' tilgang til drivstoff, drivstoffkostnader eller andre materialer. Geopolitisk usikkerhet som i vesentlig grad påvirker etterspørselen etter SAS' tjenester, vil ha en betydelig negativ innvirkning på SAS' virksomhet, omsetning og driftsresultat.

SAS er svært sensitiv for negativ økonomisk utvikling

Etterspørselen etter SAS' tjenester er i betydelig grad avhengig av den generelle økonomiske situasjonen så vel som av situasjonen i bransjen, særlig innenfor de geografiske områdene hvor

SAS driver sin virksomhet. Flybransjen, herunder SAS, har derfor en tendens til å oppleve betydelig nedgang i finansielle resultater i perioder med generell økonomisk nedgang. Den pågående covid-19-pandemien har, og vil fortsette å ha en betydelig negativ effekt på den globale økonomien. Pandemien, samt tiltak innført som en følge derav, har betydelige økonomiske konsekvenser, og BNP forventes å falle kraftig i de fleste land gjennom 2020. En vedvarende lavere etterspørsel vil ha en vesentlig negativ innvirkning på SAS' likviditet og evne til å sikre tilstrekkelig finansiering fra banker og kapitalmarkedet for å oppfylle sine forpliktelser. Dette vil kunne ha en vesentlig negativ innvirkning på SAS' virksomhet, finansielle stilling, resultat og framtidssutsikter. Om lag 70 % av SAS' passasjerinntekter i regnskapsåret 2018/2019 stammet fra reiser solgt i Skandinavia. SAS er følgelig i hovedsak eksponert for markedssituasjonen i Skandinavia, og en betydelig negativ økonomisk utvikling innenfor denne regionen vil kunne ha en betydelig negativ effekt på SAS' omsetning. Økonomiske nedganger innenfor flybransjen leder dessuten generelt til overkapasitet og prispress innenfor de berørte markedene, hvilket utgjør en betydelig risiko for SAS' omsetning og driftsresultat. Situasjonen forverres av det faktum at SAS' flyvirksomhet har en høy andel av faste utgifter som ikke kan reduseres på kort varsel, eller som ikke kan reduseres i noe omfang av betydning. Med SAS' sensitivitet for negativ økonomisk utvikling, er det også risiko for prispress i hele verdikjeden. Det er en risiko for at de høye nivåene av faste kostnader og lave profittmarginer har en betydelig negativ innvirkning på SAS' driftsresultat og finansielle stilling.

SAS er eksponert for risiko relatert til vilkårene for statsstøtte samt eventuelle klager og begjæringer om omgjøring av Europakommisjonens godkjenning av statsstøtte

Under henvisning til Rekapitaliseringsplanen og kapitaltilførselen fra de største aksjonærene, har den danske og svenske staten sendt melding om statsstøtte til Europakommisjonen. Europakommisjonen besluttet i august 2020 å godkjenne statsstøtten. Godkjenningen oppstiller enkelte vilkår som SAS er forpliktet til å etterleve, eksempelvis forbud mot tilbakekjøp av aksjer, utbetaling av utbytte og størstedelen av ikke-obligatoriske rentebetalinger til ikke-statlige kreditorer, samt forbud mot utbetaling av bonus og andre begrensninger i betaling av godtgjørelse til SAS' ledelse. Så lenge SAS er forpliktet til å etterleve disse vilkårene, begrenser vilkårene SAS' mulighet til å utføre de nevnte aktiviteter, og det er en risiko for at SAS er forhindret fra å beholde og rekruttere nøkkelpersonell. Det foreligger en betydelig risiko for at Europakommisjonens beslutning vil bli påklaget. Dersom den kompetente myndigheten (Retten og dersom Rettens beslutning blir påklaget, EU-domstolen) kommer til at ingen av unntakene fra det alminnelige forbudet mot statsstøtte var anvendelig, og at statsstøtten som Selskapet har mottatt følgelig ikke var lovlig, kan SAS bli forpliktet til å tilbakebetale mottatt støtte. Dersom beslutningen blir annullert vil dette derfor utgjøre en betydelig risiko for SAS og dets virksomhet. Ettersom SAS ikke forventer å kunne innhente tilsvarende kapital i markedet, vil dette dessuten true SAS' eksistens.

Risiko relatert til etterlevelse av regionale, nasjonale og internasjonale regler, innføring av nye regler og endringer av eksisterende regler

SAS er forpliktet til å overholde et stort antall nasjonale, regionale og internasjonale lover og reguleringer. Forordninger som (EF) nr. 1008/2008 («Luftransportforordningen») og (EF) 261/2004 («Flypassasjerforordningen») kan medføre tilleggskrav eller restriksjoner knyttet til luftfartsvirksomhet

og/eller medføre kostnader for SAS. I henhold til Lufttransportforordningen må flyselskap som er underlagt EUs regelverk for flytransport ha driftstillatelse for å transportere passasjerer, frakte post og/eller gods i kommersiell lufttransport. Lufttransportforordningen oppstiller videre enkelte krav til flyselskapenes økonomiske beredskap. I henhold til Flypassasjerforordningen har passasjerer som er blitt nektet ombordstigning, eller hvis fly har blitt kansellert, på visse vilkår krav på kompensasjon. Manglende overholdelse av relevant regelverk, innføring av nye regler, endringer av eksisterende regler, eller innføring av ytterligere avgifter eller kostnader kan medføre økte lønnsomhetsreducerende utgifter, som kan ha betydelig negativ innvirkning på SAS' driftsresultat og framtidsutsikter. Dersom de myndigheter som har utstedt driftstillatelsene finner at SAS ikke lenger kan oppfylle sine finansielle forpliktelser, kan dette resultere i at myndighetene beslutter å suspendere eller tilbakekalle en eller flere av SAS' driftstillatelser, og derved gjøre det umulig for SAS å bedrive sin flyvirksomhet.

Risiko relatert til Rekapitaliseringsplanen, SAS' likviditet og fremtidig tilgang til kapital

I lys av covid-19-pandemien, har styret i SAS vedtatt en rekapitaliseringsplan («**Rekapitaliseringsplanen**»), som består av følgende: (i) en rettet emisjon mot den svenske og danske staten («**Hovedaksjonærene**») ved utstedelse av aksjer med et beløp som utgjør ca. MSEK 2 006 (den «**Rettede Emisjonen**»); (ii) Fortrinnsrettsemisjonen rettet mot eksisterende aksjonærer ved utstedelse av nye aksjer som tar sikte på å innhente ca. MSEK 3 994 ; (iii) en rettet emisjon mot Hovedaksjonærene ved utstedelse av nye hybridobligasjoner med et totalt beløp på MSEK 6 000 (de «**Nye Statshybridobligasjonene**»); (iv) konvertering av MSEK 1 500 subordinerte evigvarende hybridobligasjoner med flytende rente (ISIN SE0012193910) (de «**Eksisterende Hybridobligasjonene**») til nye aksjer til 90% av pålydende; og (v) konvertering av MSEK 2 250 Obligasjoner til 100% av pålydende, til nye kommersielle hybridobligasjoner (de «**Nye Kommersielle Hybridobligasjonene**») eller til nye aksjer ved Obligasjonseier-tilbudet. Dersom Rekapitaliseringsplanen ikke gjennomføres og/eller mislykkes, vil SAS være ute av stand til å reparere den likviditetsbrist og den negative egenkapitalen forårsaket av covid-19-utbruddet, hvilket vil ha en vesentlig negativ effekt på SAS' finansielle stilling, som kan medføre at SAS tvinges til å begjære avvikling eller konkurs. Gitt den høye usikkerheten knyttet til covid-19-pandemiens fremtidige innvirkning, og flybransjens gjenoppretting, er det en risiko for at Rekapitaliseringsplanen ikke vil være tilstrekkelig til å gjøre SAS i stand til å generere en positiv kapitalstrøm, og til å tilfredsstille sitt likviditetsbehov. Det er følgelig en risiko for at SAS' kapitalressurser ikke er tilstrekkelige til å til enhver tid tilfredsstille SAS' virksomhet- og likviditetsbehov. Covid-19-pandemiens konsekvenser for den globale økonomien generelt, og for luftfartsbransjen spesielt, kan gjøre det vanskelig for SAS å få tilgang til finansmarkedene. Enhver økt varighet, økt innvirkning fra og/eller nye utbrudd av covid-19-pandemien, og en vedvarende redusert etterspørsel etter flyreiser, vil ha en betydelig negativ innvirkning på SAS' likviditet og kapitalforhold, samt på SAS' mulighet til å sikre tilstrekkelig kapitalmarkeds- og bankfinansiering for å gjennomføre sin forretningsstrategi og for å overholde sine betalingsforpliktelser, og kan i ytterste konsekvens medføre at SAS må begjære avvikling eller konkurs.

SAS vil ha behov for fremtidig finansiering for å fornye sin flyflåte og for å refinansiere eksisterende gjeldsforpliktelser, og finansieringskostnadene kan øke ved en nedgradering av kredittverdigheten

SAS er avhengig av å kunne oppnå finansiering for å erverve ytterligere fly for å møte kapasitetsbehov og for å erstatte eksisterende fly i takt med at de eldes, og for å refinansiere eksisterende gjeldsforpliktelser ved forfall. Hvorvidt SAS i et langsiktig perspektiv vil lykkes med å skaffe den nødvendige finansieringen på kommersielt akseptable vilkår, avhenger blant annet av forholdene i kapital- og kredittmarkedene, generell tilgang til kreditt, gjeldende rentesatser, og SAS' kredittverdighet. Det er en risiko for at SAS ikke oppnår finansiering på kommersielt akseptable vilkår, hvilket vil resultere i at SAS må modifisere sine planer for innkjøp av fly, pådra seg høyere finansieringskostnader enn forventet og/eller implementere ytterligere effektiviserings- og omstrukturingsprogram. De omstruktureringstiltak som SAS har iverksatt som mottiltak mot covid-19, kan ha en negativ innvirkning på finansbransjens vilje til å tilby SAS finansiering. Ethvert mislykket forsøk på å oppnå tilstrekkelig finansiering eller, ved behov, refinansiering, utgjør en vesentlig risiko for SAS' likviditet og finansielle stilling. I juli 2020 nedgraderte Standard and Poor's and Moody's SAS' kredittverdighet blant annet på bakgrunn av risiko knyttet til Rekapitaliseringsplanen. Med en nedgradert kreditt-rating er det en risiko for at SAS får økte lånekostnader, at SAS får redusert tilgang til finansiering og redusert likviditet, for begrenset tilgang til kapitalmarkedene og en forverring av SAS' omdømme. Økte kostnader som følge av nedgradering av kredittverdigheten utgjør følgelig en vesentlig risiko for SAS' likviditet og finansielle stilling.

SAS er eksponert for valutarisiko

SAS har valutaeksponering mot både transaksjons- og omregningsrisiko. En vesentlig andel av SAS' eiendeler, gjeld, inntekter og kostnader er denominert i andre valutaer enn SEK, særlig i USD, NOK og DKK, hvilket innebærer at SAS' resultat innenfor hver periode påvirkes av endringer i valutakurser. Dertil er SAS eksponert for valutarisikoer knyttet til innkjøp av drivstoff og fly, reservedeler, avhendelse av fly og leasingbetaling for leie av fly, hvorav flesteparten er denominert i USD. USD er SAS' største underskuddsvaluta og NOK er SAS' største overskuddsvaluta. I regnskapsåret 2018/2019 svekket SEK seg med 5 % mot USD. Dette hadde en netto negativ innvirkning på SAS' inntekter og kostnader på MSEK -1 060. Fra 1. november 2019 benytter SAS den nye regnskapsstandarden IFRS 16 *Leasingavtale*. En betydelig konsekvens av å anvende IFRS 16 er at SAS er ytterligere eksponert for valutasingninger. SAS sikrer ikke all valutarisiko forbundet med kontantstrøm fra den løpende virksomheten denominert i utenlandsk valuta, eller gjeld denominert i utenlandsk valuta. Videre er det en risiko for at SAS ikke vil være i stand til å sikre seg mot valutarisiko i samme utstrekning som Selskapet historisk sett har klart, ettersom covid-19-pandemien har økt risikoen for at sikringsmotparten ikke alltid er tilgjengelige. Valutarisiko utgjør følgelig en vesentlig risiko for SAS' finansielle stilling, finansnetto og driftsresultat.

NØKKELINFORMASJON OM VERDIPAPIRENE

HVA ER VERDIPAPIRENE GRUNNTREKK?

Dette prospektet gjelder (i) den Rettede Emisjonen mot Hovedaksjonærene på inntil 1 729 170 834 nye aksjer i SAS, (ii) Fortrinnsrettsemisjonen mot kvalifiserte eksisterende aksjonærer på inntil 3 443 242 959 nye aksjer, (iii) den rettede emisjonen mot innehaverne av Eksisterende Hybridobligasjoner på inntil 1 163 793 103 nye aksjer i SAS som en del av konverteringen av disse, og (iv) den rettede emisjonen mot innehaverne av Obligasjonene gjennom Obligasjonseierbudet på inntil 969 827 586 nye aksjer i SAS. ISIN-koden for aksjene i SAS er SE0003366871.

Pr. dato for dette prospektet er det 382 582 551 aksjer i SAS (hvorav samtlige er ordinære aksjer¹⁾), hver pålydende SEK 20,10 pr. aksje. Aksjene er utstedt i samsvar med svensk lov, er fullt innbetalt, og denominert i SEK.

RETTIGHETER KNYTTET TIL VERDIPAPIRENE

Hver ordinære aksje berettiger eieren én (1) stemme. Rett til å delta i generalforsamlingen har aksjonærer som er innført i SAS' aksjeeierbok den sjette bankdagen før avstemningen, og som varsler Selskapet om sin deltakelse senest den dag som er angitt i innkallingen til generalforsamlingen.

Dersom Selskapet beslutter at det skal utstedes flere ordinære aksjer, subordinerte aksjer, og aksjer i serie C ved kontantemisjon eller emisjon ved motregning, skal eiere av ordinære aksjer, subordinerte aksjer, og eiere av aksjer i serie C ha fortrinnsrett til å tegne seg for nye aksjer av samme aksjeklasse som deres eksisterende aksjeandel og for det samme antall aksjer de eier fra før (primær fortrinnsrett). Aksjer som ikke tegnes ved primær fortrinnsrett skal tilbys alle aksjonærer for tegning (subsidiær tegning). Dersom Selskapet beslutter å utstede utelukkende ordinære aksjer, subordinerte aksjer, eller C-aksjer gjennom en kontantemisjon eller emisjon ved motregning, skal kun de aksjonærene som eier aksjer i denne klassen ha fortrinnsrett til å tegne aksjer proporsjonalt med det antall aksjer de eier fra før i den klassen som aksjene utstedes i (primær fortrinnsrett). Aksjer som ikke tegnes ved primær fortrinnsrett skal tilbys alle aksjonærer for tegning (sekundær fortrinnsrett).

Det som fremgår ovenfor skal ikke innebære begrensninger i muligheten til å vedta kontantemisjon eller emisjon ved motregning hvor aksjonærenes fortrinnsrett fravikes. Det som er angitt ovenfor om aksjonærers fortrinnsrett skal gjelde tilsvarende for utstedelse av tegningsretter eller konvertibler som ikke skjer mot tingsinnskudd. En forhøyelse av aksjekapitalen gjennom en fondsemisjon ved utstedelse av nye aksjer kan utelukkende skje ved utstedelse av ordinære aksjer. Følgelig vil kun eiere av ordinære aksjer ha fortrinnsrett til å tegne slike utstedte ordinære aksjer.

Alle ordinære aksjer gir lik rett til andel av Selskapets overskudd og til eventuelt overskudd i tilfelle avvikling.

UTBYTTEPOLITIKK

SAS' utbyttepolitikk angir at utbytte til aksjonærene bare kan utbetales når verdien som skapes gjennom at SAS oppnår avkastning på investert kapital (ROIC) overstiger den gjennomsnittlige kapitalkostnaden (WACC). Utdeling av utbytte forutsetter beslutning fra Generalforsamlingen, i tillegg til at SAS har midler som kan deles ut. Det skal dessuten tas hensyn til Konsernets økonomiske stilling, resultat og forventede utvikling, investeringsbehov samt relevante konjunkturforshold.

Det skal bemerkes at Hovedaksjonærenes kapitaltilførsel i henhold til Rekapitaliseringsplanen skjer overensstemmende med EU-kommisjonens godkjenning i henhold til gjeldende regler for statsstøtte. Denne godkjenningen er betinget av EU-kommisjonens midlertidige rammeverk for statsstøttetiltak for å støtte økonomien under det foreliggende Covid-19-utbruddet, som blant annet inkluderer et forbud mot utbytte inntil alle de finansielle instrumentene Hovedaksjonærene har tegnet seg for som en del av Rekapitaliseringsplanen og som utgjør statsstøtte, er innløst eller solgt.

HVOR KOMMER VERDIPAPIRENE TIL Å HANDLES?

Aksjene i SAS er notert på det regulerte markedet i Nasdaq Stockholm under forkortelsen "SAS", med sekundære børsnoteringer på det regulerte markedet i Nasdaq Copenhagen og på det regulerte markedet Oslo Børs.

HVILKE NØKKELRISIKOER ER SPESIFIKKE FOR VERDIPAPIRENE?

Aksjekursen kan være volatil og kursutviklingen avhenger av en rekke faktorer

Ettersom en investering i aksjer kan falle i verdi, er det en risiko for at en investor ikke får tilbake investert kapital. SAS' aksjer er notert på Nasdaq Stockholm og sekundærnotert på Nasdaq Copenhagen og Oslo Børs. Utviklingen av aksjekursen avhenger av en rekke faktorer, hvorav noen er selskapspecifikke, mens andre er knyttet til aksjemarkedet som helhet. Aksjemarkedene over hele verden har vært svært volatile, og aksjekursene har svinget ekstra mye som en følge av covid-19-pandemien. Det er en risiko for at det ikke til enhver tid vil være et aktivt og likvid marked for handel med SAS-aksjer på noen av børsene hvor aksjene handles, noe som vil påvirke investorenes muligheter til å selge aksjer til tidspunkter og priser som anses fordelaktige. Denne risikoen forsterkes av Hovedaksjonærenes økte eierskap i SAS etter Rekapitaliseringsplanen. Dette utgjør en betydelig risiko for enkeltinvestorer. Avhengig av den fremtidige spredningen av covid-19-pandemien og ytterligere motiltak fra myndighetene, kan SAS' aksjekurs være veldig ustabil, uavhengig av Konsernets driftsresultat.

SAS' evne til å betale utbytte i fremtiden avhenger av flere faktorer, herunder begrensninger i henhold til gjeldende statsstøtteregler

Utbytte kan bare utdeles dersom SAS har midler som kan deles ut, og kun med et beløp som anses forsvarlig tatt i betraktning de krav som stilles til størrelsen på egenkapitalen basert på virksomhetens art, omfang og risiko, SAS' konsolideringsbehov, likviditet og stilling for øvrig i det aktuelle regnskapsår. Videre påvirkes SAS' muligheter for fremtidig utdeling av utbytte av Konsernets fremtidige resultat, finansielle stilling, kontantstrøm, arbeidskapitalbehov og andre faktorer. Det er ikke utbetalt utbytte siden 2001. Det bør også bemerkes at EU-kommisjonens godkjenning av Hovedaksjonærenes kapitalinnskudd blant annet oppstiller et forbud mot utdeling av utbytte. I lys av covid-19-pandemien og utfordringene med å forutsi når SAS kan gjenoppta normal drift, forventes det ikke å bli utbetalt utbytte i overskuelig fremtid. Det er således en betydelig risiko for at det ikke vil være midler til utdeling i løpet av noe enkelt regnskapsår.

Det er en risiko for at handel med tegningsretter og BTA kan være begrenset

I Fortrinnsrettsemisjonen vil både tegningsretter og betalte tegningsrettsaksjer («BTA 1») bli gjenstand for en tidsbe-

1) Subordinerte aksjer og serie C-aksjer kan også utstedes under SAS' vedtekter.

grenset handel. Tegningsretter vil være gjenstand for handel på Nasdaq Stockholm, Nasdaq Copenhagen og Oslo Børs, mens BTA 1 vil være gjenstand for handel på Nasdaq Stockholm og Nasdaq Copenhagen. Handelen med disse instrumentene kan være begrenset, noe som kan medføre problemer for enkeltinnehavere med å selge sine tegningsretter og/eller BTA 1 og dermed bety at innehaverne ikke kan kompenseres for den økonomiske utvanningseffekten som Fortrinnsrettsemisjonen medfører, eller få realisert verdien av sine BTA 1. Obligasjonseiere som aksepterer Obligasjonseiertilbudet og tegner nye aksjer vil motta betalte tegningsrettsaksjer («BTA 2»). BTA 2 vil utelukkende kunne handles på Nasdaq Stockholm, og i en begrenset periode. Handel med disse instrumentene kan være begrenset, noe som kan føre til problemer for enkeltaksjonærer som ønsker å selge sine BTA 2, noe som igjen betyr at innehavere ikke vil få realisert full verdi av deres BTA 2. Begrenset likviditet kan også forsterke svingninger i markedsprisen for tegningsretter og/eller BTA 1 respektive BTA 2. Prisbildet for disse instrumentene risikerer dermed å være feil eller villedende.

NØKKELINFORMASJON OM TILBUD OM VERDIPAPIRER TIL PUBLIKUM OG OPPTAK TIL HANDEL PÅ ET REGULERT MARKED

PÅ HVILKE VILKÅR OG I HENHOLD TIL HVILKEN TIDSPLAN KAN JEG INVESTERE I DISSE VERDIPAPIRENE?

Fortrinnsrettsemisjonen

Styret i SAS besluttet den 23. september 2020, etter fullmakt gitt i den ekstraordinære generalforsamlingen av 22. september 2020, å øke selskapets aksjekapital gjennom en emisjon med fortrinnsrett for SAS' eksisterende aksjonærer. Beslutningen innebærer at SAS' aksjekapital vil øke med inntil omtrent SEK 2 582 millioner gjennom utstedelse av inntil 3 443 242 959 nye aksjer. SAS' aksjonærer har fortrinnsrett til å tegne de nye aksjene forholdsmessig i henhold til det antall aksjer de allerede eier. Registreringsdatoen for rett til å delta i Fortrinnsrettsemisjonen er den 30. september 2020.

De som på registreringsdatoen var registrert som aksjonærer i SAS vil motta ni (9) tegningsretter for hver aksje som de var innehavere av på registreringsdatoen. Hver tegningsrett gir innehaveren rett til å tegne én (1) ny aksje. I den grad det er nye aksjer som ikke tegnes med fortrinnsrett, skal disse allokere aksjonærer og andre investorer (allmennheten i Sverige, Danmark, Norge og Finland, samt kvalifiserte investorer) som har tegnet aksjer uten bruk av fortrinnsrett. Slik allokering skal først skje til de som også har tegnet aksjer ved å anvende tegningsretter. Tegning skal skje i perioden fra og med 2. oktober 2020 til og med kl. 17:00 den 19. oktober 2020 eller den senere dato som styret fastsetter. Tegningskursen er satt til SEK 1,16 pr. aksje, noe som innebærer at Fortrinnsrettsemisjonen, dersom den er fulltegnet, vil tilføre SAS totalt ca. MSEK 3 994 før fradrag for emisjonskostnader.

Aksjonærer som velger å ikke delta i Fortrinnsrettsemisjonen, vil gjennom utstedelse av inntil 3 443 242 959 nye aksjer få utvannet sine eierandeler med inntil ca. 90,0 %, basert på nåværende antall utstedte aksjer i SAS.

Både nye aksjer som er tegnet med tegningsrettigheter, og uten tegningsrettigheter, forventes å bli registrert hos det svenske foretaksregisteret (Bolagsverket) på eller omkring den 30. oktober 2020. Etter registrering av de nye aksjene hos Bolagsverket vil aksjene bli tatt opp til handel på Nasdaq Stockholm, Nasdaq Copenhagen og Oslo Børs. Slik handel forventes å kunne påbegynnes på, eller omkring den 3. november 2020.

Obligasjonseiertilbudet

Den 23. september 2020 vedtok styret i SAS, etter fullmakt gitt i den ekstraordinære generalforsamlingen av 22. september 2020, å øke selskapets aksjekapital gjennom Obligasjonseiertilbudet. Vedtaket innebærer at SAS' aksjekapital vil øke med inntil MSEK 727 gjennom utstedelse av inntil 969 827 586 nye aksjer. Retten til å tegne nye aksjer tilkommer, etter fravikelse av aksjonærenes fortrinnsrett, eiere av Obligasjoner.

De som innløser sine Obligasjoner i henhold til Obligasjonseiertilbudet, har rett til å tegne nye aksjer til en tegningskurs på SEK 1,16 pr. aksje ved å motregne aksjeinnskuddet mot sin Obligasjonsfordring. Det samlede antall aksjer som utstedes til eierne av Obligasjonene under Obligasjonseiertilbudet er begrenset til 969 827 586 aksjer (tilsvarende 50% av Obligasjonenes totale pålydende verdi). Ved overtegning vil allokeringen til Obligasjonseiere som har tegnet nye aksjer for mer enn 50 % av den pålydende verdien av sine Obligasjoner, for den del av tegningen som overstiger 50 %, bli nedskalert *pro rata* basert på antall inngitte Obligasjoner. Enhver gjenværende pålydende verdi av Obligasjonene som ikke er benyttet til betaling for aksjer vil bli benyttet som betaling for tegning av Nye Kommersiell Hybridobligasjoner. Obligasjonseiertilbudet kan aksepteres i perioden fra og med den 2. oktober 2020 til og med kl. 17:00 den 19. oktober 2020, eller på et senere tidspunkt som fastsatt av styret. Forutsatt at Obligasjonseiertilbudet utøves i sin helhet, vil det tilføre inntil MSEK 1 125 til SAS' egenkapital før fradrag for kostnader forbundet med utstedelse gjennom konvertering av gjeld.

For eksisterende aksjonærer vil utstedelse av inntil 969 827 586 nye aksjer medføre en utvanningseffekt på inntil ca. 71,7% basert på nåværende antall utstedte aksjer i SAS.

De nye aksjene forventes å bli registrert hos Bolagsverket på, eller omkring den 30. oktober 2020. Etter at Bolagsverket har registrert de nye aksjene, vil disse bli tatt opp til handel på Nasdaq Stockholm, Nasdaq København og Oslo Børs. Det forventes å åpne for slik handel på, eller omkring den 3. november 2020.

Ytterligere aksjer som tas opp til handel i henhold til Rekapitaliseringsplanen

Som et ledd i Rekapitaliseringsplanen vedtok styret i SAS den 23. september 2020, etter fullmakt gitt i den ekstraordinære generalforsamlingen av 22. september 2020, å øke Selskapets aksjekapital gjennom en Rettet Emisjon til Hovedaksjonærene og en rettet emisjon av aksjer til de Eksisterende Hybridobligasjonene. Den Rettete Emisjonen innebærer at SAS' aksjekapital vil øke med inntil MSEK 1.297 gjennom utstedelse av inntil 1 729 170 834 nye aksjer. Emisjonen rettet mot innehaverne av de Eksisterende Hybridobligasjonene gjennomføres som ledd i konverteringen av disse til aksjer, og innebærer at SAS' aksjekapital vil øke med inntil MSEK 873 gjennom utstedelse av inntil 1 163 793 103 nye aksjer.

De to emisjonene forventes å bli registrert hos Bolagsverket omkring den 30. oktober 2020. Etter at Bolagsverket har registrert de nye aksjene, vil aksjene utstedt ved emisjonene også bli tatt opp til handel på Nasdaq Stockholm, Nasdaq Copenhagen og Oslo Børs. Det forventes å åpne for slik handel på, eller omkring den 3. november 2020.

Emisjonene som gjennomføres som en del av Rekapitaliseringsplanen innebærer at Selskapets aksjekapital vil øke med inntil totalt MSEK 5 480 gjennom utstedelse av inntil 7 306 034 482 nye aksjer (fra 382 582 551 aksjer før emisjonene til maksimalt 7 688 617 033 aksjer). For eksisterende aksjonærer som ikke har rett til, eller etter omstendighetene ikke aksepterer tilbudet om å tegne nye aksjer i emisjonene,

vil aksjeholdningen følgelig bli utvannet med inntil 7 306 034 482 nye aksjer, tilsvarende omtrent 95,0% av aksjene og stemmene i SAS etter emisjonene.

Restruktureringskostnader

De totale rekapitaliseringskostnadene anslås å beløpe seg på ca. MSEK 155. SAS pålegger ikke investorene noen kostnader.

HVORFOR ER DETTE PROSPEKTET UTARBEIDET?

Covid-19-pandemien har forårsaket en global krise for luftfart-industrien, og herunder for SAS. Det som begynte med reisebegrensninger til fastlands-Kina, førte raskt til globale reisebegrensninger, karantene og strenge anbefalinger om å unngå unødvendige reiser. Disse tiltakene eliminerte grunnlaget for SAS' forretningsmodell på en effektiv måte, og for første gang i historien tilbød ikke SAS internasjonale rutefly til og fra Skandinavia, og nesten hele flåten ble satt på bakken fra midten av mars. Dette resulterte i en kraftig nedgang i antall passasjerer og dermed også i SAS' inntekter. Den reduserte etterspørselen medførte at SAS iverksatte et bredt spekter av tiltak for å redusere kostnadene betydelig, opprettholde likviditeten og tilpasse seg den nye markedssituasjonen. Ca. 90% av arbeidsstyrken er, eller har vært, permittert, og rutenettet er kraftig redusert. De fleste unødvendige utgifter og prosjekter er satt på pause. I tillegg har SAS redusert sine investering-kostnader ved å oppnå enighet med de fleste av SAS' leverandører (inkludert leasingselskaper) om betalingsutsettelse og rabatter, samt ved å utsette flyleveranser og andre investeringer. Det er også iverksatt tiltak for å styrke SAS' likviditet ved at Selskapet har etablert en trekkfasilitet på SEK 3,3 milliarder, med garanti på 90 % fra den danske og svenske staten.

På tross av at flere stater begynte å åpne grensene og å lette reisebegrensninger, hvilket muliggjorde at SAS kunne gjenoppta en begrenset virksomhet i juni 2020, er SAS' vurdering på nåværende tidspunkt at gjenopprettingsfasen for flybransjen forventes å pågå frem til i alle fall 2022, før etterspørselen når mer normaliserte nivåer, og at man først noen år deretter vil oppnå tilsvarende nivåer som før covid-19. Denne vurderingen er imidlertid forbundet med stor usikkerhet. SAS må vise sin tilpasningsevne ved å møte en ny og utfordrende virkelighet. For å møte et marked med lavere passasjertall og inntektsgenerering, har SAS besluttet en revidert forretningsplan som skal sikre en kostnadseffektiv gjenopprettning. Verken de brede tiltakene som er implementert så langt, eller de planlagte effektivitetsforbedringene i henhold til den reviderte forretningsplanen vil være tilstrekkelig til å gjenopprette Konsernets kapitalposisjon til nivåene før covid-19. SAS har dermed et behov for å sikre ytterligere finansiering for å kunne opprettholde sin rolle som en sentral leverandør av viktig skandinavisk luftfartinfrastruktur. SAS publiserte derfor en rekapitaliseringsplan den 30. juni 2020 og en revidert rekapitaliseringsplan den 14. august 2020, som tar sikte på å motvirke effektene av pandemien. Rekapitaliseringsplanen inkluderer kapitaltilførsler fra den danske og svenske staten, samt fordelingen av den økonomiske byrden mellom SAS' aksjonærer og eierne av Obligasjonene og de Eksisterende Hybridobligasjonene.

Forutsatt at Fortrinnsrettsemisjonen blir fulltegnet, vil emisjonsinntektene utgjøre ca. MSEK 3 994 før utstedelses-kostnader, som estimeres til å utgjøre cirka MSEK 51¹⁾. Konsernet har til hensikt å bruke nettoemisjonsinntektene på inntil cirka MSEK 3 943 til å styrke kapitalstrukturen og for å skape økonomisk beredskap for å møte effektene av fortsatt

svak etterspørsel etter flyreiser (basert på nåværende forventninger), endrede passasjermønstre og andre eksterne faktorer. Hvis Obligasjonseiertilbudet blir fulltegnet, vil det bidra med totalt ca. MSEK 1 125 før utstedelseskostnader og netto MSEK 1 111²⁾ til SAS egenkapital gjennom gjeldskonvertering.

Totalt har Rekapitaliseringsplanen til hensikt å konvertere gjeld på SEK 2,25 milliarder til egenkapital, og tilføre SEK 12 milliarder i ny egenkapital før rekapitaliseringskostnader, som forventes å utgjøre ca. MSEK 155, og derav å gjenopprette egenkapitalen med SEK 14,25 milliarder. Forutsatt en suksessfull gjennomføring av Rekapitaliseringsplanen, vil SAS terminere trekkfasiliteten på SEK 3,33 milliarder med garanti på 90 % fra Hovedaksjonærene, og tilbakebetale utestående beløp under, og i henhold til denne.

SAS' vurdering er at Konsernets eksisterende arbeidskapital ikke er tilstrekkelig til å oppfylle gjeldende krav i løpet den kommende tolv månedersperioden fra datoen for dette prospektet. Som en konsekvens av covid-19-pandemien evner ikke SAS å generere en positiv kontantstrøm, få tilgang til likvide midler og andre ressurser for å betale driftskostnader og oppfylle sine forpliktelser ved forfall, som er tilstrekkelig til å dekke SAS forventede negative kontantstrøm fra driftsaktivitetene i løpet av de neste tolv månedene (basert på SAS' reviderte forretningsplan og nåværende vurdering av markedet). SAS har imidlertid sterk tro på at alle deler av Rekapitaliseringsplanen kan gjennomføres, og derved generere tilstrekkelig arbeidskapital de neste tolv månedene fra prospektdatoen. Dersom Rekapitaliseringsplanen ikke er vellykket implementert og mislykkes, vil ikke SAS kunne rekapitalisere og avhjelpe likviditetsunderskuddet og den negative egenkapitalen forårsaket av covid-19-pandemien, noe som vil ha en betydelig negativ effekt på SAS økonomiske stilling. SAS kan bli tvunget til avvikling eller konkurs som følge av dette.

TEGNINGS- OG GARANTIFORPLIKTELSER I FORTRINNSRETTSEMISJONEN

Hovedaksjonærene og Knut og Alice Wallenbergs Stiftelse, som til sammen eier omtrent 35,6 % av aksjene og stemmene i SAS, har forpliktet seg til å tegne nye aksjer tilsvarende deres respektive *pro rata*-andeler av Fortrinnsrettsemisjonen. Videre har Hovedaksjonærene forpliktet seg til å tegne seg for ytterligere aksjer tilsvarende cirka 45,9 % av Fortrinnsrettsemisjonen. Totalt har de nevnte aksjonærene følgelig forpliktet seg til å tegne seg for aksjer tilsvarende cirka 81,5 % av Fortrinnsrettsemisjonen.

RÅDGIVERES INTERESSER M.M.

SAS finansielle rådgiver i forbindelse med Rekapitaliseringsplanen er SEB. SEB er også Global Coordinator, Solicitation Agent og Joint Bookrunner i forbindelse med tilbudene inntatt i dette prospektet. Danske Bank A/S, Danmark, Sverige Filial og Swedbank AB (publ) er Solicitation Agents og Joint Bookrunners i forbindelse med Fortrinnsrettsemisjonen. SEB, Danske Bank og Swedbank (samt deres tilknyttede selskaper) har levert, og kan i fremtiden levere, ulike banktjenester, finansielle tjenester, samt investeringstjenester, kommersielle tjenester og andre tjenester til SAS, hvilket SEB, Danske Bank og Swedbank har mottatt, og kan fortsette å motta, kompensasjon for. SEB, Danske Bank og Swedbank (samt deres tilknyttede selskaper) er også långivere og/eller mellommenn for lån gitt til SAS.

1) De totale rekapitaliseringskostnadene er estimert til ca. MSEK 155, hvorav ca. MSEK 51 forventes allokert til Fortrinnsrettsemisjonen.

2) De totale rekapitaliseringskostnadene er estimert til ca. MSEK 155, hvorav ca. MSEK 14 forventes allokert til konvertering av Obligasjonene.

RISK FACTORS

An investment in securities is associated with risk. Prior to any investment decision, it is important to carefully analyze the risk factors considered to be of importance in relation to SAS and the future performance of the shares, for example risks related to SAS' operations and industry, legal and regulatory risks, financial risks and risks related to the share, the Rights Issue and the Bondholder Offer. In accordance with the Prospectus Regulation, the risk factors set out below are limited to risks that are specific to SAS and/or the shares in SAS and that are deemed material for making an informed investment decision. The risk factors' materiality has been assessed based on the probability of their occurrence and the expected magnitude of their negative outcome. In each subsection, the risk factors currently deemed most material are presented first, but otherwise the risk factors are not ranked in any specific order of importance. The description below is based on information available and estimates made on the date of this prospectus.

RISKS RELATED TO SAS

RISKS RELATED TO SAS' OPERATIONS AND INDUSTRY

COVID-19 has had a material adverse effect on SAS and SAS remains subject to significant risks related to the outbreak and countermeasures

In late December 2019, an outbreak of an infectious disease (later named COVID-19) caused by a novel coronavirus (SARS-CoV-2) was detected in Wuhan City in the Hubei province, China. On 30 January 2020, the World Health Organization declared the outbreak a "Public Health Emergency of International Concern" and recognized it as a pandemic on 11 March 2020. Cases of COVID-19 have been reported in virtually all countries, with the highest prevalence at the time of this prospectus in Asia, Europe, North and South America. As a result of the pandemic, governments have taken far-reaching containment measures seeking to prevent the spread of the coronavirus, such as lockdowns of cities, regions and countries, shutdowns of businesses, closure of schools, universities and public institutions, cancellations of public events as well as social distancing recommendations, travel restrictions and other restrictions of free movement. The COVID-19 pandemic has had and continues to have a significant adverse impact on the global economy (see "*SAS is highly susceptible to adverse economic developments*" below), with the travel industry being one of the worst affected sectors with a collapse in the demand for air travel due to, for example, travel bans, closure of borders, governmental advice against travel, social distancing measures and general customer discomfort with traveling, and it remains a continuing threat (see "*The recovery of air travel, including for SAS, is expected to be slow and the future characteristics of the airline industry are highly uncertain*" below).

As an effect of the COVID-19 pandemic, and the measures that authorities have taken to prevent the spread of COVID-19, the demand for international air travel was essentially non-existent from the middle of March 2020 until the beginning of June 2020. In response to the outbreak, SAS began suspending flights as from 31 January 2020 (to and from mainland China) and eventually made the decision to temporarily halt most of its traffic starting 16 March 2020 until conditions and the ease of restrictions made it feasible to re-commence limited operations in June 2020. As a result, SAS' capacity was reduced by over 45% and the number of passengers fell almost

60% in March 2020 compared to March 2019. In April 2020, SAS capacity was reduced by over 94% and the number of passengers fell 96% compared to April 2019, as almost all flights were canceled except for a few domestic routes in Norway and Sweden. As a direct consequence, SAS' revenue during the second fiscal quarter (from February to April 2020), the early part of which was unaffected by the negative effects of the COVID-19 pandemic, fell 46.7% compared to the same period 2019. During its third fiscal quarter (May to July 2020), SAS' revenue fell 81.3% compared to the same period 2019. In August 2020, SAS' total capacity (available seat kilometers, ASK) and total number of passengers were 73.4% and 74.2% lower, respectively, than in August 2019.

On 1 April 2020 SAS initiated temporary work reductions of approximately 11,000 employees, equivalent to 90% of its total workforce at that time. Furthermore, on 28 April 2020 SAS announced that SAS will initiate processes to reduce the size of its future workforce by up to 5,000 full-time positions due to expected lower demand for air travel.

Demand going forward remains uncertain and is heavily dependent on the easing of travel restrictions as well as passenger confidence and willingness to travel. The further spread, worsening and/or reemergence (a so-called second wave), and the related consequences of the COVID-19 pandemic are not possible to predict and it is not possible to predict if, when and to what extent the travel restrictions will be further lifted and SAS can resume additional flights and initiate a return to pre COVID-19 operations, or whether travel restrictions will be reimposed. Renewed outbreaks have occurred in countries that have eased their containment measures. In August and September 2020, a number of European countries showed a resurgence in cases of COVID-19, including France, Germany, Netherlands, Spain and the United Kingdom. Due to the resurgence of cases in many countries, stay at home measures and travel restrictions have been re-implemented in several such countries as part of efforts to limit the transmission of COVID-19.

Despite the measures taken by SAS, the financial performance for the fiscal year 2020 will continue to be significantly affected by a loss of revenue as a result of lower sales of tickets and significant negative cash flows to an extent and for a duration that are uncertain. Protracted uncertainty and a lack of containment of the COVID-19 pandemic, as well as actions imposed in different jurisdictions, which may involve the easing

and then re-instating of measures to varying degrees, and general economic downturn, present a major threat to SAS and will continue to have a highly material adverse effect on SAS' operations, revenues, cash flow, liquidity and results of operations, and could ultimately force SAS to enter into liquidation or bankruptcy proceedings.

The recovery of air travel, including for SAS, is expected to be slow and the future characteristics of the airline industry are highly uncertain

The COVID-19 pandemic has created a global crisis for the aviation industry, including SAS. On 23 September 2020, the International Civil Aviation Organization ("ICAO"), that actively monitors the economic impact from COVID-19 on civil aviation, estimated that the possible COVID-19 impact on world scheduled passenger traffic for the full year 2020, compared to business as usual, could be an overall reduction ranging from 49% to 51% of seats offered by airlines, a reduction of 2,788 to 2,931 million passengers and approximately USD 375 to 395 billion potential loss of gross operating revenues of airlines.¹⁾ There is material uncertainty with respect to future demand due to the current market conditions in the aviation industry. Countries are gradually re-opening, but the pace and prerequisites will not be the same in all geographies and regions and, depending on any escalation and/or reemergence of the COVID-19 pandemic, which has occurred in a number of European countries recently, restrictions may be re-imposed and the air travel decrease again. Furthermore, the pandemic has led to an economic downturn, resulted in behavioral changes in favor of more digital meetings and caused a general health concern, including with respect to travel, among many customers. Therefore, SAS expects a longer recovery period than experienced in previous downturns. SAS expects that the recovery will start with increased demand for domestic travel followed by European and then Intercontinental destinations. SAS' current expectation is that the ramp-up phase for the airline industry may last until at least 2022 before demand can reach more normalized levels, with a return to pre COVID-19 levels a few years thereafter.

The longer recovery scenario is also in line with estimates from the International Air Transport Association (IATA), a trade association for the world's airlines, which regularly publishes analyses and outlooks in respect of COVID-19 and its impact on the global air transport industry. In May 2020, IATA estimated that air travel, in terms of revenue passenger kilometers (RPK), may recover from the COVID-19 pandemic more slowly than most other sectors of the economy and that domestic RPK will recover to 2019 levels by 2022 and that international RPK will recover to 2019 levels by 2023–2024.²⁾ In July 2020, IATA released an updated global passenger forecast showing that the recovery in traffic has been slower than had been expected. In the base case scenario, global passenger traffic (RPK) will not return to pre-COVID-19 levels until 2024, a year later than previously projected.³⁾

Moreover, the COVID-19 pandemic may also lead to new travel safety regulations concerning, among other things, social distancing. These may require, for example, adjustments of seating arrangements, mandatory empty seats or other measures intended to isolate passengers from each other and minimize contact between passengers as well as aircraft and airport personnel. The COVID-19 pandemic may also have long-term negative effects on demand for air travel due to changes in travelers' perception of the travel experience and a general

reluctance to travel by air, where virus containment, vaccine availability, and perception of safety are expected to be some of the key determinants in the willingness to fly. Demand for business travel may also be negatively affected in the long term by video conferencing making significant inroads as a substitute for in-person meetings. Additional laws and regulations may be adopted from time to time which could impose additional requirements or restrictions on airlines, which could also adversely impact demand. Since the COVID-19 situation is continuously changing, it is not possible to predict the recovery period or the short-, medium- and long-term consequences for the airline industry with any certainty other than the expectations of material adverse negative effects that may be long-term.

SAS is subject to risks relating to its revised business plan and the implementation thereof

Given the actual and anticipated negative financial impacts of the COVID-19 pandemic, the Board of Directors of SAS has decided on a revised business plan to tackle the expected effects of the COVID-19 pandemic. The revised business plan is based on rightsizing SAS and its cost structure to reflect a new situation of lower expected demand and is built on four pillars: (i) continued focus on Scandinavia's frequent travelers; (ii) continued single-type fleet renewal; (iii) an adjusted operating model, expected to generate in total SEK 4 billion in efficiency improvements by 2022 including, for example, personnel cost reductions from work force redundancy and renegotiated collective bargaining agreements, reduced sales and marketing spend, renegotiated supplier agreements including lessors, and other operational efficiency improvements; and (iv) sustainable aviation, including accelerated reduction of net CO2 emissions and increased usage of sustainable aviation fuels.

The appropriateness and successful implementation of SAS' revised business plan could be affected by a number of factors beyond SAS' control. The revised business plan has been based on certain targets and assumptions which rely on current expectations and assumptions regarding the future, including the global economy, customer demand, competition, regulations and operational factors such as cost reductions and efficiency improvements. Such targets and projections are subject to considerable uncertainty and could differ materially from actual results due to a number of factors, including the further impact of the COVID-19 pandemic, changes in the markets in which SAS operates, changes in the aviation industry that affect SAS' ability to develop its business as projected, and the prevailing macroeconomic climate. The appropriateness of the revised business plan remains dependent on expectations and assumptions regarding the future, including the assumption that the ramp-up phase for the airline industry and SAS may last until at least 2022 before demand can reach more normalized levels, with a return to pre COVID-19 levels a few years thereafter (see "*The recovery of air travel, including for SAS, is expected to be slow and the future characteristics of the airline industry are highly uncertain*" above). If market conditions, including the future impact of COVID-19 pandemic on the aviation industry, deviate materially from the expectations and assumptions underlying the revised business plan, the business plan may not be appropriate and SAS may not be able to implement it, which would have a material adverse effect on SAS' business, expenses, results of operations and prospects.

1) ICAO, Effects of Novel Coronavirus (COVID-19) on Civil Aviation: Economic Impact Analysis, 23 September 2020.

2) IATA, COVID-19 Outlook for air travel in the next 5 years, 13 May 2020.

3) IATA, Recovery Delayed as International Travel Remains Locked Down, 28 July 2020.

In addition, there are particular risks associated with each implementing strategy that could undermine successful execution of the revised business plan. For example, the expected efficiency improvements of SEK 4 billion could be undermined due to delays or unsuccessful renegotiations with unions and suppliers (including lessors) or due to higher than expected costs of implementation. Also, reduced sales and marketing spend may, for example, weaken SAS' standing among travelers and negatively impact SAS' revenue. Furthermore, SAS' ability to implement the sustainable aviation pillar of the revised business plan is dependent on, for example, the availability of sustainable jet fuels at viable price levels. Failure by SAS to implement any element of the revised business plan in a timely manner or at all, and, in particular, to achieve its targeted efficiency improvements would have a material adverse effect on SAS' expenses, profitability and growth opportunities.

Moreover, neither the measures implemented to date nor the planned efficiency improvements will alone be sufficient to help restore SAS' equity position to pre COVID-19 levels, nor help secure the required level of funding for SAS to continue as a provider of important Scandinavian airline infrastructure. Therefore, the Board has also decided on a recapitalization plan (the "**Recapitalization Plan**"). See further "*Risks related to the Recapitalization Plan, SAS' liquidity and future access to capital*" below.

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

The global reach of the business conducted by SAS through its international services and flights 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 can 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' dependence on jet fuel also results in sensitivity to the global oil market, which may be adversely affected by, for instance, economic unrest and 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' supply of fuel, cost of fuel and other inputs.

The implications of the United Kingdom's withdrawal from the EU on 31 January 2020 are unclear. The treaty on the withdrawal includes a transition period until 31 December 2020, during which current EU rules and regulation will remain in force in the UK. It is highly uncertain whether the EU and the UK will reach an agreement before the end of the transition period or on what terms any such agreement will be. 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' services would have a material adverse effect on its business, revenues 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' 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. The ongoing COVID-19 pandemic (see "*COVID-19 has had a material adverse effect on SAS and SAS remains subject to significant risks related to the outbreak and countermeasures*" above) has and will continue to have significant negative effects on the global economy. According to the International Monetary Fund (IMF), the COVID-19 pandemic had a more negative impact on activity in the first half of 2020 than anticipated, and the recovery is projected to be more gradual than previously forecast. The pandemic as well as measures introduced in the wake thereof are having considerable economic consequences, and GDP is expected to fall sharply in most countries during 2020. OECD forecasts real GDP to decrease by 7% in Sweden, 6% in Denmark and 6% in Norway during 2020 in the scenario where a second wave of the pandemic is avoided, and by 8% in Sweden, 7% in Denmark and 8% in Norway in the scenario where a second wave of pandemic hits before the end of 2020.¹⁾ The negative effects are expected to be particularly strong in the service sector, but virtually all parts of the business sector will be affected to some extent. As a result of the pandemic, the global economy is projected by the IMF to contract sharply by -4.9% in 2020, far worse than during the 2008-09 financial crisis.²⁾ There is a higher-than-usual degree of uncertainty around regional as well as global forecasts. The economic fallout depends on factors that interact in ways that are hard to predict, where risks of a worse outcome predominate. The effect the COVID-19 pandemic has had on the global economy generally and the air transportation industry specifically, may make it difficult for SAS to raise additional capital if needed to meet its liquidity needs on acceptable terms, or at all. Any extended duration, increased spread and/or reemergence of the COVID-19 pandemic, as seen in several countries that have eased their containment measures, and the continuation of reduced demand would have a material adverse effect on SAS' liquidity and ability to secure sufficient bank and capital market financing to meet its obligations, which may have a material adverse effect on SAS' revenues, results of operations and future prospects. Moreover, the effects on the global economy of Brexit generally remains uncertain, and there is a risk that Brexit would have unpredictable consequences for credit markets, the EU single market and other important financial and trade relationships (see "*SAS' business and the airline industry are exposed to risks related to geopolitical conditions*" above).

In addition, changing corporate travel policies can change corporate travel patterns. Businesses tend to reduce their spending on air travel due to cost savings initiatives or as a result of decreased business activity requiring travel. Moreover, the increased and widespread use of video- and teleconferencing services during the COVID-19 pandemic may continue after the pandemic, thereby reducing air travel demand. Furthermore, leisure travelers often choose to reduce, delay or eliminate the volume of their air travel during difficult economic times. SAS' increased focus on the leisure travel market may accentuate

1) OECD, OECD Economic Outlook, June 2020.

2) IMF, World Economic Outlook, June 2020.

SAS' exposure to the behavior of leisure travelers. Moreover, as a result of COVID-19, SAS expects the demand to be significantly affected during the remainder of 2020, even if and when measures such as travel bans are lifted or eased, and SAS currently estimates that the ramp-up phase for the airline industry may last until at least 2022 before demand can reach more normalized levels, with a return to pre COVID-19 levels a few years thereafter. See *"The recovery of air travel, including for SAS, is expected to be slow and the future characteristics of the airline industry are highly uncertain"* above.

Prior to the outbreak of COVID-19, SAS offered flights from Scandinavia to approximately 125 destinations in Europe, the United States and Asia, and, in addition, SAS offered an extended network through its partners and Star Alliance. However, SAS' operations are mainly focused on the Scandinavian market, and approximately 70% of SAS' passenger revenues in fiscal year 2019 were derived from travels sold in Scandinavia, thereby making Scandinavia a particularly important market. 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' revenues.

Moreover, economic downturns in the airline industry generally result in a lower 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 significant risk to SAS' revenue and results of operations. This situation is exacerbated by the fact that SAS' 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' passenger numbers, cargo volumes or fares or freight rates would lead to a disproportionate decline in SAS' profits. Furthermore, reducing flight frequency through the ad hoc cancellation of flights does not reduce the fixed costs associated with flights. Moreover, after a certain point, decreasing the frequency of flights significantly decreases the attractiveness of the offers for SAS' customers, which thus adversely affects SAS' 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 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' operating income and financial condition.

The airline industry is highly competitive

Ahead of the COVID-19 pandemic, SAS operated in a highly competitive market and was 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' home market increased competition and resulted in a significant price pressure, which affected SAS' margins and revenues. The number of passengers traveling to, from and within Scandinavia decreased by 1.0% during fiscal year 2019, while the number of available seat kilometers increased by 1.0%. Accordingly, the competition has been intensifying within SAS' core market, as it has in the industry generally. Even though competition has been significantly disrupted during the COVID-19 pandemic, there is a risk that intensified competition and capacity growth acceleration will re-commence if and when demand is back to the levels seen ahead of the pandemic. This would require SAS to lower its prices in order to attract customers and maintain or grow market share, which could adversely affect its revenues and margins.

One reason for the increased competition has been that other airline operators have increased their capacity in the Nordic region, for example by shifting capacity to the Nordic region when demand for air travel has dropped in other parts of Europe. For example, prior to the outbreak of the COVID-19 pandemic, operators such as Finnair, Qatar Airways and Wizz Air increased their capacity in the Nordic region. Moreover, on 30 June 2020, Norwegian Air Shuttle, one of SAS' main competitors, announced that they intend to increase the focus on the Nordic market as the airline industry starts to recover from the pandemic. 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 and new service initiatives 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. A situation where demand for business travel is negatively affected in the long term, for example, by video conferencing making significant inroads as a substitute for in-person meetings in the wake of the COVID-19 pandemic, would be detrimental to SAS' competitive position since SAS' historically has maintained strong market positions within business traveling in particular. Significant failure to successfully respond to competitive pressure and/or an altered competitive landscape in the wake of COVID-19 would have a material adverse effect on SAS' market position as well as SAS' revenues, financial condition and results of operation.

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

Under normal circumstances, the airline industry tends to be seasonal in nature and SAS, like other airlines, has historically experienced substantial seasonal fluctuations in, for instance, demand, earnings and cash flow. With respect to earnings, since passenger revenue is recognized when SAS or other airline provides the transportation, revenue generation peaks in the period from May to October, and is relatively lower in the period from November to April. Since a substantial share of SAS' costs are fixed, earnings are impacted by the fluctuations in revenue levels. Cash flow, however, is under normal circumstances strongest in the second and fourth quarters of SAS' fiscal year and lowest in the first and third quarters of SAS' fiscal year due to lower passenger volumes and lower proportion of advance bookings. This is evident from the fact that SAS' average cash flow from operating activities for the fiscal years 2015–2019 amounted to approximately SEK 2.1 billion for the second quarters and SEK 1.1 billion fourth quarters of SAS' fiscal year, respectively, whereas cash flow for operating activities amounted to approximately SEK 0.4 billion for the first quarters and SEK 0.5 billion for the third quarters of SAS' fiscal year, respectively. Due to the ongoing COVID-19 pandemic and containment measures, SAS will not be able to benefit from a strong peak in demand during May to October 2020 and has not experienced strong cash flow in the second quarter of fiscal year 2020. There is also a significant risk that SAS will not experience the historically stronger cash flow in the fourth quarter of fiscal year 2020, with demand during the quarter being difficult to predict due to changed customer behavior with bookings being made closer to the date of travel than historically.

Prior to the COVID-19 pandemic, SAS has typically launched a number of summer routes to accommodate demand from

RISK FACTORS

leisure travelers and is likely to do so again if and when the aviation industry returns to pre COVID-19 operations. However, there is a risk that measures undertaken to meet seasonal fluctuations in customer demand are not successful or sufficient, and that SAS' new 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, since failure to address such variations will negatively affect SAS' margins, competitiveness, ability to meet customer demand and revenues.

SAS' profitability depends on accurately estimating capacity development

The capacity of airlines is important to their profitability. Due to the long delivery time, aircraft orders are based on long-term forecasts. For example, as of 31 July 2020, SAS had aircraft orders for 40 Airbus A320neos, three A321LR aircraft and four Airbus A350-900s for delivery up through 2024, which cannot be cancelled without breach of contract. 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 and profitability 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 trends. Assumptions and estimates are, and will continue to be, subject to significant uncertainties, which have been materially increased by the COVID-19 pandemic and if demand in the markets in which SAS operates does not recover fully, this may lead to a more long-lasting overcapacity (see *"The recovery of air travel, including for SAS, is expected to be slow and the future characteristics of the airline industry are highly uncertain"* above). If the assumptions and estimates are, to a significant extent, incorrect, it would have a material effect on SAS' revenues, 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, and consequently also a corresponding risk that SAS' revenues are negatively affected. Furthermore, excess capacity due to poorer than expected market development 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' revenues, margins and results of operations.

SAS is exposed to increased 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' 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' business and customers, or existing fees to be increased, which presents a risk to SAS' operations and costs. Due to COVID-19, there is a risk that security regulations worldwide could be further tightened and personal health precautions enhanced, and that charges or other costs arising from these measures could increase further. Moreover, any fee increases linked to airport infrastructure would have a negative impact on SAS' 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' business and expenses and consequently its 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, passenger 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' operational costs (see also *"Risks relating to compliance with regional, national and international regulations, the adoption of new regulations, and the revision of existing regulations"* and *"SAS is subject to environmental-climate laws and regulations"* below). For example, Sweden and Norway have both implemented additional taxes on air travel. While these taxes are commonly referred to as environmental taxes, they have no connection with emissions or any climate protection measures. Similar taxes are being discussed in multiple EU states. In the fiscal year 2019, SAS external environment-related user charges and travel taxes amounted to MSEK 1,807 (MSEK 1,693 in fiscal year 2018). These charges and travel taxes are comprised of environment-related travel taxes and user charges that are sometimes associated with the environmental performance of aircraft and are included in landing fees. Within the total amount, SAS' environmental taxes in Sweden and in Norway amounted to MSEK 1,099 for the fiscal year 2019 (MSEK 918 in fiscal year 2018).

National aviation taxes create a patchwork of cost-driving taxes that affect SAS' 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' 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. Taxes, aviation and license fees presents a significant risk to SAS' cash flows, financial condition and results of operations.

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

In fiscal year 2019, jet fuel comprised one of the single largest expense item for SAS and amounted to 21% of SAS' operating expenses (including leases, depreciation and amortization). 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 fluctu-

ations due to supply/demand trends, transportation costs, government regulations and tariffs, changes in currency exchange rates, price controls, inflation and the economic climate, oil price conflicts, hostilities or terrorist attacks 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. During the first half of 2020, global oil prices have fell sharply due to, among other things, reduced demand for travel and reduced productivity during the COVID-19 pandemic. The oil price also fell as a consequence of the so-called 2020 Russia-Saudi Arabia oil price war triggered in March 2020.

In fiscal year 2019, jet fuel costs amounted to around 21% of SAS' operating expenses (including leases, depreciation and amortization) and totaled MSEK 9,672. In fiscal year 2019, the market price of jet fuel was on average 5% lower year-on-year. Jet fuel prices decreased gradually during 2019 from about USD 750/tonne to around USD 630/tonne. The lower jet fuel prices meant that SAS' jet fuel costs, adjusted for currency effects, decreased by 6% year-on-year. SAS hedges the fluctuations in jet fuel prices. However, 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' 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 is, subsequently, unable to participate fully in the economic benefits should jet fuel prices decrease. For example, if the jet fuel price during the next twelve months from 1 August 2020 goes below USD 536/tonne, 54% of SAS' fuel consumption would be hedged at an average price of USD 545/tonne. 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. Due to flight cancellations and the expected reduction in business operations as a result of the impact of COVID-19, SAS' forecasted financial exposures are more uncertain than under normal circumstances. Further changes to assumptions regarding future consumption and capacity could have a significant effect on the hedge levels.

As a consequence of COVID-19, SAS fuel expenses during 1 November 2019–31 July 2020 were 30% lower compared to the same period the previous year (88% lower during the third quarter of fiscal year 2020 compared to the same period the previous year). With a reduced forecasted business activity, SAS has closed overhedges related to jet fuel to the market. During 1 November 2019–31 July 2020, discontinued jet fuel hedges had a negative impact on the profit and loss with MSEK -1,240. Any increase in fares, as a result from unexpected increases in fuel price, presents a highly significant risk to demand for air travel. Furthermore, there is a risk that SAS will not be able to hedge its jet fuel risk to the same extent as historically, since the COVID-19 pandemic has increased the risk of hedging counterparties not always being available. Failure to adequately and successfully manage increases in jet fuel prices, or to participate fully in the economic benefits of any decrease in jet fuel prices, as well as to manage lower jet fuel consumption than estimated, would have a material adverse effect on SAS' costs and thereby its results of operations.

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' 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' 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' operations and an obligation for SAS to refund and/or compensate passengers affected by such events (see "*Risks relating to compliance with regional, national and international regulations, the adoption of new regulations, and the revision of existing regulations*" below). Also, changes in wind patterns and jet stream disruption, resulting from climate change, present a risk to SAS' 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' business, cash flow and results of operations.

In addition to the current COVID-19 pandemic (see "*COVID-19 has had a material adverse effect on SAS and SAS remains subject to significant risks related to the outbreak and countermeasures*" above), there has historically been substantial publicity regarding other potent influenza viruses and 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. For example, during the SARS epidemic in 2003, SAS' earnings fell significantly in the fiscal year 2003 due to canceled flights to and from Asia. Any future outbreak of a disease, and the publicity pertaining thereto as well actions by states to fight such disease, will also affect travel behavior and/or the travel demand and presents a highly significant risk to SAS' operations. In addition, if a future outbreak would result in European or national authorities imposing travel restrictions in regions where SAS conducts its business, such as with the current COVID-19 pandemic, it would result in cancellation and/or loss of bookings, which would have a material adverse impact on SAS' revenue. Accordingly, natural disasters and future outbreaks of diseases that adversely affect demand for SAS' services and consequently its revenues would also have a material adverse effect on SAS' financial condition and results of operations.

Airlines are exposed to the risk of aircraft accidents 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 wreckages may be caused by several factors, for example, human error or mis-action, design defects, operational malfunctions, meteorological and other environmental factors and deferred maintenance. The occurrence of any substantial such incidents in relation to SAS' fleet, resulting in an accident or the grounding of such aircraft, would harm SAS' revenue and operations, reputation and customer confidence. 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' fleet is unsafe or unreliable, causing air travelers to be reluctant to fly on SAS' aircraft which, subsequently, presents a risk to SAS' revenues and margins. For example, in 2008, an MD-82 aircraft operated by SAS' 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' 2008 earnings of approximately MSEK 400–500 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 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' Boeing 737 NG aircraft were grounded during 3–6 months 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. 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 an airline's reputation, revenues and results of operations.

SAS has certain insurance to reduce the financial impact of aircraft accidents and similar events. However, there is a risk that SAS' insurance is not sufficiently adequate to cover the losses resulting from aircraft accidents or similar events, whilst certain other risks are uninsurable. In particular, SAS' insurance does not cover losses from decreasing revenues caused by negative public perception resulting from aircraft accidents 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' insurance premia. The occurrence of any significant incidents involving SAS' fleet, which results in an accident or the grounding of aircraft, would have a material adverse effect on SAS' 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' flights as part of their flight routes.

Following the terrorist attacks on 11 September 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 failed bombing attempt on Northwest Airlines flight 253 from Amsterdam to Detroit 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' costs. Further adjustments were made to insurance coverage and premiums following the fatal crash 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' 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' revenues, expenses and results of operations.

SAS is exposed to the risk that its brand name, wider reputation or consumer confidence is damaged

SAS' 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' brand image or reputation, whether owing to a single event or series of events, would typically have a negative impact on SAS' ability to market its services and retain customers and employees. There are various events which risk bringing damage to SAS' brand or reputation, such as noncompliance with laws and regulations, internal rules and policies, 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. In the absence of COVID-19, 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' operations typically harm SAS' 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' operations are predominantly focused, have been subject to discussions of a so called "flight shame", which is a consequence of increased environmental awareness, leading to customers choosing other forms of travel or abstaining from travel to reduce their environmental

footprint. Available aviation engines technology does not offer zero-emission air travel and, for example, SAS' aircraft emissions account for over 99% of SAS' 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. Flight shame has been mentioned as one cause of air travel in Sweden decreasing even before the current COVID-19 pandemic.

Consequently, there is a risk that SAS' business is deemed by customers as a significant contributor to the negative climate impact which, subsequently, presents a risk to SAS' 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 material risk to SAS' brand and reputation as well as revenue generation given that the nature of SAS' core business is to conduct airline operations.

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

Around 35 unions represent SAS' employees, with some unions representing more than one category of employees. Substantially all of SAS' 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 fiscal 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' 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 "*Risks relating to compliance with regional, national and international regulations, the adoption of new regulations, and 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' earnings as well as brand and reputation and, subsequently, its business, financial condition and results of operations.

As a result of the expected lower demand due to the COVID-19 pandemic, SAS is in the process of reducing the size of its future workforce by up to 5,000 full-time positions. Even if the process is implemented in accordance with the labor law practices in each of Denmark, Norway and Sweden, there is a risk that one or several individual redundancies may be challenged by employees or trade unions, and thus leading to multiple negotiations or legal proceedings. Such legal proceedings would result in additional costs for legal fees and, if unfavorable decisions were to be made against SAS, fines or damages (see also "*SAS is involved in legal proceedings and investigations*" below). There is also a risk that the process will give rise to labor actions. Furthermore, major redundancies may also negatively affect the remaining personnel's work environment and thereby harm SAS' daily operations.

The inability to obtain labor costs at competitive levels presents a risk to SAS' 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 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' principal competitors. In fiscal year 2019, SAS' total payroll expenses amounted to MSEK 9,495, of which social security expenses comprised MSEK 1,324 and pensions MSEK 875. In contrast, should SAS' decrease its labor costs, it risks 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' 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' personnel expenses and financial performance.

SAS is exposed to failures of, or disruptions relating to, SAS' 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, app, reservations, departure control, online booking, revenue management systems and systems for SAS' loyalty program, EuroBonus. In fiscal year 2019, SAS' computer and telecommunication costs amounted to MSEK 1,637 (MSEK 1,554 in fiscal year 2018). The performance and reliability of SAS' IT systems and related data are critical to SAS' ability to attract and retain customers and for SAS' ability to compete effectively.

SAS' IT systems and related data can be 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' or its subcontractors' control. For instance, outages and disruptions may result from configuration errors during upgrades or maintenance and system degradation after application upgrades or from human errors. Moreover, all of SAS' offered services and products are digitally available and therefore constantly exposed to attempted IT security breaches. Cyber-criminal organizations are also targeting SAS' information technology systems that contain, for example, critical information on SAS' transport business, planning and passengers. There is a risk that SAS' 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' IT systems may affect SAS is uncertain, and presents a significant risk to SAS' daily operations, revenues and results of operations. A disruption to SAS' IT systems which leads to a loss of data could also constitute a personal data breach (see also "*SAS is subject to an increasing body of data protection regulations*" below).

A large part of SAS' ticket sales are made online. A fundamental requirement for such online commerce is the secure transmission of confidential information. SAS may incur significant costs to maintain a secure IT environment, to protect against the threat of security breaches or to alleviate problems caused by any such breaches. Alleviating these problems could

RISK FACTORS

cause interruptions, delays or cessations in service to SAS' customers, which could adversely affect SAS' reputation and deter its customers from using its service or lead them to assert claims against SAS.

SAS is exposed to risks relating to starting and operating new airlines

From time to time, SAS may look to establish new airlines. Most recently, 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 31 October 2019. SAS Ireland was established in order to better compete with low-cost operators on certain competitive traffic flows, for example Scandinavia–London. However, the establishment of new airlines carry risks, including the risk that competing airlines lower ticket prices and launch additional advertising promotional campaigns in order to protect their market shares.

Establishing new airlines could also involve significant costs resulting from, among other things, staff recruitment and compliance 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. In addition, any foreseen costs and risks may 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' financial condition and results of operations.

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

SAS is co-founder of Star Alliance, which comprises 26 member airlines and served approximately 1,300 destinations worldwide before the outbreak of the COVID-19 pandemic. In addition, SAS has also entered into approximately 90 bilateral agreements with airlines outside the Star Alliance, including, amongst others, codesharing agreements, interlining agreements and intercarrier agreements. SAS derives significant benefits from its membership in the Star Alliance and from cooperation with other partner airlines. Conversely, any significant adverse developments affecting the Star Alliance cooperation or any other partner airline, 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' 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.

Accordingly, SAS' network and revenues are partly dependent on SAS' membership in the Star Alliance and from other partner airlines. Should SAS leave the Star Alliance, SAS would be subject to significant termination costs, including termination of existing agreements with Star Alliance members, which presents a significant risk to decreases in passenger revenue and other revenue, such as revenue from partners (through EuroBonus) as SAS winds down its participation. 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 require-

ments, integrating SAS' 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 is dependent on access to suitable airports and on such airports meeting the operational needs of the industry

The success of SAS' strategy depends on, among other things, the operation and development of the Copenhagen – Kastrup Airport, the Stockholm – Arlanda Airport and the Oslo – Gardermoen Airport. Before the outbreak of the COVID-19 pandemic, SAS held over 40% of the share of departures from these airports. SAS' business would 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, reduced investments in airport infrastructure, 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' business, revenues and expenses 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. 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' business and ability to maintain its customers, since a loss of slots at such primary airports would typically increase SAS' customer's tendency to purchase tickets from other airlines who offer flights from more conveniently located airports. Furthermore, at some airports, if an airline does not use its slots, the slots may be reallocated. Due to the COVID-19 pandemic, the EU has temporarily waived the minimum slot-use requirements at relevant airports until 24 October 2020. It is currently unclear whether the waiver will be extended. Accordingly, there is a risk that SAS in the future will not be able to keep or obtain the slots needed in order to be able to implement its strategy.

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' operations, financial condition and results of operations.

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' revenues and results of operations.

Acquisition and maintenance of aircraft requires significant investments

SAS' operations depend on a competitive aircraft fleet which requires significant investments in aircraft. Investments in new aircraft also involve long delivery times with associated risks of delays. For example, in fiscal year 2019, SAS' contracted future purchase commitments for aircraft orders with delivery in the 2020–2023 period totaled MUSD 2,782. Since the delivery time for new aircraft is several years, it is not certain that new aircraft will accurately meet SAS' capacity needs or the customers' preferences at the time they are delivered. Not meeting customers' preferences risks resulting in SAS' aircraft being less attractive for customers and thus presents a risk to travel demand with respect to such aircraft (see also "SAS' 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. Such new technology or new requirements may decrease the value of the aircraft then not being up to date. There is also a risk that lessors then are not willing to enter into sale and leaseback agreements in respect of such aircraft. 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 aircraft accidents 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' expectations, or should any other risks associated with new aircraft occur, it would have a material adverse effect on SAS' revenues and operating expenses and consequently its 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 fiscal year 2019, SAS' maintenance costs totaled MSEK 2,893. 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' cash flows, financial condition and results of operations.

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 fiscal year 2019, SAS' supplier payments amounted to approximately SEK

35.4 billion. In particular, SAS has moved from conducting its operations itself to an increased degree of sourcing and developing services together with external business partners relating to, for example, charter sales, agent sales, corporate sales, airline services and co-branding agreements. SAS is generally dependent on these third-party service providers, and interruptions to their operations and performance may result from a wide range of causes, many of which are beyond SAS' control. A significant interruption, whether temporary or permanent, in the provision of any goods or services, whether by 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' business, financial condition and results of operations. In addition, some of SAS' key suppliers operate in a concentrated market which makes it difficult to find equivalent suppliers on short notice and on commercially reasonable terms, or at all. Also, as most agreements with key suppliers have been entered into before the COVID-19 pandemic, some investments in products and services from particular suppliers may be disproportionate in relation to SAS' requirements while the airline industry is recovering. Furthermore, to the extent SAS' third-party service providers are affected by the COVID-19 pandemic and, as a result, their provision of goods or services to SAS is interrupted, it would also have an impact on SAS' business and results of operations.

As of 31 July 2020, SAS had aircraft orders for 40 Airbus A320neos, three Airbus A321LR aircraft and four Airbus A350-900s for delivery up through 2024. Although SAS plans to adapt its fleet size due to COVID-19 through postponements and adjusted future deliveries of aircraft from Airbus and lessors until demand returns, the orders mean that SAS is committed to having a single-type fleet of Airbus aircraft by 2023. This will entail 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' fleet will become grounded and/or subject to same repair actions. Significant such events would have a material adverse effect on SAS' operations and the value of the aircraft model.

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 substantial disruption to this type of ticket distribution would have a material effect on SAS' business. Furthermore, SAS has initiated the process of refunding the tickets of flights that have been cancelled due to the COVID-19 pandemic. Should any of the travel agencies which distribute SAS' tickets go bankrupt, their customers can demand refunding from SAS, even though SAS already has refunded the travel agency. Moreover, on 17 June 2020, the Swedish National Board for Consumer Disputes (Sw. *Allmänna reklamationsnämnden*) ruled that it is the airline that should refund the ticket if a flight gets cancelled, not the travel agency. Hence, there is a risk that SAS will still need to refund an end-customer even if SAS has refunded the travel agency, but the travel agency for any reason fails to refund the customer. Thus, this presents a significant risk to SAS and would have an adverse effect on SAS' financial condition and results of operations.

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

In fiscal year 2019, SAS employed 10,445 full-time equivalents. SAS' operations are labor intensive and dependent on being able to attract and retain highly qualified and motivated personnel. In particular, there is intense competition for revenue managers, mechanical staff and digital talent within the airline industry. Historically, there have also been periods when pilots have been in short supply in the European airline industry and SAS has therefore had to expend significant amounts of time and expense in recruiting and training new pilots. In addition, the restrictions on paying bonus payments and other limitations to the remuneration of SAS' management during the period SAS is receiving state aid (see *"SAS is exposed to risks relating to the conditions for receiving state aid as well as complaints or appeals concerning the European Commission's state aid approvals"* below) introduces additional difficulties for SAS to recruit and retain certain executives. There is a risk that SAS is unable to retain key personnel or recruit enough new employees with appropriate skills at a reasonable and/or competitive cost (see also *"The inability to obtain labor costs at competitive levels presents a risk to SAS' financial performance"* above). 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' organization, management, and competence. Moreover, structural changes such as SAS' process to reduce the size of its future workforce by up to 5,000 full-time positions as a result of the expected lower demand due to the COVID-19 pandemic, will have an unfavorable impact on the demographic composition of SAS' personnel. If SAS, to a significant extent, fails to address structural changes, or fails to retain and recruit qualified personnel, it would have a material adverse effect on SAS' business and results of operations.

LEGAL AND REGULATORY RISKS

SAS is exposed to risks relating to the conditions for receiving state aid as well as complaints or appeals concerning the European Commission's state aid approvals

The European Commission has approved a Swedish loan guarantee of up to MEUR 137, as well as a Danish loan guarantee of up to MEUR 137, to compensate SAS for damage caused by the pandemic (please see the European Commission's decision in Case SA.57061 and in Case SA.56795). The guarantees were notified to and approved by the European Commission as state aid under Article 107(2)(b) of the Treaty on the Functioning of the European Union (*"TFEU"*). The support, which take the form of state guarantees in respect of third-party loans, have been provided to SAS in connection with SAS entering into a SEK 3.3 billion three-year revolving credit facility agreement, 90% guaranteed by the Swedish and Danish states (to be prepaid and cancelled following completion of the Recapitalization Plan).

With respect to the Recapitalization Plan and the capital injection by the Major Shareholders, the governments of Denmark and Sweden have also made state aid notifications to the European Commission based on Article 107(3)(b) of the TFEU and under European Commission's Temporary Framework for State aid measures to support the economy in the

current COVID-19 outbreak (the *"Temporary Framework"*). The Commission issued a formal decision on the authorization of state aid and the applicable conditions under the Temporary Framework on 17 August 2020 (please see the European Commission's decision in Cases SA.57543 and SA.58342). The decision sets out certain conditions to which SAS will need to adhere, including bans on share buybacks, payments of dividends and other non-mandatory interest payments (excluding non-mandatory coupon payments on the New Commercial Hybrid Notes) to non-state creditors, as well as a ban on bonus payments and other limitations to the remuneration of SAS' management. Moreover, the conditions in principle prevent SAS from acquiring a stake of more than 10% in competitors or other operators in the same line of business, including upstream and downstream operations, as well as using the aid to support economic activities of integrated companies that were in economic difficulties prior to 31 December 2019. The conditions will be released as the financial instruments subscribed for by the Major Shareholders pursuant to the Recapitalization Plan and deemed state aid are either redeemed or sold, but up until they are fully released, the conditions will limit SAS' possibilities to carry out the activities set out above, which entails that SAS will not carry out any buybacks nor pay any dividends (see *"SAS' ability to pay future dividends depends on several factors, including restrictions under applicable state aid rules"* below) and that there is a risk that SAS is unable to retain and recruit key personnel (see *"SAS is dependent on its ability to retain talented and motivated managers and employees"* above).

It is possible for a third party who is disadvantaged by SAS receiving aid (a competitor) to appeal state aid decisions in the General Court of the European Union within two months of their publication in the Official Journal of the European Union. Competitors in the airline industry have as of the date of this prospectus lodged appeals against the European Commission's decision in Case SA.57061 and in Case SA.56795, as well as other already approved state assistance measures in other jurisdictions. There is consequently a significant risk that similar appeals or complaints will be filed against the decision by the Commission with respect to SAS and the capital injection by the Major Shareholders under the Recapitalization Plan. Any such administrative or legal proceedings could be lengthy, take up management resources and result in additional costs for SAS. If the General Court of the European Union (and in case of appeal, the European Court of Justice) concludes that none of the exemptions to the general prohibition against state aid were applicable and that the state aid that SAS received thereby was unlawful, SAS could be under an obligation to repay the aid received. Thus, if the decisions were to be annulled, it would present a material risk to SAS and its operations and would jeopardize SAS' existence as SAS does not expect to be able to raise such amounts of capital in the market.

Risks relating to compliance with regional, national and international regulations, the adoption of new regulations, and the revision of existing regulations

The aviation industry is subject to a number of EU and international regulatory regimes. SAS flies and operates in more than 30 countries, which means that SAS must comply with a large number of national, regional and international laws and regulations, including in relation to licensing, ticket taxes, airport and airspace infrastructure, safety and security measures and passenger rights (including but not limited to those rights relating to cancelled or delayed flights). Regulations, like Regulation (EC) No. 1008/2008 on common rules for the operation of air services in the Community (the *"Air Services*

Regulation”), Regulation (EC) No. 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 on 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.

Pursuant to the Air Services Regulation, air carriers that are subject to the air traffic regulation rules of the EU must have an operating license for the transportation of passengers, mail and/or freight in commercial air traffic. An operating license is granted only if the air carrier holds an Air Operator Certificate (“**AOC**”). An AOC is the approval granted from a National Aviation Authority (NAA) to an airline to allow it to use aircraft for commercial purposes. An AOC certifies an airline’s operational safety and will be granted only to airlines that demonstrates that the airline has personnel, assets and systems in place to ensure the safety of its employees and the general public. The AOC also specifies the types of aircraft that can be operated by the air carrier as well as other operational and technical specifications. Other conditions for being granted an operating license are, among other things, that the air carrier’s principal place of business must be located in the EU member state issuing the license and the carrier’s principal business must be the provision of air services. Furthermore, member states and/or nationals of member states must own a majority of, and effectively control, the carrier (see further “*SAS relies on being substantially owned and effectively controlled by Scandinavian entities*” above). The Air Service Regulation also sets certain requirements for the air carrier’s financial preparedness. If these requirements are not met, an operating license may be suspended or revoked.

Under the Flight Compensation Regulation, each passenger, who has been denied boarding or whose flight has been canceled less than two weeks in advance 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 many delays or cancelled flights, which could occur as a result of certain types of events beyond its control (see further “*Impact of regulations regarding flight cancellations and reimbursements related to COVID-19*” below). In fiscal year 2019, SAS’ customer compensation for delays or cancellations amounted to MSEK 624. Following the pilot strike in April and May 2019, affected customers turned to SAS for standardized compensation under the Flight Compensation Regulation (see “*SAS is involved in legal proceedings and investigations*” below). The rise of agencies that only charge their clients fees if their claim is successful may also encourage more passengers to pursue compensation claims.

Any alleged or actual non-compliance with currently applicable regulations, the adoption of new regional, national and international regulations, or the revision of existing regulations or the imposition of additional administrative charges or costs may result in significant additional profitability-reducing

expenses and the need to divert managerial efforts and attention from operational matters, which may have a material adverse effect on SAS’ business, financial condition, results of operations and future prospects. If a licensing authority no longer is satisfied that SAS can meet its actual and potential obligations for a 12-month period, it may ultimately also result in the suspension or revocation of one or several of SAS’ operating licenses, thereby making it impossible for SAS to carry out its airline operations.

SAS is involved in legal proceedings and investigations

SAS flies and operates in more than 30 countries, which means that SAS must comply with a large number of laws and regulations. The breadth of SAS’ 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. Judgement is expected in 2020. 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 court proceedings will take place in November 2020.

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 (Sw. *Allmänna reklamationsnämnden*) ruled in favor of SAS. The same assessment was made by the Norwegian Travel Complaint Handling Body (No. *Transportklagenemnda*) in October 2019. 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. The district court in Sweden referred the question to the CJEU in January 2020. In June

2020, the CJEU stayed the case until court ruling is delivered in a similar case against another airline. The proceedings in the CJEU could take several years and 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 such compensation in total may encompass significant amounts.

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' 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 *"SAS is exposed to the risk that its brand name, wider reputation or consumer confidence is damaged"* 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 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 fiscal year 2019, SAS' emission rights expenses in the EU-ETS totaled MSEK 247. Furthermore, in 2019, SAS received about 53.6% of the emission rights free of charge and had to procure the remainder on the open market. As of 31 October 2019, SAS had secured and 61% of the expected need for 2020, and had an accrued emission rights liability of MSEK 211 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 1 January 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 the base period (previously the average of 2019 and 2020 but subject to decision in ICAO due to consequences of COVID-19), offsetting other industries to compensate for possible emission growth in the airline sector following the base period. 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 SAS' 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 1 January 2020, energy suppliers in Norway are required to blend in 0.5% sustainable aviation fuel in the aircraft fuel. A reduction mandate is proposed to be introduced also in Sweden. The draft proposal indicates that new regulations are intended to enter into force on 1 January 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' operating expenses, financial condition and results of operations.

SAS is exposed to risks relating to credit cards

A large part of SAS' 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' 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' security breach. Furthermore, there is a risk that payments of SAS' 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. The degree to which risks relating to credit fraud and other crimes may affect SAS is uncertain, and presents a significant risk to SAS' reputation and business. See also *"Increase in hold-back from credit card acquirers and others could have an adverse effect on SAS' liquidity"* below.

SAS' 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' possibility to benefit from collaborations with providers of payment services or credit cards. Accordingly, if such implementation or amendments would limit SAS' 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' 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 employees, customers and EuroBonus members. 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 categories, 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 (fines under the GDPR can amount to MEUR 20 or 4% of a SAS’ global annual turnover) or reputational damage due to incorrect implementation or breaches of the GDPR would have a material adverse effect on SAS’ reputation, financial conditions and results of operations.

SAS is exposed to risks related to tax regulations and the recognition of deferred tax assets

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’ understanding and interpretation of tax laws, tax treaties and other provisions is not correct in all respects. In fiscal year 2019, SAS’ tax expenses totaled MSEK 173, with an effective tax rate of 21.8%. There is a risk that SAS’ prior or present tax position may change as a result of decisions by tax authorities or changes in tax laws and regulations, possibly with retroactive effect, which may have an adverse effect on SAS’ results of operations and financial position. Decisions by tax authorities and changes in tax rules in respect of, for example, the EuroBonus program, may also affect SAS’ business partners and customers and thereby negatively impact SAS’ attractiveness as a commercial partner as well as SAS’ competitiveness.

On 31 October 2019, SAS had unutilized loss carryforwards of approximately SEK 8 billion. Based on these loss carryforwards, the Group recognized a deferred tax asset of MSEK 1,684 as at 31 October 2019. Deferred tax assets are recognized to the extent that there are factors indicating that taxable profits will be created. The assessment of the respective Group companies’ future profit performance is based on earnings reported in recent years as well as profitability prospects. If SAS is deemed likely to not make future profits to a sufficient extent, the Group will not be entitled to recognize the full amount of deferred tax assets in its accounts going forward, which will have a negative effect on equity as the losses will not be offset by a positive tax in the income statement.

Furthermore, loss carry forwards cannot be used to reduce certain tax debts or payments, such as an increased VAT debt or administrative tax fees. Hence, changes in tax laws or decisions of tax authorities in the jurisdictions where SAS operates presents a significant risk to SAS’ financial condition and income after tax. Please also refer to “*The airline industry is subject to extensive taxes, aviation and license fees, charges and surcharges*” above.

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 IFRS and other applicable accounting standards may lead to significant changes in the reported financial statements of SAS. IFRS 16 *Leases* has replaced the previous classification IAS 17 *Leases* 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 has been replaced in the income statement by a cost for the depreciation of the leased asset and an interest expense for the financial liability. SAS has applied the standard as from 1 November 2019. The standard has had a material impact on SAS’ consolidated financial reporting, since SAS has significant leasing commitments for, *inter alia*, aircraft (162 as of 31 July 2020, of which 105 were leased), premises and ground equipment. As of 31 October 2019, the nominal value of the Group’s operating leases outstanding was around SEK 28.7 billion. Applying IFRS 16, SAS reported right-of-use assets amounting to SEK 17.9 billion in the Group’s balance sheet as of 31 July 2020. Most of the Group’s key ratios have been affected by the transition to IFRS 16 (some positively, others negatively). For example, the key ratio Equity/Total Assets¹⁾ was immediately negatively affected (16% as of 31 October 2019 compared to 8% as of 31 January 2020). Accordingly, the transition to IFRS 16 has had, and future changes in applicable accounting standards may have, a material adverse effect on SAS’ statement of income, balance sheet and key ratios.

FINANCIAL RISKS

Risks related to the Recapitalization Plan, SAS’ liquidity and future access to capital

The Board of Directors of SAS has decided on a revised business plan, including targeting approximately SEK 4 billion in efficiency improvements in all parts of SAS by 2022, to tackle the expected effects of the COVID-19 pandemic (see “*SAS is subject to risks relating to its revised business plan and the implementation thereof*” above). However, neither the measures implemented to date nor the planned efficiency improvements will alone be sufficient to help restore SAS’ equity position to pre COVID-19 levels, nor help secure the required level of funding for SAS to continue as a provider of important Scandinavian airline infrastructure. Moreover, the Group’s current working capital is, in the opinion of SAS, not sufficient for the Group’s present requirements for a period of twelve months from the date of this prospectus.

In light of this, the Board has decided to adopt the Recapitalization Plan, consisting of the following components: (i) the directed issue of shares in the amount of approximately MSEK 2,006 (the “**Directed Issue**”) to the governments of Sweden and Denmark (the “**Major Shareholders**”); (ii) the Rights Issue of new shares available to eligible shareholders that seeks to raise approximately MSEK 3,994, covered by subscription undertakings by and underwriting commitments corresponding to approximately 81.5% of all shares of the Rights Issue (see “*Non-secured subscription and underwriting commitments*” below); (iii) the directed issue of new hybrid notes in a total amount of MSEK 6,000 to the Major Shareholders (the “**New State Hybrid Notes**”); (iv) the conversion of MSEK 1,500 subordinated perpetual floating rate capital securities (ISIN SE0012193910) (the “**Existing Hybrid Notes**”) (already accounted for as equity) into new shares at 90% of par value; and (v) the conversion of the MSEK 2,250 Bonds at 100% of par value into new commercial hybrid notes (the “**New Commercial Hybrid Notes**”) or into new shares (at the option of the holders of the Bonds, see “*Risks associated with the Bondholder Offer*” below). Subject to successful completion of the Recapitalization Plan, SAS aims to convert SEK 2.25 billion of debt to equity and raise SEK 12 billion of new equity, before recapitalization costs estimated at approximately MSEK 155, and thereby restore equity by SEK 14.25 billion. Following a successful implementation of the Recapitalization Plan, the Company will cancel, and prepay any amount outstanding, of its

1) Equity in relation to total assets.

RISK FACTORS

SEK 3.3 billion three-year revolving credit facility agreement, 90% guaranteed by the Major Shareholders, in accordance with its terms and conditions. SAS' financial statements for the period 1 November 2019–31 July 2020 were prepared on the going concern assumption, but it being dependent on a successful outcome of the Recapitalization Plan. If the Recapitalization Plan is not implemented and/or fails, SAS will not be able to remedy the liquidity shortage and the negative equity caused by the COVID-19 outbreak, which would have a material adverse effect on SAS' financial condition and may force SAS to file for liquidation or bankruptcy.

Given the high level of uncertainty regarding the further impact of the COVID-19 pandemic and the recovery of the aviation industry (see *"COVID-19 has had a material adverse effect on SAS and SAS remains subject to significant risks related to the outbreak and countermeasures"* and *"The recovery of air travel, including for SAS, is expected to be slow and the future characteristics of the airline industry are highly uncertain"* above) as well as adverse macroeconomic conditions in general (see *"SAS is highly susceptible to adverse economic developments"* above), there is a risk that the Recapitalization Plan will not be sufficient to allow SAS to have positive cash flow and to satisfy its liquidity needs in order to pay, for example, leases and debts in a timely manner. The high level of fixed costs in the airline industry enhances SAS' liquidity risk in times of low demand and revenues, where existing funds need to be used to cover such fixed costs. Moreover, the Recapitalization Plan includes the issuance of the New State Hybrid Notes and the New Commercial Hybrid Notes in an aggregate amount of up to MSEK 8,250 to be repaid by SAS over time. Consequently, there is a risk that SAS' capital resources will not at all times be sufficient to satisfy SAS' business and liquidity needs.

The above may require SAS to take additional actions to improve its capital position and liquidity, such as the issuance of additional equity or equity-linked securities, secured or unsecured debt securities, the entry into additional secured or unsecured credit facilities and/or the sale of assets. The effects the COVID-19 pandemic has had on the global economy in general and the aviation industry in particular may make it difficult for SAS to then access the financial markets and raise additional capital to meet its liquidity and equity needs on commercially acceptable terms, if at all. Any extended duration, increased impact and/or reemergence of the COVID-19 pandemic, as seen in several countries that have eased their containment measures, and continued reduced demand for air travel would have a material adverse effect on SAS' liquidity and capital position as well as SAS' ability to secure sufficient capital market and bank financing to execute its business strategy and satisfy its payment obligations, including the ability to repay state aid received by SAS (see *"SAS is exposed to risks relating to the conditions for receiving state aid as well as complaints or appeals concerning the European Commission's state aid approvals"* above) and could ultimately force SAS to enter into liquidation or bankruptcy proceedings.

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 31 July 2020, SAS' contracted orders amounted to 40 Airbus A320neos, three Airbus A321LR aircraft and four Airbus A350-900s for delivery up through 2024 amounting to a total future purchase commit-

ment, including spares, of MUSD 2,229 (excluding eight aircraft which SAS has secured from operating lessors). In addition, SAS' 120–150 seat aircraft serving the mid-size segment need to be replaced in the next few years. 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. Also, if SAS does not complete purchases of contracted aircraft, this would result in breach of contract, and thus potential legal proceedings in which unfavorable decisions against SAS could lead to substantial fines or damages.

The amount of debt incurred by SAS has a direct impact on SAS' financial condition and liquidity. If SAS is unable to maintain its liquidity, it would affect SAS' ability to make scheduled payments under its indebtedness. Furthermore, SAS' 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' actual cash flows differ significantly from its forecasts. This risk has been significantly enhanced by the COVID-19 pandemic.

Whether SAS will be successful in the longer term in obtaining the required financing on commercially acceptable terms, if at all, is dependent on, among other things, the condition of capital and credit markets, the general availability of credit, prevailing interest rates and SAS' 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. SAS uses bank loans, bonds, hybrid bonds and leasing as sources of funding and is in continual discussion with banks, lessors and financiers regarding refinancing of SAS' debt and leasing maturities. The restructuring measures carried out by SAS in response to the COVID-19 outbreak may negatively affect such discussions and financiers' willingness to provide financing to SAS on sound terms, or at all (see *"Risks related to the Recapitalization Plan, SAS' liquidity and future access to capital"* above). Any failure to arrange sufficient financing or refinancing when required presents a significant risk to SAS' liquidity and financial condition.

At present, SAS is rated by two credit rating agencies (Standard and Poor's and Moody's) and the SAS Consortium by one credit rating agency (the Rating and Investment Information, R&I). On 25 May 2020 and 10 June 2020, Moody's and Standard and Poor's, respectively, downgraded SAS' credit rating to Caa1 from B2 and to CCC from B, respectively, primarily due to the very sharp decline in passenger traffic since the COVID-19 outbreak in January 2020 and the fact that SAS' liquidity position has deteriorated as a result of the pandemic. On 2 July 2020 and 6 July 2020, Standard and Poor's and Moody's, respectively, downgraded SAS' credit rating further, to CC from CCC and to Caa2 from Caa1, respectively, including due to risks relating to the Recapitalization Plan and to the high quorum of votes needed to accept the conversion of the debt instruments. With a downgraded credit rating there is a risk of an increase of SAS' borrowing costs, a reduction of the availability of finance and SAS' liquidity, an increase of requested collateral from credit card companies (see also *"Increase in hold-back from credit card acquirers and others could have an adverse effect on SAS' liquidity"* below), limited access to capital markets and deteriorated perception

of SAS, all of which would negatively affect SAS' ability to attract passengers and counterparties. Accordingly, increased costs as a result of a credit downgrade presents a significant risk to SAS' 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' 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' 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' largest deficit currency, and NOK is SAS' largest surplus currency. In fiscal year 2019, SEK weakened 5% against the USD. This had a net negative impact on SAS' revenue and costs of MSEK -1,060. As of 31 October 2019, a 1% strengthening or weakening of the SEK against NOK and USD, respectively, would have a net effect on SAS' net income of MSEK -58/+58 and MSEK +124/-124, respectively, exclusive hedging and holding everything else constant. Hence, SAS is considerably exposed to fluctuations in SEK against several currencies, particularly in USD and NOK. As of 31 July 2020, a 1% strengthening or weakening of the SEK against NOK and USD, respectively, would have a net effect on SAS' net income of MSEK -22/+22 and MSEK +73/-73, respectively, excluding hedge effects and before potential IFRS 16 effects.

From 1 November 2019, SAS has adopted the new standard IFRS 16 *Leases*. A major impact from applying IFRS 16 is that SAS is exposed to exchange-rate fluctuations. Under IFRS 16, future leasing payments are recognized as an asset (right-of-use) and a financial lease liability. Most of the right-of-use assets are denominated in SEK, but the corresponding lease liabilities are denominated in foreign currencies, mainly USD. Lease liabilities relating to aircraft are denominated in USD, while properties and ground handling equipment mainly are denominated in SEK, NOK and DKK. As aircraft represent approximately 80% of the liabilities, the currency exposure for SAS from restating USD liabilities into SEK is significant. Based on lease liabilities of approximately MUSD 1,600 and USD rate as of 31 July 2020, a strengthening or weakening of the USD against SEK of 1% would generate an earnings impact of approximately MSEK -75/+75 in net income for the period and an effect in total comprehensive income of approximately MSEK -65/+65.

In addition, SAS does not hedge all currency risk that might arise from its operational cash flows in foreign currencies or its liabilities denominated in foreign currencies. Therefore, there is a risk that unfavorable exchange-rate fluctuations might affect SAS' exchange-rate differences negatively and hence margins and results of operations as regards currency risk which is (i) hedged but such hedging transpires to be imperfect or insufficient, or (ii) not hedged. Moreover, there is a risk that SAS will not be able to hedge currency risk to the same extent as historically, since the COVID-19 pandemic has increased the risk that hedging counterparties may not always be available. Accordingly, fluctuations in currency exchange rates present a significant risk to SAS' financial condition, financial net and results of operations.

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. With the ongoing crisis due to the COVID-19 pandemic, SAS will need to demonstrate its ability to transform to meet a new and very challenging reality. As a response to an environment characterized by lower passenger numbers and revenue generation, SAS has revised its business plan and is pursuing SEK 4 billion in further efficiency improvements by 2022 (see also "SAS is subject to risks relating to its revised business plan and the implementation thereof" above). The savings are expected to come from a broad range of measures, among other things, personnel cost reductions, renegotiated collective bargaining agreements and reduced sales and marketing spend, renegotiated supplier agreements including lessors, more focused IT projects and investments and other operational efficiency measures.

If SAS is unable to realize these and other endeavored efficiency improvements or if such measures are insufficient or poorly executed, there is a risk that SAS' 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' expectations, is uncertain and presents a highly significant risk to SAS' profitability and continued competitiveness.

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' financial net debt (interest-bearing assets and liabilities). On 31 October 2019, SAS' interest-bearing liabilities amounted to MSEK 11,283 and on 31 July 2020 they amounted to MSEK 37,773. A decrease in interest rates would cause a part of these liabilities to increase. Interest rates are sensitive to numerous factors beyond SAS' control, including government and central bank monetary policy in the jurisdictions in which SAS operates. As of 31 October 2019, a +/- 1% change in market interest rates would have impacted equity of MSEK +280/-280, holding everything else constant. 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' interest costs and thereby its margins and results. Interest rate risks thus present a significant risk to SAS' financial condition, financial net and results of operations.

Risks related to SAS' pension plans

SAS' 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 fiscal year 2019, the discount rate was lowered in all countries (Sweden, Denmark, Norway, United Kingdom and the United States). The total impact of changed discount rates entailed a negative impact on other comprehensive income of SEK 2.2 billion. The return on plan assets has been higher than the discount rate, which entailed a positive impact on other comprehensive income of SEK 0.5 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 31 October 2019, 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 3.4 billion on the obligation, and a one percentage point change in the inflation assumption would have an impact of approximately SEK 3.3 billion.

If SAS' pension assumptions are incorrect or need to be adjusted due to changed market conditions or for other reasons cannot be sustained, SAS' comprehensive income may be negatively affected, the reported pension liabilities risk being significantly greater than what SAS has anticipated, and SAS' equity may decrease, all of which would have an adverse effect on SAS' equity/assets ratio and financial condition.

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

SAS' 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. The risk has increased in the wake of the COVID-19 pandemic. Net impairment of accounts receivable and recovered accounts receivable, as well as the impairment of other current receivables, had an earnings impact of MSEK –22 in fiscal year 2019. 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' financial condition and results of operations.

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

When SAS acquires an 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' financial condition and results of operations should the value of the aircraft be impaired. During fiscal year 2019, SAS' owned aircraft holdings had a carrying amount of MSEK 11,609 (of which MSEK 6,860 owned and MSEK 4,749 finance leased). Furthermore, during the same period, depreciation, amortization and impairment of aircraft totaled MSEK 1,642. The impact of the COVID-19 pandemic has resulted in a negative development in aircraft valuations and in the third quarter of fiscal year 2020, that development necessitated a SEK 1,040 million impairment of aircraft by SAS.

If the value of the owned aircraft holdings decreases, this results 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. In addition, the impact of the COVID-19 pandemic has resulted in a significant slowdown in

aircraft acquisitions, and demand for aircraft is likely to remain subdued as long as the COVID-19 pandemic is sustained. The financial distress caused to commercial airlines by the pandemic also creates an elevated risk that many airlines or leasing operators would simultaneously attempt to sell parts of their fleet, either to boost their liquidity or attempt to better match supply with demand. In addition, there could be attempts to liquidate aircraft fleets following airline bankruptcies, further pushing down prices in the secondary aircraft market. A decrease in the secondary market prices may involve significant 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 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 receive the benefits of an increase of the value of the relevant aircraft. SAS' exposure to the residual value risks and the impairment of the value of the aircraft acquired by SAS presents a significant risk to SAS' financial condition.

With the introduction of IFRS 16, future leasing payments are recognized as an asset (right-of-use) and a financial liability. Another major impact of the application of IFRS 16 is that SAS is exposed to changes in exchange rates in the accounts to a much greater extent than before. Most of the right-of-use asset are denominated in SEK, but the corresponding leasing liabilities are in currencies other than SEK, mostly USD. Therefore, the currency exposure from recalculating USD liabilities into SEK is significant. See "SAS is exposed to currency exchange rate risk" above.

Impact of regulations regarding flight cancellations and reimbursements related to COVID-19

The Flight Compensation Regulation establishes common rules on compensation and assistance to passengers in the event of denied boarding, cancellation or a long delay of flights. Where a passenger is denied boarding against his or her will, the airline must offer compensation and assistance, together with a choice of reimbursement of the full cost of the ticket and a return flight to the point of first departure or re-routing to the passenger's final destination, except where there are reasonable grounds to deny the passenger boarding, such as reasons of health, safety, security or inadequate travel documentation. Where a flight is canceled, the airline must offer passengers care and assistance together with the choice of a refund of the passenger's ticket within seven days and a return flight to the first point of departure or rerouting to the passenger's final destination. In the case of cancellation, compensation may also be payable at the same amounts as are applicable to denied boarding, unless the airline can prove that the cancellation was caused by extraordinary circumstances, which could not have been avoided, even if all reasonable measures had been taken.

As a result of the COVID-19 pandemic, almost all of the Group's fleet was grounded from mid-March 2020. The COVID-19 pandemic and subsequent restrictions on air travel have resulted in an unprecedented number of claims within a short period of time from customers demanding refund for cancelled flights. The Group is processing refunds of a significant number of passengers' tickets which is expected to have a negative impact on the Group's cash flow position and, depending on the timing and magnitude of such refunds, may have an adverse effect on the Group's liquidity. Moreover, on 17 June 2020, the Swedish National Board for Consumer Disputes (Sw. *Allmänna reklamationsnämnden*) ruled that the

refund may only be made by way of a voucher if the customer approves such repayment, meaning that the customer can demand to be refunded in cash. SAS' operational capabilities to process such a large amount of refunds in a timely manner is limited both due to the unprecedented number of customers simultaneously entitled to compensation, as well as the Group's limited personnel resources, which have also been adversely affected by the COVID-19 pandemic. As restrictions are relaxed and customers begin booking future travel, any future re-introduction of restrictions that results in the cancellation of further flights could also result in the need for additional liquidity. SAS has been criticized by consumer protection authorities for not reimbursing passengers' tickets upon cancellations of flights within the stipulated seven-day period. As processing periods have become longer than usual due to COVID-19, there is a possibility that dissatisfied customers may opt not to wait for SAS' processing procedures to be completed, and attempt to enforce such claims through enforcement or court proceedings, which may also involve actions by consumer protection authorities. Such actions may result in substantial additional costs as well as damage to SAS' brand and reputation.

SAS is subject to risks relating to its unearned transportation liability

An airline receives payment from the customer when the customer purchases the ticket (subject to any holdbacks from credit card companies, see *"Increase in hold-back from credit card acquirers and others could have an adverse effect on SAS' liquidity"* below). Such passenger revenue is accounted for as a liability from the point of sale until commencement of the air transport for the passenger. When an airline provides the transportation, in other words the flight, the airline meets its performance obligation toward the customer and the passenger revenue is recognized in the statement of income. During the period from the sale of an airline ticket until the completion of the flight, airline tickets sold are recognized as a short-term unearned transportation revenue liability in the consolidated balance sheet. SAS unearned transportation liability was MSEK 6,049 at 31 October 2019. During the fiscal year 2019, MSEK 5,476 of the year's opening liability was recognized in revenue.

Most airline tickets are purchased well in advance of travel and the Group will hold advance payments as part of its cash. When a flight is cancelled, the passenger is entitled to refund of its payment in cash, and the corresponding unearned transportation liability will consequently not be recognized in revenue. When virtually all operations close down, as due to the COVID-19 pandemic, a large amount of the airlines' cash is made up of the customers advance payments and by refunding the passengers, the airline drains its cash correspondingly. Such refund requirements, depending on the timing and magnitude, can put significant constraints on the Group's liquidity.

In addition, as most airline tickets are purchased well in advance of travel, the advance payments forms a significant part of SAS' liquidity and funding, without any explicit financing costs. If the trust in SAS or the airline industry in general decreases, for example due to late reimbursement of passengers' tickets upon cancellation of flights (see further *"Impact of regulations regarding flight cancellations and reimbursements related to COVID-19"* above), or due to the overall effects of COVID-19, it could result in customers purchasing airline ticket closer to completion of the flight. Consequently, there is a risk that changes in customers' purchasing patterns would affect the Group's cash flow and liquidity, resulting in a need for SAS' to obtain additional financing at a higher cost (see also *"Demand for airline travel and SAS' business is subject to strong seasonal variations"* above).

Increase in hold-back from credit card acquirers and others could have an adverse effect on SAS' liquidity

A significant part of SAS' customers pay their tickets with credit cards. Under the contractual agreements between the Group and credit card companies, the credit card companies may decide to forward a portion of the payment to SAS upon booking and the remaining part upon travel. For example, in 2012, credit card companies requested increased hold-backs from SAS which entailed a cash flow effect for SAS until collateral corresponding to the credit card company's risk was provided by SAS. At 31 October 2019, the hold-backs from credit card companies amounted to MSEK 290. Due to the cancellations and delays as a result of the COVID-19 pandemic, credit card companies have increased the hold-back of payments to airlines. Accordingly, there is a risk that credit card companies may introduce a hold-back of payments to the Group, and subsequently increase any such hold-back, resulting in a negative impact on the Group's cash flow. In addition, the contractual agreements between the Group and credit card companies, as well as other contractual parties permit SAS' counterparties to request cash or collateral from the Group in certain circumstances. For example, if there is a delay in the Group processing refunds for customers, as is the case as a result of the impact of the COVID-19 pandemic, credit card companies may make such requests in order to build their reserves and limit their exposure to customers seeking refunds. Such requests, depending on the timing and magnitude, could put significant constraints on the Group's liquidity.

RISKS ASSOCIATED WITH THE SHARES IN SAS

The share price can be volatile, and the share price development is affected by several factors

Since an investment in shares may decrease in value, there is a risk that investors will not recover their invested capital. SAS' shares are listed on Nasdaq Stockholm and secondarily listed on Nasdaq Copenhagen and Oslo Børs. During the period 1 January–25 September 2020, the lowest closing share price at Nasdaq Stockholm was SEK 5.99 and the highest closing share price was SEK 16.35. Accordingly, the share price may be volatile. The performance of a share depends on multiple factors, some of which are company specific, whilst others are related to the stock market in general. The share price may, for example, be affected by supply and demand, fluctuations in actual or projected results, failure to meet stock analysts' earnings expectations, failure to achieve financial and operational targets, changes in general economic conditions, changes in regulatory conditions and other factors. Moreover, stock exchanges worldwide have been very volatile and share prices subject to extraordinary swings as a result of the COVID-19 pandemic. The price of SAS' share is furthermore in some cases affected by competitors' activities and market positions. There is a risk that there will not always be an active and liquid market for trading in SAS' shares on either stock exchange where the shares are traded, which would affect investors' possibilities to sell shares at a point in time and at a price considered desirable and consequently to recover their invested capital. This risk is magnified by the increase in the Major Shareholders' ownership in SAS after the Recapitalization Plan (see *"SAS' largest shareholders can exert a substantial influence over SAS"* below). This presents a significant risk for a single investor. Depending on the further spread and development of the COVID-19 pandemic and further measures taken by governments in response thereto (or the relaxation of such measures), SAS' stock price may be particularly volatile regardless of the results and performance of the Group.

SAS' ability to pay future dividends depends on several factors, including restrictions under applicable state aid rules

Payment of dividends may only take place if there are distributable funds held by SAS and by an amount that appears to be justified taking into consideration the demands with respect to the size of shareholders' equity which are imposed by the nature, scope and risks associated with the operations as well as SAS' consolidation needs, liquidity and position in general for a certain fiscal year. Furthermore, future dividends, and the size of any such dividends, depend on the Group's future results, financial position, cash flows, working capital requirements and other factors.

The newly issued shares confer the right to dividends from, and including, the first record date after the Rights Issue has been registered with the Swedish Companies Registration Office. For the fiscal year 2019 no dividend was paid. No dividend has been paid since 2001. It should also be noted that the capital injection by the Major Shareholders have been subject to approval by the European Commission under state aid rules. The approval decision is subject to conditions under the Temporary Framework which include, among others, a ban on dividends. The ban on dividends will be released when the financial instruments subscribed for by the Major Shareholders pursuant to the Recapitalization Plan and deemed state aid are either redeemed or sold. Moreover, given the COVID-19 pandemic and the difficulty to predict when SAS can return to normal operations, no dividend is expected in the foreseeable future. Accordingly, there is a significant risk that payable dividends are not available in any fiscal year.

Shareholders in the United States and other jurisdictions are subject to specific share-related risks

SAS' reporting currency is SEK and thus any dividends will be paid in SEK. This means that shareholders outside of Sweden may experience a negative impact on the value of their holdings and dividends at conversion to other currencies if SEK declines in value against the relevant currency. The weak development of SEK during 2018 and 2019 thus had a negative effect on shareholdings denominated in other currencies. Furthermore, tax legislation in both Sweden and the shareholder's home country may affect the income from any dividend.

In certain jurisdictions, there are restrictions in national securities laws that mean that shareholders in such jurisdictions do not have the possibility to participate in new share issues and other offerings if securities are offered to the general public. SAS has shareholders located in, for example, the United States, Australia, Hong Kong, Canada and Singapore where securities laws impose such limitations. If SAS issues new shares with preferential rights for the Company's shareholders in the future, shareholders in some jurisdictions, including the aforementioned jurisdictions, may be subject to corresponding restrictions as those that apply in relation to the forthcoming Rights Issue, which, for example, means that they are unable to participate in such new share issues or that their participation is otherwise prevented or limited. Such limitations present a significant risk to shareholders located in the United States and in other jurisdictions where such limitations apply.

SAS' largest shareholders can exert a substantial influence over SAS

Currently, the government of Sweden holds 14.82% and the government of Denmark holds 14.24% of the outstanding shares in SAS. The Major Shareholders can thus exert a significant influence over SAS in matters that are subject to the approval by the shareholders. As a consequence of the participation by the Major Shareholders in the Recapitalization Plan, and the subscription undertakings and underwriting commit-

ments from them in respect of the Rights Issue, their respective shareholding could increase significantly to a minimum of approximately 18.5% and a maximum of approximately 36.4% of the total number of shares and votes each, corresponding to an aggregate of minimum approximately 36.9% and maximum approximately 72.7% of the total number of shares and votes in SAS. The influence by the Major Shareholders in matters that are subject to approval by the shareholders will thus be further magnified. National governments may have different objectives and interests than other shareholders and may pursue their interests without regard to the interests of other shareholders. There is also a risk that governments of Sweden and Denmark will disagree on matters subject to shareholder approval, making it difficult or impossible to pass shareholder resolutions subject to qualified majority requirements. This concentration and composition of ownership could be disadvantageous for shareholders with other interests than those of each of the Major Shareholders, and presents a significant risk for single investors.

Future sales of major shareholdings and share issues could have an adverse effect on the share price

Substantial sales of shares by major shareholders, or the expectation of such sales, could have a material adverse effect on SAS' share price and affect the ability for shareholders to sell their shares at attractive terms in a timely fashion or at all. For example, on 26 June 2018, the government of Norway sold its then remaining shareholding of 9.88% in SAS, and during the two next-following trading days the share price on Nasdaq Stockholm fell from a closing price of SEK 18.25 on 25 June 2018 to a closing price of SEK 16.85 on 28 June 2018. Moreover, the Recapitalization Plan will significantly increase the number of issued shares in SAS, from the current 382,582,551 shares to a maximum of 7,688,617,033 shares. A significant number of new shares will be issued to holders of the Existing Hybrid Notes and (at the option of the holders) the Bonds on or around 23 October 2020. These investors may not have a long-term ownership horizon and may have an intention to sell the shares they receive. A significant number of new shares will also be issued to the Major Shareholders. SAS currently largest shareholder, the government of Sweden, has indicated that it intends to, when market conditions again allow, reduce its ownership in SAS. Moreover, both of the Major Shareholders are expected, within the next six years, to sell significant portion of the shares subscribed for under the Recapitalization Plan and deemed state aid under the requirements of the Temporary Framework.

Going forward, SAS may need to raise further capital and such need may be material. Such capital could consist of new equity or equity-linked securities, which may have a substantive dilutive effect on already issued shares and materially affect the trading price of the shares (see also "*Shareholders who do not participate in the issue of new shares are affected by dilution*" below). For example, the rights issues carried out by SAS in 2009 and 2010 resulted in a dilution of non-participating shareholders of SAS amounting to approximately 93 and 75%, respectively. Consequently, this presents a significant risk for a single investor.

RISKS ASSOCIATED WITH THE RIGHTS ISSUE

Trading in subscription rights and paid subscription shares (BTA 1s) may be limited

Those who were registered as shareholders in SAS on the record date receive subscription rights in proportion to their existing shareholdings. The subscription rights are expected to

have an economic value that can only benefit the holder if he or she either exercises them to subscribe for new shares no later than 17:00 CEST on 19 October 2020 or sells them no later than 15 October 2020. After 17:00 CEST on 19 October 2020, unexercised subscription rights will be removed, without prior notification, from the holder's securities account and the holder will thus, in full, be deprived of the expected economic value of the subscription rights. Both subscription rights and paid subscription shares ("BTA 1s") which, after payment, are booked into the securities accounts of those who subscribed for new shares, will be subject to trading for a limited period of time. Subscription rights will be traded on Nasdaq Stockholm, Nasdaq Copenhagen and Oslo Børs, while BTA 1s (which are booked into securities accounts of those who subscribe for new shares through Euroclear Sweden and those who subscribe for new shares with subscription rights through the Danish securities register VP Securities) will be traded on Nasdaq Stockholm and Nasdaq Copenhagen. Trading in these instruments may be limited, which may cause problems to individual holders in selling their subscription rights and/or BTA 1s and thereby mean that the holders will not be able to compensate themselves for the economic dilution effect that the Rights Issue carries (see "*Shareholders who do not participate in the issue of new shares are affected by dilution*" below) as well as during the period when trading in BTA 1s is expected to take place on Nasdaq Stockholm and Nasdaq Copenhagen (2 and 15 October 2020, respectively, up and including 30 October 2020). Investors also thereby risk being unable to realize the value of their BTA 1s. Such circumstances would consist a significant risk for single investors. Limited liquidity could also enhance fluctuations in the market price of subscription rights and/or BTA 1s. Consequently, pricing of these instruments risks to be incorrect or misleading. New shares that are subscribed for without subscription rights through VP Securities or that are subscribed for through the Norwegian securities register VPS will not entitle to paid subscribed shares that can be traded on Nasdaq Copenhagen or Oslo Børs, meaning that the relevant investors will not be able to realize the value of their new shares on a stock exchange until the shares are delivered around 5 November 2020. This presents a significant risk for single investors.

Shareholders who do not participate in the issue of new shares are affected by dilution

The subscription rights will expire and become useless without entitlement to compensation for the shareholder if the shareholder chooses not to exercise or sell its subscription rights in the Rights Issue as set out in this prospectus. Consequently, such shareholders' proportional ownership and voting rights in SAS will decrease. Shareholders who decline to participate in the Rights Issue will have their ownership diluted by up to approximately 90% based on the current number of shares in SAS through the issuance of not more than 3,443,242,959 new shares. Taking into account all shares issued under the Recapitalization Plan, their ownership will be diluted by up to 95% through the issuance of not more than 7,306,034,482 new shares. Furthermore, such shareholders are not compensated for the dilution of the earnings per current SAS share of not more than 90% that the Rights Issue carries, and their relative share of SAS' equity will also be reduced. There is a risk that the compensation the shareholder receives for the subscription rights on the market does not correspond to the economic dilution of the shareholder's ownership in SAS following the Rights Issue, if a shareholder chooses to sell his or her unutilized subscription rights or if these subscription rights are sold on behalf of the shareholder.

Non-secured subscription and underwriting commitments

The shareholders Government of Sweden, Government of Denmark and the Knut and Alice Wallenberg Foundation have undertaken, through subscription undertakings and underwriting commitments, to subscribe for approximately 81.5% of the total amount of the Rights Issue. The Major Shareholders have also undertaken to subscribe for all shares in the Directed Issue and for all New State Hybrid Notes. However, the subscription and underwriting commitments are not secured through, for example, bank guarantees. Consequently, there is a risk that one or several of said parties will not be able to duly fulfil their commitments. If the aforementioned commitments are not fulfilled, it would have a material adverse effect on SAS' possibility to successfully implement the Rights Issue, the Directed Issue, the directed issue of New State Hybrid Notes and the entire Recapitalization Plan, and could ultimately force SAS to enter into liquidation or bankruptcy proceedings. Moreover, since the undertakings to subscribe for shares in the Rights Issue only amount to approximately 81.5% of the total amount, there is an overall risk that the Rights Issue will not be fully subscribed.

RISKS ASSOCIATED WITH THE BONDHOLDER OFFER

Trading in paid subscription shares (BTA 2s) may be limited

Bondholders who accept the Bondholder Offer and subscribe for new shares will receive paid subscription shares ("BTA 2s") on or around 23 October 2020. The BTA 2s booked into their securities accounts will be of a series separate from the BTAs received in the Rights Issue and will only be subject to trading on Nasdaq Stockholm for a limited period of time. Trading in these instruments may be limited, which may cause problems to individual holders in selling their BTA 2s and thereby mean that the holders will not be able to realize the full value of their BTA 2s during the period when trading in BTA 2s is expected to take place on Nasdaq Stockholm (23 October 2020 up and including 30 October 2020). Such circumstances would consist a significant risk for single investors. Limited liquidity could also enhance fluctuations in the market price of BTA 2s. Consequently, pricing of these instruments risks to be incorrect or misleading.

Bondholders who partake in the Bondholder Offer might not receive the number of shares subscribed for

The Bondholder Offer is limited to 969,827,586 shares, corresponding to 50% of value of the outstanding Bonds. In case of oversubscription the allotment on Bondholders subscribing for more than 50% of the nominal amount of their Bonds will be scaled down on the part exceeding 50% *pro rata* based on the number of Bonds submitted. Any remaining claim under the Bonds not converted into shares in SAS will be converted into New Commercial Hybrid Notes. No fractions of shares will be delivered to Bondholders which partake in the Bondholder Offer and no fractions of New Commercial Hybrid Notes will be delivered in the mandatory conversion of the Bonds to New Commercial Hybrid Notes. Hence, in case of oversubscription in the Bondholder Offer, there is a risk that a Bondholder, which subscribe for shares in the Bondholder Offer, will not be able to convert the entire value of its Bonds to shares.

PRESENTATION OF FINANCIAL INFORMATION AND CERTAIN OTHER INFORMATION

INFORMATION ABOUT THE PROSPECTUS

This prospectus has been approved by the SFSA, as competent authority under the Regulation (EU) 2017/1129 (the Prospectus Regulation). The SFSA only approves this prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Regulation (EU) 2017/1129. Such approval shall not be considered as an endorsement of the issuer, 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.

The prospectus has been drawn up as a simplified prospectus in accordance with Article 14 of Regulation (EU) 2017/1129.

This prospectus is valid for twelve months after the date of the approval of the prospectus provided that it is completed by any supplement required pursuant to Article 23 of Regulation (EU) 2017/1129. The obligation to supplement this prospectus in the event of significant new factors, material mistakes or material inaccuracies does not apply once trading in the newly issued shares in SAS on Nasdaq Stockholm, Nasdaq Copenhagen and Oslo Børs begins.

FINANCIAL INFORMATION

Audited consolidated financial statements for the Group as of, and for the fiscal years 1 November–31 October 2019, 2018 and 2017 (“**fiscal year 2019**”, “**fiscal year 2018**” and “**fiscal year 2017**”, respectively), which have been prepared in accordance with the Swedish Annual Accounts Act (*Sw. årsredovisningslagen (1995:1554)*), Recommendation RFR 1 — *Supplementary Accounting Rules for Corporate Groups*, and the EU-approved IFRS and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as well as the reviewed consolidated financial statements for the period 1 November 2019–31 July 2020 (the three first quarters of fiscal year 2020, including comparative figures as of the corresponding period the previous fiscal year), which have been prepared in accordance with IAS 34 *Interim Financial Reporting* and the Swedish Annual Accounts Act (*Sw. årsredovisningslagen (1995:1554)*) have been incorporated by reference in this prospectus. The consolidated financial statements as of, and for years ended, 31 October 2017 and 2018 have been audited by the SAS’ former auditor PricewaterhouseCoopers AB. The consolidated financial statements for the fiscal year 2019 have been audited, and the consolidated financial statements for the period 1 November 2019–31 July 2020 have been reviewed, by SAS’ current auditor KPMG AB. Please also refer to “*Legal considerations and supplementary information–Incorporation by reference, etc.*”

SEGMENT REPORTING AND GEOGRAPHIC INFORMATION

The Group’s operations are reported as one operating segment. As regards geographic information on revenue from external customers and assets, traffic revenue from domestic service in Denmark, Norway and Sweden is allocated to the “domestic” geographic market. Traffic between Denmark, Norway and Sweden is allocated to the “intra-Scandinavian” geographic market. All other traffic revenue is allocated to the geographic market where the destination is located. Other revenues are allocated to each geographic market based on: (1) the customer’s geographic location relating, for example, to goods exported to a customer in another country or (2) the geographic location where the service is performed.

IFRS 16 LEASES

From 1 November 2019, the Group applied the new standard IFRS 16 *Leases*. IFRS 16 replaces the previous standard, IAS 17 *Leases*. The previous classification of each lease as either an operating lease or a finance lease has been replaced by a model whereby the lessee recognizes an asset (a right-of-use asset) and a financial liability in the balance sheet. The adoption of IFRS 16 has had a material impact on the Group’s income statement and balance sheet as well as its key performance measures as the Group has significant leasing commitments for, *inter alia*, aircraft (158 as of 31 October 2019, of which 103 were leased), premises and ground equipment. As of 31 October 2019, the nominal value of the Group’s operating leases outstanding was around SEK 28.7 billion. Most of the Group’s key ratios have been affected by the transition to IFRS 16 (some positively, others negatively). For example, the key ratio Equity/Total Assets¹⁾ was immediately negatively affected. For a description of the impact on the Group’s income statement and balance sheet, see “*Note 1 – Accounting principles and financial statements*” to the Group’s reviewed consolidated financial statements for the period 1 November 2019–31 July 2020.

ALTERNATIVE PERFORMANCE MEASURES (NON-IFRS)

SAS has included certain financial measures in this prospectus that are not determined in accordance with IFRS or any other generally accepted accounting principles (alternative performance measures). These measures, which are defined in this prospectus (see “*Selected historical financial information–Key performance indicators*”), include operating income (EBIT) margin, return on invested capital (ROIC), adjusted financial net debt/EBITDAR, financial preparedness, return on shareholders’ equity, equity/assets ratio, financial net debt, debt/equity ratio

1) See “*Selected historical financial information–Key performance indicators*”.

and interest coverage ratio. These measures are not uniformly or legally defined and should not be considered as alternatives to net income for the year/period, operating income or any other performance measures derived in accordance with IFRS. Group Management believes that these measures provide a clearer picture of results generated by its core operating activities, thus enabling Group Management to evaluate relevant trends more meaningfully when considered in conjunction with (but not in lieu of) other measures that are calculated in accordance with IFRS. For an explanation of why Group Management finds these alternative performance measures useful, please see “*Selected historical financial information—Key performance indicators*”. All alternative performance measures in this prospectus have been derived from SAS’ annual reports for the fiscal years 2019, 2018 and 2017 and SAS’ consolidated financial statements for the period 1 November 2019–31 July 2020. Alternative performance measures have not been audited nor reviewed by SAS’ auditor.

ROUNDING

Certain numerical information and other amounts and percentages presented in this prospectus may not sum due to rounding. In addition, certain figures in this document have been rounded to the nearest whole number.

UNAUDITED OPERATING INFORMATION

Unaudited operating information in relation to the business of the Group is derived from internal reporting systems. The Group’s unaudited operating information presented in this prospectus does not include the operating information for discontinued operations unless otherwise indicated.

INDUSTRY AND MARKET DATA

This prospectus contains certain information from third parties in the form of industry and market data as well as statistics and calculations derived from industry reports and studies, market research reports, publicly available information and commercial publications. The information provided by third parties has been accurately reproduced. So far as SAS is aware and has been able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Certain market share information and other statements in this prospectus regarding the airline industry and the position of SAS relative to its competitors are not based on published statistical data or information obtained from independent third parties. Rather, such information and statements reflect SAS’ best estimates based upon information obtained from trade and business organizations and associations and other contacts within the industry in which it competes, as well as information published by its competitors. SAS believes that such data are useful in helping investors understand the industry in which SAS operates and SAS’ position within the industry. However, SAS does not have access to the facts and assumptions underlying the numerical data, market data and other information extracted from publicly available sources and has not independently verified market data provided by third parties or industry or general publications. In addition, while SAS believes its internal research to be reliable, such research has not been verified by any independent sources and the Company cannot guarantee its accuracy. SAS assumes no responsibility for the correctness of any market share or industry data included in this prospectus.

INVITATION TO SUBSCRIBE FOR SHARES IN SAS AB

THE RIGHTS ISSUE

On 23 September 2020, the Board of Directors of SAS resolved, as authorized by the Extraordinary General Meeting on 22 September 2020, to increase the Company's share capital through a new share issue with preferential rights for SAS' shareholders.

The Rights Issue resolution entails that SAS' share capital will increase by a maximum of SEK 2,582,432,219.25 through the issuance of not more than 3,443,242,959 new shares. SAS' shareholders have preferential right to subscribe for new shares in relation to the number of shares previously held. The record date for participation in the Rights Issue is 30 September 2020.

Those who on the record date were registered as shareholders of SAS will receive nine (9) subscription rights for each share held on the record date. Each subscription right entitle to subscription for one (1) new share. To the extent that new shares are not subscribed for with preferential rights, they shall be allotted to shareholders and other investors (the general public in Sweden, Denmark, Norway and Finland as well as qualified investors) who have subscribed for shares without preferential rights in accordance with the principles set out in the "*Terms and conditions for the Rights Issue*". Such allotment shall firstly be made to those who have also subscribed for shares by exercise of subscription rights. Subscription shall take place during the period from 2 October 2020 up to 17:00 CEST on 19 October 2020, or such later date as determined by the Board of Directors, and otherwise in accordance with the instructions included in "*Terms and conditions for the Rights Issue*".

The subscription price has been set at SEK 1.16 per share. Provided that the Rights Issue is fully subscribed, SAS will consequently raise in total approximately MSEK 3,994 before issue costs.¹⁾

Shareholders who elect not to participate in the Rights Issue will have their holdings diluted by up to approximately 90.0% based on the current number of shares in SAS, but have the possibility to compensate themselves financially for the dilution by selling their subscription rights. Please also refer to "*Shares and share capital–Total dilution*".

SUBSCRIPTION UNDERTAKINGS AND UNDERWRITING COMMITMENTS²⁾

The Major Shareholders and the Knut and Alice Wallenberg Foundation, together holding approximately 35.6% of the shares and votes in SAS, have undertaken to subscribe for their respective *pro rata* shares of the Rights Issue. In addition, the Major Shareholders have underwritten subscription for additional shares, corresponding to approximately 45.9% of the Rights Issue. Altogether, said shareholders consequently have undertaken to subscribe for and underwrite, respectively, shares corresponding to approximately 81.5% of the Rights Issue.³⁾

THE BONDHOLDER OFFER

On 23 September 2020, the Board of Directors of SAS resolved, as authorized by the Extraordinary General Meeting on 22 September 2020, to increase the Company's share capital through the Bondholder Offer.

The Bondholder Offer entails that SAS' share capital will increase by a maximum of SEK 727,370,689.50 through the issuance of not more than 969,827,586 new shares. The right to subscribe for the new shares vests, with deviation from the shareholders' preferential rights, with the holders of Bonds.

Those who validly tender their Bonds under the Bondholder Offer are entitled to subscribe for new shares at a subscription price of SEK 1.16 per share by setting off the claim under their Bonds as consideration. However, the aggregate number of new shares to be issued to holders of the Bonds under the Bondholder Offer is limited to 969,827,586 shares (corresponding to 50% of the adjusted nominal amount of the Bonds). In case of oversubscription, the allotment will be scaled down *pro rata* whereby any remaining claims under the Bonds not converted into shares will be converted into New Commercial Hybrid Notes as described in "*Terms and conditions for the Bondholder Offer*" and "*Business description–The Recapitalization Plan*". Acceptance of the Bondholder Offer shall take

1) The total recapitalization costs are estimated at approximately MSEK 155, of which approximately MSEK 51 are expected to be allocated towards the Rights Issue. Net of such allocated costs, SAS is estimated to raise a maximum of MSEK 3,943 through the Rights Issue.

2) See also "*Legal considerations and supplementary information–Subscription and underwriting commitments*".

3) The subscription undertakings and underwriting commitments are not secured. See "*Risk factors–Non-secured subscription and underwriting commitments*".

place during the period from 2 October 2020 up to 17:00 CEST on 19 October 2020, or such later date as determined by the Board of Directors, and otherwise in accordance with the instructions included in “*Terms and conditions for the Bondholder Offer*”.

Provided that the Bondholder Offer is accepted in full, it will contribute approximately MSEK 1,125 before issue costs¹⁾ to SAS’ shareholders’ equity through the conversion of debt.

SAS’ existing shareholders will have their holdings diluted by up to approximately 71.7% through the Bondholder Offer, based on the current number of shares in SAS. Please also refer to “*Shares and share capital–Total dilution*”.

The shareholders of SAS and the Bondholders are hereby invited to subscribe for new shares in SAS in accordance with the terms and conditions of the Rights Issue and the Bondholder Offer, respectively, set out in this prospectus.

Stockholm, 30 September 2020

SAS AB (publ)

The Board of Directors

1) The total recapitalization costs are estimated at approximately MSEK 155, of which approximately MSEK 14 are expected to be allocated towards the conversion of the Bonds. Net of such allocated costs, SAS is estimated to raise a maximum of MSEK 1,111 through the Bondholder Offer.

BACKGROUND AND REASONS

BACKGROUND AND REASONS

The COVID-19 pandemic has created a global crisis for the aviation industry, including SAS. What started with travel restrictions to mainland China quickly led to global travel restrictions, quarantines and strict advice against unnecessary travel. Effectively, these measures eliminated the core foundation of SAS business model and for the first time in history, SAS offered no scheduled international flights to/from Scandinavia with almost the entire fleet grounded from mid-March. This resulted in a significant and sharp drop in number of passengers and consequently revenues for SAS.

The decline in demand has triggered SAS to implement a broad range of measures to radically reduce costs, preserve cash and adapt to new market conditions. Approximately 90% of the workforce is or has been on temporary layoff schemes and there has been a significant reduction of the route network. All non-essential spend and projects have been suspended. In addition, capital expenditures have been reduced by reaching agreements with the majority of suppliers (including lessors) on payment holidays and discounts and by deferring aircraft deliveries and postponing other investments. Measures have also been taken to strengthen SAS' liquidity through securing a MSEK 3,300 credit facility guaranteed to 90% by the Danish and Swedish states.

Despite countries starting to re-open their borders and easing of the travel restrictions made it possible for SAS to resume limited operations in June 2020, SAS currently estimates that the ramp-up phase for the airline industry is currently expected to last until at least 2022 before demand can reach more normalized levels, with a return to pre COVID-19 levels a few years thereafter, and is subject to considerable uncertainty, including in light of the risk for renewed outbreaks in countries that ease their containment measures. With the ongoing crisis, SAS will need to demonstrate its ability to transform to meet a new and very challenging reality. As response to an environment characterized by lower passenger numbers and revenue generation, SAS is pursuing a revised business plan to ensure a cost-efficient ramp-up.

However, neither the broad measures implemented to date nor the planned efficiency improvements under the revised business plan will be sufficient to help restore the Group's equity position to pre COVID-19 levels, creating a need for SAS to secure additional funding in order to continue as a key provider of important Scandinavian airline infrastructure.

In response to the severe situation and with the aim of restoring the SAS to the profitability levels before the outbreak of COVID-19, SAS has implemented a revised business plan and announced on 30 June 2020 a recapitalization plan, and on 14 August 2020 a revised recapitalization plan, to counteract the effects of the pandemic. Through the revised business plan, SAS is pursuing MSEK 4,000 in efficiency improvements by 2022. The revised business plan is based on rightsizing SAS and its cost structure to reflect a new market situation (see "*Business description–Revised business plan and the Recapitalization Plan*").

In addition to the revised business plan, the Recapitalization Plan is needed in order to restore shareholders equity to pre COVID-19 levels and secure new funding. A successful implementation of the Recapitalization Plan will raise MSEK 12,000 of new funding and restore shareholders equity by MSEK 14,250 (see "*Business description–Revised business plan and the Recapitalization Plan*"). The Recapitalization Plan includes capital injections from the Danish and Swedish states as well as burden sharing between SAS shareholders and holders of Bonds and Existing Hybrid Notes.

The revised business plan and Recapitalization Plan demonstrates SAS' commitment to rebuild the business based on the strength of SAS, including a history of sustainable and profitable growth and a valued customer offering through this unprecedented situation, while continuously working to reduce the climate and environmental impacts of the operations.

USE OF PROCEEDS

Provided that the Rights Issue is fully subscribed for, the gross proceeds of the Rights Issue will in total amount to approximately MSEK 3,994 before deducting expenses related to the Rights Issue of approximately MSEK 51¹⁾. The Group intends to use the net proceeds of the Rights Issue of approximately MSEK 3,943 to strengthen its capital structure, and to create a financial preparedness to meet effects of continued weak demand for air travel (based on current expectations), changed passenger patterns and other external factors. Provided that the Bondholder Offer is accepted in full, it will contribute approximately MSEK 1,125 before issue costs and net MSEK 1,111²⁾ to SAS' shareholders' equity through the conversion of debt.

- 1) The total recapitalization costs are estimated at approximately MSEK 155, of which approximately MSEK 51 are expected to be allocated towards the Rights Issue.
- 2) The total recapitalization costs are estimated at approximately MSEK 155, of which approximately MSEK 14 are expected to be allocated towards the Bondholder Offer.

Overall, the Recapitalization Plan aims to convert SEK 2.25 billion of debt to equity and raise SEK 12 billion of new equity, before recapitalization costs estimated at approximately MSEK 155, and thereby restore equity by SEK 14.25 billion. Following a successful implementation of the Recapitalization Plan, SAS will cancel, and prepay any amount outstanding, of its SEK 3.33 billion three-year revolving credit facility agreement, 90% guaranteed by the Major Shareholders, in accordance with its terms and conditions.

The Group's current working capital is, in the opinion of SAS, not sufficient for the Group's present requirements for a period of twelve months from the date of this prospectus. In this context, working capital refers to SAS' ability to access cash and other available liquid resources in order to meet the Group's liabilities as they fall due. As a consequence of the COVID-19 pandemic, SAS' ability to generate positive cash-flow, access cash and other resources in order to pay for running costs and meet liabilities as they fall due is not sufficient to cover SAS' expected negative cash-flow generated from the operations during the next twelve months (based on SAS' revised business plan and current market assessment). Given that the Directed Issue as well as the directed Issue of New State Hybrid Notes are fully covered by subscription undertakings and that the Rights Issue is covered by subscription undertakings and underwriting commitments corresponding to approximately 81.5% of the Rights Issue¹⁾, and that the terms of the conversions of the Existing Hybrid Notes and the Bonds were approved by noteholders' meetings on 2 September 2020, SAS is, however, confident that all components of the Recapitalization Plan can be implemented and thereby generate sufficient working capital for the next twelve months from the date of this prospectus. If the Recapitalization Plan is not successfully implemented and fails, SAS will not be able to recapitalize and remedy the liquidity shortage and the negative equity caused by the COVID-19 pandemic, which would have a highly material adverse effect on SAS' financial condition. As a result, SAS may be forced to enter into liquidation or bankruptcy proceedings. For additional information, please refer to "*Operating and financial review–Working capital statement*".

The Board of Directors of SAS is responsible for the contents of this prospectus. To the best of the Board of Directors' knowledge, the information contained in the prospectus is in accordance with the facts and the prospectus makes no omission likely to affect its import.

Stockholm, 30 September 2020

SAS AB (publ)

The Board of Directors

1) The subscription undertakings and underwriting commitments are not secured (see "*Risk factors–Non-secured subscription and underwriting commitments*").

TERMS AND CONDITIONS FOR THE RIGHTS ISSUE

The shares are, and the new shares will be, listed on Nasdaq Stockholm and secondarily listed on Nasdaq Copenhagen and Oslo Børs. Shares traded on Nasdaq Stockholm are registered with the Swedish central securities depository, Euroclear Sweden. Shares traded on Nasdaq Copenhagen are registered with the central securities depository in Denmark, VP Securities A/S (“**VP Securities**”) and shares traded on Oslo Børs are registered with the central securities depository in Norway, Verdipapirsentralen ASA (“**VPS**”). As a consequence, separate instructions on how to participate in the Rights Issue will apply depending on where each shareholder’s shares are registered and traded.

GENERAL INSTRUCTIONS

PREFERENTIAL RIGHTS AND SUBSCRIPTION RIGHTS

Those who on the record date, 30 September 2020, are registered as shareholders of SAS have preferential rights to subscribe for new shares in the Rights Issue.

Those who on the record date were registered as shareholders of SAS will receive nine (9) subscription rights for each share held on the record date. One (1) subscription right entitle to subscription for one (1) new share. Only whole number of shares may be subscribed for (i.e. no fractions).

Shareholders who decline to participate the Rights Issue will be diluted by up to 3,443,242,959 shares corresponding to approximately 90% of the total number of shares, but have the possibility to compensate themselves financially for the dilution by selling their subscription rights.

Application can also be made to subscribe for shares not subscribed for with subscription rights, refer to “*Subscription for new shares without subscription rights*” below.

SUBSCRIPTION WITHOUT SUBSCRIPTION RIGHTS

If not all of the shares are subscribed for by exercise of subscription rights, the Board of Directors shall resolve on allotment of shares subscribed for without the exercise of subscription rights up to the maximum amount of the Rights Issue in accordance with the following:

1. Those who have subscribed for shares by the exercise of subscription rights and, in addition, have applied for subscription without subscription rights, irrespective of whether the subscriber was a shareholder on the record date or not and, in case of oversubscription, *pro rata* in relation to the number of subscription rights each one has exercised for subscription of shares. In order for such allocation to occur, the application to subscribe for shares without subscription rights must be made within the same central securities depository system as the subscription for shares by exercise of subscription rights.
2. Others who have applied for subscription without subscription rights and, in case of oversubscription, *pro rata* in relation to the number of shares stated in each subscription application (the general public in Sweden, Denmark, Norway and Finland, and qualified investors).

3. The governments of Denmark and Sweden in their capacities as underwriters up to their respective underwriting amount, and in case such underwriters do not receive full allotment, the common shares shall be allotted *pro rata* in relation to the respective underwriting amount.

To the extent allotment in the case of oversubscription or to underwriters cannot be made *pro rata* in accordance with the above, allotment shall be made by drawing of lots.

SUBSCRIPTION PRICE

The new shares are issued at a subscription price of SEK 1.16 per new share. Broker commission will not be charged. Shareholders and investors will, however, have to bear any transaction and handling fees that their custodian banks charge them.

RECORD DATE

The record date at Euroclear Sweden, VP Securities and VPS to determine which persons are entitled to receive subscription rights in the Rights Issue is 30 September 2020. The last day of trading in SAS’ shares inclusive of the right to participate in the Rights Issue was 28 September 2020. The shares in SAS are traded exclusive of the right to participate in the Rights Issue since 29 September 2020.

SUBSCRIPTION PERIOD

Subscription for new shares will take place during the period from and including 2 October 2020 up to 17:00 CEST on 19 October 2020. The Board of Directors of SAS is entitled to extend the subscription period, which – in such case – will be announced through a press release as soon as such decision has been made.

TRADING IN SUBSCRIPTION RIGHTS

The subscription rights will be traded on Nasdaq Stockholm, Nasdaq Copenhagen and Oslo Børs during the period from and including 2 October 2020 up to and including 15 October 2020 with ticker “SAS TR”, “SAS TR DKK” and “SAS TR NOK”, respectively. SEB and other securities institutions with required licenses will provide brokerage services in connection with the sale and purchase of subscription rights. The ISIN code for the subscription rights is SE0014957031. Subscription rights cannot be transferred between Euroclear Sweden, VP Securities and VPS.

PLEASE NOTE THAT THE SUBSCRIPTION RIGHTS MAY HAVE AN ECONOMIC VALUE

In order to not lose the value of the subscription rights, holders must either:

- Exercise the subscription rights received and subscribe for new shares no later than 17:00 CEST on 19 October 2020; or
- Sell the subscription rights received, but not exercised, no later than 15 October 2020.

Please note that shareholders with nominee-registered shareholdings subscribe for new shares through their custodian/nominee.

RIGHT TO DIVIDEND

The new shares will carry the right to dividends commencing from the first record date for dividend that follows the registration of the new shares in SAS' share register. See also "*Shares and Share capital–Dividend policy*".

ANNOUNCEMENT OF THE OUTCOME OF THE RIGHTS ISSUE

The outcome of the Rights Issue is expected to be announced on or around 21 October 2020 through a press release from SAS.

TIMETABLE

The timetable below shows and concludes certain important dates in relation to the Rights Issue.

First day of trading in shares exclusive of the rights to receive subscription rights	29 September 2020
Record date for participation in the Rights Issue	30 September 2020
Subscription period starts	2 October 2020
First day of trading in subscription rights	2 October 2020
First day of trading in BTA 1s (Nasdaq Stockholm only)	2 October 2020
First day of trading in BTA 1s (Nasdaq Copenhagen only)	15 October 2020
Last day of trading in subscription rights	15 October 2020
Subscription period ends at 17:00 CEST	19 October 2020
Outcome of the Rights Issue is announced	21 October 2020
Trading in BTA 1s is concluded (Nasdaq Stockholm and Nasdaq Copenhagen)	30 October 2020
Trading in new shares commences	3 November 2020
Delivery of new shares	5 November 2020

TRADING IN NEW SHARES

SAS' shares are traded on Nasdaq Stockholm, Nasdaq Copenhagen and Oslo Børs. Following registration of the new shares at the Swedish Companies Registration Office, the newly issued shares will also be traded on Nasdaq Stockholm, Nasdaq Copenhagen and Oslo Børs. Such trading is expected to commence on or around 3 November 2020.

IRREVOCABLE SUBSCRIPTION

SAS is not entitled to revoke the rights issue. Subscription for new shares, with or without subscription rights, is irrevocable and the subscriber cannot withdraw or change the subscription for the new shares, unless otherwise stated in this prospectus or in accordance with applicable law.

OTHER INFORMATION

In the event that a larger amount than required has been paid by a subscriber for new shares, SAS will arrange for the excess amount to be refunded. No interest will be paid for such excess amount.

Insufficient or incomplete application forms may not be considered. Furthermore, if the subscription payment is made late, is insufficient or incomplete, the subscription application may not be considered, or subscription may be deemed to have occurred at a lower amount. Paid in amount that has not been considered will in such case be reimbursed. No interest will be paid for such payment.

IMPORTANT INFORMATION ON TAXATION

The tax legislation in the investor's home country and in Sweden may affect any income received from shares in SAS.

The taxation of any dividend, as well as capital gains taxation and rules concerning capital losses in connection with disposal of securities, depends on the shareholder's particular circumstances. Special tax rules apply to certain categories of tax payers and certain types of investment forms. Each holder of shares and subscription rights should therefore consult a tax advisor for information on the specific implications that may arise in an individual case, including the applicability and effect of foreign tax rules and tax treaties. For additional information, please refer to "*Tax issues*".

INSTRUCTIONS TO HOLDERS OF SHARES REGISTERED WITH EUROCLEAR SWEDEN AND TRADED AT NASDAQ STOCKHOLM

ISSUE STATEMENTS

Directly registered shareholders

Pre-printed issue statements with attached payment form will be sent to directly registered shareholders and representatives of shareholders that on the record date were registered in the share register maintained by Euroclear Sweden on behalf of SAS. The issue statements will state, among other things, the number of subscription rights received and the number of shares that may be subscribed for with the subscription rights. No securities notification (*VP-avi*) will be sent out regarding the registration of subscription rights on the securities account. Shareholders included in the special list of pledge holders and trustees, which is maintained in connection with the share register, will not receive any issue statement but will be informed separately.

Nominee-registered shareholders

Shareholders with nominee-registered holdings at a bank or other nominee will not receive an issue statement. Subscription and payment for new shares by such shareholders should instead be made to the respective nominee and in accordance with instructions from the respective nominee.

Shareholders resident in certain unauthorized jurisdictions

The allotment of subscription rights and the issuance of new shares to shareholders resident in countries other than Sweden, Denmark, Finland and Norway may be affected by securities legislation in such countries, please refer to "*Important information*" and "*Selling and transfer restrictions*". Consequently, subject to certain exceptions, shareholders with existing shares directly registered on a securities account (*VP-konto* or *Servicekonto*) with registered address in the United States, Australia, Canada, Hong Kong, India, Japan, Singapore, South Africa or in another jurisdiction in which it would not be permitted to participate in the Rights Issue, will not receive any subscription rights or be allowed to subscribe for new shares. The subscription rights that otherwise would have been delivered to such shareholders will be sold on their behalf and the sales proceeds, less costs, will be paid to such shareholders. Amounts less than SEK 100 will not be paid out.

SUBSCRIPTION FOR NEW SHARES WITH SUBSCRIPTION RIGHTS

Subscription for new shares with subscription rights (i.e. with preferential rights) will take place during the subscription period, by 17:00 CEST on 19 October 2020 at the latest. Upon expiry of the subscription period, unexercised subscription rights will lapse and become worthless. After 19 October 2020, unexercised subscription rights will be deleted from the holder's securities account without any notice from Euroclear Sweden.

In order not to lose the value of the subscription rights, the holder must either:

- exercise the subscription right to subscribe for new shares no later than 17:00 CEST on 19 October 2020, or in accordance with instructions from the holder's nominee; or
- sell the subscription rights that will not be exercised no later than 15 October 2020.

Subscription by directly registered shareholders

Subscription for new shares by directly registered shareholders with subscription rights will be made through payment in cash together with a notification, either by use of the pre-printed payment form or a special subscription form in accordance with one of the following options:

- If all subscription rights pursuant to the issue statement from Euroclear Sweden are to be exercised, the pre-printed attached payment form shall be used. No additions or amendments may be made on the payment form.
- If subscription rights have been purchased, sold or transferred from another securities account, or if, for some other reason, the number of subscription rights to be exercised for subscription differs from the number set out in the pre-printed issue statement, the subscription form named "Subscription for shares with subscription rights" shall be used. In connection to submission of the filled out form, payment shall be made for the subscribed new shares in accordance with the payment instruction on the subscription form. Subscription forms in accordance with the above can be ordered from SEB during office hours on telephone +46 (0)8 639 27 50. The subscription form can be sent to SEB, Emissioner AB03, SE-106 40 Stockholm or handed in at one of SEB's offices in Sweden. The subscription form shall be received by SEB no later than 17:00 CEST on 19 October 2020.

Directly registered shareholders not resident in Sweden eligible for subscription for new shares with subscription rights

Directly registered shareholders that are not resident in Sweden but eligible for subscription for new shares with subscription rights (i.e. those who are not subject to the restrictions described in "*Shareholders resident in certain unauthorized jurisdictions*" above) and cannot use the pre-printed payment form, can pay in SEK through a foreign bank in accordance with the instructions below:

SEB
Emissioner AB03
SE-106 40 Stockholm, Sweden
IBAN number: SE0850000000058651006764
Bank account number: 5865-10 067 64
SWIFT/BIC: ESSESESS

Upon payment, the subscriber's name, address, securities account number and the payment identity stated on the issue statement must be quoted. Last time for payment is 17:00 CEST on 19 October 2020. If the payment relates to a different number of shares than the number set out in the issue statement, the subscription form named "Subscription for shares with subscription rights" shall be used, which can be ordered from SEB during office hours by telephone: +46 (0)8 639 27 50. Payment shall be made in accordance with the aforementioned instructions. Note that the payment identity stated in the issue statement must be quoted. The subscription form shall be received by SEB, at the address above, no later than 17:00 CEST on 19 October 2020.

Subscription by nominee-registered shareholders

Shareholders with nominee-registered holdings wishing to subscribe for new shares with subscription rights shall apply for subscription in accordance with instructions from their nominee or nominees.

Paid subscription shares (BTA 1s)

After payment and subscription, Euroclear Sweden will distribute a securities notification confirming the registration of the BTA 1s¹⁾ on the holders securities account. The newly subscribed shares are entered as BTA 1s on the securities account until the new shares have been registered at the Swedish Companies Registration Office (Sw. *Bolagsverket*). New shares that are subscribed for with subscription rights are expected to be registered with the Swedish Companies Registration Office around 30 October 2020. Subsequently, the BTA 1s will be re-classified as shares. Delivery of the new shares is expected around 5 November 2020. No securities notification will be issued in connection with such re-classification.

Trading in BTA 1s is expected to take place on Nasdaq Stockholm during the period from and including 2 October 2020 up and including 30 October 2020. SEB and other securities institutions with required licenses will provide brokerage services in connection with the purchase and sale of BTA 1s. The ISIN code for the BTA 1s is SE0014957049. The BTA 1's cannot be transferred between Euroclear Sweden, VP Securities and VPS.

SUBSCRIPTION FOR NEW SHARES WITHOUT SUBSCRIPTION RIGHTS**Important information in case of subscription of shares without subscription rights (i.e. without preferential rights)***Requirement regarding NID number for natural persons*

A National ID or National Client Identifier (NID number) is a global identification code for private individuals. MiFID II (Directive 2014/65/EU on markets in financial instruments) prescribes that, commencing 3 January 2018, all natural persons must have a NID number and that this number must be stated in order to carry out a securities transaction. If such number is not stated, SEB may be prohibited from carrying out the transaction on behalf of the natural person in question. If you have only Swedish citizenship, your NID number comprises the designation "SE" followed by your personal ID number. If you have several citizenships or a citizenship other than Swedish, your NID number may comprise another type of number. For more information about how NID numbers are obtained, contact your bank branch. Remember to find out your NID number in ample time, since the number must be stated on the application form.

Requirements regarding LEI codes for legal entities

Legal Entity Identifier (LEI) is a global identification code for legal entities. MiFID II prescribes that, commencing 3 January 2018, legal entities must have a LEI code in order to carry out a securities transaction. In absence of such code, SEB may not carry out the transaction on behalf of the legal person in question.

Directly registered shareholders and others

Application for subscription for new shares without subscription rights must be made on a special subscription form named "Subscription for shares without subscription rights". More than one subscription form may be submitted, however, only the most recently dated form will be considered. Subscription forms can be obtained at SEB's offices in Sweden, SEB's website for prospectuses www.sebgroup.com/prospectuses as well as on SAS' website www.sasgroup.net/en/. The form can be sent to SEB, Emissioner AB03, SE-106 40 Stockholm or handed in at one of SEB's branch offices in Sweden. The subscription form must be received by SEB no later than 17:00 CEST on 19 October 2020.

Nominee-registered shareholders and others

Application for subscription for new shares without subscription rights shall be made to the respective nominee and in accordance with instructions from the nominee, or if the holding is or is expected to be registered with several nominees, from each of these.

Allotment of new shares subscribed for without subscription rights

If not all of the shares are subscribed for by exercise of rights, the Board of Directors shall resolve on allotment of shares subscribed for without the exercise of subscription rights up to the maximum amount of the Rights Issue in accordance with the principles described in "Subscription without subscription rights" above.

As confirmation of the allotment of new shares subscribed for without subscription rights, a settlement note will be sent to directly registered shareholders and others with a securities account. New shares which have been subscribed for and allotted must be paid for in cash in accordance with the instruction on the settlement note. Shareholders with nominee-registered holdings will receive confirmation of the allotment in accordance with the procedure of the respective nominee. No notice will be sent to those who have not been allotted new shares. The subscription for new shares is binding. If payment is not duly made, the new shares will be transferred to others. In case the sale price of the shares is below the subscription price, the person who was initially allotted new shares is responsible for paying the difference.

The new shares will be delivered as soon as the required registration has taken place at the Swedish Companies Registration Office. Such registration is expected to take place around 30 October 2020 and delivery is expected around 5 November 2020. A securities notification will be sent to the directly registered shareholders or nominees as confirmation that the new shares have been registered in the securities account.

INFORMATION ABOUT PROCESSING OF PERSONAL DATA

Personal data that is submitted to SEB, for example, contact information and personal identification number, or which is otherwise registered in connection with the preparation or administration of the Rights Issue, will be processed by SEB, in its capacity as the controller of the personal data, for the administration and execution of the Rights Issue. Processing of personal data will also take place to enable SEB to comply with its statutory duties.

1) Entitled BTA 200930 in the securities system.

TERMS AND CONDITIONS FOR THE RIGHTS ISSUE

Personal data may, for the stated purposes and in observance of bank secrecy rules, occasionally be disclosed to other companies within the SEB Group or to companies which cooperate with SEB, within and outside the EU/ EEA in accordance with the EU's approved and appropriate protective measures. In certain cases, SEB is also under statutory duty to provide information, for example, to the SFSA and the Swedish Tax Agency.

Similarly, to the Swedish Securities Markets Act (*Sw. lagen (2007:528) om värdepappersmarknaden*), the Swedish Banking and Financing Business Act (*Sw. lagen (2004:297) om bank- och finansieringsrörelse*) contains confidentiality provisions according to which all of SEB's employees are bound by a duty of confidentiality with regards to clients of SEB and other parties to whom services are provided. The duty of confidentiality also applies between and within the various companies in the SEB Group.

Information regarding what personal data is processed by SEB, deletion of personal data, limitation on the processing of personal data, data portability or the rectification of personal data can be requested from SEB's data protection officer. It is also possible to contact the data protection officer to obtain further information about how SEB processes personal data. If the investor wishes to make a complaint regarding SEB's processing of personal data, the investor is entitled to turn to the Swedish Data Protection Authority (*Sw. Datatillsynsmyndigheten*) in its capacity as supervisory authority.

Personal data shall be deleted if it is no longer needed for the purposes for which it was originally collected or otherwise processed, provided that SEB has no legal obligation to preserve the personal data. The normal storage time for personal data is ten years.

Address to SEB's data protection officer:

SEB
Dataskyddsbud
SE-106 40 Stockholm

QUESTIONS REGARDING THE RIGHTS ISSUE

In case of questions concerning the Rights Issue, directly registered shareholders and others are welcome to contact SEB's issue department which can be reached on weekdays between the hours 09.00 and 17.00 CET by telephone at +46 (0)8-639 27 50.

Nominee-registered shareholders and others should contact their nominee(s) for further information regarding practical or technical questions about the Rights Issue.

INSTRUCTIONS TO HOLDERS OF SHARES REGISTERED WITH VP SECURITIES AND TRADED AT NASDAQ COPENHAGEN

SUBSCRIPTION PRICE

The new shares are issued at a subscription price of SEK 1.16 per new share (payment, however, will be made in DKK according to the currency conversion described below). Broker commission will not be charged. Shareholders and investors will, however, have to bear any transaction and handling fees that their custodian banks charge them.

Preliminary currency conversion

A preliminary amount in DKK, corresponding to the subscription price of SEK 1.16 per new share, amounting to DKK 0.8268 has been calculated based on Bloomberg's 07:00 CEST DKK/SEK exchange rate¹⁾ on 23 September 2020. This preliminary amount in DKK is not the final amount that subscribers will pay for the new shares. Please see "Final currency conversion" below.

Final currency conversion

The final amount in DKK to be paid by subscribers will correspond to the subscription price of SEK 1.16 per new share exchanged into DKK based on Bloomberg's 07:00 CEST DKK/SEK exchange rate on 15 October 2020. This amount in DKK will be announced by the Company on the same day.²⁾

SUBSCRIPTION PERIOD

Subscription for new shares may be made during the period from and including 2 October 2020 up to 17:00 CEST on 19 October 2020. The Board of Directors may extend the subscription period.

Due to the determination of the final subscription price in DKK on 15 October 2020, subscription for the new shares will not be made in VP Securities before 19 October 2020 (or, in case the subscription period is extended, on the last day of the extended subscription period).

SUBSCRIPTION FOR NEW SHARES WITH SUBSCRIPTION RIGHTS

Information related to the Rights Issue will be distributed to shareholders or representatives of shareholders who, on the record date, were recorded in the share register maintained by VP Securities. The shareholders and representatives of shareholders who were registered in the share register on the record date will be allotted subscription rights. Holders of subscription rights wishing to subscribe for the new shares must subscribe and pay for the new shares through their own custodian, in accordance with the rules of such institution, no later than 17:00 CEST on 19 October 2020. Payment will be deducted from the subscribers' bank accounts on or around 19 October 2020. For holders of subscription rights, the time by which notification of exercise must be given will depend on the agreement with, and the rules and procedures of, the relevant custodian or other financial intermediary and may be earlier than the end of the subscription period.

Upon payment of the final amount in DKK for new shares subscribed for by exercise of subscription rights, interim shares will be issued and allocated through VP Securities. The subscriber will receive a statement confirming registration of BTA 1s on the subscriber's custody account, if agreed with the custodian. Once the new shares subscribed for by the exercise of subscription rights have been registered with the Swedish Companies Registration Office, the BTA 1s will be converted into shares. Such registration with the Swedish Companies Registration Office is expected to occur on or around 30 October 2020 and conversion of the BTA 1s into shares on or around 5 November 2020.

SUBSCRIPTION FOR NEW SHARES WITHOUT SUBSCRIPTION RIGHTS

If not all of the shares have been subscribed for by exercise of subscription rights, the Board of Directors shall resolve on allotment of shares subscribed for without the exercise of subscription rights up to the maximum amount of the Rights Issue in accordance with the principles described in "Subscription without subscription rights" above.

In order to subscribe for new shares without subscription rights, a separate application form must be completed, signed and delivered to the subscriber's own custodian, who will forward all application forms to Danske Bank A/S ("Danske Bank").

The application form can be obtained from the Company's website (www.sasgroup.net). The application form must be received by Danske Bank no later than 17:00 CEST on 19 October 2020 and must therefore be delivered to the subscriber's own custodian in due time before such date and time. Only one application form per custody account will be considered.

Payment will be deducted from the subscribers' bank accounts on or around 28 October 2020. Upon payment of the final amount in DKK for subscription for new shares without subscription rights, interim shares ("BTA 3s")³⁾ will be allocated through VP Securities. The subscriber will receive a statement confirming registration of BTA 3s on the subscriber's custody account, if agreed with its custodian. Once the new shares subscribed for without subscription rights have been registered with the Swedish Companies Registration Office, the BTA 3s will be converted into shares. Such registration with the Swedish Companies Registration Office is expected to occur on or around 30 October 2020 and conversion of BTA 3s into shares on or around 5 November 2020.

Once allocated new shares have been paid and registered with the Swedish Companies Registration Office, the custodian bank will distribute statements confirming registration of the new shares on the subscribers' securities account, if agreed with its custodian.

TRADING IN BTAs (INTERIM SHARES)

Trading in BTA 1s (in respect of new shares subscribed for with subscription rights) on Nasdaq Copenhagen is expected to commence on or around 15 October 2020 and is expected to end on or around 30 October 2020. The ISIN code for BTA 1 is SE0014957049. There will be no trading in BTA 3s (in respect of new shares subscribed for without subscription rights).

Danske Bank, SEB and other securities institutions will provide brokerage services for the sale and purchase of BTAs (interim shares). The BTAs cannot be transferred between Euroclear Sweden, VP Securities and VPS.

SHAREHOLDERS RESIDENT IN CERTAIN UNAUTHORIZED JURISDICTIONS

The allotment of subscription rights and the issuance of new shares to shareholders resident in countries other than Sweden, Denmark, Finland and Norway may be affected by securities legislation in such countries, please refer to "Important information" and "Selling and transfer restrictions".

QUESTIONS REGARDING THE RIGHTS ISSUE

Contact the relevant nominee for questions regarding the Rights Issue.

1) The exchange rate is found on Bloomberg's website under <https://www.bloomberg.com/quote/DKKSEK:CUR>.

2) The final amount in DKK per share will be rounded to four decimals and the aggregate amount in DKK that a subscriber will pay will be rounded up to whole centesimal (Dk. øre).

3) Entitled BTA 201001 in the securities system.

INSTRUCTIONS TO HOLDERS OF SHARES REGISTERED WITH VPS AND TRADED AT OSLO BØRS

SUBSCRIPTION PRICE

The new shares are issued at a subscription price of SEK 1.16 per new share (payment, however, will be made in NOK according to the currency conversion described below). Broker commission will not be charged. Shareholders and investors will, however, have to bear customary transaction and handling fees that may be charged by their custodian banks.

Preliminary currency conversion

A preliminary amount in NOK, corresponding to the subscription price of SEK 1.16 per new share, amounting to NOK 1.2175 has been calculated based on Bloomberg's 07:00 CEST NOK/SEK exchange rate¹⁾ on 23 September 2020. This preliminary amount in NOK is not the final amount that subscribers will pay for the new shares. Please see "*Final currency conversion*" below.

Final currency conversion

The amount in NOK to be paid by subscribers of the new shares will correspond to the subscription price of SEK 1.16 per new share exchanged into NOK based on Bloomberg's 07:00 CEST NOK/SEK exchange rate on 19 October 2020. This amount in NOK will be announced by the Company on the same day.²⁾ Skandinaviska Enskilda Banken AB (publ) Oslofilialen ("**SEB Norway**") will distribute a statement on or around 22 October 2020 to those who have subscribed for the new shares, indicating the exchange rate used and the amount that SEB Norway has deducted from their accounts on or around 22 October 2020.

SUBSCRIPTION AND PAYMENT

Subscription forms and an information letter about the Rights Issue will be distributed to eligible shareholders and will also be made available at www.seb.no. Correctly completed subscription forms can be sent to subscription@seb.no or mailed to SEB, Att: TSWO, Postbox 1843, Vika, 0123 Oslo, Norway. The subscription form shall be received by SEB no later than 17:00 CEST on 19 October 2020.

Subscription for new shares with and without subscription rights

Subscription for new shares may be carried out by submitting a correctly completed subscription form to SEB Norway during the subscription period. Subscription for new shares without subscription rights is carried out using the same subscription form for subscription with subscription rights. The subscription form must be received by SEB Norway no later than 17:00 CEST on 19 October 2020. Norwegian residents can also subscribe for new shares at SEB Norway's website www.seb.no no later than 17:00 CEST on 19 October 2020.

Payment and delivery of the new shares

Each subscriber of the new shares in the Rights Issue will by signing the subscription form grant SEB Norway an authorization to debit a specified bank account for the payment of the total subscription price for the new shares. The specified bank account will be debited in NOK on or around 22 October 2020 for the new shares subscribed for.

Subscribers not having a Norwegian bank account must contact SEB Norway prior to the payment date in order to secure payment by other means according to instructions from SEB Norway.

The new shares that are subscribed for are expected to be registered with the Swedish Companies Registration Office on or around 30 October 2020 and to be delivered to the subscribers' VPS accounts on or around 5 November 2020. The new shares will only be transferred to the subscribers' VPS accounts once allocated new shares have been fully paid for. SEB Norway reserve the right to try to debit the specific bank account three times if there are not sufficient funds on the account.

The subscriber is responsible for complying with any applicable identification verification requirements pursuant to the Norwegian Money Laundering Act³⁾, and is encouraged to complete any such required procedures during the beginning of the subscription period. Insufficient compliance with these requirements may lead to the subscriber not being allotted any new shares.

NO INTERIM SHARES

No interim shares will be registered through VPS and consequently no interim shares will be traded on Oslo Børs.

SHAREHOLDERS RESIDENT IN CERTAIN UNAUTHORIZED JURISDICTIONS

The allotment of subscription rights and the issuance of new shares to shareholders resident in countries other than Sweden, Denmark, Finland and Norway may be affected by securities legislation in such countries, please refer to "*Important information*" and "*Selling and transfer restrictions*".

QUESTIONS REGARDING THE RIGHTS ISSUE

Contact SEB Norway, telephone +47 21008705, for questions regarding the Rights Issue.

1) The exchange rate is found on Bloomberg's website under <https://www.bloomberg.com/quote/NOKSEK:CUR>.

2) The final amount in NOK per share will be rounded to four decimals and the aggregate amount in NOK that a subscriber will pay will be rounded up to whole centesimal (No. øre).

3) Law against Money Laundering and Terrorist financing (Money Laundering Act) (No. Lov 1. juni 2018 nr. 23 om tiltak mot hvitvasking og terrorfinansiering (hvitvaskingsloven)).

TERMS AND CONDITIONS FOR THE BONDHOLDER OFFER

GENERAL INSTRUCTIONS

THE BONDHOLDER OFFER AND SUBSCRIPTION PRICE

SAS offers the Bondholders an opportunity to subscribe for shares in SAS at a subscription price of SEK 1.16 per new share by setting off the claim, in whole or in part, under their Bonds as consideration (the “**Bondholder Offer**”). Broker commission will not be charged.

The aggregate number of new shares to be issued to the Bondholders under the Bondholder Offer is limited to 969,827,586 shares (corresponding to 50% of the total nominal amount of the Bonds). Holders of Bonds who wish to participate in the Bondholder Offer have the right to receive up to the number of shares corresponding to at least 50% of the nominal amount of their Bonds. In case of oversubscription (i.e. that the holders of Bonds who wish to participate in the Bondholder Offer together will have subscribed for more than 969,827,586 shares), the allotment for the Bondholders subscribing for shares for more than 50 % of the nominal amount of their Bonds will, be scaled down on the part exceeding 50% *pro rata* based on the number of Bonds submitted. Any remaining nominal amount of the Bonds (i.e. not used as payment for new shares) will be used as payment for subscription of New Commercial Hybrid Notes as described in section “*Business description – The Recapitalization Plan*”. Bondholders will not receive any additional information in case of over subscription. Please note that only whole Bonds can be used as payment by set-off for newly issued shares in SAS. The number of shares allotted will be scaled down as no fractions of shares will be allotted.

Following set-off of the claim under the Bonds against subscription of shares and/or New Commercial Hybrid Notes (as applicable) the Bonds will cease to exist.

LAST DAY OF TRADING IN THE BONDS

In connection with the Bondholder Offer the trading in the Bonds will be halted and the last day of trading in the Bonds is 15 October 2020.

RECORD DATE

To be eligible to participate in the Bondholder Offer, Bondholders must be registered as holders of Bonds in the debt register (Sw. *skuldbok*) kept by Euroclear Sweden on 19 October 2020 (the “**Bondholder Record Date**”).

APPLICATION PERIOD

Subscription for new shares under the Bondholder Offer will take place during the period from and including 2 October 2020 up to 17:00 CEST on 19 October 2020. The Board of Directors of SAS is entitled to extend the application period, which – in such case – will be announced through a press release as soon as such decision has been made.

TRADING IN BTA 2s

Bondholders who have accepted the Bondholder Offer will, following the expiry of the application period, on or around

23 October 2020 receive interim shares (BTA 2s¹⁾) equivalent to the claim under the Bonds for which they have subscribed for new shares by set-off (after any reduction due to oversubscription). Trading in BTA 2s, on the Nasdaq Stockholm is expected to commence on or around 23 October 2020 and is expected to end on or around 30 October 2020. The ISIN code for the BTA 2 is SE0014957072.

SEB and other securities institutions with required licenses will provide brokerage services in connection with the sale and purchase of BTA 2s.

RIGHT TO DIVIDEND

The new shares will carry the right to dividends commencing from the first record date for dividend that follows the registration of the new shares in SAS’ share register.

ANNOUNCEMENT OF THE OUTCOME OF THE BONDHOLDER OFFER

The outcome of the Bondholder Offer is expected to be announced on or around 23 October 2020 through a press release from SAS.

TRADING IN NEW SHARES

SAS’ shares are traded on Nasdaq Stockholm, Nasdaq Copenhagen and Oslo Børs. Following registration of the new shares at the Swedish Companies Registration Office, the newly issued shares will also be traded on Nasdaq Stockholm, Nasdaq Copenhagen and Oslo Børs. Such trading is expected to commence on or around 3 November 2020.

IRREVOCABLE SUBSCRIPTION

SAS is not entitled to revoke the Bondholder Offer. Subscription for new shares in the Bondholder Offer is irrevocable and a Bondholder cannot withdraw or change the subscription for the new shares, unless otherwise stated in this prospectus or in accordance with applicable law.

BONDHOLDERS RESIDENT IN CERTAIN UNAUTHORIZED JURISDICTIONS

Participation in the Bondholder Offer by Bondholders resident in countries other than Sweden, Denmark, Finland and Norway may be affected by securities legislation in such countries, please refer to “*Important information*” and “*Selling and transfer restrictions*”.

OTHER INFORMATION

Insufficient or incomplete subscription forms may not be considered. Furthermore, if the Bonds intended to be used as payment in the Bondholder Offer by way of set-off is not made available to be set-off, or otherwise if the nominal amount of such Bond(s) is insufficient, the subscription form may not be considered, or subscription may be deemed to have occurred at a lower amount.

1) Entitled BTA 201002 in the securities system.

TIMETABLE

The timetable below shows and concludes certain important dates in relation to the Bondholder Offer.

Application period starts	2 October 2020
Last day of trading of the Bonds	15 October 2020
Record date for participation in the Bondholder Offer	19 October 2020
Application period ends at 17:00 CEST	19 October 2020
Outcome of the Bondholder Offer is announced	23 October 2020
Delivery of BTA 2s	23 October 2020
First day of trading in BTA 2s (Nasdaq Stockholm only)	23 October 2020
Last day of trading in BTA 2s (Nasdaq Stockholm only)	30 October 2020
Trading in new shares commences	3 November 2020
Delivery of new shares	5 November 2020

IMPORTANT INFORMATION ON TAXATION

The tax legislation in the investor's home country and in Sweden may affect any income received from shares in SAS and the participation in the Bondholder Offer.

The taxation of any dividend, as well as capital gains taxation and rules concerning capital losses in connection with disposal of securities, depends on each individual Bondholder's particular circumstances. Special tax rules apply to certain categories of tax payers and certain types of investment forms. Each Bondholder should therefore consult a tax advisor for information on the specific implications that may arise in an individual case, including the applicability and effect of foreign tax rules and tax treaties. For additional information, please refer to "Tax issues".

INSTRUCTIONS TO BONDHOLDERS

SUBSCRIPTION

Bondholders whose holdings are direct registered with Euroclear Sweden on the Bondholder Record Date and who wish to accept the Bondholder Offer shall during the period from 2 October 2020 up to 17:00 CEST on 19 October 2020 sign and submit a correctly completed subscription form. Subscription forms can be obtained at SEB's offices in Sweden, SEB's website for prospectuses www.sebgroup.com/prospectuses as well as on SAS' website www.sasgroup.net/en/. The form shall be sent to SEB Emissioner AB03, SE-106 40 Stockholm or handed in at one of SEB's branch offices in Sweden. The subscription form must be received by SEB no later than 17:00 CEST on 19 October 2020.

Bondholders with nominee-registered holdings wishing to accept the Bondholder Offer shall apply for subscription in accordance with the instructions from their nominee or nominees.

DELIVERY OF PAID SUBSCRIPTION SHARES (BTA 2S)

After a correctly completed subscription form has been received and registered, Bondholders who participate in the Bondholder Offer will, following expiry of the application period, receive BTA 2s equivalent to the claim under the Bonds for which they have subscribed new shares (after any reduction in case of oversubscription). No fractions of BTA 2s will be delivered. Euroclear Sweden will distribute a securities notification confirming the registration of the BTA 2s on the Bondholders

securities account. The delivery of BTA 2s will occur on or around 23 October 2020. In connection with the delivery of BTA 2s, the Bondholder will receive a notice (VP notice) from Euroclear Sweden.

Trading in BTA 2s is expected to take place on Nasdaq Stockholm during the period from and including 23 October 2020 up and including 30 October 2020. SEB and other securities institutions with required licenses will provide brokerage services in connection with the purchase and sale of BTA 2s. The ISIN code for the BTA 2s is SE0014957072.

DELIVERY OF SHARES

The newly subscribed shares are entered as BTA 2s on the securities account of the Bondholders participating in the Bondholder Offer until the new shares have been registered at the Swedish Companies Registration Office. New shares that are subscribed for in the Bondholder Offer are expected to be registered with the Swedish Companies Registration Office on or around 30 October 2020. Subsequently, the BTA 2s will be re-classified as shares. Delivery of the new shares is expected around 5 November 2020. No securities notification will be issued in connection with such re-classification. No fractions of shares will be delivered.

QUESTIONS REGARDING THE BONDHOLDER OFFER

Questions relating to the bondholder offer can be directed to SEB Emissioner on weekdays between the hours 09:00 and 17:00 CET by telephone at +46 (0)8-639 27 50.



Skule Viking



STAR ALLIANCE™

TO OPEN



NO TOW

BUSINESS DESCRIPTION

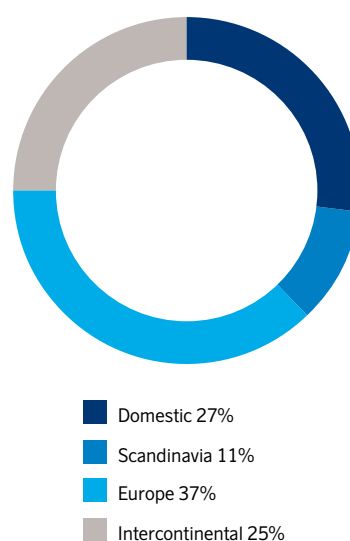
The information on pages 59–66 in this section generally describes SAS prior to the outbreak of the COVID-19 pandemic. Since the outbreak, SAS and its operations have been severely impacted by the pandemic and the consequences thereof. SAS has, for example, been forced to cancel most of its flights and ground most of the aircraft until conditions and the ease of restrictions made it feasible to re-commence limited operations, lost most of its revenues and temporarily laid-off most of its employees, as further described under “*Impact of the COVID-19 pandemic and return to service*” below and elsewhere in this prospectus. Given the impacts of the pandemic, SAS has adopted a revised business plan and decided on the Recapitalization Plan as further described in under “*Revised business plan and the Recapitalization Plan*” below. This business description must therefore be read as a whole, and also in conjunction with other information in the prospectus, including “*Risk factors*” and “*Operating and financial review*”.

This section contains forward-looking information. Such information is based on estimates and assumptions and is subject to risks, uncertainties and other factors, including, without limitation, those stated in “*Risk factors*”. These factors could cause SAS future results of operations, financial position and/or cash flow to deviate significantly from the information stated or indicated in such forward-looking statements.

OVERVIEW

SAS is the Nordic region’s largest airline, offering passenger flights in an extensive Nordic, European and intercontinental network. The hub airports Kastrup, Arlanda and Gardermoen constitute the backbone of SAS’ network with their corresponding strategic locations in the vicinity of Copenhagen, Stockholm and Oslo. SAS’ network is designed to connect the Group’s extensive regional network in the Nordics with the rest of Europe and selected destinations in North America and Asia. SAS has historically maintained strong market positions within business traveling in particular. During fiscal year 2019, the average number of employees in the Group was 10,445. SAS transported 29.8 million passengers, including charter, during fiscal year 2019 and had in average 789 departures scheduled per day to 127 destinations. SAS has been a key provider of important Scandinavian airline infrastructure since its foundation in 1946, with an estimated contribution to the Scandinavian economies of more than SEK 70 billion in 2018.¹⁾

Geographical distribution, passenger revenue fiscal year 2019



1) Direct, indirect, induced and catalytical effects, Copenhagen Economics, SAS bidrag till den svenska ekonomin, 9 May 2019.

SAS in brief – fiscal year 2019

Airline operations	Cargo services	Ground handling services	Technical maintenance	EuroBonus
In FY 2019, a total of 30 million travelers flew with SAS. Airline operations are SAS' primary business, carried out by SAS Scandinavia, SAS Ireland and regional production partners.	SAS Cargo provides air freight solutions to, from and within Scandinavia. SAS Cargo's services are based on the cargo capacity of the SAS network, supplemented by dedicated truck operations.	SAS Ground Handling is a ground handling provider at airports in Copenhagen, Oslo, Stockholm, Malmö and Gothenburg. SAS' operations provide passenger, cargo and ramp services for SAS and other airlines.	SAS Maintenance Production offers technical maintenance of aircraft and engines at six airports in Scandinavia for SAS and other airlines.	EuroBonus is Scandinavia's largest travel-related loyalty program in terms of number of members and enables closer relationships with SAS' customers. EuroBonus has over 6 million members and more than 100 partners.
30 million passengers	111 million kg of freight	298 thousand departures handled	158 aircraft in service	6,1 million EuroBonus members

HISTORY

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

nies were 50% owned by their respective governments and 50% owned by private interests. In 2001, SAS completed a restructuring by creating a holding company for the Group when the Company as a holding company made three parallel public offers to the shareholders of each of the Constituent Companies to exchange their shares for the same number of newly issued shares in the Company. As a result, the Company currently holds 100% of the shares in each of the Constituent Companies. On 6 July 2001, the Company was listed on the Stockholm Stock Exchange (now known as Nasdaq Stockholm) with secondary listings in Copenhagen and Oslo.

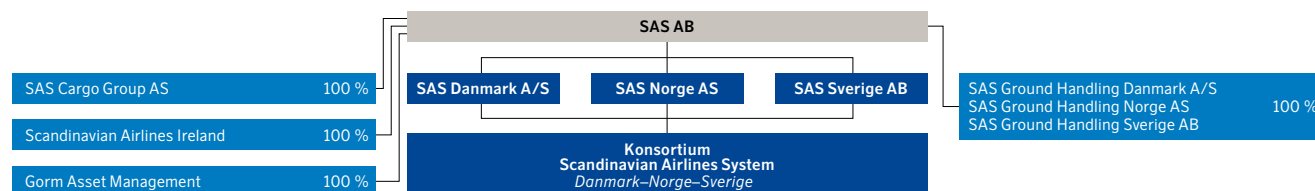
IMPORTANT EVENTS SINCE 2001

2001	A single SAS share is established. On 6 July 2001 SAS 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% 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% of SAS Component to Singapore Technologies Engineering. Furthermore Carlson Hotels acquires a 25% stake in Rezidor SAS.
2006	Rezidor Hotel Group is listed on the Stockholm stock exchange and SAS sells parts of its stake in the hotel group in connection thereto and does not hold a majority stake anymore.
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 billion was carried out to implement the 'Core SAS' strategy.
2010	To further strengthen the financial preparedness and complete Core SAS a rights issue of approximately SEK 5 billion was carried out.
2011	Rickard Gustafson became new CEO of SAS. The strategy plan 4Excellence was launched.
2012	The strategy plan 4Excellence Next Generation was launched due to the need to improve profitability and secure long-term financial preparedness.
2013	The Group completed the sale of 80% of Widerøe.
2014	SAS completed a SEK 3.5 billion issue of preference shares. The Group acquired 100% of Cimber A/S and divested Blue Travel Services and call center operations.
2015	SAS sold Blue 1 to CityJet and SAS Ground Handling's line stations in Norway to Widerøe.
2016	The Group completed the sale of 20% of Widerøe and 100% of Cimber A/S.
2017	The Group completed a directed issue of shares of MSEK 1,270. The Group supplements its production in Scandinavia with bases in London and Malaga using a wholly owned subsidiary airline with 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% shareholding in SAS. 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% 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.
2020	SAS temporarily halts most of the traffic from mid-March to June due to the effect of the coronavirus (COVID-19) outbreak.

For a description of important events in SAS since the outbreak of COVID-19, please refer to "Impact of the COVID-19 pandemic and return to service" below.

OPERATING STRUCTURE

The Company 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.



AIR TRAVEL IN SCANDINAVIA

The Scandinavian air travel market is substantial in relation to its population, when compared with the rest of Europe. In fiscal year 2019, the market represented SEK 110 billion in revenue from the entire flight industry throughout Scandinavia.¹⁾ During fiscal years 2014–2019, the number of origin and destination (O&D) journeys with air travel to, from and within Scandinavia increased at a compound annual growth rate (CAGR) of 4%, with approximately 100 million such air travel journeys being made to, from and within Scandinavia in fiscal year 2019.²⁾ This means Scandinavians are among the world's most frequent travelers, with an air travel frequency of four to five journeys per capita in Scandinavia during fiscal year 2019.³⁾ This has been attributed to Scandinavia's economic prosperity, internationally successful companies and its geography.

The region is characterized by relatively long distances between reasonably small towns, with many small business destinations and airports that need to be served. A highly mountainous topography where the land masses are largely surrounded by sea, 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 with larger aircraft. 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 flows. The market is also characterized by a high seasonality, where demand in July 2019 was approximately 50% higher than market demand in January 2019.⁴⁾

The table below sets out SAS' share of total seat capacity in the Scandinavian countries during fiscal year 2019.

Percentage of seat capacity to, from and within country, fiscal year 2019

Denmark		Norway		Sweden	
SAS	34%	SAS	38%	SAS	35%
Norwegian	18%	Norwegian	34%	Norwegian	19%
Ryanair	8%	Widerøe	14%	BRA	11%
Lufthansa Group	7%	Wizz	3%	Lufthansa Group	7%
Air France KLM	5%	Air France KLM	3%	Ryanair	5%
Other	29%	Other	9%	Other	23%

Source: IATA Direct Data Solutions; SAS' estimation.

- 1) IATA Direct Data Solutions; SAS estimation.
- 2) IATA Direct Data Solutions; SAS estimation.
- 3) IATA Direct Data Solutions; SAS estimation.
- 4) IATA Direct Data Solutions; SAS estimation.

SAS' OPERATIONS

SAS focuses on people who travel frequently to, from and within Scandinavia. SAS works with three strategic priorities seeking to achieve a sustainable and profitable business:

- Win Scandinavia's frequent travelers
- Create an efficient and sustainable operating model
- Secure the right capabilities

WIN SCANDINAVIA'S FREQUENT TRAVELERS

SAS has historically had a strong position as the preferred airline among Scandinavia's frequent travelers (>5 roundtrips per year). In the fiscal year 2019, frequent travelers accounted for almost 40% of all trips in the Scandinavian market, and 60% of SAS' trips. SAS believes that its brand, commercial offering and strong position in the corporate segment generates a like-for-like price premium (PASK). To a large extent, this premium comes from the frequent travelers, who, for example, more often travel in higher booking classes than other travelers.

SAS is one of Scandinavia's leading airlines for flights to, from and within Scandinavia, in terms of share of seat capacity per country. In the fiscal year 2019, a total of more than 29.8 million travelers flew with SAS. As Scandinavian competitors reduced capacity, this resulted in an increase of SAS' market share in the fiscal year 2019.¹⁾ SAS has since 2012 been able to maintain its fleet size of approximately 160 aircraft and at the same time increased the number of routes with over 30% and number of passengers with over 40% during the peak season in July.

Destinations and schedule

SAS' network

SAS' network is adapted to the needs of Scandinavia's frequent travelers with focus on travel peaks and efficient connections. The ambition is to maintain the most attractive timetable to the right destinations and to add new point-to-point routes as the market evolves.

In the fiscal year 2019, SAS offered almost 800 departures per day, which together with good punctuality offered a competitive edge for passengers with strict requirements for limiting time spent on travel. SAS' range of destinations varies over the season to meet the travel needs of frequent travelers and to ensure the year-round relevance of the offering. The core network is therefore supplemented according to season with desirable routes to the Mediterranean, the Canary Islands and the Alps. In 2019, a total of 9 new destinations and 26 new routes were opened, with a total of 288 routes served.

Star Alliance

The SAS Consortium is a founding member of the Star Alliance, which is the cornerstone of SAS' global partner and network strategy, offering SAS' customers reliable travel products and services worldwide. Star Alliance brings together 26 member airlines, which offered more than 19,000 daily departures as of October 2019. Its combined fleet of over 5,000 airplanes served more than 1,300 destinations in 195 countries worldwide as of October 2019, making it the largest global airline alliance.

Through the membership in Star Alliance, SAS has been able to offer customers access to a global network of destinations and convenient transfers. The co-operation has also made possible one travelling experience in which the traveler can earn and use bonus points and access lounges and other time

saving services. In the event of a flight being cancelled, SAS and the other members of Star Alliance have an agreement which means that shared customers are taken care of through rebooking to the final destination with the next available Star Alliance flight. This is a difference to low-cost carriers which are often not part of any corresponding partnership and lack access to reserve capacity.

Other partnerships

Widerøe is a Norwegian airline, and is the largest regional airline in the Nordic countries. Widerøe is a valued partner to SAS with their complimentary network from smaller airports in Norway to provide seamless travel from these origins to SAS destinations worldwide. Widerøe also participates in the EuroBonus program.

In 2013, a joint venture between SAS and Singapore Airlines on traffic between Scandinavia and Singapore commenced. The joint venture enables the airlines to plan further business opportunities within the partnership, such as the co-ordination of flight schedules and joint sales activities. The partnership has resulted in increased services between Singapore and Scandinavia from 2013 to 2019.²⁾

Services and product offering

SAS' customer offering focuses on simplicity, accessibility and making time matter for Scandinavia's frequent travelers. SAS' customer offering includes, for instance, transparent pricing, simplified booking via new digital services and clear offers within the ticket concepts SAS Go and SAS Plus. Many of SAS' customers travel frequently on short routes. Therefore, SAS must secure a seamless airport experience, including fast track, short walking distances, and new technologies to enable efficient customer flows. SAS has also upgraded lounges in Scandinavia. Outside Scandinavia, SAS' customers can use SAS' own lounges or Star Alliance lounges where available. On board, SAS' food, beverage, entertainment, Wi-Fi and design items are continuously developed to maintain attractiveness.

EuroBonus

The SAS EuroBonus program has evolved from being a frequent-flyer program becoming a broad loyalty program that reflects members' everyday life – when traveling and at home. Together with external partners, earning EuroBonus points is made possible on everything from flights, hotels and rental cars to shopping, insurance, electricity and groceries. New partners are continuously being added to this partnership. By rewarding EuroBonus members and simplifying their everyday life, SAS seeks to increase their loyalty, with a view to generate increased revenue for SAS and its business partners. EuroBonus points can be used to buy regular airline tickets, for partial payment of journeys, to shop at the EuroBonus online shop, purchase food and beverages on-board, buy gift vouchers at restaurants, stores, theme parks and much more. The number of EuroBonus members has steadily been on the rise. As of the end of October 2019, the program had 6.1 million members, up 0.5 million year-on-year.

CREATE AN EFFICIENT AND SUSTAINABLE OPERATING MODEL

Airline operations

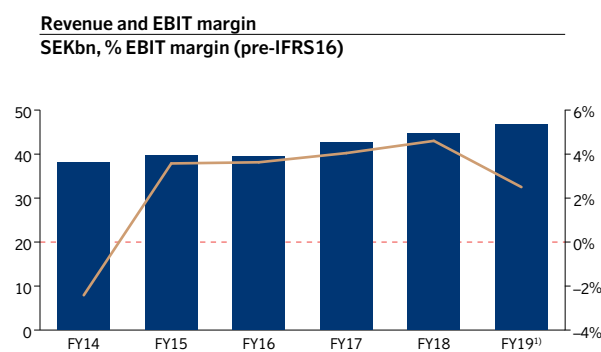
SAS' core business is to operate passenger flights on an extensive Scandinavian and international route network. SAS' three

1) IATA Direct Data Solutions; SAS estimation.

2) IATA Direct Data Solutions; CPH Airports, Avinor and Swedavia; SAS estimation.

main operational hubs in Copenhagen, Stockholm and Oslo form the backbone of its flight network. In recent years, SAS has undergone a significant transformation of its operating model which has allowed SAS to reduce its investment need, harmonize the fleet and create increased flexibility to adapt to seasonal variations and changes in demand. As an effect, SAS has been able to improve its efficiency and offering. While the number of aircraft was almost the same in July 2012 compared to July 2019 (157 and 156, respectively), the number of scheduled routes flown by SAS increased by 33% from July 2012 (175 routes) to July 2019 (233 routes) and the total number of passengers increased by 40% during the same period (2.03 million and 2.84 million passengers, respectively). Transformations in recent years have also yielded tangible results and since 2013, SAS has delivered over SEK 6.7 billion efficiency improvements.

Revenue and EBIT margin¹⁾, fiscal years 2014–2019



Source: SAS Annual Report 2019.

1) Fiscal year 2019 was negatively impacted by the pilot strike in April and May 2019.

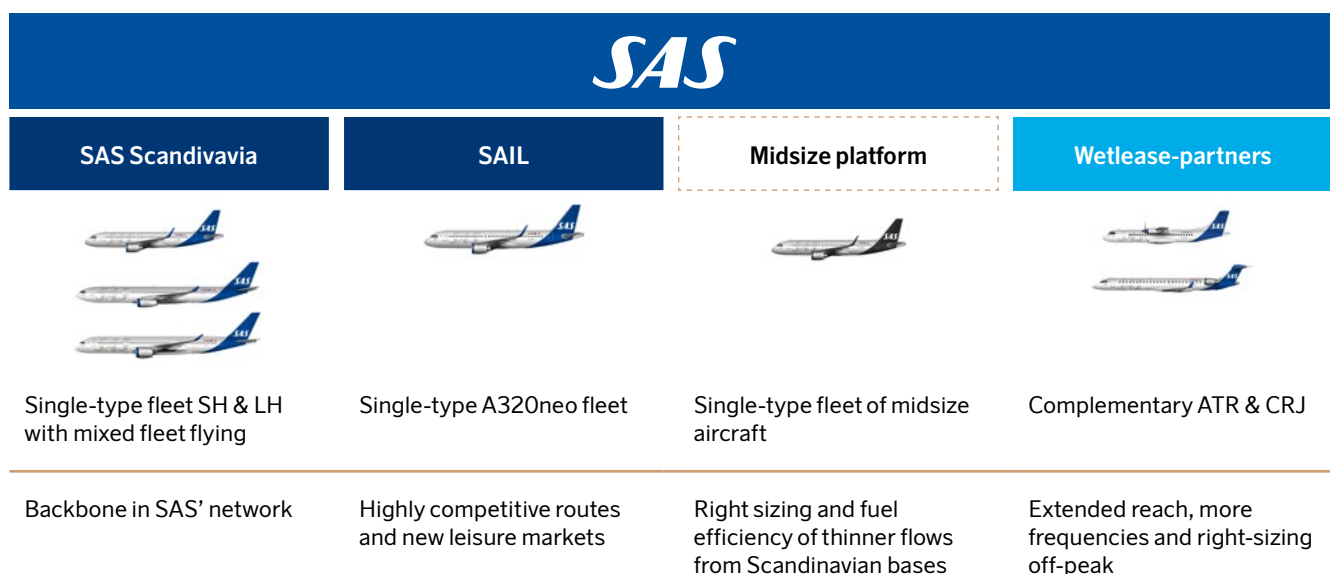
SAS' airline operations are carried out by a number of operating platforms:

- The SAS Consortium, the back bone in SAS' network that serve main traffic flows and long-haul,
- Scandinavian Airlines Ireland Limited (SAIL), and
- Through aircraft that are wet leased (leasing of aircraft including crew) by SAS and operated by external production companies under the SAS brand.

SAS Ireland is a European production platform seeking to ensure a "level playing field" with carriers operating from Europe to Scandinavia. SAS' competitors on traffic flows to and from Europe use almost exclusively crew based in EU countries outside of Scandinavia, and as a result have a lower total cost for labor. If SAS is to secure the long-term profitability of key traffic flows and actively participate in the growing leisure market, SAS must have the same preconditions as its European competitors. Otherwise, SAS will be forced to reduce its production and discontinue routes. In January 2017, SAS decided to establish a new AOC in Ireland. SAS decided to establish bases in London and Malaga, where a total of nine Airbus A320neos are deployed. The first AOC was granted in December 2017, and the first flight took place that same month from the base in London. The first flight from the base in Malaga took place in June 2018.

SAS' uses external wet lease partners to complement SAS' operations in smaller aircraft segments to enable extended network reach, more frequencies and right-sizing of aircraft. SAS offers a comprehensive network of destinations and routes for different passenger volumes, which requires a fleet of aircraft of different sizes and ranges. With regional production partners SAS can optimize the schedule and aircraft size to optimally meet demand, particularly on regional routes with relatively low demand, and can benefit from a passenger feed into SAS' major network. This capacity to switch aircraft size to meet demand enables SAS to optimize its fuel use and reduce emissions per seat kilometer.

Operating model adapted for the Scandinavian market








1) See "Selected historical financial information—Key performance indicators".

FLEET

SAS has simplified its aircraft fleet considerably over the last few years; today, it has two aircraft types under SAS' own traffic license for its short-haul operation. On the long-haul side there are the Airbus A330/340 & 350 where the A340 is being phased out for the more efficient A350-900. In addition, SAS wet-leases 32 aircraft through strategic business partners. In 2013, SAS ordered eight Airbus A350s for delivery in the 2019–2021 period. In June 2011, SAS placed an order for 30 Airbus A320neo with delivery from 2016 to 2019. In April

2018, SAS placed an additional order for 50 Airbus A320neo aircraft with delivery from spring 2019 to 2023. SAS is committed to achieving a single-type fleet operation by 2023, based on new Airbus aircraft that can provide lower fuel consumption and reduced maintenance costs compared to SAS' current fleet composition.

As of 31 July 2020, SAS' fleet comprised 162 aircraft. The average age of the entire aircraft fleet was 9.3 years.

	Model	Age	Owned	Leased	Wet Lease ¹⁾	Total	Firm order purchase	Firm order lease
<i>Long-haul</i>								
	Airbus A330/340/350	10.6	13	6		19	4	
<i>Short/medium-haul</i>								
	Airbus A320 family	6.7	19	44		63	35	8
	Boeing 737 NG	14.9	25	23		48		
<i>Regional</i>								
	Bombardier CRJ	4.4			24	24		
	ATR-72	7.0			8	8		
	Total	9.3	57	73	32	162	39	8

1) Leasing in of aircraft including crew.

Airline services

SAS Cargo

During the fiscal year 2019, SAS Cargo was one of the leading providers of air freight solutions to, from and within Scandinavia in terms of available tonne kilometers, ATK. SAS Cargo's services are based on the cargo capacity of SAS' 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' passenger flights, particularly its inter-continental 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

SAS Ground Handling primarily provides services at the three hubs in Copenhagen, Stockholm and Oslo, including baggage handling and 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' hub airports, Copenhagen – Kastrup Airport, Stockholm – Arlanda Airport

and Oslo – Gardermoen Airport. The outsourcing provides greater flexibility in SAS' cost and planning structure and means network changes can be implemented more quickly.

SAS Maintenance Production

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

Safety

SAS is actively working to develop its safety culture on all levels of the organization and decrease risk exposures. Recurring evaluations carried out pursuant to the IATA Operational Safety Audit (IOSA) Program show that the safety culture within SAS is good and the Group is actively pursuing a position at the forefront within the industry, operating a well-developed safety culture.

SAS continuously monitors and measures daily risk levels in flight operations, ground operations, technical maintenance and aviation security in a system of objective safety performance indicators. To aid follow-up of flight safety on a departmental basis and for the various operational platforms, SAS uses an operational flight safety tool known as Enpire, which SAS believes has improved the capacity for identifying trends and correlations.

Sustainability

To achieve more sustainable air travel, SAS' works to reduce emissions throughout the entire operation. At SAS, profitability and sustainability go hand in hand and by reducing fuel consumption, SAS also reduces greenhouse gas emissions. SAS' efforts are primarily focused on reducing the CO2 emissions from aircraft operations as they account for over 99% of SAS' total CO2 emissions.

Most of SAS' emissions result from longer journeys, where air travel is the only feasible means of transport. Therefore, SAS is working actively to reduce emissions, as aviation fulfills an important function in society, connecting communities, cultures and people in a time-efficient way. Aviation also facilitates successful businesses creating welfare in a very export-oriented part of the world.

The goal has up until now been to reduce SAS' total climate affecting CO2 emissions with 25% by 2030 compared with 2005, with around half of these reductions to be achieved through fleet renewal and other improvements, and half through the increased use of sustainable aviation fuels (where SAS has aimed to use more sustainable aviation fuels on traffic equivalent to all SAS' domestic flights by 2030). In SAS' revised business plan, the CO2 emissions target has been accelerated to 2025. Please refer to "Revised business plan" below.

Employees

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

	Interim period	Fiscal year		
	1 Nov 2019–31 Jul 2020	2019	2018	2017
Sweden	2,974	3,978	3,816	3,789
Denmark	2,358	3,372	3,357	3,486
Norway	2,213	2,813	2,711	2,801
Other countries	218	282	262	248
Total	7,763	10,445	10,146	10,324

SAS' average number of full-time employees were 10,445 during the fiscal year 2019, compared to an average 10,146 during the previous fiscal year, of which 1,285 and 1,273, respectively, were pilots.

On 15 March 2020, SAS announced that it would introduce temporary work reductions of up to 10,000 employees, equivalent to 90% of the total workforce. On 28 April 2020, SAS announced that it would initiate processes to reduce the size of its future workforce by up to 5,000 full-time positions. For further information, please refer to "Impact of the COVID-19 pandemic and return to service" below.

IMPACT OF THE COVID-19 PANDEMIC AND RETURN TO SERVICE

IMPACT OF COVID-19

Before the onset of COVID-19, SAS experienced a high demand for its services and delivered a robust operational performance in terms of regularity and punctuality. As a consequence, SAS reported increased number of passengers and revenues as well as overall market share during the first quarter of fiscal year 2020. SAS experienced 23 consecutive months of improved rolling 12-month PASK during the period from April 2018 to February 2020, as well as a strong customer satisfaction trend

SECURE THE RIGHT CAPABILITIES

SAS' operates in a highly competitive market where it is essential to have the right capabilities throughout the business, and everyone at SAS has an important role to play. It is also essential that SAS provides opportunities for people to grow and develop together with SAS. SAS therefore drives overall employee engagement through excellence in leadership, to develop competences and to make SAS an attractive workplace.

Engaged employees are more committed, satisfied and motivated, which are prerequisites for satisfied customers and a better business. SAS' employee culture is distinguished by a strong commitment and loyalty to SAS and its customers. SAS wants to create a company with an even stronger culture focusing on customer experience, cost efficiency and cross functional collaboration. SAS does this through involvement and dialogue to ensure that all employees know how they contribute to SAS goals and the joint success.

with record high customer satisfaction index (CSI) of 75 in January 2020 according to SAS' customer survey. However, as the full effects of the pandemic became evident, containment measures such as social distancing, travel restrictions, quarantines and lock downs, resulting in dramatically changed traveling patterns, had an immediate detrimental impact on the aviation sector. This resulted in a sharp drop in number of passengers and consequently revenues for SAS.

The decline in demand immediately triggered SAS to implement a broad range of measures to radically reduce costs and preserve cash. SAS began suspending flights as from 31 January 2020 (to and from mainland China) and eventually made the decision to temporarily halt most of its traffic starting 16 March 2020 until conditions and the ease of restrictions made it feasible to re-commence limited operations in June 2020. Approximately 90% of the workforce is or has been on temporary layoff schemes and there has been a significant reduction of the network. Most non-essential spend and projects have been suspended. Payment holidays or discounts have been agreed with the majority of suppliers (including lessors). Revised agreements have been entered into with wet lease providers. As a result of the measures taken, the monthly average cash flow from operating activities was reduced to MSEK -320 in the third quarter of fiscal year 2020 (MSEK -586

BUSINESS DESCRIPTION

in the second quarter of fiscal year 2020), with an estimated monthly average of negative MSEK 500-700 in the fourth quarter of fiscal year 2020.

In addition, SAS' short-term capital expenditures have also been reduced by deferring aircraft deliveries and postponing other investments. Measures have also been taken to strengthen SAS' liquidity through securing a SEK 3.3 billion credit facility, financing five Airbus A320neo spare engines and sale & lease back agreements on one Airbus A350 and three Airbus A320neos have been signed.

Despite countries starting to re-open their borders towards the end of the second calendar quarter of 2020, the ramp-up phase for the airline industry is currently expected to last until at least 2022 before demand can reach more normalized levels, with a return to reaches pre COVID-19 levels a few years thereafter, but is subject to considerable uncertainty (see "*Market outlook*" below and "*Risk factors—The recovery of air travel, including for SAS, is expected to be slow and the future characteristics of the airline industry are highly uncertain*"). SAS expects difficulties reaching profitability until operations reach the more normalized levels currently expected in fiscal year 2022, creating a significant need for recapitalization. During this phase, SAS must ensure cost-efficient ramp up to reduce losses, while introducing "safe travel" measures to adapt to new requirements and stimulate travel.

In light of the above, the Board of Directors of SAS has decided on a revised business plan to tackle the expected effects of the pandemic (see "*Revised business plan*" below). The plan includes approximately SEK 4 billion in efficiency improvements in all parts of the Group by 2022. However, neither the broad measures implemented to date nor the planned efficiency improvements will alone be sufficient to help restore the Group's equity position to pre COVID-19 levels, nor help secure the required level of funding for SAS to continue as a key provider of important Scandinavian airline infrastructure. Therefore, the Board has decided on the Recapitalization Plan intended to convert SEK 2.25 billion of debt to equity and raise SEK 12 billion of equity (before recapitalization costs estimated at approximately MSEK 155), and thereby restore SAS' equity by SEK 14.25 billion (see "*The Recapitalization Plan*" below).

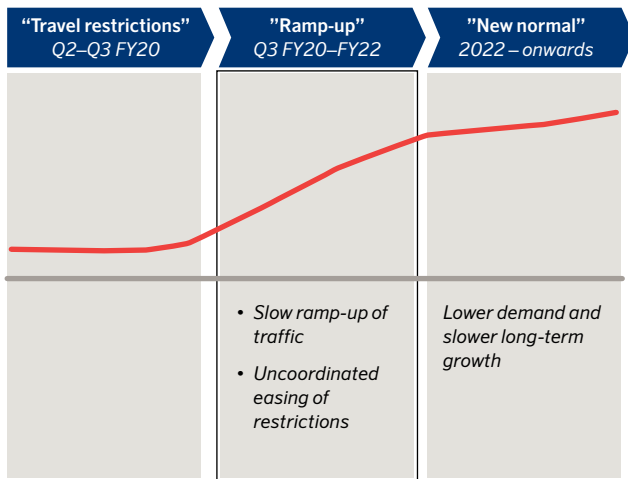
IMPORTANT EVENTS SINCE THE OUTBREAK OF COVID-19

30 January 2020	SAS decides to suspend all flights to and from Shanghai and Beijing, as from 31 January 2020.
3 March 2020	SAS announces that SAS in the next couple of months will seek to reduce part of its short-haul network capacity. Furthermore, SAS will suspend flights to Hong Kong from 5 March 2020. In order to mitigate the revenue impact from the reduced demand, SAS announces that the Group is pursuing a number of cost reduction initiatives. SAS withdraws its fiscal year 2020 guidance provided to the market on 5 December 2019.
15 March 2020	SAS decides to temporarily halt most of its traffic starting 16 March 2020 until there are yet again conditions to conduct commercial aviation. As a result SAS is forced to implement temporary work reductions comprising up to 10,000 employees, which is equivalent to 90% of the total workforce.
7 April 2020	SAS releases traffic figures for March 2020. As an effect of the COVID-19 pandemic and the travel restrictions imposed by many governments, SAS' capacity (ASK, scheduled and charter) was reduced by over 45% in March 2020 compared to the same period 2019.
28 April 2020	SAS announces that the Group will initiate processes to reduce the size of its future workforce by up to 5,000 full-time positions due to lower expected demand for air travel.
5 May 2020	It is announced that SAS has signed a SEK 3.3 billion three-year revolving credit facility agreement, 90% guaranteed by the Swedish and Danish states. The guaranteed debt package, approved by the European Commission, was implemented in the context of the COVID-19 crisis and is intended to support SAS' liquidity and prepare for the recovery of its activities.
8 May 2020	SAS releases traffic figures for April 2020. SAS' scheduled capacity (ASK) fell with nearly 95% during April 2020 compared to April 2019 as a result of the ongoing COVID-19 pandemic.
27 May 2020	SAS decides to resume flights to certain destinations from June onwards. This primarily includes domestic flights within and between the Scandinavian countries, but also flights to New York, Chicago and Amsterdam from Copenhagen.
28 May 2020	SAS publishes its Q2 2020 interim report. As a direct consequence of the COVID-19 pandemic, SAS' quarterly revenue fell nearly 50% to MSEK 5,264.
5 June 2020	SAS releases traffic figures for May 2020. The total number of passengers (scheduled and charter) fell by nearly 94% during May 2020 compared to May 2019 as a result of the ongoing COVID-19 pandemic.
15 June 2020	It is announced that the Swedish Government has put forward a proposal to the Swedish Parliament to support SAS with up to SEK 5 billion due to the negative effects of COVID-19 and that the Danish government has communicated political unity for a recapitalization of SAS.
16 June 2020	SAS launches traffic program for July. The new traffic program will see capacity increased from 30 aircraft in June 2020 to over 40 in July 2020, equivalent to just under 30% compared with the corresponding period 2019.
30 June 2020	SAS announces that the Board of Directors has decided on a revised business plan, including approximately SEK 4 billion in efficiency improvements in all parts of the Group by 2022, to tackle the effects of the COVID-19 pandemic as well as the Recapitalization Plan intended to restore equity by SEK 14.25 billion and secure approximately SEK 12 billion of new funding.
7 July 2020	SAS releases traffic figures for June 2020. As a result of the COVID-19 pandemic, the total number of passengers (scheduled and charter) was 86% lower compared to June 2019.
10 July 2020	SAS announces that the conversions of Bonds and Existing Hybrid Notes required under the Recapitalization Plan are not expected to be approved by the noteholders, and that noteholder discussions have been initiated.
22 July 2020	SAS announces that the Company has elected to defer an interest payment due 23 July 2020 on its MSEK 1,500 subordinated perpetual floating rate capital securities.
7 August 2020	It is announced that SAS has reached an agreement in principle with certain holders of Bonds and Existing Hybrid Notes and that the work on a revised Recapitalization Plan continues.
7 August 2020	SAS releases traffic figures for July 2020. SAS' total capacity (ASK) was down by 76% and total number of passengers were 75% lower compared to same period 2019.
14 August 2020	SAS announces a revised Recapitalization Plan.
17 August 2020	SAS' revised Recapitalization Plan is approved by the European Commission.
26 August 2020	SAS publishes an update on the support of the Recapitalization Plan from holders of Existing Hybrid Notes and Bonds.
2 September 2020	The noteholders accept the terms for conversion of the Existing Hybrid Notes and the Bonds as a part of the Recapitalization Plan.
7 September 2020	SAS releases traffic figures for August 2020. SAS' total capacity (ASK) was down by 73% and total number of passengers were 74% lower compared to August 2019.
22 September 2020	The Extraordinary General Meeting in SAS resolves on the decisions required by company law for the implementation of the Recapitalization Plan.
23 September 2020	The Board of Directors of SAS resolves to issue new hybrid notes and shares, in accordance with the Recapitalization Plan.
24 September 2020	SAS announces that the route between Copenhagen and Shanghai will reopen as from 29 September 2020.

MARKET OUTLOOK

Countries will gradually re-open, but the pace and prerequisites will not be the same in all geographies and regions. Renewed outbreaks of COVID-19 could cause travel restrictions and other containment measures to be reimposed. Furthermore, the pandemic has led to an economic downturn, resulted in behavioral changes in favor of more digital meetings and caused a general health concern among many customers. Therefore, SAS expects a longer recovery period than experienced in previous downturns. SAS expects that the recovery will start with increased domestic demand followed by European and then Intercontinental destinations. However, SAS believes it will most likely take until at least 2022 before the demand can reach more normalized levels, with a return to demand levels in line with what the aviation industry experienced before the COVID-19 outbreak a few years thereafter.

SAS believes that the recovery will be characterized by three phases:



Source: Company estimate.

Phase 1 – "Travel restrictions" (Q2 to Q3 of fiscal year 2020), with virtually non-existent demand for air travel due to travel restrictions imposed by governments. The capacity offered during this phase was mainly driven by government-tendered traffic.

Phase 2 – "Ramp-up" (current phase; Q3 of fiscal year 2020 to fiscal year 2022), with slow ramp-up of traffic due to uncoordinated easing of restrictions, where domestic and infrastructure critical routes are expected to rebound first. During this phase, governments and aviation authorities are expected to impose safe travel measures such as social distancing at airports, new boarding procedures and use of face masks for crew and passengers.

Phase 3 – "New normal" (fiscal year 2022 and onwards), with lower demand than pre-COVID 19 due to new travel behaviours such as substitution of air travel to video conferencing as well as a slower long-term growth than historically in the wake of an economic downturn.

ICAO COVID-19 recovery scenarios

ICAO actively monitors the economic impacts from COVID-19 on civil aviation and regularly publishes updated reports and adjusted forecasts. As the overall severity and duration of the COVID-19 pandemic are still uncertain, ICAO has built four different recovery paths under two indicative scenarios in order to explore the potential economic implication of the COVID-19 pandemic during the full year 2020 and the first calendar quarter of 2021.

Each indicative scenario includes two recovery paths with the characteristics set out in the table below. ICAO highlights that the scenarios are not forecasts of what is most likely to happen and that they, given rapidly changing circumstances, merely are indicative of possible paths or consequential outcomes out of many. The exact path and actual impact will according to ICAO depend upon various factors, such as duration and magnitude of the outbreak and containment measures, availability of government assistance, consumer confidence, and economic conditions. International and domestic passenger traffic has separate scenarios and paths. Scenarios and paths are differentiated in terms of supply and demand (scale of output or seat capacity change and degree of consumer confidence that can be translated into demand or load factor as a proxy), with supply and demand influenced by different timing and speed of recovery by region, international/domestic, and intra-/inter-region as well as global economic contraction. No consideration has been made to, for example, social distancing requirements on aircraft.

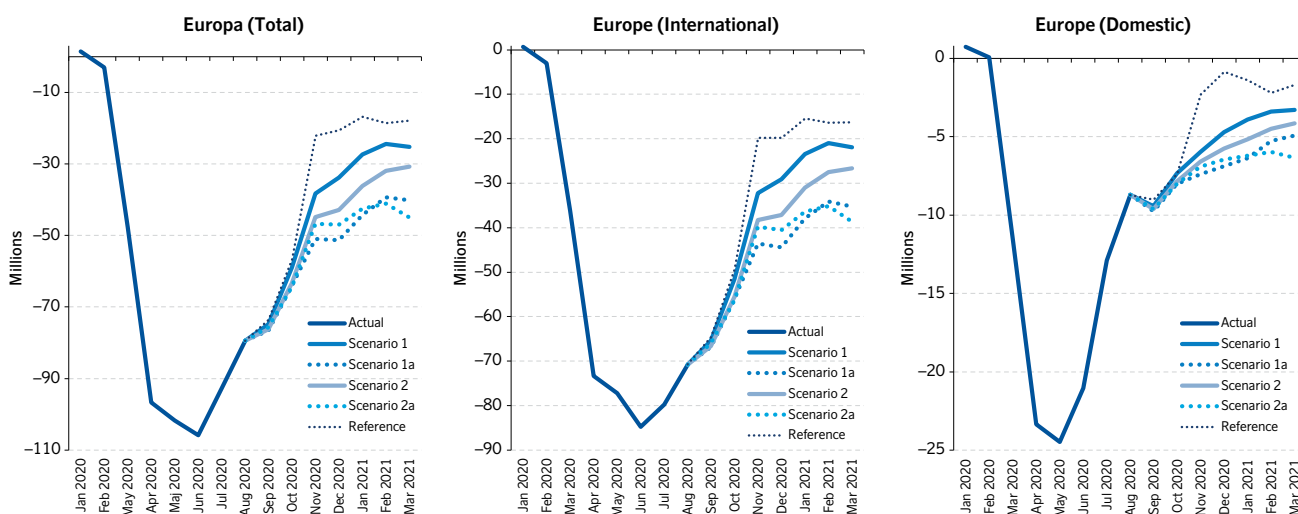
Scenario 1	Scenario 2
International traffic	International traffic
<p>Path 1: Smooth capacity recovery by picking up pent-up demand but at a diminishing rate of growth.</p> <p>Path 1A: Capacity to start with smooth recovery but then turn back down due to over-capacity</p>	<p>Path 2: Accelerating the return to trend growth after slow progression of capacity recovery.</p> <p>Path 2A: Capacity recovery at diminishing speed due to respite and continuous demand slump.</p>
Domestic traffic	Domestic traffic
<p>Path 1: Swift capacity rebound pushed by pent-up demand but a diminishing rate of growth.</p> <p>Path 1A: Capacity to start with smooth recovery but then turn back down due to over-capacity.</p>	<p>Path 2: Gradual capacity recovery, followed by the acceleration of growth.</p> <p>Path 2A: Capacity recovery at diminishing speed due to sluggish demand growth.</p>

Source: ICAO, Effects of Novel Coronavirus (COVID-19) on Civil Aviation: Economic Impact Analysis, 23 September 2020.

ICAO also refers to a Baseline level and a Reference level. Baseline is a counterfactual scenario, in which the COVID-19 pandemic does not occur, where supply is based on airlines' originally-planned schedules supplemented by trend line growth and demand is based on trend line growth of demand from the 2019 (pre-COVID 19) level. Reference is an information-only scenario that reflects airlines' most recent expectation or a "signal" of airlines' plan to the market (not necessarily realistic), in which supply is based on latest update of airline schedules filed, which are adjusted weekly by airlines according to the expectation of the evolving situation (quite often managing capacity for a short period due to the uncertainties), and where demand quickly returns to Baseline level.

According to estimates by ICAO dated 23 September 2020, passenger demand (number of passengers) in Europe during the full year 2020 could drop from the Baseline level by 731 to 768 million passengers (international by 603 to 635 million and domestic by 129 to 133 million). This demand level would be 706 to 743 million (international 576 to 608 million and domestic 130 to 135 million) below the full year 2019 level. During January to March 2021, ICAO estimates that passenger demand in Europe could drop from the Baseline level by 77 to 129 million passengers (international by 66 to 110 million and domestic by 11 to 19 million). Such a demand level would be 68 to 120 million passengers below the January to March 2019 level (with international in the range of -57 to -100 million and domestic in the range of -11 to -19 million), and 25 to 77 million passengers below the January to March 2020 level (with international in the range of -26 to -69 million and domestic in the range of -8 to +0 million).

Passenger numbers compared to Baseline (Europe)



Source: ICAO, Effects of Novel Coronavirus (COVID-19) on Civil Aviation: Economic Impact Analysis, 23 September 2020.

BUSINESS DESCRIPTION

SEAT CAPACITY, PASSENGER NUMBERS AND PASSENGER REVENUE COMPARED TO BASELINE (EUROPE)

Compared to	Seat capacity (%)			Passenger number (million)			Passenger revenue (USD, billion)			
	Baseline	Total	International	Domestic	Total	International	Domestic	Total	International	Domestic
1Q 2020		-15%	-17%	-9%	-49	-39	-11	-6	-5	-1
2Q 2020		-90%	-93%	-81%	-304	-235	-69	-38	-32	-6
3Q 2020		-56% to -56%	-65% to -65%	-29% to -29%	-247 to -249	-216 to -217	-31 to -31	-33 to -33	-30 to -30	-3 to -3
4Q 2020		-38% to -49%	-44% to -58%	-19% to -23%	-131 to -166	-113 to -144	-18 to -22	-19 to -23	-17 to -21	-1 to -2
Total 2020		-52% to -55%	-58% to -61%	-35% to -36%	-731 to -768	-603 to -635	-129 to -133	-95 to -100	-85 to -89	-10 to -11
1Q 2021		-21% to -40%	-25% to -48%	-11% to -20%	-77 to -129	-66 to -110	-11 to -19	-12 to -19	-11 to -17	-1 to -2

Source: ICAO, Effects of Novel Coronavirus (COVID-19) on Civil Aviation: Economic Impact Analysis, 23 September 2020.

ICAO's estimates further indicate that the possible COVID-19 impact on worldwide scheduled passenger traffic for the full year 2020, compared to Baseline, would be an overall reduction ranging from 49% to 51% of seats offered by airlines, an overall reduction of 2,788 to 2,931 million passengers, and approximately USD 375 to 395 billion potential loss of gross operating revenues of airlines. For the period January to March 2021, ICAO's estimates indicate, compared to Baseline, an overall reduction ranging from 26% to 45% of seats offered by airlines, an overall reduction of 393 to 635 million passengers, and approximately USD 57 to 90 billion potential loss of gross operating revenues of airlines.

SEAT CAPACITY, PASSENGER NUMBERS AND PASSENGER REVENUE COMPARED TO BASELINE AND 2019 (WORLD)

Compared to	Seat capacity (%)			Passenger number (million)			Passenger revenue (USD, billion)			
	Baseline	Total	International	Domestic	Total	International	Domestic	Total	International	Domestic
1Q 2020		-18%	-20%	-17%	-287	-111	-176	-35	-20	-15
2Q 2020		-79%	-92%	-69%	-1,044	-488	-556	-136	-86	-50
3Q 2020		-56% to -56%	-74% to -75%	-42% to -42%	-870 to -878	-469 to -472	-401 to -406	-121 to -122	-84 to -85	-36 to -37
4Q 2020		-42% to -50%	-57% to -71%	-31% to -37%	-587 to -722	-306 to -375	-281 to -347	-83 to -102	-59 to -71	-25 to -31
Total 2020		-49% to -51%	-62% to -66%	-40% to -41%	-2,788 to -2,931	-1,375 to -1,447	-1,413 to -1,485	-375 to -395	-249 to -262	-126 to -133
1Q 2021		-26% to -45%	-36% to -62%	-18% to -33%	-393 to -635	-212 to -325	-181 to -310	-57 to -90	-41 to -62	-16 to -28

Compared to	Seat capacity (%)			Passenger number (million)			Passenger revenue (USD, billion)			
	2019	Total	International	Domestic	Total	International	Domestic	Total	International	Domestic
1Q 2020		-15%	-17%	-13%	-240	-93	-147	-30	-17	-13
2Q 2020		-78%	-92%	-68%	-1,003	-470	-533	-130	-82	-48
3Q 2020		-55% to -55%	-74% to -74%	-40% to -40%	-825 to -833	-450 to -453	-375 to -381	-115 to -116	-81 to -81	-34 to -34
4Q 2020		-40% to -49%	-55% to -71%	-30% to -35%	-556 to -691	-293 to -362	-262 to -329	-79 to -98	-56 to -68	-23 to -30
Total 2020		-48% to -50%	-61% to -65%	-38% to -39%	-2,624 to -2,768	-1,306 to -1,378	-1,318 to -1,390	-354 to -374	-236 to -249	-118 to -125
1Q 2021		-21% to -41%	-33% to -59%	-13% to -29%	-321 to -562	-186 to -299	-135 to -263	-48 to -81	-37 to -58	-12 to -24

Source: ICAO, Effects of Novel Coronavirus (COVID-19) on Civil Aviation: Economic Impact Analysis, 23 September 2020.

IATA outlook

The longer recovery scenario expected by SAS is in line with estimates from the International Air Transport Association (IATA), a trade association for the world's airlines, which regularly publishes analyses and outlooks in respect of COVID-19 and its impact on the global air transport industry. In May 2020, IATA estimated that air travel, in terms of revenue passenger kilometers (RPK), may recover from the COVID-19 pandemic more slowly than most other sectors of the economy and that domestic RPK will recover to 2019 levels by 2022 and that international RPK will recover to 2019 levels by 2023–2024.¹⁾ In July 2020, IATA released an updated global passenger forecast showing that the recovery in traffic has been slower than had been expected. In IATA's base case scenario, global passenger traffic (RPK) will not return to pre-COVID-19 levels until 2024, a year later than previously projected.²⁾ The recovery in short-haul travel is still expected to happen faster than for long-haul travel. As a result, IATA expects that passenger numbers will recover faster than traffic measured in RPK. Recovery to pre-COVID-19 levels, however, is also expected to be delayed by a year from 2022 to 2023. For 2020, IATA expects global passenger numbers (enplanements) to decline by 55% compared to 2019 (the previous forecast was a decline by 46%). Passenger numbers are expected to rise 62% in 2021 off the depressed 2020 base, but still down almost 30% compared to 2019. IATA concludes that scientific advances in fighting COVID-19, including development of a successful vaccine, could allow a faster recovery, but that there appears to be more downside risk than upside to its forecast.

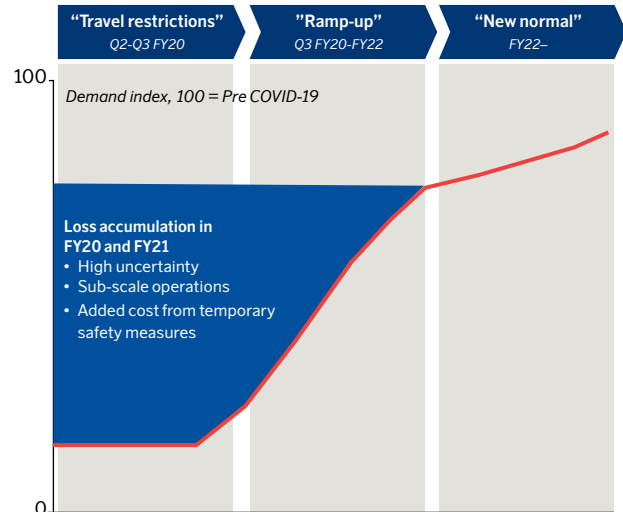
1) IATA, COVID-19 Outlook for air travel in the next 5 years, 13 May 2020.

2) IATA, Recovery Delayed as International Travel Remains Locked Down, 28 July 2020.

IATA's more pessimistic recovery outlook is based on a number of recent trends:

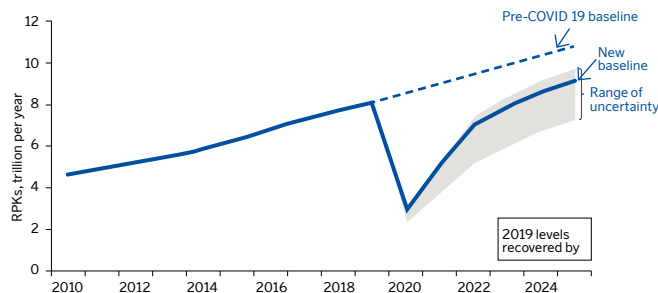
- **Slow virus containment in the United States and developing economies:** Although IATA believes that developed economies outside of the United States have been largely successful in containing the spread of the virus, renewed outbreaks have occurred in these economies and in China. Furthermore, IATA sees little sign of virus containment in many important emerging economies, which in combination with the United States, represent around 40% of global air travel markets.
- **Reduced corporate travel:** IATA expects corporate travel budgets to be very constrained as companies continue to be under financial pressure even as the economy improves. In addition, while IATA notes that GDP growth and air travel historically have been highly correlated, surveys available to IATA suggest this link has weakened, particularly with regard to business travel, as video conferencing appears to have made significant inroads as a substitute for in-person meetings.
- **Weak consumer confidence:** While pent-up demand exists for VFR (visiting friends and relatives) and leisure travel, IATA finds that consumer confidence is weak in the face of concerns over job security and rising unemployment, as well as risks of catching COVID-19.

restrictions as well as passenger confidence and willingness to travel. Furthermore, it is difficult to predict how demand will evolve during the coming fall and winter due to changed customer behavior with bookings being made closer to the date of travel.



Source: Company estimate.

Global RPKs, trillion per year



Source: IATA, IATA Economics' Chart of the Week – Five years to return to the pre-pandemic level of passenger demand, 30 July 2020.

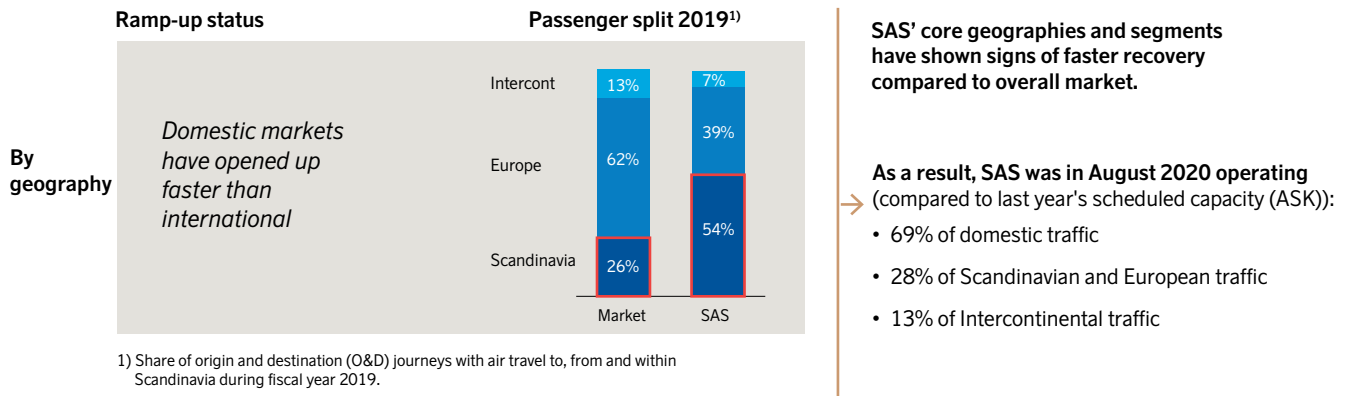
SAS' RAMP-UP AND RETURN TO SERVICE

As further discussed under “Impact of COVID-19” above, the decline in demand caused by the COVID-19 pandemic prompted SAS to implement a range of measures to reduce costs and preserve cash. SAS re-commenced limited operations in June 2020, but expects that it will be difficult to achieve profitability until operations reach the more normalized levels currently expected in fiscal year 2022. In the third fiscal quarter of 2020, SAS experienced a slow return of demand in line with expectations and with domestic traffic leading the way. During the quarter, demand was centered around domestic travel and selected European summer destinations. In the fourth fiscal quarter of 2020, SAS intends to continue to ramp-up production and expects to reach approximately 30% of available seat kilometers (ASK) during the corresponding period 2019. In August 2020, the first month of the fourth fiscal quarter, SAS' total capacity (available seat kilometers, ASK) and total number of passengers were 73.4% and 74.2% lower, respectively, than in August 2019. However, demand going forward remains uncertain and is heavily dependent on the easing of travel

During the second and current phase of the recovery (the “Ramp-up”), SAS seeks to ensure a cost-efficient ramp-up and safe travels. SAS has implemented ramp-up measures with a view to reduce costs and stimulate travel. Such ramp-up measures includes an analytics dashboard to monitor travel restrictions, travel intent and early booking trends, a ramp-up program with add-on “blocks” that are easy to schedule for crew, technical maintenance, and ground handling services, and adjusted management principles to enable maximized revenue in a low demand environment. For the purposes of safe travels, almost all of SAS' aircraft are equipped with HEPA (High-Efficiency Particulate Air) filters¹⁾ that are capable of capturing up to 99.97% of microbes, like viruses and bacteria and the air onboard is exchanged every two to three minutes. In addition, SAS has introduced new on-ground, boarding and on-board procedures, deep cleaning and sanitization of aircraft according to EASA (European Union Aviation Safety Agency) regulations, and a protective face mask requirement.

SAS believes that it is well-positioned to benefit from the expected market rebound during the ramp-up phase. So far, domestic markets have opened up faster than international air travel. During fiscal year 2019, 54% of SAS' passengers traveled between two Scandinavian destinations, while intra-Scandinavian travel accounted for only 26% of the overall Scandinavian air travel market in fiscal year 2019. Also, easing of travel restrictions is likely to initially cover “necessary” journeys. Business travel and visiting friends and relatives were the primary purposes of 73% of SAS' passengers during fiscal year 2019, but the primary purpose of only 54% of all passengers on the Scandinavian air travel market in fiscal year 2019. Moreover, SAS' core geographies have shown signs of faster recovery compared to the overall market. As a result and in relation to last year's scheduled capacity (available seat kilometers, ASK) SAS operated 84% of its domestic traffic, 23% of its Scandinavian and European traffic and 13% of its intercontinental traffic in July 2020. In August 2020, SAS operated 69% of its domestic traffic, 28% of its Scandinavian and European traffic and 13% of its intercontinental traffic compared to August 2019.

1) All SAS' Airbus, Boeing and Bombardier aircraft are equipped with HEPA filters. Flights operated with ATR aircraft has another type of air filter onboard, which ensures a continuous flow of fresh air to the cabin.



Source: Company estimate.

REVISED BUSINESS PLAN AND THE RECAPITALIZATION PLAN

REVISED BUSINESS PLAN

Given the negative financial impacts of the COVID-19 pandemic going forward, the Board of Directors of SAS have decided on a revised business plan, which involves a broad range of measures to tackle the effects of the pandemic. As part of this, SAS is pursuing approximately SEK 4 billion in efficiency improvements. The revised business plan is based on rightsizing SAS and its cost structure to reflect a new situation of lower expected demand and is based on four pillars:





1. Preferred airline for Scandinavia's frequent travelers

SAS will continue to focus on Scandinavia's frequent travelers to maintain its strong position in Scandinavia. SAS will also continue to build on its Scandinavian footprint and prioritize main traffic flows within Scandinavia and to European major cities. SAS will maintain Copenhagen Airport (CPH) as its main long-haul hub, complemented by selective long-haul routes from Oslo Airport (OSL) and Stockholm Arlanda Airport (ARN). To further strengthen the relationship with its core customers SAS will continue to develop Scandinavia's largest loyalty program, EuroBonus.

Customers	Network	Product
<ul style="list-style-type: none"> • Focus on SAS' core customer segments – corporate customers and frequent travelers • Complement with seasonal leisure 	<ul style="list-style-type: none"> • Build on Scandinavian footprint to prioritize main flows within Scandinavia and to European majors • Maintain CPH as main long haul hub, complemented by selective routes from OSL/ARN 	<ul style="list-style-type: none"> • Focus on care and feeling safe • Strengthen sustainability position • Strengthen EuroBonus value proposition

2. Hyper modern single-type Airbus fleet

SAS will continue its fleet renewal and by 2025 it is expected to have one of Europe’s most modern and efficient aircraft fleets. The single-type Airbus fleet will lead to significantly lower fuel consumption and reduced maintenance costs. It will also lead to reduced stand-by levels and thereby improved productivity. SAS is also evaluating a replacement for its ageing 737-fleet in the mid-size segment (120–150 seats). By 2025, SAS is expected to have completed the introduction of a next generation mid-size aircraft. Finally, SAS is continuously working with its wet lease suppliers to ensure renewal of the aircraft in the smaller segments.

SAS' ongoing fleet renewal			By 2025, SAS is expected to have...
<i>Firm aircraft orders</i>			
<p>A320neo</p>  <ul style="list-style-type: none"> • Back-bone of short-haul network • 18–20% lower emissions than previous generations 	80	<ul style="list-style-type: none"> • Completed fleet transition to a single-type Airbus fleet • One of the youngest fleets among airlines in Europe • Attractive aircraft assets to finance • Environmentally efficient aircraft type in each aircraft segment 	
<p>A330E & A350XWB</p>  <ul style="list-style-type: none"> • Back-bone of long-haul network • 30% lower emissions and 40% less noise than previous generations 	13		
<p>A321LR</p>  <ul style="list-style-type: none"> • Complementary long-haul • 18–20% lower emissions than previous generations 	3		
<p>Mid-size & regional</p>  <ul style="list-style-type: none"> • Next-generation mid-size • Modern turbo-prop from wet lease suppliers 	0*		





* Flexibility to adapt to future demand

3. Fully competitive operating model

In order to adapt the organization to a lower demand environment, the revised business plan is expected to deliver SEK 4 billion in efficiency improvements by 2022. This includes:

- Personnel cost reductions from work force redundancy of up to 5,000 positions and renegotiated collective bargaining agreements including increased productivity of 15–25%. The initiatives are expected to result in a new and more effective SAS organization adapted to the market environment;
- Reduced sales & marketing spend, renegotiated supplier agreements including lessors, and more focused IT projects and investments; and
- Other operational efficiency improvements, including efficient phase-out of aircraft to reach a one type fleet and lower fuel consumption, deferring aircraft deliveries and reaching improved agreements with lessors, improved technical maintenance procedures and wet lease operations.

Components of SAS’ revised business plan expected to deliver SEK 4bn by 2022

 <p>Employees</p>	<ul style="list-style-type: none"> • Initiated reduction of work force by up to 5,000 full-time positions to meet lower expected demand for air travel • Zero based re-sizing of administration
 <p>Fleet</p>	<ul style="list-style-type: none"> • Delayed Airbus deliveries, and negotiated increased flexibility in external wet lease platform • Accelerated phase out of older aircraft to reach single-type fleet
 <p>Productivity</p>	<ul style="list-style-type: none"> • Increased productivity of 15-25% in all areas of the business, requiring new collective bargaining agreements and enhanced planning • Increased digitalization, structural measures and increased outsourcing
 <p>Suppliers</p>	<ul style="list-style-type: none"> • Negotiated discounts with large suppliers • Initiated cost saving program across categories including brand, marketing, IT, product cost, and facilities

By 2025, SAS is expected to have...

- Completed establishment of made-for-purpose operating platforms
- Cost competitiveness in each platform
- Single-type operations in each platform

As at 31 July 2020, 4,000 redundancies (of the approximately 5,000 in total) had been concluded and local union agreements were subject to renegotiations. In July 2020, SAS signed an agreement to outsource ground handling operations in Gothenburg and Malmö, focusing SAS’ operations to the three main hubs in Copenhagen, Oslo and Stockholm. Following a constructive dialogue with Airbus, SAS has deferred eight A320neo and two A350-900 aircraft deliveries. SAS believes these deferrals are important as they reduce SAS’ near-term capital expenditures and better align deliveries of new aircraft with the expected return in demand. Moreover, SAS also renegotiated agreements with several suppliers, including wet-lease providers, which will enable lower costs and increased flexibility, through a higher share of variable costs going forward.

4. Global leadership in sustainable aviation

SAS works continuously to reduce the climate and environmental impacts of its operations through innovation and investment in new technology. SAS’ target of a 25% reduction (compared to 2005 levels) of its net CO2 emissions by 2030 has in the revised business plan been accelerated to 2025. The reduction is equivalent to all CO2 emissions on SAS’ flights within Scandinavia in 2019, and ensures that SAS contributes positively to the targets set out in the Paris Agreement. SAS will also explore commercial collaborations with railway service providers.

A cornerstone in this agenda is to continue SAS’ ongoing fleet renewal. In 2025, SAS is expected to operate one of the youngest fleets in Europe, with the most environmentally efficient aircraft type in each segment. SAS intends to achieve this

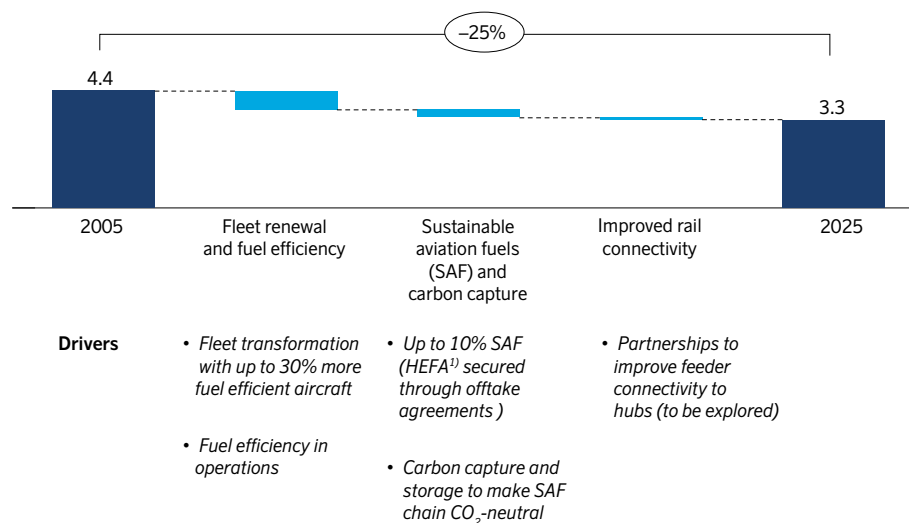
goal by continuing the introduction of new fuel-efficient Airbus A320neo and Airbus A350 aircraft into its fleet, while at the same time increasing its efficiency to minimize fuel consumption during flights.

Furthermore, SAS intends to take a world-leading position in the usage of renewable aviation fuels. Sustainable aviation fuels (“SAF”) are renewable sources of jet fuel and reduce net CO2-emissions by up to 80% compared to traditional jet fuel. To reach SAS’ ambitious environmental targets by 2025, access to SAF in up to 10% of SAS’ fuel consumption is a prerequisite. SAS therefore intends to utilize existing production capacity and sign offtake agreements with existing and potential future suppliers of SAF to secure sufficient volumes at the right price. SAS continues its intensive work with a number of existing and potential SAF producers to accelerate the development within the SAF field. SAS also intends to explore partnerships with providers of carbon capture and storage.

Finally, SAS has identified an opportunity for Scandinavia to lead the way to create a new “green base industry” around SAF production. This requires close collaboration with stakeholders across multiple industries in Scandinavia and a supportive regulatory framework. In combination with other efficiency measures, such as a fully implemented Single European Sky, this could potentially enable SAS to reach up to 50% reduction of net CO2-emissions by 2030 (compared to 2005). SAS also engages in, and contributes to, the development of the next generation of commercially accessible aircraft that are powered by an increasing degree of electricity. There are a number of promising initiatives looking at everything from the use of hydrogen as source of power to electrically propelled aircraft with battery storage onboard.

By 2025, SAS targets a net reduction in CO₂-emissions by 25%

Mn tons



Sustainability rapidly becoming important factor for travelers and corporate customers

Sustainability also increasingly important for access to financing

→ By being a leader in sustainable aviation, SAS expects competitive advantage in terms of market share and price premium

Accelerated sustainability targets in accordance with the Paris Agreement Under the United Nations Framework Convention on Climate Change

1) Hydrotreated Esters and Fatty Acids

Source: Company estimate.

Financial targets

The revised business plan and the Recapitalization Plan demonstrates SAS’ commitment to its overall long-term goal to create value for its shareholders and to delivering sustainable and profitable growth, through the cycle. SAS maintains its three financial targets, which now have been adjusted to reflect IFRS 16, expected to be implemented from the end of the current fiscal year:

- Post-tax Return on invested capital (ROIC)¹⁾ to exceed to post-tax Weighted Average Cost of Capital (WACC)²⁾ over a business cycle
- Financial net debt/EBITDA³⁾ to be a multiple of less than three and a half (3.5x)
- Financial preparedness⁴⁾ to exceed 25% of SAS’ annual fixed costs

THE RECAPITALIZATION PLAN

SAS announced on 30 June 2020 a recapitalization plan to counteract the effects of the COVID-19 pandemic. The recapitalization plan included burden sharing measures, which the holders of SAS’ Existing Hybrid Notes and Bonds where to decide on at noteholders’ meetings scheduled for 17 July 2020. On 10 July 2020, SAS cancelled the noteholders’ meetings as SAS concluded that the majority required for the respective conversions could not be obtained. Following

intense discussions and negotiations with certain major holders of SAS’ Existing Hybrid Notes and Bonds, the Board of Directors of SAS announced a revised recapitalization plan on 14 August 2020. The recapitalization plan is supported by the Company’s two major shareholders, the governments of Sweden and Denmark, and the third largest shareholder, the Knut and Alice Wallenberg Foundation (“KAW”). The Recapitalization Plan entails the following components:

The Directed Issue

A directed issue of new shares in the amount of approximately MSEK 2,006 to the Major Shareholders (split approximately MSEK 1,016 to the Government of Denmark and approximately MSEK 990 to the Government of Sweden, in case the Rights Issue is fully subscribed⁵⁾) at a subscription price of SEK 1.16. See “Shares and share capital–The Directed Issue” for additional information.

The Rights Issue

A rights issue of new shares in an amount of approximately MSEK 3,994 at a subscription price of SEK 1.16 per share. The Rights Issue is expected to be covered by subscription undertakings and underwriting commitments corresponding to approximately 81.5% of the total amount of the Rights Issue, where approximately MSEK 2,994 is covered by *pro rata* subscription undertakings and underwritings commitments

1) Operating income (EBIT) multiplied by (1 – tax rate) less dividends, in relation to average shareholders’ equity and net financial debt.

2) WACC includes the average weighted cost of liabilities and equity. The sources of funds are calculated and weighted in accordance with the current market value of equity and liabilities.

3) The sum of average financial net debt and average lease liabilities in relation to EBITDA (operating income before tax, net financial items, income from the sale of fixed assets, share of income in affiliated companies, and depreciation and amortization).

4) Cash and cash equivalents, excluding receivables from other financial institutions, plus available 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 net financial items.

5) Split approximately MSEK 1,004 to the Government of Denmark and approximately MSEK 1,002 to the Government of Sweden in case no one besides the Major Shareholders and KAW would participate in the Rights Issue.

from the Major Shareholders (split equally) and *pro rata* subscription undertakings from KAW of approximately MSEK 259.¹⁾ See also “*Shares and share capital–The Rights Issue*” and “*Legal considerations and supplementary information–Subscription and underwriting commitments*”.

Directed issue of New State Hybrid Notes

Directed issues of new SEK denominated subordinated capital securities with perpetual tenor to the Major Shareholders, in a total amount of MSEK 6,000 as two separate instruments:

- One set of New State Hybrid Notes (“**NSHN1**”) in an amount of MSEK 5,000, split equally among the Major Shareholders. These hybrid notes will have a floating interest rate of 6M STIBOR plus an initial margin of 340 bps per annum. The margin of the notes will thereafter increase to the following: during 2nd and 3rd year 440 bps, during 4th and 5th year 590 bps, during 6th and 7th year 790 bps, and during 8th year and thereafter 1,040 bps per annum. The NSHN1 will rank *pari passu* with the NSHN2 (as defined below); and
- One set of New State Hybrid Notes (“**NSHN2**”) in an amount of MSEK 1,000 to the Government of Denmark. These hybrid notes will have a floating interest rate of 6M STIBOR plus an initial margin of 440 bps. The margin of the notes will thereafter increase to the following: during 2nd and 3rd year 540 bps, during 4th and 5th year 690 bps, during 6th and 7th year 890 bps, and during 8th year and thereafter 1,140 bps per annum. The NSHN2 will rank *pari passu* with the NSHN1.

The New State Hybrid Notes are freely transferable but unlisted and will be callable by SAS at any time at par value, and will be treated as equity in SAS’ accounting.

Conversion of the Existing Hybrid Notes into shares

Conversion the MSEK 1,500 Existing Hybrid Notes²⁾ into shares at 90% of par value (i.e. MSEK 1,350) at a subscription price of SEK 1.16 per share, as approved by the holders of the Existing Hybrid Notes at a noteholders’ meeting on 2 September 2020. See “*Shares and share capital–Set-off issue to holders of Existing Hybrid Notes*” for additional information.

Conversion of the Bonds into New Commercial Hybrid Notes or shares

Conversion of the MSEK 2,250 Bonds at 100% of par value into SEK denominated perpetual unsubordinated, unsecured, unguaranteed floating rate callable capital securities in the Company (the “**New Commercial Hybrid Notes**”). The New Commercial Hybrid Notes will have a floating interest rate of 6M STIBOR plus an initial margin of 340 bps per annum. The margin of the New Commercial Hybrid Notes will thereafter increase to the following: during the 2nd and 3rd year 440 bps, during the 4th and 5th year 590 bps, during the 6th and 7th year 1,090 bps, during the 8th up to and including the 10th year 1,440 bps, and during 11th year and thereafter 1,590 bps per annum.

Alternatively, holders of the Bonds will have the possibility to subscribe for newly issued shares in accordance with the Bondholder Offer at a subscription price of SEK 1.16 per share by setting off the claim under their Bonds as consideration. The aggregate number of new shares to be issued under the Bondholder Offer is limited to 969,827,586 shares (corresponding to

50% of the total nominal amount of the Bonds) and, in case of oversubscription, the allotment to Bondholders who have subscribed for shares for more than 50% of the nominal amount of their Bonds will be scaled down *pro rata* based on the number of Bonds submitted. Any remaining claim under the Bonds not used as payment for shares will be converted into New Commercial Hybrid Notes. See also “*Shares and share capital–Set-off issue to holders of Bonds*”.

The New Commercial Hybrid Notes will be freely transferable, callable by SAS at any time at par value, will rank senior to the New State Hybrid Notes and will be treated as equity in SAS’ accounting. The New Commercial Hybrid Notes will be admitted to trading on Nasdaq Stockholm. The aforementioned conversion was approved by the holders of the Bonds at a noteholders’ meeting on 2 September 2020. Accrued and unpaid interest on the Bonds will be paid to the holders in cash on 23 October 2020.

Implementation of the Recapitalization Plan

Subject to a successful completion of the recapitalization plan, SAS aims to convert MSEK 2,250 of debt to equity³⁾ and raise MSEK 12,000 of new equity, before recapitalization costs estimated at approximately MSEK 155 and restore equity by MSEK 14,250. Following the implementation of the Recapitalization Plan, the number of shares and votes in the Company will increase by up to 7,306,034,482 to up to 7,688,617,033 shares and votes after the implementation, corresponding to a dilution of up to 95% (mitigated to some extent for those shareholders who participate in the Rights Issue)⁴⁾ (see “*Shares and share capital*” for further information related to the share issues and dilution).

In addition to the SEK 14.25 billion, an additional MSEK 500 has been secured through commercial agreements with Norway, under which the Norwegian state has paid and will pay for SAS to maintain a certain level of network capacity. In combination with the capital raise of SEK 12.0 billion outlined above, this will entail that SAS has secured in aggregate SEK 12.5 billion. Following the implementation of the Recapitalization Plan, SAS will cancel, and prepay its SEK 3,333,333,336 three-year revolving credit facility agreement, 90% guaranteed by the Major Shareholders, in accordance with its terms and conditions. The Recapitalization Plan will result in SAS having slightly higher financing costs than before.

European Commission approval under state aid rules

The participation of the Major Shareholders, by subscription of financial instruments, in the Recapitalization Plan deemed State aid (referred to below as the “**State Participation**”) has been notified as State aid to the European Commission based on Article 107(3)(b) of the TFEU and the Temporary Framework. The Commission issued a decision declaring the State Participation compatible with the internal market under the Temporary Framework on 17 August 2020, see the European Commission’s decision in Cases SA.57543 and SA.58342.

The European Commission’s approval is conditional upon SAS adhering to the following governance restrictions.⁵⁾

1. SAS and the companies controlled by SAS must not use the State Participation for commercial advertising purposes.

1) The subscription undertakings and underwriting commitments are not secured. See “*Risk factors–Non-secured subscription and underwriting commitments*”.

2) Already accounted for as equity.

3) The Existing Hybrid Notes are already accounted for as equity.

4) Based on 382,582,551 outstanding shares.

5) SAS and the Major Shareholders intend to enter into a Commitment Agreement in which SAS will commit towards the Major Shareholders to adhere to the corporate governance restrictions and reporting requirements set out in the decision by the European Commission.

2. As long as at least 75% of the State Participation has not been redeemed or sold:
- (a) SAS and the companies controlled by SAS must not acquire an interest of more than 10% in competitors or other companies in the same business segment, including upstream and downstream business activities. In exceptional circumstances, without prejudice to merger control and subject to prior approval of the Commission, SAS and the companies controlled by SAS may acquire a stake of more than 10% in upstream or downstream companies in its field of business if the acquisition is necessary to maintain the viability of the acquirer.
- (b) the remuneration of the management of SAS, and of companies controlled by SAS, must not go beyond the fixed part of his/her remuneration on 31 December 2019; for persons becoming members of the management on or after the recapitalization, the applicable limit is the fixed remuneration of the members of the management with the same level of responsibility on 31 December 2019, and SAS must not pay bonuses, other variable or comparable remuneration elements.
3. Until the State Participation has been fully redeemed or sold, SAS is subject to the obligation not to make dividend payments, non-mandatory coupon payments nor buy back shares, other than in relation to the States or where there is a legal obligation to do so. In case of doubt as to whether a legal obligation exists, SAS shall submit the proposed coupon or dividend payment to the Commission for approval. The dividend ban does not apply to intra-group dividend payments made to SAS by companies that are (directly or indirectly) fully owned by SAS. Moreover, the ban on non-mandatory coupon payments will not apply to non-mandatory coupon payments on the New Commercial Hybrid Notes resulting from the conversion of the Bonds.
4. SAS must not cross-subsidise group companies which, on 31 December 2019, were undertakings in difficulty as defined in the European Commission Regulation (651/2014) declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of TFEU, having recourse, if necessary, to separation of accounts. However, in the decision, the European Commission also concluded based on the evidence submitted by the Major Shareholders that neither SAS nor its subsidiaries were undertakings in difficulty on 31 December 2019.

The governance restrictions above will continue to apply until the State Participation has been fully or partly redeemed by SAS or sold by the Major Shareholders as outlined above. As regards the New State Hybrid Notes, these must either be redeemed by SAS through repayment of the full nominal amount and accrued coupon payments or, in the event of a sale by the Major Shareholders, sold at a value corresponding to at least par value or above par value including accrued coupon payments (including compound interest).

If the State Participation has not been reduced below 15% of SAS' equity 6 years after the recapitalization, the Major Shareholders must notify a restructuring plan to the Commission for approval.

Besides the governance restrictions, SAS is also subject to the following reporting obligations.

1. Within 12 months from the day of the granting of the aid, SAS must demonstrate a credible exit strategy for the State Participation. The exit strategy must lay out SAS' plan on the continuation of its activity and the use of the funds invested by the Major Shareholders, including a repayment schedule, and the measures that SAS and the Major Shareholders will take to abide by the repayment schedule. The exit strategy must be endorsed by the States.
2. SAS must submit annual reports to the Major Shareholders based on the progress in the implementation of the repayment schedule and the compliance with the governance restrictions.
3. SAS must publish information on the use of the aid received within 12 months from the date of the recapitalization and thereafter periodically every 12 months. In particular, this includes information on how SAS' use of the aid received supports its activities in line with union objectives and national obligations linked to the green and digital transformation and how SAS is contributing to the EU's economy-wide objective of climate neutrality by 2050.
4. SAS must report regularly to the Major Shareholders in suitable form on compliance with the requirements regarding the remuneration of the management of SAS (remuneration report).



SELECTED HISTORICAL FINANCIAL INFORMATION

Unless otherwise stated, the historical financial information presented below (other than alternative performance measures) has been derived from SAS' audited consolidated financial statements for the fiscal years 2017, 2018 and 2019, respectively, which have been prepared in accordance with the Swedish Annual Accounts Act (Sw. *årsredovisningslagen (1995:1554)*), Recommendation RFR 1 — *Supplementary Accounting Rules for Corporate Groups*, and the EU-approved IFRS and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), and the Group's interim consolidated financial statements for the period 1 November 2019–31 July 2020 (with comparative figures for the period 1 November 2018 to 31 July 2019), which have been prepared in accordance with the IAS 34 *Interim Financial Reporting* and the Swedish Annual Accounts Act. The consolidated financial statements for the fiscal years 2017 and 2018 have been audited by the SAS' former auditor PricewaterhouseCoopers AB. The consolidated financial statements for the fiscal year 2019 have been audited, and the consolidated financial statements for the period 1 November 2019 to 31 July 2020 have been reviewed by, SAS' current auditor KPMG AB.

CONDENSED CONSOLIDATED STATEMENT OF INCOME INCLUDING STATEMENT OF OTHER COMPREHENSIVE INCOME

MSEK	Interim period		Fiscal year		
	1 Nov 2019– 31 Jul 2020	1 Nov 2018– 31 Jul 2019	2019	2018	2017
Revenue	17,478	32,677	46,736	44,718	42,654
Personnel expenses	-6,234	-7,325	-9,934	-9,441	-9,205
Other operating expenses ¹⁾	-	-	-30,253	-28,347	-27,489
Fuel expenses ¹⁾	-4,855	-6,892	-	-	-
Air traffic charges ¹⁾	-1,602	-3,015	-	-	-
Other external expenses ¹⁾	-6,376	-14,145	-	-	-
Leasing costs for aircraft ²⁾	-	-	-3,561	-3,156	-3,116
Depreciation, amortization and impairment	-5,225	-1,422	-1,924	-1,763	-1,635
Income from share in affiliated companies	4	-11	-10	35	4
Income from the sale of shares in subsidiaries and affiliated companies	-	-	0	-4	-21
Income from sale of aircraft and other non-current assets	-1	112	112	479	995
Operating income (EBIT)	-6,811	-21	1,166	2,521	2,187
Income from other securities holdings	-	0	0	0	1
Financial net	-69	-281	-372	-480	-463
Income before tax (EBT)	-6,880	-302	794	2,041	1,725
Tax	184	62	-173	-452	-576
Net income for the year/period	-6,696	-240	621	1,589	1,149
Other comprehensive income					
<i>Items that may later be reversed to net income:</i>					
Exchange-rate differences in translation of foreign operations	-171	24	-20	147	-124
Cash-flow hedges – hedging reserve, net after tax	-253	-947	-1,109	-160	147
<i>Items that will not be reversed to net income:</i>					
Revaluations of defined-benefit pension plans, net after tax	438	-1,920	-1,752	-915	1,210
Total other comprehensive income, net after tax	14	-2,843	-2,881	-928	1,233
Total comprehensive income	-6,682	-3,083	-2,260	661	2,382
<i>Net income for the period attributable to:</i>					
Parent Company shareholders	-6,696	-240	621	1,589	1,149
Earnings per share (SEK) ³⁾	-17.66	-0.65	1.54	3.7	2.42
Earnings per share after dilution (SEK) ³⁾	-17.66	-0.65	1.48	3.25	2.13

1) With the adoption of IFRS 16 *Leases* from 1 November 2019, SAS has made some changes to improve the presentation of the consolidated statement of income. Previously, Leasing costs for aircraft was presented on the face of the income statement. Following IFRS 16, this expense is no longer material to the Group, so starting 1 November 2019, Leasing costs for aircraft is presented as Other external expenses. Fuel expenses and Air traffic charges were previously presented as Other external expenses, but starting 1 November 2019, these expenses are presented as separate line items in the income statement. For additional information, please refer to “*Note 1 – Accounting policies and financial statements*” beginning on page 17 in SAS’ interim consolidated financial statements for the period 1 November 2019–31 July 2020.

2) From 1 November 2019, SAS applies the new standard IFRS 16 *Leases*. IFRS 16 replaces the previous standard, IAS 17 *Leases*. The lease expenses previously recognized in the income statement have been replaced by a depreciation expense on the right-of-use asset and an interest expense for the lease liability. For additional information, please refer to “*Note 1 – Accounting policies and financial statements*” beginning on page 17 in SAS’ interim consolidated financial statements for the period 1 November 2019–31 July 2020 and “*Note 1–Significant accounting policies*” beginning on page 84 in SAS’ Annual and Sustainability Report Fiscal Year 2019.

3) Earnings per share are calculated as net income for the period attributable to Parent Company shareholders less preference share dividends and hybrid bond expenses in relation to an average of 382,582,551 (1 Nov 2019–31 Jul 2020, 1 Nov 2018–31 Jul 2019, FY 2019 and FY 2018) and 330,082,551 (FY2017) shares outstanding.

CONDENSED CONSOLIDATED BALANCE SHEET

MSEK	31 Jul 2020	31 Jul 2019	31 Oct 2019	31 Oct 2018	31 Oct 2017
ASSETS					
Total fixed assets	44,386	21,362	22,281	21,127	20,252
Current assets					
Expendable spare parts and inventories	520	355	346	401	321
Current receivables	1,283	2,943	2,622	2,915	3,146
Cash and cash equivalents ¹⁾	6,244	7,348	8,763	9,756	8,836
Total current assets	8,047	10,646	11,731	13,072	12,303
TOTAL ASSETS	52,433	32,008	34,012	34,199	32,555
SHAREHOLDERS' EQUITY AND LIABILITIES					
Total equity	-1,371	3,072	5,372	7,268	8,058
Total long-term liabilities	31,290	13,263	13,525	12,011	9,363
Total current liabilities	22,514	15,673	15,115	14,920	15,134
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	52,433	32,008	34,012	34,199	32,555
Shareholders' equity per share (SEK) ²⁾	-7.50	8.03	10.12	16.11	13.28

1) At 31 July 2020, including receivables from other financial institutions, MSEK 0 (313).

2) Shareholders' equity attributable to Parent Company shareholders excluding hybrid bond expenses, in relation to the 382,582,551 (1 Nov 2019–31 Jul 2020, 1 Nov 2018–31 Jul 2019, FY2019 and FY2018) and 330,082,551 (FY2017) shares outstanding.

CONDENSED CONSOLIDATED CASH-FLOW STATEMENT

MSEK	Interim period		Fiscal year		
	1 Nov 2019– 31 Jul 2020	1 Nov 2018– 31 Jul 2019	2019	2018	2017
OPERATING ACTIVITIES					
Income before tax (EBT)	-6,880	-302	794	2,041	1,725
Depreciation, amortization and impairment	5,225	1,422	1,924	1,763	1,635
Income from sale of aircraft, buildings and shares	1	-112	-112	-475	-974
Adjustment for other non-cash items, etc.	-193	-350	-248	228	341
Tax paid	-17	-53	-53	-45	-26
Change in working capital	-299	1,514	1,013	1,047	-258
Cash flow from operating activities	-2,163	2,119	3,318	4,559	2,443
INVESTING ACTIVITIES					
Cash flow from investing activities	-6,972	-3,072	-4,580	-2,679	-87
FINANCING ACTIVITIES					
Cash flow from financing activities	6,619	-1,456	269	-963	-1,887
Cash flow for the year/period	-2,516	-2,409	-993	917	469
Translation difference in cash and cash equivalents	-3	1	0	3	-3
Cash and cash equivalents at beginning of the year/period	8,763	9,756	9,756	8,836	8,370
Cash and cash equivalents at year/period end	6,244	7,348	8,763	9,756	8,836
Cash flow from operating activities per share (SEK)	-5.65	5.54	8.67	11.92	7.40

KEY PERFORMANCE INDICATORS

	Interim period		Fiscal year		
	1 Nov 2019– 31 Jul 2020	1 Nov 2018– 31 Jul 2019	2019	2018	2017
Operating income (EBIT) margin ¹⁾	–39.0%	–0.1%	2.5%	5.7%	5.1%
Return on invested capital (ROIC), 12-month rolling ^{1,2)}	–14%	7%	8%	14%	13%
Adjusted financial net debt/EBITDAR ^{1,2)}	50.8x	3.8x	3.7x	2.7x	3.1x
Financial preparedness ^{1,2)}	38%	34%	38%	42%	37%
Return on shareholders' equity, 12-month rolling ^{1,2)}	–250%	8%	14%	22%	18%
Equity/assets ratio ^{1,3)}	–3%	10%	16%	21%	25%
Financial net debt, MSEK ^{1,3)}	28,917	1,137	328	–2,432	–2,799
Debt/equity ratio ^{1,3)}	–21.09	0.37	0.06	–0.33	–0.35
Interest-coverage ratio ^{1,2)}	–9.1	1.8	2.5	4.4	3.8

1) Alternative performance measure (non-IFRS measure).

2) Calculation based on 12-month rolling numbers. Key ratio is based on financial statements excluding IFRS 16. See further details in "Note 1–Accounting policies and financial statements" beginning on page 17 in SAS' interim consolidated financial statements for the period 1 November 2019–31 July 2020.

3) Key ratio for 2020 including IFRS 16. Earlier periods do not include IFRS 16. See further details in "Note 1–Accounting policies and financial statements" beginning on page 17 in SAS' interim consolidated financial statements for the period 1 November 2019–31 July 2020.

DEFINITIONS AND EXPLANATIONS

Measure	Definition ¹⁾	Purpose
Adjusted financial net debt/EBITDAR	The sum of average financial net debt and average LTM net capitalized leasing costs in relation to 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).	Adjusted financial net debt/EBITDAR is a key ratio used by credit rating agencies and banks for assessing creditworthiness and includes the value of leased aircraft. The aim with maintaining a ratio with a multiple of less than three (3x) is aligned with SAS' ambition of improving the financial position and credit rating, and thereby lowering financing costs.
Debt/equity ratio	Financial net debt in relation to equity.	The debt/equity ratio is relevant because the APM shows the level of total indebtedness by clarifying the relation between net debt and shareholder's equity to investors and other stakeholders that wish to form an understanding of SAS' capital structure.
Equity/assets ratio	Equity in relation to total assets.	The metric shows the proportion of the assets that are financed by shareholders' equity and comprises a measure of the financial position and long-term solvency.
Financial net debt	Interest-bearing liabilities less interest-bearing assets excluding net pension funds.	Financial net debt is used to track changes in net interest-bearing debt, which provides an indication of the scope for financial flexibility and independence. Negative amounts indicate a net asset.
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' solvency and freedom of action in case of major unforeseen events, both internal and external.
Interest-coverage ratio	Operating income plus financial income in relation to financial expenses.	The interest coverage ratio is relevant for investors and other stakeholders who want to assess SAS' capacity to make investments and to assess SAS' ability to meet its financial commitments.
Operating income (EBIT) margin	Operating income (EBIT) divided by revenue.	The EBIT margin is used to measure operating profitability.
Return on invested capital (ROIC)	Operating income (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 (x7).	The ROIC target corresponds with the capital markets' and SAS' internal assessment of SAS' weighted average cost of capital (WACC). This is also linked to SAS' dividend policy for holders of shares, which stipulates that dividends can be paid when value is created through SAS' ROIC exceeding its WACC.
Return on shareholders' equity	Net income for the period attributable to shareholders in the parent company in relation to average equity excluding non-controlling interests.	This metric allows comparison of the return on shareholders' equity over time.

1) Averages are calculated as the average of the last 13 months' closing balances.

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

SAS presents certain measures that are not defined under IFRS (alternative performance measures – “APMs”). These are used by management to assess the financial and operational performance of the Group. Management believes that these APMs provide useful information regarding the Group’s financial and operating performance. Such measures may not be comparable to similar measures presented by other companies. Consequently, APMs have limitations as analytical tools and should not be considered in isolation or as a substitute for related financial measures prepared in accordance with IFRS. See also “Presentation of financial information and certain other information—Alternative performance measures (non-IFRS)”.

ADJUSTED FINANCIAL NET DEBT/EBITDAR

MSEK	Interim period		Fiscal year		
	1 Nov 2019– 31 Jul 2020	1 Nov 2018– 31 Jul 2019	2019	2018	2017
Average financial net debt	6,036	361	1,106	-2,612	-1,765
Capitalized leasing costs (x7), average	24,785	22,493	23,162	21,546	20,385
Total	30,821	22,854	24,268	18,934	18,620
Operating income (EBIT), 12-month rolling	-5,832	899	1,166	2,521	2,187
Income from the sale of aircraft, buildings and slot pairs	1	-414	-112	-479	-995
Income from the sale of shares in subsidiaries, affiliated companies and operations	0	0	0	4	21
Share of income in affiliated companies	-6	-12	10	-35	-4
Depreciation, amortization and impairment	3,017	2,054	1,924	1,763	1,635
Leasing costs for aircraft	3,427	3,435	3,561	3,156	3,116
EBITDAR, 12-month rolling	607	5,952	6,549	6,930	5,960
Adjusted financial net debt/EBITDAR	50.8x	3.8x	3.7x	2.7x	3.1x

DEBT/EQUITY RATIO

MSEK	31 Jul 2020	31 Jul 2019	31 Oct 2019	31 Oct 2018	31 Oct 2017
Financial net debt	-28,917	1,137	328	-2,432	-2,799
Equity	-1,371	3,072	5,372	7,268	8,058
Debt/equity ratio	-21.09	0.37	0.06	-0.33	-0.35

EQUITY/ASSETS RATIO

MSEK	31 Jul 2020	31 Jul 2019	31 Oct 2019	31 Oct 2018	31 Oct 2017
Equity	-1,371	3,072	5,372	7,268	8,058
Total assets	52,433	32,008	34,012	34,199	32,555
Equity/assets ratio	-3%	10%	16%	21%	25%

FINANCIAL NET DEBT

MSEK	31 Jul 2020	31 Jul 2019	31 Oct 2019	31 Oct 2018	31 Oct 2017
Interest-bearing liabilities	37,773	10,821	11,283	10,092	8,575
Interest-bearing assets	11,614	11,406	12,960	16,549	16,245
Excluding net pension funds	-2,758	-1,722	-2,004	-4,025	-4,871
Total	8,856	9,684	10,956	12,524	11,374
Financial net debt	28,917	1,137	328	-2,432	-2,799

FINANCIAL PREPAREDNESS

MSEK	31 Jul 2020	31 Jul 2019	31 Oct 2019	31 Oct 2018	31 Oct 2017
Cash and cash equivalents	6,244	7,348	8,763	9,756	8,836
Receivables from other financial institutions	0	-313	-290	-339	-846
Unutilized credit facilities	2,700	2,877	2,899	2,785	2,700
Total	8,944	9,912	11,372	12,202	10,690
Fixed costs, 12 month rolling:					
Total operating expenses, 12-month rolling	-33,733	-42,828	-43,748	-40,944	-39,810
Less jet fuel costs, 12-month rolling	7,637	9,347	9,672	7,996	6,836
Less government user fees, 12-month rolling	2,780	4,132	4,194	4,159	4,262
Total	-23,316	-29,349	-29,882	-28,789	28,712
Financial preparedness	38%	34%	38%	42%	37%

INTEREST-COVERAGE RATIO

MSEK	Interim period		Fiscal year		
	1 Nov 2019– 31 Jul 2020	1 Nov 2018– 31 Jul 2019	2019	2018	2017
Operating income (EBIT), 12-month rolling	-5,832	899	1,166	2,521	2,187
Financial income, 12-month rolling	106	162	172	129	148
Total	-5,726	1,061	1,338	2,650	2,335
Financial expenses, 12-month rolling	-630	-574	-544	-609	-611
Interest-coverage ratio	-9.1	1.8	2.5	4.4	3.8

OPERATING INCOME (EBIT) MARGIN

MSEK	Interim period		Fiscal year		
	1 Nov 2019– 31 Jul 2020	1 Nov 2018– 31 Jul 2019	2019	2018	2017
Operating income (EBIT)	-6,811	-21	1,166	2,521	2,187
Revenue	17,478	32,677	46,736	44,718	42,654
Operating income (EBIT) margin	-39.0%	-0.1%	2.5%	5.7%	5.1%

RETURN ON INVESTED CAPITAL (ROIC)

MSEK	Interim period		Fiscal year		
	1 Nov 2019– 31 Jul 2020	1 Nov 2018– 31 Jul 2019	2019	2018	2017
Operating income (EBIT), 12-month rolling	-5,832	899	1,166	2,521	2,187
33% of leasing costs aircraft, 12-month rolling	1,131	1,134	1,175	1,041	1,028
33% of leasing income aircraft, 12-month rolling	0	0	0	-3	-28
Total	-4,701	2,033	2,341	3,559	3,187
Shareholders' equity, average	2,518	5,090	4,372	7,377	6,268
Financial net debt, average	6,036	361	1,106	-2,612	-1,765
Capitalized leasing costs, net (x7), average	24,785	22,493	23,162	21,546	20,385
Invested capital, average	33,339	27,944	28,640	26,311	24,888
Return on invested capital	-14%	7.3%	8%	14%	13%

RETURN ON SHAREHOLDERS' EQUITY

MSEK	Interim period		Fiscal year		
	1 Nov 2019– 31 Jul 2020	1 Nov 2018– 31 Jul 2019	2019	2018	2017
Net income for the period attributable to shareholders in the parent company, 12-month rolling	-6,286	383	621	1,589	1,149
Average equity excluding non-controlling interests	2,518	5,090	4,372	7,377	6,268
Return on shareholders' equity	-250%	8%	14%	22%	18%

OPERATING AND FINANCIAL REVIEW

This operational and financial review is intended to facilitate the understanding and assessment of trends and changes in SAS' earnings and financial position. The information below should be read together with the section "Selected historical financial information" and the Group's financial statements for the periods concerned which have been incorporated by reference in this prospectus (see "Legal considerations and supplementary information—Incorporation by reference, etc."). For information about SAS' accounting principles, refer to "Note 1 – Significant accounting principles" on p. 84 and onwards in the Group's financial statements for the fiscal year 2019 and "Note 1 – Accounting policies and financial statements" in the Group's interim consolidated financial statements for the period 1 November 2019–31 July 2020.

Historical earnings do not necessarily provide a correct indication of future earnings. This section contains forward-looking information. Such information is based on estimates and assumptions and is subject to risks, uncertainties and other factors, including, without limitation, those stated in "Risk factors". These factors could cause the SAS' future results of operations, financial position or cash flow to deviate significantly from the information stated or indicated in such forward-looking statements.

OVERVIEW

SAS is the Nordic region's largest airline, offering passenger flights in an extensive Nordic, European and intercontinental network. See "Business description" for additional information.

PRESENTATION OF FINANCIAL INFORMATION

The financial statement information presented in this prospectus and discussed in this section is derived from the Group's audited consolidated financial statements for the fiscal years 2019, 2018 and 2017, prepared in accordance with IFRS and the Group's reviewed interim consolidated financial statements for the period 1 November 2019 to 31 July 2020 (with comparative figures for the period 1 November 2018 to 31 July 2019). See "Presentation of financial information and certain other information—Financial information" for additional information and information regarding segment reporting and geographic information of revenue from external customers.

From 1 November 2019, the Group applied the new standard IFRS 16 *Leases*. IFRS 16 replaces the previous standard, IAS 17 *Leases*. The adoption of IFRS 16 has had a material impact on the Group's income statement and balance sheet as well as its key alternative performance measures. See "Presentation of financial information and certain other information—IFRS 16 *Leases*" and "Note 1 – Accounting policies and financial statements" to the Group's reviewed interim consolidated financial statements for the period 1 November 2019 to 31 July 2020 for additional information.

SUMMARY OF DIVESTURES

Historically, the Group has divested certain subsidiaries and holdings as part of its strategy to focus on its core airline business and Nordic market. The Group divested, or entered into agreements to divest, the following subsidiaries and holdings during the period under review:

1 November 2019–31 July 2020

There were no divestments during the period 1 November–31 July 2020.

Fiscal year 2019

The Group's holding in the affiliated company Air Greenland A/S was divested in fiscal year 2019.

Fiscal year 2018

The Group completed the divestment of its subsidiary Cimber A/S in fiscal year 2018.

Fiscal year 2017

There were no divestments in fiscal year 2017.

FACTORS AFFECTING THE GROUP'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS

DEVELOPMENTS IN THE GLOBAL AND LOCAL AIRLINE MARKETS; IMPACT OF COVID-19

Demand in the airline industry is correlated to trends for economic growth and exports. The Group's primary operations are located in Scandinavia and about 70% of passenger revenue stems from Scandinavia. No single country accounts for more than 30% of the Group's passenger revenue, which limits the Group's exposure to individual countries. As a region, however, demand in Scandinavia is crucial for the Group. Over the past few years, the Scandinavian economies have generally been more stable than other parts of Europe, which has contributed to a positive trend in the demand for flights. However, due to the impact of the COVID-19 pandemic, OECD forecasts real GDP to decrease by 6% in Norway, 6% in Denmark and 7% in Sweden during 2020 in the scenario where a second wave of the pandemic is avoided and by 8% in Norway, 7% in Denmark and 8% in Sweden in the scenario where a second wave of pandemic hits before the end of 2020.¹⁾ The Group's exposure to events in individual markets can be partly offset by the flexibility in SAS' aircraft fleet through the use of smaller aircraft as well as returning aircraft on expiring operating lease agreements.

The COVID-19 pandemic has removed most of the demand for air travel and thereby the commercial basis for airlines. Currently, the Group is operating only a limited network. Given the measures in place, activity in 2020 to date has been very limited, including in the important summer season. The COVID-19 pandemic and the actions taken in response to its spread including government measures and travel restrictions have resulted in significant disruption to the Group's operations. In the month of April, capacity (ASK) decreased by 93.9% and revenue passenger kilometers (RPK) were reduced by 97.8%. The reduction of network and number of passengers have significantly reduced the Group's revenues. For the second quarter of 2020, the early part of which was unaffected by the negative effects of the COVID-19 pandemic, total operating revenues decreased by 46.7% compared to same period last year. The COVID-19 pandemic may also have long-term negative effects on demand for air travel due to changes in travelers' perception of the travel experience, and a general reluctance to travel by air, where virus containment, vaccine availability, and perception of safety are expected to be some of the key determinants in the willingness to fly. Demand for business travel may also be negatively affected in the long term by video conferencing making significant inroads as a substitute for in-person meetings.

To address the ongoing COVID-19 crisis on the airline industry, the Group announced its revised business plan and Recapitalization Plan in June 2020 in order to significantly reduce the Group's annual cost base and to strengthen its balance sheet.

REVISED BUSINESS PLAN AND RECAPITALIZATION PLAN

The containment measures adopted in response to the COVID-19 pandemic such as social distancing, travel restrictions, quarantines and lock downs, resulting in dramatically changed traveling patterns, had an immediate detrimental impact on the aviation sector. This resulted in a sharp drop in number of passengers and consequently revenues for the Group.

The decline in demand immediately triggered the Group to implement a broad range of measures to substantially reduce costs and preserve cash and the Group announced a revised business plan in June 2020 which includes approximately SEK 4 billion in efficiency improvements in all parts of the Group by 2022.

SAS began suspending flights as from 31 January 2020 (to and from mainland China) and eventually made the decision to temporarily halt most of its traffic starting 16 March 2020 until conditions and the ease of restrictions made it feasible to re-commence limited operations in June 2020. Approximately 90% of the Group's workforce is or has been on temporary layoff schemes and there has been a significant reduction of the network. Most non-essential spend and projects have been suspended.

Payment holidays or discounts have been agreed with the majority of suppliers (including lessors). As a result of the measures taken, the monthly average cash flow from operating activities has been reduced to MSEK -320 during the third quarter of the fiscal year 2020 (MSEK -586 during the second quarter of the fiscal year 2020) with an estimated monthly average of MSEK -500 to MSEK -700 during the fourth quarter of the fiscal year 2020.

In addition, the Group's capital expenditures have also been reduced by deferring aircraft deliveries and postponing other investments. Measures have also been taken to strengthen the Group's liquidity through securing a SEK 3.3 billion credit facility, financing five Airbus A320neo spare engines and sale & lease back agreements on one Airbus A350 and three Airbus A320neos have been signed.

Despite countries starting to re-open their borders, the ramp-up phase for the airline industry is expected to last until at least 2022 before demand can reach more normalized levels, with a return to pre COVID-19 levels a few years thereafter, and is subject to considerable uncertainty. The Group expects difficulties reaching profitability until operations reach the more normalized levels currently expected in fiscal year 2022, creating a significant need for recapitalization.

For further details on the Group's revised business plan and its recapitalization plan, see *"Business Description-Revised business plan and the Recapitalization Plan"*.

The Group also secured a three-year SEK 3.3 billion revolving credit facility that is 90% guaranteed by the Danish and Swedish states in order to strengthen its financial position. See *"Credit facility guaranteed by the Swedish National Debt Office and Danmarks Nationalbank"* below. Following implementation of the Recapitalization Plan, the Group intends to cancel and prepay any amount outstanding under this facility in accordance with its terms and conditions.

1) OECD, OECD Economic Outlook, June 2020.

CAPACITY AND CAPACITY UTILIZATION

The Group's operating income is mainly affected by the number of passengers, the average prices paid by passengers and the volume of cargo flown. The number of passengers and cargo volume is, in turn, affected by the number of aircraft in the Group's fleet, the capacity of such aircraft, the utilization of such capacity, the availability of slots at the airports that the Group's airlines serve and general local and global economic and competitive conditions. Utilization of the fleet by allocating

the right type and size of aircraft to particular routes is important to maximize total revenues, the number of passengers and the volume of cargo. As a result of the COVID-19 pandemic, almost all of the Group's fleet was grounded from mid-March 2020. At the end of the second calendar quarter, the Group primarily operated limited domestic networks in Norway and Sweden, supplemented with a few international repatriation flights. As a result, all measures of capacity and capacity utilization (as set forth below) show a substantial reduction during the period 1 November 2019–31 July 2020.

Capacity

The following table sets forth information on the capacity and age of the Group's fleet as of and for the periods indicated (excluding discontinued operations, unless otherwise indicated):

	Interim period		Fiscal year		
	1 Nov 2019– 31 Jul 2020	1 Nov 2018– 31 Jul 2019	2019	2018	2017
Number of aircraft in service	162	161	158	157	158
Average age of the fleet at period end (years)	9.3	10.1	10.2	9.9	10.4
ASK (total) (millions)	19,442	37,761	52,371	52,781	52,217
ASK (scheduled) (millions)	18,575	35,172	48,471	49,023	48,303
ATK (total) (million tonne km)	2,564	4,905	6,797	6,859	6,746

Changes in the Group's operating expenses, similar to other airlines, are driven by changes in the overall passenger capacity and cargo capacity available, expressed, with respect to passenger capacity, in terms of the total number of seats available for passengers multiplied by the number of kilometers flown (ASK) and, with respect to cargo capacity, in terms of the total number of tonnes of capacity available for the transportation of passengers, freight and mail multiplied by the number of kilometers flown (ATK). Increases in capacity are primarily a result of a higher frequency of flights on existing routes, which are serviced by the existing fleet, as well as additional routes

that require more aircraft usage both from the existing fleet and from new aircraft either purchased or leased. Operating expenses increase as the number of flights increases, either due to higher frequency of flights on existing routes or additional routes.

The Group's exposure to individual markets can be partly offset by the flexibility in the Group's aircraft fleet through the use of smaller aircraft as well as returning aircraft on expiring operating lease agreements. The Group has 10 operational leases and four wet leases expiring during 2020.

Capacity utilization

The following table sets forth information on the utilization of the Group's fleet for the periods indicated for all flight operations (excluding discontinued operations, unless otherwise indicated):

	Interim period		Fiscal year		
	1 Nov 2019– 31 Jul 2020	1 Nov 2018– 31 Jul 2019	2019	2018	2017
Scheduled traffic					
Number of passengers (thousands)	10,429	20,369	28,451	28,794	28,625
RPK, Revenue Passenger Kilometers (millions)	11,476	25,611	35,825	36,496	36,361
RTK, Revenue tonne km (millions)	1,574	3,333	4,645	4,808	48,471
Load factor	63.2%	72.8%	68.4%	70.1%	71.4%
Passenger yield (currency-adjusted), SEK	1.03	0.97	0.99	0.93	0.90
Currency-adjusted unit revenue, PASK, SEK	0.65	0.71	0.73	0.70	0.68

The Group’s revenues from passenger traffic are driven by RPK and passenger yield. RPK correspond to the number of passengers multiplied by the distance, measured in kilometers, those passengers are flown. Passenger yield is defined as scheduled passenger revenue for the Group divided by scheduled RPK. Similarly, the Group’s revenues from cargo traffic are a function of RTK, which correspond to the number of tonnes of paid traffic (passengers, freight and mail) multiplied by the distance, measured in kilometers, the cargo is flown. Passenger load factor measures the utilization of available seats in relation to the number of revenue passengers, expressed as a ratio of scheduled RPK to scheduled ASK. Minor variations and fluctuations in these factors affecting revenues can have a significant impact on the Group’s results of operations as expenses are mostly fixed. For example, a 1% change in RPK would have had an effect of approximately MSEK 302 on the Group’s earnings in 2019, compared with an effect of approximately MSEK 290 in 2018. A one-percentage point change in passenger load factor would have had an effect of approximately MSEK 408 on the

Group’s earnings in 2019, compared with an effect of approximately MSEK 390 in 2018. A 1% change in passenger yield would have had an effect of approximately MSEK 355 on the Group’s earnings in 2019, compared with an effect of approximately MSEK 340 in 2018.

A number of factors affect RPK and passenger yield, and correspondingly, the Group’s revenues. These factors include:

- the ability of the Group’s airlines to maximize revenue by allocating the highest prices to seats on flights and routes that prevailing demand will bear;
- the ability to pass on the cost of jet fuel and fees and charges to customers;
- the distribution mix of tickets sold to customers among higher-yielding tickets, such as business class tickets, and lower-yielding tickets, such as economy class tickets; and
- the number of passengers and distances passengers are flown.

VOLATILITY IN JET FUEL COSTS

Jet fuel costs are a significant variable that have substantially affected the Group’s results of operations in recent years. The following table summarizes the development of the Group’s jet fuel costs and usage for the periods indicated (excluding discontinued operations):

	Interim period		Fiscal year		
	1 Nov 2019–31 Jul 2020	1 Nov 2018–31 Jul 2019	2019	2018	2017
Average price paid for jet fuel, including hedging (USD/tonne)	762	752	750	675	566
Tonnes of jet fuel consumed (in thousands)	460	830	1,337	1,368	1,390
Total jet fuel expenditure (MSEK)	4,855	6,892	9,672	7,996	6,836
Jet fuel costs as a percentage of revenue (%)	27.8%	21.1%	20.7%	17.9%	16%
Jet fuel cost per ASK (total) (SEK)	0.2523	0.1825	0.1847	0.1515	0.1309

Jet fuel prices have historically fluctuated widely, and are likely to do so in the future as a result of the level of economic activity, the rate of economic growth, political events, weather conditions, refinery outages or maintenance and the coordinated pricing decisions of producer cartels such as the Organization of Petroleum Exporting Countries, as well as speculative trading activity regarding the price of oil. For example, in 2019, the maximum price for jet fuel, according to the Jet Fuel CIF Cargoes NWE Index, was USD 719 per tonne and the minimum price was USD 539 per tonne, with an average price for the year of USD 633 per tonne. In the first half of 2020, the maximum price for jet fuel, according to the Jet Fuel CIF Cargoes NWE Index, was USD 665 per tonne and the minimum price was USD 111 per tonne, with an average price for the period of USD 448 per tonne. Furthermore, the Group’s ability to implement the sustainable aviation pillar of the revised business plan is dependent on, for example, the availability of sustainable jet fuel at viable price levels. See “Risk factors–SAS is exposed to risks associated with the price and availability of jet fuel.”

The Group, like many other European airlines, imposes fuel surcharges on ticket costs and charges for cargo traffic to help defer increases in fuel prices. In addition, in order to manage exposure to fluctuations in fuel prices, the Group has a policy of entering into derivative contracts to hedge the price of jet fuel

purchases.

Jet-fuel costs comprise the second largest expense item for the Group and in fiscal year 2019 amounted to around 21% of the Group’s operating expenses (including leases, depreciation and amortization). The Group hedges jet-fuel costs to counter short-term negative fluctuations. The Group’s policy for jet-fuel hedging states that jet fuel should be hedged at an interval of 40–80% of anticipated volumes for the coming 12 months. The policy also allows hedging of up to 50% of the anticipated volumes for the period 13–18 months.

Market prices for jet fuel fell sharply during fiscal year 2019 and averaged 5% lower than the preceding fiscal year. Jet-fuel prices decreased gradually during the year from about USD 750/tonne to around USD 630/tonne at the end of the fiscal year. The lower jet-fuel price meant that jet-fuel costs, adjusted for currency effects, decreased 6% year-on-year. Hedge effects had a negative impact of MSEK 1,557 year-on-year. As of 31 July 2020, the Group has hedged 54% of expected fuel consumption for the forthcoming 12 months at an average maximum price of USD 574/tonne. If the fuel price goes below USD 536/tonne for the forthcoming 12 months, 54% of SAS’ fuel consumption would be hedged at an average price of USD 545/tonne. See “Financial risk management and financial derivatives–Fuel price risk.” Further, as jet fuel costs are

incurred in U.S. dollars (USD) while the Group's revenues are predominantly denominated in Swedish kronor (SEK), Norwegian kroner (NOK) and Danish kroner (DKK), the Group is exposed to fluctuations in the exchange rate between USD and these currencies. The Group hedges a portion of its expected exposure to fluctuations in USD. See *"Foreign currency translation and exchange rate effects"* and *"Financial risk management and financial derivatives—Currency risk"* below.

RELATIONS WITH THE GROUP'S EMPLOYEES

Approximately thirty-five unions represent the Group's employees, with some unions representing more than one category of employees. Substantially all of the Group'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 fiscal year 2019, and following a pilot strike in connection with the negotiations, the Group entered into three-year collective agreements with the pilot unions in Denmark, Norway and Sweden, which permit termination after two years.

Both the airline industry as a whole and the Group in particular are undergoing major structural changes, primarily driven by COVID-19. As of April 2020, approximately 90% of the Group's workforce was on temporary layoff schemes and the Group initiated a process for the permanent reduction of 5,000 positions to adapt to predicted market conditions in Spring 2021. As of July 2020, almost 4,000 redundancies have been concluded and local union agreements are subject to renegotiation.

Both the Danish and Swedish temporary layoff schemes involve payment in advance, in April 2020, by the governments to the Group based on the Group's forecasted utilization over the period from April to July of 2020. Under the schemes, the Group continues to maintain responsibility for processing payroll payments to its employees covered by the schemes. In Norway, the government processes payroll directly for employees covered under the Norwegian scheme, so as from March 2020, the Group did not pay salary for employees on temporary layoff there.

Ramp up and ad hoc flights, such as international repatriation flights, create exceptions to forecast utilization because employees are reinstated from temporary layoff schemes to full time work. This may require the Group to refund a portion of the payments received under the temporary layoff schemes to the Swedish and Danish governments. Also, the main vacation during summer in Sweden will not be subject to governmental funds, which is contractionary to the guidelines initially presented during the time SAS requested reimbursement. Part of this deviation will be offset by the introduction of an 80% part time level implemented in May–July 2020, representing an additional 20% level over the 60% level implemented in April.

The Group exited the Danish temporary layoff scheme at the end of June when the Group initiated permanent workforce reductions. In Sweden, SAS will continue part time temporary layoffs until end of December 2020 and expects to continue to be covered by the Swedish temporary layoff scheme until such time and in Norway, the temporary layoff scheme is expected to expire by the end of December 2020. As the permanent reductions come into effect, the temporary layoffs will be reduced in direct correlation.

For permanent reductions, the Group expects a total outflow of cash and cash equivalents of approximately MSEK 370 associated with severance pay, settlement and severance agreements, MSEK 120 of which was recognized in fiscal year 2019 and MSEK 250 of which was recognized in the third quarter of

fiscal year 2020. The overall guiding principle is the last in first out principle in general, with the exception of securing right capabilities, mainly for administrative functions and specialists.

The Group encountered a pilot strike in 2019 caused by its own employee groups, which had a negative earnings effect of MSEK 615. Moreover, the Group and other airlines' activities were affected on a number of other occasions by small local labor conflicts in other countries. In 2019, the Group signed agreements with the pilot associations in Norway, Denmark and Sweden, which extend for three years from 2019 to 2021, with an option to terminate after two years.

As described above, at this time the formal processes regarding reduction and right sizing of Group work force is ongoing. In certain areas, local union agreements that allow for higher overall compensation have been terminated and are in the process of being renegotiated to reduce costs.

HIGH LEVEL OF FIXED COSTS

The airline industry is characterized by low profit margins and high levels of fixed costs. Each flight has a high level fixed costs, including costs for the use of airport infrastructure and services; take-off, landing and air traffic charges; maintenance, financing, lease and fuel costs; depreciation expenses; insurance premiums; and general labor costs. These costs do not vary significantly with the number of passengers, cargo carried or fare structure with respect to a particular flight. As a result, a relatively small change in the number of passengers, the amount of cargo carried, fare pricing or traffic mix could lead to a disproportionate fall in profits, as the fixed costs associated with flights generally cannot be reduced on short notice. Further, aggressive pricing by low-cost carriers in recent years has led to a decline in fares generally, which has increased pressure on profit margins. In connection with its revised business plan, the Group has implemented and is continuing to implement measures to reduce its cost base and thus lower its level of fixed costs. See *"Business Description—Revised business plan and the Recapitalization Plan"*. However, the high levels of fixed costs and low profit margins that characterize the industry may continue to have a material adverse effect on the Group's business, financial condition and results of operations.

SEASONAL FLUCTUATIONS

The airline industry tends to be seasonal in nature and the Group, like other airlines, has historically experienced substantial seasonal fluctuations. Generally, demand is relatively lower from November to April (often meaning that the Group's first half earnings have been negative), and relatively higher from May to October. Further, there is a reduced volume of business and short-haul travel in Scandinavia throughout March and April each year associated with the Easter holidays. The Group's share of advance bookings is greatest from January to May which has a positive effect on cash flow. The average ticket price paid by passengers correlates with the level of demand and increases during periods of high demand and decreases during periods of low demand. The Group tends to experience its highest volume of passengers in June and its lowest volume of passengers in December of each year. Due to the ongoing COVID-19 pandemic and containment measures, the Group will not benefit from a strong peak in demand during May to October 2020 and has not experienced strong cash flow in the second fiscal quarter of 2020. There is also a significant risk that the Group will not experience the historically stronger cash flow in the fourth fiscal quarter of 2020.

CUSTOMER REFUNDS

The Group receives payment from the customer when the customer purchases the ticket (subject to any holdbacks from credit card companies). Such passenger revenue is accounted for as a liability from the point of sale until commencement of the air transport for the passenger. When an airline provides the transportation, in other words the flight, the airline meets its performance obligation toward the customer and the passenger revenue is recognized in the statement of income. During the period from the sale of an airline ticket until the completion of the flight, airline tickets sold are recognized as a short-term unearned transportation revenue liability in the consolidated balance sheet.

As a majority of airline tickets are purchased well in advance of travel, the Group will hold advance payments as part of its cash. When a flight is cancelled, the passenger is entitled to refund of its payment in cash, and the corresponding unearned transportation liability will consequently not be recognized in revenue.

The Flight Compensation Regulation establishes common rules on compensation and assistance to passengers in the event of denied boarding, cancellation or a long delay of flights. The rights apply to any flights, including charters, from an EU airport or to an EU airport from an airport outside the EU when operated by an EU airline. The regulation is part of the EEA Agreement as well as the EU-Switzerland Air Transport Agreement and is therefore also applicable to flights to or from an airport in Iceland, Liechtenstein, Norway and Switzerland. Where a passenger is denied boarding against his will, the airline must offer compensation and assistance, together with a choice of reimbursement of the full cost of the ticket and a return flight to the point of first departure or re-routing to the passenger's final destination, except where there are reasonable grounds to deny the passenger boarding, such as reasons of health, safety, security or inadequate travel documentation. Where a flight is cancelled, the airline must offer passengers care and assistance together with the choice of a refund of the passenger's ticket and a return flight to the first point of departure or rerouting to the passenger's final destination. In the case of cancellation, compensation may also be payable at the same amounts as are applicable to denied boarding, unless the airline can prove that the cancellation was caused by extraordinary circumstances, which could not have been avoided, even if all reasonable measures had been taken.

As a result of the COVID-19 pandemic, almost all of the Group's fleet was grounded from mid-March 2020. At the end of the second quarter, the Group's operations were primarily limited to domestic networks in Norway and Sweden, supplemented with a few international repatriation flights. For all flights cancelled due to COVID-19, the Group is required to reimburse funds prepaid by the customer. Due to the large number of flights cancelled as a result of the COVID-19 pandemic and related travel and other restrictions imposed, the Group is processing refunds of a significant number of passengers' tickets. The payment of customer refunds is expected to have a negative impact on the Group's cash flow position and, depending on the timing and magnitude of such refunds, may have an adverse effect on the Group's liquidity. As restrictions are relaxed and customers begin booking future travel, any future re-introduction of restrictions that results in the cancellation of further flights could result in the need for additional liquidity.

A significant part of SAS' customers pay their tickets with credit cards. Under the contractual agreements between the Group and credit card companies, the credit card companies may decide to forward a portion of the payment to SAS upon

booking and the remaining part upon travel. Due to the cancellations and delays as a result of the COVID-19 pandemic, credit card companies have increased the hold-back of payments to airlines. While hold-backs and collateral requirements have not been imposed to date on SAS, discussions with credit card companies are ongoing.

In addition, contractual agreements between the Group and credit card companies permit the credit card companies to request cash or collateral from the Group in certain circumstances. Credit card companies may make such requests in order to build their reserves and limit their exposure to customers seeking refunds. Such requests, depending on the timing and magnitude, could put constraints on the Group's liquidity. Further, it is possible that customers may change their purchasing pattern as a result of the COVID-19 pandemic and may choose to purchase tickets closer to their intended travel date due to concerns over possible cancellations or the imposition of further restrictive measures. This could also put constraints on the Group's liquidity and may require the Group to seek other sources of financing which may be at a higher cost.

FOREIGN CURRENCY TRANSLATION AND EXCHANGE RATE EFFECTS

The Group presents its financial statements in SEK, which is the reporting currency of the Company. However, given the international nature of the Group's business, a significant portion of its assets, liabilities, revenues and expenses are denominated in currencies other than SEK, particularly in USD, EUR, NOK and DKK. During fiscal year 2019, approximately 30% of the Group's revenue from continuing operations and 20% of operating expenses associated with continuing operations were denominated in SEK. The Group's currency exposure has increased since the Group's implementation of IFRS 16 from 1 November 2019 due to the majority of right-of-use assets being denominated in SEK while the corresponding lease liabilities are denominated in foreign currencies. As aircrafts represent approximately 80% of the lease liabilities, the currency exposure from recalculating USD liabilities into SEK is significant.

Transactions are recorded based on the applicable currency exchange rate on the date of the transaction. The associated monetary assets or liabilities are retranslated at the end of each reporting period based on the currency exchange rate at period end. The difference between the currency exchange rate at the time the asset or liability was originally recorded and the currency exchange rate at period end is generally recognized in the statement of income. During fiscal year 2019, the Group recorded net foreign currency losses from continuing operations of MSEK 593 compared to fiscal year 2018 and a gain of MSEK 333 in fiscal year 2018 compared to fiscal year 2017. The decrease in net foreign currency gains in fiscal year 2019 was attributable to a weaker SEK during the period against the principal currencies in which the Group's assets, revenues and costs are denominated, negative effect of the weaker SEK on the Group's non-SEK expenses and liabilities exceeded the positive effect from increase in revenues.

In addition, the financial statements of the Company's subsidiaries with a functional currency other than SEK must be translated into SEK for the preparation of the Group's consolidated financial statements. The assets and liabilities are converted based on the exchange rate on the balance sheet date, and income statement items are converted based on the average exchange rate during the period. Any resulting difference in translation between the exchange rate on the balance sheet date and the average exchange rate during the period is recorded in the translation reserve under shareholder's equity

in the Group's balance sheet. The Group generally hedges translation risk through borrowings in foreign currencies and derivative instruments. As a significant portion of the Group's revenues and expenses is denominated in currencies other than SEK, the Group's results for each period are impacted by changes in exchange rates.

The USD is the Group's greatest deficit currency, and NOK is the Group's greatest surplus currency.

In fiscal year 2019, the SEK weakened 5% against the USD, which was largely attributable to the difference between the Federal Reserve's and the Riksbank's key interest rates. This had a net negative impact on the Group's revenue and costs of MSEK 1,060. On the other hand, the SEK strengthened 4% against the NOK, which was due to investors' interest in the NOK cooling, despite healthy fundamentals in the Norwegian economy. During fiscal year 2019, the SEK/NOK exchange rate had a net positive effect on the Group's revenue and costs of MSEK 81. Currency exposure is managed through continuously hedging 40–80% of the Group's surplus and deficit currencies based on a 12-month rolling liquidity forecast. By hedging the USD and NOK, the Group postponed the negative effects of the exchange-rate changes. The exchange-rate trend had a positive impact on the Group's revenue of MSEK 1,180 in fiscal year 2019. The change from translation of working capital and currency hedges amounted to MSEK 196. The net effect of the changes in exchange rates and the effects of implemented hedges on the Group's loss before tax was MSEK 593 compared to fiscal year 2018.

At 31 October 2019, the Group's hedging ratio totaled 44% of its anticipated USD deficit for fiscal year 2020. In terms of the NOK, 65% of the anticipated surplus for the next 12 months was hedged. Hedging is mainly performed through currency forward contracts to prevent earnings-related revaluation effects pertaining to financial assets and liabilities. The Group's USD denominated loans are hedged against the SEK to reduce currency risk in the loan portfolio. The Group uses currency forwards to hedge part of the order value for aircraft it has on order to limit the currency risk. Any currency forwards outstanding are terminated on delivery under leases, both operating leases and JOLCO (Japanese finance leases with a purchasing option). By entering into lease agreements for 14 of the 52 Airbus A320neos on firm order, the Group decreased the currency exposure for Airbus A320neo deliveries. The Group also currency hedged a portion of its aircraft order for eight Airbus A350s with delivery from 2019. See *"Financial risk management and financial derivatives–Currency risk."*

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the Group's financial statements and notes thereto requires that management make estimates and judgments that affect the reported amount of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities as of the date of the consolidated financial statements. Management bases its estimates on historical experience, changes in the business environment and on various other assumptions that management believes are reasonable under the circumstances. See *"Note 1 – Significant accounting policies"* to the Group's consolidated financial statements for the fiscal years 2019, 2018 and 2017, and *"Note 1 – Accounting policies and financial statements"* to the Group's reviewed interim consolidated financial statements for the period 1 November 2019 to 31 July 2020 for a discussion of the Group's critical accounting policies and estimates.

ALTERNATIVE PERFORMANCE MEASURES (NON-IFRS)

Group Management uses certain non-IFRS measures of financial performance to analyze the Group's results of operations. See *"Presentation of financial information and certain other information–Alternative performance measures (non-IFRS)"*. For a reconciliation of the Group's alternative performance measures against the nearest corresponding IFRS measures, see *"Selected historical financial information–Reconciliation of alternative performance measures"*.

RESULTS OF OPERATIONS

1 NOVEMBER 2019 TO 31 JULY 2020 COMPARED TO 1 NOVEMBER 2018 TO 31 JULY 2019

Results of operations for the Group

The following table sets forth the Group's results of operations for the periods indicated:

MSEK	Interim period	
	1 Nov 2019– 31 Jul 2020	1 Nov 2018– 31 Jul 2019
Revenue	17,478	32,677
Personnel expenses	–6,234	–7,325
Fuel expenses	–4,855	–6,892
Air traffic charges	–1,602	–3,015
Other external expenses ¹⁾	–6,376	–14,145
Depreciation, amortization and impairment	–5,225	–1,422
Income from share in affiliated companies	4	–11
Income from sale of aircraft	–1	112
Operating income (EBIT)	–6,811	–21
Financial net	–69	–281
Income before tax (EBT)	–6,880	–302
Tax	184	62
Net income for the period	–6,696	–240

1) With the adoption of IFRS 16 *Leases* from 1 November 2019, SAS has made some changes to improve the presentation of the consolidated statement of income. Previously, Leasing costs for aircraft was presented on the face of the income statement. Following IFRS 16, this expense is no longer material to the Group, so starting 1 November 2019, Leasing costs for aircraft is presented as Other external expenses. Fuel expenses and Air traffic charges were previously presented as Other external expenses, but starting 1 November 2019, these expenses are presented as separate line items in the income statement. For additional information, please refer to *"Note 1 Accounting policies and financial statements"* beginning on page 17 in SAS' interim consolidated financial statements for the period 1 November 2019–31 July 2020.

Revenue

The Group's revenue comprises traffic revenue and other operating revenue. Traffic revenue consists of revenue from passenger flights, charter flights and mail and freight transported as part of the Group's cargo operations and other traffic revenue. Other operating revenue comprises revenue from sale of EuroBonus points, in-flight sales, ground handling services, technical maintenance and terminal and forwarding services.

Revenue for the Group decreased from MSEK 32,677 during the period 1 November 2018–31 July 2019 to MSEK 17,478 during the period 1 November 2019–31 July 2020, a decrease of MSEK 15,199, or 46.5%. The decrease in revenue was primarily due to lower volumes during the second and third quarter following the spread of the COVID-19 pandemic.

Traffic revenue constituted the largest portion of the Group's revenue, accounting for 84.5% and 91.2% of revenue during the period 1 November 2019–31 July 2020 and 1 November 2018–31 July 2019, respectively. Total traffic revenue decreased to MSEK 14,772 during the period 1 November 2019–31 July 2020 from MSEK 29,803 during the period 1 November 2018–31 July 2019, a decrease of MSEK 15,031, or 50.4%. The breakdown of traffic revenue for the Group during the period 1 November–31 July 2020 and 2019 was as follows:

MSEK	Interim period		
	1 Nov 2019–31 Jul 2020	1 Nov 2018–31 Jul 2019	Change, %
Traffic revenue:			
Passenger revenue	12,130	25,179	-51.8
Charter	476	1,357	-64.9
Mail and freight	714	1,144	-37.6
Other traffic revenue	1,452	2,123	-31.6
Total traffic revenue	14,772	29,803	-50.4

Passenger revenue decreased from MSEK 25,179 during the period 1 November 2018–31 July 2019 to MSEK 12,130 during the period 1 November 2019–31 July 2020, a decrease of 51.8%. Currency-adjusted passenger revenue decreased 51.4%. The decrease was a result of lower scheduled capacity (ASK) which, based on the preceding year's circumstances, had a negative impact on revenue of MSEK 11,915. The lower load factor had a negative effect of MSEK 1,411. The higher yield had a positive impact of MSEK 504 on passenger revenue.

Revenue from charter traffic decreased from MSEK 1,357 during the period 1 November 2018–31 July 2019 to MSEK 476 during the period 1 November 2019–31 July 2020, a decrease of MSEK 881, or 64.9%. The decrease in charter revenue was primarily relating to lower volumes during the second and third quarter following the spread of the COVID-19 pandemic.

Revenue from mail and freight traffic decreased from MSEK 1,144 during the period 1 November 2018–31 July 2019 to MSEK 714 during the period 1 November 2019–31 July 2020, a decrease of MSEK 430, or 37.6%. The decrease in revenues from mail and freight traffic was primarily due to lower volumes during the second and third quarter following the spread of the COVID-19 pandemic.

Other traffic revenue, which includes revenue from interlining agreements and revenue from unutilized tickets, decreased from MSEK 2,123 during the period 1 November 2018–31 July 2019 to MSEK 1,452 during the period 1 November 2019–31 July 2020, a decrease of MSEK 671, or 31.6%. The decrease in other traffic revenue was primarily attributable to lower volumes during the second and third quarter following the spread of the COVID-19 pandemic.

Other operating revenue, which accounted for 15.5% and 8.8% of revenue during the period 1 November 2019–31 July 2020 and 2019 respectively, decreased from MSEK 2,874 during the period 1 November 2018–31 July 2019 to MSEK 2,706 during the period 1 November 2019–31 July 2020, a decrease of MSEK 168, or 5.8%. The break-down for other operating revenue for the period 1 November–31 July 2019 and 2020 was as follows:

MSEK	Interim period		
	1 Nov 2019–31 Jul 2020	1 Nov 2018–31 Jul 2019	Change, %
Other operating revenue:			
In-flight sales	68	193	-64.8
Ground services	514	923	-44.3
Technical maintenance	107	128	-16.4
Terminal and forwarding services	206	318	-35.2
Sales commissions and charges	194	384	-49.5
Other operating revenue	1,617	928	74.2
Total other operating revenue	2,706	2,874	-5.8

The decrease in other operating revenue was primarily attributable to the spread of the COVID-19 pandemic. Revenues from technical maintenance decreased by 16.4% from the period 1 November 2019–31 July 2020 primarily as a result of COVID-19. The decrease in revenues from ground services of 44.3% during the period 1 November 2019–31 July 2020 was also due to COVID-19. The increase in other revenue of 74.2% during the period 1 November 2019–31 July 2020 was primarily due to revenues received from the Norwegian State to ensure continued operation of Norwegian domestic routes.

In accordance with its accounting policies and internal reporting to SAS' management, the Group also provides a breakdown of revenues by geographic market. The breakdown of traffic revenue by geographic market during the period 1 November 2018–31 July 2019 and 2020 was as follows:

MSEK	Interim period		
	1 Nov 2019–31 Jul 2020	1 Nov 2018–31 Jul 2019	Change, %
Domestic ¹⁾	4,748	6,289	-24.5
Intra-Scandinavian ²⁾	1,550	2,711	-42.8
Europe ³⁾	4,961	12,599	-60.6
Intercontinental ³⁾	3,513	8,204	-57.2
Total traffic revenue	14,772	29,803	-50.4

- 1) "Domestic" is defined as traffic within each of Denmark, Norway and Sweden.
- 2) "Intra-Scandinavian" is defined as traffic between Denmark, Norway and Sweden.
- 3) Allocated on the basis of location of destination.

Traffic revenue decreased in all of the Group's geographic markets during the period 1 November 2019–31 July 2020.

Expenses

The Group's operating expenses include personnel expenses, fuel expenses, air traffic charges (such as landing and takeoff fees at airports and en route fees) and other expenses relating to flight operations, such as sales and distribution costs (which consist of commissions paid to agents used for passenger and cargo customer bookings), catering, handling and technical aircraft maintenance costs. Other external expenses include costs relating to wet leases, IT costs and other operational costs and, for the period 1 November–31 July 2020 and 2019 also includes leasing costs for aircraft.

The following table sets forth the Group's operating expenses for the periods indicated:

MSEK	Interim period		Change, %
	1 Nov 2019– 31 Jul 2020	1 Nov 2018– 31 Jul 2019	
Personnel expenses	-6,234	-7,325	-14.9
Fuel expenses	-4,855	-6,892	-29.6
Air traffic charges	-1,602	-3,015	-46.9
Sales and distribution costs	-1,189	-1,998	-40.5
Leasing costs for aircraft	-80	-2,618	-96.6
Catering costs	-485	-903	-46.3
Handling costs	-1,193	-2,080	-42.6
Technical aircraft maintenance	-1,425	-2,105	-32.3
Computer and telecommunications costs	-934	-1,180	-20.8
Wet-lease costs	-765	-1,087	-29.6
Other	-305	-2,174	-86.0
Total operating expenses	-19,067	-31,377	-39.2

Operating expenses for the Group decreased from MSEK 31,377 during the period 1 November 2018–31 July 2019 to MSEK 19,067 during the period 1 November 2019–31 July 2020, a decrease of MSEK 12,310, or 39.2%. The decrease in operating expenses from the period 1 November 2018–31 July 2019 to the period 1 November 2018–31 July 2020 was primarily due to reduced personnel, fuel, air traffic and other expenses stemming from reduced operations as a result of the spread of the COVID-19 pandemic.

Personnel expenses decreased from MSEK 7,325 during the period 1 November 2018–31 July 2019 to MSEK 6,234 during the period 1 November 2019–31 July 2020, a decrease of MSEK 1,091, or 14.9%. The decrease mainly relates to COVID-19 effects of MSEK 1,495, which includes MSEK 675 of support received from the governments of Denmark and Sweden for temporary lay-offs, as well as lower personnel expenses due to lower production volume. Salary increases partially offset the reduction in payroll expenses by approximately MSEK 234.

Fuel expenses decreased from MSEK 6,892 during the period 1 November 2018–31 July 2019 to MSEK 4,855 during the period 1 November 2019–31 July 2020, a decrease of MSEK 2,037, or 29.6%. Lower jet fuel prices had a positive impact of MSEK 464 on these costs. Hedge effects had a nega-

tive impact of MSEK 1,319 year-on-year, of which MSEK 1,240 relates to hedge relationships that have been discontinued as they have ceased to meet the qualification criteria. Volume effects had a positive impact on fuel costs of MSEK 3,161 and a negative effect on accruals of MSEK 48.

Air traffic charges decreased from MSEK 3,015 during the period 1 November 2018–31 July 2019 to MSEK 1,602 during the period 1 November 2019–31 July 2020, a decrease of MSEK 1,413, or 46.9%. Adjusted for currency, air traffic charges were MSEK 1,411 lower than the comparative period. The decrease pertained mainly to lower traffic volumes and reduced traffic charges during the second quarter relating to the COVID-19 pandemic.

Sales and distribution costs decreased from MSEK 1,998 during the period 1 November 2018–31 July 2019 to MSEK 1,189 during the period 1 November 2019–31 July 2020, a decrease of MSEK 809, or 40.5%, principally as a result of reduced volumes relating to the spread of the COVID-19 pandemic.

Leasing costs for aircraft decreased from MSEK 2,618 during the period 1 November 2018–31 July 2019 to MSEK 80 during the period 1 November 2019–31 July 2020. Adjusted for currency, leasing costs decreased MSEK 2,635. The decrease in leasing costs primarily relates to the introduction of IFRS 16.

Catering costs decreased from MSEK 903 during the period 1 November 2018–31 July 2019 to MSEK 485 during the period 1 November 2019–31 July 2020, a decrease of MSEK 418 or 46.3%.

Handling costs decreased from MSEK 2,080 during the period 1 November 2018–31 July 2019 to MSEK 1,193 during the period 1 November 2019–31 July 2020, a decrease of MSEK 887 or 42.6%.

Technical maintenance costs decreased from MSEK 2,105 during the period 1 November 2018–31 July 2019 to MSEK 1,425 during the period 1 November 2019–31 July 2020. Adjusted for currency, technical maintenance costs decreased MSEK 753, mainly due to the COVID-19 pandemic and the introduction and delivery of new aircraft.

Computer and telecommunication costs decreased from MSEK 1,180 during the period 1 November 2018–31 July 2019 to MSEK 934 during the period 1 November 2019–31 July 2020. Adjusted for currency, computer and telecommunication costs decreased MSEK 256, mainly due to COVID-19.

Wet-lease costs decreased from MSEK 1,087 during the period 1 November 2018–31 July 2019 to MSEK 765 during the period 1 November 2019–31 July 2020. Adjusted for currency, wet-lease costs decreased MSEK 357 from the comparative period, mainly due to lower production as a result of COVID-19.

Depreciation, amortization and impairment

Depreciation, amortization and impairment charges increased from MSEK 1,422 during the period 1 November 2018–31 July 2019 to MSEK 5,225 during the period 1 November 2019–31 July 2020, an increase of MSEK 3,803. The increase in depreciation, amortization and impairment charges primarily related to the introduction of IFRS 16 and impairment of aircraft of MSEK 1,040.

OPERATING AND FINANCIAL REVIEW

Share of income (loss) in affiliated companies

The Group's share of income in affiliated companies amounted to MSEK 4 during the period 1 November 2019–31 July 2020, compared to share of losses of MSEK –11 during the period 1 November 2018–31 July 2019. Share of income and losses in affiliated companies, by each affiliated company, during the period 1 November 2018–31 July 2019 and 2020 was as follows:

MSEK	Level of Group ownership, %	Interim period		Change, %
		1 Nov 2019–31 Jul 2020	1 Nov 2018–31 Jul 2019	
Air Greenland A/S ¹⁾	37.5	–	–16	–100
Malmö Flygfrakttterminal AB	40	4	5	–20
Other		0	0	0
Total		4	–11	136

1) The Group sold its holding in Air to the Government of Greenland as of 29 May 2019. The income items pertain to the period from November 2018 until May 2019.

Income from sale of shares in subsidiaries and affiliated companies

The Group recognized no income or loss relating to the sale of shares in subsidiaries and affiliated companies during the period 1 November 2018–31 July 2019 and no income or loss during the period 1 November 2019–31 July 2020.

Income from the sale of aircraft

The Group realized loss from the sale of aircraft in the amount of MSEK –1 during the period 1 November 2019–31 July 2020, compared to income from the sale of aircraft in the amount of MSEK 112 during the period 1 November 2018–31 July 2019. The realized loss for the period 1 November 2019–31 July 2020 relates to one aircraft being sold and then leased back.

Operating income

The Group recognized an operating loss of MSEK –6,811 during the period 1 November 2019–31 July 2020, compared to an operating income of MSEK –21 during the period 1 November 2018–31 July 2019, for the reasons described above.

Financial income and expenses

Financial income includes income from financial assets of the Group, such as long-term receivables in affiliated companies, other holdings of securities and liquid assets. Financial expenses include interest payable on the Group's liabilities and any payments received or made in connection with the termination of interest rate swaps designated as cash flow hedges and other fair value hedges.

Financial income and expenses was MSEK –69 during the period 1 November 2019–31 July 2020, compared with MSEK –281 during the period 1 November 2018–31 July 2019. The decrease in net expenses pertained mainly to the adoption of IFRS 16, where currency revaluations on the lease liability had a positive impact of MSEK 890. Interest expenses on the lease liability had a negative impact of MSEK 525.

Tax

The Group's tax income during the period 1 November 2019–31 July 2020 amounted to MSEK 184, compared to tax income of MSEK 62 during the period 1 November 2018–31 July 2019. The Group's effective tax rate was 2.7% during the period 1 November 2019–31 July 2020, compared to 20.5% during the period 1 November 2018–31 July 2019. The decrease in the effective tax rate was primarily due to lower capitalized loss carryforwards.

Net income (loss) for the year

For the reasons described above, the Group recognized a net loss of MSEK 6,696 during the period 1 November 2019–31 July 2020, compared to a net loss of MSEK 240 during the period 1 November 2018–31 July 2019.

FISCAL YEARS 2019 AND 2018

Results of operations for the Group

The following table sets forth the Group's results of operations for the periods indicated:

MSEK	Fiscal year	
	2019	2018
Revenue	46,736	44,718
Payroll expenses	–9,934	–9,441
Other operating expenses	–30,253	–28,347
Leasing costs for aircraft	–3,561	–3,156
Depreciation, amortization and impairment	–1,924	–1,763
Share of income in affiliated companies	–10	35
Income from the sale of shares in subsidiaries and affiliated companies	0	–4
Income from sale of aircraft	112	479
Operating income (EBIT)	1,166	2,521
Income from other securities holdings	0	0
Financial income	172	129
Financial expenses	–544	–609
Income before tax (EBT)	794	2,041
Tax	–173	–452
Net income for the year	621	1,589

Revenue

The Group's revenue comprises traffic revenue and other operating revenue. Traffic revenue consists of revenue from passenger, charter, mail and freight transported as part of the Group's cargo operations and other traffic revenue. Other operating revenue comprises revenue from sale of EuroBonus points, ground handling services, technical maintenance, terminal and forwarding services and sales commissions and charges and other operating revenue.

Revenue for the Group increased from MSEK 44,718 in 2018 to MSEK 46,736 in 2019, an increase of MSEK 2,018, or 4.5%. The increase in revenue was primarily due to an increase in traffic revenue.

Traffic revenue constituted the largest portion of the Group's revenue, accounting for 90% of revenue in 2019 and in 2018. Total traffic revenue increased to MSEK 42,038 in 2019 from MSEK 40,367 in 2018, an increase of MSEK 1,671, or 4.1%. The breakdown of traffic revenue for the Group in 2019 and 2018 was as follows:

MSEK	Fiscal year		
	2019	2018	Change, %
Traffic revenue:			
Passenger revenue	35,479	34,077	4.1
Charter	2,117	1,957	8.2
Freight and mail	1,506	1,632	-7.7
Other traffic revenue	2,936	2,701	8.7
Total traffic revenue	42,038	40,367	4.1

Passenger revenue increased from MSEK 34,077 in 2018 to MSEK 35,479 in 2019, an increase of 4.1%. The increase in passenger revenue was primarily due to currency and higher yield offset by lower scheduled capacity (ASK) and load factor. Passenger yield for the Group increased by 3.2%, in 2019 on a currency-adjusted basis.

Revenue from charter traffic increased from MSEK 1,957 in 2018 to MSEK 2,117 in 2019, an increase of MSEK 160, or 8.2%. The increase in charter revenue was primarily relating to higher volumes.

Revenue from mail and freight traffic decreased from MSEK 1,632 in 2018 to MSEK 1,506 in 2019, a decrease of MSEK 126, or 7.7%. The decrease in revenues from mail and freight traffic was primarily due to lower volumes and reduced fuel prices, as the fees charged by the Group are linked to fuel prices.

Other traffic revenue, which includes revenue from interlining agreements and revenue from unutilized tickets, increased from MSEK 2,701 in 2018 to MSEK 2,936 in 2019, an increase of MSEK 235, or 8.7%. The increase in other traffic revenue was primarily attributable to unused tickets and pre-seating bookings.

Other operating revenue, which accounted for 10% of revenue in 2019 and 2018, increased from MSEK 4,351 in 2018 to MSEK 4,698 in 2019, an increase of MSEK 347, or 8%. The breakdown of other revenue in 2018 and 2019 was as follows:

MSEK	Fiscal year		
	2019	2018	Change, %
Other operating revenue:			
In-flight sales	263	261	0.8
Ground handling services	1,236	1,183	4.5
Technical maintenance	169	211	-19.9
Terminal and forwarding-services	394	361	9.1
Sales commissions and charges	622	618	0.6
Other operating revenue	2,014	1,717	17.3
Total other operating revenue	4,698	4,351	8.0

The increase in other operating revenue was primarily attributable to higher revenue from credit card fees and sale of EuroBonus points.

In accordance with its accounting policies and internal reporting to SAS' management, the Group also provides a breakdown of revenues by geographic market. The breakdown of traffic revenue by geographic market in 2018 and 2019 was as follows:

MSEK	Fiscal year		
	2019	2018	Change, %
Domestic ¹⁾	10,263	9,258	10.9
Intra-Scandinavian ²⁾	4,052	3,802	6.6
Europe ³⁾	16,529	16,353	1.1
Intercontinental ³⁾	11,194	10,954	2.2
Total traffic revenue	42,038	40,367	4.1

1) "Domestic" is defined as traffic within each of Denmark, Norway and Sweden.

2) "Intra-Scandinavian" is defined as traffic between Denmark, Norway and Sweden.

3) Allocated on the basis of location of destination.

Traffic revenue increased in all of the Group's geographic markets in 2019.

Expenses

The Group's operating expenses include payroll and related expenses for personnel, sales and distribution costs (which consist of commissions paid to agents used for passenger and cargo customer bookings), jet fuel costs, government user fees (such as landing and takeoff fees at airports and en route fees) and other expenses relating to flight operations, such as handling and technical aircraft maintenance costs. Other operating expenses include costs relating to leasing, owning and operating non-aircraft property and premises used by the Group; wet leases, IT costs and other operating costs.

The following table sets forth the Group's operating expenses for the periods indicated:

OPERATING AND FINANCIAL REVIEW

MSEK	Fiscal year		
	2019	2018	Change, %
Payroll expenses	9,934	9,441	5.2
Sales and distribution costs	2,743	2,583	6.2
Jet fuel	9,672	7,996	21.0
Government user fees	4,194	4,159	0.8
Catering costs	1,249	1,263	-1.1
Handling costs	2,832	2,663	6.3
Technical aircraft maintenance	2,893	2,897	-0.1
Computer and telecommunications costs	1,637	1,554	5.3
Wet-lease costs	1,472	1,283	14.7
Other	3,561	3,949	-9.8
Total operating expenses	40,187	37,788	6.3

Operating expenses for the Group increased from MSEK 37,788 in 2018 to MSEK 40,187 in 2019, an increase of MSEK 2,399, or 6.3%. The increase in operating expenses from 2018 to 2019 was primarily due to payroll expenses and jet fuel costs. The ongoing efficiency program resulted in cost reductions of approximately MSEK 855.

Payroll expenses increased from MSEK 9,441 in 2018 to MSEK 9,934 in 2019, an increase of MSEK 493, or 5.2%. The increase related to standard salary increases and a higher number of employees, partly offset by efficiency measures.

Sales and distribution costs increased from MSEK 2,583 in 2018 to MSEK 2,743 in 2019, an increase of MSEK 160, or 6.2%, principally as a result of currency movements.

Costs for jet fuel increased from MSEK 7,996 in 2018 to MSEK 9,672 in 2019, an increase of MSEK 1,676, or 21%. The cost was positively affected by an amount of MSEK 485 due to lower jet-fuel prices. The decrease in jet-fuel prices was offset

by negative hedge effects of MSEK 1,557, partly counteracted by positive volume effects of MSEK 220.

Government user fees increased from MSEK 4,159 in 2018 to MSEK 4,194 in 2019, an increase of MSEK 35, or 0.8%. Adjusted for currency, government user fees were MSEK 112 lower than last year due to significant price decreases and lower volume.

Catering costs decreased from MSEK 1,263 in 2018 to MSEK 1,249 in 2019, a decrease of MSEK 14, or 1.1%.

Handling costs increased from MSEK 2,663 in 2018 to MSEK 2,832 in 2019, an increase of MSEK 169, or 6.3%.

Technical maintenance costs decreased slightly from MSEK 2,897 in 2018 to MSEK 2,893 in 2019. Adjusted for currency, technical maintenance costs decreased MSEK 239, mainly due to lower engine costs.

Computer and telecommunication costs increased from MSEK 1,554 in 2018 to MSEK 1,637 in 2019, an increase of MSEK 83, or 5.3%. Adjusted for currency, computer and telecommunication costs increased MSEK 51, mainly due to higher cost for IT development.

Wet-lease costs increased from MSEK 1,283 in 2018 to MSEK 1,472 in 2019. Adjusted for currency, wet-lease costs increased MSEK 101 year-on-year, mainly due to higher volumes and a contractual settlement.

Leasing costs for aircraft

Leasing costs for aircraft increased from MSEK 3,156 in 2018 to MSEK 3,561 in 2019. Adjusted for currency, leasing costs increased MSEK 128. The increase in leasing costs primarily related to the increase in number of new aircraft.

Depreciation, amortization and impairment

Depreciation, amortization and impairment charges increased from MSEK 1,763 in 2018 to MSEK 1,924 in 2019, an increase of MSEK 161, or 9.1%. The increase in depreciation, amortization and impairment charges primarily related to the increase in number of new aircraft.

Share of income (loss) in affiliated companies

The Group's share of losses in affiliated companies amounted to MSEK 10 in 2019, compared to share of income of MSEK 35 in 2018. Share of income and losses in affiliated companies, by each affiliated company, in 2018 and 2019 was as follows:

MSEK	Level of Group ownership, %	Fiscal year		
		2019	2018	Change, %
Air Greenland A/S ¹⁾	37.5	-15	30	-150
Malmö Flygfraktterminal AB	40.0	5	5	0
Other		0	0	0
Total		-10	35	-129

1) The Group sold its holding in Greenland Air to the Government of Greenland as of 29 May 2019. The income items pertain to the period from November 2018 until May 2019.

The Group's share of losses in affiliated companies in 2019 was primarily attributable to the fact that the Group sold Air Greenland A/S in May 2019 (the loss relates to the period from November 2018 to May 2019).

Income from sale of shares in subsidiaries and affiliated companies

The Group recognized no income relating to the sale of shares in subsidiaries and affiliated companies in 2019 and a loss of MSEK 4 in 2018.

Income from the sale of aircraft

The Group realized income from the sale of aircraft in the amount of MSEK 112 in 2019, compared to income from the sale of aircraft in the amount of MSEK 479 in 2018. The Group sold one Airbus A330 aircraft and A340 engines in 2019 resulting in a capital gain of MSEK 112. In 2018, the Group sold eight Airbus A320 aircraft and six Boeing 737 aircraft.

Operating income

The Group recognized an operating income of MSEK 1,166 in 2019, compared to an income of MSEK 2,521 in 2018, for the reasons described above.

Financial income and expenses

Financial income includes income from financial assets of the Group, such as long-term receivables in affiliated companies, other holdings of securities and liquid assets. Financial expenses include interest payable on the Group's liabilities and any payments received or made in connection with the termination of interest rate swaps designated as cash flow hedges and other fair value hedges.

Financial income and expenses amounted to a net expense of MSEK 372 in 2019 compared with MSEK 480 in 2018, of which net interest expense was MSEK 312 in 2019, compared with MSEK 430 in 2018. The decrease primarily related to higher financial income and capitalization of interest expenses for pre-delivery payments (PDPs).

Tax

The Group's tax expense in 2019 amounted to MSEK 173, compared to tax expense of MSEK 452 in 2018. The Group's effective tax rate was 21.8% in 2019, compared to 22.2% in 2018.

Net income (loss) for the year

For the reasons described above, the Group recognized a net income of MSEK 621 in 2019, compared to a net income of MSEK 1,589 in 2018.

FISCAL YEARS 2018 AND 2017

Results of operations for the Group

The following table sets forth the Group's results of operations for the periods indicated:

MSEK	Fiscal year	
	2018	2017
Revenue	44,718	42,654
Payroll expenses	-9,441	-9,205
Other operating expenses	-28,347	-27,489
Leasing costs for aircraft	-3,156	-3,116
Depreciation, amortization and impairment	-1,763	-1,635
Share of income in affiliated companies	35	4
Income from the sale of shares in subsidiaries and affiliated companies	-4	-21
Income from the sale of aircraft, other non-current assets and slot pairs	479	995
Operating income (EBIT)	2,521	2,187
Income from other securities holdings	0	1
Financial revenue	129	148
Financial expenses	-609	-611
Income before tax (EBT)	2,041	1,725
Tax	-452	-576
Net income for the year	1,589	1,149

Revenue

Revenue for the Group increased from MSEK 42,654 in 2017 to MSEK 44,718 in 2018, an increase of MSEK 2,064, or 4.8%. This was driven by a positive unit revenue due to increased traffic, improved customer offering and greater capacity during the summer months.

Traffic revenue constituted the largest portion of the Group's revenue, accounting for 90.3% of revenue in 2018 and 2017. Total traffic revenue increased from MSEK 38,497 in 2017 to MSEK 40,367 in 2018, an increase of MSEK 1,870, or 4.9%. The breakdown of traffic revenue for the Group in 2017 and 2018 was as follows:

MSEK	Fiscal year		
	2018	2017	Change, %
Traffic revenue:			
Passenger revenue	34,077	32,644	4.4
Charter revenue	1,957	1,964	-0.4
Freight and mail revenue	1,632	1,470	11.0
Other traffic revenue	2,701	2,419	11.7
Total traffic revenue	40,367	38,497	4.9

Passenger revenue increased from MSEK 32,644 in 2017 to MSEK 34,077 in 2018, an increase of 4.4%. Passenger yield for the Group increased by 4% in 2018 on an absolute basis. After adjustment for currency effects, revenue was up MSEK 1,133 year-on-year. Currency-adjusted passenger revenue increased by 2.0%. The increase was a result of higher scheduled capacity (ASK), which had a positive impact on revenue of MSEK 517 and a stronger yield which had a positive impact on revenue of MSEK 519, partially offset by a lower load factor which had a negative effect of MSEK 361.

Revenue from charter traffic decreased from MSEK 1,964 in 2017 to MSEK 1,957 in 2018, a decrease of MSEK 7 or 0.4%, reflecting primarily lower volumes.

Revenue from mail and freight traffic increased from MSEK 1,470 in 2017 to MSEK 1,632 in 2018, an increase of MSEK 162 or 11.0%. The increase in revenues from mail and freight traffic was primarily attributable to positive yield development.

Other traffic revenue increased from MSEK 2,419 in 2017 to MSEK 2,701 in 2018, an increase of MSEK 282, or 11.7%. This increase was primarily due to higher traffic revenue from other airlines (interline revenue) and unused tickets.

Other operating revenue, which accounted for 9.7% of revenue in 2017 and 2018, increased from MSEK 4,157 in 2017 to MSEK 4,351 in 2018, an increase of MSEK 194, or 4.7%. The breakdown of other operating revenue in 2017 and 2018 was as follows:

MSEK	Fiscal year		
	2018	2017	Change, %
Other operating revenue:			
In-flight sales	261	269	-3.0
Ground services	1,183	1,028	15.1
Technical maintenance	211	314	-32.8
Terminal and forwarding services	361	354	2.0
Sales commissions and charges	618	569	8.6
Other operating revenue	1,717	1,623	5.8
Total other operating revenue	4,351	4,157	4.7

Ground services and other operating revenue constituted the largest portions of other operating revenue in both 2017 and 2018, accounting for 24.7% and 39.0% of other operating revenue, respectively, in 2017, and 27.2% and 39.5%, respectively, in 2018. Revenue from ground services increased from MSEK 1,028 in 2017 to MSEK 1,183 in 2018, an increase of MSEK 155, or 15.1%. The increase was primarily attributable to higher volume of handling services provided to other airlines.

Sales commissions and charges increased from MSEK 569 in 2017 to MSEK 618 in 2018, an increase of MSEK 49, or 8.6%, largely due to higher volumes.

Other operating revenue increased from MSEK 1,623 in 2017 to MSEK 1,717 in 2018, an increase of MSEK 94, or 5.8%, primarily attributable to increased sales of EuroBonus points to credit card partners.

In accordance with its accounting policies and internal reporting to SAS' management, the Group also provides a breakdown of revenues by geographic market. The breakdown of traffic revenue by geographic market in 2017 and 2018 was as follows:

MSEK	Fiscal year		
	2018	2017	Change, %
Domestic ¹⁾	9,258	9,600	-3.6
Intra-Scandinavian ²⁾	3,802	3,648	4.2
Europe ³⁾	16,353	15,179	7.7
Intercontinental ³⁾	10,954	10,070	8.8
Total traffic revenue	40,367	38,497	4.9

1) "Domestic" is defined as traffic within each of Denmark, Norway and Sweden.

2) "Intra-Scandinavian" is defined as traffic between Denmark, Norway and Sweden.

3) Allocated on the basis of location of destination.

Domestic traffic revenue decreased in 2018 whereas intra-Scandinavian, European and intercontinental traffic revenue all increased in 2018.

Expenses

The following table sets forth the Group's operating expenses for the periods indicated:

MSEK	Fiscal year		
	2018	2017	Change, %
Payroll expenses	9,441	9,205	2.6
Selling and distribution costs	2,583	2,417	6.9
Jet fuel	7,996	6,836	17.0
Government user fees	4,159	4,262	-2.4
Catering costs	1,263	1,075	17.5
Handling costs	2,663	2,704	-1.5
Technical aircraft maintenance	2,897	3,515	-17.6
Computer and telecommunications costs	1,554	1,569	-1.0
Wet-lease costs	1,283	1,123	14.2
Other	3,949	3,988	-1.0
Total operating expenses	37,788	36,694	3.0

Operating expenses for the Group increased from MSEK 36,694 in 2017 to MSEK 37,788 in 2018, an increase of MSEK 1,094, or 3.0%.

Payroll expenses increased from MSEK 9,205 in 2017 to MSEK 9,441 in 2018, an increase of MSEK 236, or 2.6%, primarily due to currency movements and nonrecurring items.

Selling and distribution costs increased from MSEK 2,417 in 2017 to MSEK 2,583 in 2018, an increase of MSEK 166, or 6.9%, principally as a result of currency movements.

Costs for jet fuel increased from MSEK 6,836 in 2017 to MSEK 7,996 in 2018, an increase of MSEK 1,160, or 17.0%, due to higher prices for jet fuel, which generated a negative impact of MSEK 2,107, partially offset by hedge effects (including the effect of time value) that had a positive year-on-year impact of MSEK 807, and lower volumes that had a positive impact of MSEK 110 on jet fuel cost.

Government user fees decreased from MSEK 4,262 in 2017 to MSEK 4,159 in 2018, a decrease of MSEK 103, or 2.4%.

Catering costs increased from MSEK 1,075 in 2017 to MSEK 1,263 in 2018, an increase of MSEK 188, or 17.5%.

Handling costs decreased from MSEK 2,704 in 2017 to MSEK 2,663 in 2018, a decrease of MSEK 41, or 1.5%, mainly due to operational challenges during the summer peak season.

Technical maintenance costs decreased from MSEK 3,515 in 2017 to MSEK 2,897 in 2018, a decrease of MSEK 618, or 17.6%, mainly due to changed assessments for return requirements and future engine maintenance on leased aircraft.

Computer and telecommunication costs decreased from MSEK 1,569 in 2017 to MSEK 1,554 in 2018, a decrease of MSEK 15, or 1.0%. Adjusted for currency, computer and telecommunication costs decreased MSEK 44.

Wet-lease costs increased from MSEK 1,123 in 2017 to MSEK 1,283 in 2018, an increase of 14.2%. Adjusted for currency, wet lease costs increased MSEK 128 year-on-year, mainly due to higher volumes and the sale of the subsidiary Cimber, which was divested in the first quarter of 2017 resulting in the corresponding production now being wet-leased.

Other operating expenses were negatively impacted by operational challenges during the summer peak season. In the corresponding period in 2017, the European Commission's decision to once again fine the Group and ten other airlines for alleged breaches of air cargo competition rules in the 1999–2006 period had a negative MSEK 672 impact on other operating expenses.

Leasing costs for aircraft

Leasing costs for aircraft increased from MSEK 3,116 in 2017 to MSEK 3,156 in 2018, an increase of MSEK 40, or 1.3%.

Depreciation, amortization and impairment

Depreciation, amortization and impairment charges increased from MSEK 1,635 in 2017 to MSEK 1,763 in 2018, an increase of MSEK 128, or 7.8%. The increase in depreciation, amortization and impairment charges primarily related to higher aircraft depreciation.

Share of income (loss) in affiliated companies

The Group's share of income in affiliated companies amounted to MSEK 35 in 2018, compared to share of income of MSEK 4 in 2017. Share of income and losses in affiliated companies, by each affiliated company, in 2017 and 2018 was as follows:

MSEK	Level of Group ownership, %	Fiscal year		
		2018	2017	Change, %
Air Greenland A/S ¹⁾	37.5	30	–4	850
Malmö Flygfraktterminal AB	40.0	5	8	–37.5
Other		0	0	–
Total		35	4	775

1) The share of income includes adjustment of income figure FY 2017 by MSEK 2.

Income (loss) from the sale of aircraft, buildings and slot pairs

Income from the sale of aircraft, buildings and slots pair decreased from MSEK 995 in 2017 to MSEK 479 in 2018, a decrease of MSEK 516, or 51.9%.

Operating income (loss)

The Group recognized an operating income of MSEK 2,521 in 2018, compared to an operating income of MSEK 2,187 in 2017, for the reasons described above.

Financial income and expenses

Financial income includes income from financial assets of the Group, such as long-term receivables in affiliated companies, other holdings of securities and liquid assets. Financial expenses include interest payable on the Group's liabilities and any payments received or made in connection with the termination of interest rate swaps designated as cash flow hedges and other fair value hedges.

Financial income and expenses amounted to MSEK 480 in 2018 compared with MSEK 463 in 2017, of which net interest expense was MSEK 430 in 2018, compared with MSEK 451 in 2017. The new bond issued in November 2017 had a positive year-on-year impact on net interest, since it carries a lower interest rate than the redeemed bond. Net interest was negatively affected by increasing debt through the issue of a new tranche of the existing bond that matures in 2022, the issue of EMTNs for MEUR 35, aircraft financing and a weaker SEK in combination with higher USD interest rates.

Tax

The Group's tax expense in 2018 amounted to MSEK 452, compared to a tax expense of MSEK 576 in 2017. The Group's effective tax rate was 22.2% in 2018, compared to 33.4% in 2017.

Net income (loss) for the year

For the reasons described above, the Group recognized a net income of MSEK 1,589 in 2018, compared to net income of MSEK 1,149 in 2017.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS

The following table sets forth the Group's consolidated cash flows for the periods indicated:

MSEK	Interim period		Fiscal year		
	1 Nov 2019– 31 Jul 2020	1 Nov 2018– 31 Jul 2019	2019	2018	2017
OPERATING ACTIVITIES					
Income before tax (EBT)	–6,880	–302	794	2,041	1,725
Depreciation, amortization and impairment	5,225	1,422	1,924	1,763	1,635
Income from sale of aircraft, buildings and shares	1	–112	–112	–475	–974
Adjustment for other non-cash items, etc.	–193	–350	–248	228	341
Tax paid	–17	–53	–53	–45	–26
Change in working capital	–299	1,514	1,013	1,047	–258
Cash flow from operating activities	–2,163	2,119	3,318	4,559	2,443
INVESTING ACTIVITIES					
Cash flow from investing activities	–6,972	–3,072	–4,580	–2,679	–87
FINANCING ACTIVITIES					
Cash flow from financing activities	6,619	–1,456	269	–963	–1,887
Cash flow for the year/period	2,516	–2,409	–993	917	469
Translation difference in cash and cash equivalents	–3	1	0	3	–3
Cash and cash equivalents at beginning of the year/period	8,763	9,756	9,756	8,836	8,370
Cash and cash equivalents at year/period end	6,244	7,348	8,763	9,756	8,836
Cash flow from operating activities per share (SEK)	–5.65	5.54	8.67	11.92	7.40

Operating activities

Cash flow from operating activities was MSEK 2,443 in 2017. Cash flow used in operating activities was MSEK 4,559 in 2018 and MSEK 3,318 in 2019. The Group defines working capital as the difference between non-interest bearing assets (excluding intangible and tangible fixed assets) and non-interest bearing liabilities. As a result of operating liabilities exceeding current assets, working capital amounted to negative MSEK 13,313 (2018: MSEK –13,347) at 31 October 2019, representing a year-on-year decline of MSEK 34.

Total cash flow from operating activities was MSEK –2,163 for the period 1 November 2019–31 July 2020, a decrease of MSEK 4,282, or 202%, as compared to MSEK 2,119 for the period 1 November 2018–31 July 2019. The decrease was primarily due to income before tax being significantly lower than the corresponding period in 2019 due to the COVID-19 pandemic.

The cash flow associated with the Group's working capital was MSEK –299 for the period 1 November 2019–31 July 2020, a decrease of MSEK 1,813, or 119.7%, as compared to an inflow of MSEK 1,514 for the period 1 November 2018–31 July 2019. A major reason for the negative change was the decline in the unearned transportation liability.

The cash inflow associated with the Group's working capital was MSEK 1,013 in 2019. This cash inflow was primarily due to operating liabilities, particularly provisions for aircraft maintenance, that increased during the year.

The cash inflow associated with the Group's working capital was MSEK 1,047 in 2018. This cash inflow was primarily due to operating liabilities.

In 2017, the cash outflow associated with the Group's working capital was MSEK 258. The cash outflow was primarily attributable to operating liabilities.

Investing activities

The Group's investing activities consist primarily of capital expenditures for the acquisition of aircraft and related equipment and other expenses.

Total cash outflow from investing activities was MSEK –6,972 for the period 1 November 2019–31 July 2020, an increase of MSEK 3,900, or 127.0%, as compared to outflow of MSEK 3,072 for the period 1 November 2018–31 July 2019. The increase was primarily due to delivery payments for three new Airbus A320neos and four Airbus A350s.

In 2019, investment for the year amounted to MSEK 6,207, compared to MSEK 6,840 in 2018 and MSEK 7,315 in 2017. Cash flow used in net investing activities for 2019 was MSEK 4,580, compared to cash flow used in investing activities of MSEK 2,679 in 2018, an increase of MSEK 1,901. Total cash outflows for investment activities amounted to MSEK 6,207 in 2019, of which MSEK 4,912 related to purchases of tangible fixed assets, including aircraft, and MSEK 1,183 related to prepayments for flight equipment. See "Capital Expenditures" below.

For 2018, cash flow used in net investing activities was MSEK 2,679, compared to cash flow used in investing activities of MSEK 87 in 2017, an increase of MSEK 2,592. Total cash flows for investment activities amounted to MSEK 6,840 in 2018, of which MSEK 5,381 related to purchases of tangible fixed assets, such as aircraft, and MSEK 1,448 related to prepayments for flight equipment. See "Capital Expenditures" below.

For 2017, cash flow used in net investing activities was MSEK 87. Total cash outflow for investment activities amounted to MSEK 7,315 in 2017. Investments in aircraft represented the greatest cash outflows for investing activities in 2017, totaling MSEK 5,730, as further described under “*Capital Expenditures*” below.

Financing activities

Total cash inflow from financing activities was MSEK 6,619 for the period 1 November 2019–31 July 2020, an increase of MSEK 8,075, as compared to a cash outflow of MSEK 1,456 for the period 1 November 2018–31 July 2019. The increase was primarily due to new loans amounting to MSEK 11,181.

Financing activities resulted in cash inflow of MSEK 269 in 2019 compared to outflow of MSEK 963 in 2018. Financing activities used cash totaling MSEK 1,887 in 2017. In 2019, cash inflows from financing activities primarily related to proceeds from borrowings and the Existing Hybrid Notes. In 2018, the cash outflows from financing activities resulted from repayments of borrowings and redemption of preference shares.

See “*Borrowings*” below for additional information as to the Group’s financing activities.

CAPITAL EXPENDITURES

The Group incurred capital expenditures in its investments in aircraft, buildings, equipment and other tangible fixed assets of MSEK 6,207 in 2019, MSEK 6,840 in 2018 and MSEK 7,315 in 2017.

In 2019, capital expenditures included MSEK 5,979 in investments in aircraft.

In 2018, capital expenditures included MSEK 6,684 in investment in aircraft.

In 2017, capital expenditures included MSEK 7,032 in investment in aircraft.

During the period 1 November 2019–31 July 2020, the Group’s capital expenditures totaled MSEK 7,310, of which MSEK 7,176 pertained to aircraft (including delivery payments for three new Airbus A320neo and four Airbus A350).

At 31 July 2020, the Group had contractual orders in respect of 40 Airbus A320neo, three Airbus A321LR and four Airbus A350-900 aircraft with delivery in the 2020–2024 period, which, including spares, represents a total future purchase commitment of MUS\$ 2,229 (excluding eight aircraft which SAS has secured from operating lessors). In financing aircraft, the Group uses a combination of operating leases and financial leases, as well as secured bank loans and credit facilities.

CREDIT FACILITIES AND LOANS

CREDIT FACILITY UBS

On 7 February 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’ 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. As of 31 July 2020, the facilities were unutilized.

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.

THE BONDS

In November 2017, SAS issued a senior unsecured bond, with a 5.375% 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 Bonds 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. As part of the Recapitalization Plan, the Bond will be converted into New Commercial Hybrid Notes or shares (at the option of the Bondholders in accordance with the Bondholder Offer).

CREDIT FACILITY WITH NORDEA FINANS

On 30 June 2008, the SAS Consortium and SAS Göta KB (a limited partnership in which the SAS Consortium is the general partner) entered into a revolving credit facility, secured by way of aircraft mortgages, with Nordea Finans Sverige AB (publ) as lender in the total amount of MUS\$ 137. The term of facility has been extended at several occasions, most recently on 26 April 2019 when the term was extended until 30 June 2021. The credit facility is part of SAS’ financial preparedness and is utilized from time to time by SAS based on needs. As of 31 July 2020, MUS\$ 3.4 of the facility was utilized.

THE EXISTING HYBRID NOTES

In October 2019, SAS issued the Existing Hybrid Notes as subordinated perpetual floating rate callable hybrid bonds in an amount of MSEK 1,500. The Existing Hybrid Notes has an initial margin of STIBOR plus 8.25% per annum, with a margin step-up of 500 basis points per annum, following the five year anniversary of the issuance of the hybrid bond. The Existing Hybrid Notes has a perpetual tenor, meaning that the hybrid bond does not have any final maturity date. However, SAS has the right to redeem all, but not some only, of the Existing Hybrid Notes on the five year anniversary of the issuance of the Existing Hybrid Notes and on any interest payment date thereafter. As part of the Recapitalization Plan, the Existing Hybrid Notes will be converted into shares.

CREDIT FACILITY GUARANTEED BY THE SWEDISH NATIONAL DEBT OFFICE AND DANMARKS NATIONALBANK

On 5 May 2020, SAS announced that the Company had entered into a three year revolving credit facility with Skandinaviska Enskilda Banken AB (publ), Danske Bank A/S, Danmark, Sverige Filial, Nordea Bank Abp, filial i Sverige and Swedbank AB (publ) as original lenders in a total amount of SEK 3,333,333,336. The Swedish National Debt Office (Riksgäldskontoret) and Danmarks Nationalbank has guaranteed 90% of SAS liability under the facility. Any amounts borrowed are to be used for the purpose of making payments to cover necessary costs incurred in the Group’s ordinary course of business or incurred as a result of COVID-19 related circumstances. As of 31 July 2020, the facility was fully utilized. Following a successful implementation of the Recapitalization Plan, the Company will cancel, and prepay any amount outstanding, of the revolving credit facility agreement in accordance with its terms and conditions.

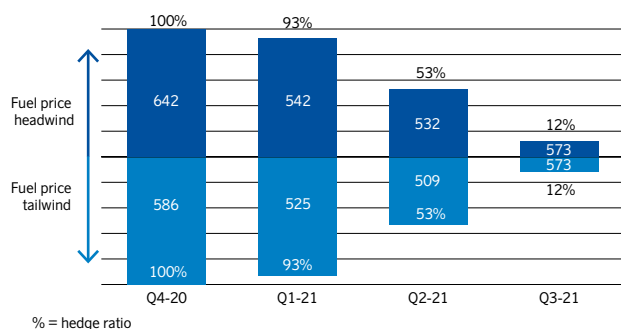
FINANCIAL RISK MANAGEMENT AND FINANCIAL DERIVATIVES

The Group is exposed to various types of financial risks. All risk management is handled centrally and in accordance with the policies set by the Board. The Group uses derivative instruments as part of its financial risk management to limit its fuel, currency and interest-rate exposure.

FUEL PRICE RISK

The Group is exposed to changes in jet-fuel prices. Exposure is handled by continuously hedging 40–80% of the forecast fuel consumption for the coming 12 months. The policy also allows hedging of up to 50% of the anticipated volumes for the period 13–18 months. The main financial derivatives used for hedging jet fuel are options and swaps. As of 31 July 2020, the Group has hedged 54% of expected fuel consumption for the forthcoming 12 months at an average maximum price of USD 574/tonne. If the fuel price goes below USD 536/tonne for the forthcoming 12 months, 54% of SAS' fuel consumption would be hedged at an average price of USD 545/tonne. The graph below illustrates SAS' hedges for the following quarters.

Hedging of Jet fuel, USD/MT



SENSITIVITY ANALYSIS, JET FUEL COST NOV 2019–OCT 2020, SEK BILLION¹⁾

Market price	Exchange rate SEK/USD				
	8.0	8.5	9.0	9.5	10.0
USD 400/tonne	5.5	5.6	5.6	5.7	5.7
USD 500/tonne	5.5	5.6	5.6	5.7	5.7
USD 600/tonne	5.6	5.6	5.6	5.7	5.7
USD 700/tonne	5.6	5.7	5.7	5.7	5.8

1) SAS current hedging contracts for jet fuel at end of quarter have been taken into account.

Jet fuel cost in the statement of income does not include USD currency hedging effects. These effects are recognized under "Other operating expenses," since currency hedging is performed separately and is not linked specifically to its jet-fuel purchases.

Hedging of SAS' future jet fuel consumption is conducted through a combination of swaps and options. Under current plans for flight capacity, the cost of jet fuel during the fiscal year 2020 is expected to be in line with the table above, taking into account different fuel prices, USD rates and jet-fuel hedging.

CURRENCY RISK

The Group has currency exposure to both transaction risk and translation risk.

Transaction risk arises when flows in foreign currencies are exposed to currency fluctuations. To manage the transaction risk to which the Group is exposed, the projected commercial currency flows are hedged using currency derivatives. According to the financial policy, the hedge level must be 40–80% of a 12-month rolling liquidity forecast. Future contracted aircraft purchases denominated in USD can be hedged by up to 80% of the contracted amount. Additionally, future aircraft sales can be hedged with currency derivatives and loans in USD in an amount up to 80% of the carrying amounts of the aircraft fleet. At the end of the third fiscal quarter, SAS had hedged 43% of its anticipated USD cash flow deficit for the next 12 months. SAS has hedged the USD deficit using forward contracts and currency options. In terms of NOK, which is SAS' largest surplus currency, 78% was hedged for the next 12 months. Based on the currency exposure a weakening of the NOK against the SEK of 1% would generate a negative earnings impact of MSEK 22, excluding hedge effects. A weakening of the USD against the SEK of 1% would generate a positive earnings impact of MSEK 73, excluding hedge effects, before any potential IFRS 16 effects.

Translation risk arises during conversion of balance-sheet items in foreign currencies due to currency fluctuations. To limit translation risk, the policy is to keep the net financial debt mainly in the presentation currency of the respective subsidiary.

With the introduction of IFRS 16, future leasing payments are recognized as an asset (Right-of-use) and a financial lease liability. Most of the right-of-use assets are denominated in SEK but the corresponding lease liabilities are denominated in foreign currencies, mainly USD. The currency exposure from recalculating USD liabilities into SEK is significant. Over the lease term the expenses following the adoption of IFRS 16 are equal to the expenses reported under IAS 17, but the impact from recalculating USD liabilities to SEK will create a higher volatility in the income statement. To mitigate the risk of having a volatile profit & loss, SAS applies hedge accounting.

Certain forecasted future USD revenue are hedged using the external USD denominated lease liabilities as hedging instrument. Changes in USD/SEK spot rate for the designated part of the USD denominated lease liability is recognized in other comprehensive income and reported as a separate component (cash flow hedge reserve) in equity. When the hedged expected cash flows impact profit or loss as revenue, the corresponding part of the cash flow hedge reserve is reclassified from OCI to profit or loss. In cases where hedge accounting is not possible, revaluation of USD denominated lease liabilities will impact financial net in the income statement.

Based on lease liabilities of approximately MUSD 1,600 and USD rate as of 31 July 2020, a weakening of the USD against the SEK of 1% would generate a positive earnings impact of approximately MSEK 75 in profit and loss and a positive effect in OCI of approximately MSEK 65.

INTEREST-RATE RISK

The Group is exposed to interest-rate risk when the market value of the net financial debt (interest-bearing assets and liabilities) is affected by movements in the yield curve (market interest rates at different maturities). Group borrowing includes loans at both fixed and floating interest rates. To manage the interest-rate risk, interest-rate derivatives are used to change the fixed-interest term of the underlying gross financial debt. The target of current policy is for the average fixed-interest term of the gross financial debt to correspond to 3 years, with a permitted interval of 1–5 years. In addition, the development of the gross financial debt for the forthcoming 12 months and contracted future aircraft purchases is taken into consideration. At 31 October 2019, the average fixed-interest term was 3.6 (2018: 2.7) years.

SENSITIVITY ANALYSIS, REVALUATION EFFECT ON CLOSING DATE

The sensitivity analysis concerning fuel price shows the immediate revaluation effect of a 10% parallel shift in the price curve for fuel derivatives.

The sensitivity analysis concerning currency shows the immediate revaluation effect on the closing date for cash-flow hedges, accounts receivable and accounts payable of a 10% strengthening or weakening of the Swedish krona against all currencies the Group is exposed to.

The sensitivity analysis for market interest rates shows the immediate revaluation effect on the closing date for interest-rate derivatives and short term investments with a 1-percentage-point parallel shift in the yield curve. Beyond the revaluation effect, the Group's net interest for the November 2018–October 2019 period is affected by around MSEK 58 (2018: MSEK 17) if short-term market rates rise by 1 percentage point. However, if short-term market rates fall by 1 percentage point the corresponding negative effect on net interest is MSEK –58 (2018: MSEK –17). The estimate also includes interest-rate derivatives.

SENSITIVITY ANALYSIS, REVALUATION EFFECT ON CLOSING DATE

			31 Oct 2019	31 Oct 2018	31 Oct 2019	31 Oct 2018
Market risk	Change	Currency	Earnings impact	Earnings impact	Equity impact	Equity impact
Fuel price	+/- 10%		-/-	-15/-78	386/-411	405/-217
Currency risk, SEK	+/- 10%	CNY	3/-3	2/-2	17/-17	23/-23
Currency risk, SEK	+/- 10%	DKK	7/-7	-4/4	-/-	0/0
Currency risk, SEK	+/- 10%	EUR	-1/1	-1/1	-/-	-7/7
Currency risk, SEK	+/- 10%	JPY	2/-2	1/-1	38/-38	34/-34
Currency risk, SEK	+/- 10%	NOK	8/-8	14/-14	304/-304	290/-290
Currency risk, SEK	+/- 10%	USD	-18/18	-52/52	-450/451	-119/357
Currency risk, SEK	+/- 10%	OTHER	-8/8	0/0	43/-43	37/-37
Market interest rates	+/- 1%		-/-	-/-	280/-280	46/-46

FINANCIAL DERIVATIVES

Different types of currency derivatives, such as currency forward contracts, currency swap contracts and currency options, are used to manage currency exposure. Furthermore, interest-rate exposure is managed by different types of interest-rate derivatives such as Forward Rate Agreements (FRAs), futures, interest-rate swap contracts and currency interest-rate swap contracts.

As of 31 October 2019, the fair value of the Group's outstanding derivative instruments totaled MSEK 660 (2018: MSEK 476), broken down according to the table below.

	31 Oct 2019 Fair value				31 Oct 2018	
	Outstanding volume	Assets	Liabilities	Net	Outstanding volume	Fair value, Net
Currency derivatives	17,330	196	-153	43	18,176	30
Interest-rate derivatives	4,669	-	-535	-535	2,960	112
Fuel derivatives	7,364	52	-220	-168	6,226	334
Total	29,363	248	-908	-660	27,362	476

As of the balance-sheet date, fair value is consistent with carrying amounts.

The fair value is the amount received or paid if outstanding financial instruments are sold on the closing date. Derivatives not subject to hedge accounting are classified as financial instruments at FVTPL. Outstanding volume means the nominal amount of derivative contracts expressed in absolute terms.

The total carrying amount for the Group's derivative financial instruments is presented in the balance-sheet items in the table below.

OFFSETTING OF FINANCIAL DERIVATIVES

To reduce counterparty risks for bank receivables related to derivatives, SAS has entered into netting agreements, under ISDA agreements, signed with all of its counterparties.

The information in the following table includes financial assets and liabilities that are subject to enforceable master netting arrangements and similar agreements that cover financial instruments.

	2019 31 Oct	2018 31 Oct
Other long-term receivables	–	80
Other receivables	248	566
Total derivative assets	248	646
Other loans	–39	–
Current liabilities	–869	–170
Total derivative liabilities	–908	–170
<i>Derivative assets/liabilities net at end of the period</i>	–660	476
Allocation of derivatives according to the following:		
Cash-flow hedges	–666	495
Derivatives not designated as hedges for accounting purposes	6	–19
Derivative assets/liabilities net at end of the period	–660	476

	31 Oct 2019			31 Oct 2018		
	Financial assets	Financial liabilities	Total	Financial assets	Financial liabilities	Total
Gross amount	248	–908	–660	646	–170	476
Amount offset	–	–	–	–	–	–
Recognized in the balance sheet	248	–908	–660	646	–170	476
Amounts covered by netting agreements	–222	260	38	–552	165	–387
Net amount after netting agreements	26	–648	–622	94	–5	89

HEDGE-ACCOUNTED DERIVATIVES, CASH-FLOW HEDGE

Hedging of aircraft

The hedging of future contracted aircraft purchases/sales represents hedging transactions since it is the payment flow in foreign currency during a future purchase/sale that is hedged using the cash-flow method. The loans and the currency forward contracts included in hedging relationships are translated at the relevant closing rate and the change that is calculated as effective is recognized in other comprehensive income. As of 31 October 2019, the accumulated currency effect on cash-flow-hedged loans and derivatives relating to future aircraft purchases and sales was recognized after tax in the hedging reserve in equity in the amount of MSEK 812 (2018: MSEK 998).

Commercial flows

Currency derivatives are used to manage the transaction risk relating to projected commercial flows. These currency derivatives represent hedging transactions according to the cash-flow method and their accounting policies are matched with those of the underlying liquidity projection. Provided that the effectiveness of the hedges can be demonstrated, the accumulated change in market value of each hedging transaction is recognized in equity until it is recycled to the statement of income as a cost/revenue. As of 31 October 2019, the accumulated currency effect of these cash-flow-hedged currency derivatives was recognized after tax in the hedging reserve in equity in the amount of MSEK 29 (2018: MSEK 52).

Interest-rate derivatives

When the Group borrows at floating interest rates and changes its interest-rate exposure by entering into interest-rate swap contracts, whereby floating interest is received and fixed interest is paid, the hedging relationship is classified as a cash-flow hedge. When hedge accounting is applied, the effective portion of the change in value of the hedge instrument is recognized in other comprehensive income. The terms of the interest-rate derivatives used for hedging transactions are matched with those of the individual loans. On the closing date 31 October 2019, the accumulated effect on these cash-flow-hedged interest derivatives was recognized after tax in the hedging reserve in equity in the amount of MSEK –515 (2018: MSEK 88).

Fuel derivatives

Fuel derivatives are used to manage the price risk relating to jet fuel. These derivatives represent hedging transactions according to the cash-flow method and their accounting policies are matched with those of the underlying forecast jet-fuel requirement. As of 31 October 2019, the accumulated effect on these cash-flow-hedged fuel derivatives was recognized after tax in the hedging reserve in equity in the amount of MSEK –143 (2018: MSEK 174).

Altogether, MSEK 235 (2018: MSEK 1,682) was recognized before tax in the hedging reserve in equity at 31 October 2019, and is expected to affect the statement of income in the following years as follows:

	FY20	FY21	FY22	FY23	FY24	2024/2025>	Total
Aircraft	215	209	95	94	93	335	1 041
Commercial flows	37	–	–	–	–	–	37
Interest-rate derivatives	–43	–67	–67	–66	–66	–351	–660
Fuel derivatives	–183	–	–	–	–	–	–183
Deferred tax	–6	–31	–6	–6	–6	3	–52
Effect on equity	20	111	22	22	21	–13	183

DERIVATIVES NOT SUBJECT TO HEDGE ACCOUNTING

Other derivatives not subject to hedge accounting are remeasured on an ongoing basis and recognized at fair value through profit or loss. Interest-rate derivatives that cannot be linked to specific borrowing subject to hedge accounting are remeasured on an ongoing basis at their fair value through profit or loss.

CREDIT RISK

The Group's financial transactions give rise to exposure to credit risk vis-à-vis the financial counterparties. Credit risk or counterparty risk pertains to the risk of loss if a counterparty does not fulfill its contractual obligations. The financial policy prescribes that transactions may only be entered into with counterparties with high credit ratings, defined as category A3/P-1 or better according to Moody's or alternatively A-/A-1 according to Standard & Poor's.

Limits are set for each counterparty and are continuously revised. To further reduce counterparty risks, ISDA agreements (netting agreements) are signed with most counterparties. 98% of the credit-related exposure is geographically concentrated in the Nordic countries. The breakdown of the remaining credit exposure is 1% in the rest of Europe and 1% in the rest of the world. The maximum credit exposure for derivative instruments is matched by carrying amounts/fair values, see the above table under the heading "*Financial derivatives*". For cash and cash equivalents, the size of the credit risk is the carrying amount and is distributed as follows:

Rating (Moody's)	Carrying amount	
	2019 31 Oct	2018 31 Oct
Aaa/P-1	290	287
Aa1/P-1	250	651
Aa2/P-1	–	–
Aa3/P-1	3,788	5,401
A1/P-1	2,023	2,126
A2/P-1	1,862	843
A3/P-1	550	448
Total	8,763	9,756

Under other long-term receivables, credit risk is allocated between financial institutions, external aircraft lessors, external aircraft operators and various property companies. The same regulations as those defined above for financial counterparties apply for financial institutions. With regard to external aircraft lessors, the majority of claims consist of pledged collateral for leasing fees as well as costs for return requirements. Since the cost of meeting the return requirements largely relates to those costs incurred dependent on the usage of the aircraft, the credit-related exposure is substantially neutralized. The payments structure in agreements with external aircraft operators is designed so that the Group's receivables in the form of pledged collateral are often or always lower than the current liabilities/expenses of the Group to these external operators.

In relation to the Group's accounts receivable, the credit risk is spread over a large number of customers including private individuals and companies in various industries. Credit information is required for credit sales with the aim of minimizing the risk of bad debt losses and is based on intra-group information on payment history supplemented with credit and business information from external sources. The maximum credit risk for the Group accords with the carrying amounts of financial assets according to the categorization table.

LIQUIDITY AND BORROWING RISK

Liquidity and borrowing risks refer to the risk that sufficient liquidity is not available when required, and that refinancing of matured loans will be costly or problematic.

The target is for financial preparedness to amount to a minimum of 25% of the Group's fixed costs. The financial preparedness equals cash and cash equivalents plus total unutilized credit facilities. As of 31 October 2019, financial preparedness amounted to MSEK 11,372 (2018: MSEK 12,202), with cash and cash equivalents amounting to MSEK 8,473 (2018: MSEK 9,756) and unutilized credit facilities totaling MSEK 2,899 (2018: MSEK 2,785) or 38% (2018: 42%) of the Group's fixed costs. The Group's cash and cash equivalents are held in instruments with good liquidity or short maturity with a credit rating of no lower than A3/P-1 according to Moody's or A-/A-1 according to Standard & Poor's.

The following tables show remaining contractual terms for SAS' financial liabilities and assets excluding operations for sale. The figures shown are contractual undiscounted cash flows. The tables show the contracted date when SAS is liable to pay or receive, and includes both interest and nominal amounts. Future interest flows at variable rates are estimated using the current interest rate on the closing date, which means the amounts may differ.

As of 31 October 2019, the Group's interest-bearing liabilities amounted to MSEK 11,283 (2018: MSEK 10,092); 0% (2018: 0%) of the interest-bearing liabilities have financial key ratio covenants for cash flow, debt/equity and liquidity. The term of the interest-bearing gross debt amounted to approximately 3.3 years (2018: 2.9 years) at year end, excluding the subordinated loan of 127 million Swiss franc which runs without stipulated maturity.

FINANCIAL NET DEBT/RECEIVABLES

MSEK	Balance sheet	Net financial debt
Other holdings of securities	9	–
Other long-term receivables	2,519	of which interest-bearing 1,904
Accounts receivable	1,233	–
Receivables from affiliated companies	–	–
Other receivables	543	of which interest-bearing 288
Short-term investments	2,273	2,273
Cash and bank balances	6,490	6,490
Subordinated loans	–1,240	–1,240
Bonds	–3,063	–3,063
Other loans	–5,147	–5,147
Current portion of long-term loans	–784	–784
Short-term loans	–1,049	–1,049
Accounts payable	–1,700	–
Other liabilities	–732	–
Financial net debt		–328

LIQUIDITY RISK

31 Oct 2019	Up to 3 months	4–12 months	1–5 years	Over 5 years	31 Oct 2018	Up to 3 months	4–12 months	1–5 years	Over 5 years
Financial liabilities					Financial liabilities				
Subordinated loans	8	–	31	1,256	Subordinated loans	7	–	29	1,182 ²⁾
Bonds	123	6	3,447	–	Bonds	123	6	3,202	367
Finance leases	110	278	2,687	2,288	Finance leases	131	296	2,083	387
Hybrid capital	31	65	2,048	–	Convertible bond	–	1,603	–	–
Other loans	102	148	829	–	Other loans	68	125	1,250	–
– Interest-rate derivatives	–	–	39	–	Other long-term liabilities	–	–	116	–
Short-term loans	–	–	–	–	Short-term loans	–	–	–	–
– Fuel derivatives	70	72	–	–	– Fuel derivatives	–	–	–	–
– Currency derivatives	91	61	–	–	– Currency derivatives	78	22	–	–
– Interest-rate derivatives	266	230	–	–	Accounts payable	1,675	–	–	–
Accounts payable	1,700	–	–	–	Other liabilities	55	527	–	–
Other liabilities	302	430	–	–	Total	2,137	2,579	6,680	1,936
Total	2,803	1,290	9,081	3,544	Total	2,137	2,579	6,680	1,936
Currency derivatives, gross ¹⁾	11,866	5,464	–	–	Currency derivatives, gross ¹⁾	14,804	3,372	–	–
Financial assets					Financial assets				
Other holdings of securities	–	–	9	–	Other holdings of securities	–	–	3	–
Other long-term receivables	80	272	1,798	369	Other long-term receivables	113	100	2,007	417
– Interest-rate derivatives	–	–	–	–	– Interest-rate derivatives	–	–	75	5
Accounts receivable	1,215	18	–	–	Accounts receivable	1,201	18	–	–
Receivables from affiliated companies	–	–	–	–	Receivables from affiliated companies	–	1	–	–
Other receivables	–	–	–	–	Other receivables	4	18	278	–
– Fuel derivatives	10	2	–	–	– Fuel derivatives	176	48	–	–
– Currency derivatives	107	87	–	–	– Currency derivatives	104	67	–	–
– Interest-rate derivatives	–	–	–	–	– Interest-rate derivatives	7	25	–	–
Short-term investments	2,273	–	–	–	Short-term investments	4,232	–	–	–
Cash and bank balances	6,490	–	–	–	Cash and bank balances	5,524	–	–	–
Total	10,175	379	1,807	369	Total	11,361	277	2,363	422
Net	7,372	-911	-7,274	-3,175	Net	9,224	-2,302	-4,317	-1,514

1) Currency derivatives have, essentially, corresponding positive cash flows.

2) Subordinated loan with no maturity date.

CONTRACTED CREDIT FACILITIES

The Group has entered into various credit facilities in order to provide additional funding if needed. The schedule below provides details of the credit facilities on 31 October 2019.

Facility	Maturity	Total facility	Utilized facility	31 Oct 2019	31 Oct 2018
				Unutilized facility	Unutilized facility
Credit facility, MEUR 150	2021	1,613	–	1,613	1,561
Credit facility, MUSD 137	2020	1,319	33	1,286	1,224
Credit facility, MUSD 26	2020	182	182	–	–
Credit facility, MUSD 34	2021	289	289	–	–
Credit facility, MUSD 26	2020	53	53	–	–
Credit facility, MUSD 57	2023	442	442	–	–
Total		3,899	1,000	2,899	2,785

MEASUREMENT AT FAIR VALUE

Under IFRS 7, disclosures pertaining to financial instruments measured at fair value in the balance sheet are to be provided if the method for establishing fair value utilizes a fair value hierarchy consisting of three levels. The levels reflect the extent to which fair value is based on observable market data or own assumptions. Below is a description of the different levels for determining fair value.

Level 1

Financial instruments for which fair value is based on observable (unadjusted) quoted prices in active markets for identical assets and liabilities. A market is considered active if quoted prices from an exchange, bank, pricing service (such as Thomson Reuters) or supervisory body are readily and regularly available and those prices represent actual and regularly occurring arm's length market transactions.

This category includes mainly standardized derivatives where the quoted price is used in the valuation.

Level 2

Financial instruments for which fair value is based on models that utilize observable data for the asset or liability other than the quoted prices included within level 1, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Examples of observable data in level 2 is data that can serve as a basis for assessing prices, such as market interest rates and yield curves.

This category includes mainly certificates and non-standard derivative instruments (interest-rate, currency and fuel swaps as well as currency and fuel options) not traded in an active market and the fair value is determined using valuation techniques based essentially on observable market data.

Level 3

Financial instruments for which fair value is based on valuation models, whereby significant input is based on unobservable data.

The Group currently has no financial assets and liabilities where the valuation is essentially based on unobservable data.

DETERMINATION OF FAIR VALUE – VALUATION TECHNIQUES

Other holdings of securities

The balance-sheet item "Other holdings of securities" MSEK 9 (2018: MSEK 3) comprises shareholdings that are not affiliated companies or subsidiaries.

The entire balance-sheet item is measured at cost because its fair value cannot be reliably measured as a justifiable expense. For this reason, the balance-sheet item "Other holdings of securities" is not included in the adjacent table "Financial assets and liabilities measured at fair value."

Interest-rate derivatives

Interest-rate swaps: The fair value of interest-rate swaps is determined by discounting estimated future cash flows. Discounting takes place on the basis of yield curves based in turn on market rates prevailing at the closing date.

Futures: Standardized futures contracts with daily settlement. Fair value is thus determined by daily "mark-to-market" valuation.

Forward Rate Agreement, (FRA): The fair value of OTC FRAs is determined by discounting estimated future cash flows. Discounting takes place on the basis of yield curves based in turn on market rates prevailing at the closing date. Standardized FRAs with cash settlement are measured at fair value using quoted bid and ask rates at year end for an FRA with a corresponding term to maturity.

Currency derivatives

Currency swaps: The fair value of currency swaps is determined by discounting estimated future cash flows in each currency and interest rate. Discounting is based on yield curves on the closing date. Translation of the currency component is based on exchange rates prevailing at the closing date.

Currency options: The fair value of options is determined by application of the Black and Scholes valuation model, a recognized and accepted valuation model in financial markets. The model is based primarily on observable data such as spot price, exercise price, term to maturity, interest rate, volatility, etc.

Fuel derivatives

Fuel options: The fair value of fuel options is determined by application of the Black and Scholes valuation model. The model is based primarily on observable data such as the fuel swap curve, exercise price, term to maturity, interest rate, volatility, etc.

Fuel swaps: The fair value of fuel swaps is determined according to the fuel swap curve at the closing date.

Short-term investments

Short-term investments classified as held for trading comprise treasury bills, mortgage bonds and commercial paper with a maximum remaining term to maturity of three months. Fair value is determined by discounting on the basis of yield curves on the closing date.

Cash and bank balances

Cash and bank balances comprise cash on hand and demand deposits at banks and corresponding financial institutions. Carrying amounts correspond to fair value.

FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES

	31 Oct 2019		31 Oct 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets at fair value, hedge-accounted	225	225	636	636
Financial assets at FVTPL	23	23	3,641	3,641
Financial assets at amortized cost	12,648	12,648	10,057	10,049
Total	12,896	12,896	14,334	14,326
Financial liabilities				
Financial liabilities at fair value, hedge-accounted	891	891	141	141
Financial liabilities at FVTPL	17	17	29	29
Financial liabilities at amortized cost	12,075	11,540	11,675	10,977
Total	12,983	12,448	11,845	11,147

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

	31 Oct 2019			31 Oct 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS						
Other holdings of securities	-	-	-	-	3	-
Other long-term receivables						
– Interest-rate derivatives	-	-	-	-	80	-
Other receivables						
– Fuel derivatives	-	52	-	-	345	-
– Currency derivatives	-	196	-	-	189	-
– Interest-rate derivatives	-	-	-	-	32	-
Short-term investments	-	-	-	287	2,841	-
Cash and bank balances	-	-	-	-	500	-
Total	-	248	-	287	3,990	-
LIABILITIES						
Other loans						
– Interest-rate derivatives	-	39	-	-	-	-
Short-term loans						
– Fuel derivatives	-	220	-	-	11	-
– Currency derivatives	-	153	-	-	159	-
– Interest-rate derivatives	-	496	-	-	-	-
Total	-	908	-	-	170	-

CATEGORIZATION OF FINANCIAL ASSETS AND LIABILITIES

	Derivatives at FVTPL	Financial assets at amortized cost	Financial liabilities at amortized cost	Derivatives at fair value, hedge-accounted	Total carrying amount	Total fair value ¹⁾
31 Oct 2019	<i>Fair value</i>	<i>Amortized cost</i>	<i>Amortized cost</i>	<i>Fair value</i>		
ASSETS						
Other holdings of securities	–	9	–	–	9	9
Other long-term receivables	–	2,519	–	–	2,519	2,519
– Interest-rate derivatives	–	–	–	–	0	0
Accounts receivable	–	1,233	–	–	1,233	1,233
Receivables from affiliated companies	–	–	–	–	0	0
Other receivables	–	295	–	–	295	295
– Fuel derivatives	–	–	–	52	52	52
– Currency derivatives	23	–	–	173	196	196
– Interest-rate derivatives	–	–	–	–	0	0
Short-term investments	–	2,273	–	–	2,273	2,273
Cash and bank balances	–	6,490	–	–	6,490	6,490
Total	23	12,819	0	225	13,067	13,067
LIABILITIES						
Subordinated loans	–	–	1,240	–	1,240	461
Bonds	–	–	3,063	–	3,063	2,947
Other loans	–	–	5,108	–	5,108	5,348
– Interest-rate derivatives	–	–	–	39	39	39
Current portion of long-term loans	–	–	784	–	784	911
Short-term loans	–	–	180	–	180	173
– Fuel derivatives	–	–	–	220	220	220
– Currency derivatives	17	–	–	136	153	153
– Interest-rate derivatives	–	–	–	496	496	496
Accounts payable	–	–	1,700	–	1,700	1,700
Other liabilities	–	–	732	–	732	732
Total	17	0	12,807	891	13,715	13,180

1) The fair values of subordinated loans have been set entirely by the use of official price quotes. The fair values of other financial assets and liabilities have been set in part by the use of official price quotes, such as discounting of future cash flows at quoted interest rates.

	Held for trading	Loans and receivables	Financial assets available-for-sale	Other liabilities	Hedging instruments, derivatives	Total carrying amount	Total fair value ¹⁾
31 Oct 2018	<i>Fair value</i>	<i>Amortized cost</i>	<i>Fair value</i>	<i>Amortized cost</i>	<i>Fair value</i>		
ASSETS							
Other holdings of securities	–	–	3	–	–	3	3
Other long-term receivables	–	2,690	–	–	–	2,690	2,690
– Interest-rate derivatives	–	–	–	–	80	80	80
Accounts receivable	–	1,219	–	–	–	1,219	1,210
Receivables from affiliated companies	–	1	–	–	–	1	1
Other receivables	–	300	–	–	–	300	300
– Fuel derivatives	–	–	–	–	345	345	345
– Currency derivatives	10	–	–	–	179	189	189
– Interest-rate derivatives	–	–	–	–	32	32	32
Short-term investments	3,128	1,104	–	–	–	4,232	4,232
Cash and bank balances	500	5,024	–	–	–	5,524	5,524
Total	3,638	10,338	3	–	636	14,615	14,606
LIABILITIES							
Subordinated loans	–	–	–	1,161	–	1,161	337
Bonds	–	–	–	3,040	–	3,040	3,036
Other loans	–	–	–	3,291	–	3,291	3,348
– Interest-rate derivatives	–	–	–	–	–	–	–
Current portion of long-term loans	–	–	–	2,272	–	2,272	2,383
Short-term loans	–	–	–	158	–	158	151
– Fuel derivatives	–	–	–	–	11	11	11
– Currency derivatives	29	–	–	–	130	159	159
– Interest-rate derivatives	–	–	–	–	–	–	–
Accounts payable	–	–	–	1,675	–	1,675	1,675
Other liabilities	–	–	–	582	–	582	582
Total	29	–	–	12,179	141	12,349	11,682

1) The fair values of short-term investments and subordinated loans have been set entirely by the use of official price quotes. The fair values of other financial assets and liabilities have been set in part by the use of official price quotes, such as discounting of future cash flows at quoted interest rates.

WORKING CAPITAL

As described above, the Group has historically managed its liquidity needs through a combination of operating cash flows and long term borrowings. To fund its working capital needs, the Group had cash and short-term investments amounting to MSEK 6,244 and undrawn available borrowing facilities of MSEK 2,700 as of 31 July 2020.

WORKING CAPITAL STATEMENT

The Group's current working capital is, in the opinion of SAS, not sufficient for the Group's present requirements for a period of twelve months from the date of this prospectus. In this context, working capital refers to SAS' ability to access cash and other available liquid resources in order to meet the Group's liabilities as they fall due.

The COVID-19 pandemic has removed most of the demand for air travel and thereby the commercial basis for airlines. SAS expects a longer recovery period than experienced in previous downturns and that it may take until at least 2022 before the demand can reach more normalized levels, with a return to demand levels in line with what the aviation industry experienced before the outbreak of the COVID-19 pandemic a few years thereafter (see *"Business description–Impact of the COVID-19 pandemic and return to service"*). As a consequence, SAS' ability to generate positive cash-flow, access cash and other resources in order to pay for running costs and meet liabilities as they fall due is not sufficient to cover SAS' expected negative cash-flow generated from the operations during the next twelve months. Based on SAS' revised business plan and current market assessment, SAS estimates that its current working capital will be sufficient until November 2020, and that the working capital shortfall for the next twelve months amounts to approximately SEK 7 billion. However, the short-, medium- and long-term recovery of air travel, and thus SAS' working capital requirements, is subject to a high level of uncertainty (see *"Risk factors–COVID-19 has had a material adverse effect on SAS and SAS remains subject to significant risks related to the outbreak and countermeasures"* and *"The recovery of air travel, including for SAS, is expected to be slow and the future characteristics of the airline industry are highly uncertain"*).

To address the negative financial impacts of the COVID-19 pandemic, the Board of Directors of SAS in June 2020 decided on a revised business plan and the Recapitalization Plan (see *"Business description–Revised business plan and the Recapitalization Plan"*). The Recapitalization Plan, consisting of the following components: (i) the Directed Issue of shares in the amount of approximately MSEK 2,006 to the Major Shareholders; (ii) the Rights Issue of new shares available to eligible shareholders in an amount of approximately MSEK 3,994, covered by subscription undertakings and underwriting commitments corresponding to approximately 81.5% of the Rights Issue; (iii) the directed issue of New State Hybrid Notes in a total amount of MSEK 6,000 to the Major Shareholders; (iv) the conversion of the MSEK 1,500 Existing Hybrid Notes (already accounted for as equity) into shares at 90% of par value; and (v) the conversion of the MSEK 2,250 Bonds into New Commercial Hybrid Notes or shares (at the option of the holders of Bonds) at 100% of par value. Following a successful implementation of the Recapitalization Plan, the Company will cancel, and repay any amount outstanding, of its

SEK 3.33 billion three-year revolving credit facility agreement, 90% guaranteed by the Major Shareholders, in accordance with its terms and conditions. Subject to successful completion of the Recapitalization Plan, the Company aims to convert SEK 2.25 billion of debt to equity and raise SEK 12 billion of new equity, before recapitalization costs estimated at approximately MSEK 155, and thereby restore equity by SEK 14.25 billion.

Given that the Directed Issue as well as the directed Issue of New State Hybrid Notes are fully covered by subscription undertakings and that the Rights Issue is covered by subscription undertakings and underwriting commitments corresponding to approximately 81.5% of the Rights Issue¹⁾, and that the terms of the conversions of the Existing Hybrid Notes and the Bonds were approved by noteholders' meetings on 2 September 2020, SAS is confident that all components of the Recapitalization Plan can be implemented and thereby generate sufficient working capital for the next twelve months from the date of this prospectus.

If the Recapitalization Plan is not successfully implemented and fails, SAS will not be able to recapitalize and remedy the liquidity shortage and the negative equity caused by the COVID-19 pandemic, which would have a highly material adverse effect on SAS' financial condition. As a result, SAS may be forced to enter into liquidation or bankruptcy proceedings.

OFF-BALANCE SHEET ARRANGEMENTS

The Group uses certain off-balance sheet arrangements in the ordinary course of business, including guarantees. As of 31 October 2019, the Group had guarantees of MSEK 403 relating to emission rights. See *"Note 33 – Contingent liabilities"* to the annual report for the fiscal year 2019 for further information.

SIGNIFICANT CHANGES AND RECENT TRENDS

SIGNIFICANT CHANGES SINCE 31 JULY 2020

On noteholders' meetings held 2 September 2020, (i) holders of the Existing Hybrid Notes approved the conversion of the Existing Hybrid Notes into shares in the Company at 90% of par value; and (ii) the holders of the Bonds approved the conversion of the Bonds at 100% of par value into New Commercial Hybrid Notes in the Company, with the possibility to subscribe for newly issued shares in accordance with the Bondholder Offer by setting off their claim under the Bonds as consideration.

On 7 September 2020, SAS published traffic figures for August 2020. During August 2020, SAS' capacity (ASK) and total number of passengers were 73.4% and 74.2%, respectively, lower compared to August 2019.

The Extraordinary General Meeting held 22 September 2020 resolved on necessary General Meeting approvals for the completion of the Recapitalization Plan, including necessary amendments to the Articles of Association, a reduction of the share capital, an authorization for the Board to resolve on new issues of shares and a bonus issue. See also *"Share and share capital–Corporate resolutions to enable the forthcoming new share issues"*. On 23 September 2020, the Board of Directors of SAS resolved, as authorized by the Extraordinary General Meeting, on the share issues included in the Recapitalization Plan. See *"Shares and share capital–The Share Issues"*.

1) The subscription undertakings and underwriting commitments have not been secured (see *"Risk factors–Non-secured subscription and underwriting commitments"*).

RECENT TRENDS

Before the onset of COVID-19, SAS experienced a high demand for its services and reported increased number of passengers and revenues as well as overall market share during the first quarter of fiscal year 2020. However, as the full effects of the pandemic started to become evident during spring 2020, containment measures such as social distancing, governmental advice against travel, travel restrictions, closed borders, quarantines and lock downs, resulting in dramatically changed traveling patterns, had an immediate detrimental impact on the airline industry. This resulted in a sharp drop in number of passengers and consequently revenues and results of operations for SAS. The decline in demand immediately triggered SAS to implement a broad range of measures to radically reduce costs. In the light of this, the Board also decided on a revised business plan and the Recapitalization Plan. During the second quarter of fiscal year 2020, SAS' total number of passengers, revenue passenger kilometers (RPK) and capacity (ASK) were 52.3%, 56.2% and 46.8%, respectively, lower compared to the same period previous fiscal year. During the third quarter of fiscal year 2020, the same traffic figures were 85.6%, 91.6% and 87.0%, respectively, lower compared to the same period previous fiscal year while they in August 2020 were 74.2%, 83.9% and 73.4%, respectively, lower compared to August 2019. The airline industry is characterized by a high percentage of fixed cost and the measures that has been taken by SAS have not been able to offset the sharp drop in revenues caused by the COVID-19 pandemic.

Although the COVID-19 pandemic continues to have a significant adverse impact on SAS, there has been no significant change in the financial performance of SAS since 31 July 2020

(being the end of the last period for which financial information has been published by SAS). The demand for air travel has since the third quarter of fiscal year 2020 slowly returned, mainly driven by domestic traffic. During the fourth quarter of fiscal year 2020, SAS' intends to continue to ramp-up production and expects to reach approximately 30% of available seat kilometers (ASK) during the corresponding period 2019. On 23 September 2020, however, ICAO adjusted its near-term outlook in respect of the economic impact from COVID-19 on civil aviation in light of an almost certain dip in recovery seen in September 2020 at a global, European and North American level.¹⁾ The future demand is unclear and highly dependent on eased restrictions and on the passengers' trust and will to travel. Demand is also affected by renewed outbreaks and reimposed travel restrictions in countries that eases their containment measures. In August and September 2020, a number of European countries showed a resurgence in cases of COVID-19. It is also difficult to predict how the demand will develop during fall and winter since the customers behavior has changed towards booking flights closer to departure date than what has been seen in the past. SAS' current expectation is that the ramp-up phase for the airline industry may last until at least 2022 before demand can reach more normalized levels, with a return to pre COVID-19 levels a few years thereafter.

For further information, see *"Business description–Impact of the COVID-19 pandemic and return to service"*, *"Business description–Revised business plan and the Recapitalization Plan"* as well as *"1 November 2019 to 31 July 2020 compared to 1 November 2018 to 31 July 2019"* and *"Working capital statement"* above.

1) ICAO, Effects of Novel Coronavirus (COVID-19) on Civil Aviation: Economic Impact Analysis, 23 September 2020.

CAPITALIZATION, INDEBTEDNESS AND OTHER FINANCIAL INFORMATION

CAPITALIZATION AND INDEBTEDNESS

The tables below set forth SAS' capitalization and interest-bearing financial indebtedness as of 31 July 2020 on (i) an actual basis, and (ii) on an adjusted basis to reflect the following steps of the Recapitalization Plan (as further described under "*Business description–The Recapitalization Plan*") and certain corporate resolutions required in order to implement the Recapitalization Plan:

1. a reduction of the Company's share capital and a bonus issue to enable the share issues under the Recapitalization Plan (see "*Shares and share capital–Corporate resolutions to enable the forthcoming new share issues*");
2. the Directed Issue of shares in the amount of approximately MSEK 2,006 to the Major Shareholders;
3. the Rights Issue of new shares available to eligible shareholders in an amount of approximately MSEK 3,994, covered by subscription undertakings and underwriting commitments corresponding to approximately 81.5% of the Rights Issue¹⁾;
4. the directed issue of the New State Hybrid Notes in a total amount of MSEK 6,000 to the Major Shareholders;
5. the conversion of the MSEK 1,500 Existing Hybrid Notes (already accounted for as equity) into shares at 90% of par value; and
6. the conversion of the MSEK 2,250 Bonds at 100% of par value into (i) New Commercial Hybrid Notes, or (ii) new shares (at the option of the holders of Bonds to the extent shares are allotted under the Bondholder Offer).

Subject to successful completion of the Recapitalization Plan, the Company aims to convert SEK 2.25 billion of debt to equity and raise SEK 12 billion of new equity (before recapitalization costs estimated at approximately MSEK 155) and thereby restore equity by SEK 14.25 billion.

The tables below should be read together with "*Operating and financial review*" and SAS' reviewed interim consolidated financial statements for the period 1 November 2019 to 31 July 2020, which are incorporated in this prospectus by reference.

1) The subscription undertakings and underwriting commitments are not secured. See "*Risk factors–Non-secured subscription and underwriting commitments*".

CAPITALIZATION

MSEK	31 July 2020 Actual	Adjustments						31 July 2020 Adjusted
		Share capital reduction and bonus issue ¹⁾	The Directed Issue ²⁾	The Rights Issue ³⁾	The issue of New State Hybrid Notes ⁴⁾	The conversion of Existing Hybrid Notes ⁵⁾	The conversion of Bonds ⁶⁾	
Total current debt	9,852							9,852
Guaranteed*	3,000							3,000
Secured*	1,379							1,379
Unguaranteed/unsecured	5,473							5,473
Total non-current debt	27,921						-2,250	25,671
Guaranteed	–							–
Secured*	10,767							10,767
Unguaranteed/unsecured	17,154						-2,250	14,904
Shareholders' equity	-1,371	0	2,006	3,994	6,000	0	2,250	12,879
Share capital	7,690	-4,203	1,297	2,582		873	727	8,966
Legal reserves	170							170
Other reserves	-9,231	4,203	709	1,412	6,000	-873	1,523	3,743
Total	36,402	0	2,006	3,994	6,000	0	0	48,402

* Current guaranteed debt includes SAS' SEK 3.3 billion three-year revolving credit facility agreement, 90% guaranteed by the Major Shareholders. As regards current and non-current secured debt, pledged collateral are mainly aircraft mortgages.

- 1) The reduction of the share capital entails that the Company's share capital is reduced by MSEK 7,403, without withdrawal of shares, to be allocated to unrestricted equity. The bonus issue will later restore the equity by MSEK 3,200, without issuance of shares, through transfer from unrestricted equity.
- 2) The Directed Issue entails that the Company's share capital is increased by MSEK 1,297, through the issuance of 1,729,170,834 new shares, each with a quota value of SEK 0.75. The subscription price is SEK 1.16 per share. The premium entails that the unrestricted equity is increased by MSEK 709 before transaction costs.
- 3) Assuming that the Rights Issue is fully subscribed, the Company's share capital increases by MSEK 2,582 through the issuance of 3,443,242,959 new shares, each with a quota value of SEK 0.75. The subscription price is SEK 1.16 per share. The premium entails that the unrestricted equity is increased by MSEK 1,412 before transaction costs.
- 4) The issuance of New State Hybrid Notes entails that the Company's unrestricted equity increases by MSEK 6,000.
- 5) The conversion of the Existing Hybrid Notes into new shares entails that the Company's share capital increases by MSEK 873 through the issuance of 1,163,793,103 new shares, each with a quota value of SEK 0.75. The subscription price is SEK 1.16 per share with payment by setting off claims under the Existing Hybrid Notes at 90% of par value. The premium entails that the unrestricted equity increases by MSEK 477 before transactions costs. Since the Existing Hybrid Notes of MSEK 1,500 in total are already accounted for as unrestricted equity, the set-off at 90% of par value entails that the unrestricted equity decreases by MSEK 1,350 before transaction costs corresponding to a net adjustment of MSEK -873 before transaction costs.
- 6) Assuming that the Bondholder Offer is fully subscribed, the Company's share capital increases by MSEK 727 through the issuance of 969,827,586 new shares, each with a quota value of SEK 0.75. The subscription price is SEK 1.16 per share with payment by setting off the claims of MSEK 1,125 under the Bonds. The premium entails that the unrestricted equity increases by MSEK 398 before transaction costs. The conversion of remaining claims of MSEK 1,125 under the Bonds to New Commercial Hybrid Notes entails that the Company's unrestricted equity increases by MSEK 1,125 before transaction costs. The total increase of the unrestricted equity amounts to MSEK 1,523 before transaction costs. At the same time, SAS' non-current debt (item bonds) is reduced with an amount corresponding to the par value of the Bonds, i.e. MSEK 2,250.

FINANCIAL INDEBTEDNESS

MSEK	31 July 2020 Actual	Adjustments					31 July 2020 Adjusted
		Share capital reduction and bonus issue ¹⁾	The Directed Issue ²⁾	The Rights Issue ³⁾	The issue of New State Hybrid Notes ⁴⁾	The conversion of Existing Hybrid Notes ⁵⁾	
(A) Cash	6,210		2,006	3,994	6,000		18,210
(B) Cash equivalents (deposits)	34						34
(C) Trading securities	–						–
(D) Liquidity (A)+(B)+(C)	6,244		2,006	3,994	6,000		18,244
(E) Current financial receivables	217						217
(F) Current bank debt	–						–
(G) Current portion of non-current debt	4,297						4,297
(H) Other current financial debt	5,555						5,555
(I) Current financial debt (F)+(G)+(H)	9,852						9,852
(J) Net current financial indebtedness (I)-(E)-(D)	3,391		-2,006	-3,994	-6,000		-8,609
(K) Non-current bank debt	481						481
(L) Bonds issued	3,934					-2,250	1,684
(M) Other non-current loans	23,506						23,506
(N) Non-current financial indebtedness (K)+(L)+(M)	27,921					-2,250	25,671
(O) Net financial indebtedness: (J)+(N)	31,312		-2,006	-3,994	-6,000	-2,250	17,062

1) The reduction of the Company's share capital and the bonus issue does not affect SAS' financial indebtedness.

2) The Directed Issue entails that 1,729,170,834 new shares are issued at a subscription price of SEK 1.16 per share, entailing that SAS will raise MSEK 2,006 before transaction costs.

3) Assuming that the Rights Issue is fully subscribed, it entails that 3,443,242,959 new shares are issued at a subscription price of SEK 1.16 per share, entailing that SAS will raise MSEK 3,994 before transaction costs.

4) The directed issue of New State Hybrid Notes entails that SAS' will raise MSEK 6,000 before transaction costs.

5) Since the Existing Hybrid Notes are already accounted for as unrestricted equity, their conversion into shares does not affect SAS' financial indebtedness.

6) The conversion of the Bonds into New Commercial Hybrid Notes or new shares does not entail that SAS' non-current debt (item bonds) decrease by MSEK 2,250. Since payment for New Commercial Hybrid Notes and new shares are made by setting off the claims under the Bonds, the conversion does not affect SAS' liquidity.

CAPITALIZATION, INDEBTEDNESS AND OTHER FINANCIAL INFORMATION

Following a successful implementation of the Recapitalization Plan, the Company will cancel, and prepay any amount outstanding, of its SEK 3.3 billion three-year revolving credit facility agreement, 90% guaranteed by the Major Shareholders, in accordance with its terms and conditions.

The information on SAS' capitalization and financial indebtedness on an adjusted basis constitutes forward-looking statements which is intended to describe a hypothetical situation and is only provided for illustrative purposes. Such forward-looking statements are not guarantees of future financial performance or development, and the actual outcome could differ materially from what is expressed or implied by these forward-looking statements as a result of many factors, including, but not limited to, those described under "Important information–Forward-looking statements" and in "Risk factors".

CONTINGENT LIABILITIES

As of 31 July 2020, the Group's contingent liabilities amounted to MSEK 20. For certain additional information, please refer to "Note 33 – Contingent liabilities" on p. 115 in the Group's financial statements for the fiscal year 2019.

BOARD OF DIRECTORS, GROUP MANAGEMENT AND AUDITOR

BOARD OF DIRECTORS

According to SAS' Articles of Association, the Board of Directors shall comprise of not less six and not more than eight members elected by the shareholders at the General Meeting. In addition and by law, employee organizations are entitled to appoint employee representatives. The Board of Directors currently consists of eight members elected by the General Meeting (elected by the 2020 Annual General Meeting for a term of office extending until the close of the 2021 Annual General Meeting) and three members appointed by employee organizations, each with two personal deputies, who are elected by the Group's employee groups in Denmark, Norway and Sweden in line with governing legislation and special agreements.

Name	Position	Board member in SAS since	Independent in relation to the Company and the Management Team	Independent in relation to the Company's major shareholders	Audit Committee	Remuneration Committee	Shareholding ¹⁾
Carsten Dilling	Chairman	2014	Yes	Yes		Chairman	35,222
Dag Mejdell	Vice Chairman	2008	Yes	Yes		Member	4,214
Monica Caneman	Member	2010	Yes	Yes	Chairman		4,000
Liv Fiksdahl	Member	2018	Yes	Yes			–
Lars-Johan Jarnheimer	Member	2013	Yes	Yes	Member		10,000
Sanna Suvanto-Harsaae	Member	2013	Yes	Yes			2,100
Kay Kratky	Member	2019	Yes	Yes			5,000
Oscar Stege Unger	Member	2018	Yes	Yes	Member		10,000
Jens Lippestad	Member*	2020	–	–			10,000
Christa Ceré	Member*	2019	–	–			2,000
Tommy Nilsson	Member*	2020	–	–	Co-opted member		–
Endre Røros	Member**		–	–			–
Pål Gisle-Andersen	Member**		–	–			–
Kim John Christiansen	Member**		–	–			–
Anna-Lisa Kemze	Member**		–	–			–
William Nielsen	Member**		–	–			–
Joacim Olsson	Member**		–	–			–

*) Employee representative

**) Deputy employee representative

1) Including own holdings and holdings of related persons and affiliated companies at 31 August 2020 and known changes thereafter.

Carsten Dilling

Born 1962.

Chairman of the Board of Directors since 2018. Board member since 2014. Chairman of the Remuneration Committee. Member of the Nomination Committee.

Principal education and professional experience: B.Sc. and M.Sc. in Economics and Business Administration, Copenhagen Business School.

Other current assignments/positions: Chairman of the Board of Directors of NNIT A/S, Icotera A/S, MT Højgaard Holding A/S and MT Højgaard A/S. Board member of Terma A/S. Member of Maj Invest Investment Committee. Senior advisor for Bank of America.

Previous assignments/positions (past five years): Chairman of the Board of Directors of Get AS, Traen A/S, Confederation of Danish Industry (DI) and Industrial Employers in Copenhagen (IAK) and a number of Board assignments for the TDC Group. President and CEO of TDC A/S.

Holding: 35,222 shares.

Independent in relation to the Company and the Group Management as well as the Company's major shareholders.

Dag Mejdell

Born 1957.

Vice Chairman of the Board of Directors since 2008. Board member since 2008. Member of the Remuneration Committee.

Principal education and professional experience: MBA (*siviløkonom*), Norwegian School of Economics and Business Administration.

Other current assignments/positions: Chairman of the Board of Directors of Norsk Hydro ASA, Sparebank 1 SR Bank ASA, International Post Corporation and Visolit New Finco AS.

Previous assignments/positions (past five years): CEO of Posten Norge AS. Chairman of the Board of Directors of Vygruppen AS and the Employers' Association Spekter.

Holding: 4,214 shares.

Independent in relation to the Company and the Group Management as well as the Company's major shareholders.

Monica Caneman

Born 1954.

Board member since 2010. Chairman of the Audit Committee.

Principal education and professional experience: MBA, Stockholm School of Economics. Chairman of the Board of Directors of Allenex AB. Board member of Akademikliniken HJ AB, Citimail Group AB, Lindorff Group AB, Nets AB, Nya Livförsäkrings AB, Nocom AB, Resco AB, SEB Trygg Liv, Svenska Dagbladet AB, SPP Pension & Försäkring AB and XponCard Group AB.

Other current assignments/positions: Chairman of the Board of Directors of Euroclear Sweden AB, Almi Företagspartner AB and chairman of the Nasdaq AB Listing Committee. Board member of Qliro AB, Monica Caneman Konsult AB and Hundhjälp på Lidingö AB.

Previous assignments/positions (past five years): Chairman of the Board of Directors of Arion Bank hf, Big Bag Group AB, Bravida Holding AB, EDT AS, the Fourth Swedish Pension Fund, Frösunda LSS AB, Intervendum AB and Viva Media Group AB. Board member of CityMail Sweden AB, ComHem Holding AB, EDB Business Partner ASA, Intermail A/S, mySafety Group AB, Nordisk Energiförvaltning ASA and Schibsted ASA.

Holding: 4,000 shares.

Independent in relation to the Company and the Group Management as well as the Company's major shareholders.

Liv Fiksdahl

Born 1965.

Board member since 2018.

Principal education and professional experience: Finance and management, university college graduate, at Trondheim Business School.

Other current assignments/positions: Vice President of Capgemini Norge AS. Board member of Posten Norge AS, Arion Banki and Intrum AB.

Previous assignments/positions (past five years): Head of IT and Operations at DnB, and other previous leading positions in DnB. Chairman of the Board of the industry organization Banking and Payment in Finance Norway. Vice Chairman of the Norwegian Savings Banks Association. Board member of BankAxept AS, Doorstep AS and Nille AS.

Holding: –

Independent in relation to the Company and the Group Management as well as the Company's major shareholders.

Lars-Johan Jarnheimer

Born 1960.

Board member since 2013. Member of the Audit Committee.

Principal education and professional experience: B.Sc. in Business Administration and Economics, Lund and Växjö universities. Board member of Apoteket AB, Invik and MTG Modern Times Group AB. President and CEO of Tele2.

Other current assignments/positions: Chairman of the Board of Directors of Arvid Nordqvist HAB, Egmont International Holding AS, Ingka Holding B.V (IKEA's parent company) and Telia Company AB. Board member of Elite Hotels and Point Properties AB. Deputy board member of Jarnverken AB.

Previous assignments/positions (past five years): Chairman of the Board of Directors of Qliro Group, BRIS, Eniro AB and Wonderboo AB. Board member of Millicom International Cellular S.A and Varningsinfo i Sverige AB.

Holding: 10,000 shares.

Independent in relation to the Company and the Group Management as well as the Company's major shareholders.

Sanna Suvanto-Harsaao

Born 1966.

Board member since 2013.

Principal education and professional experience: B.Sc. in Business Administration and Economics, Lund University.

Other current assignments/positions: Chairman of the Board of Directors of Altia Oyj, BoConcept AS, TCM Group AS, Babysam AS, Nordic Pet Care Group AS and Posti Oyj. Board member of CEPOS, Harvia Oyj and Broman Group Oyj.

Previous assignments/positions (past five years): Chairman of the Board of Directors of Health and Fitness Nordic AB, Sunset Boulevard AS, Paulig OY, Works AS and Footway Group AB. Board member of Upplands Motor AB, CCS AB and Clas Ohlson AB.

Holding: 2,100 shares.

Independent in relation to the Company and the Group Management as well as the Company's major shareholders.

Kay Kratky

Born 1958.

Board member since 2019.

Principal education and professional

experience: Mechanical engineering, Technical University of Darmstadt. Commercial Transport Pilot License (ATPL). Instructor and Type Rating License B747-200 and MD11. Test and Acceptance Flight License B747-200.

Other current assignments/positions:

President of the Aviation Initiative for Renewable Energy in Germany. e.V. and Chairman of the advisory board of Caphenia GmbH. Member of the Supervisory Board of New Klagenfurt Airport. Managing Director of Kay Kratky Global-Consult.

Previous assignments/positions (past five

years): CEO of Austrian Airlines. COO of Lufthansa German Airlines. Member of the executive board of the Austrian Aviation Association, the IATA Operations Council, and the EC DG Move Wise Persons Group.

Holding: 5,000 shares.

Independent in relation to the Company and the Group Management as well as the Company's major shareholders.

Oscar Stege Unger

Born 1975.

Board member since 2018. Member of the Audit Committee.

Principal education and professional

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

Other current assignments/positions:

Director at Wallenberg Foundations AB. CEO and board member of Canucci AB. Board member of Generaxion AB.

Previous assignments/positions (past five

years): Board member of Samsari Act Group AB and the Swedish Society of Financial Analysts. Adjunct board member of Forum för Omställning (Future Work Forum).

Holding: 10,000 shares.

Independent in relation to the Company and the Group Management as well as the Company's major shareholders.

Jens Lippestad

Born 1960.

Board member since 2020. Employee representative of Cockpit Association of Norway.

Principal education and professional

experience: Royal Norwegian Air Force Officer School, Royal Norwegian Air Force Military War Academy, Royal Norwegian Air Force Staff College. Military fighter pilot and career Officer for 20 years. Commercial pilot at SAS for 20 years. Union leader for 10 years.

Other current assignments/positions: Pilot at SAS.

Previous assignments/positions (past five years): Board member (employee representative) of SAS 2015–2018, COO of Follo Fire Department.

Holding: 10,000 shares.

Deputy members: Endre Røros, first deputy member, holding: –

Pål Gisle-Andersen, second deputy member, holding: –

Christa Ceré

Born 1977.

Board member since 2019. Employee representative of Cabin Attendants Union.

Principal education and professional

experience: Air purser at SAS, employment since 1998.

Other current assignments/positions:

Chairman and board member of Cabin Attendants Union.

Previous assignments/positions (past five years): –

Holding: 2,000 shares.

Deputy members: Kim John Christiansen, first deputy member, holding: –

William Nielsen, second deputy member, holding: –

Tommy Nilsson

Born 1957.

Board member since 2020. Employee representative of Unionen. Co-opted member of the Audit Committee.

Principal education and professional

experience: Crew Controller at SAS.

Other current assignments/positions:

Chairman of SAS Tjänstemannaförening (Unionen).

Previous assignments/positions (past five years): –

Holding: –

Deputy members: Anna-Lisa Kemze, first deputy member, holding: –

Joachim Olsson, second deputy member, holding: –

GROUP MANAGEMENT

The Group Management of SAS 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	Employed within SAS since	Member of SAS Group Management since	Shareholding ¹⁾
Rickard Gustafson	President and Chief Executive Officer	2011	2011	40,005
Simon Pauck Hansen	Executive Vice President and Chief Operating Officer	1996	2019	–
Charlotte Svensson	Executive Vice President and Chief Information Officer	2020	2020	5,000
Kjetil Håbjørg	Executive Vice President and Chief Service Officer	2004	2019	2,500
Karl Sandlund	Executive Vice President and Chief Commercial Officer	2004	2014	2,000
Magnus Örnberg	Executive Vice President and Chief Financial Officer	2020	2020	10,000
Carina Malmgren Heander	Executive Vice President and Chief of Staff	2015	2015	4,000

1) Including own holdings and holdings of related persons and affiliated companies at 31 August 2020 and known changes thereafter.

Rickard Gustafson

Born 1964.

President and Chief Executive Officer.

Member of Group Management since 2011.

Principal education and professional

experience: Master of Science, Industrial Economics. Various executive positions in GE Capital, both in Europe and the US, and President of Codan/Trygg-Hansa.

Other current assignments/positions: Board member of FAM AB and Telia Company AB.

Previous assignments/positions (past five years): Chairman the Board of Directors of Sirela Group AB (Aleris). Board member of Svenskt Näringsliv.

Holding: 40,005 shares.

Simon Pauck Hansen

Born 1976.

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

Principal education and professional

experience: Diploma in Business Administration with major in Marketing from Copenhagen Business School (HD). VP Network & company-wide planning at SAS and previously served a number of central positions at SAS – responsible for organizing the route network and production planning activities. Joined the SAS Group in 1996 as Trainee.

Other current assignments/positions: Chairman of Luftfartens Klimapartnerskab. Board member of Industrial Employers in Denmark (IAD).

Previous assignments/positions (past five years): –

Holding: –

Charlotte Svensson

Born 1967.

Executive Vice President and Chief Information Officer. Member of Group Management since 2020.

Principal education and professional

experience: Executive Program, Strategy at Stanford University, studies in physics and mathematics at Chalmers University of Technology and Karlstad University.

Other current assignments/positions: Board member of Combient Mix AB and Tranholmen Invest AB.

Previous assignments/positions (past five years): Head of Digital & Communication services (member of the GET group) at Post-Nord. CTO at Bonnier AB. Board member of Boozt AB, eBoks AS, MWM Group AB, Tidningstjänst AB, Svensk Adressändring AB and Adresspoint AB. Deputy board member of SWEDMA AB, SWEDMA Service AB and Millton Insights AB. Partner of Tranholmens båtcharter HB.

Holding: 5,000 shares.

Kjetil Håbjørg

Born 1971.

Executive Vice President and Chief Services Officer. Member of Group Management since 2019.

Principal education and professional

experience: MBA from NHH Norwegian School of Economics. Vice President SAS Ground Handling and previously worked in various operational management positions for SAS. Worked as management consultant in a variety of industries before joining SAS in 2004.

Other current assignments/positions: Board member of Federation of Norwegian Aviation industries (NHO Luftfart). CEO of Protos Consulting AS.

Previous assignments/positions (past five years): –

Holding: 2,500 shares.

Karl Sandlund

Born 1977.

Executive Vice President and Chief Commercial Officer. Member of Group Management since 2014.

Principal education and professional

experience: M.Sc. in Industrial Engineering and Management from Linköping University. Executive Vice President Commercial and Executive Vice President & Chief Strategy Officer at SAS. Worked for McKinsey before joining SAS in 2004.

Other current assignments/positions: Board member of Storebrand ASA.

Previous assignments/positions (past five years): –

Holding: 2,000 shares.

Magnus Örnberg

Born 1965.

Incoming Executive Vice President and Chief Financial Officer.

Principal education and professional

experience: Business degree from Stockholm School of Economics. Professional experience includes Executive Vice President and Group CFO at Saab and Division CFO and other leadership positions at ABB.

Other current assignments/positions: –

Previous assignments/positions (past five years): Executive Vice President and Group CFO at Saab AB.

Holding: 10,000 shares.

Carina Malmgren Heander

Born 1959.

*Executive Vice President and Chief of Staff.
Member of Group Management since 2015.*

Principal education and professional

experience: MBA, Linköping University. Vice President at AB Electrolux and a number of leading positions in HR and operations at Electrolux, Sandvik and ABB.

Other current assignments/positions:

Chairman of the Board of Directors of Svenska Flygbranschens Service AB and Sveriges HR Förening Service AB. Board member of Projektengagemang Sweden AB, Transportföretagen TF AB, Svenskt Näringsliv and TimeZynk AB. Deputy board member of Nocali Consulting AB.

Previous assignments/positions (past five

years): Board member of Svedbergs i Dalstorp AB, STG 2011 Holding AB, S-invest Trading AB and Sveriges HR Förening Service AB.

Holding: 4,000 shares.

AUDITORS

KPMG AB (P.O. Box 382, SE-101 27 Stockholm, Sweden) is SAS' auditor since the 2019 Annual General Meeting. Tomas Gerhardsson, born 1969, is the auditor in charge since the 2019 Annual General Meeting. PricewaterhouseCoopers AB (SE-113 97 Stockholm, Sweden) was SAS' auditor during the fiscal years 2017 and 2018 with Bo Hjalmarsson as auditor in charge. Tomas Gerhardsson and Bo Hjalmarsson are authorized public accountants and members of FAR, the professional institute for accountants in Sweden.

OTHER INFORMATION REGARDING THE BOARD OF DIRECTORS AND GROUP MANAGEMENT

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.

There are no family relationships between any of the members of the Board of Directors and/or Group Management. No board member or senior executive has been convicted in any case involving fraudulence during the past five years. None of them have been involved in any bankruptcy, receiverships or liquidation during the past five years in the capacity of a member of administrative, management or supervisory bodies or a senior executive. No official public incrimination and/or sanctions have been issued by statutory or regulatory authorities (including designated professional bodies) during the past five years against any of the members of the Board of Directors or Group Management. Nor, during the past five years, has any member of the Board of Directors or Group Management been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any issuer.

No member of the Board of Directors or Group Management has any private interests or other duties which might conflict with their duties carried out on behalf of SAS. However, as stated above, a number of the members of the Board of Directors and Group Management has a financial interest in SAS through shareholdings.

SHARES AND SHARE CAPITAL

SHARE INFORMATION

According to SAS' currently registered Articles of Association, the share capital shall be at least SEK 4,000,000,000 and not more than SEK 16,000,000,000, divided into at least 200,000,000 shares and not more than 800,000,000 shares. Shares may be issued in three classes, common shares, subordinated shares and shares of series C. Common shares and subordinated shares may be issued up to a number corresponding to 100% of the Company's share capital. Shares of series C may be issued up to a number corresponding to 5% of the share capital. In order to safeguard SAS' air traffic rights, common shares may under certain circumstances be redeemed and, if such redemption is not possible or deemed to be insufficient, subordinated shares may be issued by virtue of issued warrants (see "*Protection of the Group's air traffic rights in the Articles of Association*" below).

As of 31 July 2020, the Company's registered share capital was SEK 7,689,909,275.10, represented by 382,582,551 shares (of which all are common shares), each with a quota value of SEK 20.10. No changes in the number of shares have occurred since 31 July 2020 up until the date of this prospectus.

The shares in SAS have been issued in accordance with Swedish law, are fully paid and denominated in SEK. The shares are not subject to any restrictions on transferability. The rights of the shareholders may only be changed pursuant to the procedures set out in the Swedish Companies Act (Sw. *aktiebolagslagen (2005:551)*).

CORPORATE RESOLUTIONS TO ENABLE THE FORTHCOMING NEW SHARE ISSUES

The Recapitalization Plan consists of the following components involving the issuance by SAS of new shares: (i) the Directed Issue of shares to the Major Shareholders; (ii) the Rights Issue of shares to eligible existing shareholders; and (iii) the issues of new shares to the holders of Existing Hybrid Notes (to enable the conversion of the Existing Hybrid Notes into shares) and to the holders of Bonds (to enable the Bondholder Offer), respectively, with payment by set-off (the "**Set-off Issues**"). For additional information, please refer to "*Business description–The Recapitalization Plan*". The Directed Issue, the Rights Issue and the Set-off Issues are below jointly referred to as the "**Share Issues**".

In order to enable the Share Issues, the Extraordinary General Meeting on 22 September 2020 resolved, in accordance with a proposal from the Board of Directors, to reduce the Company's share capital in order to obtain a lower quota value. Moreover, the Extraordinary General Meeting authorized the Board of Directors to resolve on the Share Issues. In order to restore the Company's share capital following the share capital reduction, the Extraordinary General Meeting also resolved on a bonus issue. Further, the Extraordinary General Meeting resolved on concurrent amendments to the Articles of Association necessitated by the share capital reduction, the Share Issues and the bonus issue.

Reduction of the share capital

In order to obtain a lower quota value, the Extraordinary General Meeting on 22 September 2020 resolved that the Company's share capital, currently amounting to SEK 7,689,909,275.10, shall be reduced by SEK 7,402,972,361.85, without redemption of any shares, to be transferred to non-restricted equity.

Following the reduction of the share capital, the Company's share capital amounts to SEK 286,936,913.25, divided into a total of 382,582,551 shares, with a quota value of SEK 0.75 per share.

The share capital reduction requires that the share capital limits in the Company's Articles of Association are changed. Accordingly, the Extraordinary General Meeting also resolved to amend the Articles of Association to the effect that the Company's share capital shall be at least SEK 250,000,000 and not more than SEK 1,000,000,000.

Authorization for the Board of Directors to resolve on the Share Issues

For the purposes of the Share Issues, the Extraordinary General Meeting on 22 September 2020 authorized the Board to resolve, on one or several occasions up until the next Annual General Meeting, to increase the Company's share capital through new issues of shares with or without disapplication of the shareholders' preferential rights. The total number of shares that may be issued by virtue of the authorization shall, as a maximum, amount to such number of shares that is within the limits set forth in the Articles of Association. Payment shall be made by cash or, in respect of the Set-off Issues, by set-off against claims on the Company. For technical reasons, the new shares issues may be carried out as new issues by way of set-off after subscription. Other terms and conditions for the issuances shall be decided by the Board. In the event that the subscription price to be paid for each common share is lower than the quota value of the share, an amount corresponding to the difference between the subscription price and the quota value of the share, multiplied with the number of issued shares, shall be contributed to the share capital through a transfer from the Company's available non-restricted equity. The authorization was registered with the Swedish Companies and Registration Office (Sw. *Bolagsverket*) on 22 September 2020. The Board will not exercise the authorization for any other purpose than the Share Issues.

The Share Issues and the bonus issue requires additional amendments to the Company's Articles of Association, namely with respect to the limits for the share capital and number of shares. Therefore, the Extraordinary General Meeting resolved to further amend the Company's Articles of Association to the effect that the Company's share capital shall be at least SEK 6,000,000,000 and not more than SEK 24,000,000,000 and that the number of shares shall be at least 4,500,000,000 and not more than 18,000,000,000.

Bonus issue

The Extraordinary General Meeting on 22 September 2020 resolved on a bonus issue of SEK 3,200,000,000, without the issuance of any new shares, in order to strengthen the Company's share capital, and together with the Share Issues restore the share capital. The increase of the share capital shall be carried out through a transfer of funds to the share capital from the Company's available non-restricted equity.

THE SHARE ISSUES

On 23 September 2020, the Board of Directors in SAS resolved, as authorized by the Extraordinary General Meeting on 22 September 2020, resolved to increase the Company's share capital through the Share Issues.

SHARE CAPITAL CHANGES UNDER THE RECAPITALIZATION PLAN

	Change in number of shares	Total number of shares	Change in share capital, SEK	Total share capital, SEK	Quota value, SEK
Before the Recapitalization Plan	–	382,582,551	–	7,689,909,275.10	20.10
Share capital reduction	–	382,582,551	–7,402,972,361.85	286,936,913.25	0.75
Directed Issue	1,729,170,834	2,111,753,385	1,296,878,125.50	1,583,815,038.75	0.75
Rights Issue ¹⁾	3,443,242,959	5,554,996,344	2,582,432,219.25	4,166,247,258.00	0.75
Set-off issue to holders of Hybrid Notes	1,163,793,103	6,718,789,447	872,844,827.25	5,039,092,085.25	0.75
Set-off issue to holders of Bonds ¹⁾	969,827,586	7,688,617,033	727,370,689.50	5,766,462,774.75	0.75
Bonus issue	–	7,688,617,033	3,200,000,000	8,966,462,774.75	1.17 ²⁾

1) If the Rights Issue and the Bondholder Offer, respectively, are fully subscribed.

2) Approximately SEK 1.16620 rounded up.

The Directed Issue

The Directed Issue entails that the Company's share capital will increase by a maximum of SEK 1,296,878,125.50 through the issuance of up to 1,729,170,834 new shares. The right to subscribe for the new shares vests, with deviation from the shareholders' preferential rights, with the Major Shareholders (with the allocation 875,708,407 shares to the Government of Denmark and 853,462,427 shares to the Government of Sweden if the Rights Issue is fully subscribed¹⁾). The allocation of shares between the Government of Denmark and the Government of Sweden will be determined based on the final outcome of the Rights Issue whereby both of the Major Shareholders. The allocation will be made with the purpose of achieving an identical ownership between the states following a successful completion of the Recapitalization Plan. Subscription shall take place on 23 October 2020 at the latest, or such later date as determined by the Board of Directors. The subscription price is SEK 1.16 per share, meaning that SAS will raise approximately MSEK 2,006 before issue costs.²⁾

For other existing shareholders, the shareholding will be diluted with up to a total of 1,729,170,834 new shares through the Directed Issue, corresponding to approximately 81.9% of the total shares and votes in SAS after the Directed Issue (excluding the other Share Issues).

The Directed Issue is expected to be registered with the Swedish Companies Registration Office around 30 October 2020. Following registration of the new shares with the Swedish Companies Registration Office, the newly issued shares will be admitted to trading on Nasdaq Stockholm, Nasdaq Copenhagen and Oslo Børs. Such trading is expected to commence on or around 3 November 2020.

The Rights Issue

The Rights Issue entails that the Company's share capital will increase by a maximum of SEK 2,582,432,219.25 through the issuance of up to 3,443,242,959 new shares. SAS' shareholders have preferential right to subscribe for new shares in relation to the number of shares previously held. The record date for participation in the Rights Issue is 30 September 2020. Subscription shall take place during the period from 2 October 2020 up to

17:00 CEST on 19 October 2020, or such later date as determined by the Board of Directors. The subscription price has been set at SEK 1.16 per share. Provided that the Rights Issue is fully subscribed, SAS will consequently raise proceeds in total approximately MSEK 3,994 before issue costs.³⁾

For existing shareholders who do not subscribe for shares in the Rights Issue, the shareholding will be diluted with up to a total of 3,443,242,959 new shares through the Rights Issue, corresponding to up to approximately 90.0% of the total shares and votes in SAS after the Rights Issue (excluding the other Share Issues).

For additional information, please refer to "Invitation to subscribe for shares in SAS AB" and "Terms and conditions for the Rights Issue".

The Set-off Issues

Set-off issue to holders of Existing Hybrid Notes

The set-off issue to holders of Existing Hybrid Notes is part of the conversion of the Existing Hybrid Notes into shares and entails that the Company's share capital will increase by a maximum of SEK 872,844,827.25 through the issuance of up to 1,163,793,103 new shares. The right to subscribe for the new shares vests, with deviation from the shareholders' preferential rights, with the holders of the Existing Hybrid Notes. Those who on 19 October 2020 are registered as holders of Existing Hybrid Notes in the debt register (Sw. *skuldbok*) kept by Euroclear Sweden will through Intertrust (Sweden) AB, acting as agent under the terms and conditions of the Existing Hybrid Notes, subscribe for new shares at a subscription price of SEK 1.16 per share by setting off the claim under their Existing Hybrid Notes at 90% of par value as consideration. Subscription shall take place 17:00 CEST on 19 October 2020 at the latest, or such later date as determined by the Board of Directors. SAS will pay the accrued and unpaid interest (including the interest payment that SAS deferred on 22 July 2020) on the Existing Hybrid Notes in cash in connection with the conversion into shares. The subscription price of SEK 1.16 per share means that the set-off issue will increase SAS' shareholders' equity with approximately MSEK 1,350 before issue costs¹⁾. The Existing Hybrid Notes are, however, already accounted for

1) 865,697,716 shares to the Government of Denmark and 863,473,118 shares to the Government of Sweden in case no one besides the Major Shareholders and KAW would participate in the Rights Issue.

2) The total recapitalization costs are estimated at approximately MSEK 155, of which approximately MSEK 14 are expected to be allocated towards the Directed Issue. Net of such allocated costs, SAS is estimated to raise a maximum of MSEK 1,992 through the Directed Issue.

3) The total recapitalization costs are estimated at approximately MSEK 155, of which approximately MSEK 51 are expected to be allocated towards the Rights Issue. Net of such allocated costs, SAS is estimated to raise a maximum of MSEK 3,943 through the Rights Issue.

as equity, meaning that the set-off issue to the holders of Existing Hybrid Notes will not result in any net increase of the shareholders' equity.

For existing shareholders, the shareholding will be diluted with up to a total of 1,163,793,103 new shares through set-off issue to the holders of the Existing Hybrid Notes, corresponding to approximately 75.3% of the total shares and votes in SAS after the set-off issue (excluding the other Share Issues).

The set-off issue to the holders of the Existing Hybrid Notes is expected to be registered with the Swedish Companies Registration Office around 30 October 2020. Following registration of the new shares with the Swedish Companies Registration Office, the newly issued shares will be admitted to trading on Nasdaq Stockholm, Nasdaq Copenhagen and Oslo Børs. Such trading is expected to commence on or around 3 November 2020.

Set-off issue to holders of Bonds

The set-off issue to holders of Bonds is part of the Bondholder Offer and entails that the Company's share capital will increase by a maximum of SEK 727,370,689.50 through the issuance of up to 969,827,586 new shares. The right to subscribe for the new shares vests, with deviation from the shareholders' preferential rights, with holders of Bonds. Bondholders are entitled to subscribe for new shares at a subscription price of SEK 1.16 per share by setting off the claim under their Bonds as consideration at 100% of par value. Bondholders that subscribe for shares in the Bondholder Offer will authorise SEB to subscribe for shares on their behalf. The aggregate number of new shares to be issued to holders of the Bonds under the Bondholder Offer is limited to shares corresponding to 50% of the total nominal amount of the Bonds and, in case of oversubscription, the allotment will be scaled down *pro rata* based on the number of Bonds submitted. Any remaining claim under the Bonds not used as payment for shares will be converted into New Commercial Hybrid Notes as described in "*Business description–The Recapitalization Plan*". Subscription shall take place

during the period from 2 October 2020 up to 17:00 CEST on 19 October 2020, or such later date as determined by the Board of Directors. The subscription price of SEK 1.16 per share means that the set-off issue will increase the shareholders' equity with approximately MSEK 1,125 before issue costs²⁾ through the conversion of debt to equity.

For existing shareholders, the shareholding will be diluted with up to 969,827,586 new shares through the set-off issue to the holders of Bonds, corresponding to up to approximately 71.7% of the total shares and votes in SAS after the set-off issue (excluding the other Share Issues).

The set-off issue to the holders of Bonds is expected to be registered with the Swedish Companies Registration Office around 30 October 2020. Following registration of the new shares with the Swedish Companies Registration Office, the newly issued shares will be admitted to trading on Nasdaq Stockholm, Nasdaq Copenhagen and Oslo Børs. Such trading is expected to commence on or around 3 November 2020.

For additional information, please refer to "*Invitation to subscribe for shares in SAS AB*" and "*Terms and conditions for the Bondholder Offer*".

Total dilution

The Share Issues entail that the Company's share capital will increase by an aggregate maximum of SEK 5,479,525,861.50 through the issuance of up to in total 7,306,034,482 new shares (from 382,582,551 shares before the Share Issues to up to in total 7,688,617,033 shares). For existing shareholders who are not entitled or decline, as the case may be, to subscribe for new shares in the Share Issues, the shareholding will accordingly be diluted with up to 7,306,034,482 new shares, corresponding to approximately 95.0% of the shares and votes in SAS after the Share Issues. The dilution resulting from the Share Issues is further detailed in the table below. See also "*Shareholder structure following the Recapitalization Plan*" below.

New share issue	Maximum number of new shares issued	Dilution based on current number of shares and votes ¹⁾	Maximum aggregate number of new shares issued	Aggregate dilution based on current number of shares and votes ¹⁾
Directed issue	1,729,170,834	81.9%	–	–
Right issue	3,443,242,959	90.0%	5,172,413,793	93.1%
Set-off issue to holders of Existing Hybrid Notes	1,163,793,103	75.3%	6,336,206,896	94.3%
Set-off issue to holders of Bonds	969,827,586	71.7%	7,306,034,482	95.0%

1) 382,582,551 shares and votes.

1) The total recapitalization costs are estimated at approximately MSEK 155, of which approximately MSEK 19 are expected to be allocated towards the conversion of Existing Hybrid Notes. Net of such allocated costs, the set-off issue to the holders of Existing Hybrid Notes is estimated to contribute a maximum of MSEK 1,331.
 2) The total recapitalization costs are estimated at approximately MSEK 155, of which approximately MSEK 14 are expected to be allocated towards the Bondholder Offer. Net of such allocated costs, the set-off issue to the holders of Bonds is estimated to contribute a maximum of MSEK 1,111.

Net asset value per share before and after the Share Issues

The table below sets forth the net asset value per share before and after the forthcoming Share Issues, based on SAS' shareholders' equity as of 31 July 2020 and the maximum number of shares that may be issued in each of the Share Issues. The subscription price in each Share Issue is SEK 1.16 per new share.

	Before the Share Issues (as of 31 July 2020)	The Directed Issue	The Rights Issue	The set-off issue to holders of Existing Hybrid Notes	The set-off issue to holders of Bonds	After the Share Issues
Total shareholders' equity, MSEK	-1,371	635 ¹⁾	4,629 ¹⁾	4,629 ^{1, 2)}	6,879 ¹⁾	12,879 ^{1, 3)}
Number of shares	382,582,551	2,111,753,385	5,554,996,344	6,718,789,447	7,688,617,033	7,688,617,033
Net asset value per share, SEK	-3.58	0.30	0.83	0.69	0.89	1.68

1) Total shareholders' equity as of 31 July 2020 increased, step by step, by the proceeds from the Share Issues before issue costs.

2) The set-off issue to holders of Existing Hybrid Notes will not result in any net increase of the shareholders' equity since the Existing Hybrid Notes are already accounted for as equity.

3) Including the MSEK 6,000 increase in shareholders' equity resulting from the directed issue of the New State Hybrid Notes to the Major Shareholders (see "Business description—The Recapitalization Plan").

INFORMATION ABOUT PUBLIC TAKEOVER BIDS

The shares in SAS are not subject to any public takeover bid. No public takeover bids have been made in respect of the shares in SAS during the current financial or previous fiscal year.

Under the Swedish Stock Market (Takeover Bids) Act (Sw. *lagen (2006:451) om offentliga uppköpserbjudanden på aktie-marknaden*), any person who does not hold any shares, or hold shares representing less than 30% of the voting rights in a Swedish limited liability company whose shares are admitted to trading on a regulated market, and who through the acquisition of shares in such a company, alone or together with a closely related party, holds shares representing 30% or more of the voting rights, is obliged to immediately disclose the size of its holding in the company and, within four weeks thereafter, make an offer to acquire the remaining shares in the company (mandatory bid requirement).¹⁾

A shareholder who directly, or through a subsidiary, holds more than 90% of the shares in a Swedish limited liability company is entitled to redeem the remaining shares in the company. Holders of the remaining shares are, correspondingly, entitled to have their shares redeemed by the majority shareholder. The procedure for such redemption of minority shares is regulated in the Swedish Companies Act (Sw. *aktiebolagslagen (2005:551)*).

CERTAIN RIGHTS ATTACHED TO THE SHARES**GENERAL MEETINGS**

Notice of General Meetings shall be published in the Swedish Official Gazette (Sw. *Post- och Inrikes Tidningar*) and on the Company's website. Simultaneously, an announcement with information that the notice has been issued shall be published in Svenska Dagbladet. To be entitled to participate in a General Meeting, the shareholder must be registered in SAS' share register on the sixth banking day prior to the meeting, and notify the Company of the participation not later than on the day specified in the notice of the meeting.

VOTING RIGHTS

Each common share and subordinated share entitles the holder to one (1) vote and each shareholder is entitled to vote for the total number of shares held without limitation of the voting powers. Each series C share entitles the holder to one-tenth (1/10) of a vote.²⁾

PREFERENTIAL RIGHTS TO NEW SHARES, ETC.

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

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

1) Each of the Major Shareholders has been granted an exemption by the Swedish Securities Council (Sw. *Aktiemarknadsnämnden*) in respect of the Swedish mandatory bid obligation in the event that, as a consequence of its respective participation in the Directed Issue and Rights Issue, its shareholding in the Company would equal or exceed 30% of the votes. See "Shareholder structure following the Recapitalization Plan" below.

2) However, no subordinated shares or shares of series C have been issued at the time of this prospectus.

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

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

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

RIGHTS TO DIVIDENDS AND SURPLUS IN THE EVENT OF LIQUIDATION

All shares carry the same right to share in the Company's profit and any surplus in the event of liquidation. However, series C shares do not entitle to dividends. Upon the Company's liquidation, series C shares carry an equal right to the Company's assets as shares, however, not to an amount exceeding up to the quota value of the share.

Dividends are resolved upon by the General Meeting and the payment is administered by Euroclear Sweden, VP Securities and VPS. Dividends may only be paid if the Company, after such dividends, still has full coverage of its restricted equity and further to the extent that such dividends are justified taking into consideration (i) the demands with respect to size of shareholders' equity which are imposed by the nature, scope and risks associated with the operations, and; (ii) the Company's and the Group's consolidation needs, liquidity and financial position in general (the so-called prudence rule). As a general rule, the shareholders may not decide upon larger dividends than those proposed or approved by the Board of Directors. Dividends are normally paid to shareholders in cash on a per share basis, but may also be paid in kind.

On the record date established by the General Meeting, holders recorded as owners of shares in the register of shareholders maintained by Euroclear Sweden, VP Securities and VPS will be entitled to receive dividends. If a shareholder cannot be paid through Euroclear Sweden, VP Securities or VPS, such shareholder still retains its claim to the dividend amount, and the claim remains against the Company subject to a statutory limitation of 10 years. Should the claim become barred by the statute of limitations, the dividend amount is forfeited to the Company. Neither the Swedish Companies Act (Sw. *aktiebolagslagen (2005:551)*) nor the Company's Articles of Association contain any restrictions regarding dividend rights of shareholders outside Sweden. Subject to any restrictions imposed by banks or clearing systems in the relevant jurisdiction, payments to such shareholders are made in the same manner as for shareholders resident in Sweden.

The tax legislation in Sweden and in the investor's home country may affect the income received from any dividend. Please refer to "*Terms and conditions for the Rights Issue– Important information on taxation*" and "*Tax issues*".

Dividend policy

SAS' dividend policy entails that dividends to holders of shares are paid from value-creation whereby SAS' ROIC exceeds the WACC. The Group's financial position, earnings, expected performance, investment requirements and relevant economic conditions should also be taken into account. Furthermore, the dividend should take into account any restrictions applying to the Group's financial instruments.¹⁾ No dividend has been paid since the Company's incorporation in 2001.

It should also be noted that the capital injection by the Major Shareholders under the Recapitalization Plan has been subject to approval by the European Commission under state aid rules. The approval decision is subject to conditions under the Temporary Framework which include, among others, a ban on dividends. Please see "*Business description–European Commission approval under state aid rules*" and "*Risk factors–SAS' ability to pay future dividends depends on several factors, including restrictions under applicable state aid rules*".

REDEMPTION AND CONVERSION CLAUSES

If there under certain circumstances is a threat to SAS' air traffic rights, the Board of Directors is able to decide to redeem shares as further set out in "*Protection of the Group's air traffic rights in the Articles of Association*" below.

Further, the Board of Directors may resolve on reduction of the share capital by redemption of all shares of series C that may be outstanding from time to time. Such shares of series C held by SAS may, upon request by the Board of Directors, also be converted into shares.

PROTECTION OF THE GROUP'S AIR TRAFFIC RIGHTS IN THE ARTICLES OF ASSOCIATION

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

Under the aforementioned conditions, the Board of Directors may resolve to redeem a sufficient number of shares held by shareholders domiciled outside Denmark, Norway or Sweden as well as shares that even though held by a corporation so domiciled, are controlled, directly or indirectly, by persons or legal entities outside these three countries, so that a continued Scandinavian ownership and control is secured.

Primarily, shares held or controlled by persons or legal entities outside the EEA shall be redeemed. Before any redemption takes place, the shareholders concerned have the opportunity to reduce their holdings voluntarily within a prescribed period. Redemptions are subsequently made without refund to the

1) At 31 July 2020, SAS had one financial instrument issued that limits dividend rights for holders of SAS common shares, namely the Bond. However, the Bond will be converted into New Commercial Hybrid Notes or shares (at the option of the holders of Bonds) as part of the Recapitalization Plan.

relevant shareholder as the reduction amount will be transferred to the Company's statutory reserve.

Should it not be possible to redeem shares or should such redemption, be deemed not sufficient by the Board of Directors, the Board of Directors may propose the General Meeting to resolve on a new issue of such number of subordinated shares that it ensures a continued Scandinavian ownership and control. Such a resolution must be supported, by at least half of the votes represented on the meeting and the issued subordinated shares are subscribed for by virtue of warrants previously issued by the Company. For this purpose, an Extraordinary General Meeting in the Company on 8 May 2001 resolved to issue a promissory note with 75,000 detachable warrants that currently entitle to subscription for a total of 177,322,521 redeemable subordinated shares to the wholly-owned subsidiary Scandinavian Airlines System AB. If required in order to eliminate the aforementioned threat to the Group's air traffic rights, the warrants shall, upon the Company's instruction, be

transferred by Scandinavian Airlines System AB to one or more appropriate entities domiciled in Denmark, Norway or Sweden as designated by the Company. The warrants are exercisable until 31 December 2020 at a price per subordinated share equal to the quota value of the shares of the Company. If all the warrants were exercised prior to the reduction of the share capital and the Share Issues contemplated under the Recapitalization Plan, the Company's share capital would be increased by a maximum of SEK 3,564,182,672.10. Under the terms and conditions of the warrants, the number of subordinated shares that may be subscribed for by virtue thereof will be recalculated as a result of the completion of the share issues contemplated under the Recapitalization Plan. Provided that the Rights Issue and Bondholder Offer are fully subscribed, each warrant will after such recalculation entitle holders to subscribe for 47,514.45 subordinated shares, corresponding to an aggregate of 3,563,583,738 subordinated shares.

OWNERSHIP STRUCTURE

As of 31 August 2020, SAS had 108,936 shareholders. The tables below show SAS' largest shareholders as of 31 August 2020 and known changes thereafter.

Shareholder	Number of shares	Shares and votes (%)
Government Offices of Sweden	56,700,000	14.82
Government of Denmark	54,475,402	14.24
Knut and Alice Wallenberg Foundation	24,855,960	6.50
Gerald Engström (shares held directly and indirectly)	13,000,000	3.40
Dimensional Fund Advisors	9,558,484	2.50
Vanguard	5,384,512	1.41
Avanza Pension	4,113,479	1.08
Treasurer of the State of North Carolina	3,559,039	0.93
Swedbank Försäkring	2,991,083	0.78
Handelsbanken Funds	2,447,769	0.64
Total, ten largest shareholders	177,085,728	46.3
<i>Other shareholders</i>	<i>205,496,823</i>	<i>53.71</i>
Total	382,582,551	100

Source: Euroclear Sweden, VP Securities and VPS.

SHAREHOLDER STRUCTURE FOLLOWING THE RECAPITALIZATION PLAN

Following a successful implementation of the Recapitalization Plan, the total number of shares and votes in the Company will increase by up to 7,306,034,482 to up to 7,688,617,033, corresponding to a dilution of 95%.¹⁾ As a result, the shareholdings will change significantly. In the event that the Rights Issue and the Bondholder Offer are fully subscribed and following settlement of the conversion of the Existing Hybrid Notes and the Bonds, the Recapitalization Plan will result in each of the governments of Sweden and Denmark holding 1,420,462,427 shares corresponding shareholdings of approximately 18.5% each of the total number of shares and votes in SAS, current holders of Existing Hybrid Notes holding up to in total 1,163,793,103 shares corresponding to approximately 15.1% of the total of number of shares and votes, and current holders of Bonds holding up to in total 969,827,586 shares corresponding to approximately 12.6% of the total number of shares

and votes. In the event that (i) the subscription undertakings and underwriting commitments from the Major Shareholders and KAW would be exercised in full, (ii) no other shares would be subscribed for in the Rights Issue, (iii) all Existing Hybrid Notes are converted into shares, and (iv) no shares are issued pursuant to the Bondholder Offer, each of the governments of Sweden and Denmark would hold 2,210,760,114 shares, corresponding to shareholdings of approximately 36.4% each of the total number of shares and votes in SAS.

Each of the Major Shareholders has been granted an exemption by the Swedish Securities Council (*Sw. Aktiemarknadsnämnden*) in respect of the Swedish mandatory bid obligation in the event that, as a consequence of its respective participation in the Directed Issue and Rights Issue, its shareholding in the Company would equal or exceed 30% of the votes. If any of the Major Shareholders, as a result of the planned measures, end up holding shares representing 30% or more of the votes in SAS and thereafter acquire additional shares and hence increase its votes, the mandatory bid requirement will, however, apply.

1) Based on current number of shares in SAS; 382,582,551.

HYPOTHETICAL SHAREHOLDER STRUCTURE FOLLOWING COMPLETION OF THE RECAPITALIZATION PLAN

	Percentage of shares and votes following completion of the Recapitalization Plan	
	The Rights Issue and the Bondholder Offer are fully subscribed	Only the Major Shareholders and KAW participate in the Rights Issu and no shares are issued under the Bondholder Offer
The Major Shareholders	37%	73%
KAW	3%	4%
Other shareholders	32%	4%
Holders of the Existing Hybrid Notes	15%	19%
Holders of the Bonds	13%	–
Total	100%	100%

NOTIFIABLE INTERESTS, ETC.

In Sweden, the lowest limit for disclosure of holdings (Sw. *flaggning*) is 5% of all shares or the voting rights of all shares.

As a consequence of the participation by the Major Shareholders in the Recapitalization Plan, and the subscription undertakings and underwriting commitments from them, their respective shareholding could increase significantly to a minimum of approximately 18.5% and a maximum of approximately 36.4% of the total number of shares and votes in SAS each, corresponding to an aggregate of minimum approximately 36.9% and maximum approximately 72.7% of the total number of shares and votes in SAS. Each of the Major Shareholders may therefore be able to exercise significant influence over the Company in matters that are subject to approval by the shareholders. Such control is, however, limited by the rules on protection of minority interests set out in the Swedish Companies Act (Sw. *aktiebolagslagen (2005:551)*) and by the fact that each of the Major Shareholders will hold the same share of the total number of shares and votes in SAS. See also “*Risk factors – SAS’ largest shareholders can exert a substantial influence over SAS*”.

The Government Offices 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. See also “*Risk factors – Future sales of major shareholdings and share issues could have an adverse effect on the share price*”.

CENTRAL SECURITIES DEPOSITORY

The Company’s shares are book-entry registered in a securities register in accordance with the Swedish Central Securities Depository and Financial Instruments Accounts Act (Sw. *lagen (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument*). The register is operated by Euroclear Sweden (Euroclear Sweden AB, P.O. Box 191, SE-101 23 Stockholm, Sweden). The shares are registered on person. No share certificates have been issued for the shares or will be issued for the new shares. The ISIN code of the share in SAS is SE0003366871.

Shares traded on Nasdaq Copenhagen are also registered in the securities register operated by VP Securities A/S (Weidekampsgade 14, DK-2300 Copenhagen S, Denmark) and shares traded on Oslo Børs also are registered in the securities register operated by Verdipapirsentralen ASA (VPS) (P.O. Box 1174 Sentrum, NO-0107 Oslo, Norway).

SHAREHOLDERS’ AGREEMENTS, ETC.

To the Board of Directors’ knowledge, there are no shareholders’ agreement or other agreements between shareholders in the Company intended to exercise joint control of the Company. Nor is the Board of Directors aware of any agreements which may result in a change to the control of the Company.

LEGAL CONSIDERATIONS AND SUPPLEMENTARY INFORMATION

GENERAL CORPORATE AND GROUP INFORMATION

The legal name of the Company (and its commercial name) is SAS AB (publ). SAS' Swedish corporate ID No. is 556606-8499 and the registered office of the Board of Directors is situated in Stockholm, Sweden. The Company was incorporated in Sweden on 30 January 2001 and registered with the Swedish Companies Registration Office (Sw. *Bolagsverket*) on 23 February 2001. The Company is a Swedish public limited liability company governed by the Swedish Companies Act (Sw. *aktiebolagslagen (2005:551)*). SAS' LEI code is 549300ZJTLE5T4SGP021. Since July 2001, the SAS share is listed on Nasdaq Stockholm under the short code "SAS", with secondary listings on Nasdaq Copenhagen under the short code "SAS" and on Oslo Børs under the short code "SAS".

The address to SAS' website is www.sasgroup.net. The information on the website is not a part of this prospectus unless it has been incorporated by reference (see "*Incorporation by reference, etc.*" below).

REGULATORY ENVIRONMENT

There have been no material changes in SAS' regulatory environment since 31 October 2019 (being the end of the period covered by the latest published audited financial statements). However, temporary amendments to aviation regulations and relief measures have been implemented to support airlines in light of the sharp drop in air traffic due to the COVID-19 pandemic.

MATERIAL AGREEMENTS

Presented below is a summary of material agreements entered into by SAS during the past two years as well as other agreements entered into by SAS, which contains any obligation or entitlement that is material to SAS (in both cases excluding agreements entered into in the ordinary course of business).

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 Company, an amendment or termination of the Consortium Agreement shall be resolved by the shareholders of the Company with two-thirds majority at a General Meeting.

STAR ALLIANCE

The membership in Star Alliance is the cornerstone of SAS' global partner and network strategy, see also "*Business description–Star Alliance*". Star Alliance is structured as a network of bilateral and multilateral agreements that are entered into between its individual members. 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.

DIVESTMENTS

See "*Operating and financial review–Summary of divestures*".

CREDIT AGREEMENTS

See "*Operating and financial review–Credit facilities and loans*".

SUBSCRIPTION AND UNDERWRITING COMMITMENTS

SUBSCRIPTION UNDERTAKINGS

The Major Shareholders and KAW, together holding shares representing approximately 35.56% of the total number of shares and votes in SAS, have undertaken to exercise their preferential rights in the Rights Issue and thereby subscribe for new shares corresponding to their respective holding in SAS, i.e., totaling approximately 35.56% of the Rights Issue (see breakdown in the table below). No compensation is paid for these subscription undertakings.

The shareholders have also undertaken not to reduce their respective holding in the Company up until the expiry of the subscription period in the Rights Issue.

The undertaking from KAW remains conditional upon the Major Shareholders subscribing for (a) their respective *pro rata* shares of the Rights Issue; (b) the shares in the Directed Issue in a total amount of approximately SEK 2 billion; and (c) the New State Hybrid Notes in a total amount of approximately SEK 6 billion.

The Major Shareholders have, in addition to the subscription undertaking for their *pro rata* portions of the Rights Issue, also undertaken to subscribe for shares in the Directed Issue for an aggregate subscription amount of approximately MSEK 2,006, as well as for the New State Hybrid Notes for an aggregate amount of MSEK 6,000 (the NSHN1 in an amount of MSEK

5,000, split equally among the Major Shareholders and the NSHN2 in an amount of MSEK 1,000 to the Government of Denmark). No compensation is paid for these subscription undertakings.

UNDERWRITING COMMITMENTS

In addition to the subscription undertakings, the Major Shareholders have underwritten subscription for additional shares in the Rights Issue at an aggregate amount of approximately MSEK 1,833, corresponding to approximately 45.90% of the Rights Issue (see breakdown in the table below). No compensation is paid for these underwriting commitments. Any shares subscribed for by reason of the underwriting commitments will be allocated in accordance with the principles set out under “*Terms and conditions for the Rights Issue–Subscription without subscription rights*”.

The underwriting commitments remain conditional upon the Rights Issue and the Directed Issue to the Major Shareholders resulting in the Major Shareholders holding the exact same number of shares and votes in the Company.

NON-SECURED COMMITMENTS

The above-mentioned subscription and underwriting commitments are not secured. Consequently there is a risk that one or more of the above-mentioned parties are not able to fulfill their undertakings in whole or in part. See “*Risk factors–Non-secured subscription and underwriting commitments*”.

TOTAL COMMITMENTS

Altogether, the subscription and underwriting commitments total SEK 3,253,658,053.12, corresponding to 81.46% of the Rights Issue as detailed in the below table. The commitment from KAW was entered into on 29 June 2020, the commitment from the Government of Denmark was entered into on 14 August 2020, and the commitment from the Government of Sweden was entered into on 11 September 2020.

Shareholder	Current holding	Subscription undertaking, SEK	Subscription undertaking (preferential rights), share of the Rights Issue, %	Underwriting commitment, SEK	Underwriting commitment, share of the Rights Issue, %	Total commitment, share of the Rights Issue, %
Government Offices of Sweden ¹⁾	56,700,000	591,948,000.00	14.82	905,132,915.36	22.66	37.48
Government of Denmark ²⁾	54,475,402	568,723,196.88	14.24	928,357,718.48	23.24	37.48
Knut and Alice Wallenberg Foundation	24,855,960	259,496,222.40	6.50	–	–	6.50
Total	136,031,362	1,420,167,419.28	35.56	1,833,490,633.84	45.90	81.46

1) Regeringskansliet, SE-103 33 Stockholm, Sweden.

2) Finansministeriet, Christiansborg Slotsplads 1, 1218 København K, Denmark.

DECLARATIONS OF INTENT

All members of SAS’ Board of Directors elected by the General Meeting, as well as all members of SAS’ Group Management, that currently hold shares in SAS have expressed their intention to subscribe for their *pro rata* share in the Rights Issue.

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 in 2020.

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 court proceedings will take place in November 2020.

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 (Sw. *Allmänna reklamationsnämnden*) ruled in favor of SAS. The same assessment was made by the Norwegian Travel Complaint Handling Body (No. *Transportklagenemnda*) in October 2019. 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. The district court in Sweden referred the question to the CJEU in January 2020. In June 2020, the CJEU stayed the case until court ruling is delivered in a similar case against another airline. The proceedings in the CJEU could take several years and 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 such compensation in total may encompass significant amounts.

RELATED-PARTY TRANSACTIONS

No significant related-party transactions has taken place in fiscal year 2020 except those between Group companies, where transactions are conducted subject to market terms and conditions.

As set out under "*Subscription and underwriting commitments*" above, the Major Shareholders have undertaken to exercise their preferential rights in the Rights Issue and thereby subscribe for new shares corresponding to their respective holding in SAS, and have underwritten subscription for additional shares at an aggregate amount of approximately MSEK 1,833. Moreover, the Major Shareholders have undertaken to subscribe for shares in the Directed Issue for an aggregate amount of approximately MSEK 2,006, as well as for the New State Hybrid Notes for an aggregate amount of MSEK 6,000 (please refer to "*Subscription and underwriting commitments*" above). SAS will not pay any fees for such undertakings.

On 5 May 2020, SAS announced that SAS had signed a SEK 3.3 billion three-year revolving credit facility agreement, 90% guaranteed by the Major Shareholders (to be prepaid and cancelled following completion of the Recapitalization Plan). The guaranteed debt package, approved by the European Commission, was implemented in the context of the COVID-19 crisis and is intended to support SAS' liquidity and prepare for the recovery of its activities. See "*Operating and financial Review—Credit facility guaranteed by the Swedish National Debt Office and Danmarks Nationalbank*".

Please also refer to "*Note 45 – Related party transactions*" on p. 118 in the Group's annual report for the fiscal year 2019. For information on remuneration to members of the Board and Group Management, please see "*Note 3 – Payroll expenses*" on p. 92 in the Group's financial statements for the fiscal year 2019.

INTERESTS OF ADVISORS, ETC.

SAS' financial advisor in relation to the Recapitalization Plan is SEB (Kungsträdgårdsgatan 8, SE-106 40 Stockholm, Sweden). SEB is also Global Coordinator, Solicitation Agent and Joint Bookrunner in connection with the offerings under this prospectus, whereas Danske Bank A/S, Danmark, Sverige Filial (SE-103 92 Stockholm, Sweden) and Swedbank AB (publ) (SE-105 34 Stockholm, Sweden) are Solicitation Agents and Joint Bookrunners in connection with the Rights Issue. From time to time, SEB, Danske Bank and Swedbank (and their affiliates) have in the ordinary course of business provided, and may in the future provide, various banking, financial, investment, commercial and other services to SAS for which SEB, Danske Bank and Swedbank have received, and may receive, compensation. Furthermore, SEB, Danske Bank and Swedbank (and their affiliates) are lender and/or broker of loans granted to SAS.

Mannheimer Swartling Advokatbyrå is SAS' legal advisor as to Swedish law, and Davis Polk & Wardwell is SAS' legal advisor as to U.S. law in relation to the Recapitalization Plan.

SUMMARY OF INFORMATION ANNOUNCED IN ACCORDANCE WITH MAR

The information that SAS during the past 12 months has announced in accordance with the Regulation (EU) No 596/2014 (Market Abuse Regulation, MAR) and that is relevant as of the date of this prospectus is set forth below.

FINANCIAL REPORTS

- On 5 December 2019, SAS published its interim report for the period November 2018–October 2019.
- On 30 January 2020, SAS published its annual report for the fiscal year 2019.
- On 26 February 2020, SAS published its interim report for the period November 2019–January 2020.
- On 28 May 2020, SAS published its interim report for the period November 2019–April 2020.
- On 25 August 2020, SAS published its interim report for the period November 2019–July 2020.

TRAFFIC FIGURES

- On 7 October 2019, SAS published traffic figures for September 2019.
- On 8 November 2019, SAS published traffic figures for October 2019 and announced that SAS expected earnings before tax for the fiscal year 2019 to be better than previously communicated on the back of strong passenger figures.
- On 6 December 2019, SAS published traffic figures for November 2019.
- On 9 January 2020, SAS published traffic figures for December 2019.
- On 7 February 2020, SAS published traffic figures for January 2020.
- On 6 March 2020, SAS published traffic figures for February 2020.
- On 7 April 2020, SAS published traffic figures for March 2020.
- On 8 May 2020, SAS published traffic figures for April 2020.
- On 5 June 2020, SAS published traffic figures for May 2020.
- On 7 July 2020, SAS published traffic figures for June 2020.
- On 7 August 2020, SAS published traffic figures for July 2020.
- On 7 September 2020, SAS published traffic figures for August 2020.

ANNOUNCEMENTS RELATED TO COVID-19

- On 3 March 2020, SAS published an update on the effects of COVID-19 on SAS.
- On 15 March 2020, SAS announced that SAS temporarily halts most of the traffic as an effect of COVID-19.
- On 28 April 2020, SAS announced that SAS had initiated process to reduce the size of its future workforce due to lower expected demand for air travel.
- On 5 May 2020, SAS announced that SAS had signed a SEK 3.3 billion three-year revolving credit facility agreement, 90% guaranteed by the Swedish and Danish states.
- On 15 June 2020, SAS announced that the Swedish Government had put forward a proposal to the Swedish Parliament to support SAS with up to SEK 5 billion due to the negative effects of COVID-19 and that the Danish government has communicated political unity for a recapitalization of SAS.

THE RECAPITALIZATION PLAN

- On 30 June 2020, SAS announced that the Board of Directors had decided on a revised business plan, including approximately SEK 4 billion in efficiency improvements in all parts of the Group by 2022, to tackle the effects of the COVID-19 pandemic as well as the Recapitalization Plan intended to restore equity by SEK 14.25 billion and secure approximately SEK 12 billion of new funding.
- On 10 July 2020, SAS announced that the Company had cancelled noteholders' meetings as conversions required under the Recapitalization Plan are not expected to be approved, and that the process continues with initiation of noteholder discussions.
- On 22 July 2020, SAS announced that the Company had elected to defer an interest payment due 23 July 2020 on its MSEK 1,500 subordinated perpetual floating rate capital securities.
- On 7 August 2020, SAS announced that an agreement in principle had been reached with certain holders of Bonds and Existing Hybrid Notes and that the work on a revised Recapitalization Plan continues.
- On 14 August 2020, SAS announced that the Board of Directors had decided to amend parts of the Recapitalization Plan, including revised conversion terms for the Existing Hybrid Notes into shares and an amendment regarding the conversion of the Bonds.
- On 26 August 2020, SAS announced an update on the support of the Recapitalization Plan from holders of Existing Hybrid Notes and Bonds.

ISSUANCE OF SEK DENOMINATED CAPITAL SECURITIES 2019

- On 7 October 2019, SAS announced its intention to issue new SEK denominated capital securities.
- On 16 October 2019, SAS announced the issuance of SEK 1,500 million subordinated perpetual capital securities.

CHANGES TO THE GROUP MANAGEMENT

- On 30 March 2020, SAS announced that CFO Torbjørn Wist will leave SAS in September 2020.
- On 19 May 2020, SAS announced that Magnus Örnberg had been appointed as new CFO.

INCORPORATION BY REFERENCE, ETC.

SAS' financial statements for the fiscal years 2017, 2018 and 2019 and for the period 1 November 2019–31 July 2020 have been incorporated in this prospectus by reference and should be read as part of this prospectus. The financial statements are found in SAS' annual report and interim report, respectively, as to the relevant periods, where references are made according to the following:

Annual Report November 2016–October 2017¹⁾	<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>Auditors' report on pages 102–105.</p>
Annual Report Fiscal year 2018 November 2017–October 2018²⁾	<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>Auditors' report on pages 102–105.</p>
Annual and Sustainability Report Fiscal Year 2019³⁾	<p>Consolidated statement of income including statement of other comprehensive income on page 78;</p> <p>Statement of income excluding other comprehensive income – quarterly breakdown on page 79;</p> <p>Consolidated balance sheet on page 80;</p> <p>Consolidated statement of changes in equity on page 81;</p> <p>Consolidated cash-flow statement on page 82;</p> <p>Notes to the financial statements on pages 83–118; and</p> <p>Auditors' report on pages 123–128.</p>
Interim Report for the period 1 November 2019 to 31 July 2020⁴⁾	<p>Consolidated statement of income on page 12;</p> <p>Consolidated balance sheet on page 13;</p> <p>Consolidated statement of changes in equity on page 14;</p> <p>Consolidated cash flow statement on page 15;</p> <p>Notes to the financial statements on pages 17–22; and</p> <p>Auditors' review report on page 24.</p>

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

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

3) https://www.sasgroup.net/files/documents/Corporate_governance/annual-reports/sas-sas-annual-and-sustainability-report-fiscal-year-2019-200130.pdf.

4) https://www.sasgroup.net/files/documents/financial-reports/Q3-2020/Q3_2020_ENG.pdf.

Non-incorporated parts of the above reports contain information presented elsewhere in this prospectus or which is deemed not relevant to investors.

SAS' audited consolidated historical financial statements for fiscal years 2017, 2018 and 2019, respectively, have been prepared in accordance with the Annual Accounts Act (Sw. *årsredovisningslagen (1995:1554)*), recommendation RFR 1 – *Supplementary Accounting Rules for Corporate Groups*, and 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 consolidated historical financial statements for fiscal years 2017, and 2018, respectively, have been audited by SAS' former

auditor PricewaterhouseCoopers AB. The consolidated historical financial statements for fiscal year 2019 have been audited by SAS' current auditor KPMG AB. SAS' interim consolidated financial statements for the period 1 November 2019 to 31 July 2020 (with comparative figures for the period 1 November 2018 to 31 July 2019) have been prepared in accordance with IAS 34 *Interim Financial Reporting* and the Swedish Annual Accounts Act (Sw. *årsredovisningslagen (1995:1554)*). The interim consolidated financial statements for the period 1 November 2019 to 31 July 2020 have been reviewed by SAS' auditor KPMG AB (but has not been audited). Unless otherwise stated, no information in this prospectus has been audited or reviewed by the Group's current or previous auditor.

DOCUMENTS ON DISPLAY

The Company's Articles of Association and Certificate of Incorporation are available at the Company's website.¹⁾

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

TAX ISSUES

CERTAIN TAX ISSUES IN SWEDEN

The following summary outlines certain Swedish tax consequences relating to the offer to subscribe for new shares for shareholders and holders of subscription rights in the Company. The summary is only applicable to individuals and limited liability companies (Sw. aktiebolag) tax resident in Sweden, unless otherwise stated. The summary is based on the laws of Sweden as currently in effect and is intended to provide general information only. The summary does not cover securities held by partnerships or held as current assets in business operations. Furthermore, the summary does not cover the specific rules on tax-exempt dividends and capital gains (including non-deductibility for capital losses) in the corporate sector, which may become applicable when shareholders hold securities that are considered to be held for business purposes (Sw. näringsbetingade andelar). Nor does the summary cover the special rules which may be applicable to holdings in companies which are, or previously were, closely-held companies, or to shares acquired pursuant to so-called qualified shares in closely-held companies. Moreover, the summary does not cover shares or other securities that are held in a so-called investment savings account (Sw. investeringssparkonto) and that are subject to special rules on standardised taxation. Special rules apply to certain categories of taxpayers, for example, investment companies and insurance companies. The tax treatment of each individual shareholder depends on such investor's particular circumstances. Each holder of shares and subscription rights should, therefore, consult a tax advisor for information on the specific implications that may arise in an individual case, including the applicability and effect of foreign rules and tax treaties.

INDIVIDUALS

Capital gains taxation

Upon the sale or other disposition of listed shares or other equity-related securities, such as subscription rights, a taxable capital gain or deductible capital loss may arise. Capital gains are taxed as capital income at a rate of 30%. The capital gain or loss is normally calculated as the difference between the sales proceeds, after deducting sales costs, and the tax basis (for specific information about the tax basis for subscription rights, see “*Exercise and disposal of subscription rights*” below). The tax basis for all equity-related securities of the same class and type is calculated together in accordance with the “average cost method”. It should be noted that BTAs (paid subscription shares) in this context are not considered to be of the same class and type as the existing shares that entitled the shareholder to the preferential right in the Rights Issue until the resolution of the Rights Issue has been registered with the Swedish Companies Registration Office.

Alternatively, upon the sale of listed shares, such as the shares in the Company, the tax basis may alternatively be determined as 20% of the sales proceeds, after deducting sales costs, under the “notional rule”.

Capital losses on listed shares and other listed equity-related securities are fully deductible against taxable capital gains on shares and on other listed equity-related securities, with the exception of units in securities funds or special funds that consist solely of Swedish receivables (Sw. räntefonder). Capital

losses on shares and other equity-related securities which cannot be set off in this way can be deducted with up to 70% against other capital income. If there is a net loss in the capital income category, a tax reduction is allowed against municipal and national income tax, as well as against real estate tax and municipal real estate charges. A tax reduction is allowed with 30% on the portion of such net loss that does not exceed SEK 100,000 and with 21% on any remaining loss. Such net loss cannot be carried forward to future income years.

Dividend taxation

For individuals, dividends on listed shares are taxed as income from capital at a rate of 30%. For individuals resident in Sweden, a preliminary tax of 30% is generally withheld by Euro-clear Sweden or, in respect of nominee-registered shares, by the Swedish nominee.

Exercise and disposal of subscription rights

The exercise of subscription rights does not give rise to any taxation. The acquisition cost for shares received is the issue price. If subscription rights used for subscribing for shares have been purchased or otherwise acquired (i.e., that have not been received based on a holding of existing shares) the tax basis for the subscription rights should be included when calculating the tax basis for the subscribed shares.

For shareholders that do not wish to utilize their preferential right to participate in the Rights Issue and therefore dispose of their subscription rights, a capital gain or loss is calculated. Subscription rights based on a holding of existing shares are considered to have been acquired at SEK 0. The total sales proceeds, after deduction of sales costs, are thus taxable. The “notional rule” is not applicable in this case. The tax basis for the original shares is not affected.

For subscription rights purchased or otherwise acquired, the price paid for the rights constitutes the tax basis. The “notional rule” may be applied on disposal of listed subscription rights in this case.

A subscription right that is not exercised or sold, and thus expires, is considered to have been disposed of at SEK 0.

LIMITED LIABILITY COMPANIES

Capital gains and dividends taxation

For Swedish limited liability companies (Sw. aktiebolag) all income, including taxable capital gains and dividends, is taxed as business income at a rate of 21.4% (the corporate income tax rate will be reduced to 20.6% from 1 January 2021). Capital gains and capital losses are calculated in the same manner as described above for individuals. Deductible capital losses on shares and other equity-related securities may only be deducted against taxable capital gains on such securities. Under certain circumstances, such capital losses may also be deducted against capital gains in another company in the same group, provided that the requirements for exchanging group contributions (Sw. *koncernbidragsrätt*) between the companies are met. A capital loss that cannot be utilized during a given income year may be carried forward and be offset against taxable capital gains on shares and other equity-related securities during subsequent income years, without limitation in time.

Exercise and disposal of subscription rights

The exercise of subscription rights does not give rise to any taxation. The acquisition cost for shares received is the issue price. If subscription rights used for subscribing for shares have been purchased or otherwise acquired (i.e. that have not been received based on a holding of existing shares) the tax basis for the subscription rights should be included when calculating the tax basis for the subscribed shares.

For shareholders that do not wish to utilize their preferential right to participate in the Rights Issue, and therefore dispose of their subscription rights, a capital gain or loss is calculated. Subscription rights based on a holding of existing shares are considered to have been acquired at SEK 0. The total sales proceeds, after deduction of sales costs, are thus taxable. The “notional rule” is not applicable in this case. The tax basis for the original shares is not affected.

For subscription rights purchased or otherwise acquired, the price paid for the rights constitutes the tax basis. The “notional rule” may be applied on disposal of listed subscription rights in this case.

A subscription right that is not exercised or sold, and thus expires, is considered to have been disposed of at SEK 0.

SPECIFIC TAX CONSIDERATIONS FOR SHAREHOLDERS OR HOLDERS OF SUBSCRIPTION RIGHTS WHO ARE NOT TAX RESIDENTS IN SWEDEN**Withholding tax on dividends**

For shareholders not tax resident in Sweden who receive dividends from a Swedish limited liability company, Swedish withholding tax is normally payable. The tax rate is 30%. However, the tax rate is often reduced by tax treaties between Sweden and other countries for the avoidance of double taxation. The majority of Sweden’s tax treaties allow for a reduction of the Swedish tax to the tax rate stipulated in the treaty directly at the payment of dividends, provided that necessary information is available in relation to the person entitled to such dividends. In Sweden, Euroclear Sweden or, for nominee-registered shares, the nominee normally carries out the withholding. The receipt of subscription rights does not give rise to any obligation to pay withholding tax.

If a 30% withholding tax is deducted from a payment to a person entitled to be taxed at a lower rate, or if excessive withholding tax has otherwise been withheld, a refund can be claimed from the Swedish Tax Agency prior to the expiry of the fifth calendar year following the dividend distribution.

Capital gains taxation

Holders of shares and subscription rights not tax resident in Sweden and whose holding is not attributable to a permanent establishment in Sweden are generally not liable for Swedish capital gains taxation on the disposal of shares or subscription rights. The holders may, however, be subject to tax in their country of residence. Under a specific tax rule, individuals that are not tax resident in Sweden may, however, be subject to tax in Sweden on the sale of certain securities (such as shares, BTAs and subscription rights) if they have been resident or lived permanently in Sweden at any time during the calendar year of such disposal or during any of the previous ten calendar years. The application of this rule may be limited by tax treaties between Sweden and other countries.

CERTAIN TAX ISSUES IN DENMARK

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

INDIVIDUALS**Capital gains taxation****Investment of excess funds**

In 2020, gains from the sale of shares are taxed as share income at a rate of 27% on the first DKK 55,300 (for cohabiting spouses, a total of DKK 110,600) and at a rate of 42% on share income over DKK 55,300 (for cohabiting spouses over DKK 110,600). Such amounts are subject to annual adjustments and include all share income derived by the individual or cohabiting spouses, respectively.

Losses on listed shares may only be offset against other income from listed shares. Losses on listed shares may only be set off against gains and dividends on other listed shares if the Danish Tax Authorities have received certain information concerning the shares. The information is normally provided to the Tax Authorities by the securities dealer, if the securities dealer is Danish.

Shareholders investing through an investment savings account (Dk. Aktiesparekonto)

Gains and losses on shares owned through an investment savings account are taxable according to the mark-to-market principle. According to the mark-to-market principle, each year’s taxable gain or loss is calculated as the difference between the market value of the shares at the beginning and end of the tax year plus any dividend received on shares owned through the investment savings account. Any annual gain will be subject to 17% taxation, and any loss will be deferrable. In 2020, the account is limited to a deposit of DKK 100,000.

Taxation will take place on an accrual basis even if no shares have been disposed of and no gains or losses have been realised. If the shares owned through an investment savings account are sold or otherwise disposed of before the end of the income year, the taxable income of that income year equals the difference between the value of the shares at the beginning of the income year and the realisation sum. If the shares owned through an investment savings account are acquired and realised in the same income year, the taxable income equals the difference between the acquisition sum and the realisation sum. If the shares are acquired in the in-come year and not realised in the same income year, the taxable income equals the difference between the acquisition sum and the value of the shares at the end of the income years.

Investment on pension savings

If shares are purchased using pension savings, dividends received are subject to pension return tax (Dk. *PALskat*) at a fixed rate of 15.3% of the aggregate annual net return on the pension savings pursuant to the mark-to-market principle, including dividends. Pension return tax is generally settled by the pension institution.

Dividend taxation*Investment on excess funds*

Dividends paid to private individuals who are tax residents of Denmark are taxed as share income. In 2020, share income is taxed at a rate of 27% on the first DKK 55,300 (for cohabiting spouses, a total of DKK 110,600) and at a rate of 42% on share income over DKK 55,300 (for cohabiting spouses over DKK 110,600). Accordingly, provided that the amount of dividends received together with other share income does not exceed DKK 55,300 (for cohabiting spouses, a total of DKK 110,600), private individuals do not pay tax on dividends beyond the 27%. Such amounts are subject to annual adjustments and include all share income derived by the individual or cohabiting spouses, respectively.

See also “*Specific tax considerations for shareholders or holders of subscription rights who are not tax residents in Sweden—Withholding tax on dividends*” above. The Swedish withholding tax may be creditable in Denmark.

Dividends for shareholders investing through an investment savings account (Dk. Aktieparekonto)

Dividends paid on shares held through an investment savings account will be taxed according to the same rules as for capital gains taxation of shares held by shareholders investing through an investment savings account.

Investment on pension savings

If shares are purchased using pension savings, dividends received are subject to pension return tax (Dk. *PALskat*) at a fixed rate of 15.3% of the aggregate annual net return on the pension savings pursuant to the mark-to-market principle, including dividends. Pension return tax is generally settled by the pension institution.

Receipt, exercise, sale and disposal of subscription rights

The receipt of subscription rights does not result in a tax liability for the individual receiving the subscription rights. The exercise of subscription rights for shares is not subject to taxation. For tax purposes, subscription rights received against no consideration are deemed to have been acquired at DKK 0.

Gains on the sale of subscription rights are calculated as the difference between the purchase price and the sales price. The gains are normally taxed as share income. Share income is taxed at a rate of 27% on the first DKK 55,300 in 2020 (for cohabiting spouses, a total of DKK 110,600) and at a rate of 42% on share income over DKK 55,300 (for cohabiting spouses over DKK 110,600). Such amounts are subject to annual adjustments and include all share income derived by the individual or cohabiting spouses, respectively.

LIMITED LIABILITY COMPANIES**Capital gains taxation**

A distinction is made between “Subsidiary Shares”, “Group Shares”, “Tax-Exempt Portfolio Shares” and “Taxable Portfolio Shares” with respect to taxation gains on shares.

“Subsidiary Shares” are generally defined as shares held by a shareholder with a direct holding of 10% or more of the share capital of a company.

“Group Shares” are generally defined as shares in a company in which the shareholder of the company and the company are jointly taxed or meet the criteria for international joint taxation, usually implying that they control, directly or indirectly, more than 50% of the votes.

“Portfolio Shares” are shares not falling within the definitions of “Subsidiary Shares” or “Group Shares”.

“Tax-Exempt Portfolio Shares” are generally defined as shares not admitted to trading on a regulated market owned by a corporate shareholder holding less than 10% of the nominal share capital of the issuing company.

“Taxable Portfolio Shares” are defined as shares that do not qualify as Subsidiary Shares, Group Shares or Tax-Exempt Portfolio Shares.

Capital gains from the sale of Taxable Portfolio Shares are taxable irrespective of ownership period at a rate of 22%.

Capital gains from the sale of Subsidiary Shares, Group Shares and Tax-Exempt Portfolio Shares are exempt from taxation, irrespective of ownership period.

Losses on Subsidiary Shares, Group Shares and Tax-Exempt Portfolio Shares are not tax deductible.

If the investor holds Taxable Portfolio Shares, gains are taxable according to the mark-to-market principle. According to the mark-to-market principle, each year’s taxable gain or loss is calculated as the difference between the market value of the shares at the beginning and end of the tax year. Thus, taxation will take place on an accrual basis even if no shares have been disposed of and no gains or losses have been realized.

Special transitional rules apply with respect to the right to offset certain carry forward losses realized before the income year 2010.

It should be noted that a change of status from Subsidiary Shares/Group Shares/Tax-Exempt Portfolio Shares to Taxable Portfolio Shares and vice versa will be treated as a disposal of the shares and reacquisition at the market price of the shares at the relevant time.

Special rules apply with respect to Subsidiary Shares and Group Shares in order to prevent exemption through certain holding company structures just as other anti-avoidance rules may apply. Apart from the General Anti-abuse Rule, these rules will not be described in further detail.

Dividend taxation

The distinction described above between “Subsidiary Shares”, “Group Shares”, “Tax-Exempt Portfolio Shares” and “Taxable Portfolio Shares” is also made with respect to taxation of dividends on shares.

Dividends paid on Taxable Portfolio Shares are subject to taxation at a rate of 22%. Dividends paid on Tax-Exempt Portfolio Shares are subject to taxation at a rate of 15.4%. Dividends paid on Subsidiary Shares and Group Shares are tax-exempt.

See also “*Specific tax considerations for shareholders or holders of subscription rights who are not tax residents in Sweden—Withholding tax on dividends*” above. The Swedish withholding tax may be creditable in Denmark.

Receipt, exercise, sale and disposal of subscription rights

The receipt of subscription rights does not result in a tax liability for a limited liability company receiving the subscription rights. The exercise of subscription rights for shares is not subject to taxation. For tax purposes, subscription rights received against no consideration are deemed to have been acquired at DKK 0.

Gains on subscription rights are taxable at the rate of 22%, provided that the investor owns Taxable Portfolio Shares in the Company. If the investor owns Subsidiary Shares, Group Shares or Tax-Exempt Portfolio Shares in the Company, gains from the sale of subscription rights are tax exempt.

CERTAIN TAX ISSUES FOR SHAREHOLDERS AND HOLDERS OF SUBSCRIPTION RIGHTS WHO ARE NOT TAX RESIDENT IN DENMARK**Dividend taxation**

Under Danish law, dividends paid in respect of Danish shares are generally subject to Danish withholding tax at a rate of 27%. If the withholding tax rate applied is higher than the applicable final tax rate for the shareholder, a request for a refund of Danish tax in excess hereof can be made by the shareholder.

Dividends for shareholders investing through an investment savings account (Dk. Aktieparekonto)

Any dividend received on shares owned through the investment savings account will be subject to 15% taxation. In 2020, the account is limited to a deposit of DKK 100,000.

For shareholders residing outside Denmark, only dividends paid in respect of shares in Danish companies are included in the taxable amount.

Capital gains taxation

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

General anti-abuse rule

Pursuant to section 3 of the Danish Tax Assessments Act (Dk. *Ligningsloven*) (Consolidated Act no. 806 of 8 August 2019, as amended), an arrangement or series of arrangements

- i. not entered into for commercial reasons reflecting the underlying economic reality and
- ii. which are implemented for the primary purpose of obtaining, or one of the primary purposes of which is to obtain, a tax benefit which is against the purpose and intent of the tax laws should be ignored for purposes of calculating the Danish tax liability.

The general anti-abuse rule in Section 3 of the Danish Tax Assessments Act has recently been enacted into Danish tax law and it is presently unclear how the rule could be applied. If a holder of Shares, whether resident in Denmark or not, is considered to have taken part in an arrangement that is covered by Section 3 of the Danish Tax Assessments Act this could result in the application of taxes to payments made to such holder of Shares.

CERTAIN TAX CONSIDERATIONS IN NORWAY

Set out below is a summary of certain Norwegian tax matters related to investments in the Company. The summary below is based on Norwegian laws, rules and regulations currently in force, and is subject to any changes in law, possibly on a retroactive basis. The summary does not address foreign tax laws unless otherwise stated. The summary is of a general nature and does not purport to be a comprehensive description of all the Norwegian tax considerations that may be relevant for a decision to acquire, own or dispose of Shares. Furthermore, the summary only focuses on the shareholder categories explicitly mentioned below. It should be noted that the participation exemption applicable to Norwegian limited liability companies as described below will also apply to certain other legal entities such as savings banks, insurance companies and others. Shareholders who wish to clarify their own tax situation should consult with and rely upon their own tax advisers. Shareholders resident in jurisdictions other than Norway should consult with and rely upon local tax advisers with respect to the tax position in their country of residence. Please note that for the purpose of the summary below, a reference to Norwegian or foreign shareholders refers to the tax residency and not the nationality of the shareholder.

INDIVIDUALS**Capital gains taxation**

Sale, redemption or other disposal of shares is considered a realization for Norwegian tax purposes. A capital gain or loss generated by shareholders who are individuals resident in Norway for tax purposes (“**Norwegian Individual Shareholders**”) through a realization of shares is taxable, or tax deductible, in Norway. For Norwegian Individual Shareholders such capital gains are taxable as ordinary income at a flat rate of 22% irrespective of the duration of the ownership and the number of shares disposed. For the income year 2020, any taxable gain after deducting any unused risk-free return allowance shall be increased by a factor of 1.44. Hence, the effective tax rate for the income year 2020 is 31.68%. Losses, increased by said factor of 1.44 are deductible against ordinary income. See below under “*Dividend taxation*” for a more in-depth description of the risk-free return allowance.

The taxable gain, or deductible loss, is calculated per share and is equal to the sales price less the Norwegian Individual Shareholder’s cost price of the share, including costs incurred in relation to the acquisition or realization of the share. From this capital gain, Norwegian Individual Shareholders are entitled to deduct a calculated risk-free return allowance, provided that such allowance has not already been used up to reduce taxable dividend income. The allowance may only be deducted in order to reduce a taxable gain, and cannot lead to or increase a deductible loss.

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

A Norwegian Individual Shareholder who moves abroad, and ceases to be tax resident in Norway as a result, is deemed to be taxable in Norway for any latent capital gain related to the shares held at the time the shareholder ceased to be resident in Norway for tax purposes, or is regarded as tax resident in another jurisdiction according to an applicable tax treaty, as if the shares were realized on the day before the tax residency in Norway ceased. Gains of a total of NOK 500,000 or less are not taxable. If the shareholder moves to a jurisdiction within the EEA, potential losses related to shares held at the time the tax residency ceases will be tax deductible when exceeding the

NOK 500,000 threshold. Gain/loss calculated in connection with the emigration will, for the income year 2020, be increased with a factor of 1.44 as described above. The actual taxation can be postponed until the point in time the shares are actually realized. If the shareholder moves to a jurisdiction outside the EEA, or to a jurisdiction within the EEA where Norwegian tax authorities are not in a position to collect information and obtain assistance with respect to the collection of taxes, the taxation will only be postponed if the shareholder provides sufficient guarantee for the fulfillment of the potential tax obligations. If the shares are not realized for tax purposes within five years after the shareholder ceased to be resident in Norway for tax purposes, or was regarded as tax resident in another jurisdiction according to an applicable tax treaty, the tax liability calculated under these provisions will not apply.

Dividend taxation

Dividends received by Norwegian Individual Shareholders exceeding a risk-free return allowance are taxable as ordinary income for such shareholders at a flat rate of 22%. For the income year 2020, taxable dividends after deducting any risk-free return allowance shall be increased by a factor of 1.44. Hence, for income year 2020 the effective tax rate is 31.68%.

The risk-free return allowance is calculated on a share-by-share basis, not on a portfolio basis. The allowance for each share is equal to the cost price of the share multiplied by a risk free return. The risk-free return is stipulated by the Ministry of Finance. The allowance is calculated for each calendar year, and shall be attributed to the holder of the share as at 31 December of the income year. Norwegian Individual Shareholders who transfer shares prior to 31 December will thus not be entitled to deduct any calculated allowance related to the year of transfer. If the risk-free return allowance exceeds the dividends for the year, any unused risk-free return allowance may be carried forward for deduction in subsequent years' dividends on the same share. The unused allowance is also included in the basis for calculating the allowance the following years.

If certain requirements are met, Norwegian Individual Shareholders are also entitled to a tax credit against their Norwegian tax for any withholding tax imposed in Sweden on dividends distributed.

Net wealth tax

The value of shares is included in the basis for the computation of net wealth tax imposed on Norwegian Individual Shareholders. Currently, the marginal wealth tax rate is 0.85% of the value assessed. The value for assessment purposes for listed shares, is the listed value as of 1 January in the year of assessment.

LIMITED LIABILITY COMPANIES

Capital gains taxation

Sale, redemption or other disposal of shares is considered a realization for Norwegian tax purposes. For shareholders who are limited liability companies (and certain similar entities) resident in Norway for tax purposes (“**Norwegian Corporate Shareholders**”), capital gains from realization of shares are currently exempt from Norwegian taxation under the participation exemption rule (No. *fritaksmetoden*). Correspondingly, losses are non-deductible. At the outset, shares in Norwegian companies and companies resident within the EEA for tax purposes will always constitute a qualifying investment under the participation exemption, regardless of the relative size of the shareholding. For shares in companies resident within the EU/EEA, however, an initial assessment has to be made on whether or not the company is resident within a low tax jurisdiction.

Dividend taxation

Dividends received by Norwegian Corporate Shareholders are included in the calculation of the shareholders' net income from shares qualifying for the participation exemption (including shares in companies resident within the EEA for tax purposes), including dividends received from the Company. 3% of any dividend income received, however, will have to be included in the calculation of ordinary income. Ordinary income is subject to tax at a flat rate of 22%, implying that for the income year 2020 net income from shares is effectively taxed at a rate of 0.66%.

Repayment of paid-in share capital or share premium, e.g. in case of a capital reduction, is not taxable.

CERTAIN TAX ISSUES FOR SHAREHOLDERS WHO ARE NOT TAX RESIDENT IN NORWAY

Capital gains taxation

As a general rule, capital gains related to shares in a company not resident in Norway for tax purposes that are held by shareholders who are not tax residents of Norway (for the purposes of this section “**Foreign Shareholders**”), are not taxable in Norway.

If a Foreign Shareholder is an individual shareholder who has previously been a tax resident of Norway and then realizes the shares within five calendar years following the year the Norwegian tax residency ceased, however, then the Foreign Shareholder will be subject to the same capital gains taxation as a Norwegian individual shareholder, cf. above. This is conditioned by, however, that the capital gain is not exempt pursuant to the provisions of an applicable income tax treaty.

Dividend taxation

As a general rule, dividends received related to shares in a company not resident in Norway for tax purposes that are held by Foreign Shareholders are not taxable in Norway.

Net wealth tax

Foreign shareholders are not subject to Norwegian net wealth tax, unless the shares are owned as a part of a business activity taxable in Norway.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of subscription rights and BTAs pursuant to the Rights Issue and of new shares by a U.S. Holder (as defined below), but it does not purport to be a comprehensive description of all tax considerations that may be relevant to a particular person's investment decision. This discussion applies only to U.S. Holders that hold the existing shares and will hold the subscription rights, BTAs and new shares as capital assets for U.S. federal income tax purposes. In addition, it does not describe all of the tax consequences that may be relevant in light of a U.S. Holder's particular circumstances, including alternative minimum tax and Medicare contribution tax consequences, any special tax accounting rules under Section 451 of the Internal Revenue Code of 1986, as amended (the “**Code**”) and tax consequences applicable to U.S. Holders subject to special rules, such as:

- certain financial institutions;
- dealers or traders in securities that use a mark-to-market method of tax accounting;
- persons holding existing shares, the subscription rights, BTAs or new shares as part of a hedge or other integrated transaction;
- persons whose “functional currency” for U.S. federal income tax purposes is not the U.S. dollar;

- tax-exempt entities, “individual retirement accounts” or “Roth IRAs”;
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes;
- persons that own or will own, directly, indirectly or constructively, 10% or more of the Company’s stock by vote or value; or
- persons holding existing shares, the subscription rights, BTAs or new shares in connection with a trade or business conducted outside the United States.

If a partnership holds the Company’s existing shares, the subscription rights, BTAs or new shares, as the case may be, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships holding existing shares, subscription rights, BTAs or new shares and partners in such partnerships should consult their tax advisers as to the particular U.S. federal income tax consequences to them of the receipt, ownership, exercise and disposition of the subscription rights and the receipt, ownership and disposition of BTAs and new shares.

This summary is based upon the tax laws of the United States, including the Code, administrative pronouncements, judicial decisions, and final, temporary and proposed regulations, as well as the income tax treaty between the United States and Sweden (the “**Treaty**”), all as of the date hereof, any of which is subject to change, possibly with retroactive effect.

For purposes of this discussion a “U.S. Holder” is a person that, for U.S. federal income tax purposes, is a beneficial owner of the Company’s existing shares, the subscription rights, BTAs or new shares, as the case may be, and:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

U.S. Holders are urged to consult their tax advisers as to the tax consequences of the receipt, exercise or disposition of subscription rights and of receiving, owning and disposing of BTAs and new shares in their particular circumstances, including the effect of any U.S. state, local or non-U.S. tax laws.

TAXATION OF THE SUBSCRIPTION RIGHTS AND BTAs

Receipt of Subscription Rights

The U.S. federal income tax treatment of the receipt of subscription rights by a U.S. Holder is not free from doubt. In particular, it is not entirely clear whether the sale of subscription rights by SEB or the relevant nominee, and the remittance of the proceeds from that sale to certain holders that for securities law reasons are ineligible to participate in the Rights Issue (as described in “*Terms and conditions for the Rights Issue – Shareholders resident in certain unauthorized jurisdictions*”) should be treated as a (i) sale of rights by the Company in the market followed by a distribution by the Company of the sale proceeds to the ineligible persons, or (ii) distribution of subscription rights by the Company to ineligible persons followed by a sale of those rights by them. In the former case, the receipt of subscription rights would be taxable as a dividend to all U.S. Holders (i.e., including U.S. Holders eligible to participate in the Rights Issue). However, the Company believes the better view is that a U.S. Holder will not be required to include any amount in income for U.S. federal income tax purposes as a

result of the receipt of the subscription rights. It is possible that the U.S. Internal Revenue Service (“**IRS**”) will take a contrary view and require a U.S. Holder to include as dividend income the fair market value of the subscription rights on the date of their distribution. U.S. Holders should consult their tax advisers as to whether the receipt of subscription rights could be taxable as a dividend. The remainder of this discussion assumes that the receipt of subscription rights will not be a taxable event for U.S. federal income tax purposes.

The basis and holding period of the subscription rights will be determined by reference to a U.S. Holder’s existing shares with respect to which subscription rights were received. If the fair market value of the subscription rights is 15% or more of the value of the existing shares on the date the subscription rights are distributed, a U.S. Holder will be required to allocate its basis in its existing shares between the existing shares and the subscription rights based on the fair market value of each on the distribution date. In the event that the fair market value of the subscription rights is less than 15% of the value of the existing shares on the date the subscription rights are distributed, U.S. Holders may elect to allocate their basis in the same manner as discussed above. In the absence of such election, no basis will be allocated to the subscription rights. U.S. Holders’ holding period with respect to subscription rights will include their holding period for their existing shares with respect to which the subscription rights were received. In the event the U.S. Holder allows the subscription rights to lapse without selling or exercising them, the subscription rights will be deemed to have a zero basis and, therefore, the U.S. Holder will not recognize any loss upon the expiration of the subscription rights. In that case, the tax basis of the existing shares with respect to which the expired subscription rights were distributed will remain unchanged from their tax basis prior to the Rights Issue.

Receipt of BTAs

A U.S. Holder will not recognize taxable income upon the receipt of BTAs pursuant to the exercise of subscription rights. A U.S. Holder’s tax basis in the BTAs will equal the sum of the U.S. dollar value of the Subscription Price determined at the spot rate on the date of exercise and the U.S. Holder’s tax basis, if any, in the subscription rights exercised to obtain the BTAs. A U.S. Holder’s holding period with respect to BTAs will commence on the date of exercise of the underlying subscription rights.

Sale or other disposition of Subscription Rights or BTAs

A U.S. Holder will recognize capital gain or loss on the sale or other disposition of subscription rights or BTAs in an amount equal to the difference between such holder’s tax basis in the subscription rights or BTAs, if any, and the U.S. dollar value of the amount realized from the sale or other disposition. A U.S. Holder will recognize long-term capital gain or loss if the holding period in the subscription rights or BTAs (determined as described above) exceeds one year. Any gain or loss will be U.S.-source.

Pursuant to the terms of the offering, a U.S. Holder that is ineligible to participate in the Rights Issue could receive a payment of cash on account of the sale of subscription rights allocable to such person. Such U.S. Holder should be treated as having received the subscription rights and sold them for cash. If such treatment is respected, the U.S. federal income tax consequences to such U.S. Holder of such sale will be as described in the preceding paragraph.

Receipt of New Shares

A U.S. Holder will not recognize taxable income upon the receipt of new shares upon conversion of BTAs. A U.S. Holder's tax basis in the new shares will equal the U.S. Holder's tax basis in its BTAs with respect to which the new shares are received. A U.S. Holder's holding period in each new share acquired through the exercise of a subscription right will begin with and include the date of exercise of the subscription rights underlying the BTAs.

TAXATION OF NEW SHARES

Dividends

Except as described below under "*Passive Foreign Investment Company Rules*," distributions received by a U.S. Holder on new shares, including the amount of any Swedish taxes withheld, other than certain *pro rata* distributions of shares to all shareholders, will constitute foreign-source dividend income to the extent paid out of the Company's current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). Because the Company does not maintain calculations of its earnings and profits under U.S. federal income tax principles, it is expected that distributions generally will be reported to U.S. Holders as dividends. The amount of dividend income paid in euros that a U.S. Holder will be required to include in income will equal the U.S. dollar value of the distributed euros, calculated by reference to the exchange rate in effect on the date the payment is received by the U.S. Holder, regardless of whether the payment is converted into U.S. dollars on the date of receipt. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder will generally not be required to recognize foreign currency gain or loss in respect of the dividend income. A U.S. Holder may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of its receipt. Corporate U.S. Holders will not be entitled to claim the dividends-received deduction with respect to dividends paid by the Company. Subject to applicable limitations, dividends received by certain non-corporate U.S. Holders may be taxable at rates applicable to long-term capital gains. Non-corporate U.S. Holders should consult their tax advisers to determine whether they are subject to any special rules that limit their ability to be taxed at these favorable rates.

Swedish taxes withheld from dividends on new shares at a rate not in excess of any applicable Treaty rate will generally be creditable against a U.S. Holder's U.S. federal income tax liability, subject to applicable limitations that vary depending upon the U.S. Holder's circumstances. Instead of claiming a credit, a U.S. Holder may elect to deduct foreign taxes, including the Swedish taxes, in computing its taxable income, subject to generally applicable limitations. An election to deduct foreign taxes (instead of claiming foreign tax credits) applies to all foreign taxes paid or accrued in the taxable year. The limitations on foreign taxes eligible for credit are calculated separately with respect to specific classes of income. The rules governing foreign tax credits are complex. Therefore, U.S. Holders should consult their own tax advisers regarding the availability of foreign tax credits in their particular circumstances.

Sale or other Taxable disposition

Except as described below under "*Passive Foreign Investment Company Rules*," a U.S. Holder will generally recognize U.S.-source capital gain or loss on the sale or other taxable disposition of new shares. Any such gain or loss will be long-term

capital gain or loss if the U.S. Holder has owned such new shares for more than one year. The amount of the U.S. Holder's gain or loss will be equal to the difference between such U.S. Holder's tax basis in the new shares sold or disposed of and the amount realized on the sale or disposition, each as determined in U.S. dollars. A U.S. Holder's tax basis in the new shares acquired pursuant to the exercise of the subscription rights will be determined as described above under "*Taxation of the subscription rights and BTAs*."

Passive Foreign Investment Company Rules

In general, a non-U.S. corporation is a passive foreign investment company (a "**PFIC**") for any taxable year in which (i) 75% or more of its gross income consists of passive income or (ii) 50% or more of the average value of its assets (generally determined on a quarterly basis) consists of assets that produce, or are held for the production of, passive income. For purposes of the above calculations, a non-U.S. corporation that owns at least 25% by value of the shares of another corporation is treated as if it held its proportionate share of the assets of the other corporation and received directly its proportionate share of the income of the other corporation. Passive income generally includes dividends, interest, rents, royalties and certain gains. Cash is a passive asset for these purposes.

Based on the expected composition of the Company's income and assets and the estimated value of its assets, the Company does not expect to be a PFIC for its current taxable year. However, the Company will hold a substantial amount of cash following the Rights Issue and Recapitalization Plan and its PFIC status for any taxable year will depend on the composition of the Company's income and assets and the value of its assets from time to time (which may be determined, in part, by reference to the market price of the Company's shares, which could be volatile). For these reasons, there can be no assurance that the Company will not be a PFIC for its current or any future taxable year.

If the Company were a PFIC for any taxable year and any of its subsidiaries were also a PFIC (any such entity, a "**Lower-tier PFIC**"), U.S. Holders would be deemed to own a proportionate amount (by value) of the shares of each Lower-tier PFIC and would be subject to U.S. federal income tax according to the rules described in the subsequent paragraph on (i) certain distributions by a Lower-tier PFIC and (ii) dispositions of shares of Lower-tier PFICs, in each case as if the U.S. Holders held such shares directly, even though the U.S. Holders did not receive the proceeds of those distributions or dispositions.

In general, if the Company were a PFIC for any taxable year during which a U.S. Holder held new shares (and under proposed Treasury regulations that have a retroactive effect date, the holding period for the subscription rights, which as described above may include the holding period of the existing shares with respect to which the subscription rights were issued), gain recognized by such U.S. Holder on a sale or other disposition (including certain pledges) of its new shares (or subscription rights) would be allocated ratably over that U.S. Holder's holding period. The amounts allocated to the taxable year of the sale or disposition and to any year before the Company became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge would be imposed on the resulting tax liability for each such year. Furthermore, to the extent that distributions

received by a U.S. Holder in any year on its new shares exceed 125% of the average of the annual distributions on the new shares received during the preceding three years or the U.S. Holder's holding period, whichever is shorter, such distributions would be subject to taxation in the same manner. If the Company were a PFIC for any taxable year during which a U.S. Holder owned new shares, the Company would generally continue to be treated as a PFIC with respect to the U.S. Holder for all succeeding years during which the U.S. Holder owns new shares, even if the Company ceased to meet the threshold requirements for PFIC status.

Alternatively, if the Company were a PFIC for any taxable year and if the new shares are "regularly traded" on a "qualified exchange," a U.S. Holder could make a mark-to-market election with respect to the new shares that would result in tax treatment different from the general tax treatment for PFICs described above. The new shares will be treated as "regularly traded" in any calendar year in which more than a *de minimis* quantity of the new shares is traded on a qualified exchange on at least 15 days during each calendar quarter. A non-U.S. exchange is a "qualified exchange" if it is regulated by a governmental authority in the jurisdiction in which the exchange is located and with respect to which certain other requirements are met. The IRS has not identified specific non-U.S. exchanges that are "qualified" for this purpose. Generally, under the mark-to-market election the U.S. Holder will recognize at the end of each taxable year (i) ordinary income in respect of any excess of the fair market value of the new shares over their adjusted tax basis or (ii) ordinary loss in respect of any excess of the adjusted tax basis of the new shares over their fair market value (but only to the extent of the net amount of income previously included as a result of the mark-to-market election). If a U.S. Holder makes the election, the U.S. Holder's tax basis in the new shares will be adjusted to reflect these income or loss amounts. Any gain recognized on the sale or other disposition of new shares in a year when the Company is a PFIC will be treated as ordinary income and any loss will be treated as an ordinary loss (but only to the extent of the net amount of income previously included as a result of the mark-to-market election). There is no authority under U.S. federal income tax law that provides that a U.S. Holder could make a mark-to-market election with respect to any Lower-tier PFIC that is not publicly traded, even if the Company's new shares were eligible for the mark-to-market treatment. U.S. Holders should consult their tax advisers regarding the availability and advisability of making a mark-to-market election in their particular circumstances.

If the Company is a PFIC for any taxable year during which a U.S. Holder owned any new shares, the U.S. Holder would generally be required to file annual reports with the IRS.

In addition, if the Company were a PFIC (or with respect to a particular U.S. Holder is treated as a PFIC) for any taxable year

in which the Company paid a dividend or for the preceding taxable year, the favorable tax rate described above with respect to dividends paid to certain non-corporate U.S. Holders would not apply.

U.S. Holders should consult their tax advisers regarding the determination of whether the Company is a PFIC for any taxable year and the potential application of the PFIC rules to their ownership of new shares.

Transfer reporting requirements

A U.S. Holder that subscribes for new shares may be required to file Form 926 with the IRS if the subscription price paid by the U.S. Holder, when aggregated with all transfers of cash made by the U.S. Holder (or any related person) to the Company within the preceding twelve-month period, exceeds USD 100,000 (or its foreign currency equivalent). U.S. Holders that are required to file Form 926, but fail to do so, could be subject to substantial penalties. U.S. Holders should consult their tax advisers to determine whether they are subject to any Form 926 filing requirements.

Information reporting and backup withholding

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting and backup withholding unless the U.S. Holder is an exempt recipient or, in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

Certain U.S. Holders who are individuals (and certain specified entities) may be required to report information relating to their new shares (or non-U.S. financial accounts through which the subscription rights or new shares may be held). U.S. Holders should consult their tax advisers regarding their reporting obligations with respect to the subscription rights or new shares.

SELLING AND TRANSFER RESTRICTIONS

The offer to subscribe for new shares pursuant to the Bondholder Offer as well as the distribution of subscription rights and the offer to subscribe for new shares in SAS by exercise of subscription rights as well as without subscription rights (the “**Rights Issue**”) to persons resident in, or who are citizens of, countries other than Sweden, Denmark, Finland or Norway may be affected by the laws of the relevant jurisdiction. Investors should consult their professional advisers as to whether their relevant jurisdiction requires any governmental or other consent or if there is a need to observe any other formalities in order to enable them to exercise subscription rights or to subscribe for new shares without subscription rights.

GENERAL

SAS has not taken and will not take any action to permit a public offering of the new shares being issued in the Rights Issue (through the exercise of the subscription rights or otherwise) or the new shares being issued in the Bondholder Offer in any jurisdiction other than Sweden, Denmark and Norway. Receipt of this prospectus will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this prospectus is for information only and must not be copied or redistributed.

Except as otherwise disclosed in this prospectus, if an investor receives a copy of this prospectus in any jurisdiction other than Sweden, Denmark or Norway, the investor may not treat the prospectus as constituting an invitation or offer to it, nor should the investor in any event deal in the subscription rights, paid subscription shares/interim shares (Sw. *betalda tecknade aktier (BTA)/interimsaktier*) or new shares being granted or offered, respectively, in the Rights Issue (the “**Securities**”), unless, in the relevant jurisdiction, such an invitation or offer could lawfully be made to that investor, or the Securities could lawfully be dealt in without contravention of any unfulfilled registration or other legal requirements.

Accordingly, if an investor receives a copy of this prospectus, the investor should not distribute or send the same, or transfer the Securities to any person, in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If any investor forwards this prospectus into any such jurisdictions (whether under a contractual or legal obligation or otherwise), such investor should draw the recipient’s attention to the contents of this section. Subject to certain exceptions, the following applies:

- the Securities may not be offered, subscribed for, sold or transferred, directly or indirectly, to or in the United States, Australia, Canada, Hong Kong, India, Japan, Singapore, South Africa or any other jurisdiction in which it would not be permissible to offer the Securities or where such action would require additional prospectuses, registration or measures other than those pursuant to Swedish, Danish, Finnish and Norwegian law (an “**Ineligible Jurisdiction**”, together the “**Ineligible Jurisdictions**”);
- the prospectus may not be sent to any person in any Ineligible Jurisdiction; and
- the transfer of subscription rights to an account of a shareholder or other person in an Ineligible Jurisdiction or of a citizen of an Ineligible Jurisdiction (referred to as “**Ineligible Persons**”) does not constitute an offer to such persons of new shares and Ineligible Persons may not exercise subscription rights.

If an investor subscribes for, receives, transfers, trades or otherwise deals in the Securities, that investor will be deemed to have made, or, in some cases, be required to make, among other things, the following representations and warranties to SAS and any person acting on its behalf (unless such requirement is waived by SAS):

- the investor is not located in an Ineligible Jurisdiction;
- the investor is not an Ineligible Person;
- the investor is not acting, and has not acted, for the account or benefit of an Ineligible Person;
- unless the investor is a holder of shares and a QIB (as defined below), the investor is located outside the United States, and any person for whose account or benefit it is acting on a non discretionary basis is located outside the United States and, upon subscribing for or acquiring Securities, the investor and any such person will be located outside the United States;
- the investor understands that the Securities have not been or will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) and may not be offered, subscribed for, exercised, pledged, sold, resold, allotted, delivered or otherwise transferred within the United States, or for the account or benefit of persons in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements under the Securities Act; and
- the investor may lawfully be offered, exercise, subscribe for and receive Securities in the jurisdiction in which it resides or is currently located.

SAS and any person acting on its behalf will rely upon the investor’s representations and warranties. Any provision of false information or subsequent breach of these representations and warranties may subject the investor to liability.

If a person is acting on behalf of a holder of subscription rights (including, without limitation, as a nominee, custodian or trustee), that person will be required to provide the foregoing representations and warranties to SAS with respect to the exercise of subscription rights on behalf of the holder. If such person does not or is unable to provide the aforementioned representations and warranties, SAS will not be bound to authorize the allocation of any Securities to that person or the person on whose behalf the other is acting.

Subject to the specific restrictions described below, if an investor (including, without limitation, its nominees, custodians and trustees) who is located outside of Sweden, Denmark and Norway wishes to exercise, deal in or subscribe for Securities, the investor must satisfy itself as to full observance of the applicable laws of any relevant jurisdiction including obtaining any requisite governmental or other consents, observing any

other requisite formalities and paying any taxes due in such territories.

The information set out in this section is intended as a general guide only. If the investor is in any doubt as to whether it is eligible to exercise subscription rights or otherwise subscribe for shares in the Rights Issue or the Bondholder Offer, that investor should consult professional advisers without delay.

For shareholders who on the record date 30 September 2020 held shares in SAS through financial intermediaries, all subscription rights will initially be credited to such financial intermediaries for such shareholders' accounts. A financial intermediary may not exercise any subscription rights on behalf of any person in the Ineligible Jurisdictions or any Ineligible Persons and may be required in connection with any exercise of subscription rights to certify the same.

Subject to certain exceptions, financial intermediaries are not permitted to send this prospectus or any other information about the Rights Issue or the Bondholder Offer into any Ineligible Jurisdiction or to any Ineligible Person. The crediting of subscription rights to the account of persons in Ineligible Jurisdictions or to Ineligible Persons does not constitute an offer of Securities to such persons. Nominees, which include banks, brokers, custodians and other financial intermediaries, holding for Ineligible Persons may consider selling any or all subscription rights held for the benefit of such persons to the extent permitted under their arrangements with such persons and applicable law and to remit the net proceeds to the accounts of such persons.

Subject to certain exceptions, exercise instructions or certifications regarding subscription sent from or postmarked in any Ineligible Jurisdiction will be deemed to be invalid and the Securities will not be delivered to an addressee in any Ineligible Jurisdiction. SAS reserves the right to reject any exercise or revoke any accepted exercise made in the name of any person who provides an address in an Ineligible Jurisdiction for exercise or delivery of Securities, who does not or is unable to represent or warrant that such person is not in an Ineligible Jurisdiction and is not an Ineligible Person, who is not acting on a discretionary basis for such persons, or who appears to SAS or its agents to have executed its exercise instructions or certifications in, or dispatched them from, an Ineligible Jurisdiction. Furthermore, SAS reserves the right, with sole and absolute discretion, to treat as invalid any exercise or purported exercise of subscription rights which appears to it to have been executed, effected or dispatched in a manner that may involve a breach or violation of the laws or regulations of any jurisdiction.

Notwithstanding any other provision of this prospectus, SAS reserves the right to permit a holder to exercise its subscription rights and subscribe for new shares as part of the Rights Issue or Bondholder Offer if SAS in its absolute discretion is satisfied that the transaction in question is exempt from or not subject to the laws or regulations giving rise to the restrictions in question. Applicable exemptions in certain jurisdictions are described below. In any such case, SAS does not accept any liability for any actions that a holder takes or for any consequences that such holder may suffer by SAS' acceptance of the holder's exercise of subscription rights or subscription for new shares.

None of SAS, SEB or any of their respective representatives is making any representation to any offeree, subscriber or purchaser of the Securities regarding the legality of an investment in the Securities by such offeree, subscriber or purchaser under applicable laws. Each investor should consult with its own advisors and make its independent assessment of the

legal, tax, business, financial and other consequences of a subscription or purchase of the Securities.

Investing in the Securities involves risks. See "Risk factors" for a discussion of risks that prospective investors should consider before investing in the Securities.

UNITED STATES

The Securities have not been and will not be registered under the Securities Act or under the securities legislation of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities legislation in any state or other jurisdiction of the United States. The Securities are being offered and sold outside the United States in reliance on Regulation S under the Securities Act. Any offering of the Securities to be made in the United States will be made by the issuer and only pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, to a limited number of investors who (i) are existing holders of shares in SAS and qualified institutional buyers as defined in Rule 144A under the Securities Act ("QIBs") and (ii) have executed and delivered an *investor letter*, in form and substance acceptable to SAS.

Accordingly, subject to certain limited exceptions, this document will not be sent to, and no subscription rights will be credited to, any shareholder with a registered address in the United States. In addition, SAS and SEB reserve the right to reject any instruction in respect of the Securities sent by or on behalf of any securities account holder with a registered address in the United States.

Up until 40 days after the expiration of the subscription period in the Rights Issue, an offer, sale or transfer of the Securities within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the Securities Act. The Securities have not been approved or disapproved by the U.S. Securities and Exchange Commission ("SEC"), any state regulatory authority in the United States or any other U.S. regulatory authority nor have any of the foregoing authorities passed upon or endorsed the merits of the Rights Issue or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offense in the United States.

Each person to which Securities are distributed, offered or sold within the United States will, by accepting delivery of this prospectus or by its subscription for Securities, be deemed to have represented, acknowledged and agreed, on its behalf and on behalf of any investor accounts for which it is subscribing for Securities, as the case may be, that, among other things:

1. it, and any account for which it is exercising any rights, is at the time of receipt of the prospectus, and at the time of any exercise by it of subscription rights, an existing shareholder of the Company and a QIB.
2. it understands and acknowledges that the Rights Issue is made in reliance on an exemption from registration under the Securities Act and that none of the Securities have been or will be registered under the Securities Act, and that they may not be offered, sold or exercised, directly or indirectly, in the United States, other than in accordance with paragraph 4 below.
3. it understands that the subscription rights may only be transferred, assigned, sold or resold outside the United States in reliance on Regulation S under the Securities Act, and not in any case inside or into the United States.

4. as a purchaser in a private placement of securities that have not been registered under the Securities Act, it may only acquire subscription rights, paid subscription shares/ Interim shares and new shares upon the exercise of such subscription rights, for its own account, or for the account of one or more other QIBs for which it is acting as duly authorized fiduciary or agent with sole investment discretion with respect to each such account and with full authority to make the acknowledgments, representations and agreements herein with respect to each such account, in each case for investment and not with a view to any resale or distribution of any such subscription rights or of any paid subscription shares/Interim shares or new shares issuable upon exercise of the subscription rights.
 5. it understands and agrees that, although offers and sales in the United States of the subscription rights are being made only to QIBs, and that the subscription rights may be exercised only by QIBs in the United States, neither such offers and sales nor such exercises are being made under Rule 144A, and that if in the future it or any such other QIB for which it is acting, as described in paragraph 4 above, or any other fiduciary or agent representing such investor decides to offer, sell, deliver, pledge, hypothecate or otherwise transfer any subscription rights, or any paid subscription shares/Interim shares or new shares issued upon the exercise of subscription rights, it and such other persons will do so only (i) pursuant to an effective registration statement under the Securities Act; (ii) with respect to paid subscription shares/Interim shares or new shares, to a QIB in a transaction meeting the requirements of Rule 144A; (iii) outside the United States pursuant to Rule 904 under Regulation S under the Securities Act in an "offshore transaction" (and not in a pre-arranged transaction resulting in the resale of such subscription rights, paid subscription shares/Interim shares or new shares into the United States); or (iv) in the case of new shares issued upon the exercise of subscription rights, in accordance with Rule 144 under the Securities Act and, in each case, in accordance with any applicable securities laws of any state or territory of the United States and of any other jurisdiction. It understands that no representation can be made as to the availability of the exemption provided by Rule 144 under the Securities Act for the resale of new shares.
 6. it understands that for so long as new shares issued upon the exercise of subscription rights are "restricted securities" within the meaning of U.S. federal securities laws, no such new shares may be deposited into any U.S. depository receipt facility established or maintained by a depository bank, other than a restricted depository receipt facility, and that such new shares will not settle or trade through the facilities of the Depository Trust Company or any other U.S. exchange or clearing system.
 7. it has received a copy of this prospectus and has had access to such financial and other information concerning SAS as it has deemed necessary in connection with making its own investment decision to exercise subscription rights and has consulted with its own independent advisers or otherwise satisfied itself concerning the legal, tax and other economic considerations related to exercising its subscription rights. It acknowledges and agrees that neither SAS, SEB, nor any person representing SAS or SEB has made any representation to it with respect to SAS or the offer in the Rights Issue other than as set forth in the prospectus. It will hold any offering materials, including the prospectus, it receives directly or indirectly from SAS or SEB in confidence, and it understands that any such information received by it is solely for it and may not be redistributed or duplicated by it. It acknowledges and agrees that the Securities have not been offered to it by SAS or SEB in any form of general solicitation or general advertising (in the meaning set forth in Regulation D under the Securities Act).
 8. it, and each other QIB, if any, for whose account it may acquire subscription rights, paid subscription shares/ Interim shares or new shares, in the normal course of business, invests in or purchases securities similar to the Securities, has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of acquiring subscription rights and new shares and is aware that it must bear the financial risk of an investment in each subscription right and any paid subscription share and new share for an indefinite period of time and is able to bear such risk for an indefinite period.
 9. it understands that these representations and undertakings are required under United States securities laws and irrevocably authorizes SAS and SEB to produce these undertakings and the investor letter to any interested parties in any administrative or legal proceedings or official enquiry with respect to the matters covered herein.
 10. it represents that if, in the future, it offers, resells, pledges or otherwise transfers the Securities, it shall notify such subsequent transferee of the transfer restrictions set out herein.
 11. it is not an affiliate (as defined in Rule 501(b) under the Securities Act) of SAS, and is not acting on behalf of an affiliate of SAS.
 12. it understands and acknowledges that SAS, SEB and each of their respective affiliates and agents, and others, will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgements and agreements.
- In addition, each person exercising subscription rights or otherwise subscribing for new shares will be deemed to have acknowledged and agreed that no person is authorized to give any information or make any representations other than those contained in the prospectus and, if given or made, such information or representations will not be relied upon as having been authorized by SAS or SEB, nor will SAS or SEB have any liability or responsibility therefore.
- Each person to which Securities are distributed, offered or sold outside the United States in connection with both the Rights Issue and Bondholder Offer will, by its subscription for, or purchase of, Securities, be deemed to have represented and agreed, on its behalf and on behalf of any investor accounts for which it is subscribing for Securities, as the case may be, that:
- it is acquiring the Securities from SAS in an "offshore transaction" as defined in Regulation S under the Securities Act; and
 - the Securities have not been offered to it by SAS by means of any "directed selling efforts" as defined in Regulation S under the Securities Act.

AGREEMENT OF CONFIDENTIALITY

Any recipient of this document in the United States is hereby notified that this document is being furnished to it on a confidential basis and must not be reproduced, resent or otherwise redistributed, in whole or in part, under any circumstances. Furthermore, recipients are authorized to use this document solely for the purpose of considering a subscription for Securities and may not disclose any of the contents of this document or use any information herein for any other purpose. This document is personal to each recipient and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Securities. Any recipient of this document agrees to the foregoing by accepting delivery of this document.

ENFORCEMENT OF LIABILITIES AND SERVICE OF PROCESS

SAS is a Swedish limited liability company (*Aktiebolag*). The majority members of the Board of Directors and the steering group are resident outside the United States. A substantial portion of the assets of SAS and such persons are located outside the United States. As a result, it may not be possible for investors to serve writ of summons upon SAS or such persons or to enforce against them in U.S. courts judgments obtained in such courts. Original actions, or actions for the enforcement of judgments of a U.S. court, relating to the civil liability provisions of the federal or state securities laws of the United States are not directly enforceable in Sweden. The United States and Sweden do not have a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Accordingly, a final judgment for the payment of money rendered by a U.S. court based on civil liability will not be directly enforceable in Sweden. However, if the party in whose favor such final judgment is rendered brings a new lawsuit in a competent court in Sweden, that party may submit to the Swedish court the final judgment that has been rendered in the United States. Although a judgment by a federal or state court in the United States against the Company or the Group will neither be recognized nor enforced by a Swedish court, it may serve as evidence in a similar action in a Swedish court.

EEA

Within the European Economic Area (“EEA”), no public offering of Securities is made in other countries than Sweden, Denmark and Norway. In other member states of the EU, such an offering of Securities may only be made in accordance with the Prospectus Regulation. In other member states of the EEA which have implanted the Prospectus Regulation in their national legislation, any offer of Securities may only be made in accordance with an applicable exemption in the Prospectus Regulation and/or in accordance with an applicable exemption under a relevant national implementation measure. In other member states of the EEA which have not implemented the Prospectus Regulation in their national legislation, any offer of Securities may only be made in accordance with an applicable exemption under national law. Each recipients of this prospectus will be considered to have represented and guaranteed that they do not have or will not make any offer to the public in any member state of the EEA.

OTHER JURISDICTIONS

The Securities have not been and will not be registered in Australia, Canada, Hong Kong, India, Japan, Singapore, South Africa, Switzerland or any other jurisdiction outside Sweden, Denmark, Norway and Finland and may not be offered, subscribed for, exercised, pledged, sold, resold, delivered or otherwise transferred, directly or indirectly, in or to any such jurisdiction other than in such exceptional cases when a prospectus would not be required under applicable laws and regulations of such jurisdiction.

DEFINITIONS AND GLOSSARY

AOC (Air Operator Certificate)	Permits for flight operations.
ASK, Available Seat Kilometers	The total number of seats available for passengers multiplied by the number of kilometers which they are flown.
ATK, Available tonne kilometers	The total number of tonnes of capacity available for the transportation of passengers, freight and mail multiplied by the number of kilometers which this capacity is flown.
CAGR	Compound annual growth rate.
CASK	Total payroll expenses, other operating expenses, leasing costs for aircraft and depreciation adjusted for currency and nonrecurring items, less other operating revenue per ASK (scheduled and charter).
IATA	International Air Transport Association. A trade association for the world's airlines.
ICAO	International Civil Aviation Organization. The United Nations' specialized agency for international civil aviation.
Load factor	RPK divided by ASK. Describes the capacity utilization of available seats.
PASK (unit revenue)	Passenger revenue divided by ASK (scheduled).
RASK	Total traffic revenue divided by Total ASK (scheduled + charter).
RPK, Revenue passenger kilometers	Number of paying passengers multiplied by flown distance (km).
RTK, Revenue tonne kilometers	The number of tonnes of paid traffic (passengers, freight and mail) multiplied by the distance this traffic is flown in kilometers.
WACC	Weighted average cost of capital includes the average cost of liabilities, equity and operating leases for aircraft. The sources of funds are calculated and weighted in accordance with the current market value of equity and liabilities and the capitalized present value of operating lease costs for aircraft.
Wet lease agreement	Leasing in of aircraft including crew.
Yield	Passenger revenue divided by RPK (scheduled).

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