807 DAILY DEPARTURES, 125 DESTINATIONS, 277 ROUTES

FOR FREQUENT TRAVELERS

ANNUAL REPORT WITH SUSTAINABILITY REVIEW, NOVEMBER 2013–OCTOBER 2014

A STAR ALLIANCE MEMBER

SAS

Contents

This is SAS

SAS is Scandinavia's leading airline and has an attractive offering to frequent travelers. In 2013/2014, a total of 28.4 million passengers traveled with SAS to destinations in Europe, the US and Asia. Membership in Star Alliance™ provides customers with access to a far-reaching network. Altogether, Star Alliance offers more than 18,500 daily departures to 1,321 destinations in 193 countries around the world.

In 2013/2014, SAS had sales totaling SEK 38 billion. SAS AB is listed on the following exchanges: Stockholm (primary listing), Oslo and Copenhagen.

Quick facts:
Founded: 1946
Number of passengers: 28.4 million
Daily departures: 807
Number of routes: 277
Number of destinations: 125
Number of aircraft in service: 138
Number of EuroBonus members: 3.7 million

Our Vision
Our vision is to make life easier for Scandinavia´s frequent travelers. With SAS you are part of a community experiencing easy, joyful and reliable services, delivered the Scandinavian way.

Our Promise
Makes your travel easier

Our DNA
We are Scandinavian by name and by nature and our operational promises are:
- **Safety**
- **Punctuality**
- **Care**

While every care has been taken in the translation of this annual report, readers are reminded that the original annual report, signed by the Board of Directors, is in Swedish.

A year of sustained work with change

The results for the 2013/2014 fiscal year reflect a year characterized by substantial overcapacity and pressure on yield and unit revenue, and in which market conditions stabilized slightly toward the end of the year. During the period, SAS completed implementation of the restructuring program started in November 2012. SAS also launched a SEK 2.1 billion program of further cost measures, with full effect in 2017, and completed a SEK 5.1 billion recapitalization during the fiscal year.

Financial targets

The SAS Group's overriding target is to create value for its shareholders. Given the ongoing extensive changes to the European airline industry with intensified competition as a result, SAS has initiated discussions with the unions addressing how to respond to the new industry requirements relating to flexibility, cost structure and the need to reduce complexity. It is crucial that these discussions lead to an overall strengthening of competitiveness and improved financial performance. SAS intends to reassess its EBIT margin and equity/assets ratio targets based on the outcome of these discussions. The minimum target for financial preparedness of 20% stands firm.

EBIT margin

In 2013/2014, the EBIT margin was 0.4%. The start of the fiscal year was marked by a decline in growth and significant overcapacity, resulting in substantial pressure on revenue with a consequential decline in profitability. Capacity stabilized in the second half of the year and income before tax and nonrecurring items increased in the fourth quarter.

Equity/assets ratio

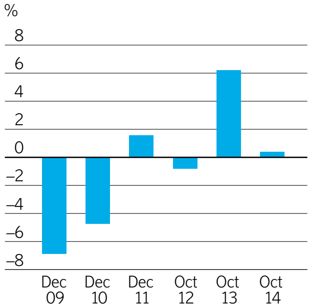
SAS reported an equity/assets ratio of 17%, up five percentage points year-on-year after adjustment for the amended accounting rules for pensions. A preference share issue was carried out during the year, which raised the equity/assets ratio by eight percentage points, thereby, partly offsetting the effect of the amended accounting rules for pensions.

Financial preparedness – minimum 20%

Financial preparedness at SAS improved from 26% to 37% and was positively impacted by the recapitalization and positive cash flow. The ratio was negatively impacted by repayments of SEK 3.1 billion.

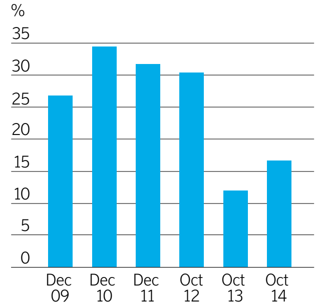
Profitability[1]

EBIT margin



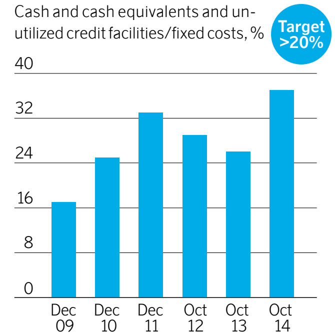
Equity/assets ratio[1]

Shareholders' equity/total assets



Financial preparedness

Cash and cash equivalents and unutilized credit facilities/fixed costs, %



1) The graphs have been restated based on the amended standard for pension reporting IAS 19, from Oct 2013.

Key figures for SAS	Nov 2013–Oct 2014	Nov 2012–Oct 2013
Revenue, MSEK	38,006	42,182
EBIT margin, %	0.4	6.2
Income before tax and nonrecurring items (including the positive effect of amended pension terms), MSEK	347	919
Income before tax and nonrecurring items, MSEK	-697	919
Income before tax, EBT, MSEK	-918	1,648
EBT margin before tax and nonrecurring items, %	-1.8	2.2
Net income for the period, MSEK	-719	1,358
Cash flow from operating activities, MSEK	1,096	1,028
Investments, MSEK	2,113	1,877
Earnings per common share, SEK	-3.03	4.12
Average No. of employees	12,329	14,127
Sick leave, %[2]	7.8	8.0
Carbon dioxide (CO_2), 000s tonnes[3]	3,890	3,815
Climate index[3]	92	94

Key figures for SAS, continued	Oct 31, 2014	Oct 31, 2013
CFROI, 12-month rolling, %	18	31
Financial preparedness, % of fixed costs	37	26
Equity/assets ratio, %	17	12
Adjusted equity/assets ratio, %	11	8
Financial net debt, MSEK	1,102	4,567
Debt/equity ratio	0.22	1.42
Adjusted debt/equity ratio	3.14	5.13
Interest-coverage ratio	0.2	2.6
Common share, SEK	11.35	19.50
Preference share price, SEK	415	-
Common share dividend (proposed Oct 31, 2014), SEK	0	0
Preference share dividend (proposed Oct 31, 2014), SEK	50	-

2) Applies to Scandinavian Airlines (excluding Blue1).
3) Excluding Widerøe.

Strengthened position in a challenging market

In the 2013/2014 fiscal year, SAS experienced positive passenger growth of 6.3%. In parallel, we increased productivity and lowered costs. We can see that our strategy is having an effect and our competitiveness is being strengthened. Concurrently, the year was marked by intense competition with strong price pressure, which have fundamentally changed the commercial terms in the market.

SAS has continued to deliver promised efficiency enhancements and it is pleasing to see our strategy having an impact. Unit cost is steadily improving and we have experienced strong passenger growth. SAS posted positive earnings before tax and nonrecurring items, including a positive effect from amended pension terms, for the full-year 2013/2014. This was in line with our forecast, but also clearly shows the impact of market trends on SAS.

The intense price pressure during the year has significantly impacted the entire industry and escalated the reshaping of the European airline industry. The new norm with external production models, the formation of proprietary low cost carriers and using staffing agencies is becoming increasingly established and is radically changing competitive conditions.

To meet market challenges and strengthen competitiveness, SAS has initiated discussions with the trade unions to achieve increased flexibility and reduced complexity. In parallel, SAS has intensified measures linked to the company's strategic priorities: to establish an efficient operating platform, to win the battle for Scandinavia's frequent travelers and to invest in our future.

Toward an efficient Scandinavian production platform

At the end of 2012, SAS launched a restructuring program to increase the efficiency of the production platform. The aim was to implement cost reductions of about SEK 3 billion during the 2013–2015 period. At October 31, 2014, all measures had been implemented. The results of the measures include reduced annualized payroll expenses of about SEK 1.2 billion, the restructuring of IT and the efficiency enhancement of ground handling in conjunction with the start of an outsourcing process. A total earnings impact of SEK 2.7 billion has been realized and the remaining impact of about SEK 0.3 billion will be realized next year. During the year, unit cost fell an additional 3.9%, resulting in an total reduction of 10% since 2012.

To meet intensifying pressure on competitiveness and revenue, in December 2014, we presented measures totaling SEK 2.1 billion with full effect in 2017. The measures include continued efficiency enhancement of major parts of SAS's operations, including administration and ground handling services, as well as production optimization.

In line with the SAS strategy of streamlining the aircraft fleet, we have taken further steps to reduce the number of aircraft types. SAS acquired the Danish airline Cimber in December 2014 and intends to transfer regional CRJ production to Cimber. Furthermore, during the year, SAS has reduced capacity at Blue1 by about 40% and sold four Boeing 717s, and will divest the remaining five aircraft in autumn 2015. As a consequence, the SAS fleet will only comprise four aircraft types compared with nine types in 2012.

Strengthened offering to Scandinavia's frequent travelers

Looking forward and to challenge ourselves to always be relevant for our customers, SAS launched a clear vision at the start of the year – to make life easier for Scandinavia's frequent travelers.

Thereafter, SAS continued to strengthen its position and invest in the customer offering, which contributed to more passengers choosing to fly with us during the year. The total number of scheduled passengers increased 6.3% while the load factor rose 1.3 points to 75%. Punctuality (arrival within 15 minutes of schedule) was over 88% during the year, which means that, in 2014, SAS was one of the most punctual airlines in Europe.

SAS has gradually strengthened its customer offering and, in 2013, a new service concept focused on the most frequent travelers was launched in the market, SAS Go and SAS Plus. The investment in a clearer and more transparent on-board service concept was well received by SAS's customers and resulted in a strong increase in the number of Plus travelers. In the fourth quarter of 2013/2014, the number of Plus travelers increased slightly more than 20% year-on-year.

As the next step, in February, we launched an extensive upgrade of EuroBonus to make the market's best loyalty program even better. Since the launch, the number of members in EuroBonus has increased by some 50,000 every month and, at the end of the fiscal year, totaled 3.7 million. A larger membership base also increases possibilities for tying in even more advantageous partnerships that add value for SAS customers and create new revenue streams.

We have a strengthened offering with more destinations and more departures than any other Scandinavian airline. The offering has been strengthened with slightly more than 50 selected routes, of which many are seasonal and have strengthened the leisure travel offering. A new intercontinental route Stavanger-Houston, aimed particularly at frequent travelers in the offshore and oil industries, was launched in August. SAS has presented nine new routes for 2015 and, starting in September 2015, a new direct intercontinental route between Stockholm and Hong Kong will open. The route will operate five times weekly.

In 2015, the customer offering to frequent travelers is being strengthened through the launch of a new concept with cafe lounges directly connected to the gates. The lounges will provide a relaxing environment with coffee bars and Wi-Fi. During the year, standard SAS lounges were upgraded and new domestic lounges have been opened in Oslo and Gothenburg.

"SAS is delivering the promised efficiency measures and is continuing to develop the offering to our frequent travelers."

The commitment building tomorrow's SAS

SAS is continuing to undergo rapid change, which sets undeniably high demands on our employees. Our success in maintaining a high level of customer satisfaction through these changes testifies to the outstanding professionalism and solid commitment of SAS employees.

The vision launched by SAS at the start of the year clarified our shared commitment moving forward – to make life easier for Scandinavia's frequent travelers. Furthermore, the three strategic priorities have been clarified to create a shared focus and provide direction for work efforts across the organization. Leadership and employee models were also implemented during the year. The vision, the clearly formulated strategy and our leadership initiative provide us with a solid platform for efforts to create tomorrow's SAS.

Improved financial position

Changed pension accounting policies entered force at the start of the fiscal year, which entailed an impairment of SAS's shareholders' equity of SEK 7.8 billion. However, implementation of the pension agreements from November 2012 reduced SAS's pension commitments from slightly more than SEK 33 billion to SEK 18.4 billion, which offset the effect of the new policies.

A preference share issue in February strengthened SAS's capital base by SEK 3.5 billion. The issue contributed to SAS's financial net debt decreasing by SEK 3.5 billion during the fiscal year. A new convertible bond loan was issued in February and, in the fourth quarter, a sale and leaseback transaction was agreed for the delivery of our first four Airbus A330Es. Accordingly, the funding of maturing loans and aircraft deliveries has been secured until the second quarter of 2016.

With a financial preparedness of 37% and an equity/assets ratio of 17%, SAS is continuing to strive for long-term sustainable profitability.

Continued investment in the future

At the start of 2015, the first upgraded long-haul aircraft will commence operation with entirely new cabin interiors and horizontal seats in SAS Business class. The first of the SAS Group's new Airbus A330E aircraft will be delivered in the second half of the year. The renewal of the long-haul fleet will result in an enhanced customer experience in parallel with lowered fuel and maintenance costs.

Aircraft investments are also an investment in our continuous efforts to reduce SAS's climate impact. Carbon dioxide emissions per passenger kilometer posted a year-on-year decrease of 3.4% in 2013/2014 due to newer aircraft, an improved load factor and structured efforts to increase fuel efficiency.

We are investing SEK 0.5 billion in a new digital platform to enable our customers to manage their travel and associated services in a fully digital manner. The aim is to offer each customer a relevant and individually tailored experience in parallel with facilitating increased revenue for SAS.

Outlook for 2015

SAS is continuing the intensive efforts to strengthen competitiveness. The potential exists for SAS to post a positive EBT before tax and nonrecurring items in the 2014/2015 fiscal year. This is provided that the economy does not weaken, that the trend continues in terms of reduced capacity and lower jet fuel prices, is maintained, that exchange rates are not subject to further deterioration and that no unexpected events occur.

The underlying conditions for the outlook are detailed in the Report by the Board of Directors on page 25.

Stockholm, January 19, 2015

Rickard Gustafson
President and CEO

Major challenges for the entire airline industry

The airline industry is characterized by intense competition with strong price pressure that entail a continuous requirement to enhance efficiency. In parallel, this is an industry that continues to grow with more passengers who travel more often.

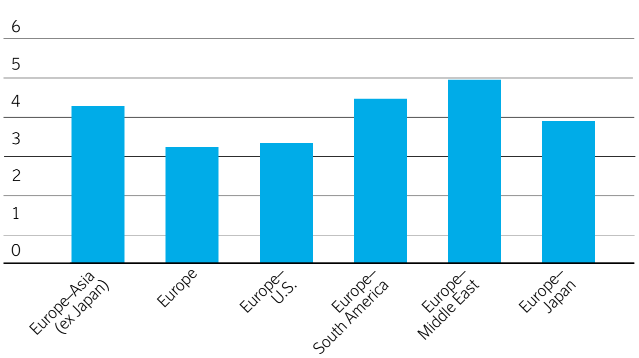
Global growth, increased productivity and intense competition

Since the start of commercial air traffic, the airline industry has been marked by high growth compared to the GNP trend and continuous productivity increases.

The industry has been gradually liberalized, which has contributed to new business models, such as low cost carriers (LCCs), arising since the 1990s. Even if a number of new LCCs have contributed to total market growth, existing network airlines have continued to fly with unchanged or slightly rising volumes. Technical developments, new business models and efficiency enhancements have helped absorb inflation which, in combination with raised living standards, have enabled more people to fly. Average annual traffic growth was 5.8% from 1980 to 2014. Globally, more than 3 billion passengers are expected to travel with commercial airlines in 2014. IATA expects global traffic to grow during the year by slightly more than 6% and capacity to increase by about 5.5%. Growth is expected to continue moving forward and the aircraft manufacturer Airbus forecasts continued healthy annual traffic growth until 2023 of about 5.2% and annual traffic growth of 4.2% from 2023 to 2033.

Expected annual market growth in global traffic flows, 2013–2033

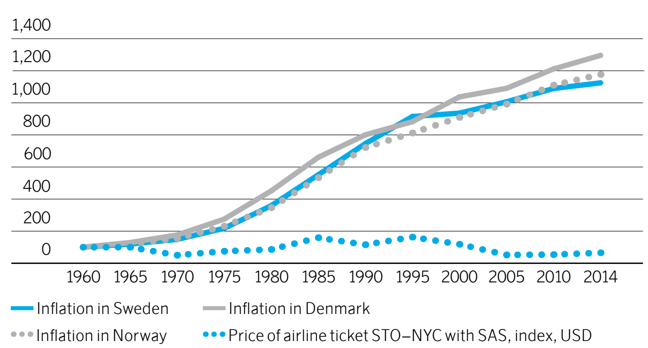
%



Source: Airbus

Ticket prices compared with inflation, 1960–2014

Index = 100 in 1960



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

Europe – outsourcing of short-haul routes to LCCs

The profitability of traffic within Europe has come under pressure from increased competition and overcapacity. In 2012 to 2014, IATA estimates that the combined earnings after tax of airlines in Europe will total about USD 1.2 billion per year. To improve profitability and compete more successfully with LCCs, network airline companies are streamlining operations in parallel with outsourcing an increasing share of short-haul operations to proprietary LCCs or production companies.

In 2013 and 2014, Lufthansa and Air France decided to transfer a larger portion of short-haul traffic to Germanwings and Transavia respectively, even if Air France has temporarily paused the transfer following extensive pilot strikes. This trend is expected to continue. External production models, proprietary LCCs and the use of staffing agencies are increasingly becoming the established industry standard and are changing competitive conditions for European aviation from the ground up. According to IATA, capacity increased in Europe by about 5% in 2014. IATA forecasts that enhanced efficiency and a slightly more stable European economy meant that earnings per passenger for airlines in Europe will improve from SEK 3.80 to 21.50 in 2014.

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

BRITISH AIRWAYS, IBERIA	vueling
Lufthansa	germanwings
KLM, AIRFRANCE	transavia.com, HOP!

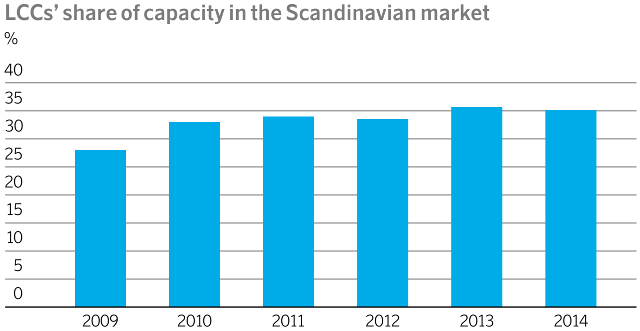
The Nordic region – a significant market

In relation to its population, the Nordic air travel market is relatively large compared with the rest of Europe. In the Nordic region, each person flies an average of four to five times per year compared with about two times per year in the rest of Europe. In 2014, the Scandinavian air travel market alone is expected to turnover approximately SEK 70 billion. In particular, it is the short-haul routes that people in Scandinavia choose to fly to a greater extent than people in other parts of Europe and the world. Key reasons for this are the relatively long distances, difficult topography, relatively small towns and the fact that Scandinavia is largely surrounded by sea, which makes other forms of transport time-consuming. Accordingly, short-haul flights are the core business and main focus for SAS.

Leisure travel in particular has increased since the turn of the century. IATA expects close to 80% of market growth until 2020 to stem from leisure travel. At the start of this century, new LCCs contributed to increasing leisure travel. As network airlines have increased their operational efficiency, LCCs share of market capacity has stabilized and, in 2014, amounted to about 35% in Scandinavia.

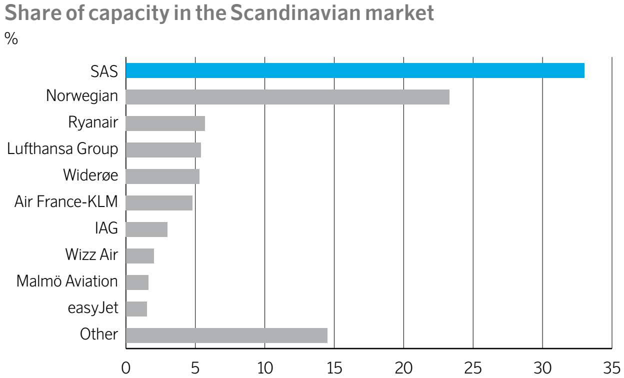
Even if leisure travel accounts for the greatest growth, a high correlation exists between airline traffic trends and national economic trends in terms of GNP and export indices, since their trends influence demand for business and leisure air travel.

LCCs' share of capacity in the Scandinavian market



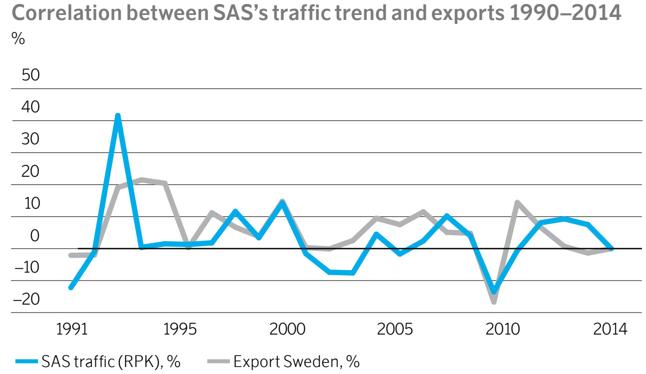
Source: Innovata schedule data

Share of capacity in the Scandinavian market



Source: Innovata schedule data

Correlation between SAS's traffic trend and exports 1990–2014



Source: Statistics Sweden and SAS

Market position of SAS

SAS's primary target group is people who travel often and who see a value in easier and more time-efficient travel. SAS's position in Scandinavia gradually strengthened in 2013/2014. Scheduled traffic grew 6.3% and 28.4 million passengers travelled with SAS. Market share, measured as the number of transported passengers, was about 35%.

Traffic in Scandinavia and Europe

During the year, SAS opened some 50 new routes within Europe, which contributed to a 10% increase in traffic on Scandinavian and European routes. In parallel, competition was very intense on European routes, which led to pressure on revenue. Traffic increased 2.4% on domestic routes.

Intercontinental traffic

Despite increased competition on intercontinental routes, demand was stable and SAS's traffic rose 3.5% in combination with a relatively stable unit revenue. A new intercontinental route, Stavanger–Houston, was opened with an efficient and attractive customer offering aimed at frequent travelers in the offshore and oil industries.

During the fiscal year, a twelfth intercontinental aircraft was phased in as a spare aircraft to secure SAS's high level of regularity. This contributed to a capacity increase of 4.6% on the intercontinental routes. SAS plans to open a new route in 2015 between Stockholm and Hong Kong.

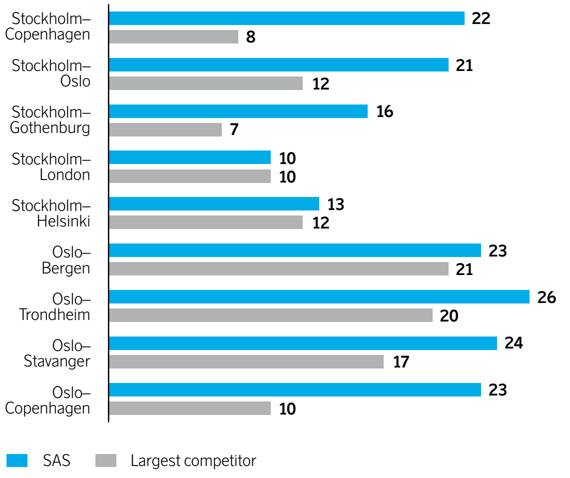
SAS's market shares in terms of passenger numbers, Nov 2013–Oct 2014

Parentheses denotes change in percentage points compared with 2012/2013.

SAS's load factor, Nov 2013–Oct 2014

Parentheses denotes change in percentage points compared with 2012/2013.

SAS departures compared with the largest competitor, 2014 calendar year



Competitive strength remains in focus

SAS has adopted three strategic priorities to meet trends and industry developments, ensure competitiveness and provide the prerequisites for long-term sustainable profitability.

1. Establish an efficient production platform, pages 7–9
2. Win the battle for Scandinavia's frequent travelers, pages 10–11
3. Invest in our future, pages 12–14

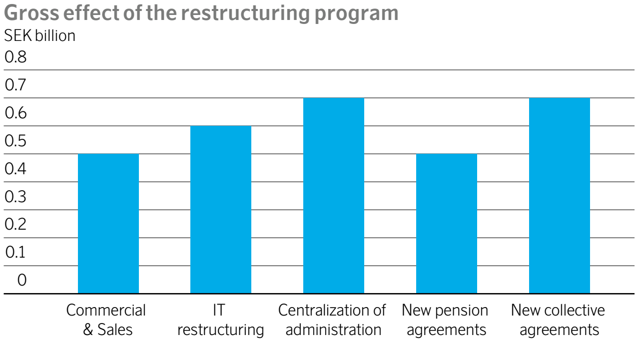
1. Establish an efficient production platform

In 2014, SAS intensified efforts to reduce costs and increase flexibility with the aim of creating an even more efficient production platform. The earlier restructuring program was followed by additional measures. Altogether, the new measures are expected to generate an earnings impact of SEK 2.1 billion with full effect in 2017.

Restructuring program completed – earnings impact SEK 3 billion

At the end of 2012, SAS launched a restructuring program to achieve substantial cost savings and increased flexibility by rectifying fundamental structural efficiency barriers. The aim of the program was to implement cost-efficiency enhancements of about SEK 3 billion during the 2013–2015 period. At October 31, 2014, most measures had been implemented and clear results were visible in the form of lowered unit costs, a more flexible cost base and increased productivity. In 2014/2015, the remaining earnings impact of about SEK 0.3 billion will be realized.

Gross effect of the restructuring program



Unit cost lowered 10%

SAS endeavors continuously to lower unit cost and, at the end of the 2013/2014 fiscal year, SAS's unit cost had decreased 10% since the launch of the restructuring program. Lowering the unit cost has strengthened SAS's competitiveness, enabled investments in new routes and increased capacity, primarily for leisure-related destinations.

Measures implemented

- **Introduction of new collective agreements**
- **Transition to defined-contribution pension agreements**
- **Centralization and reduction in administrative functions**
- **Restructuring of the sales organization**
- **Optimization of the route network and resource planning**
- **Restructuring of IT**
- **Increased use of external production, known as wet leasing**
- **Outsourcing of certain ground handling services**
- **Divestment of assets**

Outsourcing ground handling services

To ensure increased cost-base flexibility and provide enhanced conditions for Ground Handling's operations to grow, SAS has initiated the outsourcing process of ground handling services. As a first stage, 10% of the shares in Ground Handling were sold to Swissport in October 2013. The parties have agreed to pause negotiations until Swissport has concluded the acquisition and integration of Servisair. As planned, negotiations were restarted in November 2014.

In the meantime, intensive efforts have been ongoing with improving the efficiency of and automating operations as well as creating preconditions for additional cost measures.

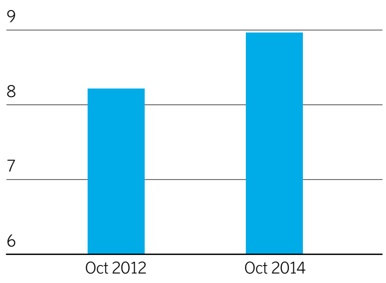
Enhanced productivity

The new collective agreements that were signed in November 2012 enabled sweeping enhancements in planning and scheduling efficiency. The new employment terms were implemented in spring 2013 and resulted in a significant productivity increase for flight crew with a consequent increase in the productivity of SAS's flight operations. From October 2012 to October 2014, the productivity of SAS's pilots and cabin crew has increased by 4% and 13%, respectively.

The new agreements also opened the door to using wet leases. This model, whereby SAS's own production is supplemented with wet-leased production creates the preconditions for more flexible access to cost-efficient aircraft suitable for smaller traffic flows.

Since October 2012, SAS has increased productivity per aircraft by about 45 minutes/day, corresponding to a productivity increase of 9.1%. The productivity increase corresponds to a capacity increase of 12 aircraft. The improvement was made possible by optimization of the network and the traffic program, including SAS's investment in new leisure-related destinations. To further increase aircraft utilization, SAS will optimize maintenance planning and efficiency on the ground.

Trend in aircraft productivity
Block hours/day, 12-month rolling



Enhancing the efficiency of the administration and sales organizations

During 2013/2014, the majority of administrative and commercial functions were centralized and moved to Stockholm. Altogether, the number of employees in these functions has been reduced by slightly more than 1,000 FTEs since the launch of the restructuring program in November 2012. Certain functions, such as revenue accounting, have been outsourced, which has resulted in both cost reductions and increased flexibility. The SAS sales organization has been restructured and centralized. A new remuneration model has been developed with a higher degree of performance-based remuneration for sales personnel. A new commercial concept has been implemented with simplified logistics. The call center for customer support and direct sales has been outsourced.

Continued production optimization with Lean

SAS continues to work with production optimization by driving Lean in its work processes. At the core of the program is the optimization of utilization of the aircraft fleet and flight crew through continuous efficiency enhancement of the network and phasing out traffic. During the fiscal year, a cross-functional Lean project, called Plan to Execution, has resulted in significant quality and efficiency enhancements through a solid grip on the entire chain from network planning to phasing out traffic. This has played a major part in SAS continuing to be one of the world's most punctual and safest airlines. In 2014/2015, the Lean initiative will be expanded with focus on commercial processes and product development.

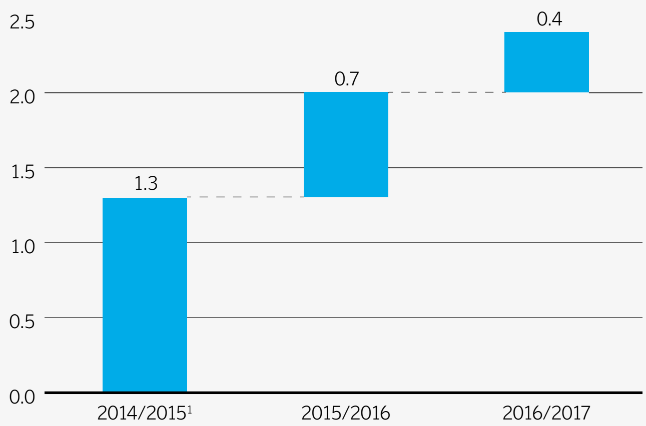
Wet lease complements own production

SAS has supplemented its own aircraft with wet leases to create additional flexibility. This possibility has been utilized, for example, to open the new Stavanger–Houston connection, and also for domestic and intra-Scandinavian routes, such as Copenhagen–Linköping and Stockholm –Visby. This production model creates possibilities for combining efficient resource utilization and cost reductions with attractive schedules and route networks. Wet leasing is utilized, primarily, for frequencies and flows that require smaller aircraft.

Additional cost measures 2015–2017

For the majority of 2013/2014, the increase in market capacity outpaced passenger growth, which led to additional price pressure and, accordingly, to the requirement to continue raising productivity and lowering unit costs. SAS expects the trend with lower prices for air travel to continue in the long term. Therefore, SAS is entering a new phase of cost measures totaling a further SEK 2.1 billion with full earnings impact in 2017. The measures will be applied across the entire organization.

Expected earnings impact from cost measures, SEK billion



1) Including SEK 0.3 billion from the restructuring program launched in November 2012.

Fleet streamlining and production optimization

SAS's strategy for simplifying and optimizing the production platform is to produce the majority of traffic for the larger traffic flows in-house based on one aircraft type per base, while smaller flows and regional traffic are managed via wet leasing. Therefore, to an increasing degree, SAS has built up a wet-lease operation with turboprop aircraft that can serve smaller flows more efficiently while, concurrently, reducing complexity in SAS's own production. Agreements have been signed with JetTime and FlyBe for regional production and with Privatair for the Stavanger–Houston route.

SAS has acquired Cimber, which has an efficient and focused production platform with competitive cost levels for regional jet production. SAS aims to transfer its CRJ900 production to Cimber in 2015. The transfer of CRJ900 production will enable SAS to reduce its costs and increase flexibility from April 2015.

In 2013, the SAS's Finnish subsidiary Blue1 was transformed from a commercial airline focused on Finnish domestic traffic to a production company operating in major portions of the SAS network. During the year, capacity at Blue1 was reduced by about 40% as a result of the decision to divest four Boeing 717s. The five remaining Boeing 717s will be phased out in autumn 2015, thereby further streamlining SAS's aircraft fleet. New collective agreements were made with all flight crew in December 2014 to secure future operations at Blue1. The agreements make Blue1 fully competitive compared with other wet-lease operators in the market. The intention is to replace the Boeing 717 production with Boeing 737s at Blue1.

Thus, in line with the strategy of streamlining the fleet, SAS has solutions in place for the two remaining aircraft types for regional production, the CRJ900 and Boeing 717. Together, the structural changes to Cimber and Blue1 are expected to generate an earnings impact of about MSEK 250.

Optimization has also been carried out in technical operations. The maintenance program for the 737 fleet has been revised, as have changes in the component and engine agreements, and the reduction in technical maintenance at Arlanda. In total, optimization is expected to generate an earnings impact of about MSEK 300.

Further efficiency enhancement of administration, sales and distribution

The overriding organizational structure of SAS has been changed to meet the next phase of efficiency measures. Under the new organization, all commercial functions are gathered into one division, which means increased focus and an improved time-to-market for customer offerings, product development and marketing activities. A new transformation unit has been created that exclusively focuses on driving efficiency enhancements and structural changes. The reorganization enables a reduction in support, commercial functions, administration and management of approximately 300 FTEs, which will be completed in 2015, thus lowering costs by about MSEK 250. A major review of the distribution model and marketing activities, including credit card costs and agent commissions, has been started and is expected to save hundreds of millions of kronor.

Efficiency enhancement of ground handling services

In parallel, intensive efforts have been ongoing with improving the efficiency of and automating Ground Handling's operations as well as creating preconditions for additional cost savings, for example, the optimization of scheduling and increasing the proportion of part-time employees. In this manner, resource planning can better reflect demand and workloads, which vary substantially over a 24-hour period and by season. Through new collective agreements, roles and work duties can be combined thus increasing flexibility. Automation of ground handling services is ongoing and includes baggage drop services and boarding. Checking in is increasingly being carried out via the SAS's digital channels.

A number of minor route stations in Sweden and Denmark have been outsourced to airport operators, and the cleaning of aircraft at Kastrup has been outsourced to Sodexo, who already manages this at Arlanda, Gardermoen and Gothenburg. In total, increasing the efficiency of ground handling services is expected to generate an earnings impact of about MSEK 200.

Optimization of purchasing and logistics

SAS procures external goods and services to a value of about SEK 24 billion each year. The former purchasing department is being remolded as a supply chain unit with full responsibility for purchasing and logistics. The unit is organized with clear category responsibility and close coordination with line functions, from planning and supplier agreements to quality control and settlement. One of the key focus areas is catering, where the range and logistics flow are being optimized. In total, measures in this area are expected to contribute cost reductions of about MSEK 250.

Measures pertaining to properties and rental costs

As a consequence of major structural changes over an extended period, SAS has premises that are partially unused and rental costs that are too high for both offices and technical premises. A sweeping review of costs has been initiated, including divestments, the renegotiation of rental agreements and the letting of free capacity. In November, a sale and leaseback transaction was carried out of the technical base in Oslo with the Oslo Pensjons Forsikring (an Oslo-based life insurance company) and a number of other transactions are in progress. The transactions are expected to lower annualized operating expenses by about MSEK 200.

Costs for restructuring

The additional cost measures for 2015–2017 will result in nonrecurring items charged to 2013/2014 of a total of SEK 1.3 billion. The nonrecurring items pertain primarily to staffing reductions, the phasing out of the Boeing 717s and extensive restructuring of the SAS's properties and rental costs to allow significant cost reductions moving forward.

2. Win the battle for Scandinavia's frequent travelers

SAS pursues a focused approach in its continuous development of the offering and, over the past year, SAS has completed significant changes that enhance customers' experience. The results were not long coming. More people are travelling with SAS and the number of EuroBonus members has increased significantly over the past year.

Clearly defined target groups

About 2.3 million of Scandinavia's approximately 20 million inhabitants make five or more return flights per year. About 1.7 million of these passengers chose to travel with SAS at least once in the 2013/2014 fiscal year. A shared trait of these passengers is that travel is part of their lifestyle and they value easy and efficient travel solutions.

To strengthen the position of SAS and improve the offering to this key group, for both business and leisure travel, existing and new products are continuously developed to meet customers' expectations, requirements and needs. This applies for services across the travel chain; both before, during and after the journey. During 2013/2014, among other things, SAS has updated its on-board service concept, implemented an extensive upgrade of EuroBonus, launched an improved app, increased efficient self-service facilities and provided more frequent travelers with the possibility of a smooth journey with SAS Lounges and Fast Track.

The frequent flyer:
- **At least five return trips per year**
- **Seasoned traveler**
- **Values time and ease**
- **Appreciates self-service facilities**
- **Expect high levels of service whether traveling for business or pleasure**
- **Represents about 60% of the Scandinavian air travel market**

EuroBonus attracts increasing numbers

In February 2014, SAS launched an extensive upgrade of EuroBonus to make the market's strongest loyalty program even better. With the express aim of making life easier for frequent travelers with SAS, a program was developed and a new level, Diamond, introduced. For silver members, who now reach the silver level after just five return journeys, the offering was improved with, for example, access to Fast Track and SAS Lounges during holiday periods. The number of members increased by some 500,000 during the fiscal year, which exceeded SAS's expectations. The number of EuroBonus members that travel with SAS increased 10% and so did revenue from members, which rose 23%, during the fiscal year. Increasing numbers of people are recognizing the benefits of membership, not least being able to earn and redeem EuroBonus points at SAS and over 100 partners. During the fiscal year, partnerships were launched in sectors with high everyday spending, such as Coop, Preem, Fortum and Skandiabanken. In addition, partnerships with the SEB card/MasterCard and American Express have been improved and expanded.

Number of EuroBonus members, thousands

A new vision for winning the battle for travelers

To win the battle for Scandinavia's frequent travelers, SAS has launched a new vision with a clear customer focus and objective; to make life easier for Scandinavia's frequent travelers. The vision strengthens the market position of SAS as the natural choice for frequent travelers and also drives the continuous efforts to develop SAS's customer offering.

The vision also forms the basis of the new marketing concept "We are travelers," which was launched in autumn 2014. The concept showcases the expectations that are often associated with travelling and all the advantages that make life easier for travelers. Frequent travelers love to travel and travel often, and the journey itself is always more than just transportation from A to B.

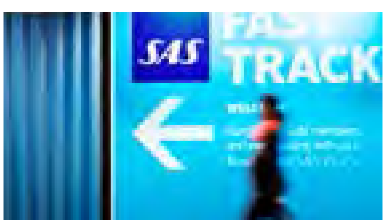
Development at SAS Go and Plus

SAS has gradually built up its customer offering and, in summer 2013, an entirely new on-board service concept was launched in the market: SAS Go and SAS Plus. The aim was to meet the increasing demand for easier and more time-efficient travel, both for business and pleasure. The concept builds on increased harmonization, ease and transparency regarding content and pricing. By changing from two to three classes on all European routes and by introducing a unified range, customers will know what they will receive and how much it costs, without any hidden costs and charges.

The service concepts have performed well and SAS has identified a positive trend in the number of Plus travelers.

SAS lounges and the new cafe concept

SAS lounges, where customers can relax, work and grab a bite to eat, are highly appreciated. These have been renovated over the year with an updated Scandinavia style and an increased number of seats in many of the lounges. During the year, SAS opened lounges for domestic travelers in Oslo and Gothenburg. At the end of 2014, a new open self-service facility was launched at the entrance. In 2015, a new concept of cafe lounges is being launched directly connected to the gates. These lounges will offer a relaxing environment with a coffee bar and Wi-Fi.



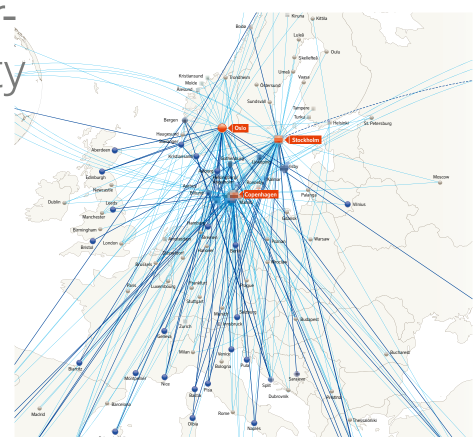
Smoothly with Fast Track

To meet the demands of frequent travelers for efficient and fast flows at airports, during the fiscal year, SAS has rolled out Fast Track at many airports across Scandinavia and, particularly, in Norway.

In Sweden, SAS has opened Fast Track for Arlanda domestic flights and in Norway at the airports in Stavanger, Bergen and Trondheim. At the end of 2014, Fast Track will also be rolled out in Aalborg, Denmark. Fast Track is available for customers who travel using SAS Plus and for EuroBonus members in the Gold, Diamond and Pandion categories as well as during holiday periods for Silver members.

More destinations generates increased availability

SAS launched some 50 new routes in the 2014 calendar year as part of improving the offering to Scandinavia's frequent travelers. The majority of the routes started from Copenhagen, Stockholm and Oslo, but SAS also expanded the route network from other airports, such as Gothenburg, Stavanger and Billund. The largest new individual routes include Copenhagen–Linköping, Stockholm–Hamburg and Stavanger–Houston, which all, primarily, serve frequent business travelers. SAS has also launched a new direct route from Stockholm to Hong Kong starting in September 2015.



Refer to the inside back cover for SAS's full route network.

Customers value punctuality and availability

As one of the world's most punctual airlines and a schedule with frequent departures, SAS can attract the most frequent travelers. A shared trait of these passengers is that they value their time and want easy and efficient travel solutions. SAS works actively to develop and improve its customer offering at every stage of the journey, from booking to arrival at the end destination.

In the rare event of a flight being cancelled, together with the other members of Star Alliance, SAS can ensure the customer is rebooked to the next available Star Alliance flight. This differentiates SAS from LCCs that often are not members of any equivalent partnership.

3. Invest in our future

SAS is implementing extensive simplifications to the aircraft fleet as part of investments in our future. Since the end of 2013, the SAS in-service aircraft fleet has consisted solely of Next Generation aircraft – with greater comfort and higher fuel efficiency. SAS is also investing in the organization's leadership by introducing a new leadership and employee model linked to the Lean efforts.

Streamlining and renewing the aircraft fleet – Next Generation

Since 2012, SAS has completed extensive changes to the aircraft fleet with the aim of rejuvenating, upgrading and modernizing it. This took the form of three main approaches:

1. Fleet streamlining

In the 2013/2014 fiscal year, SAS phased in one long-haul aircraft and five medium-haul aircraft with modern cabins, in parallel with phasing out the last two Boeing 737 Classics. SAS also returned 11 MD-80s and seven Boeing 737 Classics that were taken out of service in the 2013 calendar year. With the phasing out of the MD-80 fleet and Boeing 737 Classics, SAS achieved an in-service aircraft fleet comprising only Next Generation aircraft in 2013/2014. SAS now has only one type of medium-haul aircraft per base, which provides a more stable and more efficient operational and technical platform. In addition, SAS plans to further streamline regional aircraft operations by phasing out Boeing 717s in 2015. SAS intends to transfer the CRJ900s to Cimber.

2. Modernizing the long and medium-haul fleets

In addition, SAS has placed orders for four Airbus A330Es and eight Airbus A350s with delivery from 2015 to 2021, as well as 30 Airbus A320neo with delivery from 2016 to 2019. The first long-haul aircraft are expected to be in-service in autumn 2015. The introduction of long and medium-haul aircraft means SAS will be able to offer frequent travelers a world-class customer experience in parallel with lowering fuel and maintenance costs.

3. Conversion of the existing fleet's cabins

In 2013/2014, the seats of eight medium-haul aircraft were upgraded. In future fiscal years, new seats will be installed in a further 11 medium-haul aircraft in parallel with a major upgrade of the seats, in-flight entertainment and cabins of seven long-haul aircraft. The first long-haul aircraft with the completely new interior is expected to be in operation at the start of 2015.

Reduction in number of aircraft types 2012–2014

9 → 5

Number of aircraft in service, October 2014

Aircraft type	Owned	Leased	Total
Airbus A330/A340-300	5	7	12
Airbus A320 family	6	19	25
Boeing 737-600/700/800	16	68	84
Boeing 717	0	5	5
Bombardier CRJ900NG	12	0	12

Results of the new aircraft fleet

- ✔ A more attractive customer offering
- ✔ Built-in flexibility dependent on market trends
- ✔ One homogeneous fleet per base
- ✔ Lower maintenance costs
- ✔ Increased fuel efficiency
- ✔ Reduced emissions

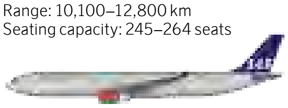
SAS order book

Aircraft type	Lease orders	Firm orders	Options	Delivery from year	Firm order value, list price, MUSD
Airbus A330E		4		2015	980
Airbus A350-900		8	6	2018	2,400
Airbus A319/A320/A321/ A320neo		30	11	2016	3,100
Boeing 737-600/700/800	3			2015	

Primary aircraft models:

Long-haul flights

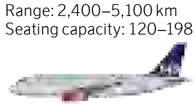
Range: 10,100–12,800 km
Seating capacity: 245–264 seats



Airbus A330/A340-300

Short/medium-haul jets

Range: 2,400–5,100 km
Seating capacity: 120–198 seats

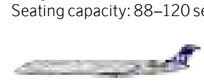


Airbus A319/A320/A321

Boeing 737-600/700/800

Regional jets

Range: 2,100–2,800 km
Seating capacity: 88–120 seats



Bombardier CRJ900

Boeing 717

Rejuvenated intercontinental fleet provides the flexibility to expand

SAS is modernizing its medium and long-haul fleets with deliveries from 2015 to 2021, which will give SAS the flexibility to increase the numerical strength of the long-haul fleet. SAS is evaluating an expansion of the intercontinental aircraft fleet and a number of possible new destinations in conjunction with phasing in the Airbus A330E. Refer to page 79 for details of the financing of SAS's aircraft orders.

Fully reclinable seats with bed linen from Hästens in SAS Business

Travelers in SAS Business can recline their seats to a fully horizontal position, like a bed. In the shortest versions, the length is 196 cm. SAS has entered a partnership with the premium Swedish bedding manufacturer Hästens for bed linen and blankets to use when sleeping. The partnership strengthens the Scandinavian profile of SAS. Another change is that the current six-seat wide 2-2-2 configuration will be changed to a four-seat wide 1-2-1 configuration. This means one seat by each window and two in the middle. Accordingly, all passengers have aisle access without needing to climb over other passengers. Business class is equipped with 15-inch HD screens in front of the seats and two pouches beside for reading matter.
The first aircraft with the new seats will enter service in February 2015. Thereafter, the plan is to roll out one new aircraft each month until the new seats are installed on all long-haul aircraft.

Cabin upgrades

SAS is investing in new cabin interiors for all long-haul aircraft with completely new seats for all classes. The aim has been to create world-class seats. Among other things, this means that the seats must be functional, offer privacy and have plenty of room for personal effects. All classes will receive an entirely new entertainment system and on-board wireless internet. The seats in SAS Plus will be given a new color scheme and be equipped with an HD screen twice the size of current screens. Unlike previously, the table is stowed under the armrest instead of in the back of the seat in front. Each seat has its own electricity and USB sockets. Seats for travelers in SAS Go will have enhanced ergonomics and improved sitting and sleeping comfort. The seat has a special function that raises the cushion at the front when the seat is reclined, thereby contributing to an improved sleeping position. Furthermore, each pair of seats is equipped with one electricity and one USB socket.

Investments in increased digitalization

In 2014, SAS initiated work on a new digital platform. The aim is to make the experience as relevant and individually tailored as possible for each customer instead of delivering the same standardized digital experience to all customers. The aim is also to offer availability irrespective of channel and to enable new services and functions to be launched more rapidly in the market. SAS's new platform will also offer improved solutions for companies and new types of partnerships as well as services that make travel easier. Business services entail, for example, that customers will be able to book business travel directly on the SAS website and manage simpler types of administrative tasks. SAS's digital vision is that customers will have full capability to manage their travel digitally, from booking tickets to check-in and the registration of EuroBonus points. The first stage will be launched in 2015 and will include a new website and a new mobile platform.

Together toward our vision

Investing in leadership and development

SAS works continuously with investment in its leaders and employees. Good leadership provides the prerequisites to increase employee motivation and commitment. Therefore, renewed focus was directed on leadership in 2014. A new leadership model was introduced that details expectations of leadership behavior and which is deeply rooted in the leadership principles under Lean. Leadership seminars were carried out in spring 2014 for all of the approximately 600 leaders at SAS. During the seminars, the Group Management went through the leadership model together with the leaders and discussed concrete measures to improve leadership, motivation and commitment. The SAS leadership index remained stable at 67 (0–100).

A new employee model was also introduced that expresses, in a corresponding manner, concrete expectations for employee behavior and which is also clearly established in both the vision and the principles for Lean. Both the leadership and the employee models will now be integrated in all HR processes at SAS. As part of the investment in employees and leaders, performance coaches were introduced in the cabin. During the year, 45 pursers were trained to act as performance coaches for their colleagues. This is to ensure that, through dialog, SAS cabin crew gain feedback on their work, an understanding of SAS's targets and how they as individuals contribute to SAS's performance. This clearly influences motivation and commitment.

Each year, SAS conducts extensive employee training. SAS employees had access to more than 200 different web-based courses and a total of some 1,100 managers have completed the SAS Leadership Program since 2008.

Looking ahead with a new vision

SAS is undergoing major change and, naturally, this impacts the commitment and motivation of employees. As part of efforts to invest in its future with the aim of improving commitment and motivation, SAS has defined three areas of focus: making things run smoothly, focus on leadership and looking ahead.

To be able to look ahead and create a shared objective that can engage the entire organization, in 2014, the management formulated a clear and committed vision. "Our vision is to make life easier for Scandinavia's frequent travelers. With SAS you are part of a community experiencing easy, joyful and reliable services delivered the Scandinavian way."

Thereafter, the vision has formed the basis for efforts with formulating a clear strategy, new leadership and employee models and a new brand platform.

Summary of our strategy

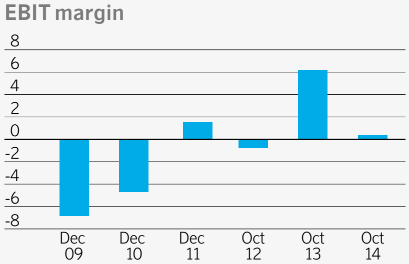
Strategy	Targets	Examples of activities in 2013/2014	Outcome 2013/2014
1) Establish an efficient production platform	• SEK 3 billion in cost-efficiency enhancements in 2012 to 2015 • SEK 2.1 billion in further cost-efficiency enhancements with full effect in 2017	• Changed collective agreements and pension terms implemented • Reductions made in administration • New IT supplier • Further reduction in administration of 300 FTEs initiated • 50% personnel reduction at Blue1 • New supply chain unit for optimization of external costs • Expansion of wet lease production • Simplified processes through Lean	• Unit cost down 3.9% • Aircraft utilization up 3.6% • Block hours, pilots up 3.0% • Block hours, cabin crew up 5.7% • Punctuality raised 1.8 percentage points
2) Win the battle for Scandinavia's frequent travelers	• Increase the number of frequent travelers in Scandinavia who travel with SAS • Raise customer satisfaction • More EuroBonus members	• SAS Go and SAS Plus service concepts strengthened • Rejuvenate the EuroBonus offering • New domestic lounges in Oslo and Gothenburg • Introduction of Fast Track in Stavanger, Bergen and Trondheim • Automatic boarding and baggage drop • More than 50 new routes launched in 2013/2014	• Passengers up 6.3% • Load factor up 1.3 percentage points • 500,000 new EuroBonus members
3) Invest in our future	• Streamlining, increasing efficiency and modernizing the aircraft fleet • Increased fuel efficiency • Investing in improved leadership in the organization	• Cabin interior upgrades for the medium-haul fleet and upgrades of cabin interiors for SAS long-haul aircraft with delivery ahead of 2015 • Phasing out of the Boeing 737 Classic • Introduction of new leadership and employee models	• One type of medium-haul aircraft at each base • Only Next Generation aircraft • Carbon dioxide emissions down 3.4% • Leadership index 67 (67) • Job satisfaction 58 (57)

Value creation

Shareholder value

SAS's overriding target is to create value for its shareholders. Given the ongoing extensive changes to the European airline industry with intensified competition as a result, SAS has initiated discussions with its unions addressing how to respond to the new industry requirements relating to flexibility and the need to reduce complexity. SAS intends to reassess its EBIT margin and equity/assets ratio targets based on the outcome of these discussions. The 20% target for financial preparedness stands firm however and is expected to continue to improve.

EBIT margin



Customer value

Frequent travelers comprise the group that values the SAS offering highest. In 2013/2014, SAS invested in product improvements, such as new lounges and more Fast Track facilities as well as continued development of the EuroBonus customer loyalty program that further strengthened the offering to frequent travelers. Customer satisfaction at SAS has stabilized at a high level and rose one point during the 2013/2014 fiscal year to 72 in October 2014.

Customer Satisfaction Index (CSI)

Sustainability

Today's travelers are aware of what is required to secure a sustainable society in the long-term. SAS contributes by providing a well-tailored offering of frequent flights, which are produced with a constantly declining climate and environmental impact as well as with good ethical standards and secure employment terms. The target for SAS is a 20% reduction in flight emissions by 2015 compared with 2005.

SAS's reduction in carbon emissions per passenger kilometer for 2013/2014 compared with 2012/2013.

-3.4%

Sustainable development creates value

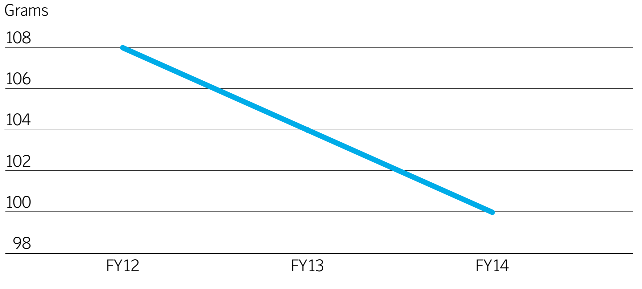
Sustainability initiatives at SAS aim to reduce potential sustainability-related risks, create value growth for our owners and further social progress. Air travel plays a pivotal role as a global means of public transport, while its negative aspects in the form of greenhouse gas emissions must be reduced over time.

SAS's work with sustainable development is always based on securing the company's societal, environmental and financial responsibility as well as driving continuous ongoing improvement efforts. Structured, systematic, long-term efforts allow clear measurable improvements to be reached and sustainability-related risks to be minimized. Sustainability initiatives are governed by clearly defined management systems and are based on SAS's strategies and the continuously updated materiality analysis. SAS's stakeholders generally emphasize environmental responsibility, particularly how SAS manages requirements to reduce climate-impacting emissions. Environmental responsibilities therefore comprise the largest section of the SAS's reported sustainability practices. However, social responsibility – in the widest sense of the term – is equally important for SAS. SAS hopes that active and structured sustainability initiatives will create increased customer loyalty. In the end, customers decide how significant sustainability aspects should be when they choose their air travel supplier. SAS's approach is that this comprises a core issue when services are produced and encourages all stakeholders to adopt the same approach.

Reduced emissions

During the fiscal year, flight operations at SAS reduced their carbon emissions per passenger kilometer by 3.4%. The improvement was primarily driven by rejuvenation of the aircraft fleet, and improved utilization rates and fuel efficiency. The work has been structured under the framework of the environmental management system, which is certified under ISO 14001.

SAS's flight operations, CO_2 emissions per passenger kilometer



Tanks filled with renewable fuel

Efforts to accelerate the large-scale commercialization of renewable jet fuel continued during the year. SAS was a driving force behind the establishment of the Nordic initiative (NISA) that started at the end of 2013 and which aims to accelerate the commercialization of renewable jet fuel.

Environmental targets:
SAS will reduce...
...flight emissions by 20% in 2015 compared with 2005.
...energy consumption in buildings by 15% in 2015 compared with 2010.
...ground-vehicle consumption of fossil fuels by 10% at SAS's major airports in Scandinavia by 2015 compared with 2010.
...noise emissions on take-offs by 15% in 2015 compared with 2010.

Environmental vision
SAS intends to be part of the long-term sustainable society and supports IATA's vision of making it possible to fly without greenhouse gas emissions by 2050.

In November 2014, SAS carried out two flights with a mixture containing synthetic JET A1. A decision was made to purchase a smaller quantity of synthetic JET A1 to use on flights from Oslo in 2015.

Aircraft with enhanced efficiency

SAS phased six newer aircraft into the fleet during the year. The results of replacing MD-80s with A320s during the last fiscal year stood out clearly in the statistics. Emissions for flying a corresponding distance were reduced by an average of about 20% in parallel with 18 more seats becoming available on board. Work has also progressed over the year with the installation of more efficient engines and the replacement of existing seats with lighter seats in SAS's Boeing 737 fleet.

More efficient flights

During the year, SAS continued efforts to reduce fuel consumption in flight operations. Essentially, this entails reducing fuel consumption in daily operations through persistent efficiency enhancement. Examples of this work include identifying all possible paths for reducing fuel consumption through more efficient use of aircraft in the air and on the ground as well as, as far as possible, reducing the weight of aircraft. The list is long and, over time, results in significant cost and emission savings over time.

Good punctuality reduces fuel consumption

SAS has a wide range of quality measurements. The most public are punctuality and regularity. Good punctuality guarantees better prerequisites for achieving favorable fuel efficiency. When delays arise, SAS has decided to manage these in various ways depending on the situation. It is crucial to try to ensure that delays do not arise and to apply a structured approach when they do. Using a standard based on SAS's experience, a delay of about ten minutes equals a reduction in fuel efficiency of 1–3% for a typical flight within Europe.

Employee commitment trend

SAS measures employee satisfaction and motivation on a yearly basis. In 2014, the result was 58 (on a scale from 0 to 100), up one point compared with 2013. Given the revolutionizing and necessary changes that SAS is undergoing, the low result is not unexpected but it is still not satisfactory. The improvement in 2014 was a step in the right direction. A positive collaborative climate and motivated personnel are prerequisites for SAS remaining competitive and generating sustainable profitability. SAS's long-term goal is to be among the top five in the Nordic transportation sector.

Reduction in sick leave

Reducing absence due to sickness is a priority for SAS. In part, this is to improve working conditions, but also to lower sick-leave related costs. Both preventative and follow-up measures were carried out during the fiscal year. For example, information activities regarding ergonomics were conducted with teams working with heavy lifting and employees off sick have been provided expert medical help. In the fiscal year, sick leave declined 0.2 percentage points compared with the last fiscal year.

Diversity and equality

Diversity and equality policy at SAS is based on equal treatment of all employees and all job applicants at SAS. Each year, the equal treatment plan is examined based on analysis and surveys of several factors including everything from sick leave to bullying.

An effective safety culture is crucial

SAS works systematically to improve the safety culture at all levels of the organization. SAS aims for a leading position in the airline industry regarding safety culture. This should be perceived as a natural ambition for SAS's customers and employees. A cornerstone of these efforts is always learning from positive and negative experiences, so that individuals and the organization can develop and contribute to continuously reducing SAS's operational risk exposure. Regularly conducted surveys show that the safety culture at SAS is of a high standard. A new deviation reporting system was implemented during the year.

Transparency is key to credibility

Since 2011, SAS has chosen to disclose a sustainability review in the Annual Report and a more comprehensive Sustainability Report separately, which is available on the SAS website at www.sasgroup.net under the heading "Sustainability." It is the SAS's 19th sustainability report. These reports have been audited since 1997. The United Nations Global Compact (UNGC), ISO 14001 and the Carbon Disclosure Project as well as the guidelines issued by the Global Reporting Initiative (GRI) have all been taken into consideration.

Sustainability-related key figures[1]

	Nov 2013–Oct 2014	Nov 2012–Oct 2013
Average number of employees	12,329	14,127
of whom women, %	40	39
of whom men, %	60	61
Sick leave, %[2]	7.8	8.0
Job satisfaction according to the index	58	57
Carbon dioxide (CO_2), 000s tonnes[3]	3,890	3,815
Carbon dioxide (CO_2), grams per passenger km[4]	100	104
Climate index[3]	92	94

1) See Accounting Policies at www.sasgroup.net
2) Applies to SAS (excluding Blue1).
3) Excluding Widerøe. Refer to page 24 for more information.
4) New calculation model from and including November 2012.

Read more about the SAS's sustainability efforts in the separate Sustainability Report on www.sasgroup.net/miljo

Contents

Annual report 2013/2014

Report by the Board of Directors

The Board of Directors and the President of SAS AB hereby submit the annual report for SAS AB and the SAS Group for the 2013/2014 fiscal year (November 2013–October 2014). The company is domiciled in Stockholm, Sweden, and its Corporate Registration Number is 556606-8499.

Summary of 2013/2014

- Income before tax and nonrecurring items: MSEK 347 (919) (including the positive effect of amended pension terms).
- Revenue for the year amounted to MSEK 38,006 (42,182).
- The total number of passengers was 28.4 million.
- Unit revenue (PASK) declined 5.8%.
- Unit cost (CASK) decreased 3.9%.[1)]
- Income before tax and nonrecurring items was MSEK -697 (919).
- Income before tax amounted to MSEK -918 (1,648).
- Net income for the period: MSEK -719 (1,358).
- SAS launched further cost measures of SEK 2.1 billion with full effect in 2017.
- SAS issued 7 million preference shares for SEK 3.5 billion and a convertible bond loan of SEK 1.6 billion.
- SAS repaid bond loans totaling SEK 1.8 billion.

1) Currency adjusted, excluding jet fuel and amended pension terms totaling MSEK 450 in the Feb–Apr 2013 period.

MARKET PERFORMANCE

In the first part of the 2013/2014 fiscal year, the Scandinavian market was characterized by considerable capacity growth and over capacity. Capacity growth declined in the second half of the fiscal year, which contributed to a gradual improvement in the balance between capacity and demand. Measured in numbers of seats, market capacity grew a total of about 3.5% in Scandinavia. The increase in capacity resulted in substantial yield pressure and lower prices.

During the fiscal year, SAS increased capacity (ASK) by 4.5%. During the same period, traffic (RPK) was up 6.3%, which meant the load factor increased by 1.3 percentage points and amounted to 74.9%. The number of scheduled passengers increased 6.3% to 27.1 million. Growth was most substantial on European and intra-Scandinavian routes where SAS also increased capacity the most. The opening of slightly more than 50 new routes also contributed to growth. However, competition was intense on the international routes in Europe during the fiscal year.

Domestic routes posted a relatively stable trend during the fiscal year and the SAS Group's scheduled traffic rose 2.4%.

Despite intense competition, the intercontinental routes continued to trend favorably during the fiscal year and traffic grew 3.5%. The intercontinental aircraft fleet was expanded to 12 aircraft during the year. Positive passenger growth contributed to the increase in the total market share of SAS during the fiscal year.

Considerable overcapacity contributed to a 7.4% year-on-year decline in SAS's currency-adjusted yield. However the trend stabilized from August to October, due to the abatement of capacity growth in the market and lower comparative levels for the year-earlier period. The currency-adjusted unit revenue (PASK) declined 5.8% over the same period.

INCOME NOVEMBER 2013–OCTOBER 2014

On September 30, 2013, the sale of 80% of the shareholding in Widerøe's Flyveselskap AS (Widerøe) was completed, which means that Widerøe's earnings are included in the comparative figures for 11 months (November 1, 2012–September 30, 2013).

Income before tax and nonrecurring items amounted to MSEK -697 (919) and income after tax was MSEK -719 (1,358). Income before tax and nonrecurring items but including the positive effect of amended pension terms totaled MSEK 347 (919). Revenue amounted to MSEK 38,006 (42,182).

STRATEGIC PRIORITIES FOR SAS

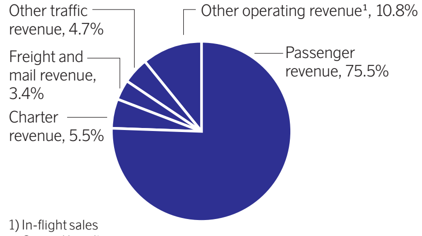
The intense price pressure during the fiscal year has impacted the entire industry and escalated the reshaping of the European airline industry. The new norm with external production models, the launch of proprietary low cost carriers and using staffing agencies is becoming increasingly established and is radically changing competitive conditions. To meet these market challenges, SAS has initiated discussions with its trade unions to achieve increased flexibility and reduced complexity. In parallel, SAS is implementing across all operations cost measures that are organized in line with the strategic priorities to create the prerequisites for long-term sustainable profitability:

1. Establish an efficient production platform
2. Win the battle for Scandinavia's frequent travelers
3. Invest in our future

1. Establish an efficient production platform

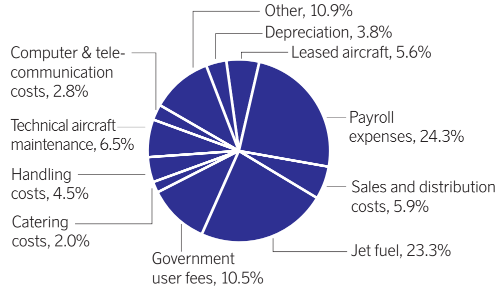
When the restructuring program was launched in November 2012, the aim was to implement cost reductions of about SEK 3 billion in the 2013–2015 period. At October 31, 2014, SAS had implemented the measures under this program including all new collective agreements and pension terms, which reduced annualized payroll expenses with an annual efficiency enhancement of about SEK 1.2 billion. IT has been restructured and the efficiency of ground handling operations enhanced in parallel with the start of an outsourcing process. At October 31, 2014, an earnings impact corresponding to SEK 2.7 billion had been realized and the remaining earnings impact of SEK 0.3 billion is expected to be reached in 2014/2015. These measures have contributed to lowering unit cost for SAS by about 10% since October 2012.

SAS, revenue breakdown, November 2013–October 2014



1) In-flight sales
Ground handling services
Technical maintenance
Terminal and forwarding services
Sales commissions and charges

SAS, cost breakdown, November 2013–October 2014



For the majority of 2013/2014, the increase in market capacity outpaced passenger growth, which led to additional price pressure and, accordingly, to the requirement to continue raising productivity and lowering unit costs. SAS expects the trend with lower prices for air travel to continue in the long term. Therefore, SAS is entering a new phase of cost measures of a further SEK 2.1 billion with full effect in 2017. The measures will be applied across the organization: production optimization, administration, sales and distribution, ground handling services, purchasing and logistics, properties and rental costs.

The measures are expected to positively impact profitability in an amount of SEK 1 billion during the 2014/2015 fiscal year and by a further SEK 1.1 billion in 2016 to 2017. Nonrecurring items of SEK 1.3 billion pertaining to the additional cost measures were charged to the 2013/2014 fiscal year.

In addition to the measures described above, SAS is working continuously on optimizing production platforms by continuing to promote Lean in its work processes and by increasing the degree of utilization of the aircraft fleet and flight crew. During the year, a cross-functional Lean project has resulted in significant quality and efficiency enhancements.

This has played a major part in SAS continuing to be one of the world's most punctual airlines.

2. Win the battle for Scandinavia's frequent travelers

SAS has a vision of making life easier for Scandinavia's frequent travelers. In line with the vision, SAS has strengthened the customer offering and intensified marketing activities.

SAS has gradually built up its customer offering and, in 2013, a new service concept focused on the most frequent travelers was launched in the market, SAS Go and SAS Plus. The concept was well received by SAS's customers and resulted in a considerable increase in the number of Plus travelers.

As the next step, in February 2014, SAS launched an extensive upgrade of EuroBonus to make the market's strongest loyalty program even better. Since the launch, the number of members in EuroBonus has increased by about 50,000 every month and, at October 31, 2014, totaled 3.7 million. The larger membership base also increases possibilities for tying in more advantageous partnerships that add value for SAS customers and create new revenue streams.

SAS has a strengthened offering with more destinations and more departures than any other Scandinavian airline. The offering has been strengthened through the addition of more than 50 new routes during 2014 and, ahead of 2015, nine new routes have been presented. In August 2014, SAS launched the new direct intercontinental route between Stavanger and Houston. This route particularly targets frequent travelers in the offshore and oil industries.

During the year, Fast Track services were opened at, among others, Bergen, Stavanger, Trondheim, Arlanda domestic and Aalborg. The lounges have been upgraded and new domestic lounges opened at Oslo Lufthavn and in Gothenburg. Copenhagen now has automatic boarding and baggage drop, thus saving travelers with SAS even more time.

In line with the vision, SAS is continuing to improve its offering to frequent travelers. SAS is strengthening the intercontinental network by launching a new direct route from Stockholm to Hong Kong starting in September 2015. In addition, in 2015, an entirely new concept of cafe lounges is being launched. These lounges will be directly connected to the gates with coffee bars and Wi-Fi.

3. Invest in our future

Over the last few years, SAS has introduced extensive changes to renew the aircraft fleet as part of investing in our future. In 2013/2014, SAS phased out the last Boeing 737 Classics and, since the end of 2013, SAS only has next Generation aircraft – with greater comfort and higher fuel efficiency – at its respective bases in Copenhagen, Oslo and Stockholm. In addition, SAS has ordered 30 Airbus A320neos, four Airbus A330Es and eight Airbus A350s, which combined with the upgrades of the cabin interiors further modernizes the aircraft fleet for the future. The first aircraft with the entirely new cabin interior on the intercontinental routes is expected to be in-service at the start of 2015 and, thereafter, delivery of upgraded aircraft will be at a rate of one per month.

SAS is investing SEK 0.5 billion in a new digital platform to enable our customers to manage their travel and associated services in a fully digital manner. The aim is to offer each customer a relevant and individually tailored experience in parallel with facilitating increased revenue for SAS.

ACCOUNTING CHANGES PERTAINING TO PENSIONS

As of November 1, 2013, SAS started to apply the revised IAS 19 – Employee Benefits.

The revised IAS 19 means that it is no longer permitted to defer recognition of certain deviations in estimates (the "corridor" approach has now been eliminated) and all estimates are to be immediately recognized in other comprehensive income. Pursuant to the amended standard, accumulated unrecognized deviations "Unrecognized actuarial gains and losses and plan amendments" will be recognized in their entirety in shareholders' equity, which had a negative impact of about SEK 7.8 billion on the Group's shareholders' equity. This impact included dissolution of deferred tax liabilities of SEK 1.5 billion and special payroll tax of about SEK 1 billion, which had a positive effect on shareholders' equity. The Parent Company SAS AB's recognized shareholders' equity will not be affected by this amendment. Furthermore, interest expense and expected return on plan assets have been replaced with a "net interest," which is calculated using the discount rate used to measure the net defined-benefit pension liability or pension assets. SAS classifies this net interest expense as a payroll expense and recognizes the net interest expense in profit or loss.

In November 2012, new collective agreements were signed with flight crew in Scandinavia. Among other things, the new collective agreements mean that the defined-benefit pension plans were, largely, replaced with defined-contribution pension plans effective as of the first quarter of 2013/2014, which reduced pension commitments by about SEK 12.9 billion and corresponded to a reduction in plan assets of about SEK 11.9 billion, which, generated a total positive effect on operating income of about SEK 1 billion during the fiscal year.

After the above adjustments, pension commitments totaled about SEK 15.6 billion. Since some employees already have early retirement and part-time pensions in place, this commitment will decrease over the next five

Overall risk management in the SAS Group

Risk management is implemented through the diversification of risk, operating policies, the Code of Conduct and hedging arrangements. For further information see pages 81–83.

Market risks	Operating risks	Environmental risks	Legal and political risks	Financial risks	Other risks
• Macro-economic growth • Market impact • Competition and price trend • Capacity change	• Unmotivated personnel • Strikes • Incidents and accidents • Crime and fraud • IT	• Environmental directives and standards • Laws and regulations • The market for emission rights	• Government user fees and airline industry taxes • Compliance risks – laws and internal rules	• Counterparty losses • Liquidity risk • Fuel price • Interest rates • Exchange rates	• Natural disasters • Terror attacks • Conflicts • Epidemics

years and, at the end of the 2017/2018 fiscal year, pension commitments are therefore expected to amount to approximately 60% of the original pension commitments as a result of the changed terms.

The discount rate was lowered significantly during the 2013/2014 fiscal year, which means that pension commitments have increased by about SEK 3 billion and, at October 31, 2014, pension commitments amounted to SEK 18.4 billion.

At October 31, 2014, the remaining pension plans in Sweden (the Alecta plan and Euroben) reported a surplus of about SEK 5 billion including special payroll tax of slightly more than SEK 1 billion. The return on SAS's total plan assets has been extremely favorable, which has resulted in an increase in assets of about SEK 1.9 billion during the fiscal year.

RISK MANAGEMENT

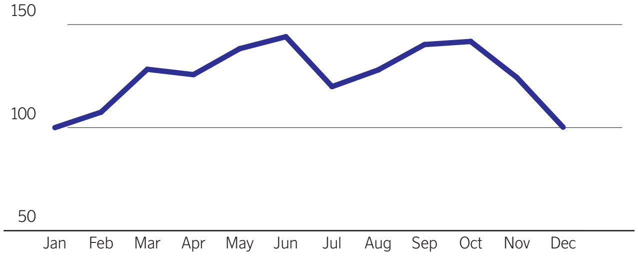
SAS works strategically to refine and improve its risk management. Risk management includes identifying new risks, increasing risks and known risks. General risks are monitored centrally, while more direct risk management is conducted in operations and includes identification, action plans and policies. The following general risks are primarily managed centrally.

Market risks: SAS is especially sensitive to global trends and events. However, SAS is active in several markets and is therefore affected by various economic cycles, thus mitigating the exposure to more local market risks. Due to the more stable Scandinavian economies compared with the rest of Europe, passenger growth was higher in Scandinavia than in many other European markets. However, market capacity and competition increased substantially, primarily at the start of the 2013/2014 fiscal year, which resulted in an oversupply in Scandinavia that negatively impacted all operators in the form of lower yields and PASK. Its aircraft fleet allows SAS, to a greater extent than other airlines with only one type of aircraft, to adapt production in the respective markets to reduce market risk. The airline industry is highly competitive since new airlines continuously enter the market in parallel with existing operators increasing (and decreasing) their capacity. In combination with changes in customer behavior, this means that, moving forward, competition is expected to be intense with attendant pressure on yields. To compensate for this, SAS is implementing efficiency enhancements that will lower structural costs.

Financial risks: SAS is exposed to various types of financial risks. All risk management is performed centrally pursuant to the financial policy adopted by the Board. SAS utilizes derivative instruments as part of its financial risk management to limit exposure to currency, interest-rate and jet-fuel price risk. See Note 27 and page 52 for further information about how SAS hedges jet-fuel consumption, currencies and interest rates.

Environmental risks: SAS works continuously on sustainability issues to ensure compliance with national and international requirements. Accordingly, environmental laws and regulations, including restrictions on noise levels and greenhouse gas emissions, could have an adverse impact on SAS in the form of increased costs.

Seasonal variations in the number of passengers transported, SAS Group 2004–2013



January = index 100.

Compliance risks: The SAS Group manages and secures compliance risks through various kinds of internal policies and rules and develops internal guidelines as well as adjusts the Code of Conduct to manage these risks. The Group's airline insurance contracts are of the all-risks type and cover the aircraft fleet, spare parts and other equipment as well as liability exposure associated with airline operations.

Political and regulatory risks: SAS and the airline industry in general are exposed to various types of political and regulatory decisions that can significantly impact operations and the company's economy, both positively and negatively. Accordingly, SAS closely monitors developments in these areas and, through a central unit, tries to influence developments both individually and through national and international industry bodies.

SEASONAL EFFECTS

Demand, measured as the number of transported passengers, in SAS's markets is seasonally low from December to February and at its peak from April to June and September to October. However, the share of advance bookings is greatest from January to May, which has a highly positive effect on working capital.

Seasonal fluctuations in demand impact cash flow and earnings differently since passenger revenue is recognized when SAS or another airline carries out the actual transportation, which results in revenue generally increasing during months in which more passengers are transported. Since a substantial share of an airline's costs is fixed, there is a high correlation between earnings and fluctuations in revenue levels. Seasonal variations in cash flow are described in more detail on page 80.

THE SAS SHARE

Three share classes

SAS AB has three classes of shares, common shares, preference shares and subordinated shares. At October 31, 2014, there were 329 million common shares and 7 million preference shares issued with a quotient value of SEK 20.10, which together constitute a total registered share capital of MSEK 6,754. There are no subordinated shares issued or outstanding. Common shares and subordinated shares entitle the holders to one vote each. Each preference share entitles the holder to one-tenth of a vote. The maximum number of common shares and subordinated shares that may be issued is limited to a number that corresponds with 100% of the company's share capital. The maximum number of preference shares that may be issued is limited to 10% of the share capital. Common shares and preference shares provide shareholders with the rights set out in the Companies Act and the Articles of Association. Subordinated shares provide shareholders the right to participate in and vote at the company's shareholders' meetings. Subordinated shares do not entitle shareholders to dividends or participation in bonus issues.

If subordinated shares are redeemed or the company is dissolved and its assets distributed, holders of subordinated shares receive compensation equivalent only to the nominal value of the shares plus an interest-rate factor. For more information on subordinated shares, see Note 21.

Share price performance

SAS AB's common share declined 40% from November 1, 2013 to October 31, 2014. The preference share was listed on March 7, 2014 and declined 17% by October 31, 2014. The share-price trend corresponded to the negative yield (PASK) trend up to August 2014.

Protection of the Group's air traffic rights in the Articles of Association

For aviation policy reasons, the company's Articles of Association authorizes, in part, the mandatory redemption of shares by means of a reduction of share capital and, in part, should redemption not be possible or be adjudged adequate, an option to issue subordinated shares for subscription with the support of previously issued warrants.

A precondition for these actions is an assessment by the company's Board that a direct threat exists against the air traffic rights of the company or any of its subsidiaries when the company or its subsidiaries infringe or risk infringing provisions on ownership and control in bilateral aviation agreements or in laws or regulations pertaining to permits for air traffic in the EU/EEA.

In that case the Board may decide to mandatorily redeem a sufficient number of shares not owned by shareholders domiciled in Denmark, Norway or Sweden along with shares that, even if they are held by a legal entity domiciled in any of these countries, are controlled, directly or indirectly, by a person or company outside of these three countries, so as to ensure continued Scandinavian ownership and control. Primarily, such mandatory redemption of shares is performed on shares owned or controlled by a person or company outside the EU/EEA. Prior to redemption, the shareholders are given an opportunity to sell their shares voluntarily within a prescribed period. Redemptions are made subsequently without refund to the shareholder since the reduction is to be transferred to the Company's statutory reserve.

Should the Board deem the action of redeeming common shares not possible or inadequate, the Board may propose a shareholders' meeting to decide whether to issue subordinated shares in such number so as to safeguard continued Scandinavian ownership and control. Such a decision must be approved by at least half of the votes cast at the meeting. The subordinated shares thus issued are subscribed for with the support of previously issued warrants, which are currently held by a subsidiary of SAS AB but which the Board of SAS AB has the right to decide to transfer to one or more appropriate legal entities domiciled in Denmark, Norway or Sweden as soon as this is judged necessary for aviation policy reasons.

In total, there are 75,000 warrants issued, which provide entitlement to subscription of a total of 150,000,000 subordinated shares, which would increase the company's share capital by a maximum of SEK 3,015,000,000. As soon as the threat no longer exists, the Board shall ensure that the subordinated shares thus issued are redeemed.

Furthermore, for aviation policy reasons, the Articles of Association contain certain suitability and qualification requirements for Board members to ensure that the Board will at all times have the composition it needs to ensure that the company and its subsidiaries are able to retain their air traffic rights. These requirements include citizenship, domicile and knowledge and experience of the social, business and cultural conditions prevailing in the Scandinavian countries. Beyond these requirements and the regulations contained in the Articles of Association, there are no restrictions or voting rules pertaining to the appointment or removal of Board members.

Ownership and control

At October 31, 2014, there were only three shareholders who each own and control more than 10% of the voting rights for all shares in the company. The Danish government owns 14.3%, the Norwegian government owns 14.3% and the Swedish government owns 21.4%. Combined, the three states own 50% of the shares in SAS AB. Scandinavian shareholders held 93% and non-Scandinavian shareholders held 7% of the voting rights in SAS AB.

No restrictions exist in the Articles of Association concerning the voting rights of shareholders at shareholders' meetings and pursuant to the Swedish Companies Act, shareholders may vote for the entire number of shares they own or represent by proxy. Nor are there any special plans, such as employee-benefit plans or the like, through which company or Group employees own shares with restricted voting rights. SAS AB has no knowledge of any agreements between shareholders that would restrict the capacity of shareholders to vote at a shareholders' meetings or their right to freely transfer such shares.

Effects of a public takeover bid

The SAS Group is currently party to a number of agreements in which the counterparties are entitled to terminate the agreement, in the event of changes in the majority stake or control of the company.

CAPITAL MANAGEMENT

Financial targets

Given the ongoing extensive changes to the European airline industry with intensified competition as a result, SAS has initiated discussions with its unions addressing how to respond to the new industry requirements relating to flexibility and the need to reduce complexity.

It is of major importance that these discussions lead to a general strengthening of competitiveness and improvement in financial performance. SAS intends to review its target sfor EBIT margin and equity/assets ratio pending the outcome of the discussions.

SAS reiterates its 20% target for financial preparedness which SAS expects to continue to achieve.

Refer to the comments on page 1 pertaining to the trend for financial key figures in 2013/2014.

Funding

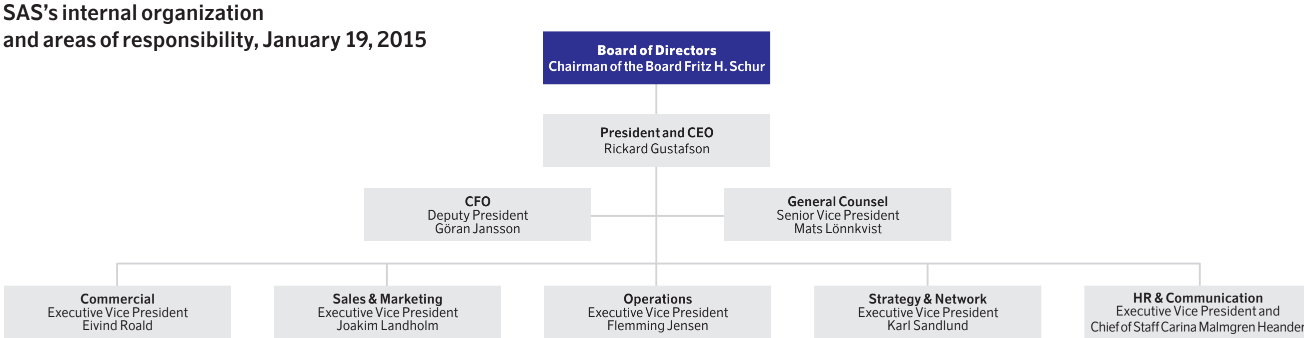
The SAS Group uses commercial papers, bank loans, bond loans, convertible bond loans, subordinated loans and leasing as sources of funding. In 2013/2014, SAS performed a major recapitalization through the issue of 7 million preference shares for SEK 3.5 billion and the issue of a SEK 1.6 billion convertible bond loan. The preference shares were issued at a price of SEK 500 and, to an extent, mitigated the effects of the amended standard for pension reporting. Preference shares can be redeemed at the request of SAS following a Board decision at an amount per preference share corresponding to 120% of the subscription price until the payment date immediately after February 5, 2018 and 105% of the subscription price thereafter, in both cases with the addition of any amount outstanding per preference share and the accrued portion of preference share dividends.

The issue of the convertible bond loan in 2013/2014, secured the refinancing of the existing convertible bond that matures in 2015. The new convertible bond matures in 2019 at its nominal value of SEK 1.6 billion or can be converted to shares at the request of the holder at a rate of SEK 24.0173 to one share.

At October 31, 2014, the value of the debt and equity shares (conversion option and repurchase right) relating to the convertible bond loan issued in 2010 were set at MSEK 1,581 and MSEK 19, respectively. On the date of issue, these values were MSEK 1,374 and MSEK 226 respectively. At October 31, 2014, the debt and equity shares of the newly issued convertible bond loan were set at MSEK 1,426 for the debt portion and MSEK 174 for the equity share. At the date of issue, these values were MSEK 1,399 and MSEK 201 respectively. The value of the equity share was included in shareholders' equity, following a deduction for deferred tax.

In addition to cash and cash equivalents of MSEK 7,417, at October 31, 2014, SAS had contracted credit facilities of MSEK 3,929, of which MSEK 2,382 was unutilized. In conjunction with the recapitalization of SAS in

SAS's internal organization and areas of responsibility, January 19, 2015



February 2014, SAS terminated the revolving credit facility agreed in November 2012 that was guaranteed by the major shareholders of SAS. In its place, a new credit facility of MEUR 150 was entered into with UBS.

The Group's interest-bearing liabilities amounted to MSEK 10,805, down MSEK 705 year-on-year. New loans raised during the fiscal year amounted to MSEK 1,485 and repayments amounted to MSEK 3,122. During the fiscal year, the SAS Group's financial net debt declined by MSEK 3,465 and, primarily due to an issues of preference shares, amounted to MSEK 1,102 at the closing date.

Dividend policy

Common shares

SAS's annual dividend to holders of common shares is determined by taking into account SAS's earnings, financial position, capital requirements and relevant macroeconomic conditions. Given the ongoing extensive changes to the airline industry and as a consequence of SAS initiating discussions with its unions addressing how to respond to the new industry conditions, SAS is currently reassessing its financial targets and dividend policy. No value distributions may take place to holders of common shares (or any subordinated shares) before preference shareholders have received full dividends, including any amounts outstanding.

Preference shares

If the shareholders' meeting resolves to distribute profits, preference shares have a preferential right, ahead of common shares and subordinated shares, to receive an annual dividend. The payment of preference share dividends is to be made quarterly. Further details regarding payment dates and terms are set out in Note 21 on page 50.

WORK OF THE BOARD OF DIRECTORS

The Board of Directors of SAS AB consists of eleven members, of whom eight are elected by the AGM. The three other members plus six deputies are elected by the employee organizations in Denmark, Norway and Sweden.

The Board's work is governed by the Swedish Companies Act, the Articles of Association, the Swedish Corporate Governance Code and the formal work plan adopted by the Board each year. The formal work plan regulates the division of the Board's work between the Board and its committees and among the Board, its Chairman and the President. This process is evaluated each year. The Board appoints from among its own members the members of the Board's two committees, the Remuneration Committee and the Audit Committee.

The Board's work follows a yearly agenda with regular business items as well as special topics. Carsten Dilling was elected as a new member of the Board and the other Board members reelected at the AGM on February 18, 2014. Fritz H. Schur was reelected as the Chairman of the Board.

Working closely with the President, the Chairman of the Board monitors the company's performance, plans Board meetings, takes responsibility for ensuring that the other members of the Board always receive high-quality information about the Group's finances and performance, and ensures that the Board evaluates its work and that of the President each year.

The Board held 14 meetings during the fiscal year. The Board discussed the regular business items presented at the respective meetings, such as business and market conditions, risk assessment, financial reporting and follow-up, the financial position and investments. At various meetings the Board discussed matters involving flight safety work, internal control, the work of the Board, the year-end report, interim reports, strategy and business plans, the issue of convertible bond loans and preference shares as well as the budget.

At the start of the fiscal year, the recapitalization of SAS through the issue preference shares and a convertible bond loan was a separate topic. The financial position has been diligently followed and the Board has also addressed the effects on SAS of the changes in accounting rules pertaining to pensions, which were implemented on November 1, 2013.

On two occasions during the 2013/2014 fiscal year, the principal auditor met with the Board, presenting the program for auditing work and reporting observations from the audit. On one occasion during the fiscal year, the Board met with the company's auditor without the presence of the President or any other representative of the company management.

The main task of the Board's two committees is to prepare issues for the Board's decision. The Remuneration Committee consists of three members and the Audit Committee of three members all elected by the shareholders' meeting. During the fiscal year, the Audit Committee held seven minuted meetings, examining the scope and performance of external and internal auditing work, financial reporting and internal control among other items.

The Remuneration Committee had three minuted meetings plus a number of informal meetings in connection with the adoption of guidelines and policies for remuneration and other employment terms for senior executives during the year.

Prior to the AGM, the Remuneration Committee prepared the recommendation for remuneration policies and other terms of employment for company management that, pursuant to the Swedish Companies Act and the Swedish Corporate Governance Code, the Board is obligated to present to the Meeting for resolution. The fees paid to Board members and remuneration for serving on the separate Board committees are reported in Note 3. A separate corporate governance report for SAS is presented on page 66.

GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

The Remuneration Committee prepares remuneration policies applicable to the Group Management, which are subsequently addressed by the Board, which presents the motion to the AGM for resolution. Remuneration of the President is to be decided by the Board within the framework of approved policies following preparation and recommendation by the Remuneration Committee.

Remuneration of other senior executives is decided by the President within the framework of approved policies and after consulting with the Remuneration Committee. The 2013/2014 AGM adopted the remuneration policies for senior executives. The remuneration policies for 2013/2014 remained unchanged compared with those that applied in 2012/2013. Pursuant to the resolution of the AGM, no variable remuneration is payable to senior executives and no share-related incentive programs exist at SAS. The Board deems that particular circumstances exist for deviation from the remuneration policies with regard to the Board's decision to allow variable remuneration to the senior executive responsible for Commercial, which is a functional area where variable salary is an established market standard, see Note 3 on page 40. Agreements concluded previously with some senior executives that contain partially deviating conditions governing pensions, notice periods and severance pay will be respected until they cease or are renegotiated.

Total remuneration must be market-based and competitive and must be in relation to responsibility and authority. Pension benefits are to be defined-contribution, with premiums not exceeding 30% of the fixed annual salary.

The guidelines to be proposed to the AGM on February 19, 2015 are unchanged in relation to the remuneration policies adopted at the 2014 AGM.

SAFETY AT SAS

Pervasive safety culture

SAS's safety work has top priority and is part of the company's DNA. The safety culture at SAS rests on the values, skills and experience of all employees throughout the organization. The safety culture includes actively learning, adapting and modifying individual and organizational behavior to constantly improve operations and reduce exposure to risk.

The efforts are managed with the aim of achieving continuous improvements and a shared understanding of the importance of safety to the customers and to SAS. The management of SAS is constantly engaged in safety issues based on a safety policy that is documented, communicated and implemented in SAS operations. In spring 2014, practical application of safety policy came in the form of an information campaign highlighting ten key safety behaviors required from all employees.

In 2014, new regulatory requirements were introduced for flight safety, these included a more detailed safety management system (SMS). As part of meeting these new guidelines, a new safety reporting system compatible with the pilots' iPads was implemented in autumn 2014. SAS has also continued efforts to identify and manage safety issues in its assessment of safety performance indicators, whereby data is gathered from flight operations, crews, station activities, technical maintenance and aviation security and compiled in a hierarchical system of objective safety performance indicators. This system illustrates how the daily operations are progressing in relation to the safety targets identified by SAS.

SAS is actively engaged in the development of fatigue risk management. SAS is already a partner in the Airline Fatigue Reduction (ALFRED) research project, in collaboration with government agencies, the industry and universities, to enhance the scientific model behind the measurement of fatigue and assessment of flight crews. The first version of this model was tested at the end of 2013 and an updated version for scheduling was tested in 2014. Over the year, SAS has also contracted services for performing flight data analysis. Flight Data Management is a system that provides increased ability for identifying trends and deviations in daily flight operations.

In 2014, SAS underwent IATA Operational Safety Audit (IOSA) certification which is comparable with ISO 9000 certification. This was the sixth time in twelve years that SAS has completed this flight-safety audit. All six audits were completed with no deviations identified. Maintaining the certification requires approval by the IATA every second year after the original audit. SAS only initiates code-share collaboration with other airlines that have IOSA certification or that have submitted to a comparable audit.

Flight safety level at SAS for the 2013/2014 fiscal year

Compared with 2012/2013, the number of medium-risk events declined in 2013/2014. There were two high-risk events in 2013/2014: one in flight operations and one in technical operations.

Operations	Low	Medium	High
Flight Operations, %	0.73	0.0024	0.0004
Ground Operations, %	0.31	0.0024	-
Technical Operations, %	0.10	0.0008	0.0004
Security, %	0.11	-	-
Total in 2014, as a %, of the total number of flights (252,608)	1.25	0.0056	0.0008
Total in 2013, as a %, of the total number of flights (251,381)	1.11	0.0108	0.000

Low: Events that occurred where the remaining safety margin was extremely effective. Normal monitoring is the only action required.

Medium: Events that occurred where the remaining safety margin was limited. Risk evaluation plus appropriate actions were adopted for continued operations.

High: Events that occurred where the safety margins were minimal or ineffective. This group includes slightly more serious events (such as engine failure during takeoff). Such incidents must be investigated immediately to identify whether they are isolated incidents and do not affect continued airline operations.

LEGAL ISSUES

As a consequence of the European Commission's decision in the cargo investigation in November 2010, SAS and other airlines fined by the Commission are involved in various civil lawsuits in Europe (the UK, the Netherlands, Germany and Norway). SAS, which appealed the European Commission's decision, 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 and no provisions have been made.

The SAS pilot associations have filed a lawsuit against SAS with the Swedish Labour Court claiming damages for breach of collective agreements. No financial damages were specified in the summons application. The dispute pertains to a large group of pilots employed at the Stockholm base but who worked out of the Copenhagen base, and the calculation and coordination of the rights to Swedish and Danish pension benefits of these pilots on changing bases. SAS contests all claims. Irrespective of the outcome, the assessment of SAS is that the dispute will not have any material negative financial impact on SAS.

A group of former Braathens cabin crew have, through the Parat trade union, initiated a legal process against SAS at a general court in Norway with a claim for correction of a work time factor (part-time percentage) in the calculation of pension rights in the occupational pension plan in accordance with the Norwegian Occupational Pensions Act. The summons application contains no specified demand for compensation. SAS contests the claim. The financial exposure is difficult to quantify, but SAS, which disputes the claim, considers the risk of a negative outcome to be limited and no provisions have been made.

A larger 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 pension plan. The financial exposure is difficult to quantify, but SAS, which disputes the claim, considers the risk of a negative outcome to be limited and no provisions have been made.

The SAS pilot associations in Norway and Sweden have filed lawsuits against SAS at instances including the Swedish Labour Court claiming breach of collective agreements insofar as the seniority list has not been applied by SAS in conjunction with promoting and appointing pilots. SAS contests these claims on grounds including the legally binding ruling of the courts in Denmark that the seniority list is age discriminatory and, accordingly, null and void. It is difficult to assess the financial impact for SAS, but SAS considers the risk of a negative outcome to be limited and no provisions have been made.

CONTRIBUTION BY SAS TO SUSTAINABLE DEVELOPMENT

SAS has a sustainability policy which supports its ambition, based on the requirement regarding long-term financial performance, to reduce environmental impact and further social progress. Together with the Code of Conduct, the sustainability policy is a part of the SAS Corporate Manual that governs operations at SAS.

Environmental responsibility

SAS intends to be part of the long-term sustainable society and supports IATA's vision of making it possible to fly without greenhouse gas emissions by 2050. The primary environmental goal for SAS is to reduce the greenhouse gas emissions, primarily, from flight operations but also from ground handling operations. In addition, noise levels must be lowered.

The majority of the environmental impact comprises flight operations. Other environmental impact consists primarily of cabin and ground operations, the majority of which comprises energy and water consumption as well as waste generation. The environmental impact of flight operations mainly consists of emissions of carbon dioxide and nitrogen oxides related to the consumption of non-renewable fuels, as well as noise. To lessen the environmental impact, two long-term measures have the greatest effect according to SAS: continuous renewal of the aircraft fleet to newer generations and incorporation of biofuel blends to reduce total carbon emissions.

Flight operations use internationally type-approved aircraft according to ICAO certification standards. Environmental approval is an integral part of national registrations of aircraft. Environment-based national and/or local permits, rules and regulations provide a framework for aircraft use. The trend is toward a stricter environmental policy framework for the airline industry.

SAS has approved and verified Monitoring, Reporting and Verification (MRV) plans as well as reports which are verified to meet statutory requirements in the EU-ETS. Otherwise, SAS is not aware of any changes in the policy framework that could have significant operational or financial consequences for its business during the coming fiscal years.

SAS measures its eco-efficiency with a climate index, which tracks trends in airline operations relative to environmental impact. The climate index for SAS improved to 92 at October 31, 2014 compared with the base year 2011. SAS CO2 emissions per passenger kilometer decreased to 100 grams (104) during the fiscal year.

In general, SAS's flight operations are dependent on the licensed activities conducted by Ground Operations and maintenance production in workshops, vehicle maintenance bases and hangars and on the respective airport owners' licenses for operations and glycol handling and thresholds for atmospheric emissions and noise. SAS has obtained all the necessary licenses and permits for its operations in Scandinavia.

Flight operations have a dispensation for halon use and submit annual reports to the authorities on consumption including leakages and storage. SAS estimates that the discharge of halon was slightly more than 1 kilogram during the fiscal year. During the year, the authorities did not issue SAS any orders with a material impact on SAS's activities.

During the fiscal year, aircraft operated by SAS's airlines, in exceptional cases, deviated from local approach and takeoff rules. It is the considered opinion of SAS that none of the incidents had any material environmental consequences. Otherwise, SAS was not involved in any environment-related disputes or complaints and has no known major environment-related liabilities or provisions for ground pollution or the like.

Corporate social responsibility

The social responsibilities of SAS include responsibility for employees and for its impact on the surroundings and communities in which the Group operates. Given the organizational changes that have been decided, redundancies will continue to occur.

The issue of redundancy is managed through negotiations in compliance with national laws and practices. In addition, SAS has its own guidelines that permit transfer of employees between the national companies under a special arrangement negotiated between SAS and the personnel trade union organizations. SAS reports sick leave and occupational injuries pursuant to national legislation.

Efforts to reduce sick leave have priority. In the fiscal year, sick leave at SAS was 7.8% (8.0%).

SAS works actively with equal opportunities based on the applicable legislation in each country. The diversity policy at SAS is based on equal treatment of all employees and job applicants. Work on equal treatment includes promotion of diversity and equality in all its forms. SAS Group Management consisted of one woman and seven men at October 31, 2014.

With regard to human resources, the airlines plan and conduct regular in-service training of all certified personnel such as technicians, cabin crew and pilots. This is done to uphold competency standards, such as those required by air operator certificates (AOCs). In addition, SAS has an extensive management training program and a large number of web-based training programs. The PULS employee satisfaction survey showed that general job satisfaction in the SAS Group rose in 2014. Job satisfaction continues to be relatively low. This is probably due to the major ongoing changes and the general uncertainty regarding the company's situation. Long-term plans are ongoing to address these issues. Response rates were up. The sustainability section of this report and the separate 2014 Sustainability Report for SAS contain more complete descriptions of efforts at SAS to contribute to sustainable development.

PUNCTUALITY AND REGULARITY

SAS achieved a punctuality rating of 88.4% in 2013/2014, which represented a year-on-year improvement. In some months of the fiscal year, SAS posted the highest punctuality for network airline companies in Europe and the rest of the world. Regukarity at SAS was 99% in 2013/2014.

PARENT COMPANY

SAS AB is a Swedish public limited company registered in Stockholm and the address of its head office is Frösundaviks allé 1, Solna, Stockholm, Sweden. SAS AB is the Parent Company of the SAS Group. The company conducts airline operations in a comprehensive Nordic and international network.

DIVIDEND

The Board of Directors proposes to the 2015 AGM that no dividends be paid to holders of SAS AB's common shares for the November 1, 2013 –October 31, 2014 fiscal year. This is motivated by the SAS Group's financial position and future investment need for renewal of the aircraft fleet.

The Board proposes that dividends on preference shares outstanding be paid quarterly in an amount of SEK 12.50 per preference share and limited to a maximum of SEK 50 per preference share. The record dates proposed ahead of the next AGM for the quarterly dividends are May 5, August 5, and November 5 in 2015 and February 5 in 2016. Payment through Euroclear Sweden AB is expected to be carried out on May 8, August 10, and November 10 in 2015 and February 10 in 2016.

PROPOSED DISPOSITION OF EARNINGS

The following Parent Company earnings are available for disposition by the AGM:

	SEK
Retained earnings	5,626,063,250
Net income for the year	-54,757,598
Total unrestricted equity	**5,571,305,652**

The Board of Directors proposes that the earnings be allocated as follows:

	SEK
Dividends to holders of preference shares of SEK 50/preference share	350,000,000
Retained earnings	5,221,305,652
Total	**5,571,305,652**

The position of the Group and Parent Company at October 31, 2014 and the earnings from operations for the 2013/2014 fiscal year are stated in the following statements of income, balance sheets, cash-flow statements, changes in shareholders' equity, comments on the financial statements and notes.

SIGNIFICANT EVENTS AFTER THE CLOSING DATE, OCTOBER 31, 2014

- SAS initiated further cost-savings of SEK 2.1 billion with full effect in 2017.
- SAS acquired Cimber A/S on December 8, 2014. The acquisition makes it possible for SAS to transfer CRJ900 production to Cimber. The acquisition is subject to approval from the Danish competition authorities.
- SAS is launching a new direct intercontinental route between Stockholm and Hong Kong starting in autumn 2015.
- SAS completed the financing of PDPs for eight aircraft from Airbus.
- SAS has signed new collective agreements for flight crew at Blue1.

FULL-YEAR 2014/2015

SAS is continuing the intensive efforts to strengthen competitiveness. The potential exists for SAS to post a positive EBT before tax and nonrecurring items in the 2014/2015 fiscal year. This is provided that the economy does not weaken, that the trend continues in terms of reduced capacity and lower jet fuel prices, is maintained, that exchange rates are not subject to further deterioration and that no unexpected events occur.

The outlook is based on the following preconditions and assumptions:

- SAS plans to reduce total capacity (ASK) by about 1–2% in 2014/2015.
- In the 2014/2015 fiscal year, the earnings impact from the cost measures is expected to amount to about SEK 1.3 billion.
- SAS has hedged 43% of jet-fuel consumption in 2014/2015.
- SAS has hedged USD and NOK at 49% and 57%, respectively, for the next 12 months' currency exposure.
- Net investments are expected to amount to about SEK 1 billion per year in 2014/2015.

The SAS Group's consolidated statement of income including a statement of other comprehensive income

MSEK	Note	Nov 2013– Oct 2014	Nov 2012– Oct 2013
Revenue	2	38,006	42,182
Payroll expenses[1]	3	-9,181	-11,307
Other operating expenses[2]	4	-25,122	-25,442
Leasing costs for aircraft[3]		-2,127	-1,786
Depreciation, amortization and impairment[4]	5	-1,443	-1,658
Share of income in affiliated companies	6	30	25
Income from the sale of shares in subsidiaries, affiliated companies and operations		6	700
Income from the sale of aircraft and buildings	7	-16	-118
Operating income		**153**	**2,596**
Income from other holdings of securities	8	-43	1
Financial income	9	102	50
Financial expenses	9	-1,130	-999
Income before tax		**-918**	**1,648**
Tax	10	199	-290
Net income for the year		**-719**	**1,358**
Other comprehensive income			
Items that may later be reversed to the income statement:			
Exchange-rate differences on translation of foreign operations		86	-224
Cash-flow hedges – hedging reserve, net after tax of -92 (6)		325	-23
Items that will not be reclassified to the income statement:			
Remeasurements of defined-benefit pension plans, net after tax of 245 (0)		-1,222	1,988
Total other comprehensive income for the year, net after tax		-811	1,741
Total comprehensive income		**-1,530**	**3,099**
Net income for the year attributable to:			
Parent Company shareholders		-736	1,357
Non-controlling interests		17	1
Earnings per common share (SEK)[5]		-3.03	4.12
Earnings per common share after dilution (SEK)[5]		-3.03	3.99

1) Includes restructuring costs of MSEK 394 (40).
2) Includes restructuring costs of MSEK 575 (-186).
3) Includes restructuring costs of MSEK 67 (-).
4) Includes restructuring costs of MSEK 96 (-).
5) Earnings per common share are calculated as net income for the period attributable to Parent Company shareholders less preference-share dividends in relation to 329,000,000 (329,000,000) common shares outstanding.

The SAS Group has no option or share programs. The convertible bond loans of MSEK 1,600 each, covering 34,408,602 shares and 66,618,646 shares only have a dilution effect during the comparative period. In other periods, the interest rate per common share that can be obtained on conversion (conversion option) exceeds earnings per common share and there was no dilution effect.

Income before tax and nonrecurring items, MSEK	Nov 2013– Oct 2014	Nov 2012– Oct 2013
Income before tax	-918	1,648
Impairment	52	-
Restructuring costs	1,132	-146
Capital gains	7	-583
Other nonrecurring items[1]	-970	-
Income before tax and nonrecurring items	**-697**	**919**

1) Includes a positive impact on earnings of MSEK 1,044 due to defined-benefit pension plans largely being replaced by defined-contribution pension plans during the first quarter of 2013/2014.

Comments on the consolidated statement of income

On September 30, 2013, the sale of 80% of the shareholding in Widerøe's Flyveselskap AS (Widerøe) was completed, which means that Widerøe's earnings are included for the November 2012 to September 2013 period (11 months).

The SAS Group's operating income was MSEK 153 (2,596) and income before tax and nonrecurring items totaled MSEK -697 (919).

Income before tax amounted to MSEK -918 (1,648) and income after tax was MSEK -719 (1,358). The tax expense totaled MSEK 199 (-290).

The exchange-rate trend had a positive impact on revenue, but a negative effect on earnings.

The Group's total revenue amounted to MSEK 38,006 (42,182). The Group's total operating expenses totaled MSEK -37,853 (-39,586).

Payroll expenses amounted to MSEK -9,181 (-11,307), which included restructuring costs of MSEK -394 (-40) and a nonrecurring item of MSEK 1,044 (0) pertaining to amended pension terms.

Expenses for jet fuel amounted to MSEK -8,806 (-9,046) and other operating expenses, excluding jet-fuel costs, amounted to MSEK -16,316 (-16,396). Other operating expenses were positively impacted by MSEK 106 for the dissolution of USD hedges for aircraft acquisitions. Other operating expenses also included an expense of MSEK -575 (186) for nonrecurring items.

Leasing costs totaled MSEK -2,127 (-1,786). Depreciation and amortization amounted to MSEK -1,443 (-1,658).

Income from sale of shares in subsidiaries, affiliated companies and operations totaled MSEK 6 (700), where the previous year's positive capital gain was primarily attributable to the sale of 80% of the shareholding in Widerøe.

Income from sale of aircraft and buildings totaled MSEK -16 (-118), of which aircraft sales amounted to MSEK -14 (-118) and buildings accounted for MSEK -2 (0).

Income from other holdings of securities amounted to MSEK -43 (1) and was primarily attributable to impairment of receivables and shares.

The Group's net financial items amounted to MSEK -1 028 (-949), of which, net interest expense accounted for MSEK -732 (-773), exchange-rate differences for MSEK 23 (3) and other financial items MSEK -319 (-179).

Total nonrecurring items amounted to MSEK -221 (729) and comprised restructuring costs, capital gains/losses, impairment and other nonrecurring items. Restructuring costs amounted to MSEK -1,132 (146), of which MSEK -394 (-40) pertained to payroll expenses, MSEK -67 (0) pertained to leasing costs, MSEK -96 (0) pertained to amortization and depreciation and MSEK -575 (186) pertained to other operating expenses, primarily related to property agreements.

The capital loss was MSEK -7 (583) and pertained to the capital losses mentioned above. Impairment losses totaled MSEK -52 (0) and pertained to the impairment of receivables and shares. Other nonrecurring items amounted to MSEK 970 (0) and were attributable to the positive effect from amended pension terms of MSEK 1,044 (0) and expenses related to technical maintenance and properties of MSEK -74 (0).

CURRENCY EFFECTS ON SAS GROUP EARNINGS

Revenue as well as operating expenses and financial items are affected significantly by exchange-rate fluctuations. Only approximately 29% of revenue and 18% of operating expenses are in Swedish kronor. The aggregate effect of currency fluctuations on the SAS Group's operating income for 2013/2014 compared with the corresponding year-earlier period was MSEK -183 (-212). The currency effect on revenue and operating expenses was attributable to the weakening of the Swedish krona, primarily in the second half of the fiscal year. The difference between the years in the effect of exchange-rate differences on the financial net debt was MSEK 20 (17). Accordingly, on comparing 2013/2014 with the corresponding year-earlier period, the total currency effect on income before tax was MSEK -163 (-195).

Currency effect

MSEK	Nov 2013–Oct 2014 compared with Nov 2012–Oct 2013	Nov 2012–Oct 2013 compared with Nov 2011–Oct 2012
Revenue	151	-1,027
Payroll expenses	-11	286
Other operating expenses	-523	697
Translation of working capital	-90	34
Income from hedging of commercial flows	290	-202
Operating income	**-183**	**-212**
Net financial items	20	17
Income before tax	**-163**	**-195**

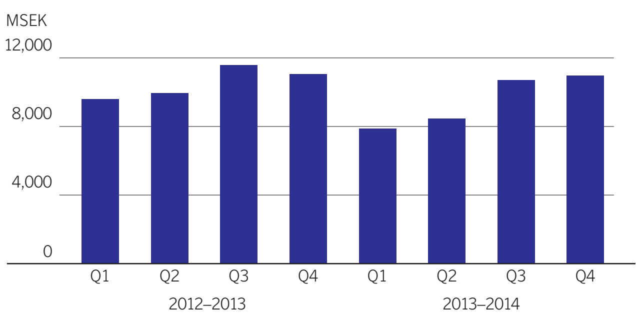
Currency effects on net income for the year

MSEK	Nov 2013–Oct 2014	Nov 2012–Oct 2013
Translation of working capital	-107	-17
Income from hedging of commercial flows	274	-16
Operating income	**167**	**-33**
Currency effect on the Group's financial net debt	23	3
Income before tax	**190**	**-30**

Statement of income excluding other comprehensive income – quarterly breakdown

MSEK	2012–2013					2013–2014				
	Q 1	Q 2	Q 3	Q 4	Full-year	Q 1	Q 2	Q 3	Q 4	Full-year
	Nov–Jan	Feb–Apr	May–Jul	Aug–Oct	Nov–Oct	Nov–Jan	Feb–Apr	May–Jul	Aug–Oct	Nov–Oct
Revenue	9,597	9,933	11,593	11,059	42,182	7,871	8,472	10,697	10,966	38,006
Payroll expenses	-3,160	-2,599	-2,887	-2,661	-11,307	-1,446	-2,484	-2,495	-2,756	-9,181
Other operating expenses	-6,119	-6,260	-6,379	-6,684	-25,442	-5,446	-5,828	-6,413	-7,435	-25,122
Leasing costs for aircraft	-397	-423	-480	-486	-1,786	-485	-500	-525	-617	-2,127
Depreciation, amortization and impairment	-426	-418	-426	-388	-1,658	-329	-338	-354	-422	-1,443
Share of income in affiliated companies	-13	0	19	19	25	-12	1	24	17	30
Income from the sale of shares in subsidiaries, affiliated companies and operations	0	-302	0	-1,002	700	1	4	0	1	6
Income from the sale of aircraft and buildings	-7	-40	-39	-32	-118	-22	12	-2	-4	-16
Operating income	**-525**	**-109**	**1,401**	**1,829**	**2,596**	**132**	**-661**	**932**	**-250**	**153**
Income from other holdings of securities	1	0	0	0	1	5	0	1	-49	-43
Financial revenue	8	13	11	18	50	25	25	28	24	102
Financial expenses	-251	-233	-236	-279	-999	-308	-442	-205	-175	-1,130
Income before tax	**-767**	**-329**	**1,176**	**1,568**	**1,648**	**-146**	**-1,078**	**756**	**-450**	**-918**
Tax	179	-76	-290	-103	-290	34	278	-260	147	199
Net income for the period	**-588**	**-405**	**886**	**1,465**	**1,358**	**-112**	**-800**	**496**	**-303**	**-719**
Attributable to:										
Parent Company shareholders	-588	-405	886	1,464	1,357	-115	-806	494	-309	-736
Non-controlling interests	0	0	0	1	1	3	6	2	6	17

Revenue
(Per quarter, according to the November–October fiscal year)



EBIT margin
(Per quarter, according to the November–October fiscal year)

SAS Group consolidated balance sheet

ASSETS, MSEK	Note	Oct 31, 2014	Oct 31, 2013
Fixed assets			
Intangible assets	11	**1,905**	**1,802**
Tangible fixed assets	12		
Land and buildings		243	241
Aircraft		7,535	8,795
Spare engines and spare parts		76	147
Workshop and aircraft servicing equipment		85	117
Other equipment and vehicles		128	105
Investment in progress		71	21
Prepayments relating to tangible fixed assets	13	763	251
		8,901	**9,677**
Financial fixed assets	14		
Equity in affiliated companies	6	395	352
Other holdings of securities		273	292
Pension funds, net	15	3,778	3,428
Deferred tax asset	10	1,111	800
Other long-term receivables		1,928	2,249
		7,485	**7,121**
Total fixed assets		**18,291**	**18,600**
Current assets			
Expendable spare parts and inventories	16	342	359
Prepayments to suppliers		8	2
		350	**361**
Current receivables	17		
Accounts receivable		1,067	1,376
Receivables from affiliated companies	18	0	1
Other receivables		1,263	866
Prepaid expenses and accrued income	19	937	858
		3,267	**3,101**
Cash and cash equivalents			
Short-term investments	20	3,703	2,080
Cash and bank balances		3,714	2,671
		7,417	**4,751**
Total current assets		**11,034**	**8,213**
TOTAL ASSETS		**29,325**	**26,813**

SHAREHOLDERS' EQUITY AND LIABILITIES, MSEK	Note	Oct 31, 2014	Oct 31, 2013
Shareholders' equity			
Share capital	21	6,754	6,613
Other contributed capital		494	337
Reserves	22	181	-230
Retained earnings		-2,549	-3,510
Total shareholders' equity attributable to Parent Company owners		**4,880**	**3,210**
Non-controlling interests		27	16
Total shareholders' equity		**4,907**	**3,226**
Long-term liabilities	23		
Subordinated loans	24	1,003	956
Bond loans	25	2,713	2,641
Other loans	26	4,419	5,054
Other provisions	28	2,088	1,361
Other liabilities		161	161
		10,384	**10,173**
Current liabilities			
Current portion of long-term loans		2,082	2,517
Short-term loans	29	462	231
Prepayments from customers		4	16
Accounts payable		1,499	1,689
Tax payable		0	36
Unearned transportation revenue	30	4,244	3,932
Current portion of other provisions	28	709	855
Other liabilities		679	722
Accrued expenses and prepaid income	31	4,355	3,416
		14,034	**13,414**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**29,325**	**26,813**
Book equity per share (SEK)[1]		3.66	9.76

Information about the Group's pledged assets, contingent liabilities and leasing commitments is given in Notes 32, 33 and 34.

1) Total shareholders' equity attributable to Parent Company shareholders excluding total preference share capital in relation to the 329,000,000 (329,000,000) common shares outstanding. No dilution occurred during the year.

Comments on the consolidated balance sheet

Assets

The SAS Group's total assets increased from MSEK 26,813 to MSEK 29,325 in the November 1, 2013–October 31, 2014 fiscal year.

Investment for the fiscal year amounted to MSEK 2,113, of which MSEK 300 pertained to aircraft, MSEK 209 to capitalized expenditures for engine maintenance, MSEK 32 to spare parts, MSEK 506 as advance payments to Airbus, MSEK 189 to system development costs and MSEK 190 to other investments primarily attributable to ongoing aircraft investments. In October 2014, Gardermoen Technical Base ANS was acquired for MSEK 687 to then be immediately divested through a sale and leaseback agreement.

During the year, twelve MD-82s and nine spare engines were sold. In addition, the sale and leaseback of one Boeing 737 NG was carried out and one Airbus A330 acquired during the year.

At October 31, 2014, book net pension funds totaled MSEK 3,778. At October 31, 2013, the value of book net pension funds was MSEK 3,428 (see also Note 15).

At the end of the fiscal year, cash and cash equivalents amounted to MSEK 7,417, which was an increase of MSEK 2,666 since October 31, 2013. Cash and cash equivalents totaled 25% of total assets.

Shareholders' equity

Total shareholders' equity increased by MSEK 1,681 to MSEK 4,907. The preference share issue during the year increased shareholders' equity by SEK 3.5 billion. Net income for the year was MSEK -719. Other comprehensive income was net MSEK -811, the majority of which was attributable to the remeasurement of defined-benefit pension agreements of MSEK -1,222. At October 31, 2014, the equity/assets ratio was 17% (12) and equity per common share was SEK 3.66 (9.76).

Liabilities

At October 31, 2014, MSEK 10,805 (11,510) of total liabilities was interest-bearing. The value of contracted credit facilities was MSEK 3,929 (4,155) of which MSEK 2,382 (1,986) was unutilized. Amortization in the fiscal year amounted to MSEK 3,122 (1,580) and the year's borrowing amounted to MSEK 1,485 (3,115). New loans raised principally comprised the new convertible bond loan of SEK 1.6 billion taking into account the deducted equity portion.

Financial net debt excluding net pension funds amounted to MSEK 1,102 (4,567), corresponding to a decrease of MSEK 3,465 from the start of the year. This was primarily due to the issue of preference shares.

Total capital employed amounted to MSEK 15,712 (14,736). Average capital employed during the year was MSEK 16,401 (11,228). Return on capital employed was 2% (24).

The SAS Group's change in shareholders' equity

MSEK	Share capital[1]	Other contributed capital[2]	Hedging reserves	Translation reserve	Retained earnings[3]	Total equity attributed to Parent Company owners	Non-controlling interests	Total equity
Opening balance, November 1, 2012	6,613	337	-12	29	4,189	11,156	-	11,156
Effect of new accounting policy					-11,044	-11,044	-	-11,044
Opening balance after adjustment for the new accounting policy, November 1, 2012	6,613	337	-12	29	-6,855	112	-	112
Change in holdings in subsidiaries						-	15	15
Comprehensive income, November–October			-23	-224	3,345	3,098	1	3,099
Closing balance, October 31, 2013	**6,613**	**337**	**-35**	**-195**	**-3,510**	**3,210**	**16**	**3,226**
New issue of preference shares	141				3,359	3,500		3,500
Issue costs					-96	-96		-96
Preference share dividend					-350	-350		-350
Other contributed capital		157				157		157
Change in minority share					6	6	-6	0
Comprehensive income, November–October			325	86	-1,958	-1,547	17	-1,530
Closing balance, October 31, 2014	**6,754**	**494**	**290**	**-109**	**-2,549**	**4,880**	**27**	**4,907**

1) Number of shares in SAS AB: 329,000,000 common shares with a quotient value of SEK 20.10 and 7,000,000 preference shares with a quotient value of SEK 20.10.
2) The amount comprises share premium reserves and the equity share of convertible loans.
3) No dividends were paid on common shares for 2012 and 2012/2013. Of the liability for preference-share dividends recognized for the year, MSEK 175 had been paid as of October 31, 2014.

SAS Group consolidated cash-flow statement

MSEK	Note	Nov 2013–Oct 2014	Nov 2012–Oct 2013
OPERATING ACTIVITIES			
Income before tax		-918	1,648
Depreciation and impairment		1,443	1,658
Income from the sale of aircraft, buildings and shares		7	-583
Adjustment for other items not included in the cash flow, etc.	35	-45	-916
Tax paid		-1	-1
Cash flow from operating activities before changes in working capital		**486**	**1,806**
Change in:			
Expendable spare parts and inventories		18	182
Operating receivables		442	-406
Operating liabilities		150	-554
Cash flow from changes in working capital		**610**	**-778**
Cash flow from operating activities		**1,096**	**1,028**
INVESTING ACTIVITIES			
Aircraft		-509	-1,058
Spare parts		-32	-257
Buildings, equipment and investment in progress		-190	-287
Shares and participations, intangible assets, etc.		-189	-178
Prepayments for flight equipment		-506	-97
Acquisition of shares	36	-687	-
Total investments		**-2,113**	**-1,877**
Sale of shares	37	688	-
Sale of subsidiaries	37	4	267
Sale of aircraft, spare engines and buildings		146	751
Income from sale and leaseback of aircraft		410	720
Sale of other non-current assets, etc.		384	-94
Cash flow from investing activities		**-481**	**-233**
FINANCING ACTIVITIES			
Proceeds from borrowings		1,679	3,115
Repayment of borrowings		-3,122	-1,580
Preference share issue		3,500	-
Dividend on preference shares		-175	-
Change in interest-bearing receivables and liabilities		168	-364
Cash flow from financing activities		**2,050**	**1,171**
Cash flow for the year		**2,665**	**1,966**
Translation difference in cash and cash equivalents		1	-4
Cash and cash equivalents at beginning of the year		4,751	2,789
Cash and cash equivalents at year-end	38	**7,417**	**4,751**

Comments on the consolidated cash flow statement

Cash flow from operating activities, before changes in working capital, amounted to MSEK 486 (1,806) for the full-year. Non-cash items mainly comprised a nonrecurring item of MSEK -1,044 pertaining to the impact on earnings from amended terms for pension commitments and the year's provision for restructuring costs of MSEK 1,036.

Change in working capital totaled MSEK 610 (-778), which was a clear improvement on the year earlier.The positive trend was attributable both to operating receivables, principally lower capital tied-up in accounts receivable and operating liabilities with a higher unearned transportation revenue liability.

Aircraft investments comprised one Airbus A330, which was acquired for MSEK 300 and MSEK 209 in capitalized expenditures for engine maintenance.

In October, Gardermoen Technical Base ANS was acquired for MSEK 687 to then be immediately divested and, thereafter, leased back from the new owners. During the year, 12 MD-82s and nine spare engines were sold. In addition, the sale and leaseback of one Boeing 737 NG was carried out and of the Airbus A330 that was acquired during the year.

In February a preference share issue was carried out that raised SEK 3.5 billion and, in March, a convertible bond loan totaling SEK 1.6 billion was issued. Repayments amounted to MSEK 3,122.

In all, the SAS Group's cash and cash equivalents increased MSEK 2,666 (1,962) during the fiscal year, whereupon cash and cash equivalents amounted to MSEK 7,417 (4,751).

Notes to the financial reports

Expressed in millions of Swedish kronor (MSEK) unless otherwise stated.

Note 1 Significant accounting policies

General

SAS AB (the "Company") and its subsidiaries (collectively referred to as the "Group") provide transportation services.

The core business of the Group is operating passenger flights on an extensive Nordic and international route network. The Group's three main operational hubs in Copenhagen, Stockholm and Oslo form the backbone of its flight network. In addition to passenger flights, the Group provides air cargo and other aviation services at selected airports in the Group's route network.

SAS AB is a Swedish public limited company domiciled in Stockholm and the address of its head office is Frösundaviks allé 1, Solna, Stockholm. SAS AB is the Parent Company of the SAS Group.

The consolidated financial statements have been prepared in accordance with the EU-approved International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) that apply for the fiscal year starting on November 1, 2013. These standards have been consistently applied to all periods presented in the consolidated financial statements. The financial statements have been prepared on a cost basis, except for the remeasurement of financial assets and liabilities. The principal accounting policies adopted are set out below.

Accounting estimates and assumptions in the financial statements

The preparation of financial statements in accordance with IFRS requires management to perform estimates and assumptions that influence the application of the accounting policies and the carrying amounts of assets, liabilities, revenue and expenses. Actual outcome may differ from these estimates and assumptions.

The estimates and assumptions are regularly reviewed. Changes in estimates are recognized in the period in which the change is made if the change affects only that period, or in the period in which the change is made and future periods if the change affects both the current and future periods. For more information, see "Critical accounting judgments and key sources of estimation uncertainty" below.

New and amended standards and interpretations 2013/2014

IAS 19 – Employee Benefits (Amended) means that it is no longer permitted to defer recognition of certain deviations in estimates (the "corridor approach" has now been eliminated) and all deviations in estimates are to be immediately recognized in other comprehensive income. Pursuant to the amended standard, accumulated unrecognized deviations "Unrecognized actuarial gains and losses and plan amendments" will be recognized in their entirety in shareholders' equity, which had a negative impact of about SEK 10.3 billion on the Group's shareholders' equity. The Parent Company SAS AB's recognized shareholders' equity was not affected by this amendment. Furthermore, interest expense and expected return on plan assets are replaced with a "net interest," which is calculated using the discount rate used to measure the net defined-benefit pension liability or pension assets. SAS classifies this net interest expense as a payroll expense and recognizes the net interest expense in profit or loss. Recognition of actuarial gains and losses as well as plan amendments also meant that deferred tax liabilities related to pensions were dissolved when the temporary difference between the accounting and tax values disappeared. The effect of this reversal of deferred tax liabilities related to pensions amounted to approximately SEK 1.5 billion, which had a positive impact on the SAS Group's shareholders' equity.

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

Taken together, the above means that the total negative effect on the Group's shareholders' equity from the implementation of the amended IAS 19 was about SEK 7.8 billion.

As part of implementing the amended accounting standard, reported figures for the preceding fiscal year (2012/2013) were restated to enable comparison with the 2013/2014 fiscal year. The effects of the restatement of the SAS financial statements for 2012/2013 can be found at www.sasgroup.net, under Investor Relations/Reports and Presentations/Interim reports. The effect for the full-year is detailed in the consolidated statement of changes in equity on page 30.

As a result of the changes in IAS 19, the Swedish Financial Reporting Board has withdrawn UFR 4 Accounting for special payroll tax and tax on returns. Instead, the Group will report special payroll tax in line with the rules in IAS 19, which means that those actuarial assumptions made in the calculation of defined-benefit pension plans must also include taxes payable on pension benefits.

In November 2012, new collective agreements were signed with flight crew in Scandinavia. Among other things, the new agreements mean that the defined-benefit pension plans were, largely, replaced with defined-contribution pension plans effective as of the first quarter of 2013/2014. When the changes pertaining to the new pension terms were reported in the first quarter of 2013/2014, the pension commitment was reduced by about SEK 12.9 billion, plan assets were reduced by about SEK 12 billion and operating income improved by about SEK 1 billion. The change in operating income resulting from the amended terms (MSEK 1,044) was classified as a nonrecurring item.

At October 31, 2012, pension commitments totaled SEK 33.5 billion. In the 2012/2013 fiscal year, pension commitments were reduced by about SEK 5 billion and following recognition of the transition to defined-contribution pension plans, the total reduction was about SEK 18 billion. Since some employees already have early retirement and part-time pensions in place, this commitment will decrease further over the next five years and, as a result of the changed terms, at the end of the 2017/2018 fiscal year, pension commitments are expected to have been reduced by an amount corresponding to about 60% of the original pension commitments. At October 31, 2013, pension commitments amounted to SEK 28.5 billion and at October 31, 2014 to SEK 18.4 billion.

Taken together, the above means that the total negative effect on the Group's shareholders' equity from the implementation of the amended IAS 19 and recognition of the amended terms in the first quarter of 2013/2014 was about SEK 6.8 billion.

IFRS 7 – Financial Instruments: Disclosures (amendment), applying to disclosures related to the offsetting of assets and liabilities.

IFRS 13 – Fair Value Measurement (new) aims to reduce complexity by providing a more precise definition of fair value and making disclosure requirements more standardized.

New standards, amendments and interpretations of existing standards where the amendments are not yet effective and have not been adopted early by the Group

The following new and amended standards, and interpretations of existing standards have been issued and are mandatory for the accounting of the Group for fiscal years beginning on or after November 1, 2014, but have not been adopted early:

IFRS 9 – Financial Instruments replaces the parts of IAS 39 relating to the classification and measurement of financial instruments. IFRS 9 provides that financial instruments be classified in two categories; those measured at fair value and those measured at amortized cost. Classification is established at initial recognition based on the company's business model and the characteristics of the contractual terms applying to cash flows. No material changes are implied for financial liabilities compared with IAS 39. Minor change applies to liabilities identified at fair value. This provides that the portion of change in fair value attributable to the credit risk be recognized in other comprehensive income instead of profit or loss if so doing does not give rise to accounting mismatch. The Group intends to apply the amended standard, at the latest, for the fiscal year starting January 1, 2018 and has as yet not evaluated its effects. The standard has yet to be adopted by the EU.

IFRS 10 – Consolidated Financial Statements (new) provides further guidance in determining whether control of a company is exercised through the owners' voting rights or through other contractual arrangements.

IFRS 12 – Disclosures of Interests in Other Entities (new) includes the disclosure requirements for subsidiaries, joint arrangements, affiliated companies and unconsolidated structured entities.

IFRS 15 – Revenue from Contracts with Customers governs how income recognition is performed and enters force on January 1, 2017. SAS has not yet evaluated its effects.

No other IFRS or IFRIC interpretations that have not yet come into effect are expected to have any material impact on the Group.

Principles of consolidation

The consolidated financial statements include the financial statements of the Parent Company and the entities controlled by the Company. Controlling influence (control) is achieved when the Group directly or indirectly owns more than 50% of the voting rights or has the right to shape or govern the financial and operating strategies of an entity so as to obtain economic benefits.

Entities in which the Group has an ownership interest of at least 20% and no more than 50%, or where the Group has significant influence by other means but cannot exercise control are affiliated companies. Affiliates are accounted for under the equity method of accounting.

The earnings of subsidiaries acquired during the year are included in the Group's earnings from the effective date of control. The separate net assets, both tangible and intangible, of newly acquired subsidiaries are consolidated into the financial statements on the basis of the fair value to the Group as of the effective date of control. The earnings of subsidiaries disposed of during the fiscal year are included in the Group's earnings up to the effective date of disposal.

Non-controlling interest in the net assets of consolidated subsidiaries is recognized in the consolidated balance sheet as a separate component of equity. The Group's earnings and components in other comprehensive income are attributable to the Parent Company's owners and to the non-controlling interests' owners, even if this generates a negative value for the non-controlling interest. All intra-Group transactions, balance-sheet items, revenue and expenses are eliminated on consolidation.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of acquisition when controlling influence is achieved) of the assets acquired, liabilities incurred or assumed, and equity shares issued by the Group in exchange for control of the acquiree. Acquisition-related expenses are recognized in profit or loss when they are incurred. The cost also includes fair value at the date of acquisition for the assets or liabilities that arise from any agreement governing a contingent consideration. Changes to fair value for a contingent consideration that arise due to additional information received after the acquisition date regarding facts or conditions present at the acquisition date, qualify as adjustments during the measurement period and are adjusted retroactively, with a corresponding adjustment of goodwill. All other changes to fair value for contingent considerations that are classified as assets or liabilities are recognized in accordance with the applicable standard. Contingent considerations classified as equity are not remeasured and any subsequent adjustment is reported in equity.

The acquiree's identifiable assets, liabilities and contingent liabilities that qualify for recognition under IFRS 3 Business Combinations are recognized at fair value on the acquisition date, with the following exceptions:

- Deferred tax assets, or liabilities and assets or liabilities attributable to the acquiree's agreement governing employee remuneration are recognized and measured pursuant to IAS 12 Income Taxes and IAS 19 Employee Benefits respectively.
- Liabilities or equity instruments attributable to the acquiree's share-based allocations or to the exchange of the acquiree's share-based allocations against the acquirer's share-based allocations are measured at the acquisition date in accordance with IFRS 2 Share-based Payment.
- Non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured pursuant to that standard.

For each business combination, the non-controlling interest in the acquiree is measured either at fair value or at the value of the proportional share of the acquiree's identifiable net assets. In the case of step acquisitions, previously held equity shares in the acquiree are remeasured at fair value at the date of acquisition (i.e. when controlling influence is achieved). Any gain or loss is recognized in profit or loss. Any changes in the value of the previously held equity shares recognized in other comprehensive income prior to the acquisition date are reclassified and recognized in profit or loss on the same basis as would be required if these shares had been sold. In business combinations where the sum of the cost, any non-controlling interests and fair value at the acquisition date for previously held equity exceeds fair value at the date of acquisition on identifiable acquired net assets, the difference is recognized as goodwill in the balance sheet. If the difference is negative, this is recognized as a gain from a bargain purchase directly in profit or loss, following a review of the difference.

Transactions with non-controlling interests

Changes in the Parent Company's share in a subsidiary that do not lead to a loss of controlling influence are recognized as equity transactions (in other words, as transactions with the Group's owner). Any difference between the sum by which the non-controlling interest has been adjusted and the fair value of the consideration made or received is recognized directly in equity and distributed to the Parent Company's owners.

Loss of controlling influence

When the Parent Company loses controlling influence of a subsidiary, the profit or loss is calculated at the divestment as the difference between:

- the sum of the fair value for the consideration received and the fair value of any remaining holdings and
- the previously recognized values of the subsidiary's assets (including goodwill) and liabilities as well as any non-controlling interest.

When the divested subsidiary has assets measured according to the revaluation method or at fair value and the attributable accumulated gains or losses have been recognized in other comprehensive income and accumulated in equity, these sums, which were previously recognized in other comprehensive income and accumulated in equity, are recognized as if the Parent Company had divested the assets directly, resulting in a reclassification to income or direct transfer to retained earnings.

The fair value of the remaining holdings in the former subsidiary at the date controlling influence is lost is viewed as the fair value at the first accounting opportunity for a financial asset pursuant to IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost at the first accounting opportunity for an investment in an affiliated company or jointly controlled entity.

Investments in affiliated companies

Affiliated companies are accounted for using the equity method from the Group obtained date significant influence until the date that significant influence effectively ceased.

The earnings of affiliated companies are accounted for based upon the Group's proportional ownership of the earnings of these affiliated companies. Any losses arising from affiliated companies are recorded in the consolidated financial statements until the investment in such affiliated companies is impaired to zero. Thereafter, losses are only accounted for to the extent that the Group is committed to providing financial support to such affiliated companies.

The carrying amount of investments in affiliated companies represents the cost of each investment, including goodwill, the share of retained earnings following acquisition and any other changes in equity. The carrying amount of investments in affiliated companies is reviewed on a regular basis and if any decline in value has occurred, it is impaired in the period in which this occurred.

Profits and losses resulting from transactions with affiliated companies are eliminated in proportion to the Group's interest in these affiliated companies.

Discontinued operations and assets held for sale

When the Group intends to dispose of, or classify as "held for sale," a business component that represents a separate major line of business or geographical area of operations, it classifies it as discontinued. Net income from discontinued operations is recognized separately in profit or loss, separate from the other results of the Group, and the accounting for the comparative period is shown to present the discontinued operations separately from the continuing operations.

Assets held for sale are measured at the lower of carrying amount and fair value less selling costs. Fixed assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met when a decision has been made by the management and Board to dispose of the business, an active sales process has commenced, and the asset is available for immediate sale in its present condition, and it is highly probable that the sale will take place within one year.

Segment reporting

Since September 2013, when 80% of the shareholding in Widerøe's Flyveselskap AS was divested, SAS has been comprised of only one operating segment.

Geographic information about revenue from external customers and assets:

Traffic revenue from domestic services in Denmark, Norway and Sweden is allocated to Domestic. Traffic between the three countries is allocated to Intra- Scandinavian. Other traffic revenues are allocated to the geographical area where the destination is located.

Other revenue is allocated to a geographical area based on the customer's geographical location relating, for example, to goods exported to a customer in another country or, alternatively, the geographical location where the service is performed.

Assets broken down by geographic area do not include the Group's aircraft and spare parts. Since aircraft are utilized in a flexible manner across the route network, there is no justifiable basis for allocating these assets.

Foreign currency translation

The individual financial statements of the entities in the Group are measured in the functional currency of the entities, i.e., the currency of the primary economic environment in which they operate.

Transactions in currencies other than the entity's functional currency (foreign currencies) are remeasured at the exchange rates prevailing on the transaction dates. At each closing date, monetary assets and liabilities denominated in foreign currencies are retranslated at the closing-date exchange rates. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of cost in a foreign currency are not retranslated.

Exchange differences arising from the retranslation are recognized as a gain or loss in the period in which they arise except for exchange differences on transactions entered into to hedge net investments in foreign subsidiaries and exchange differences relating to monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur and, which form part of the net investment in a foreign operation. These differences are recognized in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at the closing-date exchange rates. Revenue and expense items are translated at the average exchange rates for the period, provided that exchange rates do not fluctuate substantially in the period. In the latter case, the exchange rate on the transaction date is applied. Any translation differences are recognized in other comprehensive income.

The exchange rates applied in the translation of the financial statements for consolidation purposes are as follows:

Exchange rates

			Closing rate		Average rate	
			Oct 31, 2014	**Oct 31, 2013**	**Nov 2013–Oct 2014**	**Nov 2012–Oct 2013**
Denmark	DKK	100	124.08	118.03	121.0	115.48
Norway	NOK	100	109.59	108.72	109.03	112.67
U.S.	USD		7.35	6.42	6.67	6.55
U.K.	GBP		11.76	10.30	11.07	10.22
Switzerland	CHF	100	766.03	713.46	739.84	703.77
Japan	JPY	100	6.61	6.53	6.49	7.07
EMU countries	EUR		9.24	8.80	9.02	8.61

Financial instruments

Financial instruments are recognized in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument and are then measured at amortized cost or fair value depending on their initial classification according to IAS 39.

Amortized cost is calculated using the effective-interest method, where any premiums or discounts and directly attributable expenses and revenue are capitalized over the contract period using the effective interest rate. The effective-interest rate is the rate that yields the instrument's cost when calculating the present value of future cash flows.

Fair value is generally determined by reference to official market quotes. When market quotes are not available, the fair value is determined using generally accepted valuation methods such as discounted future cash flows based on observable market inputs.

Financial assets

Financial assets are divided into the following categories: available-for-sale, financial assets remeasured at fair value in profit or loss as well as loan receivables and accounts receivable. The categorization depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loan receivables and accounts receivable

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

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

Cash and cash equivalents

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

Financial liabilities and equity

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

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

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

Accounts payable

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

Borrowings

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

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

Composite financial instruments

The components in a combined financial instrument (convertible bond) issued by SAS are classified separately as financial liabilities and equity instruments respectively in line with the contract terms and definitions of a financial liability and equity instrument. The conversion option, which will be regulated by the exchange of a specific cash amount for a defined number of the company's own shares, is an equity instrument.

At the issue date, the debt component's fair value is determined by discounting at the current market interest rate for an equivalent debt with no conversion option. This amount is recognized as a debt and then measured at amortized cost until the debt is extinguished on conversion or reaching its maturity date.

The conversion option is classified as an equity instrument and its value is determined by deduction of the debt component from the combined financial instrument's fair value. This value is reported as equity and is not subsequently revalued. No profit or loss is reported on conversion or when the conversion option expires.

Transaction costs directly attributable to the issue of the combined financial instrument are allocated proportionately to the debt or equity component based on the initial distribution of funds received. Transaction costs attributable to the equity component are recognized directly in equity. Transaction costs attributable to the debt component are included in the debt's carrying amount and allocated over the term of the liability using the effective-interest method.

Derivative financial instruments

The Group holds various financial instruments to manage its exposure to foreign currency, interest-rate and fuel risks.

All derivatives are measured at fair value and recognized either as assets or liabilities depending on whether the fair value of the instrument is positive or negative.

The accounting for changes in fair value depends on whether or not the derivative has been designated and qualifies as an accounting hedge and on the type of hedge. If a derivative is designated as a hedging instrument in a fair-value hedge, the changes in the fair value of the derivative and the hedged item are recognized in profit or loss in the line of the consolidated income statement relating to the hedged item. If a derivative is designated as a hedging instrument in a cash-flow hedge or a net investment hedge, the effective portion of changes in the fair value of derivative financial instruments is recognized in other comprehensive income and accrued in the hedging reserve in equity. The ineffective portion of cash-flow hedges is recognized directly in profit or loss. Amounts recognized in equity are reversed in profit or loss in the periods when the hedged item is recognized in profit or loss. For a derivative not designated as a hedging instrument, the gain or loss is recognized in profit or loss in the period when the change arose.

In order for hedge accounting to be applied, its effectiveness has to be demonstrated at inception and on an ongoing basis during the hedge period. A requirement for hedging of forecast cash flows is that it is highly probable that the forecast event will occur.

Tangible fixed assets

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

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

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

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

Asset class	Depreciation
Aircraft	20 years[1]
Spare equipment and spare parts	20 years[1]
Engine components (average)	8 years
Workshop and aircraft servicing equipment	5–10 years
Other equipment and vehicles	3–5 years
Buildings	5–50 years

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

Leasing

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

The Group as lessee

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

Gains on the sale and leaseback of property and equipment that gave rise to finance leases are deferred and allocated over the lease term.

Sale and leaseback agreements are classified according to the above-mentioned principles for finance and operating leases.

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

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

The Group as lessor

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

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

Intangible assets

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

Intangible assets are recognized in the balance sheet when:

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

Goodwill is recognized in the balance sheet as an intangible asset at cost less accumulated impairment losses. Goodwill represents the value by which the total cost of acquisitions, any holdings without controlling influence and fair value at the acquisition date exceeds the fair value at the acquisition date of identifiable acquired net assets.

Gains or losses on the disposal of an entity include the remaining carrying amount of goodwill relating to the entity sold.

Goodwill is assessed as having an indefinite useful life. Goodwill is allocated to the smallest possible cash-generating unit (CGU) and the carrying amount is tested at least once a year for any impairment. However, testing for impairment takes place more frequently if there are indications that a loss in value has occurred. A discounted cash-flow analysis is carried out based on the cash flows of the CGU and comparing the carrying value of the CGU's assets with their recoverable amount. These cash flows are discounted at rates that the Group estimates to be the risk-affected average cost of capital for the particular businesses. Any impairment is recognized immediately in profit or loss.

Development costs that do not meet the criteria specified above are expensed in the period they arise. Costs for systems development are recognized as an asset provided that they meet the criteria specified above. Capitalized development costs are amortized on a straight-line basis over the expected useful life of the asset, which amounts to between three and 15 years. Amortization of capitalized development costs is included in the depreciation/amortization item in the statement of income.

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

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

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

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

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

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

Remuneration of employees
Pensions

The Group has various pension plans for its employees. These vary considerably due to different legislation and agreements on occupational pension systems in the individual countries. Previously, most personnel pension plans in Scandinavia were defined-benefit plans. In November 2012, new collective agreements were signed with flight crew. Among other things, the new agreements mean that the defined-benefit pension plans were, largely, replaced with defined-contribution pension plans effective as of the first quarter of 2013/2014.

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

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

IAS 19 Employee Benefits (Amended) means that it is no longer permitted to defer recognition of certain deviations in estimates (the "corridor" approach has now been eliminated) and all estimates are to be immediately recognized in other comprehensive income.

Termination benefits

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

Revenue recognition
Passenger revenue

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

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

Charter revenue

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

Mail and freight revenue

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

Interest income

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

Other revenue

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

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

Under IFRIC 13, the allocation of loyalty points must be shown as a separate transaction when purchasing airline tickets. The portion of the ticket price allocated to loyalty points is measured at fair value and not recognized as revenue until the period in which the obligation is fulfilled.

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

Taxes
Current tax for the period is based on earnings for the period, adjusted for non-tax-deductible costs and revenue not liable to tax. The current tax is calculated on the basis of tax rates applying on the closing date.

Deferred tax is recognized according to the balance sheet method whereby temporary differences, differences between the recognized and fiscal value of assets or liabilities, result in a deferred tax asset or deferred tax liability. A deferred tax liability is recognized for all temporary differences liable to tax, while a deferred tax asset is recognized to the extent it is probable that a taxable surplus will be created against which the deductible temporary difference can be utilized or before the right to utilize the loss carry-forward is lost.

A deferred tax liability is recognized for all taxable temporary differences attributable to investments in subsidiaries and affiliated companies except in cases where the Group can control the timing of reversal of the temporary differences, and it is probable that such reversal will not take place in the foreseeable future.

Deferred tax is estimated on the basis of the tax rates and tax rules that have been decided or announced as of the closing date. Deferred tax is expensed, except when it relates to items charged or credited in other comprehensive income or in equity, in which case the deferred tax is also dealt with in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are recognized net if the items pertain to the same tax authority.

Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements and application of accounting policies are often based on management's assessments or on estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Below is an overall description of the accounting policies affected by such estimates or assumptions that are expected to have the most substantial impact on the SAS Group's reported earnings and financial position. For information about the carrying amount on the closing date, see the balance sheet with accompanying notes.

Estimated useful lives of tangible fixed assets

The Group Management periodically reviews the appropriateness of the useful lives of its tangible fixed assets. The review is based on the current condition of the assets, the estimated period during which they will continue to bring economic benefit to the Group, historic information on similar assets and industry trends.

Any changes in the useful life of property and equipment are recognized prospectively in profit or loss.

Impairment of assets

The Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets are impaired. In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate CGU.

Management is required to make certain assumptions in estimating the value of the assets, including the timing and value of cash flows to be generated from the assets. The cash-flow projections are based on reasonable assumptions that represent management's best estimate of the set of economic conditions that will exist over the remaining useful life of the asset and are based on the most recent financial plan that management has approved. Due to its subjective nature, these estimates will likely differ from future actual results of operations and cash flows, any such difference may result in impairment in future periods.

Pensions

Pension assumptions are an important element in the actuarial methods used to measure pension commitments and asset valuations and significantly affect the recognized pension obligation, pension assets and the annual pension cost. The most critical assumptions are the discount rate, inflation and expected salary adjustments.

The measurement to be applied under IAS 19 when measuring defined-benefit plans is known as the projected unit credit method. This method requires several assumptions (actuarial assumptions) for calculating the present value of the defined-benefit obligation. Actuarial assumptions comprise both demographic and financial assumptions. Since assumptions must be neutral and mutually compatible, they should be neither imprudent nor overly conservative. They should reflect the economic relationships between factors such as inflation, rates of salary increase, the return on plan assets and discount rates. This means that they should be realistic, based on known financial relations and reflect SAS's best assessment of the factors that will determine the ultimate cost of providing post-employment benefits, that is pension costs.

In calculating pension obligations, the current service cost and return on funded assets, locally set parameters are applied in the respective countries on the basis of the local market situation and expected future trends. This means that the parameters are based on market expectations at the end of the reporting period regarding the time period in which the obligation will be settled.

The discount rate has been determined on the basis of market yields on high-quality corporate bonds (mortgage bonds). The tenor of the bonds reflects the estimated timing and size of pension payments (duration) as well as the currencies these payments are expected to be made in.

Other financial assumptions are based on anticipated developments during the term of the obligation. The assessment of future salary adjustments corresponds to the assumed rate of inflation in the respective countries and life expectancies are set under Finansinspektionen's Regulatory Code FFFS:2007:31 for Sweden and K2009 for Norway, refer to Note 15 for additional information.

As a consequence of the amended IAS 19, the interest expense on the obligation and the expected return on plan assets have been replaced with a "net interest expense," which is calculated using the discount rate. SAS classifies this net interest expense as a payroll expense and recognizes the net interest expense in profit or loss.

Deviations can arise if the discount rate changes (a lower discount rate increases the present value of the pension liability and the annual pension cost), or if actual inflation levels, salary adjustments and life expectancies deviate from the Group's assumptions. Any change in these assumptions could potentially result in a significant change to the pension assets, obligations and pension costs in future periods.

During the year, the discount rate was lowered in all of the countries from an average of 4.16% to 2.98%, which has resulted in a substantial negative impact on other comprehensive income of SEK 2.6 billion. In addition, more people than estimated remain in the defined-benefit pension plans, primarily in Norway, which is due to individuals, currently reported sick, not yet being transferred to a defined-contribution pension plan. Furthermore, more people than calculated have used the opportunity to take early and/or part-time pensions, which was possible for a limited period in conjunction with the collective agreement negotiations in November 2012. This negatively impacted other comprehensive income in an amount of SEK 0.5 billion, which was recognized under experience gains/losses. However, the return on plan assets exceeded the discount rate, which entailed a positive impact on other comprehensive income of SEK 1.9 billion.

Sensitivity to changes in individual parameters can be estimated as follows: A one percentage point change in the discount rate of interest has approximately a SEK 2.6 billion impact on the obligation and a one percentage point change in the inflation assumption has an impact of about SEK 2.0 billion. A one percentage-point change in the actual return on plan assets compared with the discount rate has an impact of approximately SEK 0.2 billion on the fair value of plan assets.

Deferred taxes

The Group recognizes deferred tax assets at each balance-sheet date to the extent that it is probable that they will be utilized in future periods. This determination is based on estimates of future profitability. A change in these estimates could result in a decrease in deferred tax assets in future periods for assets that are currently recognized in the consolidated balance sheet. In estimating levels of future profitability, historical results of operations in recent years are considered and, if necessary, the implementation of prudent and feasible tax planning strategies to generate future profitability would be considered. If future profitability is less than the amount that has been assumed in determining the deferred tax asset, then a decrease in deferred tax assets will be required, with a corresponding charge in profit or loss, except in cases where it is related to items recognized directly in equity. If future profitability exceeds the level that has been assumed in calculating the deferred tax asset, an additional deferred tax asset can be recognized, with a corresponding credit in profit or loss, except to the extent that the deferred tax arises from a business combination.

A change in these estimates could also result in the impairment of deferred tax assets in future periods for assets that are currently recognized in the balance sheet.

Litigations
The Group is involved in litigations and other claims in the ordinary course of its business activities. Management judgment is required in determining the likelihood of the outcome. Actual results of the outcome could differ from management's estimate, which would impact the Group's earnings (see also the Report by the Board of Directors: Legal issues).

Parent Company accounting policies
The Parent Company has prepared its financial statements according to the Swedish Annual Accounts Act and Swedish Financial Reporting Board recommendation RFR 2 Accounting for Legal Entities as well as applicable statements from the Swedish Financial Reporting Board. Under RFR 2, the Parent Company, in preparing the annual financial statements for the legal entity, applies all EU-approved IFRSs and statements insofar as this is possible within the framework of the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act and with respect to the connection between accounting and taxation. The recommendations specify which exceptions and additions are to be made from and to IFRS.

The differences between the Group's and the Parent Company's accounting policies are listed below:
Pensions: Current pension premiums are recognized as an expense.

Shares in subsidiaries and affiliated companies: Recognized at cost. Acquisition-related expenses for subsidiaries that are charged in the consolidated financial statements, are included as part of the cost for holdings in subsidiaries.

Other shares and participations: Recognized at cost.

Hedging of net investments in foreign operations: Translation differences relating to currency hedging are recognized in the statement of income.

Note 2 Revenue

	Nov 2013–Oct 2014	Nov 2012–Oct 2013
Traffic revenue:		
Passenger revenue	28,710	31,739
Charter	2,108	2,066
Mail and freight	1,279	1,289
Other traffic revenue	1,803	2,353
Other operating revenue:		
In-flight sales	242	169
Ground handling services	1,322	1,161
Technical maintenance	183	179
Terminal and forwarding services	369	412
Sales commissions and charges	735	758
Other operating revenue	1,255	2,056
Total	**38,006**	**42,182**

Note 3 Payroll expenses

Average number of employees

In 2013/2014, the average number of employees in the SAS Group was 12,329 (14,127). A breakdown of the average number of employees by country is provided in the table below.

The average number of employees totaled 4,082 (4,387) in Denmark, 3,762 (5,127) in Norway, and 3,748 (3,821) in Sweden.

	Nov 2013–Oct 2014		Nov 2012–Oct 2013	
	Men	Women	Men	Women
Denmark	2,560	1,522	2,385	2,002
Norway	2,199	1,563	3,481	1,646
Sweden	2,280	1,468	2,378	1,443
Finland	151	151	164	152
Estonia	33	85	28	71
Other countries	172	145	200	177
Total	**7,395**	**4,934**	**8,636**	**5,491**
Total men and women	**12,329**		**14,127**	

Gender breakdown among senior executives in the Group

	2014		2013	
	Total on closing date	of which Men	Total on closing date	of which Men
Board members	45	91%	39	79%
President and other senior executives	35	63%	30	67%

Salaries, remuneration and social security expenses

The SAS Group's total payroll expenses amounted to MSEK 8,777 (10,794), of which social security expenses comprised MSEK 1,377 (1,508) and pensions MSEK 33 (844).

Salaries, remuneration and social security expenses included restructuring costs of MSEK 394 (40).

	Nov 2013–Oct 2014		Nov 2012–Oct 2013	
	Salaries & other remuneration	Soc. sec. exp. (of which pension cost)[1]	Salaries & other remuneration	Soc. sec. exp. (of which pension cost)[1]
SAS AB	22	12 (6)	60	31 (16)
SAS Consortium	4,396	793 (-205)	6,702	2,034 (755)
Other subsidiaries	2,949	605 (232)	1,680	287 (73)
SAS Group total	**7,367**	**1,410 (33)**	**8,442**	**2,352 (844)**

1) The pension cost for all CEOs and other senior executives of SAS Group companies amounted to MSEK 14 (13).

A breakdown of the salaries and other remuneration of Board members, CEOs, other senior executives and other employees is provided below.

	Nov 2013–Oct 2014		Nov 2012–Oct 2013	
	Board, CEO & senior executives (of which variable salary)	Other employees	Board, CEO & senior executives (of which variable salary)	Other employees
SAS AB	17 (-)	5	25 (-)	35
SAS Consortium	22 (-)	4,374	11 (-)	6,691
Ground Handling operations[1]	22 (-)	2,620	2 (1)	397
Blue1	6 (-)	198	13 (-)	161
Widerøe's Flyveselskap	- (-)	-	2 (0)	1,014
SAS Cargo	6 (-)	80	7 (0)	71
Other subsidiaries	2 (-)	15	1 (-)	12
SAS Group total	**75 (-)**	**7,292**	**61 (1)**	**8,381**

1) Operations comprise the Sep–Oct 2013 comparative period only and were previously included under SAS Consortium.

Pension costs	Nov 2013–Oct 2014	Nov 2012–Oct 2013
Defined-benefit pension plans	-1,032	431
Defined-contribution pension plans	1,065	413
Total	**33**	**844**

The 2013/2014 fiscal year includes a positive impact on earnings of MSEK 1,044 due to defined-benefit pension plans largely being replaced by defined-contribution pension plans during the first quarter of 2013/2014.

Remuneration and benefits paid to the Board, President and other senior executives

The fees and other remuneration paid to Board members of SAS AB are determined by the Annual General Shareholders' Meeting (AGM), which also approves the policies applied for the remuneration of senior executives.

Board of Directors

At the AGM of SAS AB on February 18, 2014, fees were set for the remuneration of Board members and for work on Board committees as follows:

Board Chairman	TSEK 410
Board First Vice Chairman	TSEK 242
Board Second Vice Chairman	TSEK 242
Other Board members (8 persons)	TSEK 207 per member
Employee deputies (6 persons)	TSEK 1 study fee/Board meeting TSEK 3.5 fee/Board meeting on participation
Chairman of Audit Committee	TSEK 66
Other members of Audit Committee (2 persons)	TSEK 31
Chairman of Remuneration Committee	TSEK 49
Other members of Remuneration Committee (2 persons)	TSEK 17

With the exception of the employee representatives and their deputies, no member of the Board was employed by the SAS Group in the 2013/2014 fiscal year. No Board member not employed by the SAS Group received any remuneration or benefit from any company in the SAS Group beyond customary airline-industry travel benefits and the fees received for board and committee duties.

Policies

The following remuneration policies, adopted by the AGM have been applied in the 2013/2014 fiscal year in regard to senior executives in the SAS Group. In this connection, senior executives refers to the President and the other members of the SAS Group Management. During the 2013/2014 fiscal year, there were a total of seven other members of the SAS Group Management.

The total remuneration to senior executives must be market-based and competitive as well as reflect the level of responsibility and authority. Remuneration consists of fixed salary, other benefits and pension. Agreements concluded previously with some senior executives that contain partially deviating conditions governing pensions and termination will be respected until they cease or are renegotiated.

The Board can depart from the guidelines if, in an individual case, particular reasons exist for so doing.

The SAS Group's overall remuneration model is based on the following five cornerstones:

- Salary setting shall be individual and differentiated
- Salary setting shall be national and adapted to the market
- Salary setting shall be an important management tool in reaching the organization's targets
- Salary setting shall motivate professional and personal advancement.
- Pension benefits shall be defined-contribution with premiums not exceeding 30% of the fixed annual salary.

President and CEO Rickard Gustafson has the following remuneration components in his employment contract:

- An annual salary, which is subject to salary review in January of each year. In the 2013/2014 fiscal year, the annual salary was unchanged at TSEK 8,000.
- A defined-contribution pension plan where 30% of the fixed salary is paid as premiums to an agreed pension insurance. Retirement age is 62 years.
- The notice period is six months in the event the President resigns and 12 months if the termination of employment is by SAS AB. Severance pay for the President in the event employment is terminated by SAS AB for reasons other than material breach of contract, gross neglect of his duties as President or criminal acts against the SAS Group is payable in an amount equivalent to 12 months' salary. Should new employment be obtained within 12 months of employment ending, the severance pay awarded is reduced by an amount corresponding to the remuneration received from the new position.

Deputy Presidents

During the 2013/2014 fiscal year, the SAS Group had two deputy presidents, Henriette Fenger Ellekrog (Deputy President and Executive Vice President HR & Communication) and Göran Jansson (CFO).

Henriette Fenger Ellekrog has had the following remuneration components in her employment contract:

- An annual salary, which is subject to salary review in January of each year. In the 2013/2014 fiscal year, the annual salary was unchanged at TDKK 3,157, corresponding to TSEK 3,820.
- A defined-contribution pension plan where 30% is paid into an insurance plan. Retirement age is 65.

Göran Jansson has the following remuneration components in his employment contract:

- An annual salary, which is subject to salary review in January of each year. In the 2013/2014 fiscal year, the annual salary was unchanged at TSEK 3,950.
- A defined-contribution pension plan where 29.8% of salary is paid into a chosen insurance plan. Retirement age is 60.

The notice period is six months in the event that Henriette Fenger Ellekrog and Göran Jansson resign and 12 months if the termination of employment is by SAS AB.

Severance pay is payable to the deputy presidents in the event their employment is terminated by SAS AB for reasons other than material breach of contract, gross neglect of their duties as deputy president or criminal acts against the SAS Group in an amount equivalent to 12 months' salary, with offsetting against income from any other appointment or engagement.

Severance pay is also payable on the resignation of a senior executive when the responsibilities or authorities of the senior executive are materially changed through organizational changes. However, severance pay in the above case is not payable if the senior executive is offered another relevant position in the SAS Group.

Other senior executives

Four of the five other current members of Group Management have defined-contribution pension plans where a pension provision of 15–30% of fixed base salary is made. The retirement age for two of the members is 65, for one of the members 60 and for one member 67. One member has a defined-benefit pension plan with a retirement age of 60. The notice period for all other members of Group Management is 12 months in the event the termination of employment is by SAS AB and six months in the event the employee resigns.

Severance pay for these senior executives is set according to the same policies as for the two current deputy presidents, but with the difference that the severance pay, pursuant to already signed agreements, for one executive totals an amount equivalent to an annual salary for two years, with a deduction for income from a new appointment or engagement of no more than 50% of the total severance pay.

The Board determined to introduce a variable remuneration model for one member of Group Management. For this remuneration model, a target salary of 100% applies, which comprises a fixed base salary of 60% and a variable salary of 40%. The variable salary portion is based on the outcome in relation to preset targets and is set in a target contract. The remuneration policies adopted by the AGM permit the Board to deviate from the guidelines on an individual basis if particular reasons exist for so doing. The Board is of the opinion that particular reasons do exist for deviation from the policies regarding no variable remuneration to Group Management, since (i) the model was introduced in parallel with a substantial reduction in the members of the Group Management's annual salary and (ii) since the variable salary applies to the member of Group Management who is responsible for Commercial, which is a functional area where variable salary is an established market standard.

Share price-related remuneration

Because the SAS Group does not have a share price-related incentive program, no such benefits were allotted to any senior executives in the SAS Group.

Other

Other typical managers' contracts in the SAS Group are based on the five cornerstones outlined under the "Policies" heading above.

In 2014, total remuneration comprised fixed salary, other benefits and pension. However, a variable remuneration model was introduced for management and employees in the sales organization in 2013. The remuneration model comprises a target salary, comprising fixed base salary corresponding to 60–80% of the target salary and variable salary corresponding to 20–40% of the target salary. The variable salary component is based on outcomes in relation to predetermined individual sales targets that are contracted annually in a performance contract.

Discussion and decision-making process

The issue of the Directors' fees is discussed by the Nomination Committee, which consists of representatives elected at the AGM. The Nomination Committee presents its proposal concerning Directors' fees to the Shareholders' Meeting for resolution.

The primary task of the Board-created Remuneration Committee is to prepare, for the decision of the Board, proposals pertaining to the President's salary and other employment terms, and to prepare and propose the main policies and general conditions applying to the setting of salaries and other remuneration and employment terms (including, where applicable, variable salary, pension and severance pay policy) for senior executives and other management in the SAS Group. The Board presents the proposals regarding policies for remuneration and other employment terms for the Group Management to the AGM for resolution.

During the year, the Remuneration Committee discussed and presented recommendations to the Board regarding general guidelines for remuneration policies in the SAS Group, including policies and levels for the discontinued variable salary based on the Group's earnings. The Board discussed the Remuneration Committee's recommendations and made decisions accordingly. Remuneration of other senior executives than the President was decided by the President after consultation with the Remuneration Committee and in line with the policies approved by the Shareholders' Meeting.

The Remuneration Committee held three recorded meetings in the 2013/2014 fiscal year in addition to a number of informal discussions.

Remuneration and benefits paid to the President and other senior executives in Nov 2013–Oct 2014, TSEK

Name	Fixed base salary [1]	Other benefits [3]	Total of fixed salary and other benefits	Pension premium
Rickard Gustafson	8,133	188	8,321	2,520
Henriette Fenger Ellekrog [2]	4,298	166	4,464	1,146
Göran Jansson	4,016	98	4,114	1,210
Other [2,4]	21,937	694	22,631	4,176

1) Includes holiday compensation.
2) Converted to TSEK.
3) Other benefits include company car, health insurance and group life insurance.
4) Four members for the full fiscal year and one member for nine months.

Note 4 Other operating expenses

	Nov 2013– Oct 2014	Nov 2012– Oct 2013
Selling and distribution costs	2,228	2,444
Jet fuel	8,806	9,046
Government user fees	3,962	4,154
Catering costs	756	981
Handling costs	1,703	1,649
Technical aircraft maintenance	2,468	2,566
Computer and telecommunications costs	1,067	981
Other	4,132	3,621
Total	**25,122**	**25,442**

Note 5 Depreciation, amortization and impairment

	Nov 2013– Oct 2014	Nov 2012– Oct 2013
Intangible assets	92	47
Aircraft	1,213	1,377
Spare engines and spare parts	57	107
Workshop and aircraft servicing equipment	18	35
Other equipment and vehicles	28	49
Buildings and fittings	35	43
Total	**1,443**	**1,658**

Note 6 Share of income and equity in affiliated companies

Share of income in affiliated companies:	Nov 2013– Oct 2014	Nov 2012– Oct 2013
Air Greenland A/S[1]	23	23
Flyrail AB	0	-3
Malmö Flygfraktterminal AB	7	5
Other	0	0
Total	**30**	**25**
Total revenue of affiliated companies	1,610	1,540
Income after tax in affiliated companies	79	78

1) The share of income includes adjustment of last year's income figure by MSEK 0 (-4).

				Share of equity	
Equity in affiliated companies:	Corporate registration number	Domicile	Share of equity %	Oct 31, 2014	Oct 31, 2013
Air Greenland A/S	30672	Nuuk, Greenland	37.5	377	338
Malmö Flygfraktterminal AB	556061-7051	Malmö, Sweden	40.0	13	11
Other				5	3
Total				**395**	**352**
Total assets in affiliated companies				1,988	1,768
Total liabilities in affiliated companies				-936	-815
Shareholders' equity in affiliated companies				1,052	953

Note 7 Income from the sale of aircraft and buildings

	Nov 2013– Oct 2014	Nov 2012– Oct 2013
Airbus A330	36	-
Boeing 737	-4	-33
deHavilland Q400	-	-30
MD-82/83/87	-31	-47
Spare engines	-15	-8
Properties	-2	-
Total	**-16**	**-118**

Note 8 Income from other holdings of securities

	Nov 2013– Oct 2014	Nov 2012– Oct 2013
Capital gain from the sale of shares and participations	3	1
Impairment of shares	-18	-
Impairment of receivables	-34	-
Dividend	6	-
Total	**-43**	**1**

Note 9 Net financial items

Financial income	Nov 2013–Oct 2014	Nov 2012–Oct 2013
Interest income on financial assets not measured at fair value	29	14
Interest income on financial assets measured at fair value	73	37
Other financial income	0	0
Net profit/loss on financial instruments categorized as:		
Held for trading	0	-1
Total	**102**	**50**
Financial expenses		
Interest expense on financial liabilities not measured at fair value	-731	-732
Interest expense on financial liabilities measured at fair value	-103	-90
Other financial expenses	-319	-180
Exchange-rate differences, net	23	4
Net profit/loss on financial instruments categorized as:		
Held for trading	0	-1
Other liabilities	0	0
Hedge accounting		
Fair value hedge		
– of which change in fair value of hedging instrument	-20	-22
– of which change in fair value of hedged item	20	22
Ineffective portion of cash-flow hedge	-	-
Ineffective portion of net investment hedge in foreign operations	-	-
Total	**-1,130**	**-999**
Total, net financial items	**-1,028**	**-949**

Note 10 Tax

The following components are included in the Group's tax.

	Nov 2013–Oct 2014	Nov 2012–Oct 2013
Current tax	-1	-69
Deferred tax	200	-221
Total tax recognized in the income for the year	**199**	**-290**
Tax recognized in other comprehensive income	153	17
Total tax recognized in other comprehensive income	**153**	**17**

Current tax is calculated based on the tax rate in each country. Deferred tax is calculated at the tax rate expected to apply when the tax is realized.

Tax for the fiscal year can be reconciled against income before tax as follows:

	Nov 2013–Oct 2014	Nov 2013–Oct 2014 (%)	Nov 2012–Oct 2013	Nov 2012–Oct 2013 (%)
Income before tax	-918		1,648	
Tax according to rate in Sweden	202	22.0	-433	-26.3
Tax effect of income in affiliated companies	-9	-1.0	-10	-0.6
Tax effect of non-deductible costs	-27	-2.9	-23	-1.4
Tax effect of non-taxable income	0	0	406	24.6
Other	0	0	68	4.1
Tax effect of remeasurement of deferred tax	33	3.6	-298	-18.0
Tax and effective tax rate for the fiscal year	**199**	**21.7**	**-290**	**-17.6**

Deferred tax liability/tax asset:	Oct 31, 2014	Oct 31, 2013
Deferred tax liability	0	0
Deferred tax asset	1,111	800
Deferred tax asset, net	**1,111**	**800**

The tables below show the Group's most significant deferred tax liabilities and tax receivables according to category and how these liabilities and receivables changed.

Deferred tax liability in the balance sheet:	Oct 31, 2014	Oct 31, 2013
Non-current assets	1,481	1,512
Cash-flow hedges	92	–37
Pensions	481	443
Other temporary differences	229	263
Netting of deferred tax assets/liabilities	-2,283	-2,181
Total	**0**	**0**

Deferred tax assets in the balance sheet:	Oct 31, 2014	Oct 31, 2013
Tax loss carryforwards	2,704	2,287
Non-current assets	123	155
Other temporary differences	567	539
Netting of deferred tax assets/liabilities	-2,283	-2,181
Total	**1,111**	**800**

Reconciliation of deferred tax asset, net:	Oct 31, 2014	Oct 31, 2013
Opening balance	800	-416
Change of accounting policy	-	1,238
Change for the year for cash-flow hedges	-92	6
Change according to statement of income	199	-221
Deferred tax recognized in equity	245	-11
Exchange-rate differences, etc.	-41	204
Deferred tax asset, net, at October 31	**1,111**	**800**

On the closing date the Group had unutilized loss carryforwards of about MSEK 12,800 (11,000). Based on these loss carryforwards, the Group recognized a deferred tax asset of MSEK 2,704 (2,287). Deferred tax assets are recognized to the extent that there are factors indicating that taxable profits will be created before the right to use the loss carryforwards is lost. The assessment of the respective Group companies' future profit performance is based on earnings reported in recent years as well as improved profitability prospects. Of recognized loss carryforwards totaling MSEK 2,704, MSEK 826 pertains to operations in Denmark, MSEK 266 to Norway, MSEK 1,532 to Sweden and MSEK 80 to Finland. With regard to Sweden, further potential deferred tax assets exist attributable to Swedish pensions but, as the assessment is ongoing, the amount cannot be quantified. For loss carryforwards amounting to MSEK 1,270 (1,611), no deferred tax asset is recognized due to uncertainty as regards future profit earnings. Of the loss carryforwards, MSEK 0 expires in 2014/2015 and MSEK 80 in 2015–2024. There are no expiration dates for the remaining loss carryforwards.

No provision has been made for deferred tax on temporary differences relating to non-distributed profits in subsidiaries and affiliated companies since these profits will not be distributed within the foreseeable future, or alternatively a distribution can be made without the profits being subject to tax.

Note 11 Intangible assets

	Goodwill		Other assets[2]		Total intangible assets	
	Oct 31, 2014	**Oct 31, 2013**	**Oct 31, 2014**	**Oct 31, 2013**	**Oct 31, 2014**	**Oct 31, 2013**
Opening cost	804	1,033	2,373	2,251	3,177	3,284
Investments	-	-	189	124	189	124
Sales/disposals	-	-	-	-3	-	-3
Divested companies[1]	-	-166	-	-	-	-166
Reclassifications	-	-	-	-	-	-
Exchange-rate differences	6	-63	3	1	9	-62
Closing accumulated cost	**810**	**804**	**2,565**	**2,373**	**3,375**	**3,177**
Opening amortization	-98	-130	-1,277	-1,232	-1,375	-1,362
Amortization for the year	-	-	-92	-47	-92	-47
Sales/disposals	-	-	-	3	-	3
Divested companies[1]	-	24	-	-	-	24
Reclassifications	-	-	-	-	-	-
Exchange-rate differences	-1	8	-2	-1	-3	7
Closing accumulated amortization	**-99**	**-98**	**-1,371**	**-1,277**	**-1,470**	**-1,375**
Carrying amount	**711**	**706**	**1,194**	**1,096**	**1,905**	**1,802**

1) During the preceding year, 80% of the shareholding in Widerøe's Flyveselskap AS was divested.
2) Refers to capitalized system development costs.

The SAS Group is not engaged in activities relating to research and development (R&D).

Goodwill:	**Oct 31, 2014**	**Oct 31, 2013**
SAS Scandinavian Airlines Norge	697	692
Blue1	14	14
Total goodwill	**711**	**706**

Testing for impairment of intangible assets

The value of the Group's intangible assets has been estimated through comparison with the recoverable amount, which is based on the Group's cash-generating value in use based on five-years' cash flow in the Group's business plan. An extremely cautious growth rate and cost trend have been adopted for beyond the plan period.

The projected cash flows are based on assumptions regarding volume trends, unit revenue, operating margins and discount rates, which are set by the company management based on historical experience and market data. The policies applied in the above assessment have been changed slightly from the assessment in 2012/2013. The change was an increase from a four to a five-year plan period and the adoption of an extremely marginal growth rate and cost trend after the period's fifth year.

The discount rate has been estimated based on a weighted capital cost after tax of 9.1% (9.2).

To support the impairment tests performed on goodwill in the Group, a comprehensive analysis was performed of the sensitivity in the variables used in the model. A weakening of any of the significant assumptions included in the business plans or a weakening of the annual growth rate in revenue and operating margins beyond the plan period, or an increase in the discount rate that, individually, is reasonably probable, shows that a healthy margin still exists between the recoverable amount and carrying amount. Management therefore determined that there was no need for impairment of goodwill at the close of October 2014.

Note 12 Tangible fixed assets

	Buildings and land		Aircraft[1,2]		Spare engines & spare parts		Workshop & servicing equipment; aircraft	
	Oct 31, 2014	**Oct 31, 2013**	**Oct 31, 2014**	**Oct 31, 2013**	**Oct 31, 2014**	**Oct 31, 2013**	**Oct 31, 2014**	**Oct 31, 2013**
Opening cost	1,015	1,264	20,889	24,368	496	2,627	1,052	1,088
Investments	13	2	509	1,058	32	257	3	51
Capitalized interest[3]	-	-	-	-	-	-	-	-
Sales/disposals	-65	-21	-1,565	-1,813	-13	-1,175	-392	-13
Divested companies[4]	-	-243	-	-2,958	-	-742	-	-53
Reclassifications	27	19	-1,175	272	-217	-445	5	-7
Exchange-rate differences	12	-6	-	-38	7	-26	8	-14
Closing accumulated cost	**1,002**	**1,015**	**18,658**	**20,889**	**305**	**496**	**676**	**1,052**
Opening depreciation	-774	-911	-12,094	-13,148	-349	-1,278	-935	-978
Depreciation and impairment for the year	-35	-43	-1,213	-1,377	-57	-107	-18	-35
Sales/disposals	60	18	870	859	9	414	371	12
Divested companies[4]	-	157	-	1,563	-	240	-	47
Reclassifications	-	-	1,314	-18	168	367	-2	6
Exchange-rate differences	-10	5	-	27	-	15	-7	13
Closing accumulated depreciation	**-759**	**-774**	**-11,123**	**-12,094**	**-229**	**-349**	**-591**	**-935**
Carrying amount	**243**	**241**	**7,535**	**8,795**	**76**	**147**	**85**	**117**

	Other equipment & vehicles		Investment in progress		Prepayment fixed assets		Total tangible assets	
	Oct 31, 2014	**Oct 31, 2013**	**Oct 31, 2014**	**Oct 31, 2013**	**Oct 31, 2014**	**Oct 31, 2013**	**Oct 31, 2014**	**Oct 31, 2013**
Opening cost	1,007	1,171	21	34	251	160	24,731	30,712
Investments	66	65	108	169	506	97	1,237	1,699
Capitalized interest[3]	-	-	-	-	2	7	2	7
Sales/disposals	-218	-17		-	-	-	-2,253	-3,039
Divested companies[4]	-	-183		-	-	-	-	-4,179
Reclassifications	1	-	-58	-181	-11	-13	-1,428	-355
Exchange-rate differences	12	-29	-	-1	15	-	54	-114
Closing accumulated cost	**868**	**1,007**	**71**	**21**	**763**	**251**	**22,343**	**24,731**
Opening depreciation	-902	-1,054	-	-	-	-	-15,054	-17,369
Depreciation and impairment for the year	-28	-49	-	-	-	-	-1,351	-1,611
Sales/disposals	206	17	-	-	-	-	1,516	1,320
Divested companies[4]	-	160	-	-	-	-	-	2,167
Reclassifications	-4	-	-	-	-	-	1,476	355
Exchange-rate differences	-12	24	-	-	-	-	-29	84
Closing accumulated depreciation	**-740**	**-902**	**-**	**-**	**-**	**-**	**-13,442**	**-15,054**
Carrying amount	**128**	**105**	**71**	**21**	**763**	**251**	**8,901**	**9,677**

1) The insured value of aircraft at October 31, 2014 amounted to MSEK 37,301. This includes the insured value of leased (operating leases) aircraft in the amount of MSEK 28,268.
2) Modifications of aircraft under operating leases are included in planned residual value in the amount of MSEK 251 (323).
3) Capitalizing of interest was conducted at an average interest rate of 5.0% (5.0).
4) Last year, 80% of the shareholding in Widerøe's Flyveselskap AS was divested.

At the beginning of the 2013/2014 fiscal year, seven Boeing 737s had been formally acquired through finance leases, with original terms of ten years. During the year, no transactions pertaining to finance-leased aircraft were carried out.

With regard to finance-leased aircraft, the terms of the leases (particularly pertaining to SAS's purchase options during the contract period and at the expiration of the lease, as well as the economic risk SAS has regarding the value of the aircraft) are such that the agreements, from SAS's point of view, are comparable to a purchase.

The 7 (7) finance-leased aircraft are recognized in the balance sheet in the amount of MSEK 1,098 (1,202). In addition to these, owned aircraft include 24 (24) aircraft valued at MSEK 3,928 (4,733) placed in financing structures wholly owned by SAS together with appurtenant indebtedness of MSEK 1,547 (2,246), which are to be viewed as finance leased.

The SAS Group's aircraft holdings can be specified as follows:

	Oct 31, 2014	**Oct 31, 2013**
Owned	6,437	7,593
Finance leased	1,098	1,202
Carrying amount	**7,535**	**8,795**

Finance leasing

The SAS Group has finance leases for aircraft with remaining terms of around two years. In addition, finance leases exist with regard to aircraft vehicles and service equipment with remaining terms of up to ten years.

Lease payments consist in part of minimum lease payments and in part of contingent rent. In those cases where the lease payments are based on a floating interest rate they are included in minimum lease payments according to the current rate at the start of the agreement. Future changes of the interest rate are included in the contingent rent. Total lease payments amounted to MSEK 218 (530). Contingent rent impacted lease payments for the year by MSEK -34 (-37).

At the closing date, there was no leasing of finance-leased assets to third parties.
On the closing date, carrying amounts of finance-leased assets amounted to:

	Aircraft		Plant and equipment	
	Oct 31, 2014	**Oct 31, 2013**	**Oct 31, 2014**	**Oct 31, 2013**
Cost	2,323	2,317	113	95
Less accumulated depreciation	-1,225	-1,115	-20	-9
Carrying amount of finance-leased assets	**1,098**	**1,202**	**93**	**86**

Future minimum lease payments and their present value for finance leases applicable on the closing date:

	Oct 31, 2014		**Oct 31, 2013**	
Due date:	Future minimum lease payments	Present value of future minimum lease payments	Future minimum lease payments	Present value of future minimum lease payments
< one year	144	142	136	134
1–5 years	564	542	623	596
> 5 years	25	16	32	19
Total	**733**	**700**	**791**	**749**

Operating leasing

SAS Group leases out owned assets with carrying amounts that on the closing date amounted to:

	Aircraft		Plant and equipment	
	Oct 31, 2014	**Oct 31, 2013**	**Oct 31, 2014**	**Oct 31, 2013**
Cost	2,422	2,685	0	0
Less accumulated depreciation	-2,019	-2,153	0	0
Carrying amount of assets leased out on operating leases	**403**	**532**	**0**	**0**

Depreciation for the year pertaining to assets leased out on operating leases was MSEK 128 (128).
Leasing revenues for the year of MSEK 86 (78) did not contain any contingent rent.
Future leasing revenues for operating leases on the closing date:

	Oct 31, 2014	**Oct 31, 2013**
< one year	87	85
1–5 years	17	109
> 5 years	-	-
Total	**104**	**194**

Contractual purchase commitments

The Group had the following commitments relating to future acquisition of tangible fixed assets. On the closing date, contracted orders amounted to 30 Airbus A320neo aircraft, four Airbus A330-300Es and eight Airbus A350-900s with a total list price of MUSD 6,480 before discounts, with delivery between 2015 and 2021. At the closing date, other purchase commitments totaled MSEK 14 (8).

Note 13 Prepayments relating to fixed assets

	Oct 31, 2014	**Oct 31, 2013**
Airbus	763	251
Total	**763**	**251**

Note 14 Financial fixed assets

	Equity in affiliated companies		Other holdings of securities		Pension funds, net		Other long-term receivables		Total financial fixed assets	
	Oct 31, 2014	**Oct 31, 2013**	**Oct 31, 2014**	**Oct 31, 2013**	**Oct 31, 2014**	**Oct 31, 2013**	**Oct 31, 2014**	**Oct 31, 2013**	**Oct 31, 2014**	**Oct 31, 2013**
Opening cost	352	325	572	303	3,428	12,232	3,049	1,847	7,401	14,707
Contributions	-	-	-	54	415	713	877	1,429	1,292	2,196
Share of income in affiliated companies	30	25	-	-	-	-	-	-	30	25
Divested companies[1]	-	-	-	-	-	-547	-	-36	-	-583
Amortization	-	-	-	-	-	-	-1,036	-433	-1,036	-433
Dividend	-5	-5	-	-	-	-	-	-	-5	-5
Reclassifications[2]	-	1	-	215	-	-	-4	264	-4	480
Exchange-rate differences	18	6	-	-	-65	109	157	-22	110	93
Effect of new accounting policy	-	-	-	-	-	-9,079	-	-	-	-9,079
Closing accumulated cost	**395**	**352**	**572**	**572**	**3,778**	**3,428**	**3,043**	**3,049**	**7,788**	**7,401**
Opening impairment	-	-	-280	-280	-	-	-	-	-280	-280
Impairment losses	-	-	-19	-	-	-	-4	-	-23	-
Reclassifications	-	-	-	-	-	-	-	-	-	-
Closing impairment	**-**	**-**	**-299**	**-280**	**-**	**-**	**-4**	**-**	**-303**	**-280**
Carrying amount	**395**	**352**	**273**	**292**	**3,778**	**3,428**	**3,039**	**3,049**	**7,485**	**7,121**

1) Last year, 80% of the shareholding in Widerøe's Flyveselskap AS was divested.
2) The remaining 20% shareholding in Widerøe was reclassified last year to other holdings of securities.

Note 15 Post-employment benefits

The table below outlines where the Group's post-employment benefits are included in the financial statements.

Pension funds in the balance sheet	Oct 31, 2014	(restated) Oct 31, 2013	Oct 31, 2013
Present value of funded obligations	-17,233	-26,507	-26,507
Fair value of plan assets	22,146	31,964	30,775
Surplus in funded plans	**4,913**	**5,457**	**4,268**
Present value of unfunded obligations	-1,135	-2,029	-2,029
Unrecognized actuarial gains and losses and plan amendments	-	-	10,268
Surplus in defined-benefit pension plans (pension funds, net)	**3,778**	**3,428**	**12,507**

Recognized in profit or loss pertaining to[1]	Nov 2013-Oct 2014	(restated) Nov 2012-Oct 2013	Nov 2012-Oct 2013
Defined-benefit pension plans[2]	1,032	-287	-431
Defined-contribution pension plans	-1,065	-413	-413
	-33	-700	-844
Remeasurements of defined-benefit pension plans[3]	**-1 222**	**1,988**	**-**

1) Expenses recognized in profit or loss include the current service cost, past service cost, net interest expense and gains and losses on settlements.
2) Includes a positive earnings impact of MSEK 1,044 (450) due to defined-benefit pension plans largely being replaced by defined-contribution pension plans during 2013/2014.
3) Recognized under other comprehensive income, net after tax.

Defined-benefit pension plans

Previously, most personnel pension plans in Scandinavia were defined-benefit plans. In November 2012, new collective agreements were signed with flight crew in Scandinavia. Among other things, the new agreements mean that the defined-benefit pension plans were, largely, replaced with defined-contribution pension plans effective as of the first quarter of 2013/2014.

Defined-contribution plans are currently in place for the majority of personnel in Denmark and Norway and in Sweden for flight crew, younger salaried employees and personnel covered by the SAF-LO collective agreement.

The majority of the remaining defined-benefit pension plans are secured through insurance companies in the respective countries. In Sweden, pension plans are mainly placed with Alecta and Euroben, in Denmark with Danica and in Norway with DnB.

A substantial portion of SAS employees in Sweden are covered by an ITP pension reinsured by Alecta (the Alecta plan). Premiums for defined-benefit retirement pensions are individual and depend, inter alia, on the insured party's age, salary and previously earned pension rights. Expected fees in the next fiscal year (2014/2015) for pension insurances under the Alecta plan are expected to amount to MSEK 60.

The collective consolidation level comprises the market value of Alecta's assets as a percentage of insurance undertakings estimated pursuant to Alecta's actuarial assumptions, which do comply with IAS 19. Collective consolidation, in the form of a collective consolidation level, is normally permitted to range between 125% and 155%. If Alecta's collective consolidation level falls below 125% or exceeds 155%, actions must be taken to create conditions enabling the consolidation level to revert to the normal interval. Alecta's surplus can be allocated to the policy holders and/or the insured parties if the collective consolidation level exceeds 155%. However, Alecta applies reductions in premiums to avoid an excessive surplus arising. At the end of the fiscal year, Alecta's surplus in the form of the consolidated collective consolidation level was 146% (153%).

According to a statement by the Swedish Financial Reporting Board, UFR 3, this constitutes a multi-employer defined-benefit plan and pursuant to UFR 6, enterprises covered by a multi-employer pension plan classified as defined-benefit must account for their proportional share of the plan's obligations, plan assets and costs in the same way as for any other defined-benefit plan.

SAS is provided with information that enables SAS to report its proportional share of the Alecta plan's commitments, plan assets and costs in accordance with IAS 19 rules regarding defined-benefit pension plans.

IAS 19 Employee Benefits (Amended) means that it is no longer permitted to defer recognition of certain deviations in estimates (the "corridor" approach has been eliminated) and all estimates are to be immediately recognized in other comprehensive income. Pursuant to the amended standard, accumulated unrecognized deviations (Unrecognized actuarial gains and losses and plan amendments) have been recognized in their entirety in shareholders' equity, which had a negative impact of about SEK 10.3 billion on the Group's shareholders' equity. The Parent Company SAS AB's recognized shareholders' equity was not affected by this amendment. Furthermore, interest expense and expected return on plan assets are replaced with a "net interest," which is calculated using the discount rate used to measure the net defined-benefit pension liability or pension assets. SAS classifies this net interest expense as a payroll expense and recognizes the net interest expense in profit or loss. Recognition of actuarial gains and losses as well as plan amendments also meant that deferred tax liabilities related to pensions were dissolved when the temporary difference between the accounting and tax values disappeared. The effect of the reversal of deferred tax liabilities related to pensions amounted to approximately SEK 1.5 billion, which had a positive impact on the SAS Group's shareholders' equity.

As a result of changes in the revised IAS 19, the Swedish Financial Reporting Board has withdrawn UFR 4 Accounting for special payroll tax and tax on returns. Instead, SAS will report special payroll tax in line with the rules in IAS 19, which means that those actuarial assumptions made in the calculation of defined-benefit pension plans must also include taxes payable on pension benefits. The remaining pension plans in Sweden reported a surplus of about SEK 5 billion as of November 1, 2013 (restated). This surplus may benefit SAS in the form of future reductions in premiums and, accordingly, special payroll tax was recognized for the surplus at November 1, 2013. Special payroll tax has increased pension funds by a net amount of about SEK 1.2 billion, deferred tax liabilities by about SEK 0.2 billion and shareholders' equity by about SEK 1 billion.

Taken together, the above means that the total negative effect on the Group's shareholders' equity from the implementation of the amended IAS 19 was about SEK 7.8 billion.

When the changes pertaining to the new pension terms were reported in the first quarter of 2013/2014, the pension commitment was reduced by about SEK 13 billion, plan assets were reduced by about SEK 12 billion and operating income improved by about SEK 1 billion. The positive change in operating income resulting from the amended terms (MSEK 1,044) was classified as a nonrecurring item. The reduction in the pension commitment has been classified as "Past service cost and gains and losses on settlements" as well as "Settlements" and the reduction in plan assets classified as "Settlements."

The new collective agreements entered into in November 2012 also mean that in addition to the transition to defined-contribution pension plans, the possibility of early retirement and part-time pensions was removed, pensionable income levels were lowered and the retirement age for cabin crew under the Alecta plan raised from 60 to 65.

Defined-benefit pension plans	Nov 2013-Oct 2014	(restated) Nov 2012-Oct 2013	Nov 2012-Oct 2013
Current service cost	-196	-758	-758
Past service cost and gains and losses on settlements	1,044	815	-494
Curtailments/effects from company disposals	-	-335	736
Interest expense on pension obligations	-656	-1,156	-1,156
Interest income on plan assets	840	1,147	1,830
Amortization of actuarial gains and losses and plan amendments for the year	-	-	-589
Total expense recognized in profit and loss for defined-benefit pension plans	**1,032**	**-287**	**-431**

The above cost is recognized in its entirety as a payroll expense.

Changes in present value of defined-benefit plan obligations	Oct 31, 2014	(restated) Oct 31, 2013	Oct 31, 2013
Opening balance, pension obligations	**28,536**	**33,506**	**33,506**
Current service cost	196	758	758
Past service cost and gains and losses on settlements	-584	-84	-
Settlements	-12,408	-397	-397
Interest expense	656	1,156	1,156
Pensions paid out	-1,297	-1,693	-1,693
Effects from company disposals	-	-2,771	-2,771
Exchange-rate differences	193	-739	-739
	15,292	**29,736**	**29,820**
Remeasurements:			
– Gain/loss (-/+) from change in demographic assumptions	-	-	-
– Gain/loss (-/+) from change in financial assumptions	2,589	-1,200	-1,284
– Experience gains/losses (-/+)	487	-	-
Closing balance, pension obligations, October 31	**18,368**	**28,536**	**28,536**

Change in fair value of plan assets	Oct 31, 2014	(restated) Oct 31, 2013	Oct 31, 2013
Opening balance, plan assets	30,775	32,264	32,264
Special payroll tax	1,192	1 192	-
Restated, opening balance, plan assets	31,967	33 456	32,264
Settlements	-11,948	-	-
Interest income	840	1,147	1,830
Contributions/premiums paid	818	1,333	1,333
Pensions paid out	-1,297	-1,693	-1,693
Effects from company disposals	-	-2,436	-2,436
Exchange-rate differences	127	-631	-429
	20,507	**31,176**	**30,869**
Remeasurements:			
– Special payroll tax	-115	-	-
– Exchange-rate differences	-114	199	-
– Return on plan assets (excluding amounts included in interest income)	1,868	589	-94
Closing balance, plan assets, October 31	**22,146**	**31,964**	**30,775**

Change in pension funds, net	Oct 31, 2014	(restated) Oct 31, 2013	Oct 31, 2013
Opening balance, pension funds (net)	12,507	12,232	12,232
Change due to amended accounting standard (IAS 19)	-10,268	-13,372	-
Special payroll tax	1,192	1 192	-
Restated opening balance, pension funds (net)	3,431	52	12,232
Total expense recognized in profit or loss	1,032	-287	-431
Remeasurements	-1,438	1,988	-
Contributions/premiums paid	818	1,333	1,333
Effects from company disposals	-	335	-736
Exchange-rate differences	-65	7	109
Closing balance, pension funds (net), October 31	**3,778**	**3,428**	**12,507**

Breakdown of the defined-benefit plan obligations and composition of plan assets by country	Oct 31, 2014					Oct 31, 2013 (restated)				
	Sweden	Norway	Denmark	Other	Total	Sweden	Norway	Denmark	Other	Total
Present value of obligation	-14,215	-2,084	-807	-1,262	-18,368	-12,244	-9,941	-5,262	-1,089	-28,536
Fair value of plan assets	19,123	1,204	832	987	22,146	17,781	8,525	4,847	811	31,964
Pension funds, net	**4,908**	**-880**	**25**	**-275**	**3,778**	**5,537**	**-1,416**	**-415**	**-278**	**3,428**

Remeasurements – analysis of amounts recognized under other comprehensive income	Nov 2013-Oct 2014	(restated) Nov 2012-Oct 2013	Nov 2012-Oct 2013
– Gain/loss (+/-) from change in demographic assumptions	-	-	-
– Gain/loss (+/-) from change in financial assumptions	-2,589	1,200	-
– Experience gains/losses (+/-)	-487	-	-
– Special payroll tax	-115	-	-
– Exchange-rate differences	-114	199	-
– Return on plan assets (excluding amounts included in interest income)	1,868	589	-
Total remeasurements	**-1,437**	**1,988**	**-**

During the year, the discount rate was lowered in all of the countries from an average of 4.16% to 2.98%, which has resulted in a substantial negative impact on other comprehensive income of SEK 2.6 billion. In addition, more people than estimated remain in the defined-benefit pension plans, primarily in Norway, which is due to individuals, currently reported sick, not yet being transferred to a defined-contribution pension plan. Furthermore, more people than calculated have used the opportunity to take early and/or part-time pensions, which was possible for a limited period in conjunction with the collective agreement negotiations in November 2012. This negatively impacted other comprehensive income in an amount of SEK 0.5 billion, which was recognized under experience gains/losses. However, the return on plan assets exceeded the discount rate, which entailed a positive impact on other comprehensive income of SEK 1.9 billion.

Actuarial assumptions

The measurement to be applied under IAS 19 when measuring defined-benefit plans is known as the projected unit credit method. This method requires several assumptions (actuarial assumptions) for calculating the present value of the defined-benefit obligation. Actuarial assumptions comprise both demographic and financial assumptions. Since assumptions must be neutral and mutually compatible, they should be neither imprudent nor overly conservative. They should reflect the economic relationships between factors such as inflation, rates of salary increase, the return on plan assets and discount rates. This means that they should be realistic, based on known financial relations and reflect SAS's best assessment of the factors that will determine the ultimate cost of providing post-employment benefits, that is pension costs.

In calculating pension obligations, the current service cost and return on plan assets, locally set parameters are applied in the respective countries on the basis of the local market situation and expected future trends. This means that the parameters are based on market expectations at the end of the reporting period regarding the time period in which the obligation will be settled.

The discount rate has been determined on the basis of market yields on high-quality corporate bonds (mortgage bonds). The tenor of the bonds reflects the estimated timing and size of pension payments (duration) as well as the currencies these payments are expected to be made in.

Other financial assumptions are based on anticipated developments during the term of the obligation. The assessment of future salary adjustments corresponds to the assumed rate of inflation in the respective countries and life expectancies are set under Finansinspektionen's Regulatory Code FFFS:2007:31 for Sweden and K2009 for Norway.

As a consequence of the amended IAS 19, the interest expense on the obligation and the expected return on plan assets have been replaced with a "net interest expense," which is calculated using the discount rate. SAS classifies this net interest expense as a payroll expense and recognizes the net interest expense in profit or loss.

	Oct 31, 2014					Oct 31, 2013				
The key actuarial assumptions were as follows:	**Sweden**	**Norway**	**Denmark**	**Other**	**Total**	**Sweden**	**Norway**	**Denmark**	**Other**	**Total**
Discount rate	2.80%	3.50%	3.50%	3.89%	2.98%	4.40%	4.10%	3.75%	4.18%	4.16%
Inflation	2.00%	1.75%	1.75%	2.50%	1.98%	2.00%	1.75%	1.50%	2.50%	1.89%
Salary growth rate	2.00%	1.75%	1.75%	0.00%	1.96%	2.00%	1.75%	1.50%	0.00%	1.79%
Pension growth rate	2.00%	0.50%	1.75%	2.50%	2.00%	2.00%	1.75%	1.50%	2.50%	1.89%

The average duration of defined-benefit pension plans was as follows:	**Sweden**	**Norway**	**Denmark**	**Other**
År 2013/2014	13	8	12	12

	Oct 31, 2014		Oct 31, 2013	
Plan assets are comprised as follows:[1]	**Total**	**%**	**Total**	**%**
Alecta (Sweden):				
Equities, of which 42% was invested in Swedish equities	3,269	38	3,032	38
Interest-bearing securities, of which 57% was invested in Swedish interest-bearing instruments	4,731	55	4,389	55
Properties	602	7	558	7
Other	-	-	-	-
	8,602	**100**	**7,979**	**100**
Euroben (Sweden):				
Equities, of which 35% was invested in Swedish equities	2,172	23	2,239	26
Interest-bearing securities	6,800	72	5,941	69
Properties	434	4	395	4
Other	39	1	35	1
	9,445	**100**	**8,610**	**100**
Danica (Denmark):				
Equities	75	9	1,212	25
Interest-bearing securities	657	79	3,005	62
Properties	100	12	630	13
Other	-	-	-	-
	832	**100**	**4,847**	**100**
DnB (Norway):				
Equities	148	12	921	11
Interest-bearing securities	847	70	6,351	74
Properties	177	15	1,228	14
Other	32	3	25	1
	1,204	**100**	**8,525**	**100**
Other countries:				
Equities	520	53	408	50
Interest-bearing securities	467	47	377	46
Properties	-	-	21	3
Other	-	-	5	1
	987	**100**	**811**	**100**

1) The plan assets in the Swedish pension plans exclude special payroll tax, which is not included in the plan assets managed by Alecta and Euroben. Only an insignificant share of the plan assets is invested in SAS shares.

Membership statistics	Active employees	Deferred pensioners	Pensioners
The Alecta plan	4,360	3,730	3,565
Euroben	125	585	920
Other plans in Sweden (unfunded)	144	-	335
DnB	676	-	720
Danica	66	-	25
Total	**5,371**	**4,315**	**5,565**

The effect on/sensitivity of the defined-benefit obligation to changes in the key assumptions is:	Sweden	Norway	Denmark	Other	Total
Discount rate, -1%	-2,010	-304	-53	-205	-2,572
Inflation, +1%	-1 990	-1	-24	-79	-2,094
Effect on/sensitivity of plan assets:					
Return on plan assets, +1%	178	8	8	11	205

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant.

Note 16 Expendable spare parts and inventories

	Oct 31, 2014	Oct 31, 2013
Expendable spare parts, flight equipment	266	267
Expendable spare parts, other	44	47
Inventories	32	45
Total	**342**	**359**
Measured at cost	342	359
Measured at net realizable value	-	-
Total	**342**	**359**

Note 17 Current receivables

Net impairment of accounts receivable and recovered accounts receivable as well as impairment of other current receivables came to MSEK 45 (10), charged to income.

Age analysis of non-impaired accounts receivable	Oct 31, 2014	Oct 31, 2013
Accounts receivable not yet due	907	1,124
Due < 31 days	139	149
Due 31–90 days	10	44
Due 91–180 days	8	57
Due > 180 days	3	2
Total	**1,067**	**1,376**

Provision for doubtful accounts receivable	Oct 31, 2014	Oct 31, 2013
Opening provision	17	31
Provision for expected losses	11	3
Reversed provisions	-6	-6
Actual losses	-9	-11
Closing provision	**13**	**17**

Note 18 Current receivables from affiliated companies

	Oct 31, 2014	Oct 31, 2013
Air Greenland A/S	0	1
Total	**0**	**1**

Note 19 Prepaid expenses and accrued income

	Oct 31, 2014	Oct 31, 2013
Prepaid expenses	787	653
Accrued income	150	205
Total	**937**	**858**

Note 20 Short-term investments

	Oct 31, 2014	Oct 31, 2013
Treasury bills	250	599
Deposits	2,159	977
Commercial paper	1,148	352
Tax deduction account in Norway	146	152
Total	**3,703**	**2,080**

The carrying amount of short-term investments corresponds with the fair value. Fair value is the amount that should have been received for short-term investments outstanding if sold on the closing date. Deposits and the tax deduction account are categorized as loans and receivables. Other financial instruments are classified as held for trading.

All investments have a term of no more than three months. The item deposits includes receivables from other financial institutes of MSEK 977 (766).

Note 21 Share capital

Share capital

The company has three classes of shares, common shares, preference shares and subordinated shares. As of October 31, 2014, a total of 329,000,000 common shares and 7,000,000 preference shares were issued and outstanding, which together constituted a registered share capital of SEK 6,753,600,000. During the 2013/2014 fiscal year, an issue of 7,000,000 preference shares was made, each with a quotient value of SEK 20.10. The 329,000,000 common shares have a quotient value of SEK 20.10 per share. There are no subordinated shares issued or outstanding. Common shares and subordinated shares entitle the holders to one vote each. Each preference share entitles the holder to one-tenth of a vote. The maximum number of common shares and subordinated shares that may be issued is limited to a number that corresponds with 100% of the company's share capital. The maximum number of preference shares that may be issued is limited to 10% of the share capital. Common shares and preference shares provide shareholders with the rights set out in the Companies Act and the Articles of Association. Subordinated shares provide shareholders the right to participate in and vote at SAS AB's shareholders' meetings. Subordinated shares do not entitle shareholders to dividends or participation in bonus issues. If subordinated shares are redeemed or the company is dissolved and its assets distributed, holders of subordinated shares receive compensation equivalent only to the nominal value of the shares plus an interest-rate factor.

To ensure that the ownership circumstances of the company comply with the requirements stipulated in bilateral aviation agreements or in laws or regulations pertaining to the state of air traffic in the EEA, the Board is entitled, pursuant to the Articles of Association, to make a decision on mandatory redemption of shares held by shareholders outside of Scandinavia without refund to affected shareholders. Should the redemption of such shares not be possible, the Board is entitled (subsequent to resolution by the shareholders' meeting) to assign warrants with subscription rights for subordinated shares to Scandinavian shareholders to dilute the non-Scandinavian shareholding to the requisite level to ensure compliance with the aforementioned regulations.

Dividend policy

Common shares

The SAS's annual dividend to holders of common shares is determined by taking into account earnings, the financial position, capital requirements and relevant macroeconomic conditions. Given the ongoing extensive changes to the airline industry and as a consequence of SAS initiating discussions with its unions addressing how to respond to the new industry conditions, SAS is currently reassessing its financial targets and dividend policy.

Preference shares

If the shareholders' meeting resolves to distribute profits, preference shares have a preferential right, ahead of common shares and subordinated shares, to receive an annual dividend as follows. The payment of preference share dividends is to be made quarterly. Preferential rights to receive dividends apply until the first payment date after February 5, 2019 and amount to SEK 50 per year, equally split into quarterly payments. After the first payment date following February 5, 2019 and thereafter, the preference share dividend will be increased by an amount equal to 1% of the preference-share subscription price (SEK 500) on the first issue of preference shares (initial subscription price) per year until 2023, thereafter, the preference share dividend will amount to a sum corresponding to SEK 50 plus 5% of the initial subscription price, per year, equally split into quarterly payments. Until February 5, 2018, SAS has the right to redeem preference shares, following a Board decision to that effect, at 120% of the initial subscription price and, thereafter, at 105% of the initial subscription price. Full terms for preference share dividends are set out in SAS AB's Articles of Association. If, in a specific quarter, SAS does not pay preference share dividends or pays preference share dividends that are less than the dividend amount under the Articles of Association, the shortfall in the dividend amount will be added to the amount outstanding, which is to be indexed by a factor corresponding to an annual interest rate of 20% until the dividends are paid in full. No value distributions may take place to holders of common shares (or any subordinated shares) before preference shareholders have received full dividends, including any amounts outstanding.

The Group has assessed that the preference shares outstanding comprise equity instruments. This assessment is based on both dividends and redemption of preference shares requiring a resolution by the shareholders' meeting where holders of common shares comprise the majority. Therefore, payment or redemption of the preference shares is at the company's discretion and, accordingly, no contractual obligation exists to disburse funds, which means that the instrument should be classified as equity.

Note 22 Reserves

Translation reserve	2014	2013
Opening translation reserve	-195	29
Translation differences for the year	90	-284
Less: Hedging of exchange risk in foreign operations	-3	49
Tax pertaining to hedging of exchange risk in foreign operations	-1	11
Closing translation reserve, Oct 31	**-109**	**-195**
Hedging reserve		
Opening hedging reserve	-35	-12
Cash-flow hedges:		
– Recognized directly in other comprehensive income	602	-33
– Change in statement of income	-185	4
– Tax attributed to year's change in hedging reserve	-92	6
Closing hedging reserve, Oct 31	**290**	**-35**
Total reserves		
Opening reserves	-230	17
Change in reserves for the year:		
– Translation reserve	86	-224
– Hedging reserve	325	-23
Closing reserves, Oct 31	**181**	**-230**

Translation reserve

The translation reserve includes all exchange-rate differences arising in conjunction with the translation of financial statements from foreign operations that have prepared their financial statements in a currency other than Swedish kronor. The translation reserve also comprises exchange-rate differences arising in conjunction with the translation of liabilities and currency forward contracts reported as hedging instruments of a net investment in a foreign operation.

Hedging reserve

The hedging reserve includes the effective part of the cumulative net change in fair value on a cash-flow instrument attributable to hedging transactions that have not yet incurred.

Note 23 Long-term liabilities

Long-term liabilities that fall due more than five years after the closing date.

	Oct 31, 2014	Oct 31, 2013
Subordinated loans	1,003	956
Bond loans	-	-
Other loans	937	1,110
Total	**1,940**	**2,066**

Note 24 Subordinated loans

A subordinated loan of MCHF 200 was issued during the 1985/86 fiscal year. There is no set maturity date for this loan. The interest rate is fixed for 10-year periods and amounts to 2.375% from January 2006. SAS has an exclusive right to cancel this loan every fifth year. When the loan is canceled in connection with an interest-rate reset, SAS is entitled to repay the loan at 100% of its nominal value. If it is canceled five years after an interest-rate reset, the loan must be repaid at 102.5% of nominal value.

In previous years, SAS repurchased MCHF 73 of the bonds, after which the balance of the loan is MCHF 127 (127), with a countervalue of MSEK 974 (907). The interest exposure of the loan has been switched from fixed to floating interest through an interest-rate swap. The loan is included in a fair-value hedge and the fair value amounted to MSEK 1,003 (956) on the closing date.

The loan is listed on the Basel Stock Exchange, Geneva Stock Exchange and Swiss Exchange. On the closing date, its total market value (including credit risk) amounted to MCHF till 48 (48), with a countervalue of MSEK 368 (340).

Note 25 Bond loans

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 variable interest rates in any currency. On the closing date, the SAS Group's issued bonds amounted to MSEK 2,713 (4,508). A specification of individual bond loans is provided below:

Original amount issued	Coupon rate	Term	Debt outstanding, currency	Oct 31, 2014 Carrying amount	Oct 31, 2013 Carrying amount
MEUR 60.0	4.4%[1]	2010/16	MEUR 58.9	544	512
MEUR 75.0	9.7%	2011/14	-	-	650
MEUR 40.0	5.7%[1]	2011/17	MEUR 38.5	356	334
MSEK 1,300.0	10.5%	2011/14	-	-	1,217
MSEK 1,500.0	9,0%	2013/17	MSEK 1,490,4	1,490	1,487
MEUR 35.0	8,7%	2013/18	MEUR 35.0	323	308
Total				**2,713**	**4,508**
Less amortization 2014/2015 and 2013/2014				-	-1,867
Total				**2,713**	**2,641**

1) Coupon rate on closing date. The loan has a floating interest rate.

The debt outstanding in currency and the carrying amount in MSEK agrees with amortized cost. The Group has entered into currency derivatives agreements for some of these bonds for the purpose of limiting currency risk.

Note 26 Other loans

	Oct 31, 2014		Oct 31, 2013	
	Carrying amount	Fair value[1]	Carrying amount	Fair value[1]
Finance leases	605	605	625	627
Convertible bond	3,007	2,684	1 ,536	1,627
Other loans	2,872	2,867	3,516	3,799
Derivatives	17	17	27	27
Total before amortization	**6,501**	**6,173**	**5,704**	**6,080**
Less amortization 2014/2015 and 2013/2014	-2,082	-2,100	-650	-777
Total other loans	**4,419**	**4,073**	**5,054**	**5,303**

Maturity profile of other loans	**2014/2015**	**2015/2016**	**2016/2017**	**2017/2018**	**2018/2019**	**2019>**	**Total**
Finance leases	119	126	360	-	-	-	605
Convertible bond	1,581	-	-	-	1,426	-	3,007
Other loans	382	405	493	321	334	937	2,872
Derivatives	-	17	-	-	-	-	17
Total	**2,082**	**548**	**853**	**321**	**1,720**	**937**	**6,501**

1) Without taking into consideration the Group's credit risk

Other loans, finance leases and convertibles are classified as other liabilities, with recognition at amortized cost.

In 2010, a convertible bond was issued for MSEK 1,600 maturing in five years. At the date of issue, the value of the debt portion was MSEK 1,374 and that of the equity share (conversion option and repurchase right) was MSEK 226. The loan conversion price is SEK 46.50 and is convertible every three months. In 2014, another convertible was issued for MSEK 1,600. At the date of issue, the value of the debt portion was MSEK 1,399 and that of the equity share (conversion option and repurchase right) was MSEK 201. The loan conversion price is SEK 24.0173 and is convertible on demand. In other loans, some borrowing is included within the framework of various revolving credit facilities (see Note 27 for further information). The interest rate of these loans is readjusted to the current interbank rate based on the currency of the loan plus a margin. The average interest rate on the closing date amounted to 1.48% for finance leases, 5.56% for convertible bonds and 3,19% for other loans.

Note 27 Financial risk management and financial derivatives

The SAS 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 SAS Group uses derivative instruments as part of its risk management to limit its fuel, currency and interest-rate exposure.

Fuel price risk

The SAS 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 main financial derivatives used for hedging jet fuel are options and swaps. On October 31, 2014, the Group signed an agreement on derivatives covering approximately 43% of the Group's forecast jet-fuel requirement for November 2014–October 2015 after taking into consideration charter and seasonal effects. In November 2013–October 2014, jet-fuel-related costs accounted for 23.3% of the Group's operating expenses, compared with 22.9% in November 2012–October 2013.

Currency risk

The SAS 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 SAS Group is exposed, the projected commercial currency flows are hedged using currency derivatives. According to the financial policy, the hedge level must be between 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. On October 31, 2014, the Group had signed agreements for derivatives covering approximately 52% of the Group's forecast commercial currency exposure for November 2014–October 2015 and hedged future contracted aircraft purchases through buying currency derivatives to a value of MUSD 720.

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 financial net debt mainly in the presentation currency of the respective subsidiary. Furthermore, the SAS Group has hedged its foreign subsidiaries' equity through borrowings and derivatives.

Interest-rate risk

The SAS Group is exposed to interest-rate risk when the market value of the financial net 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 variable interest rates. To manage the interest-rate risk, interest-rate derivatives are used to change the fixed-interest term of the underlying financial net debt. The target of current policy is for the average fixed-interest term of the financial net debt to correspond to 3.5 years. In addition, the development of the financial net debt for the forthcoming 12 months and contracted future aircraft purchases is taken into consideration. At October 31, 2014, the average fixed-interest term was 3.5 (3.5) 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-percent strengthening or weakening of the Swedish krona against all currencies the SAS Group is exposed to. Beyond the above effect on equity, a 10% change in currency will impact equity by MSEK 36 (36) through changes in value for hedges of net investments. A corresponding change in value arises for net investments in foreign operations. The net effect of the above changes in value has no impact on equity.

The sensitivity analysis for market interest rates shows the immediate revaluation effect on the closing date for interest-rate derivatives, fair-value hedges and short-term investments with a 1-percent parallel shifting of the yield curve. Beyond the revaluation effect, the SAS Group's net interest for the November 2014–October 2015 period is affected by around MSEK –34 (–37) if short-term market rates rise by 1 percentage point. However, if short-term market rates fall by 1 percentage point the corresponding positive effect on net interest is MSEK 34 (37). The estimate also includes interest-rate derivatives.

Sensitivity analysis, revaluation effect on closing date

Market risk	Change	Earnings impact, **Oct 31, 2014**	Earnings impact, **Oct 31, 2013**	Equity impact, **Oct 31, 2014**	Equity impact, **Oct 31, 2013**
Fuel price	+10%	-	-	244	270
Fuel price	-10%	-	-	-264	-161
Currency risk	+10%	1	-7	610	359
Currency risk	-10%	-1	7	-610	-359
Market interest rates	+1%	0	1	7	18
Market interest rates	-1%	0	-1	-7	-19

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 October 31, 2014 the fair value of the SAS Group's outstanding derivative instruments totaled MSEK 135 (15), broken down according to the table below.

		Oct 31, 2014 Fair value			Oct 31, 2013	
	Outstanding volume	**Assets**	**Liabilities**	**Net**	**Outstanding volume**	**Fair value, net**
Currency derivatives	20,243	508	-64	444	16,440	-78
Interest-rate derivatives	2,193	29	0	29	2,127	38
Fuel derivatives	4,404	3	-341	-338	3,734	55
Total	**26,840**	**540**	**-405**	**135**	**22,301**	**15**

As of October 31, 2014, 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 held for trading. 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 following balance-sheet items.

	Oct 31, 2014	Oct 31, 2013
Other long-term receivables	29	49
Other receivables	511	128
Total derivative assets	**540**	**177**
Other loans	-17	-27
Current liabilities	-388	-135
Total derivative liabilities	**-405**	**-162**
Derivative assets/liabilities		
Net at end of the period	**135**	**15**
Allocation of derivatives according to the following:		
Cash-flow hedges	71	-68
Fair-value hedges	47	67
Net investment hedges	8	-3
Derivatives not designated as hedges for accounting purposes	9	19
Derivative assets/liabilities		
net at end of the period	**135**	**15**

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 most 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.

	At October 31, 2014			At October 31, 2013		
	Financial assets	**Financial liabilities**	**Total**	**Financial assets**	**Financial liabilities**	**Total**
Gross amount	540	-405	135	177	-162	15
Amount offset	0	0	0	0	0	0
Recognized in the balance sheet	**540**	**-405**	**135**	**177**	**-162**	**15**
Amounts covered by netting agreements	-540	404	-136	-177	161	-16
Net amount after netting agreements	**0**	**-1**	**-1**	**-0**	**-1**	**-1**

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 according to 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 October 31, 2014, the accumulated currency effect on cash-flow hedged loans and derivatives relating to future aircraft purchases and sales was recognized in equity in the amount of MSEK 375 (-6).

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 October 31, 2014, the accumulated currency effect of these cash flow-hedged currency derivatives was recognized in equity in the amount of MSEK 186 (-34).

Interest-rate derivatives

When the SAS 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. As of October 31, 2014, the accumulated effect on these cash flow-hedged interest derivatives was recognized in equity in the amount of MSEK -13 (-21).

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 October 31, 2014, the accumulated effect on these cash flow-hedged fuel derivatives was recognized in equity in the amount of MSEK -259 (26). The time value is remeasured on an ongoing basis at any changes recognized at fair value in profit and loss.

All together, MSEK 289 (-35) relating to cash-flow hedges was recognized in equity at October 31, 2014, and is expected to affect the statement of income in the following years as follows:

	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020>	Total
Aircraft	-	2	11	108	259	101	481
Commercial flows	239	-	-	-	-	-	239
Interest-rate derivatives	-	-17	-	-	-	-	-17
Fuel derivatives	-332	-	-	-	-	-	-332
Deferred tax	21	3	-3	-24	-57	-22	-82
Effect on equity	**-72**	**-12**	**8**	**84**	**202**	**79**	**289**

Hedge-accounted derivatives, fair-value hedge

In cases where the SAS Group borrows at fixed interest rates and changes its interest-rate exposure by entering interest-rate swap contracts, whereby fixed interest is received and floating interest is paid, the hedging relationship is classified as a fair-value hedge. When hedge accounting is applied, changes in value attributable to the hedge instrument are recorded in net interest, where the effects are counteracted because the underlying hedged position (interest portion of the loan) is also measured at fair value and recorded in net interest. The terms of the interest-rate derivatives used for hedging transactions are matched with those of the individual loans.

Hedge-accounted derivatives, hedging of net investments in foreign operations

To hedge net investments in foreign operations, SAS has entered into currency derivative agreements and loans in the corresponding currency. When hedge accounting is applied, the effective portion of the change in value of the hedge instrument is recognized in equity. As of October 31, 2014, the Group's hedges of net investments were MNOK 331.

Derivatives not subject to hedge accounting

Other derivatives not subject to hedge accounting are remeasured on an ongoing basis at fair value in the statement of income. Nor are interest-rate derivatives that cannot be linked to specific borrowing subject to hedge accounting and are remeasured on an ongoing basis at their fair value in the income statement.

Emission rights

From January 2012, all air traffic to and from the EU is included in the European emissions trading system (ETS). From 2013, the extent was changed to which air traffic was included and exempted, respectively, under the system. In conjunction with this, application for the rights for 2013 was postponed and amalgamated with the coming application for 2014. In 2013 and 2014, SAS received about 54% of the emission rights free of charge and had to procure the remainder on the open market. As of October 31, SAS had secured 100% of the need for emission rights for 2013 and 80% of the actual, expected need for 2014. During the November 2013 to October 2014 period, SAS expensed emission rights to a value of MSEK 73 of which, MSEK 20 pertained to 2013.

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 creditworthiness, 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. 83% of the credit-related exposure is geographically concentrated in the Nordic countries. The breakdown of the remaining credit exposure is 17% in the rest of Europe and 0% in the rest of the world. The maximum credit exposure for derivative instruments is matched by carrying amounts, 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:

	Carrying amount	
Rating (Moody's)	**Oct 31, 2014**	**Oct 31, 2013**
Aaa/P-1	320	599
Aa1/P-1	38	42
Aa2/P-1	140	-
Aa3/P-1	987	518
A1/P-1	2,534	2,743
A2/P-1	1,250	-
A3/P-1	2,148	849
Total	**7,417**	**4,751**

In relation to the SAS 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 SAS 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 20% of the SAS Group's fixed costs. The financial preparedness equals cash and cash equivalents plus total unutilized credit facilities. As of October 31, 2014, financial preparedness amounted to MSEK 8,802 (5,971), with cash and cash equivalents amounting to MSEK 6,420 (4,751) and unutilized credit facilities totaling MSEK 2,382 (1,986) or 37% (26%) of the Group's fixed costs. The SAS 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's 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 amount. Some liabilities are linked to financial covenants, which mean that in the event of default SAS can be liable for repayment earlier than the contracted maturity. 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 October 31, 2014 the Group's interest-bearing liabilities amounted to MSEK 10,805 (11,510); 0% (14%) of the interest-bearing liabilities have financial key ratio requirements for cash flow, debt/equity and liquidity. The term of the interest-bearing gross debt amounted to approximately 2.9 years (2.8) at year-end, excluding the subordinated loan of MCHF 127 which runs without stipulated maturity.

Liquidity risk, MSEK

Oct 31, 2014	Up to 3 months	4–12 months	1–5 years	Over 5 years
Financial liabilities				
Subordinated loans	5	-	23	974
Bond loans	16	20	3,159	-
Finance leases	59	64	496	-
Convertibles	20	1,683	1,803	-
Other loans	134	346	1,772	999
Other liabilities	2	3	167	-
Short-term loans	40	34	-	-
Fuel derivatives	201	139	-	-
Currency derivatives	59	4	-	-
Interest-rate derivatives	-	18	-19	-
Accounts payable	1,499	-	-	-
Total	**2,035**	**2,311**	**7,401**	**1,973**
Currency derivatives, gross[1]	16,852	3,391	-	-
Financial assets				
Other long-term receivables	1	3	1,903	-
Accounts receivable	1,067	-	-	-
Other receivables	-	720	32	-
Short-term investments	3,703	-	-	-
Cash and bank	3,714	-	-	-
Fuel derivatives	-	-	3	-
Currency derivatives	379	129	-	-
Interest-rate derivatives	-	-	29	-
Total	**8,864**	**852**	**1,967**	**-**
Net	**6,829**	**-1,459**	**-5,434**	**-1,973**

1) Currency derivatives have, essentially, a corresponding position in cash flow.

Oct 31, 2013	Up to 3 months	4–12 months	1–5 years	Over 5 years
Financial liabilities				
Subordinated loans	22	-	43	907
Bond loans	67	2,033	3,191	-
Finance leases	53	54	544	-
Convertibles	30	90	1,660	-
Other loans	299	602	2,168	1,193
Other liabilities	3	10	174	-
Short-term loans	-	-	-	-
Fuel derivatives	4	3	-	-
Currency derivatives	42	102	-	-
Interest-rate derivatives	-	-16	27	-
Accounts payable	1,689	-	-	-
Total	**2,209**	**2,878**	**7,807**	**2,100**
Currency derivatives, gross[1]	14,615	1,913	**-**	**-**
Financial assets				
Other long-term receivables	6	17	2,271	-
Accounts receivable	1,376	-	-	-
Other receivables	2	872	-	-
Short-term investments	2,082	-	-	-
Cash and bank	2,673	-	-	-
Fuel derivatives	6	56	-	-
Currency derivatives	19	47	-	-
Interest-rate derivatives	-	-	49	-
Total	**6,164**	**992**	**2,320**	**0**
Net	**3,955**	**-1,886**	**-5,487**	**-2,100**

1) Currency derivatives have, essentially, a corresponding position in cash flow.

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 October 31, 2014:

Facility	Maturity	Total facility	Utilized facility	Unutilized facility, October 2014	Unutilized facility, October 2013
Revolving credit facility, MEUR 150	2017	1,385	-	1,385	-
Revolving credit facility, MUSD 137	2016	1,007	25	982	172
Revolving credit facility, MUSD 48	2017	355	355	-	-
Credit facility, MUSD 98	2020	724	724	-	-
Credit facility, MUSD 60	2021	443	443	-	-
Other facilities	2014	15	-	15	14
Revolving credit facility, MSEK 1,800	2014				1,800
Total		**3,929**	**1,547**	**2,382**	**1,986**

Measurement at fair value

For fiscal years beginning on or after January 1, 2009 the disclosure requirements in IFRS 7 have been extended concerning financial instruments measured at fair value in the balance sheet. The standard requires disclosure of methods used to determine fair value according to 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

Level 1 comprises financial instruments for which fair value is based on quoted (unadjusted) prices in active markets for identical assets or liabilities. A market is considered active if quoted prices from an exchange, broker, industry group, pricing service or supervisory body are readily and regularly available and those prices represent actual and regularly occurring market transactions at arm's length.

This category includes mainly treasury bills and standardized derivatives where the quoted price is used in the valuation. Cash and bank balances are also categorized as level 1.

Level 2

Level 2 comprises 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

Level 3 comprises financial instruments for which fair value is based on valuation models, whereby significant input is based on unobservable market data.

The SAS Group currently has no financial assets and liabilities where the valuation is essentially based on unobservable data.

Determination of fair value – valuation techniques

Other securities holdings

The balance sheet item "Other securities holdings " MSEK 273 (292) is made up of 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 at justifiable expense. For this reason, the balance-sheet item "Other securities holdings" 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 "market 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 value and carrying amount of financial assets and liabilities

	Oct 31, 2014		Oct 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets at fair value	472	472	137	137
Financial assets held for trading	5,179	5,179	3,662	3,662
Other assets	4,052	4,052	3,144	3,144
Total	9,703	9,703	6,943	6,943
Financial liabilities				
Financial liabilities at fair value	346	346	141	141
Financial liabilities held for trading	59	59	21	21
Financial liabilities at amortized cost	10,400	9,461	11,348	11,105
Total	10,805	9,866	11,510	11,267

Financial assets and liabilities measured at fair value

	Oct 31, 2014			Oct 31, 2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS						
Other long-term receivables						
– Interest-rate derivatives	-	29	-	-	49	-
Other receivables						
– Fuel derivatives	-	3	-	-	62	-
– Currency derivatives	-	508	-	-	66	-
– Interest-rate derivatives	-	-	-	-	-	-
Short-term investments	250	1,147	-	599	352	-
Cash and bank balances	2,774	940	-	2,671	-	-
Total	**3,024**	**2,627**	**0**	**3,270**	**529**	**0**
LIABILITIES						
Other loans						
– Interest-rate derivatives	-	17	-	-	27	-
Short-term loans						
– Fuel derivatives	-	341	-	-	7	-
– Currency derivatives	-	65	-	-	144	-
– Interest-rate derivatives	-	-18	-	-	-16	-
Total	**0**	**405**	**0**	**0**	**162**	**0**

Categorization of financial assets and liabilities

	Held for trading	Loans and receivables	Financial assets avail-able for sale	Other liabilities	Hedging instruments, derivates	Non-financial items	Total carrying amount	Total fair value[1]
Oct 31, 2014	*Fair value*	*Amortized cost*	*Fair value*	*Amortized cost*	*Fair value*			
ASSETS								
Other holdings of securities	-	-	273	-	-	-	273	273
Other long-term receivables	-	1,663	-	-	-	236	1,899	1,899
– Interest-rate derivatives	-	-	-	-	29	-	29	29
Accounts receivable	-	1,067	-	-	-	-	1,067	1,067
Receivables from affiliated companies	-	-	-	-	-	-	0	0
Other receivables	-	83	-	-	-	669	752	752
– Fuel derivatives	-	-	-	-	3	-	3	3
– Currency derivatives	68	-	-	-	440	-	508	508
– Interest-rate derivatives	-	-	-	-	-	-	0	0
Short-term investments	1,397	2,306	-	-	-	-	3,703	3,703
Cash and bank balances	3,714	-	-	-	-	-	3,714	3,714
Total	**5,179**	**5,119**	**273**	**0**	**472**	**905**	**11,948**	**11,948**
LIABILITIES								
Subordinated loans	-	-	-	1,003	-	-	1,003	368
Bond loans	-	-	-	2,713	-	-	2,713	2,725
Other loans	-	-	-	4,402	-	-	4,402	4,073
– Interest-rate derivatives	-	-	-	-	17	-	17	17
Other liabilities	-	-	-	126	-	35	161	156
Current portion of long-term loans	-	-	-	2,082	-	-	2,082	2,100
Short-term loans	-	-	-	74	-	-	74	74
– Fuel derivatives	-	-	-	-	341	-	341	341
– Currency derivatives	59	-	-	-	6	-	65	65
– Interest-rate derivatives	-	-	-	-	-18	-	-18	-18
Accounts payable	-	-	-	1,499	-	-	1,499	1,499
Total	**59**	**0**	**0**	**11,899**	**346**	**35**	**12,339**	**11,400**

1) Fair value of short-term investments and subordinated loans has been set entirely by the use of official price quotes. Fair value of other financial assets and liabilities has been set in part by the use of official price quotes, such as discounting of future cash flows at quoted interest rates.

Categorization of financial assets and liabilities

	Held for trading	Loans and receivables	Financial assets available for sale	Other liabilities	Hedging instruments, derivates	Non-financial items	Total carrying amount	Total fair value[1]
Oct 31, 2013	*Fair value*	*Amortized cost*	*Fair value*	*Amortized cost*	*Fair value*			
ASSETS								
Other holdings of securities	-	-	292	-	-	-	292	292
Other long-term receivables	-	1,868	-	-	-	332	2,200	2,200
– Interest-rate derivatives	-	-	-	-	49	-	49	49
Accounts receivable	-	1,376	-	-	-	-	1,376	1,376
Receivables from affiliated companies	-	-	-	-	-	-	0	0
Other receivables	-	147	-	-	-	591	738	738
– Fuel derivatives	-	-	-	-	62	-	62	62
– Currency derivatives	40	-	-	-	26	-	66	66
– Interest-rate derivatives	-	-	-	-	-	-	0	0
Short-term investments	951	1,129	-	-	-	-	2,080	2,080
Cash and bank balances	2,671	-	-	-	-	-	2,671	2,671
Total	**3,662**	**4,520**	**292**	**0**	**137**	**923**	**9,534**	**9,534**
LIABILITIES								
Subordinated loans	-	-	-	956	-	-	956	340
Bond loans	-	-	-	2,641	-	-	2,641	2,641
Other loans	-	-	-	5,027	-	-	5,027	5,275
– Interest-rate derivatives	-	-	-	-	27	-	27	27
Other liabilities	-	-	-	109	-	52	161	161
Current portion of long-term loans	-	-	-	2,517	-	-	2,517	2,644
Short-term loans	-	-	-	96	-	-	96	96
– Fuel derivatives	-	-	-	-	7	-	7	7
– Currency derivatives	21	-	-	-	123	-	144	144
– Interest-rate derivatives	-	-	-	-	-16	-	-16	-16
Accounts payable	-	-	-	1,689	-	-	1,689	1,689
Total	**21**	**0**	**0**	**13,035**	**141**	**52**	**13,249**	**13,008**

1) Fair value of short-term investments and subordinated loans has been set entirely by the use of official price quotes. Fair value of other financial assets and liabilities has been set in part by the use of official price quotes, such as discounting of future cash flows at quoted interest rates.

Note 28 Other provisions

	Restructuring		Loyalty program		Other provisions		Total	
	Oct 31, 2014	**Oct 31, 2013**	**Oct 31, 2014**	**Oct 31, 2013**	**Oct 31, 2014**	**Oct 31, 2013**	**Oct 31, 2014**	**Oct 31, 2013**
Opening balance	977	1,631	1,236	1,412	3	110	2,216	3,153
New provisions	1,036	40	793	644	2	-	1,831	684
Utilized provisions	-694	-513	-567	-820	-1	-41	-1,262	-1,374
Released provisions	-	-186	-	-	-	-	-	-186
Divested companies[1]	-	-	-	-	-	-54	-	-54
Reclassification	-2	5	-	-	2	-5	-	-
Currency effect	12	0	-	-	-	-7	12	-7
Closing balance	**1,329**	**977**	**1,462**	**1,236**	**6**	**3**	**2,797**	**2,216**

Breakdown in balance sheet:	**Oct 31, 2014**	**Oct 31, 2013**	**Oct 31, 2014**	**Oct 31, 2013**	**Oct 31, 2014**	**Oct 31, 2013**	**Oct 31, 2014**	**Oct 31, 2013**
Long-term liabilities	620	123	1,462	1,236	6	2	2,088	1,361
Current liabilities	709	854	-	-	-	1	709	855
	1,329	**977**	**1,462**	**1,236**	**6**	**3**	**2,797**	**2,216**

1) During 2013, 80% of the shareholding in Widerøe's Flyveselskap AS was divested.

Restructuring
SAS presented extensive cost cutting and efficency measures in conjunction with the interim report for the fourth quarter 2013/2014. The initiatives mean radical changes and simplification of operations, which will realize a substantial reduction in unit cost. The provision in October 2014 comprised, primarily, costs directly attributable to the restructuring program.

In addition to restructuring provisions for personnel, the reserve also comprises provisions for leasing costs relating to unutilized premises.

Loyalty program
Through membership in the Group's loyalty program, EuroBonus, customers can earn bonus points through flying with SAS and/or other Star Alliance companies as well as when they make purchases from other business partners, such as car rental and credit card companies.

Under IFRIC 13, the allocation of loyalty points must be shown as a separate transaction when purchasing airline tickets. The portion of the purchase price that is allocated to loyalty points is valued at fair value and recognized as an income first in the period in which the obligation is met.

The amount for utilized provisions includes revaluation of the EuroBonus points liability. During recent years, previous estimates of fair value per point category have been adjusted downwards driven by continued price reductions, changes in EuroBonus rules and withdrawal patterns.

Note 29 Short-term loans

	Oct 31, 2014	Oct 31, 2013
Accrued interest	74	88
Derivatives	388	135
Other	0	8
Total	**462**	**231**

Note 30 Unearned transportation revenue

Unearned transportation revenue liability consists of tickets sold and still valid but unused, see Note 1, Significant accounting policies, page 36 – revenue recognition.

Note 31 Accrued expenses and prepaid income

	Oct 31, 2014	Oct 31, 2013
Vacation pay liability	981	1,248
Other accrued payroll expenses	379	121
Selling costs	429	399
Fuel costs	228	162
Government user fees	266	284
Handling costs	213	277
Provision for maintenance of leased engines	672	-96
Other accrued expenses	1,014	786
Prepaid income	173	235
Total	**4,355**	**3,416**

Note 32 Pledged assets

	Oct 31, 2014	Oct 31, 2013
Related to liabilities:		
Aircraft mortgages	5,450	6,395
Related to deposits:		
Deposits and blocked bank funds	2,693	2,014
Total	**8,143**	**8,409**

At October 31, 2014, the outstanding liability relating to aircraft mortgages was MSEK 2,877 (3,516).

	Oct 31, 2014	Oct 31, 2013
Related to credit facility:		
Real estate mortgages	-	12
Aircraft mortgages	-	101
Mortgages for spare parts	-	-
Company mortgages	-	-
Other mortgages	-	324
Blocked bank funds	-	600
Total	**-**	**1,037**

Total collateral pledged was MSEK 8,143 (9,446) at the closing date.

Note 33 Contingent liabilities

	Oct 31, 2014	Oct 31, 2013
Guarantees related to		
Emission rights	-	-
Other	8	-
Total	**8**	**-**

The Group is involved in various claims and legal proceedings arising in the ordinary course of business. These claims relate to, but are not limited to, its business practices, employment matters, and tax matters. Provisions have been recognized for such matters in accordance with probable and quantifiable loss risks. On the basis of information currently available, those issues not requiring any provisions will not have a material adverse effect on the Group's earnings.

However, litigation is inherently unpredictable and, even though the provisions were assessed as adequate and/or that the Group has valid defenses in these matters, unfavorable results could occur. This could have a material adverse effect on the Group's earnings in future accounting periods. For more information, see the Report by the Board of Directors on page 24.

Note 34 Leasing commitments

The SAS Group has entered into the following leasing commitments, with specification of the total annual rent for:

	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020>
Aircraft	2,856	2,859	2,752	2,367	2,082	4,650
Properties	770	731	688	665	620	1,905
Machinery and equipment	150	165	168	159	141	243
Total	**3,776**	**3,755**	**3,608**	**3,191**	**2,843**	**6,798**

Leases with an annual rental cost in excess of MSEK 0.5 are included. Total lease costs in the 2013/2014 fiscal year amounted to MSEK 3,680 (3,296), of which a positive effect of MSEK 94 pertained to changes in contingent rents compared with the original terms of agreements. Contingent rents vary according to different factors such as revenue, the consumer price index and short-term market interest rates.

In addition to these leasing commitments, other undertakings exist in conjunction with returning aircraft under operating leases. The financial impact on return depends on a large number of factors that are complex to assess and, accordingly, have not been included in the commitment. In the 2013/2014 fiscal year, payments received for assets subleased to a third party amounted to MSEK 201. The value of future fixed payments for these assets amounted to MSEK 571.

At the end of the 2013/2014 fiscal year, the SAS Group aircraft fleet totaled 151 aircraft, of which 100 were leased.

SAS has an option to purchase eight of the properties being leased in Denmark and Norway. The rent on these properties amounted to MSEK 106 for the 2013/2014 fiscal year.

Note 35 Adjustment for other items not included in the cash flow, etc.

	Nov 2013–Oct 2014	Nov 2012–Oct 2013
Share of income in affiliated companies	-30	-25
Dividends from affiliated companies	5	5
Capitalized interest on prepayments to aircraft manufacturers	-2	-7
Earnings impact from measuring financial instruments according to IAS 39	-80	-125
Impairment losses	100	-
Provisions	1,036	-
Release of provisions	-	-186
Adjustment of pension agreements	-1,044	-450
Other	-30	16
Total	**-45**	**-772**

Note 36 Acquisition of shares

In the 2013/2014 fiscal year, Gardermoen Technical Base ANS was acquired from Airport Properties Norway AS. SAS acquired Cimber A/S on December 8, 2014. However, the acquisition is subject to approval from the Danish competition authorities.

No companies were acquired in the 2012/2013 fiscal year.

According to the acquisition analyses performed, the value of the assets and liabilities acquired was as follows:

	Nov 2013–Oct 2014	Nov 2012–Oct 2013
Fixed assets	668	-
Current assets	-	-
Cash and cash equivalents	-	-
Long-term liabilities	-	-
Current liabilities	-	-
Total	**668**	**-**
Option payments	19	-
Purchase price paid and impact on the Group's cash and cash equivalents	**687**	**-**

Note 37 Sale of shares and subsidiaries

In the 2013/2014 fiscal year, Gardermoen Technical Base ANS was sold after being acquired in the same year.

In the 2012/2013 fiscal year, 80% of the shares in Widerøe's Flyveselskap AS and 9.98% of the shares in SAS Ground Handling Denmark, SAS Ground Handling Norway and SAS Ground Handling Sweden were sold.

The value of the sold assets and liabilities was as follows:

	Nov 2013–Oct 2014	Nov 2012–Oct 2013
Intangible assets	-	142
Tangible fixed assets	687	2,012
Financial fixed assets	-	367
Current assets	-	142
Current receivables	-	446
Cash and cash equivalents	-	109
Non-controlling interests	-	16
Long-term liabilities	-	-772
Current liabilities	-	-1,763
Total	**687**	**699**
Capital gain/loss excluding selling costs	5	-352
Purchase price	**692**	**347**
Selling costs	-4	-17
Consideration pertaining to divestment in 2013	5	-
Unpaid purchase price	-1	-14
Cash and cash equivalents in divested companies	-	-109
Payment pertaining to divestment in 2012	-	60
Impact on the Group's cash and cash equivalents	**692**	**267**

Note 38 Cash and cash equivalents

	Oct 31, 2014	Oct 31, 2013
Short-term investments	3,703	2,080
Cash and bank balances	3,714	2,671
Cash and cash equivalents at year-end	**7,417**	**4,751**

Disclosure of interest paid:
During the year, interest received amounted to MSEK 98 (48), of which MSEK 24 (21) pertains to forward premiums for currency derivatives. During the year, interest paid amounted to MSEK 760 (729), of which MSEK 116 (131) refers to forward premiums for currency derivatives.

Note 39 Auditor's fees

The following remuneration to auditing firms for auditing services, was charged to income.

	Nov 2013–Oct 2014	Nov 2012–Oct 2013
Auditing services		
Deloitte		7
PwC	7	3
Audit activities other than audit assignment		
Deloitte	-	1
PwC	2	1
Tax consultancy services	-	-
Other services		
Deloitte		4
PwC	1	5
Total	**10**	**21**

Note 40 Transactions with affiliated companies

Revenue from sales to affiliated companies amounted to MSEK 13 (22). Cost of purchases from affiliated companies was MSEK 45 (33).

Note 41 Segment reporting

Since the divestment of 80% of Widerøe's Flyveselskap AS in September 2013, SAS has comprised only one operating segment.

Geographical breakdown

	Domestic		Intra-Scandinavian		Europe		Intercontinental		Total	
	Nov 2013–Oct 2014	Nov 2012–Oct 2013	Nov 2013–Oct 2014	Nov 2012–Oct 2013	Nov 2013–Oct 2014	Nov 2012–Oct 2013	Nov 2013–Oct 2014	Nov 2012–Oct 2013	Nov 2013–Oct 2014	Nov 2012–Oct 2013
Passenger revenue	8,592	10,864	3,102	3,384	11,018	11,449	5,998	6,042	28,710	31,739
Freight and mail revenue	10	106	23	16	88	127	1,158	1,040	1,279	1,289
Charter revenue	0	25	0	0	2,108	2,041	0	0	2,108	2,066
Other traffic revenue	540	770	195	248	691	857	377	478	1,803	2,353
Total traffic revenue	**9,142**	**11,765**	**3,320**	**3,648**	**13,905**	**14,474**	**7,533**	**7,560**	**33,900**	**37,447**

	Denmark		Norway		Sweden		Europe		Other countries		Total	
	Nov 2013–Oct 2014	Nov 2012–Oct 2013	Nov 2013–Oct 2014	Nov 2012–Oct 2013	Nov 2013–Oct 2014	Nov 2012–Oct 2013	Nov 2013–Oct 2014	Nov 2012–Oct 2013	Nov 2013–Oct 2014	Nov 2012–Oct 2013	Nov 2013–Oct 2014	Nov 2012–Oct 2013
Other operating revenue	579	628	1,449	1,941	659	731	225	288	1,194	1,147	4,106	4,735

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	Denmark		Norway		Sweden		Europe		Other countries		Not broken down		Total	
	Oct 31, 2014	Oct 31, 2013	Oct 31, 2014	Oct 31, 2013	Oct 31, 2014	Oct 31, 2013	Oct 31, 2014	Oct 31, 2013	Oct 31, 2014	Oct 31, 2013	Oct 31, 2014	Oct 31, 2013	Oct 31, 2014	Oct 31, 2013
Assets[1]	1,068	927	1,055	610	3,496	5,656	1,219	552	270	104	7,611	7,778	14,719	15,627

1) Aircraft and spare parts are not broken down, see Note 1, Significant accounting policies – Segment reporting, page 34.

In 2013/2014 and 2012/2013, there was no single customer who accounted for more than 10% of Group revenue.

Note 42 Subsidiaries in the SAS Group

	Domicile	Corporate registration number	Total owned shares	Holding	Carrying amount at October 31, 2014	Carrying amount at October 31, 2013
Owned by SAS AB:						
SAS Sverige AB	Sigtuna	556042-5414	70,500,000	100	737	737
SAS Norge AS	Bærum	811176702	47,000,000	100	628	628
SAS Danmark A/S	Copenhagen	56994912	47,000,000	100	571	571
SAS Individual Holdings AB	Stockholm	556063-8255	610,000	100	756	756
SAS Tech AB	Stockholm	556137-6764	940,000	100	1,150	1,150
Linjeflyg AB	Sigtuna	556062-8454	2,000,000	100	237	237
OY Nordair Ab	Vantaa	525.232	150	100	71	71
SAS Cargo Group A/S	Tårnby	25736443	200,500	100	0	0
SAS Ground Handling Denmark A/S	Tårnby	32339026	49,501	90	33	33
SAS Ground Handling Norway AS	Oslo	912056228	4,502	90	46	46
SAS Ground Handling Sweden AB	Stockholm	556934-7924	400,100	90	58	58
Other					0	0
					4,287	**4,287**
Owned by SAS Consortium:						
SAS Scandinavian Airlines Norge AS	Bærum	962308449	150,000	100	387	380
SAS Scandinavian Airlines Sverige AB	Sigtuna	556235-5908	710,000	100	810	810
Cherrydean Ltd	Dublin	310983	12,633,198	-	-	53
SAS Capital B.V.	Rotterdam	167071	501	100	8	8
SAS Ground Services Sweden AB	Stockholm	556657-7374	101,000	100	222	222
SAS Ground Services Norway AS	Oslo	986978364	12,100	100	260	260
URIS Ltd	Dublin	316438	1,620,000	-	-	4
Other					1	0
					1,688	**1,737**
Owned by SAS Individual Holdings AB:						
RASN A/S	Copenhagen	24202941	500	100	1	1
Spirit Air Cargo Handling Group AB	Stockholm	556690-7076	11,000	100	58	63
					59	**64**
Owned by Uris Ltd:						
Commercial Aviation Leasing Limited	Dublin	30 8550	1,612,747	-	**-**	**5**
Owned by Cherrydean Limited:						
Commercial Aviation Leasing Limited	Dublin	30 8550	25,266,373	-	**-**	**75**

Note 43 Significant events after the closing date

- SAS initiated further cost-savings of SEK 2.1 billion with full effect in 2017.
- SAS acquired Cimber A/S on December 8, 2014. The acquisition makes it possible for SAS to transfer regional CRJ900 production to Cimber. The acquisition is subject to approval from the Danish competition authorities.
- SAS is launching a new direct intercontinental route between Stockholm and Hong Kong starting in autumn 2015.
- SAS completed the financing of PDPs for eight aircraft from Airbus.
- SAS has signed new collective agreements for flight crew at Blue1.

A complete description of the Board's proposals is available in the notice of the AGM: www.sasgroup.net under Investor Relations.

SAS AB, Parent Company

Statement of income

MSEK	Note	Nov 2013– Oct 2014	Nov 2012– Oct 2013
Revenue		0	20
Payroll expenses	1	-34	-90
Other operating expenses		-65	-85
Operating income		**-99**	**-155**
Share of income of Group companies	2	4	-938
Income from other securities holdings	2	-3	0
Interest income and similar income items		379	204
Interest expenses and similar income items		-433	-229
Exchange-rate differences		3	1
Income before appropriations and taxes		**-149**	**-1,117**
Appropriations		82	3
Tax	3	12	-42
Net income for the year		**-55**	**-1,156**

The Parent Company recognizes no items in other comprehensive income for 2013/2014 and 2012/2013, respectively. Net income for the year for the Parent Company also corresponds to total comprehensive income.

Balance sheet

ASSETS, MSEK	Note	Oct 31, 2014	Oct 31, 2013
Non-current assets			
Financial fixed assets			
Shares in subsidiaries	4	4,287	4,287
Other holdings of securities	5	272	272
Deferred tax asset	3	700	703
Other long-term receivables		114	722
Total non-current assets		**5,373**	**5,984**
Current assets			
Current receivables			
Accounts receivable		0	0
Receivables from Group companies		12,484	7,078
Other receivables		17	21
Prepaid expenses and accrued income		0	0
		12,501	**7,099**
Cash and bank balances		1	1
Total current assets		**12,502**	**7,100**
TOTAL ASSETS		**17,875**	**13,084**

SHAREHOLDERS' EQUITY AND LIABILITIES, MSEK	Note	Oct 31, 2014	Oct 31, 2013
Shareholders' equity			
Restricted equity			
Share capital		6,754	6,613
Statutory reserve		306	473
Unrestricted equity			
Retained earnings		5,626	3,545
Net income for the year		-55	-1,156
Total shareholders' equity		**12,631**	**9,475**
Long-term liabilities			
Convertible loans	6	1,426	1,536
Bond loans	7	1,490	1,487
Long-term liabilities to Group companies		429	431
Deferred tax liability	3	49	20
Other liabilities		1	4
Total long-term liabilities		**3,395**	**3,478**
Current liabilities			
Current portion of long-term loans	6	1,581	0
Liabilities to Group companies		1	3
Accounts payable		0	4
Other liabilities		252	109
Accrued expenses and prepaid income		15	15
Total current liabilities		**1,849**	**131**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**17,875**	**13,084**
Pledged assets			
Pledged assets	8	-	324
Contingent liabilities	9	336	342

Change in shareholders' equity

MSEK	Share capital	Restricted reserves	Unrestricted equity	Total equity
Shareholders' equity, October 31, 2012	**6,613**	**473**	**3,545**	**10,631**
Net income for the period			-1,156	-1,156
Shareholders' equity, October 31, 2013	**6,613**	**473**	**2,389**	**9,475**
Reclassification		-167	167	-
New issue of preference shares	141		3,359	3,500
New issue costs			-96	-96
Preference share dividend			-350	-350
Other contributed capital			201	201
Tax effect, other contributed capital			-44	-44
Net income for the period			-55	-55
Shareholders' equity, October 31, 2014	**6,754**	**306**	**5,571**	**12,631**

Number of shares: 329,000,000 (329,000,000) common shares with a quotient value of SEK 20.10 (20.10) and 7,000,000 (-) preference shares with a quotient value of SEK 20.10. Each common share entitles the holder to one vote and all common shares own equal rights to participation in the company's assets and profits. Each preference share entitles the holder to one-tenth of a vote. No dilution occurred during the year.

Cash-flow statement

MSEK	Nov 2013–Oct 2014	Nov 2012–Oct 2013
OPERATING ACTIVITIES		
Income before appropriations and taxes	-149	-1,117
Income from the sale of shares	-5	145
Impairment of shares	1	765
Impairment of receivables	8	80
Adjustment for items not included in the cash flow	31	17
Cash flow from operating activities before changes in working capital	**-114**	**-110**
Change in:		
Operating receivables	16	8
Operating liabilities	-160	-116
Cash flow from changes in working capital	**-144**	**-108**
Cash flow from operating activities	**-258**	**-218**
INVESTING ACTIVITIES		
Investment in subsidiaries	-1	-153
Investment in other companies	-	-54
Disposal of subsidiaries	4	316
Cash flow from investing activities	**3**	**109**
FINANCING ACTIVITIES		
Proceeds from borrowings	1,600	1,500
Preference share issue	3,500	-
Dividend on preference shares	-175	-
Dividends received	-	582
Group contributions received	3	20
Change in short-term investments	-5,313	-676
Change in interest-bearing receivables and liabilities	640	-1,316
Cash flow from financing activities	**255**	**110**
Cash flow for the year	**0**	**1**
Cash and cash equivalents at beginning of the year	1	0
Cash and cash equivalents at year-end	**1**	**1**

Disclosure of interest paid:
During the year, interest received amounted to MSEK 336 (219). During the year, interest paid amounted to MSEK 357 (147).

Note 1 No. of employees, salaries, other remuneration and social security expenses

The average number of employees was 6 (35). A breakdown of the average number of employees by country is provided in the table below.

	Nov 2013–Oct 2014		Nov 2012–Oct 2013	
	Men	**Women**	**Men**	**Women**
Denmark	-	1	3	5
Sweden	2	3	14	13
Total	**2**	**4**	**17**	**18**
Total of men and women	**6**		**35**	

For salaries, remuneration and social security expenses as well as remuneration and benefits paid to Board members, the President and senior executives of SAS AB, see SAS Group Note 3, Payroll expenses, pages 39–40.

Note 2 Income from financial items

	Nov 2013–Oct 2014	Nov 2012–Oct 2013
Dividend	5	-18
Capital gain/loss from the sale of shares and other participations	5	-145
Capital gain on the liquidation of subsidiaries	-	70
Impairment of shares	-1	-765
Impairment of receivables	-8	-80
Total	**1**	**-938**

Note 3 Tax

	Nov 2013–Oct 2014	Nov 2012–Oct 2013
Current tax	-	-
Deferred tax	12	-42
Total tax	**12**	**-42**
Deferred tax assets/liabilities		
Opening balance	683	725
Tax effect on items in equity	-44	-
Deferred tax	12	-42
Closing balance tax assets/liabilities	**651**	**683**

Note 4 Participations in subsidiaries

See SAS Group Note 42 – Subsidiaries in the SAS Group, page 62.

Note 5 Other holdings of securities

	Oct 31, 2014	Oct 31, 2013
Widerøe's Flyveselskap AS	270	270
Incorporate Cell Company	2	2
Total	**272**	**272**

Note 6 Convertible loans

In 2010, a convertible bond was issued for MSEK 1,600 maturing in five years. The value of the debt and equity share of the convertible bond loan has been determined at the closing date at MSEK 1,581 (1,536) and MSEK 19 (64), respectively. On the date of issue, these values were MSEK 1,374 and MSEK 226, respectively. The conversion price of the bond is SEK 46.50, and the bond is convertible every three months and has an interest rate of 7.5%.

In 2014, a convertible bond was issued for MSEK 1,600 maturing in five years. The value of the debt and equity share of the convertible loan has been determined at the closing date to MSEK 1,426 and MSEK 174, respectively. At the issue date, these amounts were MSEK 1,399 and MSEK 201, respectively. The loan conversion price is SEK 24.0173. The bond is convertible on demand and carries an interest rate of 3.625%.

The loans are categorized as "Other liabilities," which means recognition at amortized cost.

Note 7 Bond loan

	Oct 31, 2014	Oct 31, 2013
Issued MSEK 1,500	1,490	1,487
Total	**1,490**	**1,487**

A bond loan with maturity in 2017 was issued in 2013. The loan carries i nterest of 9% and is classified as other liabilities, with recognition at amortized cost.

Note 8 Pledged assets

	Oct 31, 2014	Oct 31, 2013
20% shareholding in Widerøe's Flyveselskap AS	-	270
Other securities pertaining to the sale of Widerøe	-	54
Total	**-**	**324**

Note 9 Contingent liabilities

Effective December 31, 2003, SAS AB has pledged to guarantee as its own liability the SAS Consortium's current and future interest-bearing obligations, leasing commitments and other financial obligations (irrevocable undertaking).

Other contingent liabilities benefitting:	Oct 31, 2014	Oct 31, 2013
Blue1	336	342
Total	**336**	**342**

Note 10 Auditors' fees

Fees to Deloitte/PwC were as follows:	Nov 2013–Oct 2014	Nov 2012–Oct 2013
Auditing services		
Deloitte	-	4
PwC	5	2
Audit activities other than audit assignment		
PwC	1	-
Tax consultancy services	-	-
Total	**6**	**6**

Auditor's fees are invoiced to the Parent Company which, in turn, invoices the Group subsidiaries for their respective costs.

Corporate governance

Corporate Governance Report

SAS AB, which is the Parent Company for operations at SAS, is a Swedish public limited company headquartered in Stockholm, Sweden. Since July 2001, SAS AB has been listed on the Nasdaq OMX Stockholm with secondary listings in Copenhagen and Oslo. This corporate governance report for the 2013/2014 fiscal year and has been prepared pursuant to the Swedish Annual Accounts Act and the Swedish Corporate Governance Code (the Code) based on the revision of the Code issued in February 2010.

Departure from the Code

Since the implementation of the Code, SAS has followed the Code with the exception of the following instance: SAS conducts shareholders' meetings in Swedish, Norwegian and Danish, which departs from clause 1.5 of the Code. Reason for the departure: the Articles of Association for SAS AB specify that the language used at shareholders' meetings is to be Swedish, Danish or Norwegian, and, if the Board so decides, other languages as well. The reason all three Scandinavian languages are used at shareholders' meetings is due to the strong Scandinavian nature of the SAS with the largest number of shareholders in Denmark as well as a management and Board comprising citizens of all three Scandinavian countries. Meeting deliberations in SAS AB are held primarily in Swedish and meeting materials are available in Swedish. In view of the above, the Board believes that any one of the Scandinavian languages may be freely used at shareholders' meetings in the company in view of the similarity of the three Scandinavian languages.

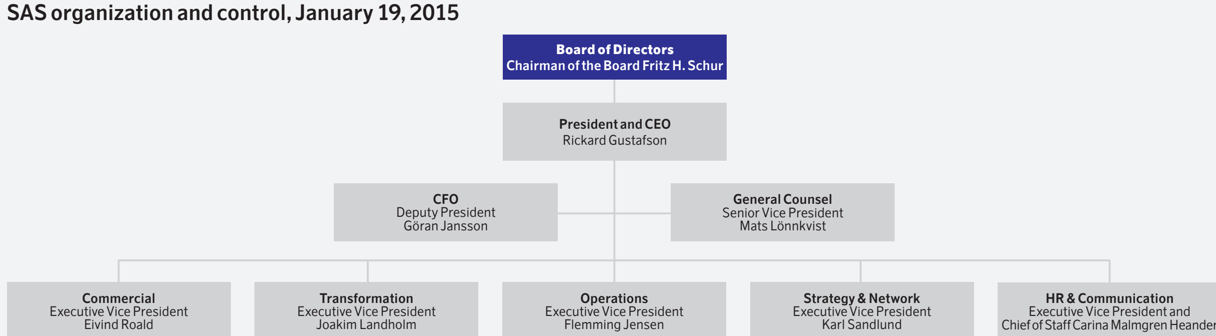
Shareholders

On October 31, 2014, SAS AB had 58,433 holders of common shares and 4,927 preference shareholders. The major shareholders are the three Scandinavian governments, who represent 50% of the votes. The largest private shareholders are the Knut and Alice Wallenberg Foundation, Avanza Pension, Unionen, JPM Chase and the funds of various banks. Voting rights held in Scandinavia were about 93%, with Sweden accounting for 47%, Denmark 30% and Norway 16%. Institutional owners held about 30% and private individuals 20%. More information about the share and the ownership structure is available on page 84–87.

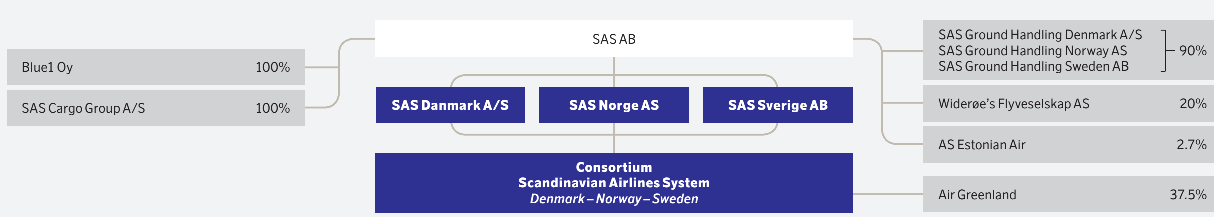
Shareholders' meeting

At the Shareholders' Meeting of SAS AB, which is the company's highest decision-making body, one common share is equal to one vote with no restrictions on the number of votes any one shareholder is entitled to cast at a meeting. Each preference share entitles the holder to one-tenth of a vote. The shareholders' meeting may be held in Stockholm, Solna or in Sigtuna. Notice convening the AGM is issued no earlier than six and no later than four weeks prior to the meeting. Notice is published in daily newspapers in Sweden, Denmark and Norway and announced in press releases as well as published on the company's website. SAS also e-mails notices to shareholders who have requested this service via Shareholder Service on the company website: www.sasgroup.net. The Articles of Association contain no special provisions regarding the election and discharge of Board members or regarding changes to the Articles of Association. Currently, no authority has been provided by the shareholders' meeting to the Board empowering the Board to issue new shares or buy back treasury shares.

SAS organization and control, January 19, 2015



SAS Group's legal structure, January 19, 2015



Legal framework governing the SAS Group

The key rules and regulations for SAS AB are:

External rules

- Swedish legislation
- The Swedish Corporate Governance Code (the Code)
- The Nasdaq OMX and Oslo Børs rules for issuers
- The recommendations issued by relevant Swedish and international organizations

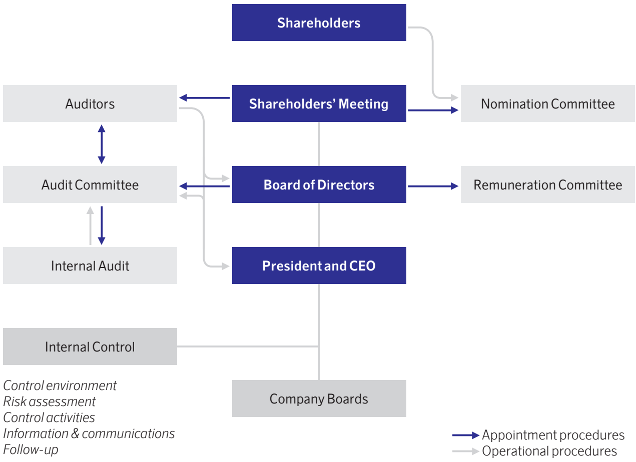
No breach of the relevant stock exchange rules or of good stock market practices have been reported by Nasdaq's Disciplinary Committee, the Oslo Børs or the Swedish Securities Council during the fiscal year.

Internal rules

- The Articles of Association
- Information/IR policy
- The Board's work plan
- The Board's instructions to the President
- Internal policies and guidelines including the Code of Conduct

Corporate governance, governance structure

SAS AB had 63,360 shareholders on October 31, 2014. The major shareholders are the three Scandinavian governments. The largest private shareholders are the Knut and Alice Wallenberg Foundation, Avanza Pension, JPM Chase, Unionen and the funds of various banks.



Nomination Committee

The Nomination Committee represents shareholders of SAS and is appointed by the AGM and tasked with preparing the meeting's resolutions on nomination and remuneration issues, as well as matters of procedure for the next nomination committee. An instruction for the Nomination Committee was adopted in conjunction with the 2014 AGM. The Nomination Committee is tasked with making proposals for the election of the Chairman of the AGM, the number of Board members and Directors' fees, broken down among the Chairman, Vice Chairman, other Board members and any remuneration for work on Board committees, election of Board members and Chairman of the Board, election of auditors, auditors' fees and the Nomination Committee ahead of the 2016 AGM.

Nomination Committee, 3 minuted meetings

Niklas Johansson, Swedish Ministry of Finance, for the Swedish government (Chairman)
Rasmus Lønborg, Danish Ministry of Finance (from January 2015)
Knut J. Utvik, Norwegian Ministry of Trade and Industry
Peter Wallenberg Jr, Knut and Alice Wallenberg Foundation
Peter Brixen, Danish Ministry of Finance (until January 2015)

The Nomination Committee has evaluated the Board's work, qualifications and composition. The Chairman of the Board liaises closely with the Committee, and the result of the evaluation of the Board is made available to the Committee. At least one meeting with the Chairman and Group CEO must be held before the Committee submits its recommendations to the AGM. The Committee's recommendations are published in the notice convening the AGM, on the company's website, and at the AGM. Committee members received no fees or other remuneration from SAS for their work on the Nomination Committee. When required for carrying out its assignment, the Committee utilizes recruitment consultants and other outside consultants, with SAS defraying the cost.

Board of Directors

The Board's work is governed by the Swedish Companies Act, the Articles of Association, the Code and the formal work plan adopted by the Board each year. The Board members are elected by the AGM for the period until the next AGM has been held. The Articles of Association stipulate that the Board of Directors consist of six to eight members elected by the shareholders' meeting. During the year, the Board comprised eight duly elected members, no deputies and three employee representatives, each with two personal deputies. The employee representatives are appointed by the SAS Group's employee groups in Denmark, Norway and Sweden in line with governing legislation and special agreements. Deputies attend Board meetings only in the absence of an ordinary member. Except for employee representatives, no Board member is employed by SAS AB or any other company in the SAS Group.

The elected Board members are appointed for the period until the end of the next AGM. No regulation exists that limits the period of time a Board member can serve as a member of the Board. The experience of the Board members and their independence in relation to the owners of the company are disclosed on pages 72–73.

The average age of members is 57 and two of the eight members elected by the shareholders' meeting are women. All members elected by the shareholders' meeting are regarded by the Nomination Committee as being independent of the company and company management, while one member is not regarded as being independent of the company's major shareholders. Owing to his position as President and CEO of Posten Norge AS, wholly owned by the Norwegian government, Dag Mejdell is not regarded as independent in relation to major shareholders. SAS AB meets the requirements of the Code regarding Board independence vis-à-vis the company, company management, and the company's major shareholders. Otherwise, the Nomination Committee's opinion is that the Code's requirements for diversity, breadth and an even gender balance on the Board are satisfied in a relevant manner.

To streamline and enhance the Board's work, there are two committees; the Remuneration Committee and the Audit Committee, whose members are appointed by the Board. The main duty of the committees is to prepare issues for decision by the Board. These committees do not imply any delegation of the Board's or its members' legal responsibilities. Reports to the Board on issues discussed at committee meetings are either in writing or given verbally at the following Board meeting. The work on each committee follows written instructions and a work plan stipulated by the Board. The General Counsel of SAS serves as the secretary to the committees and minutes of committee meetings are provided to all Board members.

Remuneration for work on Board committees is determined by the AGM.

The Board's work 2013/2014

The Board's work follows a plan intended, among other things, to ensure the Board receives all necessary information. The formal work plan regulates the division of the Board's work between the Board and its committees and among the Board, its Chairman and the President. The work plan also contains provisions for meeting the Board's needs for information and financial reporting on an ongoing basis as well as instructions for the President and the company's Board committees.

In November 2013–October 2014, the Board held 14 scheduled Board meetings. The CEO and other senior executives in the company attended Board meetings to make presentations and the company's General Counsel served as the Board's secretary.

Main issues dealt with at Board meetings

11/26: The refinancing plan.
12/18: Year-end report for 2012/2013, report from the external auditors, adoption of proposed budgets and status of the refinancing plan.
1/14: The refinancing plan and notice of the 2014 AGM.
1/27: Adoption of the 2012/2013 Annual Report and status of the refinancing plan.
2/5: The refinancing plan – offer to subscribe for preference shares and adoption of the prospectus.
2/18: The meeting and work plan for 2014/2015 and status of the refinancing plan.
2/24: Decision to issue new preference shares and announcement of the private placement of the convertible bond loan.
2/25: Decision to issue the convertible bond loan.
3/13: Statutory Board meeting, adoption of the report for the first quarter and approval of the 2013/2014 audit plan.
4/25: Review of earnings improvement measures, subjects for the Board's further training and the planning for strategy meetings.
6/16–17: Strategy meeting, review of customer satisfaction, auditors' report and adoption of the report for the second quarter.
9/2: Market and revenue follow-up, SAS transformation plan and follow-up, annual review of the Board's, and its committees', written instructions and the plan for the annual evaluation of the Board's work.
9/9: Adoption of the report for the third quarter.
10/24: Follow-up of sick leave reporting, budget for 2014/2015, status of the transformation plan, corporate governance and risk management.

Audit Committee

The Committee monitors the company's financial reporting as well as the effectiveness of the company's internal audit and risk management.

The Committee keeps itself informed about the audit. The Board scrutinizes and approves the company's year-end and interim reports.

The Committee is responsible for preparing the Board's quality assurance work regarding the company's financial reporting. The Committee performs quality assurance through the discussion of critical auditing issues and the financial statements that the company submits. Issues discussed by the Committee include internal control, compliance, uncertainty in reported values, events after the closing date, changes in estimates and assessments, financial and legal risks, suspected and verified irregularities, and other matters affecting the company's financial reporting.

The company's external auditors attends all meetings of the Committee. Without otherwise impacting the responsibilities and obligations of the Board, the Committee is tasked with scrutinizing and monitoring the impartiality and independence of the auditor including paying particular attention to any non-audit-related assignments provided to the company by the auditor as well as assisting in the preparation of proposals regarding the election of auditors and auditors' fees for resolution at shareholders' meetings.

All members of the Committee are independent in relation to SAS, the company management and the shareholders in line with the Code. Besides the Committee Secretary, the SAS Group CFO and the company's external auditors attend Committee meetings.

Audit Committee's work for 2013/2014 – seven minuted meetings

	Dec 13	Dec 18	Jan 27	Mar 13	Jun 16	Sep 09	Oct 24
Monica Caneman (Chairman)	●	●	●	●	●	●	●
Lars-Johan Jarnheimer	●	●	●	●	●	●	●
Birger Magnus	●	●	●	●	●	●	●

● Present ○ Absent

Remuneration policies and other terms of employment for company management

Remuneration policies for company management are to be formulated and presented by the Remuneration Committee to the Board, which submits the proposal to the AGM for adoption. Total remuneration must be market-based and competitive and must be in relation to responsibility and authority.

Remuneration consists of fixed salary, other benefits and pension. The fixed salary is to reflect the position's requirements pertaining to skills, responsibility, complexity and the manner in which it contributes to achieving the business objectives. The fixed salary is to also reflect the executive's performance and can therefore be both individual and differentiated. Other benefits, including company car and health insurance, must be market-based and only constitute a limited part of the total remuneration. Pension benefits are to be defined-contribution, with premiums not exceeding 30% of the fixed annual salary. Agreements concluded previously with some senior executives that contain partially deviating conditions governing pensions and termination will be respected until they cease or are renegotiated. The Board deems that particular circumstances exist for deviation from the remuneration policies in one case and, accordingly, decided to allow variable remuneration to the member of Group Management responsible for Commercial.

Remuneration of the President is to be decided within the framework of policies approved by the Board of SAS AB and on the recommendation of the Remuneration Committee established by the Board. Remuneration of other members of Group Management is to be decided by the President within the framework of approved remuneration policies after consultation with the Remuneration Committee. The detailed guidelines are available on the company's website. For detailed information about remuneration and benefits for the Board, President and senior executives in 2013/2014 see Note 3, page 39.

Remuneration Committee

The Remuneration Committee prepares issues for the Board's decision vis-à-vis remuneration policies and other employment terms for senior executives with a view to ensuring the company's access to executives with the requisite skills at a cost appropriate to the company. The Committee prepares proposals for policies for remuneration and other employment terms for resolution at the AGM.

The Group's Remuneration Committee complies with the Code's instructions. The Code specifies that members of the Remuneration Committee must be independent of the company and company management. Fritz H. Schur, Jacob Wallenberg and Dag Mejdell are independent in relation to the company and company management.

Remuneration Committee's work for 2013/2014 – three minuted meetings

	Nov 11	Dec 18	Sep 14
Fritz H. Schur (Chairman)	●	●	●
Jacob Wallenberg	●	●	●
Dag Mejdell	●	●	●

● Present ○ Absent

Auditors

Auditors are elected by the AGM and tasked with scrutinizing the company's financial reporting and administration of the company by the Board and the President. An election was conducted to appoint an auditor at the 2014 AGM, whereby PricewaterhouseCoopers AB (PwC) was elected for the period until the end of the 2015 AGM. The principal auditor is Bo Hjalmarsson. In addition to SAS AB, he has audit engagements for companies that include Eniro, Ericsson and Teracom. On two occasions during the 2013/2014 fiscal year, the principal auditor met with the Board, presenting the program for auditing work and reporting observations from the audit.

On one occasion during the fiscal year, the Board met with the company's auditor without the presence of the President or any other representative of the company management. PwC submits an audit report for SAS AB, the Group, and an overwhelming majority of the subsidiaries.

Over the past year, in addition to its auditing work, PwC has performed advisory services for SAS Group companies in auditing-related areas for a total invoiced amount of MSEK 2. Auditors' fees for work performed are in line with the resolution of the AGM. For more information about the auditors' fees in 2013/2014, see Note 39.

President and Group Management

The Board appoints the President of SAS AB, who is also Group CEO. The Board has delegated responsibility for the day-to-day administration of SAS to the President. Each year, an instruction defining the division of duties between the Board and the President is determined by the Board who also evaluate the work performed by the President. The Board's instructions to the President contain detailed rules governing the President's authority and obligations. Group Management comprised eight members, including the President, for the majority of 2013/2014. The composition of the Group Management is shown on page 74–75.

The President liaises and works closely, and has regular meetings with the Chairman to discuss the operations and performance of SAS, and to plan Board meetings. To enable the Board to monitor the financial position of SAS on an ongoing basis, the President makes monthly reports to the Board.

Group Management is not a corporate body in the sense of Swedish limited company law and as a collegial management body has no legal liability vis-à-vis the Board and shareholders. Only the President reports to the Board. Normally, the Group Management has minuted meetings every week. These meetings are chaired by the President, who reaches decisions after consulting with the other members of Group Management. The main business areas of SAS that are not themselves a separate legal entity are led by Group Management through representatives for the respective business area. Group Management's management and control of operations are based on guidelines and policies regarding financial management and follow-up, communication issues, human resources, legal issues, brands, business ethics and environmental matters.

Attendance at Board meetings, November 2013–October 2014

	Nov 26	Dec 18	Jan 14	Jan 27	Feb 5	Feb 18	Feb 24	Feb 25	Mar 13	Apr 25	Jun 16–17	Sep 2	Sep 9	Oct 24
Fritz H. Schur, Chairman	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Jacob Wallenberg, Vice Chairman	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Dag Mejdell, Second Vice Chairman	●	●	●	●	●	○	●	●	●	○	●	●	●	●
Monica Caneman, member	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Lars-Johan Jarnheimer, member	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Birger Magnus, member	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Sanna Suvanto-Harsaae, member	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Carsten Dilling (from February 18, 2014)							●	●	●	●	●	●	●	●
Anna-Lena Gustafsson (to February 25, 2014)	●	●	●	●	●	●	●	●						
Ulla Gröntvedt (to February 25, 2014)	●	●	●	●	●	●	●	●						
Asbjörn Wikestad (to February 12, 2014)	●	●	●	●	●									
Jens Lippestad (from February 18, 2014)						●	●	●	●	●	●	●	●	●
Bo Nielsen (from March 13, 2014)									●	●	●	●	●	●
Sven Cahier (from March 13, 2014)									●	●	●	●	●	●

● Present ○ Absent

Fees decided at the 2014 Annual General Shareholders' Meeting

Name	Nationality	Independent	Board	Audit Committee	Remuneration Committee	Total, TSEK
Fritz H. Schur	DK	Yes	410		49	459
Jacob Wallenberg	SE	Yes	242		17	259
Dag Mejdell	NO	No[1]	242		17	259
Monica Caneman	SE	Yes	207	66		273
Carsten Dilling	DK	Yes	207			207
Lars-Johan Jarnheimer	SE	Yes	207	31		238
Birger Magnus	SE	Yes	207	31		238
Sanna Suvanto-Harsaae	FI	Yes	207			207
Jens Lippestad and Asbjörn Wikestad[2]	NO		207			207
Sven Cahier and Ulla Gröntvedt[3]	SE		207			207
Bo Nielsen and Anna-Lena Gustafsson[4]	DK		207			207
Total			**2,550**	**128**	**83**	**2,761**

1) Dag Mejdell is not considered independent in relation to major shareholders (but is independent in relation to SAS and its management).
2) Asbjörn Wikestad was a Board member until February 12, 2014 and was succeeded by Jens Lippestad.
3) Ulla Gröntvedt was a Board member until March 6, 2014 and was succeeded by Sven Cahier.
4) Anna-Lena Gustafsson was a Board member until March 6 and was succeeded by Bo Nielsen.

Outcome November 2013–October 2014, fees for employee representatives

Name	Period	Total
Sven Cahier	November 2013–March 2014	3,000 SEK
Bo Nielsen	November 2013–March 2014	3,000 SEK
Rune Thuv	November 2013–March 2014	2,000 SEK
Per Weile	November 2013–March 2014	3,000 SEK
Jan Levi Skogvang	November 2013–March 2014	2,000 SEK
Erik Bohlin	November 2013–October 2014	8,000 SEK
Ulla Gröntvedt	March 2014–October 2014	5,000 SEK
Elin Rise	March 2014–October 2014	5,000 SEK
Kim Kalsås-Carlsen	March 2014–October 2014	5,000 SEK
Janne Wegeberg	March 2014–October 2014	5,000 SEK
Jean-Pierre Schomburg	March 2014–October 2014	5,000 SEK

Annual General Shareholders' Meeting

The AGM of SAS will be held on February 19, 2015 at 3:00 p.m. in Solna: The head office of SAS, Frösundaviks allé 1.

Attending the AGM
Shareholders who wish to attend the AGM must notify the company in advance. Details about notification will be published in the notice convening the AGM.

Proposals or questions for inclusion in the notice of the AGM
Shareholders who wish to address a specific question or include a proposal in the notice convening the AGM may do so in good time ahead of the notice. The deadline for proposals is stated in good time in line with the provisions of the Code on the SAS website.

Items in the notice
- The deadline for receiving business to be included in the notice: January 2, 2015

Sending of the notice and notification of attendance
- The notice will be sent on January 19, 2015.
- Deadline for notification of attendance: February 13, 2015 in Sweden and February 12, 2015 in Norway and Denmark.

Record day
- February 13, 2015

Admission cards to the AGM will be sent on
- February 13–14, 2015

Annual General Shareholders' Meeting
- February 19, 2015

Internal control – financial reporting

The SAS Group applies COSO, the internationally recognized framework for internal control, to describe and evaluate the Group's control structure. Internal control of financial reporting is a process involving the Board of Directors, company management and employees, and is designed to provide reasonable assurance regarding the reliability of external reporting. Internal control of financial reporting is described below in five areas that jointly form the basis of a sound control structure.

Control environment
The control environment comprises the basis for internal control and includes the culture in which the SAS Group communicates and acts. The Group's ambition is that its values – reliability, openness, care and value-creation – will permeate the organization and the internal control environment. All actions, internal as well as external, are to reflect these basic values. The SAS Group's Code of Conduct describes the desired approach in various situations, including a structure for reporting deviations from the desired approach. The Group's control of operations includes clear leadership, competent employees and efficiently organized operations. Information concerning governance of the Group is available for all employees on the Group's intranet. These documents describe the Group's control philosophy, control model and entities as well as the company's roles and responsibilities, owner requirements, overall follow-up, internal business relationships and the allocation of tasks.

Risk assessment
Every year, company management performs a risk assessment regarding financial reporting to ensure that operational goals are met. The assessment of risks in various major balance-sheet and income items is graded where critical areas have been identified. The SAS Group's internal audit function performs an ongoing overarching risk assessment that results in an annual audit plan. The audits performed by the internal audit are primarily aimed at operational auditing, but also focus on processes that impact financial reporting and the risk of irregularities, improper favoritism of another party at the company's expense, and the risk of loss or embezzlement. The audit plan is approved by the Audit Committee and the SAS Group's Board. Until May 2013, internal audit was managed by an internal function at SAS and, thereafter, has been carried out externally through Deloitte who have substantial knowledge of SAS from earlier extensive experience as auditors of the Group.

Control activities
SAS aims to perform relevant control activities to manage risks that impact the financial reporting. This also includes control activities that prevent irregularities. Control activities cover, inter alia, internal control in each respective entity and subsidiary of the Group. Previously, SAS has prepared a questionnaire with defined control targets in the management process, accounting process, revenue process, purchasing process, payroll process and asset management process (the Internal Control Questionnaire).These control targets also include IT controls that safeguard change management, user administration and procedures and responsibilities.

This means that during the 2013/2014 fiscal year, the Internal Control Questionnaire has instead been replaced with other control activities to manage risks that impact financial reporting. These control activities, which were carried out by SAS, PwC and/or Deloitte, included the following:
- Auditing Oracle, which comprised the risks related to automated and manual controls vis-à-vis the general ledger, accounts payable ledger, purchasing system, accounts receivable ledger and the system administration.
- Auditing/analysis of passenger tickets, which comprised automated and manual controls of passenger revenue and the unearned transportation revenue liability.
- Auditing/analysis of revenue adjustments, which comprised automated and manual controls of revenue settlement between airlines, agents and airports.

The assessment of this review was that the internal control of financial reporting was satisfactory.

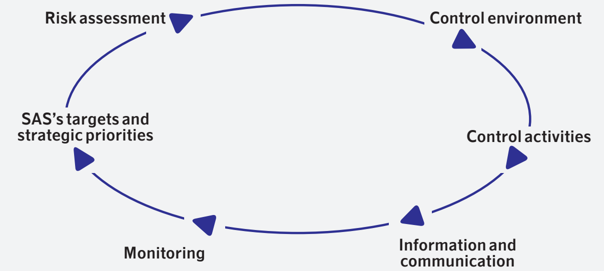
In all cases, the audits performed by internal audit result in recommendations which are graded according to a risk perspective. These recommendations result in action plans that are jointly followed up by the SAS Group's management and Audit Committee.

Information and communication
The aim of SAS is that the information and communication paths pertaining to the internal control of financial reporting are known and appropriate. All policies and guidelines in the financial areas are on the intranet, under SAS Group Financial Guide. The SAS Group's accounting policies as well as any changes are always communicated by direct dispatch and at regular meetings with those responsible for financial matters in the entities and subsidiaries. All entities and subsidiaries submit a monthly report on their activities, including their financial status and performance. To ensure that the external information is correct and complete, the SAS Group pursues an information policy regarding disclosures to the stock exchange and an Investor Relations policy that has been laid down by the SAS Group's Board. This policy is available on the SAS Group website under Investor Relations. The SAS Group's published external reports are based on reporting from all legal entities in accordance with a standardized reporting procedure.

Financial information reported regularly includes: the annual report, interim reports, press releases, presentations and telephone conferences aimed at financial analysts, investors and meetings with the capital market in Sweden and abroad. The above information is also available on the Group's website www.sasgroup.net.

Monitoring
Monitoring and continuous evaluation of compliance with policies and guidelines as well as monitoring reported deficiencies are conducted regularly. In connection with monitoring action plans for noted deficiencies in control activities and their control targets, these measures are tested as is their compliance. Recommendations from the external and internal audits and the status of ongoing measures are compiled and presented to Group Management and the Audit Committee. Financial reporting is discussed at each Board meeting and at meetings of the Audit Committee.

SAS Group control environment



Board of Directors

The Board is responsible for the organization and administration of SAS, for ensuring proper control of its accounting and other financial circumstances as well as for appointing and removing the President. All Board members elected by the shareholders' meeting are independent of the company and company management.

The 2014 AGM adopted the Nomination Committee's recommendation for reelection of Fritz H. Schur, Monica Caneman, Lars-Johan Jarnheimer, Birger Magnus, Dag Mejdell, Sanna Suvanto-Harsaae and Jacob Wallenberg, and for the new election of Carsten Dilling. Fritz H. Schur was reelected Chairman of the Board.

The changes in Board's composition adopted at the 2014 AGM were based on the assessment of the Nomination Committee that additional competence from active, ongoing, operational management of a major, established, international business as well as closer ties with and in-depth knowledge of the company's main markets would be valuable. Given the extensive change efforts at SAS, the Committee decided to expand the Board by one new member and, accordingly, comprise eight persons to obtain a wide and compatible coverage of the requisite experience.

No share convertibles or options have been issued to the Board of SAS AB.

Chairman Fritz H. Schur, born 1951
Chairman of the Board of SAS AB since April 2008. Member of the Board of SAS AB since 2001. *Directorships:* Chairman of the companies in the Fritz Schur Group, F. Uhrenholt Holding A/S and C.P. Dyvig & Co. A/S. Vice Chairman of the Board of Brd. Klee A/S. Board member of WEPA Industrieholding SE. *Education:* B.Sc. Economics and Business Administration. *Earlier directorships/positions:* Chairman of Det Danske Klasselotteri A/S, SN Holding A/S, CVI A/S, PostNord AB and Post Danmark A/S, Chairman of DONG Energy A/S and Vice Chairman of Interbank A/S. Board member of De Post NV/La Poste SA, Belgium, and others.
Shareholding: 40,000 common shares and 2,888 preference shares.
Independent of the company, the company management and the company's major shareholders.

First Vice Chairman Jacob Wallenberg, born 1956
Vice Chairman of the Board of SAS AB since 2001. *Directorships*: Chairman of Investor AB. Vice Chairman of Ericsson AB and Board member of ABB Ltd, the Knut and Alice Wallenberg Foundation, the Confederation of Swedish Enterprise and the Stockholm School of Economics. *Education:* B.Sc. Economics and MBA Wharton School, University of Pennsylvania. *Earlier directorships/positions:* Chairman of SEB. Vice Chairman of Stockholms Handelskammares Service AB, Electrolux AB and Atlas Copco, as well as Board member of the Coca-Cola Company, Stora and WM-data. President and CEO of SEB, Deputy President and CFO of Investor AB.
Shareholding: 10,000 common shares.
Independent of the company, the company management and the company's major shareholders.

Second Vice Chairman Dag Mejdell, born 1957
Second Vice Chairman of the Board of SAS AB since 2008. President and CEO of Posten Norge AS. *Directorships:* Chairman of Arbeidsgiverföreningen Spekter, International Post Corporation and Norsk Hydro ASA. Industrial advisor IK investment Partners. *Education:* MBA, Norwegian School of Economics and Business Administration. *Earlier directorships/positions:* President and CEO of Dyno Nobel ASA. Chairman of Svenska Handelsbanken, Region Norway and Vice Chairman of Evry ASA. Board member of DYWIDAG System International GmbH.
Shareholding: 4,214 common shares.
Independent of the company and the company management. Owing to his position as CEO of Posten Norge AS, wholly owned by the Norwegian government, Dag Mejdell is not regarded as independent in relation to major shareholders.

Monica Caneman, born 1954
Member of the Board of SAS AB since 2010. *Directorships:* Chairman of the Fourth Swedish Pension Fund, Arion bank hf and Big Bag AB. Board member of Storebrand ASA, Poolia AB, My Safety AB, Intermail A/S, Comhem AB and Schibsted Sverige AB. *Education:* MBA, Stockholm School of Economics. *Earlier directorships/positions:* Board member of EDT AS, Allenex AB, Frösunda LSS AB and Interverbum AB. Board member of Schibsted ASA, Resco AB, Nocom AB, Akademikliniken AB, Nya Livförsäkrings AB, SEB Trygg Liv, XponCard Group AB, Lindorff Group AB, Citymail Group AB, EDB Business Partner ASA, Nordisk Energiförvaltning ASA and Svenska Dagbladet AB.
Shareholding: 4,000 common shares.
Independent of the company, the company management and the company's major shareholders.

Carsten Dilling, born 1962
Member of the Board of SAS AB since 2014. *Directorships*: Chairman of Get AS. Board member of the Confederation of Danish Industry (DI) and Industry's Employers in Copenhagen (IAK). *Education*: B.Sc. and M.Sc. in Economics and Business Administration, Copenhagen Business School. *Earlier directorships/positions*: Board member of Traen A/S (Chairman), Gatetrade A/S, Columbus IT Partner A/S and a number of Board assignments for the TDC Group. President and CEO of TDC A/S.
Shareholding: 0.
Independent of the company, the company management and the company's major shareholders.

Lars-Johan Jarnheimer, born 1960
Member of the Board of SAS AB since 2013. *Directorships:* Chairman of CDON Group, Eniro AB, Arvid Nordqvist HAB and Ingka Holding BV (IKEA's parent company). Board member of Egmont International Holding AS and Elite Hotels. *Education:* B.Sc. in Business Administration and Economics, Lund and Växjö universities. *Earlier directorships/positions:* Chairman of BRIS. Board member of MTG Modern Times Group AB, Millicom International Cellular S.A, Invik and Apoteket AB. President and CEO of Tele2. *Shareholding:* 10,000 common shares and 2,520 preference shares.
Independent of the company, the company management and the company's major shareholders.

Birger Magnus, born 1955
Member of the Board of SAS AB since 2013. *Directorships:*Chairman of Storebrand ASA, Hafslund ASA, NRK A/S, XENETA A/S and Stiftelsen Aktiv mot Kreft. Board member of Aschehoug AS, Kristian Gerhard Jebsen Group and Harvard Business School Publishing. *Education:* : MBA, INSEAD and M.Sc., University of Science and Technology. *Earlier directorships/positions:* Chairman of Svenska Dagbladet, Aftonbladet, Aftenposten, VG, Media Norge and 20 Min Holding.
Shareholding: 0.
Independent of the company, the company management and the company's major shareholders.

Sanna Suvanto-Harsaae, born 1966
Member of the Board of SAS AB since 2013. *Directorships:* Chairman of Babysam AS, Sunset Boulevard AS, VPG AS and Best Friend AB. Board member of Paulig Oy, Clas Ohlson AB, Altia OY, CCS AB and Upplands Motor AB. *Education:* M.Sc. in Business and Economics, Lund University. *Earlier directorships/positions:* Chairman of Health and Fitness Nordic AB and BTX AS. Board member of Jetpak AB, Duni AB, Candyking AB and Symrise AG.
Shareholding: 0.
Independent of the company, the company management and the company's major shareholders.

Employee representative
Jens Lippestad, born 1960
Employed at Scandinavian Airlines in Norway.
Member of the Board of SAS AB since 2014.
Shareholding: 30,071 common shares.
Deputies: Kim Kalsås-Carlsen, First Deputy.
Shareholding: 0.
Elin Rise, Second Deputy.
Shareholding: 0.

Employee representative
Sven Cahier, born 1951
Employed at Scandinavian Airlines in Sweden.
Member of the Board of SAS AB since 2014.
Shareholding: 418 common shares.
Deputies: Erik Bohlin, First Deputy.
Shareholding: 0.
Ulla Gröntvedt, Second Deputy.
Shareholding: 2,000.

Employee representative
Bo Nielsen, born 1958
Employed at Scandinavian Airlines in Denmark.
Member of the Board of SAS AB since 2014.
Shareholding: 392 common shares.
Deputies: Janne Wegeberg, First Deputy.
Shareholding: 0.
Jean Pierre Shomburg, Second Deputy.
Shareholding: 0.

Auditors PricewaterhouseCoopers AB (PwC)

Principal auditor Bo Hjalmarsson, Authorized Public Accountant. Elected in 2013.

Other major engagements Eniro, Ericsson and Teracom.

Corporate Secretary Mats Lönnkvist, General Counsel and member of Group Management.

Group Management

Group Management is responsible for the company's business management, financial reporting, acquisitions /disposals, financing and communication and other corporate matters. The members of the Group Management are appointed by the President in consultation with the Board of Directors. Only the President reports to the Board, although the other members of Group Management report to the President. Group Management's responsibilities are divided among its members with regard to managing the company's business affairs, and minuted meetings are normally held every week.

Rickard Gustafson, born 1964
President and CEO
Member of SAS Group Management from February 1, 2011. *Previously:* Various executive positions in GE Capital, both in Europe and the US, and President of Codan/Trygg-Hansa from 2006–2011. *External directorships:* Board member of Grand Group AB.
Education: M.Sc. Industrial Economics.
Shareholding: 40,000 common shares.
A close relative to Rickard Gustafson holds 5 common shares.

Göran Jansson, born 1958
Deputy President and CFO
Member of SAS Group Management since 2011. *Previously:* CFO and Deputy CEO of Assa Abloy. *External directorships:* Board member of Axis Communication AB and SPP. *Education:* Graduate in Business Administration from Stockholm University.
Shareholding: 1,330 preference shares.

Flemming Jensen, born 1959
Executive Vice President Operations
Member of SAS Group Management since September 14, 2011. *Previously:* Flemming Jensen joined SAS in 1989 and, since 2008, has held a number of executive positions in SAS production including Chief Operating Officer Production Unit CPH. During the period 2002–2008, he was Chief Pilot and before that, a pilot. *External directorships:* Board member of Industrial Employers in Copenhagen (IAK) and a member of the Board and Executive Committee of the Confederation of Danish Industry. *Education:* Pilot in the Danish Air Force.
Shareholding: 14,100 common shares, 290 preference shares.

Joakim Landholm, born 1969
Executive Vice President Transformation
Member of SAS Group Management since January 16, 2012. *Previously:* Joakim Landholm joins SAS from a position as Chief Operating Officer at RSA Scandinavia, which comprises Trygg-Hansa and Codan. He has an extensive background in management, strategy and analysis from GE Money Bank, Accenture and Swedbank. *External directorships:* Board member of Svenska Flyg-Branschen and Transportgruppen. *Education*: MBA from the Stockholm School of Economics.
Shareholding: 50 preference shares.

Mats Lönnkvist, born 1955
Senior Vice President, General Counsel
Member of SAS Group Management since 2009. Head of Legal, Insurance and Public Affairs, and is the Board secretary at SAS AB. *Previously:* Various legal posts in the SAS Group 1988–2009, the law firm of Mannheimer & Zetterlöf 1984–1988. *External directorships:* none. *Education:* Law degree from Uppsala University. *Shareholding:* 2,704 common shares and 56 preference shares.

Carina Malmgren Heander, born 1959
Executive Vice President and Chief of Staff
Group Management since January 1, 2015. *Previously:* Carina Malmgren Heander joined SAS from AB Electrolux where, for the past three years, she was Senior Vice President for the business unit, Electrolux Grand Cuisine. Previously, Carina Malmgren Heander has held a number of leading positions in HR and operations at Electrolux, Sandvik and ABB. *External directorships*: Svedbergs AB and Scandinavian Track Group AB. *Education*: MBA, Linköping University. *Shareholding*: 0.

Eivind Roald, born 1966
Executive Vice President and Chief Commercial Officer
Member of SAS Group Management since April 1, 2012. *Previously:* Eivind Roald joined SAS from Hewlett Packard in Norway, where he spent his last seven years as President. He also has 16 years' experience from such companies as Accenture and Willi Railo Consulting, where he focused on the restructuring of sales and marketing functions. *External directorships:* Inmeta Crayon. *Education:* Bachelor's degree from the Norwegian Management School (BI). *Shareholding:* 84,000 common shares.

Karl Sandlund, born 1977
Executive Vice President Strategy & Network
Member of SAS Group Management since February 1, 2014. *Previously:* Karl Sandlund comes from a position as Vice President Network & Partners and previously worked in management roles with strategic assignments for SAS. Karl Sandlund worked for McKinsey before joining SAS in 2004. *External directorships:* none. *Education:* M.Sc. in Industrial Engineering and Management from Linköping University. *Shareholding:* 2,000 common shares, 130 preference shares.

The Board of Directors and the President hereby give their assurance that the Annual Report has been prepared pursuant to the Swedish Annual Accounts Act and RFR 2, Accounting for Legal Entities, and provides a true and fair view of the company's financial position and earnings and that the Report by the Board of Directors provides a true and fair overview of the company's operations, financial position and earnings, and describes the significant risks and uncertainty factors to which the company is exposed.

The Board of Directors and President hereby give their assurance that the consolidated financial statements have been prepared pursuant to the International Financial Reporting Standards (IFRS) as adopted by the EU, and provide a true and fair view of the Group's financial position and earnings, and that the Report by the Board of Directors for the Group provides a true and fair overview of the performance of the Group's operations, financial position and earnings, and describes the significant risks and uncertainty factors to which the companies in the Group are exposed.

Stockholm, January 19, 2015

Fritz H. Schur
Chairman of the Board

Jacob Wallenberg
First Vice Chairman

Dag Mejdell
Second Vice Chairman

Monica Caneman
Board Member

Carsten Dilling
Board Member

Lars-Johan Jarnheimer
Board Member

Birger Magnus
Board Member

Sanna Suvanto-Harsaae
Board Member

Jens Lippestad
Board Member

Sven Cahier
Board Member

Bo Nielsen
Board Member

Rickard Gustafson
President and CEO

As stated above, the annual accounts and consolidated financial statements were approved for issuance by the Board of Directors on January 19, 2015. The Group's statement of income and balance sheet and the Parent Company's statement of income and balance sheet will be subject to adoption by the Annual General Shareholders' Meeting on February 19, 2015.

Our auditors' report was submitted on January 19, 2015

PricewaterhouseCoopers AB

Bo Hjalmarsson
Authorized Public Accountant
Principal Auditor

Eva Medbrant
Authorized Public Accountant

Auditor's report

To the annual meeting of the shareholders of SAS AB (publ), corporate identity number 556606-8499

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of SAS AB (publ) for the financial year November 1, 2013–October 31, 2014, except for the corporate governance statement on pages 66–75. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 18–76.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 October 2014 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 October 2014 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 66–75. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of SAS AB (publ) for the financial year 2013-11-01–2014-10-31. We have also conducted a statutory examination of the corporate governance statement.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and that the corporate governance statement on pages 66–75 has been prepared in accordance with the Annual Accounts Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Furthermore, we have read the corporate governance statement and based on that reading and my knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and consolidated accounts.

Stockholm January 19, 2015

PricewaterhouseCoopers AB

Bo Hjalmarsson	Eva Medbrant
Authorized Public Accountant	Authorized Public Accountant
Principal Auditor	

Stronger financial position

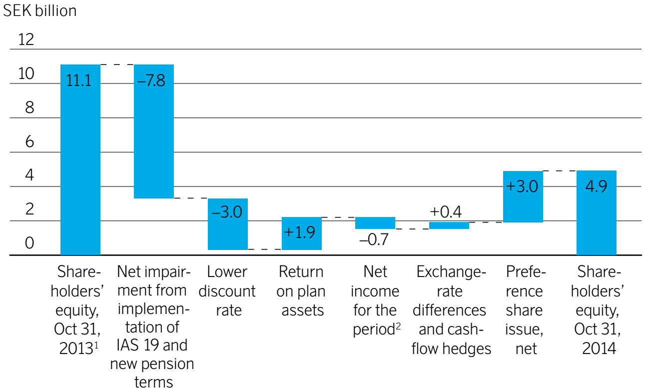
SAS took important steps in 2013/2014 to strengthen its long-term financial position. Preference shares were issued and extensive measures implemented to lower costs, thereby countering the impact of applying new accounting rules for pensions. SAS also introduced new pension terms, which reduced the negative effect from the amended procedure for reporting shareholders' equity. Moody's raised its credit rating for SAS during the fiscal year.

Implementation of new pension reporting

From November 1, 2013, SAS started to apply the amended standard for pension reporting, IAS 19 – Employee Benefits, which means that accumulated unrecognized deviations are recognized in full in shareholders' equity.

Among other things, implementation of the new agreements means that the defined-benefit pension plans were, largely, replaced by defined-contribution pension plans. Accordingly, pension commitments were reduced by about SEK 13 billion from SEK 28.5 billion at November 1, 2013 to SEK 15.6 billion, which meant a positive nonrecurring effect on earnings of about SEK 1 billion in 2013/2014, and since some employees already have early retirement and part-time pensions in place, this commitment will decrease further over the next five years and, as a consequence of the change in pension terms, pension commitments at the end of the 2017/2018 fiscal year are expected to have decreased by an amount corresponding to about 60% of the original pension commitments. The annual ongoing reduction in costs is estimated at about MSEK 500.

Effect on shareholders' equity from pensions, preference shares and market developments in 2013/2014



1) Reported shareholders' equity 2013 before restatement due to the implementation of pension reporting in line with IAS 19.
2) Including a positive nonrecurring item of MSEK 1,044 attributable to amended pension terms.

Following the changes to pensions, a total surplus of about SEK 3.8 billion was reported for the remaining pension plans at SAS, primarily attributable to favorable returns and a provision for special payroll tax on the surplus.

Recapitalization of SAS

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

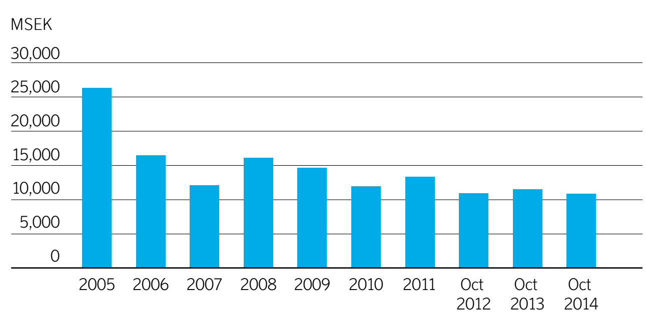
In February 2014, SAS made a preference share issue that strengthened shareholders' equity by SEK 3.5 billion. The preference shares were issued at a price of SEK 500 and provide entitlement to a dividend of SEK 50 per year, evenly divided as quarterly payments, until 2019. The issue mitigated some of the effects of the amended standard for pension reporting and improved the equity/assets ratio by 8 percentage points.

SAS also issued a new convertible bond loan in March 2014 that secured the refinancing of the existing convertible bond that matures in April 2015. There was substantial market interest in both offerings and the preference shares were oversubscribed.

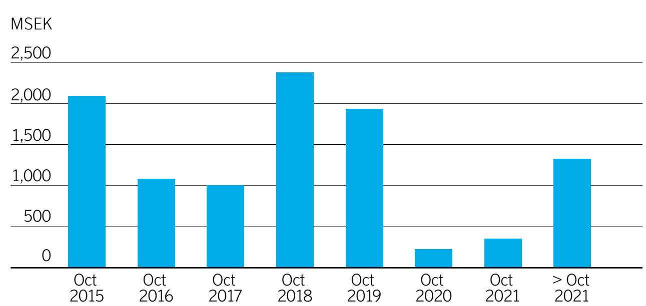
In conjunction with the issues, SAS terminated the revolving credit facility agreed in November 2012 that was guaranteed by the major shareholders of SAS. In its place, a new credit facility of MEUR 150 was entered into with UBS. At October 31, 2014, SAS had total contracted credit facilities of MSEK 3,929, of which MSEK 2,382 was unutilized.

The Group's interest-bearing liabilities amounted to MSEK 10,805, down MSEK 705 year-on-year. New loans raised during the year amounted to MSEK 1,485, primarily through the convertible bond issue. Repayments amounted to MSEK 3,122.

Trend for interest-bearing liabilities



Repayments of interest-bearing liabilities, October 31, 2014



Contracted credit facilities, MSEK

Committed credit facilities, Oct 31, 2014	Total	Utilized	Unutilized	Maturity
Credit facility, MEUR 150	1,385	–	1,385	Jan 2017
Credit facility, MUSD 137	1,007	25	982	Jan 2016
Credit facility, MUSD 48	355	355	–	Oct 2017
Credit facility, MUSD 60	443	443	–	Sep 2021
Credit facility, MUSD 98	724	724	–	Feb 2020
Other facilities, MEUR 2	15	–	15	Dec 2014
Total	**3,929**	**1,547**	**2,382**	

Since September 2013, new loans – excluding aviation mortgages which are raised by the SAS Consortium – are raised by SAS AB. Both convertible bond loans were issued by SAS AB. In 2004, SAS AB made an irrevocable undertaking, whereby SAS AB is liable for its own liabilities and for the SAS Consortium's liabilities and obligations. This ensures that, in practice, lenders to both SAS AB and the SAS Consortium are treated equally.

Aircraft orders and financing

Since 2011, SAS's aircraft fleet has undergone a major transformation through the phasing-in of 30 aircraft under operating leases, which substantially homogenized the fleet so that at October 31, 2014, it comprised one aircraft type for short and medium-haul operations per base. In addition, SAS plans to further streamline the aircraft fleet by phasing out Boeing 717s in 2015.

In 2015–2021, SAS enters the next renewal phase for its aircraft fleet in the form of the delivery of 12 new long-haul aircraft; four Airbus A330-300Es and eight Airbus A350-900s and, in addition, 30 Airbus A320neos. Since these aircraft are significantly more fuel-efficient than existing aircraft, they are attractive from a financing perspective. SAS plans to both lease and own aircraft as this provides increased flexibility and a differentiated risk profile. SAS intends to utilize a mix of export credit financing, enhanced equipment trust certificates (EETCs), bank loans and bank facilities to finance directly owned aircraft. When leasing, which is done via sale and leaseback agreements, aircraft are sold on delivery and leased back over a 10 to 12-year period.

In August 2014, SAS secured financing for the first phase of the SAS aircraft fleet renewal through signing a sale and leaseback agreement with the Chinese firm Bocomm Leasing for four Airbus A330-300Es to be delivered in 2015–2016. The agreement entails that at each aircraft's time of delivery, SAS will sell the aircraft on to Bocomm and then lease the aircraft back for a period of 12 years.

Airlines make prepayments before delivery. In addition to payment in conjunction with placing the order, prepayments normally commence when production of the aircraft starts about two years prior to delivery. SAS maintains ongoing contact with various financing sources to ensure the prepayments are financed under competitive terms. In December 2014, SAS completed the financing of prepayments for eight aircraft through a pre-delivery payment (PDP) financing facility, under which SAS can draw up to USD 74 million with a maximum of USD 54 million outstanding at any one time. The loans will be repaid by SAS on delivery.

The aircraft fleet and its associated spare parts comprised the single largest asset of SAS. At October 31, 2014, the SAS aircraft fleet and spare parts represented 26% of the Group's assets. SAS depreciates directly-owned aircraft over 20 years utilizing a residual value of 10%. Passenger aircraft are generally used for 20 years in commercial passenger traffic but aircraft that are well maintained can operate for substantially longer periods. However, technical developments mean that newer aircraft are more economical compared with older aircraft. There are still items of value in an aircraft after it has been taken out of service, for example engines and spare parts.

Aircraft on firm order 2015–2021

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

List price of aircraft ordered, MUSD	
Airbus A320neo	3,100
Airbus A330E/A350	3,380

SAS Group's aircraft fleet, October 31, 2014

Aircraft in-service	Age	Owned	Leased	Total	Purchase orders	Lease orders
Airbus A330/A340/350	12.9	3/2/0	1/6/0	12	0/0/12	0
Airbus A319/A320/A321	9.7	0/2/4	4/11/4	25	0/30/0	0
Boeing 737-600/700/800 NG	12.1	4/7/5	23/21/24	84	0	0/3/0
Boeing 717	14.2	0	5	5	0	0
Bombardier CRJ900	5.4	12	0	12	0	0
Total	**11.2**	**39**	**99**	**138**	**42**	**3**

Leased-out and parked aircraft	Owned	Leased	Total	Leased-out	Parked
McDonnell Douglas MD-90 series	8	0	8	8	0
Bombardier Q400	0	1	1	1	0
Boeing 717	4	0	4	0	4
Total	**12**	**1**	**13**	**9**	**4**

Financial position

Fixed-rate period

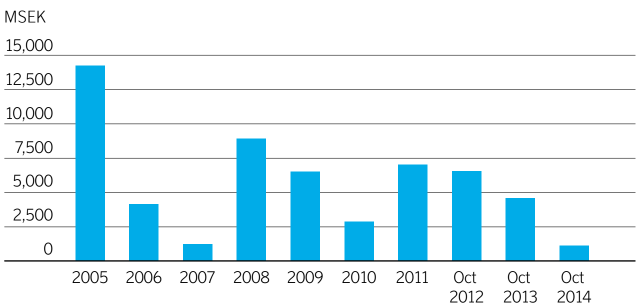
During the fiscal year, the SAS Group's financial net debt declined by MSEK 3,465 and amounted to MSEK 1,102 at October 31, 2014. The average duration for financial net debt is governed by SAS's financial policy and has a target tenor of 3.5 years. The average duration was 3.5 years as of October 2014.

Breakdown of SAS's interest-bearing liabilities, October 31, 2014

MSEK	Note	
Subordinated loans	24	1,003
Bond loans	25	2,713
Convertible bond 1	26	1,581
Convertible bond 2	26	1,426
Finance leases	26	605
Utilized facilities	27	1,547
Other loans	26, 27	1,468[1]
Other financial items	29	462
Total		**10,805**

1) MSEK 1,342 is attributable to Note 26. MSEK 126 is classified as other liabilities not included in the notes.

Trend for financial net debt



Creditworthiness

SAS is rated by three credit-rating agencies: Moody's, Standard and Poor's and the Japanese agency, Rating and Investment Information Inc (R&I). In March 2014, Moody's raised its credit rating for SAS from Caa1 to B3. In December, Moody's changed the outlook for SAS's credit rating from positive to stable.Standard & Poor's, which raised its credit rating for SAS in August 2013, retained an unchanged credit rating for SAS for the 2013/2014 fiscal year. R&I also kept its rating for SAS unchanged.

The SAS Group's cash and cash equivalents are placed in instruments with good liquidity or short maturity with credit ratings not lower than A3/P1 according to Moody's, or A/A1 according to Standard & Poor's.

Cash-flow optimization

SAS works continuously with the analysis of balance-sheet items and operational trends to optimize cash flow with the aim of attaining the lowest possible total funding cost. Since the SAS's operating liabilities exceed current assets, SAS had a working capital of about SEK -9.2 billion at October 31, 2014. This was a year-on-year improvement of about SEK 1.4 billion, primarily attributable to operating liabilities.

Cash flow from operating activities in 2013/2014 amounted to MSEK 1,096, up MSEK 68 compared year-on-year.

Cash flow from operating activities follows clear seasonal trends. Cash flow is strongest in the second and fourth quarters, which coincides with high passenger volumes and, to an extent, a high proportion of advance bookings. The share of advance bookings is highest in the January to May period ahead of the holiday period and in the September to October period.

Since passenger revenue is recognized when SAS or another airline provides the transportation, this means that seasonal variations impact cash flow and earnings differently. Accordingly, in terms of earnings, the third and fourth quarters (May to July and August to October) are the strongest.

Safety is top priority

SAS is exposed to a large number of global and more company-specific risks that can impact operations. Many of the risks can affect SAS both positively and negatively. Overall risks are monitored and identified centrally and followed up through policies. Risk management at SAS is about positioning SAS in relation to, known and unknown, possible events with the aim of minimizing potential negative effects.

Risk management in 2013/2014

Flight safety

Flight safety is top priority at SAS. The safety culture at SAS rests on the values, skills and experience of all employees throughout the organization. The safety culture includes actively learning, adapting and modifying individual and organizational behavior to constantly improve operations and reduce exposure to risk.

The efforts are managed with the aim of achieving continuous improvements and a shared understanding of the importance of safety to the customers and to SAS. The management of SAS is constantly engaged in safety issues based on a safety policy that is documented, communicated and implemented in SAS's operations. A detailed description of risk management and follow-up of flight safety is available in the Report by the Board of Directors on page 24.

Cost structure

Cost-structure flexibility is of strategic importance for managing our operating environment. For a considerable time, SAS has worked strategically to increase the proportion of variable costs. Cost flexibility has increased through the implementation by SAS of the SEK 3 billion restructuring program, which was initiated in November 2012. This includes the outsourcing of ground handling services, call-center operations and IT services. An expansion of wet lease agreements, which are carried out with significantly fewer aircraft, has increased possibilities for SAS to adapt capacity to changes in demand.

Market risks

Market and other risks primarily impact demand and are mitigated by greater flexibility in the cost structure to enable rapid adaptation of production volumes. The SAS Group's exposure to various markets and customer segments helps to reduce the risk level to local events but increases exposure to global events in the business environment.

In 2014, despite a number of extraordinary events and crises, including those in Ukraine and the Middle East, no single event had any substantial negative impact on general demand for air travel. The weak economic trend, primarily in Southern Europe continued during the fiscal year but, since three quarters of SAS's sales are in Scandinavia, only a limited decline in demand was experienced by SAS.

Operating risks

Operating risks are related to factors that can constitute a hinder to production. These factors can rapidly lead to major loss of revenue for an airline company. The risks facing SAS include risks connected to the organization and its employees. In 2013/2014, the SAS Group's operations were impacted on a number of occasions by local labor disputes in Denmark and France. In many cases, the conflicts also impacted other airlines and, accordingly, had a limited effect on SAS in terms of competition but did result in lower revenue.

Regulation

In addition, regulation of the airline industry entails that airlines are exposed to political decisions that can impact profitability. There is a strong environmental opinion that benefits companies with effective sustainability efforts, while new financial controls can imply initial costs.

Accordingly, SAS's decision to invest in the Airbus A320neo, Airbus A330E and A350 positions SAS favorably ahead of more stringent future regulations and reduces future risks. From 2014, the SAS Group's aircraft fleet will only comprise Next Generation aircraft with significantly enhanced fuel efficiency and, accordingly, will contribute to lower carbon emissions and reduced noise.

Legal risks

Legal issues and risks are managed centrally at SAS. The breadth of the SAS Group's operations means that SAS is, and may be in the future, involved in legal processes and arbitration procedures as either plaintiff or defendant. SAS continuously monitors if and how changes in regulations and policies could impact the Group's procedures and operations. SAS has a Code of Conduct that aims to ensure compliance by the Group's personnel with laws/policies.

At the end of October 2014, SAS was involved in a number of legal disputes, of which the most important are described in more detail in the Report by the Board of Directors on page 24.

Sensitivity analysis, November 2013–October 2014

Airline operations	SAS
1% change of RPK, MSEK	220
1 percentage point change in the load factor, MSEK	290
1% change in passenger revenue per passenger kilometer (yield), MSEK	290
1% change in passenger revenue per available seat kilometer (PASK), MSEK	220
1% change in the unit cost, MSEK	340
1% change in the price of jet fuel, MSEK	88

Environmental risks

Environmental risks are linked in part to the Group's operations and more stringent requirements from the operating environment. The Group's externally verified environmental management system provides SAS with sound control of its own operations. More stringent requirements from the operating environment pertain, in part, to new environment-related taxes and fees and, in part, to requirements for stricter rules regarding, for example, greenhouse gas emissions. SAS is a long-time supporter of the polluter pays principle. However, a prerequisite for this is that it is applied on equal terms and in a manner that does not distort competition. For example, SAS is positive towards requirements for increased energy efficiency. This fits in well with the ambitious environmental targets that have been set but, naturally, requires predictability and a long-term approach.

Financial risks

Financial risks are managed through hedging against changes in exchange rates, interest rates and fuel prices thus countering short-term fluctuations and providing scope for managing any changes. Another aim of SAS's hedging strategy is to enable SAS to act quickly when changes in exchange rates, interest rates and fuel prices are advantageous.

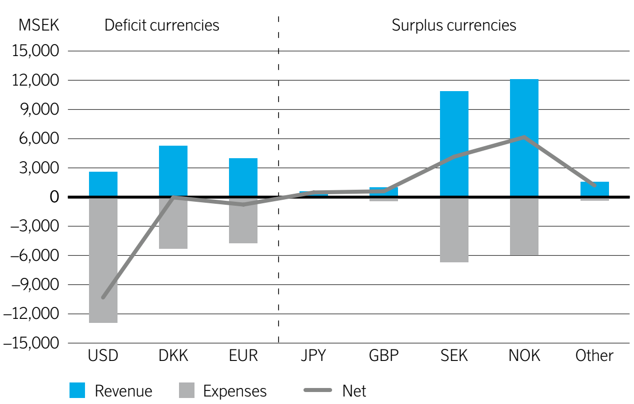
Currency risks

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

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

In 2013/2014 the SEK declined by about 2% against the USD, which led to increased costs, primarily for fuel and leasing. In relation to SAS's largest surplus currency, NOK, the SEK strengthened by about 3%, which negatively impacted the Group's revenue. The exchange-rate trend had a positive impact of MSEK 151 on revenue and a negative effect of MSEK 534 on operating income compared with the corresponding year-earlier period.

Currency breakdown in the SAS Group, Nov 2013–Oct 2014



In October 2014, SAS hedged 49% of its anticipated USD deficit for the next 12 months. In terms of NOK, which is SAS's largest surplus currency, 57% 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.

Currency risk and aircraft investments

SAS has hedged about 38% of the order value, including the aircraft for which SAS has signed sale and leaseback agreements, to limit the currency risk from orders for a total of 42 aircraft.

Net earnings effect of exchange-rate changes, SAS Group, November 2013–October 2014, MSEK

	SAS total
1% weakening of SEK against USD	-100
1% weakening of SEK against NOK	+60
1% weakening of SEK against DKK	-0
1% weakening of SEK against EUR	-8
1% weakening of SEK against JPY	+5
1% weakening of SEK against GBP	+6

Jet fuel

The price of jet fuel was at a historic high for 2013/2014, but declined, for the first time since 2010, to less than USD 800/tonne in autumn 2014. In total, the jet-fuel price was 3.6% lower in 2013/2014 than in the corresponding year-earlier period.

Jet-fuel costs comprised 23.3% of the SAS Group's operating expenses. 40–80% of SAS's forecast jet-fuel needs for the next 12 months are hedged.

Hedging of jet fuel, 2014/2015

	Nov 2014–Jan 2015	Feb–Apr 2015	May–Jul 2015	Aug–Oct 2015
951–1,000 USD/tonne	79%	-	-	-
901–950 USD/tonne	-	72%	26%	6%

Estimated jet fuel cost November 2014 – October 2015, SEK billion

Market price Jet fuel	SEK/USD 6.0	SEK/USD 7.0	SEK/USD 8.0	SEK/USD 9.0
400 USD/tonne	5.0	5.8	6.7	7.5
600 USD/tonne	5.9	6.9	7.9	8.9
800 USD/tonne	6.8	8.0	9.1	10.3
1,000 USD/tonne	7.8	9.2	10.5	11.8
1,200 USD/tonne	8.7	10.2	11.6	13.1

The jet-fuel costs for the coming fiscal year are as shown above at the closing date USD rates and jet-fuel cost. SAS's current hedging contracts for jet fuel at October 31, 2014 have been taken into account.

Market risks	Risk level	Risk management	Outcome, November 2013–October 2014
Macroeconomic development Demand in the airline industry is strongly correlated to economic growth.	Average	Focus on flexibility in the cost structure through measures including good flexibility in the aircraft fleet and collective agreements.	Economic growth in the Nordic region outpaced much of Europe. Through the restructuring program, SAS is increasing its cost-structure flexibility to be better able to meet changes in demand. *Read more on pages 7–9.*
Market impact SAS is active in several markets and impacted by various business cycles, which reduces exposure to individual markets. SAS is particularly sensitive to global trends.	Average	SAS is adapting its production to ensure the right capacity in each market to reduce business risk.	Traffic growth was weaker than the substantial increase in capacity at the start of 2013/2014, which applied pressure on SAS's PASK. The trend stabilized in the second half of the fiscal year. *Read more on pages 4–6.*
Competition and price performance The airline industry is subject to intense competition from new companies that enter the market. Changed customer behavior and increasing numbers of LCCs in the SAS Group's home market may lead to intensifying competition.	High	To manage increased competition, SAS must lower its costs to a competitive level, and offer added value compared with LCCs. SAS works strategically to maintain optimal fleet flexibility to thereby be able to rapidly adapt capacity to changes in demand. Short-term leases are utilized by SAS to adapt capacity and demand. *Read more on pages 7–9 and 12–13.*	The capacity share of LCCs has stabilized, but competition still intensified on several routes and, primarily, in the European market. SAS lowered its unit cost excluding jet fuel by 3.9% and launched further cost measures of SEK 2.1 billion. *Read more on pages 4–5.*
Operating risks			
Unmotivated employees SAS is one of the most attractive workplaces in the Nordic region.	Low	An annual employee survey (PULS) is carried out and then analyzed before being translated into action plans.	Employee job satisfaction increased marginally at SAS. The index increased 1 point.
Strikes Historically, the airline industry has been severely affected by labor market disputes.	Average	Transparent and open dialog.	Local external strikes occurred in Scandinavia and Europe in 2013/2014 that impacted the operations of SAS and other airlines.
Incidents and accidents The airline industry is exposed to aircraft accidents.	Low	Safety is top priority. Constantly working for improvement. Extensive reporting culture.	Three incidents with red-level risk during 2013/2014. *Read more on page 24.*
Crime and fraud The Group may be exposed to crimes that can have both an economic and material impact.	Low	Code of Conduct, internal control, audits, safety activities.	No new material crime or fraud was directed at SAS.
IT SAS is dependent on IT for its financial transactions and operating activities.	Average	Effective IT security secures confidentiality, accuracy, availability, traceability and authenticity.	The operations were not affected by any computer hacking. However, when changing an IT system, an outage occurred that impacted SAS's booking platform and the ability to book tickets via SAS's website for about 24 hours.
Environmental risks			
Environmental directives and requirements Laws and regulations as well as public opinion set requirements for reduced environmental impact.	Low	SAS is committed to sustainability and initiatives include working actively to reduce its environmental impact.	SAS reduced its carbon dioxide emissions per passenger kilometer by 3.4% in 2013/2014. *Read more on pages 16–17.*
Legal and political risks			
Taxes and fees directed at the airline industry The airline industry is subject to fees for take-off, landing, overflights, etc.	Average	Active dialog and negotiations with authorities and organizations.	The cost of government user fees for SAS declined 4.6%.
Compliance risks Infringement of laws or internal regulations.	Average	Internal policies and regulations, internal guidelines and the Code of Conduct.	No legal process of any significance had a negative impact on SAS.
Financial risks			
Counterparty losses SAS is exposed through credits, lease agreements and guarantees to external parties.	Average	Exposure is regulated by SAS Group Finance Policy.	No counterparty loss of any significance had any impact on SAS. *Read more in Note 27.*
Liquidity risk The airline industry is seasonal, which affects cash flow during the year.	Average	The target is a financial preparedness of at least 20% of fixed costs.	The Group's financial preparedness was 37% and, accordingly, above the target in October 2014. *Read more in Note 27 and on page 79.*
Fuel price Jet fuel comprises about a quarter of SAS's operating expenses including leasing, which exposes the company to changes in price.	High	Hedging of 40–80% of consumption for the next 12 months.	The average jet-fuel price in USD decreased 3.6% and the unit cost in SEK declined 4.7%. *Read more in Note 27 and on page 82.*
Interest rates The airline industry is capital-intensive and the company is a net borrower. This exposes the company to interest-rate changes.	Average	The financial policy regulates the proportion between floating and fixed interest rates. The objective is that the liability will have a fixed term of 3.5 years. The fixed-rate period was 3.5 years as of October 2014.	Net interest was MSEK -731 (before currency effects) lower than the preceding 12-month period, primarily due to lower gross debt (financial net debt was MSEK 3,465 lower) and lower interest rates. *Read more in Note 9 and on pages 79–80.*
Exchange rates A considerable part of revenues, expenses and assets/liabilities is in currencies other than SEK, generating exchange-rate effects.	High	Hedging of foreign currencies. 40–80% of surplus and deficit currencies are hedged on a rolling 12-month basis.	The total variance between 2013/2014 and 2012/2013 from exchange-rate effects was MSEK -163 before tax. The SAS Group's largest deficit currency, USD, rose while the Group's largest surplus currency, NOK declined. *Read more in Note 27 and on page 82.*
Other risks			
Natural disasters, terror attacks, conflicts and epidemics Airline companies are generally heavily impacted by extraordinary events around the world.	Average	SAS strives to increase the proportion of variable costs to be able to rapidly realign operations in the case of extraordinary events. SAS continuously reviews various contingency plans for catastrophe management.	No abnormal events occurred in the SAS Group's primary markets. SAS works with a long-term focus to outsource fixed costs, such as call centers and ground handling.

Financial preparedness strengthened by new issue

In February 2014, SAS AB issued 7 million preference shares that together with the existing common shares comprise SAS AB's share capital. SAS is working intensively with three strategic priorities to reach its overriding goal of creating long-term value for SAS shareholders.

Share structure

SAS AB has 336 million shares outstanding. Of these, 329 million are common shares. In 2014, SAS AB issued 7 million preference shares that were listed on Nasdaq Stockholm. At October 31, 2014, SAS also had two convertible bond loans in issue of SEK 1.6 billion each. The first convertible bond loan was issued in 2010 and matures in April 2015. The second convertible bond loan was issued in February 2014 and matures on April 1, 2019. The conversion price for the second convertible loan was SEK 24.0173 in October 2014.

SAS has a long stock exchange history stretching back to 1920 when its Danish parent company Det Danske Luftfartselskab A/S was listed on the Copenhagen Stock Exchange. Following the formation of the SAS Consortium in 1951, the various holding companies were listed separately on the respective exchanges in Copenhagen, Oslo and Stockholm. In 2001, SAS AB's common share was listed on the stock exchanges in Stockholm (primary listing), Copenhagen and Oslo.

Share performance

Over the fiscal year, the share price for SAS's common share declined 40.3% to SEK 11.35. Over the same period, the Nasdaq Stockholm index rose 10.1%. The total market capital of SAS, including preference shares, of SEK 6.4 billion represents about 0.1% of the total market capital listed on the Stockholm exchange. The price of SAS's preference shares decline 17% to SEK 415 after listing on March 7. Compared with a weighted average of competitors' market capitalizations, the SAS common share followed a weaker trend in the 2013/2014 fiscal year.

The negative trend for the common and the preference share coincided with a weak yield/PASK trend for SAS passenger traffic, primarily in spring 2014. The trend stabilized from the beginning of the summer.

The value of the number of common shares traded on all three exchanges where SAS is listed totaled SEK 8.4 billion, up 36%. The increase was primarily attributable to a higher average share price.

The distribution of trade between the exchanges in number of shares traded during the fiscal year was: Stockholm 66%, Copenhagen 30% and Oslo 4%.

Shares traded in relation to shares outstanding

	2013/2014	2012/2013
Common shares[1]	223%	257%
Preference shares	81%	Not listed

1) Adjusted for the holdings of the three Scandinavian governments of 50% of SAS.

Diffusion of ownership and change

On October 31, 2014, SAS had 58,433 holders of common shares and 4,927 preference shareholders. Holdings in Scandinavia were about 93%, with Sweden accounting for 47%, Denmark 30% and Norway 16%. Compared with last year, the proportion held increased primarily in Denmark by five percentage points. Otherwise, ownership changes were small. Holdings outside the EEA area were less than 3%, of which the majority were registered in the US. Non-EEA holdings declined year-on-year by about 2–3 percentage points.

Dividend and dividend policy

The SAS Group's annual dividend for common shares is determined by taking into account earnings, the financial position, capital requirements and relevant macroeconomic conditions. Given the ongoing extensive changes to the airline industry and as a consequence of SAS initiating discussions with its trade unions addressing how to respond to the new industry conditions, SAS is currently reassessing its financial targets and dividend policy. No value distributions may take place to holders of common shares (or any subordinated shares) before preference shareholders have received full dividends, including any amounts outstanding. Refer to the Report by the Board of Directors for the dividend policy for preference shareholders.

The Board of Directors proposes ahead of the 2015 AGM that no dividends be paid to holders of SAS AB's common shares for the November 1, 2013–October 31, 2014 fiscal year. This is motivated by SAS's financial position and future investment needs for renewal of the aircraft fleet.

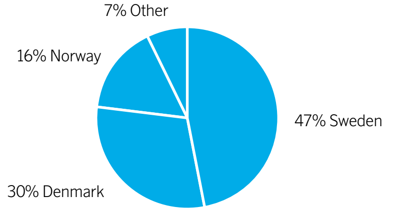
The Board proposes that dividends onpreference shares outstanding be paid quarterly in an amount of SEK 12.50 per preference share and limited to a maximum of SEK 50 per preference share. The record dates proposed ahead of the next AGM for the quarterly dividends are May 5, August 5, and November 5 in 2015 and February 5 in 2016.

Shareholder service

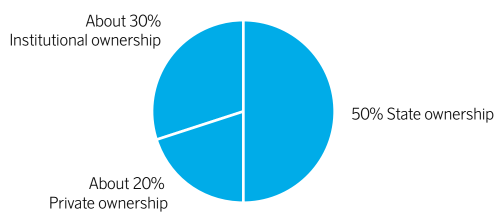
A key component of the SAS Group's shareholder service is the continuous financial reporting provided through annual reports, interim reports, press releases and monthly traffic reports. For the institutional market, SAS arranges regular meetings with investors and analysts. Presentations for private shareholders are also arranged at various locations throughout Scandinavia.

In conjunction with the quarterly reports, SAS arranges telephone conferences that can be followed by webcast on SAS's website: www.sasgroup.net. In addition, SAS provides supplementary information and facts to shareholders and investors at www.sasgroup.net.

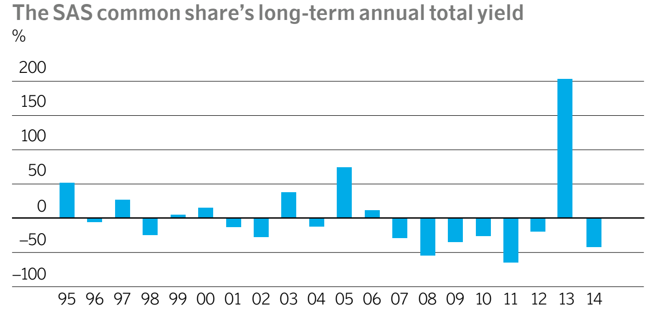
Voting rights in SAS, by country, Oct 31, 2014



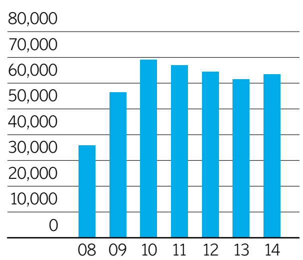
Breakdown of SAS's share capital, by votes



The SAS common share's long-term annual total yield

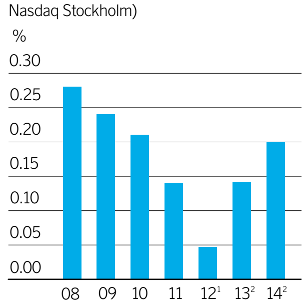


Number of shareholders in SAS AB



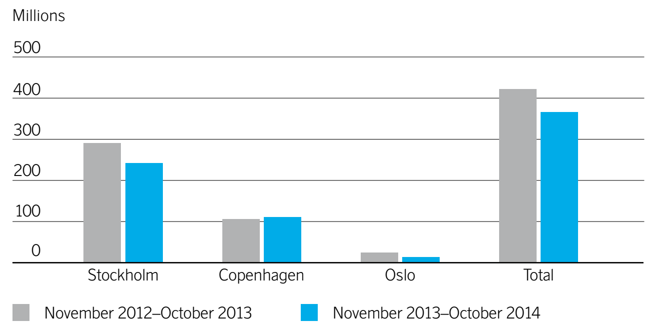
Volume of SAS shares traded

(as a % of total trading volume for Nasdaq Stockholm)

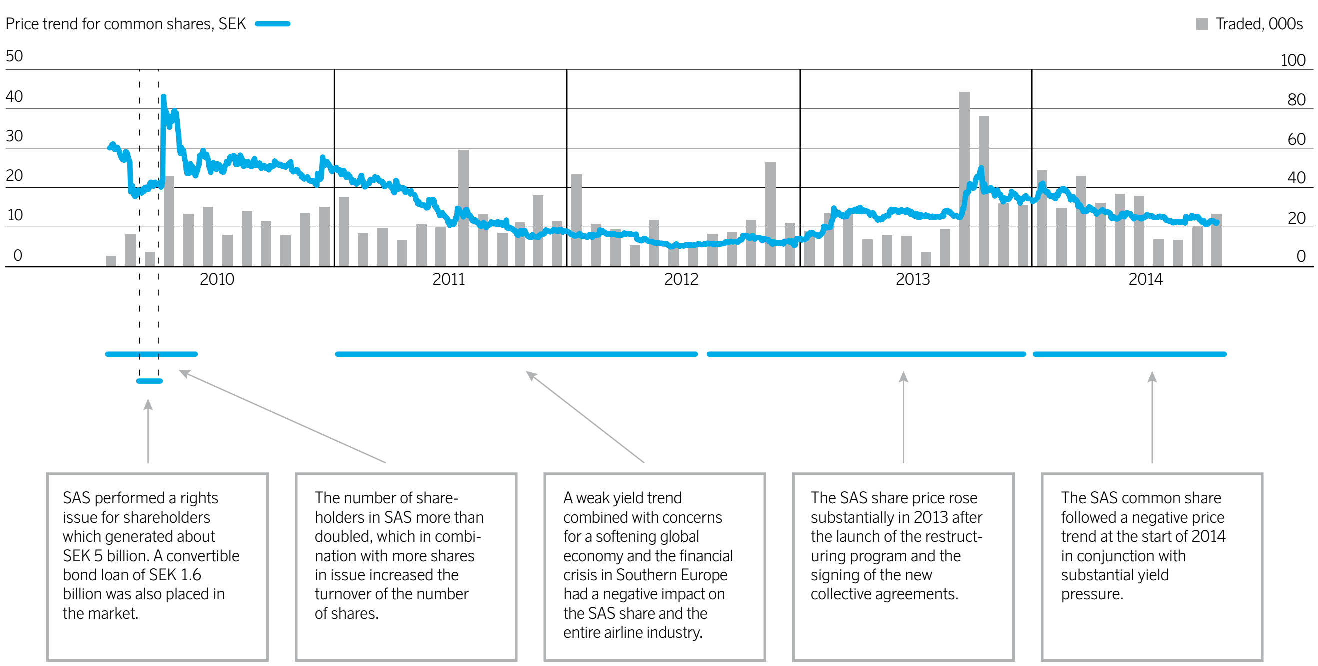


1) Applies to January–October 2012 period.
2) Applies to November 2012–October 2013 period.

Volume of shares traded, divided by the three exchanges and total



The share



The share

Share-related key figures

	Nov 2013–Oct 2014	Nov 2012–Oct 2013	Jan–Oct 2012	2011	2010	2009
Market capitalization, MSEK	6,639	6,416	2,122	2,632	7,403	9,944
Number of common shares traded, millions[1]	366.3	421.9	200.7	309.8	271.2	79.2
Shares traded, MSEK	8,335	6,195	1,509.8	4,900	9,540	11,183
Number of common shares, millions	329	329	329	329	329	2,467.50
Number of preference shares, millions	7	-	-	-	-	-
Income after tax, SEK per common share[2]	-3.03	4.12	–2.99	–5.13	–6.74	–8.96
Cash flow from operating activities, SEK per common share[2]	3.33	3.12	7.79	–1.47	–0.47	–10.38
Dividend (common share), SEK	0	0	0	0	0	0
Dividend (preference share), SEK	25	-	-	-	-	-
Dividend as a % net profit, common share	0	0	0	0	0	0
Dividend yield, common share, %	0	0	0	0	0	0
Shareholders' equity, SEK per common share[2]	3.66	9.76	33.91	37.79	43.88	34.62
Total assets, SEK per common share[2]	89.13	81.50	111.71	119.10	127.13	129.16
Revenue, SEK per common share[2]	115.52	128.21	109.38	125.87	124.83	136.53

Price-related key figures, common share, SEK	Nov 2013–Oct 2014	Nov 2012–Oct 2013	Jan–Oct 2012	2011	2010	2009[1]
Market capitalization/shareholders' equity at year-end, %	135	199	19	21	51	87
Share price at year-end	11.35	19.50	6.45	8.00	22.5	30.23
Highest share price during the year	21.20	25.10	9.50	27.80	43.2	43.5
Lowest share price during the year	10.85	5.40	5.10	7.50	17.85	6.95
Average share price during the year	14.65	13.31	7.13	16.16	25.9	28.75

1) For 2009, the historic key figures have been adjusted for the rights issues in 2009 and 2010 and reverse split in 2010.
2) For 2009–2013, the key figures are calculated based on 329 million common shares. The key figures for 2012/2013 were restated to take into account the changed accounting standard IAS 19.

The 20 largest shareholders in SAS AB[1]

October 31, 2014	No. of common shares	No. of preference shares	% of voting rights
The Swedish Government Offices	70,500,000	0	21.4
Statens Administration (FSC), Denmark	47,000,000	0	14.3
Norwegian Ministry of Trade, Industry and Fisheries	47,000,000	0	14.3
Knut and Alice Wallenberg's Foundation	24,855,960	0	7.5
Försäkringsbolaget, Avanza Pension	4,737,870	214,941	1.4
Unionen	4,150,359	0	1.3
JPM Chase NA	3,974,505	92,420	1.2
Robur Försäkring	3,012,605	88,820	0.9
Handelsbanken Fonder AB RE JPM	1,606,966	0	0.5
Svenska Handelsbanken for PB	1,420,000	13,094	0.4
Gamla livförsäkringsaktiebolaget	1,392,479	0	0.4
CBNY-DFA-INT Sml CAP V	1,371,723	0	0.4
Nordnet Pensionsförsäkring AB	1,147,955	115,201	0.4
JP Morgan Chase Bank	1,088,304	0	0.3
Gerald Engström	1,000,000	25,000	0.3
Credit Suisse Sec Europe	765,334	83,013	0.2
Livförsäkringsbolaget Skandia Öms	744,756	0	0.2
BNY GCM Client Accounts	723,685	0	0.2
Handelsbanken Liv	607,636	39,548	0.2
SEB Sverige Indexfond	576,422	0	0.2
Other shareholders	111,323,441	6,327,963	34.0
Total	**329,000,000**	**7,000,000**	**100.0**

1) Under Danish law, disclosure is permitted only when the shareholding exceeds 5%.

Distribution of shares, common and preference shares

October 31, 2014	No. of shareholders	No. of votes	% of share capital	% of all shareholders
1–1,000	49,867	11,456,470	3.7	78.7
1,001–5,000	10,176	22,744,469	7.1	16.1
5,001–10,000	1,715	12,554,984	3.9	2.7
10,001–100,000	1,473	36,427,646	11.6	2.3
100,001–1,000,000	115	28,116,346	8.8	0.2
1,000,001–	14	213,258,726	63.5	0.0
Unknown shareholders	-	5,141,359	1.5	0.0
Total	**63,360**	**329,700,000**	**100.0**	**100.0**

Common shares traded per exchange

	Value, MSEK		No. of shares, millions	
	Nov 2013–Oct 2014	Nov 2012–Oct 2013	Nov 2013–Oct 2014	Nov 2012–Oct 2013
Stockholm	6,500	4,213	242.2	291.1
Copenhagen	1,683	1,586	110.4	106.1
Oslo	221	396	13.6	24.7
Total	**8,404**	**6,195**	**366.3**	**422.0**

Change in share capital[1]

	Event	No. of new shares	Total No. of shares	Nominal value/ share, SEK	Nominal share capital
May 2001	Company registration	50,000	50,000	10	500,000
July 2001	Non-cash issue	155,272,395	155,322,395	10	1,553,223,950
August 2001	Non-cash issue	6,494,001	161,816,396	10	1,618,163,960
May 2005[2]	New share issue, common shares	2,683,604	164,500,000	10	1,645,000,000
April 2009	New share issue, common shares	2,303,000,000	2,467,500,000	2.5	6,168,750,000
April 2010	New share issue, common shares	7,402,500,000	9,870,000,000	0.67	6,612,900,000
June 2010	Reverse split, common shares	-	329,000,000	20.1	6,612,900,000
February 2014	New issue of preference shares	7,000,000	336,000,000	20.1	6,753,600,000

1) Before SAS AB was formed in May 2001, the SAS Group was listed through SAS Danmark A/S, SAS Norge ASA and SAS Sverige AB.
2) Technical change in connection with consolidation to one common share.

No. of shareholders

	Oct 31, 2014	Oct 31, 2013	Oct 31, 2012
Holders of common shares	58,433	61,383	64,268
Preference shares	4,927	-	-
Total	**63,360**	**61,383**	**64,268**

Trading codes – SAS common share, ISIN code SE0003366871

	Reuters	Bloomberg
Stockholm	SAS.ST	SAS SS
Copenhagen	SAS.CO	SAS DC
Oslo	SASNOK.OL	SAS NO

Analysts who monitor SAS

Scandinavian equity analysts	Contact
Swedbank	Hans Erik Jacobsen
Handelsbanken	Dan Togo Jensen
Nordea	Pasi Vaisanen
Sydbank	Jacob Pedersen
International equity analysts	**Contact**
Citi	Andrew Light
HSBC	Andrew Lobbenberg
Nomura	James Hollins

Operational key figures for SAS

Passenger traffic-related key figures	**Nov 2013–Oct 2014**	**Nov 2012–Oct 2013**	**Jan–Oct 2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**
Number of destinations served, scheduled	125	150	136	128	127	134	157	158	164	147
Number of flights, scheduled	294,679	402,460	338,870	396,134	367,817	380,470	427,201	423,807	552,899	554,838
Number of passengers, total, 000s[1]	29,408	30,436	25,916	28,990	27,096	26,967	30,936	31,381	43,138	41,033
Number of passengers, scheduled, 000s	27,061	28,057	23,979	27,206	25,228	24,898	29,000	29,164	39,059	36,312
Available seat km, total (mill.)[1]	45,158	44,629	36,126	40,953	38,851	39,934	45,764	44,433	63,555	62,445
Available seat km, scheduled (mill.)	40,971	40,583	32,813	37,003	34,660	35,571	41,993	40,019	54,907	53,689
Revenue passenger km, total (mill.)[1]	34,714	33,451	27,702	30,668	29,391	29,025	33,097	33,082	46,770	44,566
Revenue passenger km, scheduled (mill.)	30,686	29,650	24,746	27,174	25,711	25,228	29,916	29,365	39,247	35,864
Load factor, total (%)[1]	76.9	75.0	76.7	74.9	75.6	72.7	72.3	74.5	73.6	71.4
Average passenger distance, total (km)	1,180	1,099	1,069	1,058	1,085	1,076	1,070	1,054	1,084	1,086
Weight-related key figures										
Available tonne km, ATK, total (mill. tonne km)	5,617	5,527	4,475	5,089	4,835	5,052	5,991	5,812	7,775	7,614
Available tonne km, scheduled (mill. tonne km)	5,119	5,042	4,098	4,604	4,318	4,463	5,291	4,987	6,461	6,376
Available tonne km, other (mill. tonne km)	498	485	377	485	517	589	700	827	1,314	1,238
Revenue tonne km, RTK, total (mill. tonne km)	4,067	3,930	3,201	3,555	3,448	3,327	4,136	4,210	5,496	5,299
Passengers and excess baggage (mill. tonne km)	3,446	3,308	2,733	3,018	2,897	2,863	3,268	3,265	4,489	4,298
Traffic revenue/revenue tonne km (SEK)	72.4	9.53	9.94	10.23	10.42	11.34	10.12	9.72	9.46	8.80
Key figures for costs and efficiency										
Total unit cost[4]	0.75	0.80	0.81	0.86	0.95	1.02	0.96	0.87	0.78	0.73
Jet-fuel price paid incl. hedging, average (USD/tonne)	978	1,093	1,116	970	773	831	1,120	786	707	564
Revenue-related key figures										
Passenger revenue/revenue passenger km, scheduled, yield (SEK)	0.94	1.07	1.09	1.12	1.16	1.30,	1.27	1.25	1.12	1.10
Passenger revenue/available seat km, scheduled, (SEK)	0.70	0.78	0.82	0.82	0.86	0.92	0.91	0.92	0.80	0.73
Environmental key figures										
CO_2, gram/passenger km[5]	100	104[6]	118	122	121	127	131	130	131	136
Climate index[2] (Environmental index[3] until 2004)	92	94[6]	98	100	90	94	98	96	95	100
Key figures for Scandinavian Airlines										
Market share, home market	35	35	35	36	37	39				
Yield, currency-adjusted change, (%)	-7.4	-0.4	-1.0	-2.0	-7.4	-5.2				
PASK, currency-adjusted change, (%)[8]	-5.8	-3.2	1.1	-1.3	-0.2	-7.3				
Total unit cost, change, (%)	-2.2	-6.0	-0.1	2.0	-7.8	-8.1				
Average flight distance, scheduled, km	865	861	844	847	823	816				
Number of daily departures, annual average	807	791	773	683	667	707				
Number of aircraft in service[7]	138	139	145	147	159	172				
Aircraft, block hours/day	9.0	8.7	8.2	8.1	7.5	8.0				
No. of pilots	1,396	1,413	1,328[9]	1,304	1,297	1,609				
Pilots, block hours/year	685	665	659	650	630	550				
No. of cabin crew	2,564	2,607	2,613[9]	2,528	2,442	2,835				
Cabin crew, block hours	762	721	674	660	640	616				
Regularity	99.0	98.8	99.0	98.5	96.6	99.3				
Punctuality (%) within 15 min.	88.4	86.2	89.4	88.9	86.9	90.1				
Customer satisfaction, CSI	72	71	72	72	70	68				

1)Total production includes scheduled traffic, charter, ad hoc flights and bonus trips, etc. This means that the figures deviate from the traffic statistics of the respective airlines.
2) Adjusted from 2005 to reflect changes in the Group. The base year was changed in 2011. The result for the January–October 2012 period comprises November 2011–October 2012.
3) Refers to Scandinavian Airlines.
4) Only includes aircraft depreciation for the years 2005–2007.
5) Carbon dioxide emissions per passenger kilometer comprising all passengers on board all flights (scheduled, charter, etc.). New calculation model from and including November 2012.
6) Excludes Widerøe.
7) Excludes wet leases.
8) Refers to RASK prior to the 2013/2014 fiscal year.
9) Applies to January–October 2012.

Refer to page 91 for definitions & concepts.

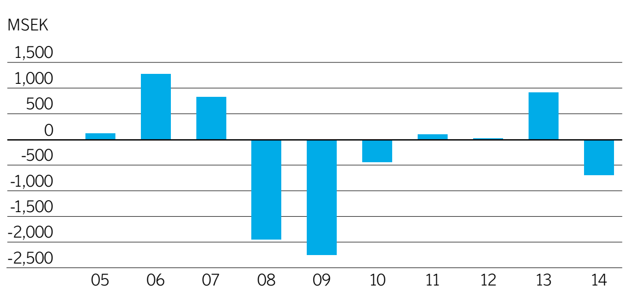
Ten-year financial overview

Statements of income, MSEK	2014	2013	2012[1]	2011	2010	2009	2008	2007	2006	2005
Revenue	38,006	42,182	35,986	41,412	41,070	44,918	52,870	50,598	50,152	55,501
Operating income before depreciation	1,576	3,647	955	3,019	246	-1,311	997	2,677	2,618	2,548
Depreciation, amortization and impairment	-1,443	-1,658	-1,426	-2,413	-1,885	-1,845	-1,550	-1,457	1,757	-2,170
Share of income in affiliated companies	30	25	32	28	12	-258	-147	32	59	76
Income from the sale of shares in subsidiaries and affiliated companies	6	700	400	-	-73	429	-	-	-	41
Income from sale of aircraft and buildings	-16	-118	-247	12	-239	-97	4	41	85	182
Income before tax, EBT	-918	1,648	-1,245	-1,629	-3,069	-3,423	-969	1,044	177	-246
Income from discontinued operations	-	-	-	-	-	-327	-5,395	-135	4,528	577
Income, EBT, before capital gains and nonrecurring items in continuing and discontinued operations	-697	919	23	94	-444	-2,247	-1,947	824	1,279	114
Income, EBT, before capital gains and nonrecurring items in continuing operations	-697	919	23	94	-444	-1,754	-339	1,234	727	-106
Balance sheets, MSEK										
Fixed assets	18,291	18,600	29,692	29,883	30,591	29,636	26,840	26,663	31,189	36,439
Current assets, excluding cash and cash equivalents	3,617	3,462	4,273	5,494	6,191	8,670	10,741	13,216	9,172	12,893
Cash and cash equivalents	7,417	4,751	2,789	3,808	5,043	4,189	5,783	8,891	10,803	8,684
Total shareholders' equity	4,907	3,226	11,156	12,433	14,438	11,389	7,312	17,149	16,388	12,081
Long-term liabilities	10,384	10,173	12,111	13,889	13,932	13,069	19,160	11,274	17,847	23,608
Current liabilities	14,034	13,414	13,487	12,863	13,455	18,037	16,892	20,347	16,929	22,327
Total assets	29,325	26,813	36,754	39,185	41,825	42,495	43,364	48,770	51,164	58,016
Cash-flow statements, MSEK										
Cash flow from operating activities	1,096	1,028	2,562	-482	-155	-3,414	-2,651	2,866	2,102	1,507
Investments	-2,113	-1,877	-2,595	-2,041	-2,493	-4,661	-4,448	-2,908	-2,299	-1,827
Sales of fixed assets, etc.	1,632	1,644	1,976	517	697	2,050	1,535	2,695	9,784	2,797
Cash flow before financing activities	615	795	1,943	-2,006	-1,951	-6,025	-5,564	2,653	9,587	2,477
New issue	3,500	-	-	-	4,678	5,808	-	-	-	-
Dividend	-175	-	-	-	-	-	-	-	-	-
External financing, net	-1,275	1,171	-2,961	763	-1,859	-1,524	2,480	-4,492	-7,438	-2,426
Cash flow for the year	2,665	1,966	-1,018	-1,243	868	-1,741	-3,084	-1,839	2,149	51
Key figures										
Gross profit margin, %	4.1	8.6	2.7	7.3	0.6	-2.9	1.9	5.3	5.2	4.6
EBIT margin, %	0.4	6.2	-0.8	1.6	-4.7	-6.9	-1.3	2.6	2.1	1.2
EBIT margin before nonrecurring items in continuing operations, %	-1.8	2.2	0.1	0.2	-1.1	-3.9	-0.6	2.4	1.4	-0.2
Return on capital employed (ROCE), %[2]	1.6	23.6	-8.1	-2.2	-7.6	-11.7	-19.6	6.7	18.2	5.0
Return on shareholders' equity after tax, %[2]	-14.6	456.9	-24.8	-12.0	-17.0	-26.8	-47.6	3.8	37.8	1.4
Adjusted equity/assets ratio, %[3]	11	8	24	26	28	21	13	27	22	15

1) As a consequence of the Group's fiscal year changing to November 1–October 31, the 2012 fiscal year was shortened to the period January 1–October 31. Yield-based key figures are calculated based on income-statement items for a 12-month period.
2) Includes results from discontinued operations.
3) Estimated starting 2007 with leasing costs of continuing operations. Earlier years' key figures also include leasing costs of discontinued operations.

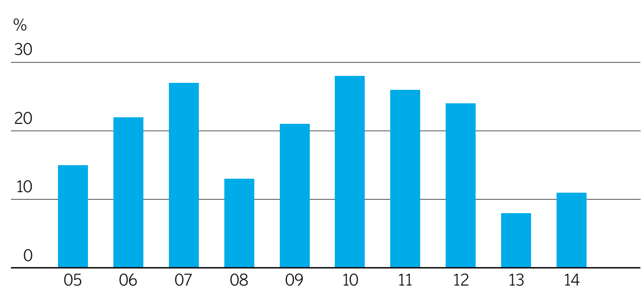
Refer to page 91 for definitions & concepts.

EBT trend[1]



1) EBT, before nonrecurring items in continuing and discontinued operations.

Adjusted equity/assets ratio, 2005–2014



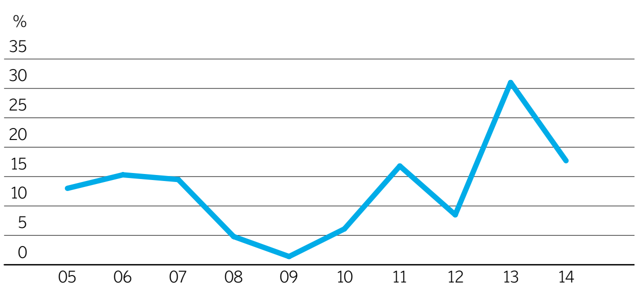
Ten-year overview

Financial key figures, MSEK	2014	2013	2012[1]	2011	2010	2009	2008	2007	2006	2005
Income and capital concepts included in CFROI										
Income before depreciation, EBITDA, in continuing and discontinued operations	1,576	3,647	872	3,019	246	-1,732	-1,232	2,646	3,663	2,984
+ Operating lease costs, aircraft	2,127	1,786	1,618	1,560	1,815	2,534	3,186	3,472	3,527	3,133
EBITDAR	3,703	5,433	2,490	4,579	2,061	802	1,954	6,118	7,190	6,117
- Operating lease revenue, aircraft	-86	-76	-96	-199	-341	-312	-160	-174	-194	-155
Adjusted EBITDAR in continuing and discontinued operations	3,617	5,357	2,394	4,380	1,720	490	1,794	5,944	6,996	5,962
Adjusted average capital employed[4]										
+ Total shareholders' equity	5,068	298	12,153	14,087	13,045	11,014	13,224	16,687	12,706	11,921
+ Surplus value aircraft	77	-222	-37	-1,305	-1,037	193	-423	-208	371	-161
+ Capitalized leasing costs, net (x 7)	13,017	11,219	9,827	9,706	11,984	19,502	22,016	23,191	22,567	18,967
- Equity in affiliated companies	-360	-321	-309	-300	-300	-567	-755	-1,054	-1,132	-853
+ Financial net debt	2,641	6,301	6,448	3,957	4,403	5,662	3,163	2,447	11,136	16,119
Adjusted capital employed	20,443	17,275	28,082	26,145	28,095	35,804	37,225	41,063	45,648	45,993
Cash Flow Return On Investments CFROI, %	17.7	31.0	8.5	16.8	6.1	1.4	4.8	14.5	15.3	13.0
Other financial data										
Financial revenue	102	50	96	224	174	304	660	787	585	492
Financial expenses	-1,130	-999	-1,055	-1,030	-1,041	-645	-933	-1,041	-1,367	-1,465
Interest-bearing liabilities	10,805	11,510	10,887	13,338	11,897	14,660	16,117	12,042	16,478	26,337
Operating leasing capital[3]	14,287	11,970	10,654	9,527	10,318	13,804	13,573	14,462	23,331	20,846
Financial net debt	1,102	4,567	6,549	7,017	2,862	6,504	8,912	1,231	4,134	14,228
Debt/equity ratio[2]	0.22	1.42	0.59	0.56	0.20	0.57	1.22	0.07	0.25	1.18
Adjusted financial net debt (x7)/equity[3]	3.14	5.13	1.54	1.33	0.89	1.70	3.08	0.92	1.68	2.90
Interest expenses/average gross debt, %	7.4	7.6	8.1	7.3	6.9	5.6	7.6	7.8	6.1	5.2
Interest-coverage ratio	0.2	2.6	-1.6	-0.6	-1.9	-4.4	-5.3	1.8	4.4	1.3

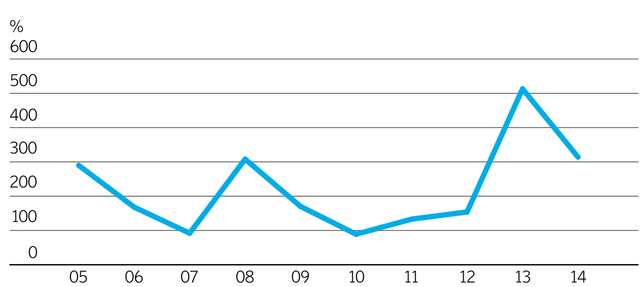
1) As a consequence of the Group's fiscal year changing to November 1–October 31, the 2012 fiscal year was shortened to the period January 1–October 31. Yield-based key figures are calculated based on income-statement items for a 12-month period.
2) Calculated on financial net debt.
3) Estimated starting 2007 with leasing costs of continuing operations. Earlier years' key figures also include leasing costs of discontinued operations.
4) Includes continuing and discontinued operations.

Refer to page 91 for definitions & concepts.

CFROI, 2005–2014



Adjusted debt/equity ratio



Definitions & concepts

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

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

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

Adjusted financial net debt (x7) Financial net debt plus capitalized leasing costs, multiplied by seven.

AEA The Association of European Airlines.

Affiliated company Company where the SAS Group's holding amounts to at least 20% and at the most 50%.

AOC (Air Operator Certificate).

ASK, Available seat kilometers The total number of seats available for passengers multiplied by the number of kilometers which they are flown.

ATK, Available tonne kilometers The total number of tonnes of capacity available for the transportation of passengers, freight and mail multiplied by the number of kilometers which this capacity is flown.

Available seat kilometers See ASK.

Available tonne kilometers See ATK.

Block hours Refers to the time from when the aircraft leaves the departure gate until it arrives at the destination gate.

CAGR Compound annual growth rate.

CAPEX (Capital Expenditure) Future payments for aircraft on firm order.

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

Capitalized leasing costs (x 7) The annual cost of operating leases for aircraft multiplied by seven.

Cash flow from operations Cash flow from operating activities before changes in working capital.

CASK See Unit cost.

CFROI Adjusted EBITDAR in relation to AV.

Code share When one or more airlines' flight number is stated in the timetable for a flight, while only one of the airlines operates the flight.

CSI Customer Satisfaction Index measures how customers perceive SAS's services.

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

Dividend yield, average price Dividend as a percentage of the average share price during the year.

Earnings per common share (EPS) Net income for the period attributable to Parent Company shareholders less preference-share dividends in relation to the average number of common shares outstanding.

EBIT Operating income.

EBIT margin EBIT divided by revenue.

EBITDA, Operating income before depreciation Income before net financial items, tax, depreciation, share of income in affiliated companies and income from the sale of fixed assets.

EBITDA margin EBITDA divided by revenue.

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

EBITDAR margin EBITDAR divided by revenue.

EBT Income before tax.

EEA European Economic Area.

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

Equity method Shares in affiliated companies are taken up at the SAS Group's share of equity, taking acquired surplus and deficit values into account.

Finance leases Based on a leasing contract where the risks and rewards of ownership of the asset remain with the lessee. The asset is reported as a fixed asset in the balance sheet because the lessee has an obligation to purchase the asset at the end of the lease. The commitment to pay future leasing charges is entered as a liability.

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

Financial preparedness Cash and cash equivalents including unutilized credit facilities/fixed costs.

FTE Full Time Equivalent.

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

IATA International Air Transport Association. A global association of more than 200 airlines.

ICAO International Civil Aviation Organization. The United Nations' specialized agency for international civil aviation.

Interline revenue Ticket settlement between airlines.

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

LCC Low Cost Carrier.

Load factor RPK divided by ASK. Describes the capacity utilization of available seats. Also called occupancy rate.

Market capitalization Share price multiplied by the number of shares outstanding.

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

NPV Net present value. Used to calculate capitalized future costs of operating leases for aircraft, for example.

Operating leases Based on a leasing contract in which the risks and rewards of ownership remain with the lessor and is equivalent to renting. The leasing charges are expensed on a current basis in the statement of income.

PASK (Unit revenue) passenger revenue/ASK (scheduled).

P/CE ratio Average share price divided by cash flow per share after paid tax.

P/E ratio Average share price divided by earnings per share after standard tax.

Preference share capital Preference share capital, corresponding to the redemption price after the 2018 AGM for 7,000,000 preference shares at 105% of the subscription price of SEK 500, amounting to MSEK 3,675.

RASK Total traffic revenue/Total ASK (scheduled+charter).

Regularity The percentage of flights completed in relation to flights scheduled.

Return on shareholders' equity after tax Net income for the period attributed to shareholders in the Parent Company in relation to average equity excluding non-controlling interests.

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

Revenue passenger kilometers (RPK) See RPK.

Revenue tonne kilometers (RTK) See RTK.

RPK, Revenue passenger kilometers Number of paying passengers multiplied by the distance they are flown in kilometers.

RTK, Revenue tonne kilometers The number of tonnes of paid traffic (passengers, freight and mail) multiplied by the distance this traffic is flown in kilometers.

Sale and leaseback Sale of an asset (aircraft, building, etc.) that is then leased back.

Shareholders' equity per common share Shareholders' equity attributable to Parent Company shareholders less preference share capital in relation to the total number of common shares outstanding on the closing date.

Total load factor RTK divided by ATK.

Total return The sum of the change in share price including dividends.

Unit cost, (CASK) total Total operating expenses for airline operations including aircraft leasing and total depreciation adjusted for currency and restructuring costs less non-traffic-related revenue per total ASK (scheduled and charter).

Unit revenue See PASK

WACC Weighted average cost of capital includes the average cost of liabilities, equity and operating leases for aircraft. The 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 in relation to RPK (scheduled).

Membership of the Star Alliance increases customer value and revenue streams

Membership of the Star Alliance provides access to a global network with many advantages for SAS travelers. Star Alliance enables an enhanced travel experience whereby customers can earn and redeem bonus points as well as gain access to lounges and other time-saving services. In cases where SAS passengers are impacted by flight irregularities, passengers can reach their destinations by rebooking to the next available Star Alliance flight.

In 2014, Air India joined the Star Alliance, which provides improved access to the Indian market. In addition, SAS and the other Star Alliance airlines opened a new terminal at London Heathrow, which gives passengers access to significantly enhanced facilities and enables shorter transfers at one of Europe's and SAS's key airports.

Membership of the Star Alliance increases customer value and allows SAS to improve revenue by offering customers a network with an extensive range. Altogether, Star Alliance offers more than 18,500 daily flights to 1,321 airports in 193 countries.

Passenger flows sold, November 2013–October 2014
Partnerships with bilateral partners and membership of Star Alliance increase global access to SAS's products and enable SAS to optimize and improve revenue.

	North America	South America	Europe	Africa	Asia
SAS → Star Alliance	**410,000**	**500**	**1,500,000**	**25,000**	**130,000**
Star Alliance → SAS	**150,000**	**8,000**	**900,000**	**45,000**	**105,000**

North America: Air Canada, United

South America: Copa Airlines, Avianca

Europe: Brussels Airlines, Lufthansa, Swiss, Adria, Austrian, Croatia Airlines, TAP Portugal, Turkish Airlines, LOT Polish Airlines, Aegean

Africa: EgyptAir, Ethiopian, South African Airways

Asia: Air China, Thai, Asiana Airlines, Shenzhen Airlines, ANA, EVA Air, Air India, Singapore Airlines, Air New Zealand

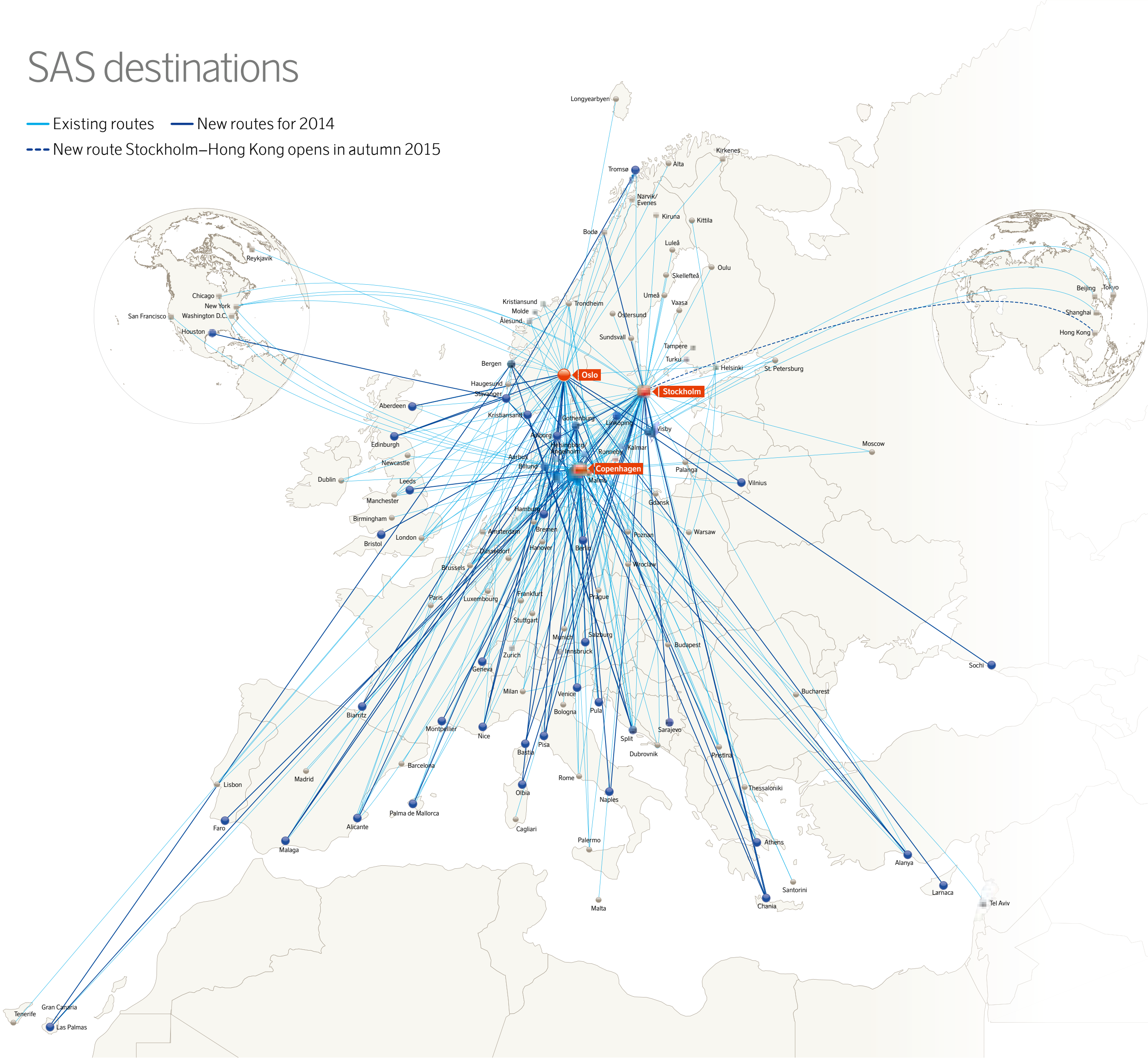
STAR ALLIANCE™

Star Alliance in brief (December 2014)

Member companies:	**27**	Daily departures:	**18,521**
Number of aircraft:	**4,561**	Number of airports:	**1,321**
Number of employees:	**410,274**	Number of lounges:	over **1,000**
Passengers per year:	**654** million	Countries with service:	**193**
Sales revenue (USD):	**177.4** billion		

Source: www.staralliance.com

SAS destinations



Financial calendar 2015

Monthly traffic data is generally issued on the fifth working day of every month. The detailed financial calendar is available at www.sasgroup.net under Investor Relations.

February 19, 2015	Annual General Shareholders' Meeting 2015
December 16, 2015	Year-end report Nov 2014–Oct 2015
January/ February 2016	Annual Report and Sustainability Report 2014/2015

For more information, please refer to www.sasgroup.net

Annual General Shareholders' Meeting 2015

The SAS Group's AGM will be held on February 19 at 3:00 p.m. at the head office of SAS; Frösundaviks allé 1, Solna, Sweden. For more detailed information, see page 70.

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Distribution policy

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