A STAR ALLIANCE MEMBER

SAS

OUR VISION IS TO MAKE LIFE EASIER FOR SCANDINAVIA'S FREQUENT TRAVELERS

ANNUAL REPORT WITH SUSTAINABILITY REVIEW
NOVEMBER 2014–OCTOBER 2015

CONTENTS

SAS is Scandinavia's leading airline and has an attractive offering to frequent travelers. SAS offers more than 800 flights daily, and a total of more than 28 million passengers travel with SAS to 119 destinations in Europe, the US and Asia. Membership in Star Alliance™ provides SAS's customers with access to a far-reaching network and smooth connections. Altogether, Star Alliance offers more than 18,500 daily departures to 1,330 destinations in 192 countries around the world. In addition to airline operations, activities at SAS include ground handling services (SAS Ground Handling), technical maintenance (SAS Technical) and air cargo services (SAS Cargo).

SAS AB is the Parent Company of SAS and is listed on the stock exchanges in Stockholm (primary listing), Copenhagen and Oslo. With the exception of SAS Cargo and SAS Ground Handling, which are directly owned by the Parent Company SAS AB, the majority of the operations and assets are directly owned by the SAS Consortium.

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.

THIS IS SAS

11,288
AVERAGE NO. OF EMPLOYEES

4.2
MILLION EUROBONUS MEMBERS

STRATEGIC PRIORITIES

WIN SCANDINAVIA'S FREQUENT TRAVELERS

CREATE AN EFFICIENT OPERATING PLATFORM

SECURE THE RIGHT CAPABILITIES

OUR VISION

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.

2 MILLION
FREQUENT TRAVELERS

805
DAILY DEPARTURES

OUR DNA

WE ARE SCANDINAVIAN BY NAME AND BY NATURE AND OUR OPERATIONAL PRIORITIES ARE; SAFETY, PUNCTUALITY AND CARE.

75,000
PASSENGERS PER DAY

28.1 MILLION PASSENGERS 2014/2015

261
ROUTES

119
DESTINATIONS

152
AIRCRAFT IN SERVICE

70 YEARS
SAS IS A SCANDINAVIAN COMPANY THAT WILL TURN 70 IN 2016

1,330
DESTINATIONS VIA STAR ALLIANCE

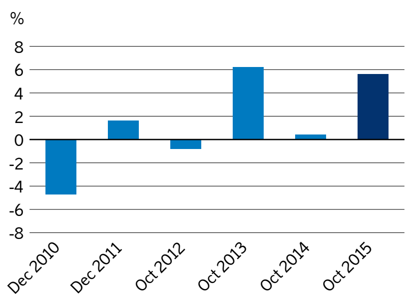
SAS OVERVIEW 2014/2015

FINANCIAL KEY FIGURES

The positive earnings during the fiscal year 2014/2015 contributed to an improvement in several of SAS's financial key figures. SAS had no financial net debt for the first time since 2008.

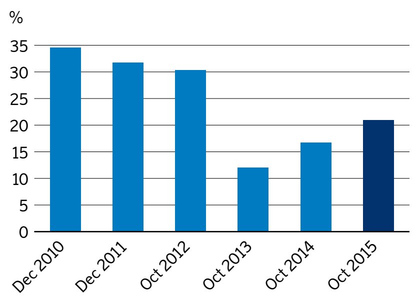
PROFITABILITY

The EBIT margin posted a year-on-year improvement of 5.2 percentage points to 5.6%.



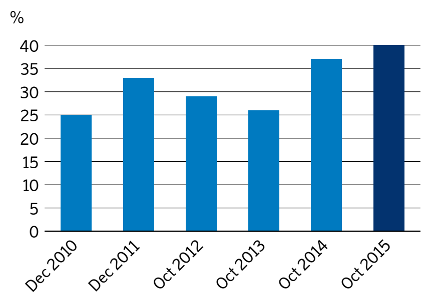
EQUITY/ASSETS RATIO

As well as the positive earnings, the equity/assets ratio improved due to realized currency hedges linked to future aircraft orders.



FINANCIAL PREPAREDNESS

Positive cash flow contributed to a positive trend for financial preparedness in 2014/2015, despite the repayment of a convertible bond loan of SEK 1.6 billion.



OPERATIONAL KEY FIGURES

TOTAL PASSENGERS	PUNCTUALITY	LOAD FACTOR	TOTAL UNIT COST (CASK)	UNIT REVENUE (RASK)
28.1 MILL.	**87.9%**	**74.8%**	**SEK 0.79**	**SEK 0.80**

VALUE CREATION

SAS's overriding goal is to create value for its shareholders. To reach this goal, we pursue three strategic priorities to reinforce competitiveness and provide the prerequisites for long-term sustainable profitability. We measure value creation using these three key figures.

EARNINGS PER COMMON SHARE

SEK 1.84

(SEK -3.03)

CUSTOMER SATISFACTION

CO_2 EMISSIONS

SAS's total CO_2 emissions-related environmental impact decreased in 2014/2015 compared with 2013/2014.

-1.8%

Key figures	2014/2015	2013/2014
Revenue, MSEK	39,650	38,006
EBIT margin, %	5.6	0.4
Income before tax and nonrecurring items, MSEK	1,174	-697
Income before tax, EBT, MSEK	1,417	-918
Net income for the year, MSEK	956	-719
Cash flow from operating activities, MSEK	3,036	1,096
Investments	4,306	2,113
Average No. of employees	11,288	12,329
Sick leave[1], %	7.0	6.5
Carbon dioxide (CO_2), 000s tonnes	3,822	3,890
Climate index	92	92

1) New calculation method. Refers to SAS (excluding Blue1).

Key figures	2014/2015	2013/2014
Financial preparedness, % of fixed costs	40	37
Equity/assets ratio, %	21	17
Financial net debt	-726	1,102
Debt/equity ratio	-0.11	0.22
Adjusted debt/equity ratio	2.65	3.14
Interest-coverage ratio	3.2	0.2
Common share price (Oct 31), SEK	16.50	11.35
Preference share price (Oct 31), SEK	501	415
Dividend (proposed Oct 31, 2015) common share, SEK	0	0
Dividend (proposed Oct 31, 2015) preference share, SEK	50	50

EVENTS FROM THE PAST YEAR

STRONG CUSTOMER OFFERING

- SAS launched about 50 seasonal routes to leisure-oriented destinations.
- SAS started flying from Stockholm–Hong Kong and increased the frequency to New York, Chicago, San Francisco and Shanghai.
- SAS launched new routes to Miami, Boston and Los Angeles, starting in 2016.
- SAS phased two new Airbus A330E's into the aircraft fleet.
- SAS is upgrading long-haul aircraft with a new cabin interior and a new service concept.
- Café Lounges opened in Trondheim and Tromsø. More Café Lounges will be launched in Scandinavia in 2016. In parallel, the lounges in Gothenburg, Oslo and Stockholm were also upgraded.
- SAS Fast Track opened at airports including Aalborg and Bodø.
- Customers were given access to a large number of digital newspapers in the SAS app.

FINANCIAL EVENTS

- SAS worked with the implementation of a SEK 2.1 billion cost measures program with full effect in 2017.
- During 2014-2016, SAS completed the financing of PDPs for 13 aircraft from Airbus.
- SAS sold two slot pairs at London Heathrow and generated a MUSD 82 capital gain. SAS remains the fifth largest carrier in terms of the number of departures on a weekly basis at London Heathrow.

NEW CUSTOMER AGREEMENTS AND PARTNERSHIPS

- SAS signed new key customer agreements with Statoil, DnB as well as the Danish, Swedish and Norwegian states.
- SAS and Apollo extended their partnership for charter flights and entered into an agreement worth about MSEK 900 ahead of the 2016 summer season.
- New EuroBonus partners include Aftonbladet, Viaplay, Berlingske Media, DNB and Lexus.

ENVIRONMENT AND SUSTAINABILITY

- SAS decided to commence regular flights using biofuel.
- SAS CO_2 emissions per passenger kilometer decreased 1.8%.
- The SAS Code of Conduct was updated and all employees will undergo an online course on the subject.
- The "Juleflyet" Christmas flight took place in the Baltic States for the thirtieth year in a row.
- SAS started several initiatives to assist aid work to help refugees.

AWARDS

- At the Swedish ServiceScore Awards for 2015, SAS was voted the airline that provides the best service to its customers.
- At the Danish Travel Awards SAS received four out of five prizes, including Best Charter Airline, Best Domestic Airline, Best European Airline and Best International Airline.
- SAS was awarded Best European Airline at the Grand Travel Awards in Norway.
- SAS's app received the best reviews among Europe's largest airlines.

STRUCTURAL CHANGES

- SAS acquired Cimber A/S, and transferred CRJ900-based production to Cimber.
- SAS sold Blue1 and, in parallel, signed a wet lease agreement with CityJet for eight new regional jets.
- SAS signed new, simplified, collective agreements for all pilots.
- SAS signed agreements with Widerøe for the outsourcing of ground handling services at all line stations in Norway.
- SAS signed a letter of intent with Aviator Airport Alliance Europe AB for outsourcing ground handling services in Scandinavia.

EMPLOYEES

- SAS's management processes have been integrated with the Lean principles to create a clear objective and action plans for all operations.
- The person of the year, leader, team and Lean achievement were awarded at the *SAS Awards*.
- SAS Forum 50 has been initiated to increase skills exchange and strengthen networks.

COMMERCIAL SUCCESSES CONTRIBUTE TO POSITIVE EARNINGS

SAS delivered notably improved earnings in 2014/2015. This improvement was primarily driven by our commercial successes, cost measures and, at the end of the year, by lower jet-fuel costs. Over the last few years, we have strengthened the offering aimed at frequent travelers and this has delivered manifest results. We expect increased capacity growth in the market in 2016 and even more intense competition as a result.

During the year, SAS's income before tax and nonrecurring items amounted to nearly SEK 1.2 billion, comprising a notable year-on-year improvement in earnings. Altogether, we have made substantial progress during the year toward a more attractive SAS. However, the unit cost after adjustments for currency and jet fuel increased during the year, which is unsatisfactory. To improve our long-term competitiveness, we will work even more intensely to implement further cost measures.

The industry was marked by a temporary stabilization of capacity growth in Scandinavia during the year. However, we expect more intense competition in 2016 with increased capacity growth. To meet market challenges and strengthen competitiveness, we will continue to drive three strategic priorities: win Scandinavia's frequent travelers, create an efficient operating platform and secure the right capabilities.

COMMERCIAL SUCCESS

Dedicated efficiency measures over the year have enabled us to strengthen our customer offering in line with our vision of making life easier for frequent travelers. We have upgraded the cabins and introduced new aircraft to our long-haul fleet, and we now offer a smooth travel experience thanks to several Fast Track facilities and new SAS Lounges. Product improvements have been positively received, which is reflected in a higher level of customer satisfaction and a higher rating across Scandinavia. Furthermore, the number of travelers using SAS Plus increased by 2%, and the number of EuroBonus members rose by a full 14% over the year. We now have 4.2 million members that contributed almost half of SAS's passenger revenue during the year. We are also investing in our digital services and, during the year, the SAS app received the top ranking for European airlines.

We are also consolidating our position as the airline in Scandinavia with the broadest network and the most optimal schedule for frequent travelers. The new route between Stockholm and Hong Kong has got off to a good start and in 2016 we are launching new routes to Los Angeles, Miami and Boston. We have also increased the frequency of flights to San Francisco, Shanghai, Chicago and New York during the winter. In total, we plan to increase capacity on our intercontinental routes by about 25% in the next fiscal year. To further strengthen the offering, we have added nine new European routes to the winter program, and in the summer of 2015, we launched 47 seasonal routes to leisure destinations.

In spring 2015, we launched the SAS Café Lounge in Trondheim and Tromsø. In 2016, we will open a Café Lounge in Malmö and several more are on the way. The lounges in Stockholm, Oslo and Gothenburg have also been expanded and renovated.

EFFICIENT OPERATING PLATFORM

The implementation of cost measures of SEK 2.1 billion is continuing with increased intensity and, during the year, we generated an earnings impact of slightly less than SEK 1 billion. This is somewhat lower than expected primarily due to a delayed earnings impact within IT.

As part of these measures, we have made important structural progress in terms of strengthening our production platform efficiency, while maintaining a broad network with frequent departures. In line with our strategy, we transferred all regional jet production to the newly acquired company Cimber at the start of 2015. In autumn 2015, we phased our last Boeing 717 out of service and Blue1 was sold to CityJet. In connection with this, we signed a partnership agreement with CityJet for eight brand-new CRJ900-type regional jets to complement SAS's network. The changes outlined above mean that we now have an aircraft fleet which consists of Airbus A320s and Boeing 737s in Europe under SAS's (SK) own traffic license.

The aircraft fleet is continuously renewed to strengthen our competitiveness, lower jet-fuel costs and reduce our environmental impact. In the autumn, we received the first two new, long-haul Airbus A330E aircraft and, in spring 2016, we will phase in another two aircraft of this same type. We will be one of the first airlines in Europe to receive the first deliveries of the Airbus A320neo in autumn 2016 as part of our short-haul fleet.

Another important structural change we implemented during the year was the agreement with Widerøe for the outsourcing of ground handling at all line stations in Norway from February 1, 2016. We are also in discussions with Aviator regarding the outsourcing of ground handling services at our primary Scandinavian airports as well as Gothenburg and Malmö. The outsourcing of ground handling services increases our cost-base flexibility and could also further develop the business we have with our partners. Work is continuing in parallel to enhance the efficiency of and automate ground handling services.

During the year we have also entered into new, simplified collective agreements for our pilots. The new agreements reduce complexity and have helped us to strengthen our intercontinental offering. We have also achieved extensive efficiency enhancements while maintaining quality in the areas of administration and sales, from which 285 employees have left SAS. Efficiency enhancements have also been implemented pertaining to properties comprising about 140,000 square meters in Copenhagen, Oslo, Bergen and Stockholm-Arlanda.

Overall, we will work even more intensively on the implementation of continued cost measures to improve long-term competitiveness.

"Dedicated efficiency measures during the year have made it possible for us to strengthen our customer offering."

DEVELOP, ENGAGE AND SECURE THE RIGHT CAPABILITIES

Like the industry in general, SAS has continued to undergo rapid change, which places substantial demands on our employees and our compiled competence. For example, we have gone from conducting the majority of our operations ourselves to an increased degree of sourcing and developing services with business partners where this is relevant. We have integrated Lean principles in our management processes to manage this transition. We are working toward shared targets that are categorized under *SQDEC*, which stands for Safety, Quality, Delivery, Employees and Cost. The targets are followed up through clear action plans across all operations. We are also strengthening leadership and increasing professionalism through a number of forums, such as the *SAS Forum 50, Learning lunch* and a mentor program. At the same time, we highlight team and individual performances at our annual *SAS Awards*. The introduction of these processes and activities are crucial for securing the right capabilities and, thereby, SAS's future.

FINANCIAL POSITION AND OUTLOOK

The positive earnings and cash flow from operating activities in 2014/2015 of SEK 3 billion has improved SAS's financial position. During the year, the equity/assets ratio rose from 17% to 21% and financial preparedness is well above our target of 20%. In the beginning of 2016, we also secured PDPs for five Airbus A320neo aircraft up until the beginning of 2018.

We noted increased competition during winter 2016, but given our improved financial position, our ability to drive improvement efforts and our customers' positive response, we have a favorable starting position. We are strengthening the intercontinental offering, which we are able to do due to cost-efficient investments, lower jet-fuel costs and increased productivity. As a consequence, the aim ahead of 2016 is to grow while continuing to strengthen competiveness.

A more detailed outlook for 2015/2016 can be found on page 47 of the Report by the Board of Directors.

Stockholm, February 11, 2016

Rickard Gustafson
President and CEO

WE ARE TRAVELERS

One of SAS's strategies is to win frequent travelers and to be an airline that rewards its customers for their loyalty and close relationship to us. We have realized that we cannot be everything to everyone and that we should instead focus on frequent travelers. The people who fly most often are also the people with the greatest demands on their travel experience, so they decide where the bar is set, and it is set high. This benefits all of our customers.

The most frequent travelers in Scandinavia obviously deserve Scandinavia's most experienced employees. As we share the same interest and passion for travel at SAS, we understand our customers' needs and wishes. Just like us, our travelers want to be part of a larger world, to feel important and needed, and to develop as people. Our frequent travelers are very loyal, and our aim is to make them feel appreciated for the close relationship they have with us and to welcome them into our community.

During the year, our customers have had the chance to experience improvements to our products and services that make their lives easier. We have launched some fifty routes to, from and within Scandinavia, we are upgrading every long-haul aircraft and we have expanded our SAS Lounges and Fast Track facilities, to name just a few of the improvements.

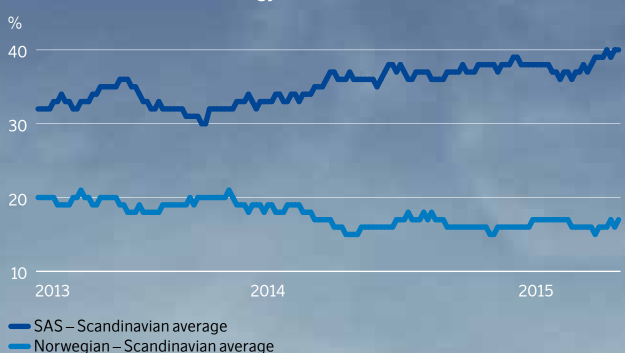
We have also welcomed over 4 million members to EuroBonus, which has grown into one of Scandinavia's most successful loyalty programs, and developed SAS into a "Membership airline". We are determined to reward our customers not only during the journey but also in their daily lives, by offering ever more benefits from our EuroBonus partners.

We make choices based on who and what we want to identify with and which community we want to be a part of, and this also applies when we choose an airline. We invite our travelers to join our community in order to make their lives a little easier – and richer.

We have achieved a lot on the path to reaching our vision and everything we do reflects our Scandinavian DNA. Safety, punctuality and care for our customers are always our highest priorities.

PREFERENCE AMONG FREQUENT TRAVELERS IN DENMARK, NORWAY AND SWEDEN

Preference for SAS has increased steadily among frequent travelers since the launch of the strategy in 2013.



Source: Nepa

NUMBER OF EUROBONUS MEMBERS 2013–2015

The number of EuroBonus members has risen and, now, more than 4.2 million members can gain from the program's benefits.

CHARACTERISTICS OF A FREQUENT TRAVELER

- We see ourselves as experienced travelers – traveling is a genuine interest and a key part of our lifestyle and self-image.
- We like to be on the move – it gives us energy.
- We like to fly, as this means time to ourselves – to relax and reflect on things.
- We are "early adopters" and test new things before others.
- We use the internet and social media to find new travel ideas and inspiration.
- We think it is important to keep up-to-date about what is happening in the world and to be knowledgeable about many areas.

WHY WE CHOOSE TO TRAVEL WITH SAS

- Always helpful and take good care of us.
- Relaxing in-flight experience.
- Ease of using digital services.
- Loyalty and partner benefits with EuroBonus.
- Smooth journey, SAS Lounge and Fast Track.
- A schedule which suits those who travel frequently.
- A worldwide network thanks to Star Alliance.
- World-class reliability and punctuality.

WELCOME TO OUR COMMUNITY!

75,000
PASSENGERS PER DAY

4.2
MILLION EURO-BONUS MEMBERS

1.2
MILLION FOLLOWERS ON FACEBOOK

120
MILLION ANNUAL WEBSITE VISITS

11,288
AVERAGE NO. OF EMPLOYEES AT SAS

CONDITIONS AND CHALLENGES FACING THE AIRLINE INDUSTRY

The airline industry is characterized by intense competition and price pressure that entail a continuous requirement to enhance efficiency. Greater prosperity and attractive pricing have both contributed to turning the airline industry into a growth sector with average annual growth of 5.8% between 1980 and 2015. Global growth is expected to be about 5% over the next 20 years.

Global trends and development

CORRELATION BETWEEN AIR TRAFFIC AND GDP

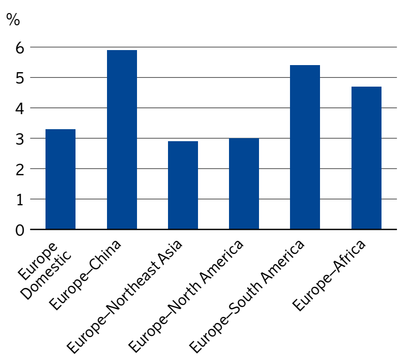
Due to its international exposure, SAS and many other major international airlines are affected by the economic trend and events that have an effect on economic activity. There is a clear correlation between global traffic growth and GDP, although air traffic typically experiences greater upward and downward effects than the underlying GDP trend. According to the OECD, real GDP growth is expected to be 2% in the 2015 calendar year, marginally up on last year. The IATA estimated that global air traffic would increase by about 6.7% in 2015.

In Europe, GDP growth was slightly lower than the average across OECD countries. However, countries with whom SAS has a slightly higher level of exposure outside Scandinavia, such as the UK, Germany and Poland, had higher growth than the European average.

GLOBAL TRAFFIC GROWTH

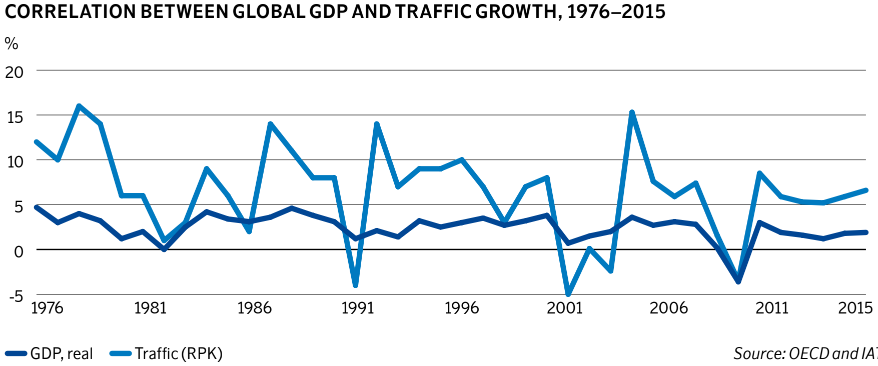
Greater prosperity and attractive pricing have both contributed to turning the airline-industry into a growth sector with average annual growth of 5.8% over the last 35 years. Passenger traffic is expected to continue to increase in the future. The aircraft manufacturer Airbus forecasts continued annual traffic growth of about 5.2% until 2023 and annual traffic growth of about 4.2% between 2023 and 2033.

EXPECTED ANNUAL GROWTH IN GLOBAL TRAFFIC FLOWS, 2015–2034



Source: Boeing, Market Outlook 2015

CORRELATION BETWEEN GLOBAL GDP AND TRAFFIC GROWTH, 1976–2015



Source: OECD and IATA

GROWTH AND BETTER BALANCE IN OFFERED CAPACITY IN 2015

Traffic flows grew most in Asia and the Middle East during 2015. European airlines saw growth of 5.8% while capacity increased by 3.9%, which led to an improvement of the load factor. Passenger traffic is expected to continue to increase in the future.

LOWER JET-FUEL PRICES

Market prices for jet fuel fell sharply during the 2014/2015 fiscal year and world-market prices averaged USD 547/tonne, which was 41% lower than the last fiscal year. At the beginning of 2015, most airlines had hedged jet-fuel prices at levels seen in previous years, which meant that the sharp decline in jet-fuel prices did not begin to have a notable effect until mid-2015. The USD strengthened against several currencies during the year, which meant the decline in jet-fuel prices did not translate fully into lower jet-fuel costs.

INCREASED DIVERSIFICATION

Demand is diversifying to an ever greater extent, particularly in growth markets. During the last few years, both the low-price segment as well as the premium segment have been developed further, particularly on the intercontinental routes. Demand for efficiency and comfort has increased, and airlines' offerings have been expanded both on the ground, in the air and digitally. The general industry trend is for a more extensive polarization of products and services across the entire price spectrum, as well as ever greater emphasis on loyalty programs.

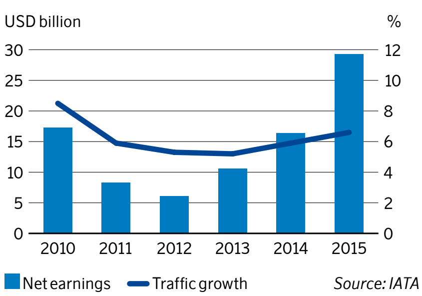
Industrial conditions

VALUE CHAIN

Airlines are the final link in the value chain of transportation of air passengers, and are preceded by aircraft manufacturers, airports, ground handling services, technical maintenance and booking systems, and others. It is the airlines that traditionally have the most difficulty in creating long-term value in this chain. Some explanations for this include a monopoly market structure within areas including infrastructure, complex regulations, inefficiency among airlines with a high proportion of fixed costs, and overcapacity. However, new airlines are showing that it is also possible to create economic value even in times of intense price competition.

Profitability among airlines has improved since 2012 in combination with positive traffic growth. In the 2015 calendar year, the IATA forecasts net earnings of approximately USD 30 billion, which is an improvement of about 90% compared with 2014.

ANNUAL GROWTH AND PROFITABILITY AMONG AIRLINES GLOBALLY, 2010–2015



Source: IATA

INFRASTRUCTURE AND REGULATIONS

Airlines bear the total costs for infrastructure. Historically, air traffic has doubled approximately every ten years, and current industry forecasts from Airbus indicate a doubling of today's traffic in 15 years. The expansion of civil aviation's infrastructure has not kept pace with developments in traffic, and there is a considerable lack of capacity in the infrastructure in Europe.

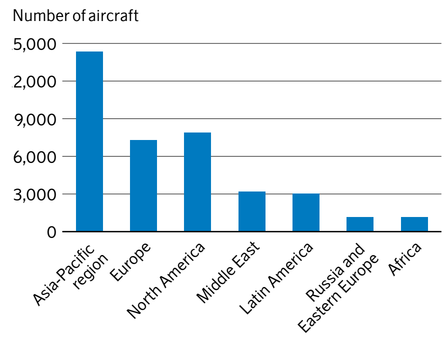
The shortcomings in terms of infrastructure make it increasingly difficult to obtain the arrival and departure times, known as slots, necessary to develop traffic. This applies particularly to new operators, while existing airlines have their historical slots guaranteed as long as they are used. These may represent major value.

The European airline industry has been opened to competition, however, with regard to operations, substantial parts of the value chain are subject to stringent regulation, for example, safety and air traffic rights. A large proportion of the rules are set at national levels, which means airlines have to abide by different conditions with regard to staffing rules and levels of personnel utilization. SAS works to create equal terms in Europe for all airlines, regardless of base.

CAPACITY AND EFFICIENCY

The increased air traffic means there is a greater demand for aircraft, and according to Boeing the global in-service aircraft fleet is therefore expected to more than double by 2034. Most deliveries are expected in Asia and the Pacific region, followed by North America and Europe. Low cost carriers (LCCs) were the principal drivers of growth in Europe in the 2000s, both in terms of capacity and traffic. In recent years, however, the number of aircraft delivered to the largest LCCs has been somewhat lower. Deliveries of aircraft to LCCs will once again increase in 2016–2018. LCCs operating in Scandinavia are expected to have approximately 430 aircraft delivered, which is an increase of about 60 aircraft per year compared with the last three years.

GLOBAL DELIVERIES OF AIRCRAFT 2015–2034



Source: Boeing, Market Outlook 2015

Against the background of the expected increase in capacity, one condition is that airlines continue to streamline their operations in order to create future value. As well as overcapacity, airlines are often affected by external events to a greater extent than other operators in the value chain. This is partially due to a high proportion of fixed costs. By increasing its cost-base flexibility, SAS is working to gradually strengthen our resilience against sudden changes in demand in order to thereby create better long-term conditions for creating shareholder value. See pages 18–20.

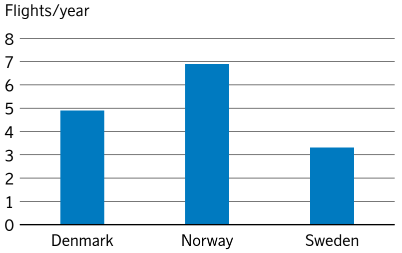
Markets, customers and demand in Scandinavia

SCANDINAVIA

Revenue from the Scandinavian air travel market is estimated to amount to about SEK 100 billion annually from approximately 90 million flights. In relation to its population, the Scandinavian air travel market is relatively large compared with the rest of Europe. This is due to the fact that Scandinavia has a high level of economic prosperity as well as many internationally successful companies. Geographically, the region is characterized by relatively long distances with relatively small towns, difficult topography where the land masses are 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. On average, each person in Scandinavia flies approximately four times per year, compared with about two times per year in the rest of Europe.

The number of passengers passing through Scandinavian airports increased during the 2014/2015 fiscal year by about 2.3%. At the same time, capacity in Scandinavia grew by a total of about 0.3%, measured in numbers of seats.

NUMBER OF FLIGHTS PER INHABITANT



The figures are based on the number of journeys starting from airports in the respective countries.

Source: Innovata Schedule data

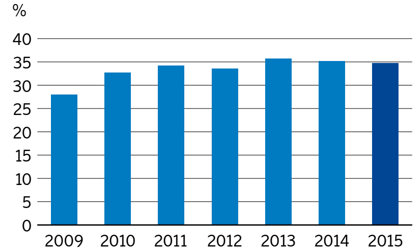
"Leisure travel in particular has increased since the turn of the century. The IATA expects close to 80% of market growth to stem from leisure travel by 2020."

TRENDS

At the start of this century, new LCCs contributed to increasing leisure travel in parallel with a dramatic increase in LCCs' market share. As traditional network airlines have increased their operational efficiency, LCCs' share of market capacity has stabilized in the Scandinavian market and amounted to about 35% in 2014/2015. LCCs reduced capacity during the fiscal year by about 1.5%.

Growth in capacity from traditional network airlines in Europe has been relatively low since the turn of the century. Growth in capacity among traditional network airlines was also relatively low in 2014/2015, with an increase of just under 2%. However, this increase was higher than the market as a whole, which means the compiled share of capacity of the network airlines increased marginally during the fiscal year.

LCCS' SHARE OF CAPACITY IN THE SCANDINAVIAN[1] MARKET



1) Refers to the airlines Air Berlin, Easyjet, Eurowings, Germanwings, HOP!, Niki, Norwegian, Pegasus, Ryanair, Transavia and Wizz Air's share of the seats in Scandinavia.

Source: Innovata Schedule data

Airlines based in the Middle East have also increased capacity to/from Scandinavia, which has increased competition primarily on the intercontinental routes between Scandinavia and Asia. The capacity of these airlines has increased by about 25% annually during the calendar years 2014 and 2015, and the number of offered seats has increased by about 140,000 from the beginning of 2013 to the end of 2015.

Our intercontinental network is focused on destinations in the northern hemisphere. Competition from airlines in the Middle East is limited in part on these routes because flights with those airlines involve a large detour with considerably longer flight times compared with SAS's direct routes.

Market position of SAS and 2014/2015 trend

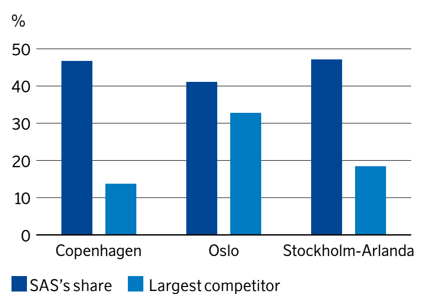
SAS is the leading airline in Scandinavia measured by the share of passengers and capacity. After having increased our market share in Scandinavia over the past two years, our position when measured by the share of passengers was slightly lower in 2014/2015 and amounted to 35%.

SAS reduced total capacity by 1.9% in 2014/2015. The load factor was marginally lower than last year. However, the highest load factor ever for a single month was achieved in July 2015 in scheduled traffic. Unit revenue (PASK1[1]) increased 3.8% over the year. The trend within Scandinavia and our intercontinental routes was the driving force behind the positive unit revenue. The upgraded long-haul cabins have received very good customer feedback and strengthened SAS's competitiveness. However, competition remained very intense in certain markets in Europe, for example, five airlines competed on the route between Copenhagen and London during the year.

We maintained our leading position with regard to frequencies in Scandinavia. Our closest competitor had considerably fewer departures than SAS from Copenhagen, Oslo and Stockholm-Arlanda during the fiscal year.

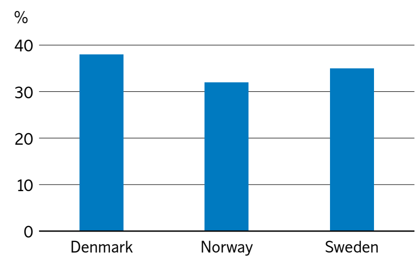
1) PASK = passenger revenue/scheduled ASK

SAS'S SHARE OF DEPARTURES FROM THE MAJOR AIRPORTS IN SCANDINAVIA



Source: Innovata Schedule data

SAS'S MARKET SHARES IN TERMS OF PASSENGER NUMBERS, NOV 2014–OCT 2015



Source: Innovata Schedule data

A brand new Airbus A330E en route from the factory to SAS.

STRATEGIC PRIORITIES FOR SAS

SAS's work is based on three strategic priorities to meet trends and industry developments, ensure competitiveness and provide the prerequisites for long-term sustainable profitability.

VISION

OUR VISION

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.

POSITIONING

TARGET GROUP

FOCUS ON SCANDINAVIA'S FREQUENT TRAVELERS

CUSTOMER OFFERING

BROAD NETWORK WITH FREQUENT DEPARTURES AND SMOOTH JOURNEYS TO, FROM AND WITHIN SCANDINAVIA

GROWTH

BASED ON A STRONGER OFFERING TO THE PRIMARY TARGET GROUP

STRATEGIC PRIORITIES

WIN SCANDINAVIA'S FREQUENT TRAVELERS

CREATE AN EFFICIENT OPERATING PLATFORM

SECURE THE RIGHT CAPABILITIES

WIN SCANDINAVIA'S FREQUENT TRAVELERS

Over the past year, SAS made extensive commercial investments to strengthen the offering to frequent travelers that travel to, from and within Scandinavia. The launch of a new long-haul route to Hong Kong, the phase-in of new long-haul aircraft and the expansion of our lounges are just some examples of the improvements we have made that contributed to a marked increase in the number of EuroBonus members last year.

STRENGTHENED POSITION AMONG FREQUENT TRAVELERS

We apply a goal-oriented approach to continuously develop the offering to frequent travelers in Scandinavia and this clear target-group focus has delivered results. About 2 million people in Scandinavia make more than five return flights per year. Our position in the target group has strengthened by meeting customers' high expectations and demand for smooth journeys. One of the results is that more travelers are choosing SAS when they travel for leisure and have discovered the advantages of SAS Plus, and that EuroBonus is attracting more members.

2 MILLION

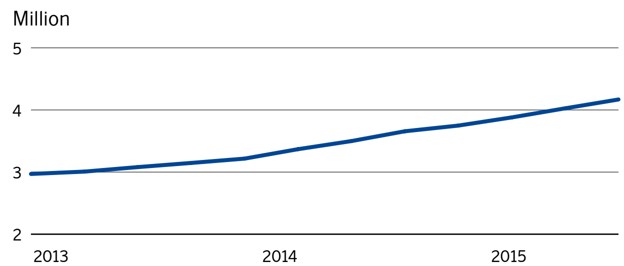
ARE FREQUENT TRAVELERS AND ACCOUNT FOR A LARGE SHARE OF FLIGHT SALES IN SCANDINAVIA.

MORE THAN 4 MILLION MEMBERS

With its clear added value for travelers who love to travel and travel often, EuroBonus is a key element of the SAS customer offering. EuroBonus has evolved from its origins as a frequent-flyer program to become a broad loyalty program with a growing number of partners. The program has been developed to build a closer relationship with customers, enhance value and thus increase loyalty. The number of members grew 14% during the fiscal year and totaled 4.2 million in October 2015. The number of members has risen 30% since the upgrade of EuroBonus in February 2014 and membership growth has contributed to increasing revenue from EuroBonus members in the fiscal year by 13% year-on-year.

New partnerships established during the year include partnerships with Aftonbladet, Viaplay, DNB, Lexus, and Berlingske Media.

NUMBER OF EUROBONUS MEMBERS 2013–2015



SERVICE CONCEPT WITH OPTIONS

We further developed the popular service concepts SAS Go and SAS Plus to meet demand from frequent travelers for easy and smooth journeys. More travelers are realizing the advantages of SAS Plus and during the year the number of SAS Plus passengers increased 2% year-on-year, while currency-adjusted passenger revenue rose 3.5%.

SAS Go Light, targeted at travelers who travel without baggage, was tested during the fiscal year. The new offering is a complement to the existing service concept and will be available from spring 2016 for flights between Scandinavia and the rest of Europe.

STRONG OFFERING TO CORPORATE CUSTOMERS

About 60% of EuroBonus members fly on business, making corporate customers an important, priority target group for SAS with corporate-agreement customers representing more than one-third of passenger revenue. We have strategic partnerships with our largest corporate customers under which we offer customized solutions tailored to companies' needs and travel habits. Small and medium-sized companies is a customer group experiencing significant market growth. With SAS Credits, companies can cut their corporate travel costs by earning Credits on all travel. Earned Credits can then be used to pay for new flights and hotel accommodation at Rezidor Hotels. SAS Credits customers can use the SAS Travel Pass concept to receive direct discounts on flights. The number of member companies of the SAS Credits program increased approximately 7% during 2014/2015, which contributed to a positive trend in passenger revenue from corporate-agreement customers.

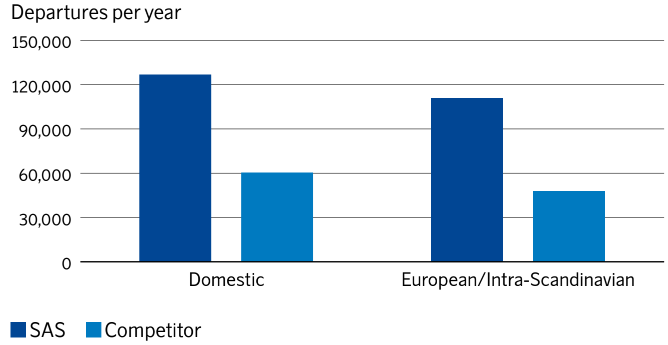
SAS OFFERS MORE DESTINATIONS AND DEPARTURES

A broad network of frequent departures to popular destinations is important for SAS travelers and, consequently, we offer more destinations and departures than any other Scandinavian airline. We launched more than 20 new routes during the 2015 calendar year to meet demand. New routes include Stockholm–Budapest, Copenhagen–Edinburgh and Oslo–Salzburg.

SAS EXPANDS WITH NEW DIRECT ROUTES TO THE US AND ASIA

There is huge demand for flights to the US and we are expanding with the launch of four new direct routes in 2016. These routes are: Los Angeles from Stockholm, Miami from Oslo, and Boston and Miami from Copenhagen. We are also increasing departures from Stockholm to destinations including New York and Chicago, as well as from Copenhagen to Shanghai. The new route between Stockholm and Hong Kong, launched in September 2015, was very well received by SAS customers. Expanding in the US in 2016 means that capacity will increase by more than 330,000 seats on intercontinental routes.

NO. OF DEPARTURES COMPARED WITH THE LARGEST COMPETITOR ON SAS'S LARGEST PASSENGER ROUTES, 2014/2015



Source: Innovata Schedule data

LOS ANGELES POPULAR AMONG SCANDINAVIAN TRAVELERS

Los Angeles is a popular destination for Scandinavian travelers wishing to visit Southern California or connect to such destinations as Hawaii. The first flight to Los Angeles will depart in March 2016 and in the summer SAS will operate daily departures from Stockholm to Los Angeles, and five to six weekly departures in the winter.

BOSTON

SAS will introduce a new direct route to Boston in its 2016 summer program that will be operated with an upgraded Boeing 737-700 with seats for 86 passengers. The route is primarily aimed at business travelers seeking a direct route from Scandinavia. By offering smooth connections, SAS also expects a large number of travelers from the rest of Scandinavia and Northern Europe.

POSITIVE RECEPTION FOR HONG KONG ROUTE

Hong Kong offers exciting experiences for leisure travelers, while many Scandinavian companies have regional Far East offices situated in Hong Kong. Hong Kong airport, located on an artificial island with fast rail connections to the city, is also the world's busiest cargo airport by cargo traffic. The route was launched in September 2015 and was positively received.

ATTRACTIVE MIAMI

Miami is an attractive destination with a high season for Scandinavian travelers during the winter. Miami airport also has a large route network to the Caribbean and Latin America. Miami is also the world's busiest cruise ship port and an important commercial center. The first flights to Miami are scheduled for departure in autumn 2016 and will be operated from Oslo and Copenhagen, with a daily departure from Scandinavia.

FAVORABLE RESPONSE TO SEASONAL DESTINATIONS

SAS has completed an extensive restructuring program to meet the demands of frequent travelers for flights to leisure destinations in the summer period. This has resulted in 47 new and recurring seasonal routes in the summer and the response from customers was highly favorable. International routes outside Scandinavia in July have risen 62% since 2011 and the number of EuroBonus flights has increased a total of 50% in the same period.

NUMBER OF INTERNATIONAL ROUTES OUTSIDE SCANDINAVIA IN JULY IN 2011–2015 INCREASED

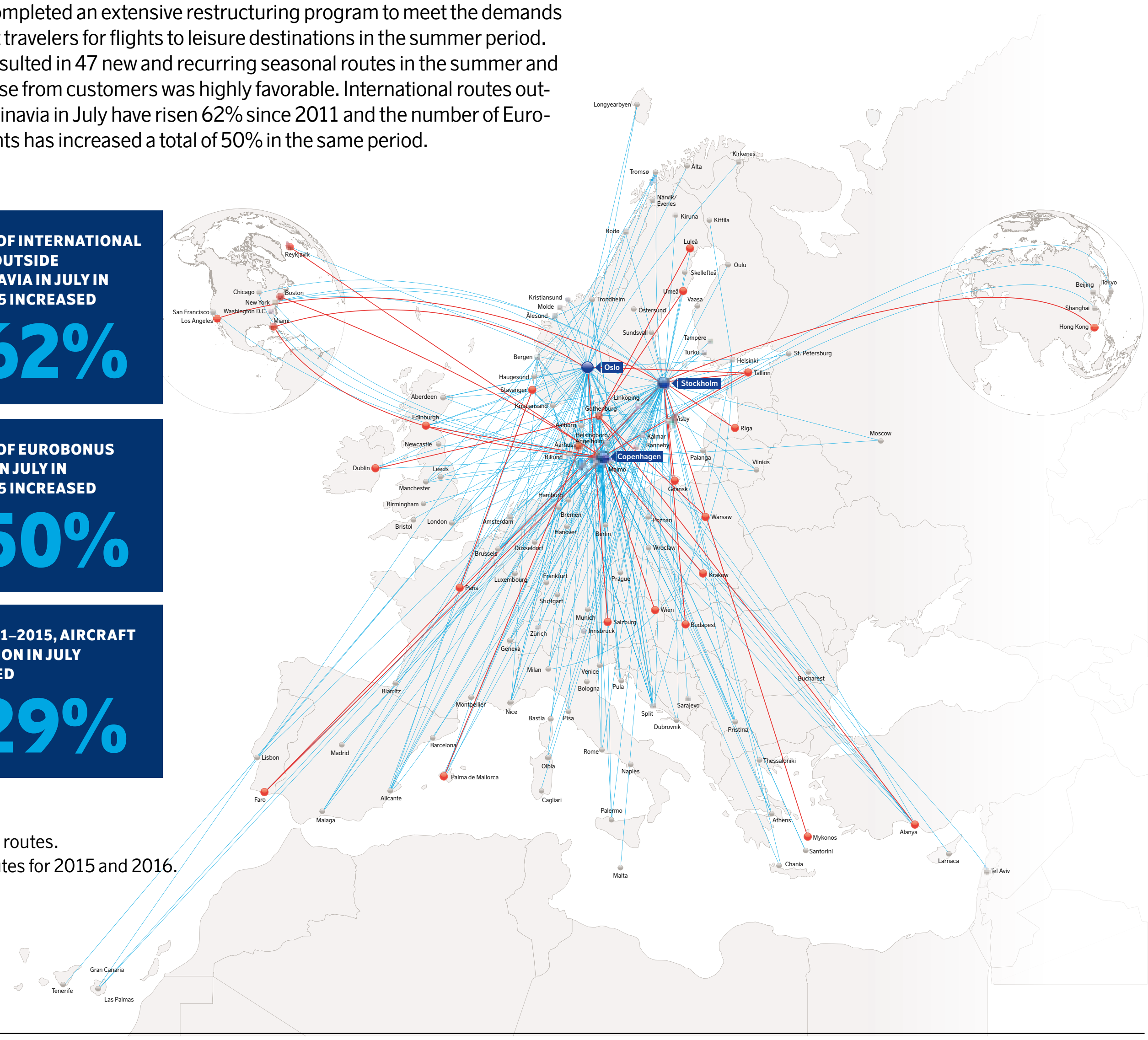
+62%

NUMBER OF EUROBONUS FLIGHTS IN JULY IN 2011–2015 INCREASED

+50%

FROM 2011–2015, AIRCRAFT UTILIZATION IN JULY INCREASED

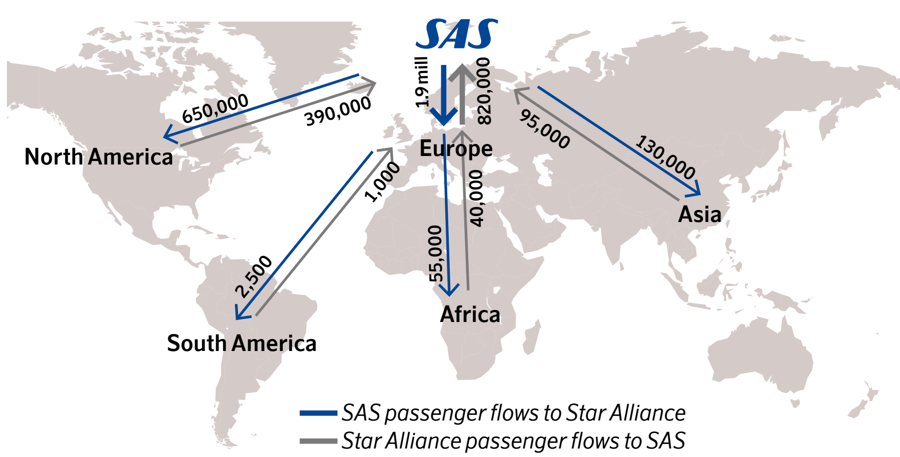
+29%



— Existing routes.
— New routes for 2015 and 2016.

WORLDWIDE REACH WITH STAR ALLIANCE

Membership of Star Alliance provides access to a global network with many advantages for our travelers. Star Alliance enables an enhanced travel experience whereby customers can gain access to lounges and other time-saving services and can earn and redeem bonus points. In cases where our passengers are impacted by flight irregularities, passengers can reach their destinations by rebooking to the next available Star Alliance flight. Membership of Star Alliance increases customer value and allows us to improve revenue by offering customers a network with an extensive range. Altogether, Star Alliance offers more than 18,500 daily departures to 1,330 destinations in 192 countries.

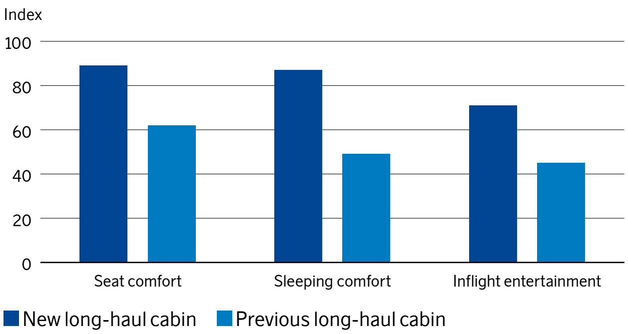


A STAR ALLIANCE MEMBER	Member companies:	28	Passengers per year:	641 million	Number of airports:	1,330
	Number of aircraft:	4,657	Sales revenue (USD):	179 billion	Number of lounges:	more than 1,000
	Number of employees:	432,603	Daily departures:	more than 18,500	Countries with service:	192

TOP MARKS FOR UPGRADED LONG-HAUL CABINS

In 2015, we upgraded the cabin interiors of all Airbus A330s and began upgrading the Airbus A340, which is scheduled for completion in summer 2016. Among other enhancements, the new cabins have new seats, which in SAS Business can be converted into a fully flat bed, and a new entertainment system with HD screens and wireless internet throughout the cabin. The upgraded cabins, service concept and entertainment system were extremely well-received by SAS's customers and have strengthened SAS's position in Scandinavia.

CUSTOMER FEEDBACK ON NEW CABINS



The new SAS Business Class seat that can be converted into a fully flat bed received highly positive feedback from customers.

Oslo Gold Lounge

57
DESTINATIONS WITH SELF-SERVICE BAGGAGE DROPS

68
DESTINATIONS WITH SAS AND PARTNER LOUNGES

46
DESTINATIONS WITH FAST TRACK

POPULAR SAS LOUNGES AND FAST TRACK

SAS Lounges, where customers can relax, work and grab a bite to eat are very popular. The SAS Lounges in Stockholm, Gothenburg and Oslo were renovated during the year with an updated Scandinavia style and an increased number of seats in the lounges. We also launched a new lounge concept known as Café Lounges, directed connected to gates to meet the needs of the most frequent travelers. Café Lounges were opened in Tromsø and Trondheim and, at the start of 2016, a Café Lounge will be opened at Malmö airport, and yet more are planned elsewhere in Scandinavia.

We also rolled out Fast Track at several airports in Scandinavia, including Aalborg, to meet demand for efficient and smooth flows at airports. Fast Track is available for customers who travel in SAS Business and SAS Plus and for EuroBonus members in the Gold and Diamond categories as well as during holiday periods for Silver members.

We have implemented a radical update of our visual identity and design. One example comprises the on-board products, which together with new service elements and menus provide an enhanced on-board experience.

INNOVATION AND PRODUCT DEVELOPMENT

SAS's target group – frequent travelers – forms the central focus in the development of services and products. This is not simply a target group that loves to travel and travels often, but these travelers are also earlier adopters of new trends, both digital and lifestyle trends. We carry out regular customer surveys, focus groups and interviews to continuously develop the offering based on an understanding of the needs and preferences of this target group.

We work continuously with partners to enhance the customer experience and develop new products. Bed linen from Hästens and special brew beer from Mikkeller on board our long-haul flights are examples of partnerships that are popular among our travelers. A collaboration with world-renowned restaurant Noma in Copenhagen commenced during the year and resulted in a partnership on a book and an event at the SAS Lounge with Noma providing the food.

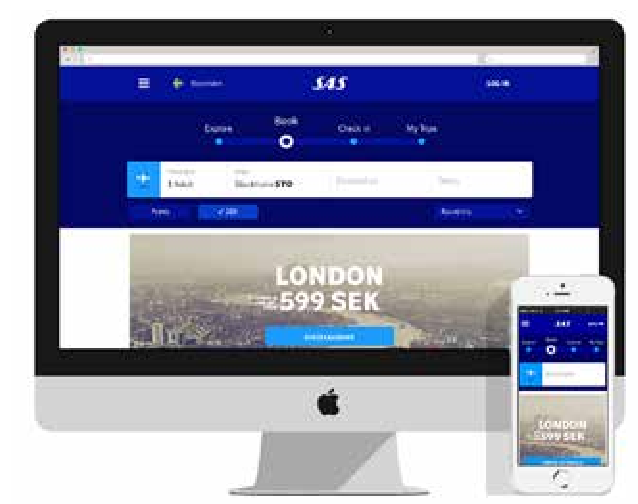
SPECIFIC EXAMPLES OF HOW WE LEARN MORE ABOUT OUR CUSTOMERS AND THEIR NEEDS

- **Focus groups on board our new long-haul aircraft Airbus A350 for delivery in 2018.**
- **Meetings with our most frequent travelers on domestic routes in Sweden, Norway and Denmark to discuss areas for improvements and addressing issues.**
- **Regular events with selected customers to present SAS's performance and discuss future improvements.**

INCREASED DIGITIZATION

Digital innovation is essential for the future development of the customer offering and SAS's operations. We are investing MSEK 500 in an innovative digital transition between 2015 and 2017 to enable SAS customers to manage their travel and related services simply and completely digitally, while ensuring that this transition increases revenue for SAS. The digital transition will also future-proof SAS's IT system by simplifying and discontinuing systems that are complicated and costly.

The aim of this digitization process is to offer each customer an as relevant and individually tailored experience as possible. Customers will be able to use a mobile device, such as a mobile telephone or watch, to see the amount of time remaining until boarding, receive a message about offerings in stores close by or receive proactive, real-time information in the unlikely event of lost baggage. Similarly, a digital support function is being developed to help our employees recognize loyal customers and proactively manage situations to ensure a smooth journey for them. In 2015, we increased the range of digital newspapers and magazines available for download in the SAS app at the gate or via the SAS Newsstand from 22 hours before departure. The digital offering has replaced paper newspapers at the gate.



EXAMPLES OF DIGITAL FOCUS AREAS FOR 2015/2016

- **New website – new responsive design.**
- **Loyalty – new EuroBonus IT-system to support continued developments.**
- **Irregularity – improved passenger experience and internal processes for unforeseen events.**

CREATE AN EFFICIENT OPERATING PLATFORM

SAS expects increased capacity growth with continued price pressure and industry trends whereby airlines use external production models and staffing agencies to a greater extent and form proprietary low cost carriers. Accordingly we are creating a simpler and more efficient platform and implementing cost measures aimed at tackling this continued fierce competition.

LEAN WORK PROCESSES

The Lean principles have been used since 2010 to continuously identify, improve and optimize work processes and create the most efficient production platform focusing on enhanced quality, delivery and lower costs.

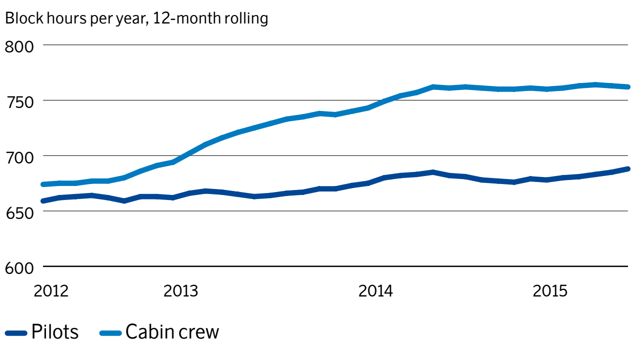
A priority area of the Lean project is optimizing the use of the aircraft fleet, focusing on operational stability and proactive problem solving. Lean was introduced to a greater extent in administration during the 2014/2015 fiscal year. In Commercial, the Lean principles started to be applied to product development, with the aim of reducing development times and ensuring high delivery quality. New systems were introduced in ground handling that, in line with the Lean principles, better match resources to demands over a 24-hour period. Quality has been maintained at a high level and SAS remains one of the most punctual airlines in the world.

PRODUCTION MODEL

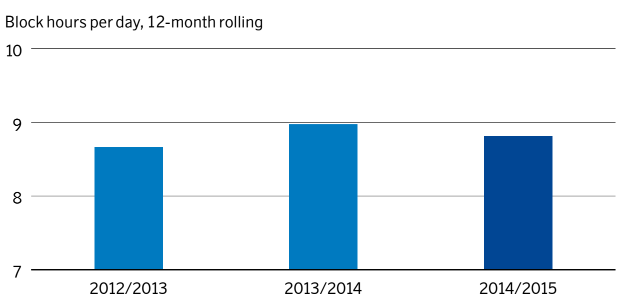
SAS's strategy for increasing flexibility in the production model is to produce the majority of traffic for the larger traffic flows under SAS's own (SK) traffic license, while smaller flows and regional traffic are managed via wet leasing. To improve and maintain the network of frequent departures demanded by frequent travelers, we have therefore, to an increasing degree, built up wet lease partnerships with airlines with turboprop and regional jet aircraft that can serve smaller flows more efficiently while reducing complexity in SAS's production. The wet lease structure is based on SAS having two regional jet traffic suppliers in the form of Cimber and CityJet and two turboprop traffic suppliers in the form of Jet Time and, from the 2015/2016 winter program, also Flybe.

This strategy means SAS has a greater ability to adapt the fleet size to traffic flows.

INCREASED SAS FLIGHT-CREW PRODUCTIVITY



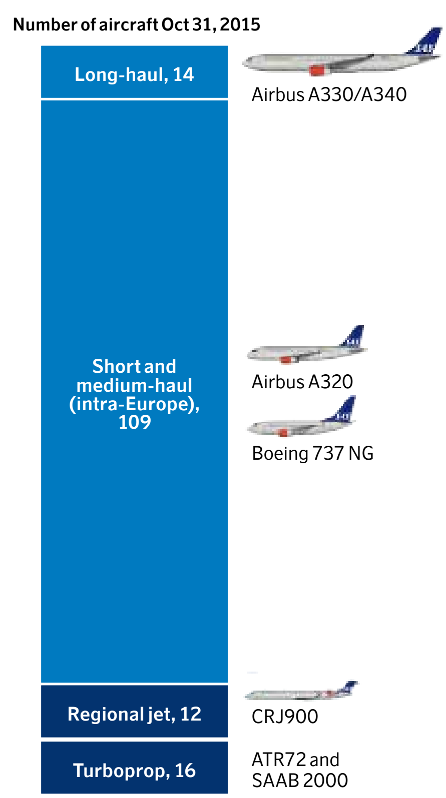
TREND IN AIRCRAFT PRODUCTIVITY



In 2014/2015, aircraft productivity declined 1.6%, primarily due to lower charter production. However, since 2012, aircraft productivity has risen 7%.

SAS PRODUCTION MODEL

The majority of traffic for the larger traffic flows is under SAS's own traffic license based on two aircraft types in Europe.



Smaller traffic flows and regional traffic are managed via wet leases.

SIMPLIFICATION AND RENEWAL OF THE AIRCRAFT FLEET

We are introducing extensive changes to the aircraft fleet as part of our investment in the future. In autumn 2015, the first two long-haul Airbus A330E aircraft were delivered and another two aircraft will be delivered in the first half of 2016. In addition, we have 30 Airbus A320neo aircraft and eight Airbus A350s on firm order.

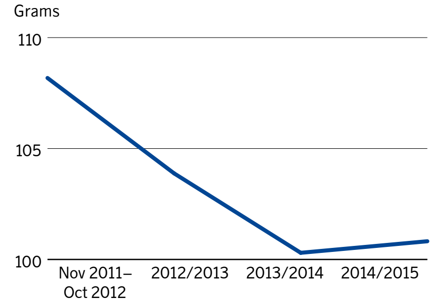
We have radically simplified and commenced the renewal of the short and long-haul aircraft fleet since 2012. The aircraft fleet has comprised solely "Next Generation" aircraft since 2014 and operation is based on one aircraft type per base in Copenhagen, Oslo and Stockholm.

We are also renewing regional production. In March 2015, SAS's CRJ900 aircraft were transferred to Cimber and in autumn 2015 the Boeing 717s were phased out in connection with the divestment of Blue1 to CityJet. At the same time, SAS signed a wet lease agreement with CityJet for eight new CRJ900s that will enter service in spring 2016 to supplement SAS's own production of lower traffic flows where larger aircraft are not as efficient. In autumn 2015, brand new wet leased ATR-72 aircraft entered into service that will replace wet leased SAAB 2000s.

As part of the simplification process, the aircraft fleet has changed from comprising eight aircraft types in 2012 to three types in service as per October 31, 2015, under SAS's own (SK) traffic license.

Investments in new aircraft under SAS's own traffic license and new wet leased aircraft renew and enhance the efficiency of the aircraft fleet and strengthen SAS's competitiveness and product offering. The renewal process will also make jet fuel consumption more efficient.

CARBON EMISSIONS PER PASSENGER KM.



The renewal of SAS's aircraft fleet has contributed to lowering carbon emissions per passenger kilometer by 7% since 2011/2012. In 2016, SAS will phase the Airbus A320neo into the aircraft fleet, which will further reduce carbon emissions. The Airbus A320neo's jet fuel consumption is about 15% lower than that of a Boeing 737-800 or an Airbus A320.

REDUCTION IN NUMBER OF AIRCRAFT TYPES 2012–2015

8→3[1]

1) *Aircraft types under SAS's (SK) traffic license.*

NUMBER OF AIRCRAFT IN SERVICE, OCTOBER 2015

Aircraft type	Owned	Leased	Total
Airbus A330/ A340-300	7	7	14
Airbus A320 family	6	19	25
Boeing 737-600/700/800	15	69	84

RESULTS OF THE NEW AIRCRAFT FLEET

- ✓ A more attractive customer offering
- ✓ Built-in flexibility to market trends
- ✓ A more homogeneous aircraft fleet
- ✓ Lower maintenance costs
- ✓ Increased fuel efficiency
- ✓ Reduced emissions

EXPANDED LONG-HAUL AIRCRAFT FLEET – LIMITED INVESTMENTS

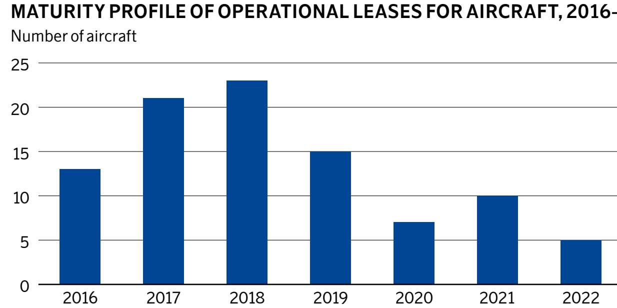
We are expanding our long-haul aircraft fleet in 2015 and 2016 by four aircraft, making a total of 16. An investment in a long-haul aircraft is normally a major investment with list prices of more than MUSD 200. By purchasing Airbus A340s that SAS has on maturing leases and upgrading the cabin interior, SAS expects to be able to limit the investment per aircraft by approximately 90% compared with current list prices. The customer experience will be the same as for a new aircraft. To reduce risk in conjunction with expanding the long-haul fleet, as of November 2015, we had hedged 80% of jet-fuel consumption for 2015/2016. Details on SAS's jet-fuel hedging can be found on pages 34–35.

Airbus A340 that SAS repurchased and is upgrading as part of the expansion of the long-haul fleet.

FLEXIBILITY OF OWN AND LEASED AIRCRAFT FLEET

The market value of SAS's own and leased aircraft fleet amounts to approximately USD 3.5 billion. The aircraft fleet represents the largest asset group and also the largest commitment in the form of future leasing costs in SAS's operations. We have high flexibility in our aircraft fleet since several leases will continuously mature in the next few years, which will enable us to reduce the aircraft fleet in the event of a sudden decline in demand, but also allows the option of extending lease periods in certain cases. Regarding wet leased aircraft, the length of commitments is limited to a small number of years, while the lease agreements with various suppliers mature in different years. The wet lease agreements also allow us to rapidly reduce capacity to a basic level without incurring additional costs.

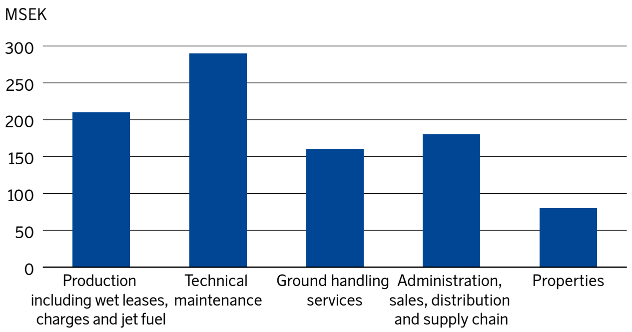
MATURITY PROFILE OF OPERATIONAL LEASES FOR AIRCRAFT, 2016–2022



COST MEASURES WITH FULL EFFECT IN 2017

In December 2014, SAS launched cost measures that will generate an earnings impact of SEK 2.1 billion with full effect in 2017. The measures are aimed to meet price pressure and the expected growth in capacity. During the 2014/2015 fiscal year, the measures contributed MSEK 920 in efficiency enhancements. The implementation of the cost measures continued as planned, with the exception of a delayed earnings impact in IT. In addition, a weaker NOK resulted in a lower effect from implemented measures when measured in SEK. The earnings impact of measures implemented in 2014/2015 breaks down as follows:

EARNINGS IMPACT OF COST MEASURES IN 2014/2015



SAS has transferred CRJ900 production to Cimber, increased scheduling efficiency and implemented more efficient procedures that have reduced fuel consumption. With regard to technical maintenance, we have renegotiated agreements with external suppliers pertaining to spare parts, engines and aircraft maintenance. Basic maintenance operations in Stockholm and Oslo have also been closed. A total of 285 employees in the administration and sales organizations have left SAS. Efficiency enhancements have been implemented pertaining to properties comprising about 140,000 square meters in Copenhagen, Oslo, Bergen and Stockholm-Arlanda.

However, despite the implementation of the above measures, the unit cost after adjustments for currency and jet fuel increased during 2014/2015, which is unsatisfactory. To improve long-term competitiveness, SAS now needs to work even more intensively on the implementation of the continuing cost measures and is expected to generate about SEK 1 billion in earnings impact from efficiency enhancements in 2015/2016.

FLEET STREAMLINING AND PRODUCTION OPTIMIZATION

SAS is simplifying its aircraft fleet as described on pages 18–19. A more homogeneous aircraft fleet increases cost-efficiency and wet leases supplement SAS's own production. The cost efficiency of the aircraft fleet will be further enhanced when the Airbus A320neo are phased in at the bases in Stockholm and Copenhagen.

EFFICIENCY ENHANCEMENT OF ADMINISTRATION, SALES/DISTRIBUTION, AND PURCHASING AND LOGISTICS

Further efficiency enhancements and simplification of administration, the sales organization and distribution will continue to be implemented. SAS procures external goods and services to a value of about SEK 24 billion each year. In addition, SAS is working with the systematic renegotiation and consolidation of agreements with 8,000 suppliers. A procurement covering all catering services was concluded and is expected to result in significant efficiency enhancements of about MSEK 75.

OUTSOURCING AND EFFICIENCY ENHANCEMENT OF GROUND HANDLING SERVICES

To ensure increased cost-base flexibility, we have focused on reducing fixed costs in line with the long-term industry trend. As part of these efforts, SAS had already decided to outsource ground handling services to subcontractors and, from 2010, has outsourced about one quarter of ground handling services, including cleaning services, all international ground handling and line stations in Denmark and Sweden.

In the fourth quarter 2014/2015, SAS signed an agreement with Widerøe Ground Handling for the outsourcing of ground handling services at all 14 line stations in Norway. The transfer will take place on February 1, 2016 and impacts about 850 FTEs. Following the transfer, SAS will buy ground handling services from Widerøe Ground Handling and the parties have signed a five-year agreement to this effect. Following outsourcing, the cost of these services will be variable.

SAS has also signed a letter of intent with Aviator Airport Alliance Europe AB regarding the transfer of ground handling services at SAS Ground Handling in the three Scandinavian countries. SAS aims to reach a solution that is positive for both customers and employees of SAS, and Aviator is a leading operator in Scandinavia with a focus on efficiency, safety and innovation.

Work will continue in parallel with enhancing the efficiency of and automating ground handling services.

MEASURES PERTAINING TO PROPERTIES AND RENTAL COSTS

As a consequence of major structural changes, potential exists for SAS to optimize its use of premises and lower rental costs for both offices and technical premises. A comprehensive review of costs is ongoing, including divestments, the renegotiation of rental agreements and the letting of free capacity. Blue1's hangar in Helsinki was sold in December 2015. The sale of 13 smaller buildings and one hangar in Bergen was agreed as part of Widerøe's takeover of the line stations in Norway.

RESTRUCTURING OF THE PILOT CORPS

SAS has initiated a restructuring process aimed at increasing staff turnover in the pilot corps and, thereby, securing competitive crew costs in the long-term. By offering selected pilots part-time solutions, early retirement, severance pay and leaves of absence, agreements have been reached with pilots who will be leaving SAS from the fourth quarter of 2014/2015. These measures resulted in a restructuring cost of MSEK 210. This reconstruction in combination with the expanded intercontinental offering means that SAS is recruiting new pilots. The intention of these measures is to reduce the average annual cost per pilot.

RESTRUCTURING COSTS

The cost measures for 2015–2017 resulted in restructuring costs of a total of SEK 1.5 billion being charged to the 2013/2014 fiscal year. In the fourth quarter of 2014/2015, restructuring costs for the pilot corps was MSEK 210. Additional restructuring costs for the pilot corps could be charged to the 2015/2016 fiscal year.

SECURE THE RIGHT CAPABILITIES

Over the last few years, both the airline industry as a whole and SAS in particular have undergone major structural changes, which set new requirements for our organization and our compiled competence. SAS has gone from conducting the majority of its operations itself to an increased degree of outsourcing services where this is relevant. In addition, SAS is strengthening digital services with a focus on making life, rather than just the trip, easier for its customers. Accordingly, it is essential that SAS ensures that it has the right capabilities by attracting new talent, while creating optimal conditions for each employee to perform at their best and achieve their full potential.

64

MANAGERS ARE EXPECTED TO COMPLETE THE NEW 2016 MANAGEMENT TRAINING

160,000

HOURS OF TRAINING FOR SAS PILOTS AND CABIN CREW EACH YEAR

136

WEB-BASED COURSES AVAILABLE

SAS is working on three focus areas to create the right conditions for employees and attracting new talent: enhancing skills, developing leadership and promoting the SAS culture.

ENHANCING CAPABILITIES

We are to provide our employees with solid prerequisites to influence and improve daily operations. The specific expectations of employees are described in SAS's employee model, which is clearly anchored in our vision and the Lean principles. SAS is a learning organization where a great deal of skills development takes place directly in work activities, although extensive training is also given to employees every year.

SAS's compiled competence has been mapped in a people review process to manage talent supply and ensure that the company has the right skills in both the short and long term. In 2015, an extensive analysis of existing skills and future requirements was performed. This analysis encompassed more than 600 managers and specialists throughout SAS. The process led to a number of measures and strategic initiatives. We intensified our focus on succession planning, and all senior managers are to work actively to identify one to two internal successors. The analysis also showed that we need to promote cross-functional experiences to increase professionalism and ensure talent supply at the highest level. Furthermore, the process identified a number of skills areas, such as purchasing, digital development and CRM, in which we will work actively to attract, retain and develop competence. The provision of skills is also ensured by SAS actively promoting internal mobility and establishing clear targets for internal recruitment at various levels.

DEVELOPING SUCCESSFUL MANAGERS

We have integrated the Lean principles in our management processes and established a new manager training course that 64 managers are expected to complete in 2015/2016. At SAS, all employees work toward shared targets that are categorized under *SQDEC*, which stands for Safety, Quality, Delivery, Employees and Cost. The targets are followed up through clear action plans across all operations.

SAS is also strengthening leadership and increasing professionalism through a number of forums, such as the *SAS Forum 50*, *Learning lunch* and a mentor program for leaders. Furthermore, a number of extensive training programs are carried out each year in the form of leadership programs, web-based courses and practical training. SAS pilots and cabin crew receive continuous training. Including retraining, pilots undergo an average of two weeks training each year and cabin crew about three days. SAS has introduced iPads for pilots and, in the fourth quarter, a decision was also made to equip cabin crew with iPads. This tool will create enhanced conditions for employees to carry out their duties and concurrently contribute to a more individual-based customer service through providing cabin crew with real-time information about customers' travel and associated services.

SAS FORUM 50

Forum 50 is an initiative where managers and key employees in various parts of the operations can meet. The aim is to strengthen internal networks, improve business understanding and create a dialog between employees and Group Management in a more open format.

Performance management

We work using clear targets and employee influence through performance management. This is a process that essentially involves individual targets being coordinated with the company's overall targets as defined in SQDEC. Performance management also allows our employees to influence their own targets, thus making them feel more committed and involved.

Performance management at SAS comprises three parts:

- Definition of targets that support SAS's overall targets
- Coaching activities to achieve these targets
- Follow-up and evaluation

Mentorship

We have worked with mentorship for many years and in 2015 the process was further structured with all of Group Management acting as dedicated mentors. This work will continue in 2016 by involving several senior mentors and mentees, with the aim of strengthening networking, increasing professionalism and contributing to a culture whereby managers have a structured approach to their involvement in the development of employees.

ADVANCE THE SAS CULTURE

SAS works actively to promote a culture that strengthens our competitiveness, commitment and development. We measures employee motivation and commitment continuously, and from 2016 we carry out smaller and more frequent surveys to more quickly obtain an indication of the measures that should be initiated.

We often use our employees in our marketing to strengthen the brand and simultaneously build up pride and involvement internally. The marketing message: "We are travelers," builds on the joint passion for travel that we share with the frequent travelers.

We have many committed employees who make considerable efforts for the company and, each year, outstanding performance is showcased in the *SAS Awards*.

SAS has a *Code of Conduct* that describes the ethical guidelines that are to characterize our operations, meaning how we are to conduct ourselves in relation to our colleagues, customers, suppliers and the external environment in general. The Code of Conduct largely involves "common sense" and it goes without saying that we comply with laws and regulations. However, we are sometimes faced with situations and decisions that we need to consider and reflect on more carefully and we all need to know what to do as a SAS employee. Therefore, all employees will participate in a web course on the SAS Code of Conduct.

Altogether, the introduction of these processes and activities are crucial to SAS securing the right skills in both the short and the long-term.

SAS AWARDS

Every year, we recognize performance that is in line with our leadership and employee model. The categories of the SAS Awards are "SAS Person," "SAS Leader," "SAS Team Achievement" and "SAS Lean Achievement of the Year." Picture from the 2014/2015 *SAS Awards* ceremony.

ACTIVITIES AND OUTCOMES

STRATEGIC PRIORITIES	ACTIVITIES 2014/2015	OUTCOME 2014/2015
 **WIN SCANDINAVIA'S FREQUENT TRAVELERS**	• Launch of new route to Hong Kong and announcement of new routes to Los Angeles, Miami and Boston • Upgrade of cabin interior and service concept on SAS's long-haul aircraft • Upgrade of several SAS Lounges and introduction of the SAS Café Lounge concept • Fast Track was opened at several airports including Bodø and Aalborg • Several new EuroBonus partnerships were entered into, for example Aftonbladet, Viaplay, DNB, Lexus and Berlingske Media • New key customer agreements with Statoil, DnB as well as the Danish, Swedish and Norwegian governments.	• The customer satisfaction index increased from 72 to 74 • Half a million new EuroBonus members • Revenue from EuroBonus members increased to almost half of total passenger revenue • The number of passengers in SAS Plus increased 2% • Unit revenue (PASK) +3.8%
 **CREATE AN EFFICIENT OPERATING PLATFORM**	• Transfer of CRJ900 aircraft to Cimber • Phasing out of the Boeing 717 and sale of Blue1 • Outsourcing of ground handling services at 14 line stations in Norway to Widerøe and letter of intent signed with Aviator • Simplified collective agreements for pilots • Reduction of 285 FTEs in the administration and sales organizations • Renegotiated property agreements encompassing 140,000 square meters.	• Earnings impact of cost measures: MSEK 920 • Punctuality 87.9% • Regularity, 98.7% • Wet lease production at 8% of total capacity (ASK), 20% of the total number of flights
 **SECURE THE RIGHT CAPABILITIES**	• Analysis of current skills and future requirements in a people review process • New management training integrated with the Lean principles • Cross-functional targets categorized according to *SQDEC* (Safety, Quality, Delivery, Employee, Cost) • *SAS Forum 50* initiated to enhance the exchange of skills and strengthen the internal network • *SAS Awards* implemented to recognize performance in accordance with SAS's leadership and employee model	• Employee satisfaction index 58[1] • Leadership index 67[1] • More than 160,000 hours of training for SAS pilots and cabin crews • 136 available web-based courses

1) Figure for the 2013/2014 survey. The next survey will be carried out at the start of 2016.

SUSTAINABILITY IS INTEGRATED INTO DAILY OPERATIONS

Air travel is a global, collective mode of transport that contributes to creating economic growth and international integration. As a responsible operator in a rapidly changing sector, long-term sustainability is a given. SAS's detailed sustainability efforts are reported in a separate sustainability report.

For SAS, sustainability is an integrated part of all operations, and is enshrined in both the management system and daily operations. This is a natural approach whereby we consistently take responsibility for the society we work in. We work with a structured, systematic and long-term approach to ensure responsibility is taken for the financial, environmental and social aspects of operations.

REDUCED CLIMATE AND ENVIRONMENTAL IMPACT

Reducing our climate and environmental impact in the long term is essential for us. The majority of this environmental impact is linked to the burning of fossil fuels and, therefore, our main priority is to reduce fuel consumption in our airline operations. One recognized way of measuring progress is to measure CO_2 emissions for each passenger kilometer flown. We have a target to reduce these emissions by 20% in 2020 compared to 2010. During the fiscal year, SAS reduced its CO_2 emissions per passenger kilometer by 8% compared to 2010. In practice, this means that we now fly passengers with 8% less CO_2 emissions on any given route than in 2010.

Three examples of how we are reducing environmental impact include our initiatives to renew and adjust the aircraft fleet, to fly more efficiently with existing aircraft and to accelerate the commercialization of renewable jet fuel. All of these activities come under the framework of the environmental management system, which is certified under ISO 14001.

EFFICIENCY AND RENEWABLE FUELS

During the fiscal year, we continued to work toward reducing fuel consumption in airline operations by way of urgent efficiency enhancements. This was linked in part to the actual operation of the aircraft, but also its weight and performance, and in part to planning and our ability to be punctual, as delayed departures are compensated by higher speeds which use more fuel.

Efforts to accelerate the large-scale commercialization of renewable jet fuel continued during the fiscal year. We are involved in various industrial organizations and are working on a solution to allow our customers to voluntarily upgrade their fuel consumption from fossil to renewable. Our customers are also given the opportunity to compensate the CO_2 emissions for their journeys via our website. A number of individual flights were carried out in the fiscal year using a mixture of synthetic renewable fuel, and we intend to begin offering regular flights from Oslo using renewable fuel blends at the start of 2016.

ENVIRONMENTAL TARGETS

SAS will…

…reduce flight emissions by 20% in 2020 compared with 2010.

…reduce noise emissions on take-off by 15% in 2020 compared with 2010.

…regularly use renewable jet fuel in 2020.

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.

CONFIDENT CUSTOMER OFFERING

Our customers should feel confident that we have ensured every safety aspect in our products and services.

The extensive flight safety work aims to continuously improve the safety culture at all levels of the organization. We aim to hold a leading position in the airline industry regarding safety culture, both in terms of customers and employees. A cornerstone of these efforts is always learning from positive and negative experiences, so that everyone contributes to continuously reducing our operational risk exposure.

Our starting point is to prevent exposure to any safety risks in terms of criminal activity directed at SAS or any other stakeholders. This applies to everything from terrorist acts to subcontractor wastage or IT-related crime.

UNACCOMPANIED CHILDREN

Each year around 50,000 unaccompanied children travel with us. We attach great importance to ensuring that these children feel comfortable and have a positive travel experience with us.

-14%
TOTAL CO_2 EMISSIONS REDUCTION SINCE 2005

-8%
CO_2 / PASSENGER KM. REDUCTION SINCE 2010

20 YEARS
OF SUSTAINABILITY REPORTING

A SUSTAINABLE WORKPLACE

We endeavor be a responsible employer that ensures that working conditions are in line with the market. The airline industry is in a period of great change that will entail a transition to new conditions for employees. It is crucial for us that these conditions are in line with the market and based on the laws, rules and conditions that apply in the areas the operations are based.

Sick leave came to 7% during the fiscal year and the number of occupational injuries per million working hours was 13. Reducing sick leave and the number of occupational injuries is important above all in terms of improving working conditions, but also for lowering sick leave-related costs. Both preventative and follow-up measures were carried out during the fiscal year and examples of such measures included informational and training activities.

HIGH LEVEL OF TRANSPARENCY

Transparency is essential when describing a company's efforts to achieve positive civic developments. For this reason, we have been publishing environmental or sustainability reports for 20 years. 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 in this year's reports.

HIGH STANDARDS FOR BUSINESS ETHICS

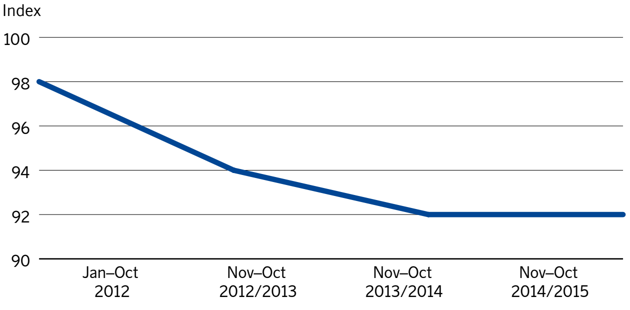
It is crucial that we ensure high standards for business ethics in our efforts to achieve long-term profitability. Our responsibility increases as we streamline operations and complement them with more and more purchased services. This responsibility also extends to our supply chain, where business ethics are included in management training courses and in the Code of Conduct.

CIVIC ENGAGEMENT DURING THE YEAR

- **The "*Juleflyet*" Christmas flight took place in the Baltic States for the thirtieth year in a row. Juleflyet is a year-round activity which supports those in need in the Baltic States, with the flight itself taking place in December.**
- **In connection with the increasing stream of refugees through Europe, we initiated a number of activities. For example, passengers travelling to the Mediterranean area were offered the chance to take extra luggage containing clothes and other items to help refugees. We doubled the EuroBonus points that customers donated to support the refugees, and also doubled the funds collected internally at SAS.**
- **SAS customers have been given the option to donate EuroBonus points to a number of relief organizations via our website.**

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

SAS CLIMATE INDEX 2012–2015



SUSTAINABILITY-RELATED KEY FIGURES1[1]

	Nov–Oct 2014–2015	Nov–Oct 2013–2014
Average number of employees	11,288	12,329
of whom women, %	38	40
of whom men, %	62	60
Sick leave, %[2]	7.0	6.5
Job satisfaction according to index	58[3]	58
CO_2 emissions, 000s tonnes	3,822	3,890
CO_2 grams/passenger km	101	100
Climate index	92	92

1) See Accounting Policies at www.sasgroup.net
2) New calculation method. Refers to SAS (excluding Blue1).
3) The next survey will be carried out at the start of 2016.

CONTENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ANNUAL REPORT 2014/2015

SUMMARY OF 2014/2015

- **Income before tax and nonrecurring items was MSEK 1,174 (-697)**
- **Revenue for the year amounted to MSEK 39,650 (38,006)**
- **The total number of scheduled passengers was 26.9 million**
- **The number of travelers in SAS Plus increased 1.8%**
- **Unit revenue (PASK) rose 3.8%**
- **Unit cost (CASK) increased 3.3%[1]**
- **Income before tax was MSEK 1,417 (-918)**
- **Net income for the year was MSEK 956 (-719)**
- **SAS repaid a SEK 1.6 billion convertible loan**

1) Currency adjusted and excluding jet fuel.

REPORT BY THE BOARD OF DIRECTORS

The Board of Directors and the President of the Parent Company, SAS AB, hereby submit the annual report for SAS AB and the SAS Group for the 2014/2015 fiscal year (November 2014–October 2015). The company is registered in Stockholm, the address of its head office is Frösundaviks allé 1, Solna, Stockholm, Sweden, and its Corporate Registration Number is 556606-8499. The company conducts airline operations in a Scandinavian and international network.

MARKET PERFORMANCE 2014/2015

Compared with the year earlier, the balance between supply and demand was more stable in the 2014/2015 fiscal year. Measured in the number of seats offered, capacity in Scandinavia declined at the start of the year before increasing slightly in the latter half of the fiscal year thereby contributing to an increase in total capacity of about 0.3%. Market demand was positive during the fiscal year and rose 2.3% measured as the number of passengers transported to, from and within the Scandinavian market.

SAS decreased scheduled capacity (ASK) by 0.2% during the fiscal year. Scheduled traffic (RPK) decreased 0.4%. The decline in traffic was attributable to a planned reduction in capacity, issues with phasing in the IT system in spring 2015 and extremely high traffic volumes in spring last year. In the summer months, SAS posted a positive trend, primarily on seasonal leisure routes that are increasingly being offered by SAS. In autumn 2015, traffic increased again due to the newly started route between Stockholm and Hong Kong.

During the fiscal year, traffic declined 1.8% on intercontinental routes due to lower capacity and slightly weaker demand in parts of Asia. European and intra-Scandinavian route traffic declined 0.2%, mainly due to 0.5% lower capacity. The most substantial growth on European routes was to and from Sweden, however, competition remained extremely intense in the European market. For example, five airlines competed for traffic flows between Copenhagen and London during the fiscal year. Domestic traffic trended stably and rose 1.5%.

Unit revenue (PASK) rose 3.8% driven by a 4% rise in the yield. A 0.1-percentage point decline in the load factor to 74.8% had a marginal negative impact on unit revenue.

PUNCTUALITY AND REGULARITY

SAS achieved an arrival punctuality rating of 87.9% (88.6) in 2014/2015. Despite the slight decline in punctuality, in some months of the fiscal year, SAS posted punctuality figures that were among the highest for network airline companies in Europe and the rest of the world. Regularity for SAS was 98.7% (99%).

STRATEGIC PRIORITIES FOR SAS

To strengthen its competitiveness and to meet the challenges in the industry, SAS has implemented a number of measures within three strategic priority areas:

1. **WIN SCANDINAVIA'S FREQUENT TRAVELERS**
2. **CREATE AN EFFICIENT OPERATING PLATFORM**
3. **SECURE THE RIGHT CAPABILITIES**

These strategic priorities are described in more detail on pages 12–23 of this Annual Report.

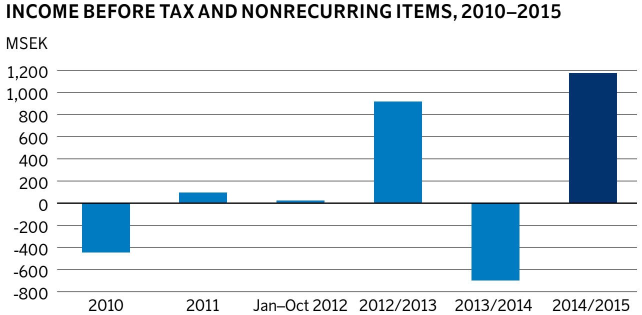
INCOME NOVEMBER 2014–OCTOBER 2015

SAS's operating income was MSEK 2,225 (153) and income before tax and nonrecurring items totaled MSEK 1,174 (-697). Income before tax amounted to MSEK 1,417 (-918) and income after tax was MSEK 956 (-719).

The exchange-rate trend had a positive impact on revenue of MSEK 963 and a negative effect on operating income of MSEK 1,493 compared with the corresponding year-earlier period.

Revenue for SAS amounted to MSEK 39,650 (38,006). Adjusted for currency effects, revenue rose 1.7% year-on-year, primarily due to a 3.8% higher unit revenue (PASK). However, after currency adjustment, charter revenue was 16.8% lower year-on-year, which was attributable to lower volumes.

INCOME BEFORE TAX AND NONRECURRING ITEMS, 2010–2015



OPERATING EXPENSES

Total operating expenses amounted to MSEK -37,425 (-37,853). After adjustment for currency and nonrecurring items, operating expenses declined 5.4% year-on-year. Operating expenses included nonrecurring items of MSEK +545 (-172). The ongoing restructuring program during the period resulted in efficiency enhancements of about MSEK 920.

Payroll expenses declined MSEK 441 and totaled MSEK -9,622 (-9,181) as a result of the efficiency efforts. After adjustment for currency effects and nonrecurring items, payroll expenses declined 4.0% year-on-year.

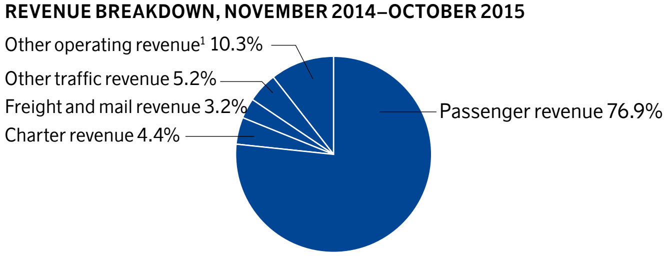
Jet-fuel costs decreased MSEK 376 and totaled MSEK -8,430 (-8,806). Adjusted for currency, the cost declined 22%, primarily due to lower prices. The falling oil price had a substantial effect on jet-fuel costs in parallel with a negative impact on costs from the market values of jet-fuel hedges.

NET FINANCIAL ITEMS AND NONRECURRING ITEMS

Net financial items for SAS amounted to MSEK -508 (-1,028), of which net interest expense was MSEK -478 (-732). The positive year-on-year change pertaining to net financial items was primarily due to lower current interest expenses due to a lower net debt, the termination of the revolving credit facility in February 2014 and lower interest-rate levels.

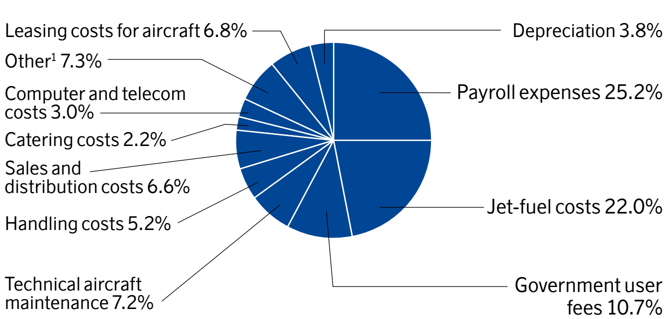
Total nonrecurring items amounted to MSEK 243 (-221) and comprised restructuring costs, capital gains/losses, impairment and other nonrecurring items. Restructuring costs totaled MSEK -177 (-1,132), of which MSEK -177 (-394) pertained to payroll expenses, MSEK 0 (-67) pertained to leasing costs, MSEK 0 (-96) pertained to amortization and depreciation and MSEK 0 (-575) pertained to other operating expenses. Impairment losses totaled MSEK -314 (-52) and pertained to the impairment of receivables, goodwill and the impairment of shares in Widerøe.

REVENUE BREAKDOWN, NOVEMBER 2014–OCTOBER 2015



1) Ground handling services, technical maintenance, terminal and forwarding services, sales commission and fees.

COST BREAKDOWN, NOVEMBER 2014–OCTOBER 2015



1) Property costs, cost of handling passenger on the ground, freight and administration costs, etc.

The total capital gain was MSEK 789 (-7) and mainly pertained to the divestment of two slot pairs at London Heathrow for MSEK 678 and aircraft transactions of MSEK 97 (-14). Other nonrecurring items amounted to MSEK -55 (970) and were primarily attributable to technical maintenance. The preceding year included a positive effect from amended pension terms of MSEK 1,044.

CAPITAL MANAGEMENT AND FINANCIAL POSITION

FINANCIAL TARGETS

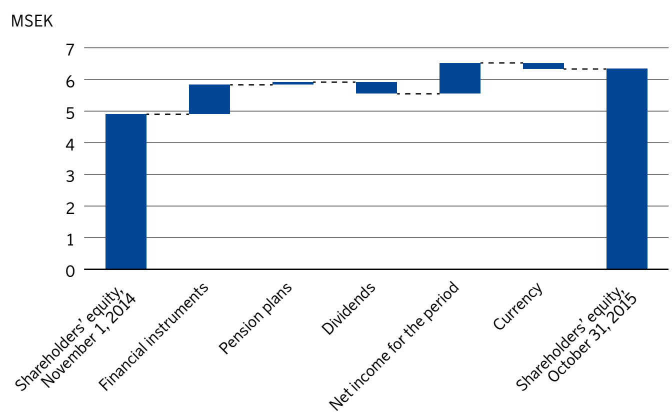
The SAS Group's overriding goal is to create value for its shareholders. To reach this goal, SAS pursues its three strategic priorities to meet trends and industry developments, ensure competitiveness and provide the prerequisites for long-term sustainable profitability.

SAS is affected by the economic climate in Europe, the exchange-rate trend, jet-fuel prices and the extensive changes to the European airline industry with intensified competition as a result and increases expected in market capacity from 2016. Given the inherent uncertainty of these external factors, SAS, in line with numerous other airlines, has chosen not to specify targets for profitability or its equity/assets ratio. However, SAS has a target for financial preparedness which is to exceed 20% of annual fixed costs.

FINANCIAL POSITION

SAS strengthened its financial position in 2014/2015. The company's shareholders' equity increased MSEK 1,432 to MSEK 6,339 as a result of positive earnings and a favorable trend for financial instruments linked to SAS's currency hedges. Cash and cash equivalents amounted to MSEK 8,198 (7,417). In addition, SAS also had unutilized contracted credit facilities of MSEK 2,712 (2,382) and its financial preparedness amounted to 40% (37%). Financial net debt declined MSEK 1,828 during the fiscal year and, accordingly, SAS had net financial receivables of MSEK 726 (-1,102) at the closing date.

DEVELOPMENT OF SHAREHOLDERS' EQUITY 2014/2015



FUNDING

The SAS Group uses commercial paper, bank loans, bond loans, convertible bond loans, subordinated loans, export credits and leasing as sources of funding. In 2014/2015, SAS repaid a maturing convertible bond loan of SEK 1.6 billion. In addition, SAS repaid loans of about SEK 0.7 billion during the fiscal year.

SAS has an outstanding convertible bond loan that matures in 2019, which was valued at MSEK 1,466 at October 31, 2015. The equity share was MSEK 134 and was included in shareholders' equity, following a deduction for deferred tax.

In addition to cash and cash equivalents, at October 31, 2015, SAS had contracted credit facilities of MSEK 4,525, of which MSEK 2,712 was unutilized. 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.

CONTRACTED CREDIT FACILITIES, MSEK

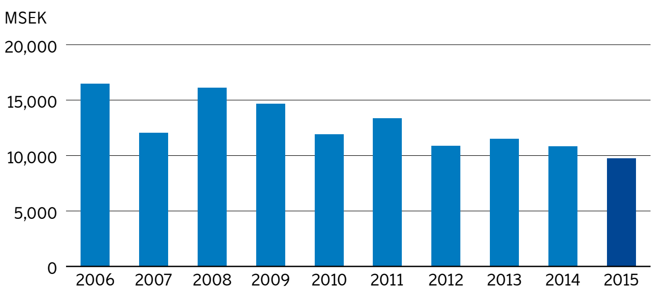
October 31, 2015	Total	Utilized	Unutilized	Maturity
Credit facility, MEUR 150	1,405	–	1,405	Jan. 2017
Credit facility, MUSD 137[1]	1,167	29	1,138	Jun. 2017
Credit facility, MUSD 38[1]	320	320	–	Oct. 2017
Credit facility, MUSD 54[1]	460	460	–	Sep. 2021
Credit facility, MUSD 82[1]	698	698	–	Feb. 2020
Credit facility, MUSD 54[1]	460	306	154	May 2016
Other facilities, MEUR 2	15	–	15	Dec. 2015
Total	**4,525**	**1,813**	**2,712**	

1) Secured against tangible assets.

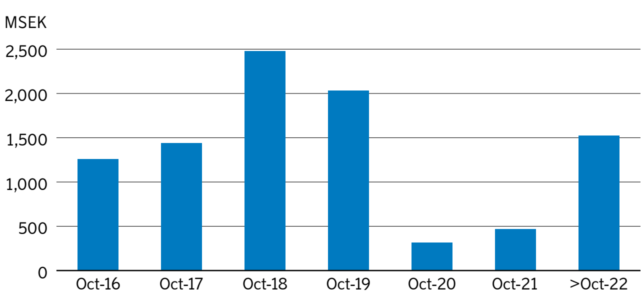
SAS's interest-bearing liabilities amounted to MSEK 9,745, down MSEK 1,060 year-on-year. New loans raised during the fiscal year amounted to MSEK 489 and repayments totaled MSEK 2,304. Other changes were mainly attributable to remeasurement of liabilities denominated in foreign currencies.

During the fiscal year, the company's financial net debt decreased MSEK 1,828 thus resulting in SAS having, for the first time since 2008, financial net receivables of MSEK 726 at October 31, 2015. The reduction was primarily due to positive cash flow from operating activities and financing activities.

TREND FOR INTEREST-BEARING LIABILITIES



REPAYMENTS OF INTEREST-BEARING LIABILITIES, OCTOBER 31, 2015



FINANCING OF AIRCRAFT ORDERS

Over the last four years, 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, 2015, it comprised Boeing 737 NGs and the Airbus A320 family for traffic in Europe and under SAS's own traffic license. SAS phased out its 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 A330Es and eight Airbus A350-900s and, in addition, 30 Airbus A320neo aircraft.

The total order value for these aircraft is about USD 3 billion. The first two Airbus A330Es were delivered in autumn 2015 and the next two aircraft will be delivered in spring 2016. The Airbus A330Es are being financed through a sale and leaseback agreement with the Chinese firm Bocomm for a period of 12 years. The aircraft on firm order are significantly more fuel-efficient than existing aircraft and attractive from a financing perspective. At the end of 2015, SAS negotiated and analyzed various financing solutions for the next ten aircraft, for which deliveries will start in autumn 2016. SAS aims to maintain a balance between owned and leased aircraft based on a cost, risk and flexibility perspective. SAS intends to utilize a mix of export credit financing, 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 an eight to 12-year period.

In 2015, SAS entered a three-year agreement with CityJet for the wet lease of eight new Bombardier CRJ900s, which created excellent flexibility in terms of commitments for aircraft and crews.

Pre-delivery payments

Airlines make prepayments before delivery. In addition to payment in conjunction with placing the order, pre-delivery payments (PDPs) 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 PDPs are financed under competitive terms.

SAS has secured a PDP financing facility that covers part of the PDPs that SAS is paying for eight aircraft from Airbus with delivery from 2015 to 2017. The facility is structured as a revolving credit facility under which SAS can borrow up to a total of MUSD 74 against the PDP. Since the facility will be repaid on delivery of the aircraft, the sum outstanding will not exceed MUSD 54. In January 2016, SAS signed a second PDP facility, for MUSD 46, pertaining to five Airbus A320neo aircraft with delivery in 2017–2018. The loan made available under the facility is to be repaid on delivery of the aircraft to SAS.

Aircraft fleet

The aircraft fleet is SAS's largest tangible asset. At October 31, 2015, the SAS aircraft fleet represented 23% of the company's recognized assets. SAS depreciates directly-owned aircraft over twenty years utilizing a residual value of 10%. Passenger aircraft are generally used for 20 to 25 years in commercial passenger traffic but aircraft that are 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 2016–2021

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

List price of aircraft	MUSD
Airbus A320neo	106
Airbus A330E/A350	254/305

THE SAS AIRCRAFT FLEET OCTOBER 31, 2015

SAS aircraft in service	Age	Owned	Leased	Total	Purchase orders	Lease orders
Airbus A330/A340/350	11.9	7	7	14	10	-
Airbus A319/A320/A321	10.7	6	19	25	30	-
Boeing 737NG	12.8	15	69	84	-	-
Total	**12.3**	**28**	**95**	**123**	**40**	**0**

Aircraft in service under a traffic license other than SAS's (SK)	Age	Owned	Wet leased	Total	On wet lease order
Boeing 737	10.2	-	1	1	-
Bombardier CRJ900	6.4	12	-	12	8
ATR-72	3.7	-	13	13	3
SAAB 2000	18.6	-	3	3	-
Total	**6.6**	**12**	**17**	**29**	**11**

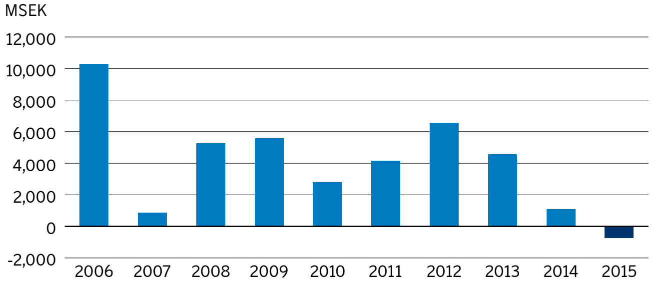
Total SAS in-service aircraft fleet	Age	Owned	Leased	Total	Purchase orders	On wet lease order
Total	**11.2**	**40**	**112**	**152**	**51**	**11**

Aircraft to be phased out	Age	Owned	Leased	Total	Leased out	Parked
McDonnell Douglas MD-90 family	18.8	8	-	8	8	-
Bombardier Q400	7.8	-	1	1	1	-
Boeing 717	15.2	3	2	5	-	5
Total	**16.7**	**11**	**3**	**14**	**9**	**5**

FIXED-RATE PERIOD

During the year, the SAS Group's financial net debt declined by MSEK 1,828 and amounted to a net financial receivable of MSEK 726 at October 31, 2015. The average duration for gross financial debt is governed by SAS's financial policy and has a target tenor of two years. The average duration was 1.4 years as of October 2015.

FINANCIAL NET DEBT



BREAKDOWN OF SAS'S INTEREST-BEARING LIABILITIES, OCTOBER 31, 2015

MSEK	Note	
Subordinated loans	24	1,104
Bond loans	25	2,744
Convertible bond loan	26	1,466
Finance leases	26	837
Utilized facilities	26, 27	1,813
Other loans	26	1,552[1]
Other financial items	29	229
Total		**9,745**

1) MSEK 1,395 is attributable to Note 26. MSEK 157 is classified as other liabilities not included in the notes.

CREDIT RATING

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). None of the rating agencies changed their outlook or rating for SAS in 2014/2015.

Credit rating agency	Rating	Outlook
Moody's	B3	Stable
R&I	B	–
Standard & Poor's	B–	Stable

RATING TRIGGERS, STANDARD & POOR'S

In August 2015, Standard & Poor's published the following factors that could possibly change their rating or credit outlook:

Upgrade scenario
Standard & Poor's state that the credit rating could possibly be upgraded in the case of an adjustment of their negative assessment of SAS's overall creditworthiness in comparison with other companies. This could occur if Standard & Poor's note further improvement in SAS's cost base. A positive change in SAS's credit rating would also depend on SAS maintaining adequate liquidity in line with Standard & Poor's criteria.

Downgrade scenario
Standard & Poor's would consider a downgrade if SAS's operating profit significantly underperformed their main forecast. This could happen if competition intensified further with a consequent significant deterioration of the yield compared with Standard & Poor's forecast. Standard & Poor's could also downgrade SAS in the case of a significant decline in liquid funds, potentially due to SAS investing more in aircraft modernization than the amount currently expected by Standard & Poor's.

SEASONAL EFFECTS AND CASH-FLOW OPTIMIZATION

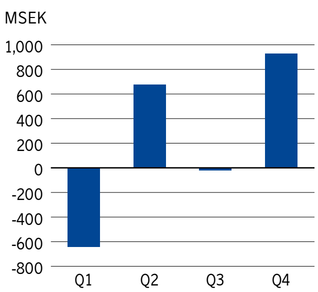
SAS works continuously with the analysis of balance-sheet items and trends for operations to optimize cash flow with the aim of attaining the lowest possible total funding cost within the framework of SAS's financial policy. Since the company's operating liabilities exceed current assets, SAS had a working capital of about SEK -10.6 billion at October 31, 2015. This was a year-on-year improvement of about SEK 1.4 billion due to a decrease in deferred tax assets of SEK 0.7 billion and an increase in current liabilities of SEK 0.7 billion.

Cash flow from operating activities in 2014/2015 amounted to MSEK 3,036, up MSEK 1,940 compared with the year-earlier period due to an underlying improvement in profitability and a positive change in working capital of MSEK 402.

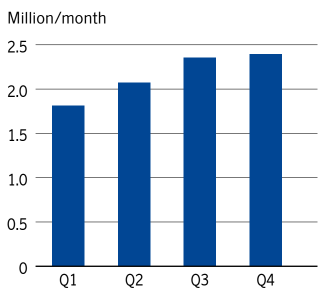
Cash flow from operating activities follows clear seasonal trends. Cash flow is strongest in the second and fourth quarters, which coincides with high passenger volumes and, to an extent, a high proportion of advance bookings. The share of advance bookings is highest in the January to May period ahead 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.

SEASONAL VARIATIONS IN SAS'S CASH FLOW FROM OPERATING ACTIVITIES



SEASONAL VARIATIONS IN THE NUMBER OF PASSENGERS TRANSPORTED



Pertains to averages during the years from 2010–2015.

LEGAL ISSUES

The European Commission's decision in November 2010 found SAS and many other airlines guilty of participating in a global air cargo cartel and were ordered to pay fines of MEUR 70.2. SAS appealed the decision in January 2011 and in December 2015, the European Court of Justice annulled the European Commission's decision including the MEUR 70.2 fine. The European Commission can appeal the decision to the European Court of Justice's highest instance, the Court of Justice, which may itself decide the case. Should this be the case, SAS intends to continue to vigorously defend itself. SAS will not recognize the reversal of the MEUR 70.2 fine until the European Court of Justice's ruling has become legally binding.

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 initiated by cargo customers in countries including the UK, the Netherlands, Germany and Norway. SAS is evaluating the impact that a legally binding ruling from the European Court of Justice could have on the ongoing actions for damages. SAS contests its responsibility in all of these legal processes. Unfavorable outcomes in these disputes could have a significantly negative financial impact on SAS. Further lawsuits by cargo customers cannot be ruled out 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. In an intermediate judgement, announced February 3, 2016, the Swedish Labour Court rejected the pilot associations' claim that the Court should confirm that SAS had breached collective agreements. This means that the pilot associations' grounds for claiming damages has been limited and that the pilot associations now have to decide whether they wish to continue to pursue the damages claim against SAS. 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. SAS won the initial case, however, the judgement has been appealed by the counterparty and is not expected to be heard until April 2016. The financial exposure is difficult to quantify, but SAS considers the risk of a negative outcome to be limited and no provisions have been made.

RISK MANAGEMENT

The underlying objective of risk management is to create value for shareholders and other stakeholders. All organizations are exposed to risks and uncertainties, which entail both risks and opportunities. SAS is exposed to a large number of general and more company-specific risks that can impact operations both negatively and positively. Risk management at SAS is about positioning SAS in relation to, known and unknown, possible events with the aim of minimizing the potential negative effects should an unexpected event occur.

Overall risks are monitored and identified centrally and followed-up through policies that aim to control the risks. Flight safety is top priority at SAS.

Value is maximized for shareholders and other stakeholders in SAS, when strategies, goals and their strategic priorities are set to ensure an optimal balance is reached in terms of growth, profitability and their related risks, as well as that resources are used efficiently and sustainably. Accordingly, risk management and risk assessment are of fundamental importance for ensuring SAS's long-term sustainable profitability.

SAS has adopted three strategic priorities to meet trends and industry developments, ensure competitiveness and provide the prerequisites for long-term sustainable profitability: Win Scandinavia's frequent travelers, create an efficient operating platform and secure the right capabilities.

SAS RISK OVERVIEW

Operating risks	Market risks	Financial risks	Environmental risks	Legal and political risks
• Safety activities • Strikes • Motivated employees • Crime and fraud • Extraordinary events • IT	• Macro-economic growth • Market impact • Competition and price trends • Capacity change	• Exchange rates • Currency risk for aircraft investments • Jet-fuel price • Liquidity risk • Interest rates • Counterparty losses	• Environmental directives and requirements • Trading of emission rights	• Government user fees and airline industry taxes • Compliance risks – laws and internal rules

OPERATING RISKS

Operating risks are related to safety activities and factors that can constitute a hinder to production. These factors can rapidly lead to major loss of confidence and revenue for an airline.

SAFETY ACTIVITIES

In 2015, SAS implemented a safety management system (SMS) in line with new European flight safety regulations.

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 2015, SAS implemented a safety management system (SMS) in line with new European flight safety regulations. The system is based on four areas: policies, performance, safety levels and communication. Extensive safety policies are in place that contain key elements, such as priorities, understanding of responsibility, human factors and culture, etc., where the manager concerned must actively support and confirm the respective policy. Performance and its measurement comprises another area where SAS has been proactive for several years through its development of safety indicators and tools, such as Vision Monitor. Focus is placed on areas of operational risk deemed significant based on industry experience. SAS aims to further improve knowledge in this area by utilizing new technology to improve risk-based decision making. The safety level is analyzed by the management at specific safety meetings and through information based on audits. The increasing use of wet leases and business partners means that SAS's safety and quality activities has been further developed to achieve a comparable safety level throughout the organization. Wet lease operators for SAS must be IOSA-certified and hold and a European traffic license.

To ensure safety levels at wet lease operators engaged by SAS correspond to levels for SAS's own airline operations, SAS has set the following requirements:

- Prior to contract, the operator's safety level is analyzed by the SAS Compliance Monitoring Department;
- A deviation report is sent regularly to the SAS Safety Office;
- Monthly safety summaries and continuous deviation reports are sent regularly to the SAS Safety Office;
- Safety follow-up meetings are held quarterly; and
- Annual audits are carried out by the SAS Compliance team Monitoring Department.

Safety communication is a crucial area and is managed by a Safety Office that produces internal communication in the form of monthly reports and relevant newsletters at local level. Safety training is conducted both through recurring training packages and through specific targeted training courses. SAS continues to be part of an international flight-safety network, whereby experience gained from external events can be integrated into SAS's internal organization. The implementation of the new SMS system gives SAS an enhanced ability to proactively develop safety activities with the aim of ensuring correct and effective prioritizations, and to ensure the entire organization works together to promote passenger and employee safety.

Flight safety activities and risk levels in 2014/2015

SAS completed its IATA Operational Safety Audit (IOSA) certification most recently in 2014. 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. In 2014/2015, SAS 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. Compared with 2013/2014, the number of medium-risk events increased slightly in 2014/2015. Two (two) incidents occurred in the high risk category within flight and technical operations in 2014/2015.

RISK INDEX

Operations	Low	Medium	High
Flight Operations, %	1.06	0.0021	0.0004
Ground Operations, %	0.43	0.0030	-
Technical Operations, %	0.37	0.0090	0.0004
Security, %	0.11	0.0004	-
Total for 2014/2015 as a % of the No. of flights	**1.97**	**0.0146**	**0.0008**
Total for 2013/2014 as a % of the No. of flights	**1.25**	**0.0056**	**0.0008**

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

Medium: *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.*

STRIKES

Historically, the airline industry has been severely affected by labor market disputes. Through transparent and open dialog with all labor unions and groups of employees, SAS endeavors to increase understanding of the shared challenges and the need to secure more efficient operations and, thereby, a safe and stimulating work environment.

In 2014/2015, the SAS's operations were impacted on a number of occasions by primarily local labor disputes in Scandinavia, Germany and France. In a majority of 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. SAS was also impacted by internal conflicts at the end of February and the end of May, which resulted in cancelled flights.

MOTIVATED EMPLOYEES

SAS works using clear targets and employee influence with the aim of developing employees and future leaders.

Over the last few years, both the airline industry as a whole and SAS in particular have undergone major structural changes, which set new requirements for the organization and its compiled competence. For example, SAS has gone from conducting the majority of operations itself to an increased degree of sourcing and developing services together with business partners where this is relevant. Increasing digitization is also impacting the airline industry and SAS is implementing major changes in this area to differentiate itself from the competition and to be relevant for frequent travelers. As part of managing changing skills requirements, SAS has gradually implemented Lean principles in its processes with clear action plans based on shared targets, which are categorized under *SQDEC* (Safety, Quality, Delivery, Employees and Cost), which can be followed up across the entire operations. SAS is strengthening leadership and investing in its employees through the learning lunch forum to increase professionalism and rewards exceptional performance through the *SAS Awards*. The introduction of these processes and activities are crucial for securing the right capabilities and, thereby, SAS's future. Accordingly, SAS works using clear targets and employee influence with the aim of developing employees and future leaders and contributing to SAS continuing to be an attractive employer. From 2016, SAS will measure employee satisfaction and motivation more often and the next survey will be conducted at the start of 2016. SAS will use this data to initiate any necessary improvements.

CRIME AND FRAUD

SAS may be exposed to crimes that can have both an economic and material impact. To counter these risks, SAS updated its Code of Conduct, which sets out the ethical rules and guidelines to be followed by all SAS employees, in 2014/2015. By February 2016, all SAS employees are to complete a course in the SAS Code of Conduct.

EXTRAORDINARY EVENTS

Airline companies are particularly impacted by extraordinary events around the world, such as natural disasters, terror attacks, conflicts and epidemics. Therefore, SAS has a number of contingency plans in place to manage various catastrophes and strives to increase the proportion of variable costs to be able to rapidly realign operations in the case of extraordinary events.

No extraordinary events occurred in the SAS Group's primary markets during the year.

IT

SAS is dependent on IT for its financial transactions and operating activities. SAS secures information confidentiality, accuracy, availability and traceability through effective information security. This is also governed by a number of policies and safety solutions. Like numerous other companies, SAS is exposed on a daily basis to various types of attacks. None of these attempts resulted in any serious incidents in 2014/2015. Internal audits were carried out during the year to ensure that safety efforts in terms of preventing computer hacking function satisfactorily and the audits resulted in SAS's preventative efforts, control environment and crisis management functioning well.

MARKET RISKS

SAS is especially sensitive to global market trends and events. Market risks primarily impact demand and are mitigated by greater cost-structure flexibility so that adaptation of capacity rapidly results in lower costs. SAS's exposure to various markets means that, to an extent, SAS reduces exposure to more local market risks but increases exposure to global events in the business environment.

MACRO-ECONOMIC GROWTH

Demand in the airline industry is strongly correlated to economic growth and exports. Over the past few years, the Scandinavian economies have been more stable than other parts of Europe, which has contributed to a positive trend in the demand for flights.

MARKET IMPACT

SAS is active in several markets and is impacted by various business cycles, which reduces exposure to individual markets but increases exposure to global events in the business environment.

Several extraordinary events and crises in Russia, Ukraine, France and the Middle East took place in 2014/2015. These events mainly led to a decline in demand for traffic to and from Russia. However SAS's exposure to these markets was relatively small and could be partly offset by the flexibility of the company's aircraft fleet by utilizing smaller aircraft. Its aircraft fleet allows SAS, to a greater extent than other airlines with only one type of aircraft, to adapt production in local markets to reduce market risk.

COMPETITION AND PRICE PERFORMANCE

SAS can adapt production in local markets to reduce market risk.

The airline industry is subject to intense competition from new companies that enter the market and existing airlines that can easily reprioritize capacity to Scandinavia. Changed customer behavior and increasing numbers of LCCs and existing airlines moving capacity to SAS's home market may lead to intensifying competition. SAS continuously analyzes various scenarios and works purposefully to streamline operations to strengthen its own competitiveness and thus, from as strong a position as possible, be able to act in an atmosphere of increased competition.

Over the fiscal year, SAS made extensive commercial investments to strengthen the offering to frequent travelers that travel from, to and within Scandinavia. This clear investment in the target group has delivered excellent results, including a strong market position, more EuroBonus members and a yield, which has improved 4% year-on-year.

CAPACITY CHANGE

The increased air traffic means greater demand for aircraft and, according to Boeing, the global in-service aircraft fleet is therefore expected to more than double by 2034. Against the background of the expected increase in capacity, one condition is that airlines continue to streamline their operations to create future value.

In 2014/2015, capacity stabilized in Scandinavia. However, competition remains extremely intense and, ahead of 2015/2016, SAS expects total market capacity to increase. To compensate for this, SAS is implementing efficiency enhancements that will lower structural costs. To increase cost-structure flexibility, SAS is working with areas including the outsourcing of ground handling.

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. Financial risks pertaining to changes in exchange rates, interest rates and fuel prices, are hedged with derivatives, which aim to counter short-term negative fluctuations and provide scope for adapting operations to long-term changes in levels. 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. More information is available in Note 27.

EXCHANGE RATES

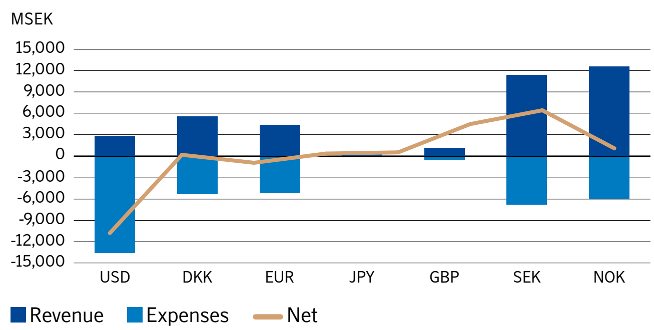
The USD is SAS's largest deficit currency and, therefore, the strengthening of the USD has resulted in significantly higher costs for SAS.

As a consequence of its international operations and bases in Scandinavia, SAS is exposed to price changes in several currencies. In 2014/2015, Sweden's central bank, the Riksbank, lowered the repo rate to a negative rate, which negatively impacted the value of the SEK against many currencies. In parallel, the Norwegian economy was affected by lower oil prices, which resulted in the NOK being valued lower than the SEK. SAS's largest surplus currency is the NOK and, accordingly, a weakening in the NOK has a negative impact on SAS's revenue recognized in SEK. In 2014/2015, the NOK weakened by a year-on-year average of 3% against the SEK, which negatively impacted revenue for SAS. At the same time, the US Federal Reserve signaled a possible increase in interest rates, which resulted in a substantial increase in the USD in 2014/2015 of about 23% against the SEK. The USD is SAS's largest deficit currency and, therefore, a stronger USD has resulted in significantly higher costs for SAS, mainly for jet fuel and leasing. The EUR and, accordingly, the DKK have also strengthened against the SEK.

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 SAS's surplus and deficit currencies based on a 12-month rolling liquidity forecast. By hedging the USD and NOK, SAS has mitigated the negative effects of the exchange-rate changes. The exchange-rate trend had a positive impact on revenue of MSEK 963 and a substantial negative effect on costs compared with last year. The net effect of the changes in exchange rates and the effects of implemented hedges on SAS's income before tax was MSEK -1,511. At October 31, 2015, SAS hedged 67% of its anticipated USD deficit for the next 12 months. In terms of the NOK, 70% 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.

SAS's USD denominated loans are hedged against the SEK to reduce currency risk in the loan portfolio.

CURRENCY BREAKDOWN SAS 2014/2015



CURRENCY RISK FOR AIRCRAFT INVESTMENTS

SAS can hedge part of the order value for aircraft it has on order to limit the currency risk. This is conducted through currency forward contracts and by entering into sale and leaseback agreements. As a consequence of a favorable trend for SAS's currency hedges entered into in 2013, in 2014/2015, SAS has reduced currency hedges on aircraft orders pertaining to the Airbus A320neo to 0% of the order value. The two remaining Airbus A330Es, which will be delivered in spring 2016, do not entail any currency risk for SAS, since these will be financed through a sale and leaseback agreement.

JET-FUEL PRICE

22%

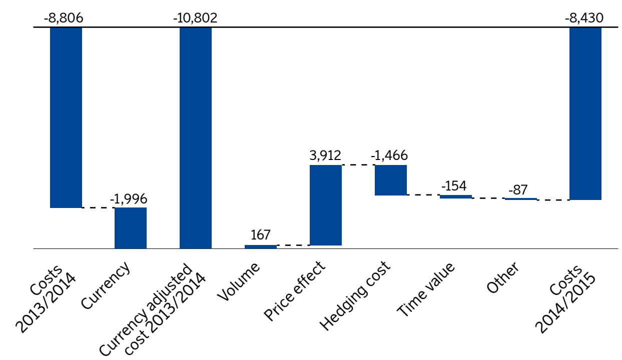
Jet-fuel costs comprised 22% of SAS's operating expenses (including leases, depreciation and amortization).

The market price for jet fuel fell sharply in the 2014/2015 fiscal year and was an average of 40% lower than last year. Jet-fuel costs did not decline by a corresponding degree, due to the strengthening of the USD and hedging position entered into at the start of the fiscal year. However, jet-fuel costs decreased 30% year-on-year in the fourth quarter. In total, the jet-fuel price was 4.3% lower in 2014/2015 than in the last fiscal year. Jet-fuel costs comprised 22% of SAS's operating expenses (including leases, depreciation and amortization). The cost of jet fuel in the statement of income does not include the effects from SAS's USD currency hedging. The effects from SAS's currency hedging are recognized in profit or loss under "Other operating expenses," since SAS's currency hedging is performed separately and is not linked specifically to its jet fuel purchases. SAS's policy for jet-fuel hedging states that fuel should be hedged at an interval of 40–80% of anticipated volumes for the coming 12 months. The policy also allows hedging up to 50% of the anticipated volumes for the period, 12 to 18 months.

At the start of the 2015/2016 fiscal year, SAS implemented changes in the jet-fuel hedging portfolio and, as of November 30, 2015, the hedging of SAS's future jet-fuel consumption was primarily conducted through swaps. At November 30, 2015, the hedging ratio was 80% for the 2015/2016 fiscal year and 9% for the next six-month period.

JET-FUEL COST TREND 2014/2015

MSEK



LIQUIDITY RISK

The cash flow from SAS's airline operations follows clear seasonal trends. Since passenger revenue is recognized when SAS or another airline provides the transportation, this means that seasonal variations impact cash flow and earnings differently. The target is a financial preparedness of at least 20% of fixed costs, which is measured by the proportion of cash and cash equivalents together with unutilized credit facilities in relation to fixed costs. SAS uses commercial paper, bank loans, bond loans, subordinated loans and leasing as sources of funding.

20%

The target is a financial preparedness of at least 20% of fixed costs.

Financial preparedness was positively impacted during the year by the earnings trend, a positive cash flow and gains from financial derivatives and, in October 2015, financial preparedness was 40%.

INTEREST RATES

The airline industry is capital-intensive and SAS has MSEK 9,745 in interest-bearing liabilities, which exposes the company to interest-rate changes. Financial policy at SAS regulates the proportion between floating and fixed interest rates with the objective that gross financial debt has a tenor of two years. During the fiscal year, interest-bearing liabilities declined by MSEK 1,060 and amounted to MSEK 9,745 at October 31, 2015. The average tenor for gross financial debt was 1.4 years as of October 2015.

COUNTERPARTY LOSSES

SAS is exposed to counterparty losses through credits, lease agreements and guarantees to external parties. This exposure is governed by SAS's financial policy.

No counterparty loss of any significance had any impact on SAS in the fiscal year. Net impairment of accounts receivable and recovered accounts receivable as well as the impairment of other current receivables totaled MSEK -46 (-45) and was charged to income in 2014/2015.

ENVIRONMENTAL RISKS

ENVIRONMENTAL DIRECTIVES AND REQUIREMENTS

Laws and regulations as well as public opinion set requirements for reduced environmental impact, through items including restrictions on noise levels and greenhouse gas emissions. Among other things, sustainability efforts at SAS support the aim of contributing to a reduction in environmental impact and SAS's environmental vision is also to be part of a long-term sustainable society and the main environmental goal is to reduce greenhouse gas emissions, primarily from airline operations but also from ground handling services as well as to reduce noise pollution. Furthermore, SAS works continuously with sustainability issues to comply with national and international requirements. SAS measures its eco-efficiency with a climate index, which tracks trends in airline operations relative to environmental impact. SAS CO_2 emissions per passenger kilometer increased 0.6% to 100.9 grams (100) during the fiscal year, primarily due to the lower load factor.

TRADING OF EMISSION RIGHTS

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. Furthermore, SAS is positive toward requirements for increased energy efficiency, which fit well with the company's ambitious environmental targets that mean making it possible to fly without greenhouse gas emissions by 2050.

In 2014/2015, SAS's emission rights expenses totaled MSEK 90. Ahead of 2015/2016, SAS has been allocated 53% of the emission rights free of charge under the EU Emissions Trading System. The remainder had to be procured on the open market. As of October 31, SAS had secured 43% of the expected need for emission rights for the forthcoming fiscal year.

LEGAL AND POLITICAL RISKS

GOVERNMENT USER FEES AND AIRLINE INDUSTRY TAXES

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. Therefore, SAS closely monitors developments in these areas and, through active dialog and negotiations with public agencies and organizations, tries to influence development both individually and through national industry bodies. This work is conducted at SAS by the Public & Regulatory Affairs Department.

COMPLIANCE RISKS – LAWS AND INTERNAL RULES

The SAS Group manages and secures compliance and legal risks through various kinds of internal policies and rules and develops internal guidelines as well as adjusts the company's Code of Conduct to manage these risks. SAS also continuously monitors if and how changes in regulations and policies impact the Group's procedures and operations. However, 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. At the end of October 2015, SAS was involved in a number of legal disputes, the most important of which are described in more detail in the Report by the Board of Directors on page 31.

SAS GROUP'S CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

Sustainability activities at SAS support its aim, based on the requirement regarding long-term financial performance, of reducing environmental impact and promoting social progress.

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 and to reduce noise emissions.

The environmental impact of airline 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, SAS is working with renewal of the aircraft fleet and the incorporation of biofuel blends to reduce total carbon emissions. In 2014/2015, SAS phased in two Airbus A330Es which, compared with the Airbus A340, reduce emissions from jet fuel per passenger kilometer by 15%.

Airline operations use internationally type-approved aircraft according to ICAO certification standards. Environmental approval is an integral part of national registrations of aircraft. The trend is toward a stricter environmental policy framework for the airline industry.

SAS measures its eco-efficiency with a climate index, which tracks trends in airline operations relative to environmental impact. The climate index improved to 92 at October 31, 2015 compared with the base year 2010. SAS CO_2 emissions per passenger kilometer increased to 101 grams (100) during the fiscal year. The target is a 20% reduction in carbon dioxide emissions per passenger kilometer by 2020 compared with 2010. At October 31, 2015, carbon emissions had decreased by 8.0%.

Flight operations depend on the licensed activities conducted by Ground Operations and Technical Operations and on the respective airport owners' licenses for operations and glycol handling and thresholds for atmospheric emissions and noise.

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 0.6 kilograms in 2014/2015. During the fiscal year, the authorities did not issue SAS any orders that had a material impact on SAS's activities.

In exceptional cases in 2014/2015, aircraft operated by SAS 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

SAS's social responsibilities include responsibility for its employees and for its impact on the surroundings and communities in which it operates.

Redundancy issues are managed through negotiations in compliance with national laws and practices. In addition, SAS has its own guidelines that permit the transfer of employees between the national companies and which are negotiated by SAS and the personnel labor union organizations.

SAS reports sick leave and occupational injuries as defined in Sweden. In 2014/2015, sick leave at SAS was 7.0% (6.5). 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 five men at October 31, 2015.

With regard to human resources, SAS plans and conducts ongoing and 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). SAS also has an extensive management training program and a large number of internal training programs for all employees. The annual employee survey (PULS) was carried out at the start of 2016.

CORPORATE GOVERNANCE REPORT

This Corporate Governance Report for the 2014/2015 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.

PARENT COMPANY

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 Nordic in Stockholm with secondary listings in Copenhagen and Oslo.

Three share classes

SAS AB has three classes of shares: common shares, preference shares and subordinated shares. At October 31, 2015, there were 329 million common shares and seven million preference shares issued with a quotient value of SEK 20.10, which together constituted 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 Swedish 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 are treated as common shares and receive an equal share in the company's assets, although not at an amount higher than the quotient value of the subordinated shares index-adjusted from the first date of registration of the subordinated shares until the date of the distribution with an interest-rate factor corresponding to STIBOR 90 days plus two percentage points. For more information on subordinated shares, see Note 21.

SHARE PRICE PERFORMANCE

SAS AB's common share increased 45.4% to SEK 16.50 from November 1, 2014 to October 31, 2015. Over the same period, the preference share rose 20.7% to SEK 501. For further details about the share price performance, see page 91.

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 common 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.

Mandatory redemption

In that case the Board may decide to mandatorily redeem a sufficient number of common shares not owned by shareholders domiciled in Denmark, Norway or Sweden along with common shares that 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 common 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 common 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.

Subordinated shares

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.

LEGAL FRAMEWORK GOVERNING THE SAS GROUP

External rules

- Swedish legislation
- The Swedish Corporate Governance Code (the Code)
- Nasdaq Nordic in Stockholm and Copenhagen and Oslo Børs rule book for issuers
- The recommendations issued by relevant Swedish and international organizations

Internal rules

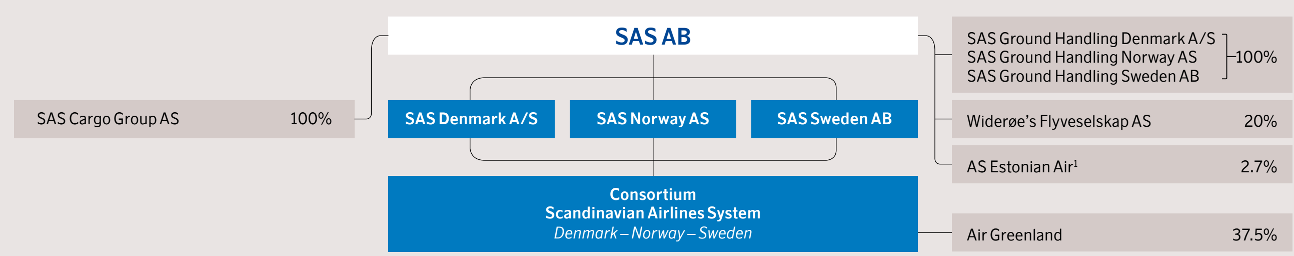
- The Articles of Association
- Information/IR policy
- The Board's work plan
- The Board's instructions to the President
- Internal policies and guidelines including the Code of Conduct

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

ORGANIZATION AND CONTROL

See pages 91–93 for information about shareholders.

SAS GROUP'S LEGAL STRUCTURE, FEBRUARY 2016



1) Estonian Air filed a petition for bankruptcy in November 2015.

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

On October 31, 2015, SAS AB had a total of 58,626 shareholders. The major shareholders are the three Scandinavian governments, who represent 49.9% of the votes. The next largest shareholders are the Knut and Alice Wallenberg Foundation, Avanza Pension, Unionen, Robur Försäkring and the funds of various banks. The share of voting rights in Scandinavia was about 89%, with Sweden accounting for 46%, Denmark 27% and Norway 16%. Non-Scandinavian shareholders held about 11% of the voting rights in SAS AB. Institutional owners held 30–35% of the voting rights and private individuals 15–20%. More information about the share and the ownership structure is available on pages 91–93.

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' meeting 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.

DEPARTURE FROM THE SWEDISH CORPORATE GOVERNANCE CODE

Since the implementation of the Code, SAS has followed the Code with the exception of the following instances:

- SAS conducts shareholders' meetings in Swedish, Norwegian and Danish, which departs from clause 1.5 of the Code. The reason for the departure is that 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 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.

- The slides in the President's presentation are written in English, which departs from clause 1.5 of the Code. The President's presentation at meeting deliberations is held in Swedish, but SAS has decided to provide the presentation material in English (available for download from the website) to enable the broader capital market to understand the President's presentations at shareholders' meetings.

SHAREHOLDERS' MEETING

At shareholders' meetings of SAS AB, one common share is equal to one vote with no restrictions on the number of votes any one shareholder is entitled to cast at such 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 Annual General Shareholders' Meeting is issued no earlier than six and no later than four weeks prior to the meeting. Notice is published in daily newspapers in Sweden, 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 common and/or preference shares or to buy back treasury shares.

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 2015 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 the company's auditors, auditors' fees and the Nomination Committee ahead of the 2017 AGM.

THE NOMINATION COMMITTEE, SEVEN MINUTED MEETINGS (FOR THE PERIOD FEBRUARY 20, 2015 TO FEBRUARY 1, 2016)

- Magnus Skåninger, Swedish Ministry of Finance, for the Swedish government (Chairman) (from June 2015)
- Rasmus Lønborg, Danish Ministry of Finance, for the Danish government
- Jan Tore Føsund, Norwegian Ministry of Trade, Industry and Fisheries, for the Norwegian government (from July 2015)
- Peter Wallenberg Jr, Knut and Alice Wallenberg Foundation
- Niklas Johansson, Swedish Ministry of Finance, for the Swedish government (until June 2015)
- Knut J. Utvik, Norwegian Ministry of Trade, Industry and Fisheries, for the Norwegian government (until July 2015)

REMUNERATION POLICIES AND OTHER TERMS OF EMPLOYMENT FOR COMPANY MANAGEMENT

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 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, notice periods and severance pay 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 after preparation and recommendation by 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 2014/2015 AGM adopted the remuneration policies for senior executives. The remuneration policies for 2014/2015 remained unchanged compared with those that applied in 2013/2014. Pursuant to the resolution of the AGM, no variable remuneration is payable to senior executives, except for the Executive Vice President Commercial, and no share-related incentive programs exist at SAS.

The detailed guidelines are available on the company's website www.sasgroup.net under Corporate governance, 2015 AGM. For detailed information about remuneration and benefits for the Board, President and senior executives in 2014/2015 see Note 3, pages 61–62.

The guidelines to be proposed to the AGM on March 8, 2016 are unchanged in relation to the remuneration policies adopted at the 2015 AGM.

The Nomination Committee has evaluated the Board's work, qualifications and composition. The Chairman 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 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 should 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 44–45.

The average age of members is 58 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. 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. The other Board members are deemed to be independent of the company's 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. Furthermore, the Nomination Committee believes that the Code's requirements for diversity, breadth and an even gender balance are satisfied in a relevant manner. However, the Nomination Committee has higher ambitions with regard to the Board's gender balance and, moving forward, will direct the Nomination Committee's efforts toward reaching a more equal gender balance. At the 2015 AGM however, the Committee chose to prioritize the Board's need for continuity and stability due to the extensive changes in the market, SAS's exposure to intense competitive pressure and changes in Group Management. To streamline and enhance the work of the Board, there are two committees:

- The Remuneration Committee
- The Audit Committee

The members of these Committees 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 formal 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 2014/2015

The Board's work follows a yearly agenda with regular business items as well as special topics. 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. 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 formal 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. 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.

ATTENDANCE AT BOARD MEETINGS, NOVEMBER 2014–OCTOBER 2015[1]

	Dec 3	Dec 17	Jan 19	Feb 19[2]	Mar 4	Mar 26	Apr 23	May 13	May 20	Jun 16–17	Sep 7	Oct 23
Fritz H. Schur, Chairman	●	●	●	●	●	●	●	●	●	●	●	●
Jacob Wallenberg, Vice Chairman	●	●	○	●	●	●	●	●	●	●	●	●
Dag Mejdell, Second Vice Chairman	●	●	●	●	●	●	●	●	○	●	●	●
Monica Caneman, member	●	●	●	●	●	●	●	●	●	●	●	●
Carsten Dilling, member	●	●	●	●	●	●	○	●	●	●	●	●
Lars-Johan Jarnheimer, member	●	●	●	●	●	●	●	●	●	●	●	●
Birger Magnus, member	●	●	●	●	●	●	●	○	●	●	●	●
Sanna Suvanto-Harsaae, member	●	●	●	●	●	●	●	●	●	●	●	●
Jens Lippestad, employee representative	●	●	●	○	●	●	●	●	●	●	●	●
Bo Nielsen, employee representative	●	●	●	●	●	●	●	●	○	●	●	●
Sven Cahier, employee representative	●	●	●	●	●	●	●	●	●	●	●	●

● Present ○ Absent

1) The Board also held two meetings per capsulam in November 2014 and May 2015.
2) Including the statutory meeting after the Annual General Shareholders' Meeting.

Between November 2014 and October 2015, the Board held 13 scheduled meetings, including a statutory meeting. The President 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 addressed at Board meetings	
Dec 3	Acquisition of Cimber and the sale of slot pairs at London Heathrow.
Dec 17	Year-end report for 2013/2014 and the proposed disposition of earnings, the report from the external auditors, and adoption of the proposed budget for 2014/2015.
Jan 19	Adoption of the 2013/2014 Annual Report and the audit work plan, review of flight safety and sustainability and the notice of the 2015 AGM.
Feb 19	The meeting and work plan for 2015/2016 and review of PULS.
Feb 19	Statutory Board meeting following the AGM.
Mar 4	Adoption of the report for the first quarter of 2014/2015.
Mar 26	Status of collective agreement negotiations with pilots' labor unions.
Apr 23	Status of collective agreement negotiations with pilots' labor unions and review of earnings performance.
May 13	Status of collective agreement negotiations with pilots' labor unions.
May 20	Status of collective agreement negotiations with pilots' labor unions.
Jun 16–17	Strategy meeting, customer satisfaction review, long-haul aircraft fleet expansion, letter of intent with Widerøe Ground Handling on outsourcing the line stations in Norway, auditors' "hard close" report, adoption of long-term financial targets and the Q2 interim report for 2014/2015.
Sep 7	Review of the Board's formal work plan and instructions, corporate governance, sale of Blue1, letter of intent with Aviator on outsourcing of ground handling in Scandinavia and adoption of the Q3 interim report for 2014/2015.
Oct 23	Evaluation of the Board's and President's work and review and adoption of the budget for 2015/2016.

AUDIT COMMITTEE

The Audit Committee monitors the financial reporting and 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 Audit Committee is responsible for preparing the Board's quality assurance work regarding 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 irregularities, and other matters affecting the company's financial reporting.

The company's external auditors attend 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 AGMs.

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 and the external auditor, the SAS Group CFO and, as required, representatives from SAS's accounting unit attend Committee meetings.

AUDIT COMMITTEE'S WORK 2014/2015 – FIVE MINUTED MEETINGS

Meeting date	Dec 17	Jan 19	Mar 4	Jun 16	Sep 7
Monica Caneman (Chairman)	●	●	●	●	●
Lars-Johan Jarnheimer	●	●	●	●	●
Birger Magnus	●	●	●	●	●

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 Code specifies that members of the Remuneration Committee must be independent of the company or 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 2014/2015 – FOUR MINUTED MEETINGS

Meeting date	Dec 17	Feb 9	Mar 26	Jun 16
Fritz H. Schur (Chairman)	●	●	●	●
Jacob Wallenberg	●	●	●	●
Dag Mejdell	●	●	●	●

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 2015 AGM, whereby PricewaterhouseCoopers AB (PwC) was reelected for the period until the end of the 2016 AGM. The auditor in charge is Bo Hjalmarsson. In addition to SAS AB, he has audit engagements for companies that include Ericsson and Teracom.

On one occasion during the 2014/2015 fiscal year, the auditor in charge met with the Board, presenting the program for auditing work and reporting observations from the audit. The auditors also met with the Audit Committee on five occasions.

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 1 and tax advisory services for a further MSEK 1. Auditors' fees for work performed are in line with the resolution of the AGM. For more information about the auditors' fees in 2014/2015, 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.

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 comprised seven members, including the President, for the majority of 2014/2015. Mats Lönnkvist, Flemming Jensen and Joakim Landholm left Group Management during the fiscal year. Carina Malmgren Heander and Lars Sandahl Sørensen took office in January and May 2015. Mattias Forsberg also became a member of Group Management after the end of the fiscal year. The composition of the Group Management is shown on page 46.

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. Group Management normally holds 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.

BOARD FEES DECIDED AT THE 2015 ANNUAL GENERAL SHAREHOLDERS' MEETING

Name	Nationality	Independent	Board	Audit Committee	Remuneration Committee	Total, TSEK	Remuneration from SAS in addition to Directors' fees, TSEK[2]
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	NO	Yes	207	31		238	
Sanna Suvanto-Harsaae	FI	Yes	207			207	
Jens Lippestad	NO		207			207	1,226
Sven Cahier	SE		207			207	611
Bo Nielsen	DK		207			207	498
Total			**2,550**	**128**	**83**	**2,761**	**2,335**

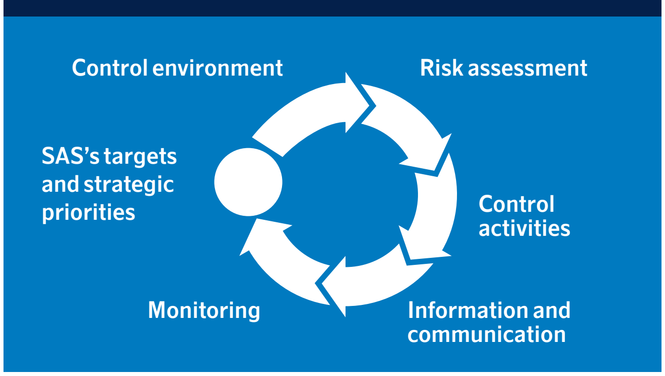
1) Owing to his position as President and CEO of Posten Norge AS, wholly owned by the Norwegian government, Dag Mejdell is not regarded as independent in relation to major shareholders (but is independent in relation to SAS and company management).
2) Pertains to the period between November 2014 and October 2015 and excludes social security expenses.

OUTCOME NOVEMBER 2014–OCTOBER 2015, RECORDED FEES FOR EMPLOYEE REPRESENTATIVES

Name	Period	Total
Kim Kalsås-Carlsen	November 2014–October 2015	8,000
Elin Rise	November 2014–October 2015	8,000
Erik Bohlin	November 2014–October 2015	8,000
Ulla Gröntvedt	November 2014–March 2015	3,000
Eva Dahlberg	March 2015–October 2015	5,000
Jean-Pierre Schomburg	November 2014–October 2015	8,000
Janne Wegeberg	November 2014–October 2015	8,000

INTERNAL CONTROL – FINANCIAL REPORTING

SAS CONTROL ENVIRONMENT



SAS 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 SAS 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 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 monitoring, 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. SAS'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 which has 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.

In the 2014/2015 fiscal year, this questionnaire was reworked to further ensure relevant control activities and control targets, and the new questionnaire will be implemented in the next fiscal year. Instead, other control activities were performed in the 2014/2015 fiscal year to manage risks that impact financial reporting. These control activities included the following:

- Introduction of one new control function: The Revenue Committee, with the aim of which ensuring revenue control and deciding on strategic purchases.
- Establishing an improved and more appropriate financial reporting structure, which includes a new organization and new processes linked to financial modeling and simulation.
- The performance of capital leakage controls through an external party that primarily generated VAT refunds.
- Strengthened compliance controls for the "No P.O. - No Pay" policy regarding purchases of indirect materials and implemented a more user-friendly purchasing system.
- Establishment of a management and employee model for ensuring the correct basic values and conduct among SAS employees and also securing the right capabilities and the provision of skills in both the short and long terms.
- Updating control frameworks to ensure robust and reliable controls for passenger revenue, including revenue settlement between airlines, agents and airports.

The assessment of these control activities 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

SAS's aim 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. SAS'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, SAS pursues an information policy regarding disclosures to the stock exchange and an Investor Relations policy that has been laid down by the SAS Board. This policy is available on the SAS Group website under Investor Relations. SAS's published external reports are based on reporting from all legal entities in accordance with a standardized reporting procedure.

Regularly reported financial information includes the annual report, interim reports, press releases, presentations and telephone conferences focused on 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.

BOARD OF DIRECTORS

The Board is responsible for the organization and administration of the Group, for ensuring proper control of its accounting and other financial circumstances as well as for appointing and removing the President. All members elected by the shareholders' meeting are independent of the company and company management.

The 2015 AGM adopted the Nomination Committee's recommendation for reelection of Fritz H. Schur, Monica Caneman, Carsten Dilling, Lars-Johan Jarnheimer, Birger Magnus, Dag Mejdell, Sanna Suvanto-Harsaae and Jacob Wallenberg. Fritz H. Schur was reelected Chairman of the Board.

The Board composition was based on SAS AB operating in a market that, for a number of years, has been subject to significant pressure for change and ever increasing competition, at the same time as changes were made to the Group Management. In light of this, continuity in the Board was prioritized.

Furthermore, the Nomination Committee's opinion was that the Code's requirements for diversity, breadth and an even gender balance was satisfied in a relevant manner. However, the Nomination Committee has higher ambitions with regard to the Board's gender balance and will direct the Nomination Committee's efforts toward reaching a more equal gender balance. 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 through legal entities.

Shareholding of related parties: 0.

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 ABB Ltd, FAM AB, Patricia Industries and Telefonaktiebolaget LM Ericsson, and Board member of the Stockholm School of Economics, the Knut and Alice Wallenberg Foundation and the Confederation of Swedish Enterprise.

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.

Shareholding of related parties: 0.

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.

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. Industrial advisor IK investment Partners.

Shareholding: 4,214 common shares.

Shareholding of related parties: 0.

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, Bravida Holding AB, Viva Media Group AB and Big Bag AB. Board member of My Safety AB, Intermail A/S and Comhem AB.

Education: MBA, Stockholm School of Economics.

Earlier directorships/positions: Chairman 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.

Shareholding of related parties: 0.

Independent of the company, the company management and the company's major shareholders.

Auditors: PricewaterhouseCoopers AB (PwC)

Auditor in charge: Bo Hjalmarsson. Authorized Public Accountant. Elected in 2013.

Other major engagements: Ericsson and Teracom.

Board secretary: Marie Wohlfart, General Counsel.

CARSTEN DILLING, BORN 1962

Member of the Board of SAS AB since 2014.

Directorships: None.

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

Earlier directorships/positions: Board member of Get AS, Traen A/S (Chairman), Gatetrade A/S, Columbus IT Partner A/S, Confederation of Danish Industry (DI) and Industrial Employers in Copenhagen (IAK) and a number of Board assignments for the TDC Group. President and CEO of TDC A/S.

Shareholding: 0.

Shareholding of related parties: 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 Qliro-Group, Eniro AB and Arvid Nordqvist HAB and Ingka Holding B.V (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 ModernTimes Group AB, Millicom International Cellular S.A, Invik and Apoteket AB. President and CEO of Tele2.

Shareholding: 10,000 common shares, 2,520 preference shares.

Shareholding of related parties: 0.

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 companies including 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 Statoil Fuel and Retail ASA, Svenska Dagbladet, Aftonbladet, Aftenposten, VG, Media Norge and 20 Min Holding.

Shareholding: 0.

Shareholding of related parties: 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, Best VPG AS, Altia OY and Footway 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.

Shareholding of related parties: 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.

Shareholding of related parties: 0.

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.

Shareholding of related parties: 0.

Deputies: Erik Bohlin, First Deputy.

Shareholding: 0.

Eva Dahlberg, Second Deputy.

Shareholding: 0.

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.

Shareholding of related parties: 0.

Deputies: Janne Wegeberg, First Deputy.

Shareholding: 0.

Jean Pierre Shomburg, Second Deputy.

Shareholding: 0.

GROUP MANAGEMENT

Group Management is responsible for the company's business management, financial reporting, acquisitions/divestments, 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 since February 1, 2011.

Previously: Executive positions at GE Capital, both in Europe and the US, and President of Codan/Trygg-Hansa from 2006–2011.

External directorships: Board member of FAM AB.

Education: M.Sc. Industrial Economics.

Shareholding: 40,000 common shares.

Shareholding of related parties: 5 common shares.

Rickard Gustafson and related parties have no significant shareholdings or part ownership in companies with which SAS conducts major business.

GÖRAN JANSSON, BORN 1958

CFO and Deputy President.

Member of SAS Group Management since 2011.

Previously: CFO and Deputy CEO of Assa Abloy.

External directorships: Board member of SPP.

Education: Graduate in Business Administration from Stockholm University.

Shareholding: 1,330 preference shares.

Shareholding of related parties: 0.

MATTIAS FORSBERG, BORN 1972

Executive Vice President and CIO.

Member of SAS Group Management since January 1, 2016.

Previously: CIO at Systembolaget 2011–2015 and previously CIO at B&B Tools and strategy/management consultant at Accenture, including experience of Swedish and international assignments.

External directorships: None.

Education: M.Sc in Engineering Physics and Business and Economics from Uppsala University.

Shareholding: 0.

Shareholding of related parties: 0.

CARINA MALMGREN HEANDER, BORN 1959

Executive Vice President and Chief of Staff.

Member of SAS 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.

Shareholding of related parties: 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: Crayon Group AS.

Education: Bachelor's degree from the Norwegian Business School (BI).

Shareholding: 84,000 common shares through legal entities.

Shareholding of related parties: 0.

LARS SANDAHL SØRENSEN, BORN 1963

Executive Vice President, Chief Operating Officer and Accountable Manager.

Member of SAS Group Management since May 1, 2015.

Previously: Lars Sandahl Sørensen has an international background from senior executive roles in ISS World (Group CCO), SAS Group (Group CCO & CEO of SAS International), Visit Denmark (CEO) and the Confederation of Danish Industry. Recently he has also been a partner in AIMS International and advisor to European large cap Active ownership funds.

External directorships: NKT Holding A/S, the Danish Industry Foundation, the Board of Management and Business Policy Committee at the Confederation of Danish Industry, IAK and Sport Event Denmark.

Education: Economics & management from Kansai Gaidai University & St. Cloud University and Stanford University.

Shareholding: 0.

Shareholding of related parties: 0.

KARL SANDLUND, BORN 1977

Executive Vice President and Chief Strategy Officer.

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.

Shareholding of related parties: 0.

DIVIDENDS, DISPOSITION OF EARNINGS AND OUTLOOK

SAS has two share classes listed. SAS's overriding goal is to create shareholder value. Dividends require SAS AB to have distributable earnings and a resolution by a shareholders' meeting. The Group's earnings, expected performance, financial position, investment requirements and relevant economic conditions should also be taken into account. The dividend policy strives to achieve long-term sustainable dividends.

Common shares

Dividends to holders of common shares can be paid from value-creation whereby SAS's return on invested capital exceeds the average cost of capital. The dividend should take into account any restrictions applying to the Group's financial instruments[1].

Preference shares

SAS is to pay dividends to holders of preference shares of SEK 50 per year, with a quarterly payment of SEK 12.50 per preference share until the payment date for the preference share dividend immediately following the record date of February 5, 2019, whereafter the annual preferential right to a dividend increases by an amount corresponding to 1% of the subscription price per preference share and year until the payment date for preference share dividends immediately after the record date of February 5, 2023. Thereafter, the annual preferential right to a preference-share dividend totals an amount corresponding to SEK 50 plus an additional amount equivalent to 5% of the subscription price. In all cases, dividend payments are evenly allocated over the year in the form of quarterly payments.

DIVIDEND

The Board of Directors proposes to the 2016 AGM that no dividends be paid to holders of SAS AB's common shares for the November 1, 2014 to October 31, 2015 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 4, August 5, and November 4 in 2016 and February 3 in 2017.

Payment through Euroclear Sweden AB is expected to be carried out on May 10, August 10, and November 9 in 2016 and February 8 in 2017.

PROPOSED DISPOSITION OF EARNINGS

The following Parent Company earnings are at the AGM's disposition:

	SEK
Retained earnings	5,221,305,652
Net income for the year	498,343,587
Total unrestricted equity	**5,719,649,239**

The Board proposes that the earnings be allocated as follows:

	SEK
Dividends to holders of preference shares of SEK 50 per preference share	350,000,000
To be carried forward	5,369,649,239
Total	**5,719,649,239**

1) Currently, SAS has two financial instruments issued that limit dividend rights for holders of SAS common shares. SAS's bond of SEK 1.5 billion that matures in November 2017 stipulates that no dividends may be paid to holders of common shares if SAS's equity/assets ratio is less than 35%. According to the conditions of the preference shares, dividends are not paid to holders of common shares if the preference share capital exceeds 50% of the recognized shareholders' equity. Full dividends must also have been paid to preference shareholders.

The position of the Group and Parent Company at October 31, 2015 and the earnings from operations for the 2014/2015 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 OCTOBER 31, 2015

- SAS sold Blue1 to CityJet. From spring 2016, CityJet will operate regional jet services on behalf of SAS using eight brand new Bombardier CRJ900s.
- The European Court of Justice annulled the European Commission's MEUR 70.2 fine from 2010. The decision can be appealed by the European Commission.
- Mattias Forsberg took office as Executive Vice President and CIO on January 1, 2016.
- SAS completed the financing of PDPs for five Airbus A320neo aircraft with delivery from Airbus in 2018.
- Following conversion of SAS's convertible bond loan, the number of common shares issued for SAS AB increased 1,082,551 to 330,082,551.

OUTLOOK FOR 2015/2016

Following low capacity growth in Scandinavia in 2014/2015, capacity is expected to increase in 2015/2016 and lead to more intense competition in some areas. At the same time, SAS is continuing its focused efforts on strengthening competitiveness through product investments and efficiency measures. In 2015/2016, SAS plans to increase capacity on the intercontinental routes by 25%. Growth will be through expansion of the long-haul aircraft fleet and increase resource utilization which, from a purely mathematical perspective, is expected to result in a lower unit cost and a lower unit revenue during the fiscal year. In parallel, jet-fuel costs are expected to be lower in 2015/2016 and SAS has hedged 80% of planned jet fuel consumption in 2015/2016.

In total, SAS expects to be able to deliver a positive income before tax and nonrecurring items for the 2015/2016 fiscal year. The outlook is based on no unexpected events occurring.

THE OUTLOOK IS BASED ON THE FOLLOWING PRECONDITIONS AND ASSUMPTIONS AT OCTOBER 31, 2015:

- **SAS plans to increase scheduled capacity (ASK) by about 10% in 2015/2016 with the largest increase in the winter. Excluding intercontinental expansion, capacity growth is about 1%.**
- **A significantly lower PASK and unit cost in 2015/2016 compared with 2014/2015 as a result of the above capacity increase.**
- **Earnings effects from efficiency-enhancement measures amounting to about SEK 1 billion in 2015/2016.**
- **Net investments are expected to amount to slightly more than SEK 1.5 billion in 2015/2016.**

THE GROUP'S CONSOLIDATED STATEMENT OF INCOME INCLUDING A STATEMENT OF OTHER COMPREHENSIVE INCOME

MSEK	Note	Nov–Oct 2014–2015	Nov–Oct 2013–2014
Revenue	2	39,650	38,006
Payroll expenses[1]	3	-9,622	-9,181
Other operating expenses[2]	4	-24,558	-25,122
Leasing costs for aircraft[3]		-2,593	-2,127
Depreciation, amortization and impairment[4]	5	-1,466	-1,443
Share of income in affiliated companies	6	37	30
Income from the sale of shares in subsidiaries, affiliated companies and operations		0	6
Income from the sale of aircraft, buildings and slot pairs	7	777	-16
Operating income		**2,225**	**153**
Income from other holdings of securities	8	-300	-43
Financial income	9	124	102
Financial expenses	9	-632	-1,130
Income before tax		**1,417**	**-918**
Tax	10	-461	199
Net income for the year		**956**	**-719**
Other comprehensive income			
Items that may later be reversed in profit or loss:			
Exchange-rate differences on translation of foreign operations		-177	86
Cash-flow hedges – hedging reserve, net after tax of -262 (-92)		928	325
Items that will not be reclassified in profit or loss:			
Remeasurement of defined-benefit pension plans, net after tax of -40 (245)		75	- 1,222
Total other comprehensive income for the year, net after tax		**826**	**-811**
Total comprehensive income		**1,782**	**-1,530**
Net income for the year attributable to:			
Parent Company shareholders		956	-736
Non-controlling interests		0	17
Earnings per common share (SEK)[5]		1.84	-3.03
Earnings per common share after dilution (SEK)[5]		1.65	-3.03

1) Includes restructuring costs and other nonrecurring items of MSEK 130 (-650).
2) Includes restructuring costs and other nonrecurring items of MSEK 102 (622).
3) Includes restructuring costs of MSEK - (67).
4) Includes restructuring costs and other nonrecurring items of MSEK - (123).
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. Convertible bond loans only have a dilution effect if conversion of the loans to common shares would result in lower earnings per share. At the closing date, there was one convertible bond loan of MSEK 1,600, comprising 66,618,646 shares.

Income before tax and nonrecurring items, MSEK	Nov–Oct 2014–2015	Nov–Oct 2013–2014
Income before tax	1,417	-918
Impairment[1]	314	52
Restructuring costs	177	1,132
Capital gains	-789	7
Other nonrecurring items[2]	55	-970
Income before tax and nonrecurring items	**1,174**	**-697**

1) Includes impairment of shares in Widerøe of MSEK -270 in the fourth quarter of 2014/2015.
2) 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

SAS's operating income was MSEK 2,225 (153) and income before tax and nonrecurring items totaled MSEK 1,174 (-697). Income before tax amounted to MSEK 1,417 (-918) and income after tax was MSEK 956 (-719). The tax expense was MSEK -461 (199) and included impairment of deferred tax assets in Blue1 of MSEK -83 following the sale of the company in November 2015. The tax expense was also impacted by non-deductible expenses pertaining to the impairment of shares.

The exchange-rate trend had a positive impact on revenue of MSEK 963 and a negative effect on operating expenses of MSEK -2,456, which included positive effects from currency derivatives of MSEK 809. Accordingly, the exchange-rate trend had a negative impact on operating income of MSEK -1,493 for the period.

Revenue for SAS amounted to MSEK 39,650 (38,006). Adjusted for currency effects, revenue rose 1.7% year-on-year. Currency-adjusted passenger revenue increased 3.5%, primarily due to a higher yield. However, charter revenue was 16.8% lower year-on-year, which was attributable to lower volumes.

SAS's total capacity (ASK) declined 1.9%, which was partly attributable to the year-on-year increase in unit cost (CASK), after adjustments for currency and jet fuel, of 3.3%.

Payroll expenses amounted to MSEK -9,622 (-9,181), which included nonrecurring items of MSEK -130 (650). After adjustment for currency and nonrecurring items, payroll expenses declined 4.0% year-on-year.

Wet lease costs increased year-on-year due to increased external production.

The implementation of the ongoing restructuring program continued as planned, with the exception of a lower than expected earnings impact in IT and a weaker NOK that resulted in a lower effect from measures when measured in SEK. During the period, cost reductions resulted in an earnings impact of about MSEK 920.

Jet-fuel costs amounted to MSEK -8,430 (-8,806). Adjusted for currency, the cost declined by 22.0%. The falling oil price had a substantial effect on jet-fuel costs in parallel with a negative impact on costs from the market values of jet-fuel hedges. The negative currency effects amounted to MSEK -1,996, hedging effects (including the effect of time value) were a negative amount of MSEK -1,620 and the positive price effect amounted to MSEK 3,912 year-on-year.

Net financial items for SAS amounted to MSEK -508 (-1,028), of which net interest expense was MSEK -478 (-732). The positive year-on-year change pertaining to net financial items was primarily due to lower current interest expenses due to a lower net debt and the termination of the revolving credit facility in February 2014.

Total nonrecurring items amounted to MSEK 243 (-221) and comprised restructuring costs, capital gains/losses, impairment and other nonrecurring items. Restructuring costs of MSEK -177 (-1,132) were charged to the period, of which MSEK -177 (-394) pertained to payroll expenses, MSEK 0 (-67) pertained to leasing costs, MSEK 0 (-96) pertained to amortization and depreciation and MSEK 0 (-575) pertained to other operating expenses. Impairment losses totaled MSEK -314 (-52) and of which MSEK -33 pertained to the impairment of receivables, MSEK -11 to goodwill and MSEK -270 to the impairment of shares in Widerøe in the 2014/2015 fiscal year. Capital gains amounted to MSEK 789 (loss: -7) and pertained to aircraft transactions of MSEK 97 (-14), the sale of slot pairs of MSEK 678 (0), buildings of MSEK 2 (-2) as well as the sale of shares in subsidiaries and affiliated companies, and operations totaling MSEK 12 (9). Other nonrecurring items amounted to MSEK -55 (970) and were attributable to expenses related to cargo activities, technical maintenance and payroll expenses. In the preceding year, other nonrecurring items primarily pertained to a positive effect from amended pension terms of MSEK 1,044.

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 2014/2015 compared with the corresponding year-earlier period was MSEK -1,493 (-183). The currency effects on revenue and operating expenses were primarily attributable to the significant strengthening of the USD during the year. The difference between the years in the effect of exchange-rate differences on the financial net debt was MSEK -18 (20). Accordingly, on comparing 2014/2015 with the corresponding year-earlier period, the total currency effect on income before tax was MSEK -1,511 (-163).

CURRENCY EFFECT BETWEEN YEARS

MSEK	Nov–Oct 2014–2015 compared with 2013–2014	Nov–Oct 2013–2014 compared with 2012–2013
Revenue	963	151
Payroll expenses	-57	-11
Other operating expenses	-3,252	-523
Translation of working capital	44	-90
Income from hedging of commercial flows	809	290
Operating income	**-1,493**	**-183**
Net financial items	-18	20
Income before tax	**-1,511**	**-163**

CURRENCY EFFECTS ON NET INCOME FOR THE YEAR

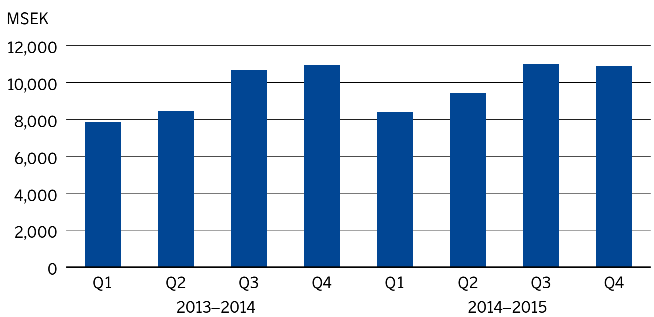
MSEK	Nov–Oct 2014–2015	Nov–Oct 2013–2014
Translation of working capital	-63	-107
Income from hedging of commercial flows	1,083	274
Operating income	**1,020**	**167**
Currency effect on the Group's financial net debt	5	23
Income before tax	**1,025**	**190**

STATEMENT OF INCOME EXCLUDING OTHER COMPREHENSIVE INCOME – QUARTERLY BREAKDOWN

MSEK	2013–2014					2014–2015				
	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	7,871	8,472	10,697	10,966	38,006	8,371	9,403	10,973	10,903	39,650
Payroll expenses	-1,446	-2,484	-2,495	-2,756	-9,181	-2,478	-2,439	-2,386	-2,319	-9,622
Other operating expenses	-5,446	-5,828	-6,413	-7,435	-25,122	-5,668	-6,135	-6,503	-6,252	-24,558
Leasing costs for aircraft	-485	-500	-525	-617	-2,127	-601	-662	-659	-671	-2,593
Depreciation, amortization and impairment	-329	-338	-354	-422	-1,443	-282	-405	-343	-436	-1,466
Share of income in affiliated companies	-12	1	24	17	30	-10	-2	25	24	37
Income from the sale of shares in subsidiaries, affiliated companies and operations	1	4	0	1	6	11	0	0	-11	0
Income from the sale of aircraft, buildings and slot pairs	-22	12	-2	-4	-16	0	698	35	44	777
Operating income	**132**	**-661**	**932**	**-250**	**153**	**-657**	**458**	**1,142**	**1,282**	**2,225**
Income from other holdings of securities	5	0	1	-49	-43	3	0	0	-303	-300
Financial revenue	25	25	28	24	102	22	41	30	31	124
Financial expenses	-308	-442	-205	-175	-1,130	-204	-144	-141	-143	-632
Income before tax	**-146**	**-1,078**	**756**	**-450**	**-918**	**-836**	**355**	**1,031**	**867**	**1,417**
Tax	34	278	-260	147	199	196	-76	-231	-350	-461
Net income for the period	**-112**	**-800**	**496**	**-303**	**-719**	**-640**	**279**	**800**	**517**	**956**
Attributable to:										
Parent Company shareholders	-115	-806	494	-309	-736	-638	278	799	517	956
Non-controlling interests	3	6	2	6	17	-2	1	1	0	0

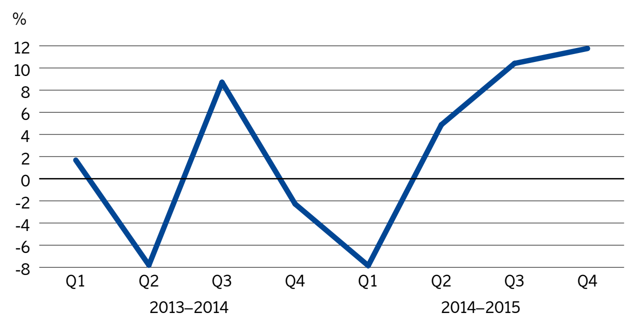
REVENUE

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



EBIT MARGIN

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



THE GROUP'S CONSOLIDATED BALANCE SHEET

ASSETS, MSEK	Note	Oct 31, 2015	Oct 31, 2014
Fixed assets			
Intangible assets	11	1,798	1,905
Tangible fixed assets	12		
Land and buildings		560	243
Aircraft		7,095	7,535
Spare engines and spare parts		31	76
Workshop and aircraft servicing equipment		101	85
Other equipment and vehicles		137	128
Investment in progress		190	71
Prepayments relating to tangible fixed assets	13	1,482	763
		9,596	**8,901**
Financial fixed assets	14		
Equity in affiliated companies	6	421	395
Other holdings of securities		3	273
Pension funds, net	15	4,368	3,778
Deferred tax asset	10	375	1,111
Other long-term receivables		1,951	1,928
		7,118	**7,485**
Total fixed assets		**18,512**	**18,291**
Current assets			
Expendable spare parts and inventories	16	345	342
Prepayments to suppliers		0	8
		345	**350**
Current receivables	17		
Accounts receivable		1,249	1,067
Receivables from affiliated companies	18	2	0
Other receivables		867	1,263
Prepaid expenses and accrued income	19	1,093	937
		3,211	**3,267**
Cash and cash equivalents			
Short-term investments	20	5,151	3,703
Cash and bank balances		3,047	3,714
		8,198	**7,417**
Total current assets		**11,754**	**11,034**
TOTAL ASSETS		**30,266**	**29,325**

SHAREHOLDERS' EQUITY AND LIABILITIES, MSEK	Note	Oct 31, 2015	Oct 31, 2014
Shareholders' equity			
Share capital	21	6,754	6,754
Other contributed capital		327	494
Reserves	22	932	181
Retained earnings		-1,674	-2,549
Total shareholders' equity attributable to Parent Company owners		**6,339**	**4,880**
Non-controlling interests		0	27
Total shareholders' equity		**6,339**	**4,907**
Long-term liabilities	23		
Subordinated loans	24	1,104	1,003
Bond loans	25	2,184	2,713
Other loans	26	4,807	4,419
Other provisions	28	1,992	2,088
Other liabilities		188	161
		10,275	**10,384**
Current liabilities			
Current portion of long-term loans		1,264	2,082
Short-term loans	29	229	462
Prepayments from customers		22	4
Accounts payable		1,528	1,499
Unearned transportation revenue	30	4,482	4,244
Current portion of other provisions	28	479	709
Other liabilities		964	679
Accrued expenses and prepaid income	31	4,684	4,355
		13,652	**14,034**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**30,266**	**29,325**
Book equity per share (SEK)[1]		8.10	3,66

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.

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

COMMENTS ON THE CONSOLIDATED BALANCE SHEET

ASSETS

The SAS Group's total assets increased from MSEK 29,325 to MSEK 30,266 in the November 1, 2014 – October 31, 2015 fiscal year.

Investments in the fiscal year amounted to MSEK 4,246, of which MSEK 2,047 pertained to aircraft, MSEK 124 to capitalized expenditures for engine maintenance, MSEK 747 to aircraft investments and modifications, MSEK 15 to spare parts, MSEK 998 as advance payments to Airbus, MSEK 168 to system development costs and MSEK 147 to other investments. Acquisitions included Cimber A/S in February 2015 and two property companies comprising airport properties in Norway in June.

Four Boeing 717s, one spare engine and one Boeing 737 were sold during the year and the sale and leaseback of two Boeing 737s and two Airbus A330s were also carried out. In addition, two slot pairs at London Heathrow were sold during the year.

At October 31, 2015, book net pension funds totaled MSEK 4,368. At October 31, 2014, the value of book net pension funds was MSEK 3,778 (see also Note 15).

At the end of the fiscal year, cash and cash equivalents amounted to MSEK 8,198, which was an increase of MSEK 781 since October 31, 2014. Cash and cash equivalents totaled 27% of total assets.

SHAREHOLDERS' EQUITY

Total shareholders' equity increased by MSEK 1,432 to MSEK 6,339. Net income for the year was MSEK 956. Other comprehensive income was net MSEK 826, the majority of which was attributable to the remeasurement of cash-flow hedges of MSEK 928. At October 31, 2014, the equity/assets ratio was 21% (17) and equity per common share was SEK 8.10 (3.66).

LIABILITIES

At October 31, 2015, MSEK 9,745 (10,805) of total liabilities was interest-bearing. The value of contracted credit facilities was MSEK4,525 (3,929) of which MSEK 2,712 (2, 382) was unutilized. Amortization in the fiscal year amounted to MSEK 2,304 (3,122) and the year's borrowing amounted to MSEK 489 (1,485). The amortizations pertained primarily to the repayment of a SEK 1.6 billion convertible bond loan. During the fiscal year, the company's financial net debt decreased MSEK 1,828, which resulted in SAS having financial net receivables of MSEK 726 at October 31, 2015. The change was primarily due to positive cash flow from operating activities and from financing activities.

Total capital employed amounted to MSEK 16,084 (15,712). Average capital employed during the year was MSEK 15,913 (16,401). Return on capital employed was 13% (2%).

THE 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
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
Non-controlling interests					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**
Preference share dividend					-350	-350		-350
Other contributed capital		-167			167	0		0
Non-controlling interests					27	27	-27	0
Comprehensive income, November–October			928	-177	1,031	1,782		1,782
Closing balance, October 31, 2015	**6,754**	**327**	**1,218**	**-286**	**-1,674**	**6,339**	**0**	**6,339**

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 2013/2014.

THE GROUP'S CONSOLIDATED CASH-FLOW STATEMENT

MSEK	Note	Nov–Oct 2014–2015	Nov–Oct 2013–2014
OPERATING ACTIVITIES			
Income before tax		1,417	-918
Depreciation and impairment		1,466	1,443
Income from the sale of aircraft, buildings and shares		-789	7
Adjustment for other items not included in the cash flow, etc.	35	539	-45
Tax paid		1	-1
Cash flow from operating activities before changes in working capital		**2,634**	**486**
Change in:			
Expendable spare parts and inventories		1	18
Operating receivables		-41	442
Operating liabilities		442	150
Cash flow from changes in working capital		**402**	**610**
Cash flow from operating activities		**3,036**	**1,096**
INVESTING ACTIVITIES			
Aircraft		-2,739	-509
Spare parts		-15	-32
Buildings, equipment and investment in progress		-326	-190
Shares and participations, intangible assets, etc.		-168	-189
Prepayments for flight equipment		-998	-506
Acquisition of shares	36	-	-687
Acquisition of subsidiaries	36	-60	-
Total investments		**-4,306**	**-2,113**
Sale of shares	37	-	688
Sale of subsidiaries and operations	37	10	4
Sale of aircraft, spare engines and buildings		453	146
Income from sale and leaseback of aircraft		2,112	410
Sale of other non-current assets, etc.		618	384
Cash flow from investing activities		**-1,113**	**-481**
FINANCING ACTIVITIES			
Proceeds from borrowings		489	1,679
Repayment of borrowings		-2,304	-3,122
Preference share issue		-	3,500
Dividend on preference shares		-350	-175
Change in interest-bearing receivables and liabilities		1,028	168
Cash flow from financing activities		**-1,137**	**2,050**
Cash flow for the year		**786**	**2,665**
Translation difference in cash and cash equivalents		-5	1
Cash and cash equivalents at beginning of the year		7,417	4,751
Cash and cash equivalents at year-end	38	**8,198**	**7,417**

COMMENTS ON THE CONSOLIDATED CASH FLOW STATEMENT

Cash flow from operating activities, before changes in working capital, amounted to MSEK 2,634 (486) for the full-year. Non-cash items mainly comprised impairments and provisions for restructuring costs.

Change in working capital totaled MSEK 402 (610), down about MSEK 200 year-on-year. Compared with last year, operating receivables increased due to items including higher accounts receivable. Total operating liabilities also increased year-on-year, which was mainly due to the net result of a reduction in restructuring reserves and an increase in current liabilities and accrued expenses.

Aircraft investments comprised three Boeing 717s, two Boeing 737s and two Airbus A340s that were previously under operating leases as well as two new Airbus A330s for a total of MSEK 2,047, capitalized expenditures for engine maintenance of MSEK 124 and aircraft modifications of MSEK 568.

Acquisitions included Cimber A/S in February and two property companies comprising airport properties in Norway in June.

During the year, the subsidiary Blue Travel Services and call center operations within the SAS Consortium were divested.

Aircraft sales comprised the sale of four Boeing 717s, one spare engine and one Boeing 737. In addition, sale and leaseback was carried out of two Boeing 737s and the two Airbus A330s acquired during the year.

The sale of other non-current assets, etc, included MSEK 573 from the sale of two slot pairs at London Heathrow by SAS during the year. The remaining portion of the purchase consideration for the slot pairs, MSEK 105, was received in November.

In June, a MSEK 1,600 convertible bond loan was repaid. An addition repayment of MSEK 704 was also made. Cash flows from changes in interest-bearing receivables and liabilities were largely due to positive liquidity effects from the remeasurement of financial derivatives.

In all, the SAS Group's cash and cash equivalents increased during the fiscal year by MSEK 781 (2,666), whereupon cash and cash equivalents amounted to MSEK 8,198 (7,417).

NOTES TO THE FINANCIAL STATEMENTS

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 registered 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 November 1, 2014. 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 outcomes 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 estimates and key sources of estimation uncertainty" in this note.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS 2014/2015

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. The standard also states how the consolidated financial statements should be prepared.

IFRS 11 – Joint Arrangements (new) focuses on the rights and obligations that the parties to a joint arrangement have rather than the legal form of the joint arrangement.

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

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, 2015, 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 assets be classified in three categories: those measured at amortized cost, those measured at fair value through other comprehensive income (FVTOCI) and those measured at fair value through profit or loss (FVTPL). 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 changes in 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 November 1, 2018 and has as yet not evaluated its effects. The standard has yet to be adopted by the EU.

IFRS 15 – Revenue from Contracts with Customers governs how income recognition is performed and enters force on January 1, 2018. 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 over which controlling influence is exercised by the Group. The Group controls a company when it is exposed to, or has rights to, variable returns from its participation in the company and is able to affect those returns through its influence over the company.

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 controlling influence are affiliated companies. Affiliated companies 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 at 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 interests in the net assets of consolidated subsidiaries are 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 acquisition date when controlling influence is achieved) of the assets transferred, 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 acquisition date 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 those of the acquirer 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 acquisition date (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 acquisition date for identifiable acquired net assets, the difference is recognized as goodwill in the balance sheet. If the difference is negative, this is recognized directly in profit or loss as a gain from a bargain purchase, 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 paid 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 divestment gain or loss is calculated 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 profit or loss 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 time of initial recognition for a financial asset pursuant to IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost at the time of initial recognition 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 date the Group obtained 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 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 comprised 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 revenues are 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 translated at the exchange rates prevailing on the transaction dates. At each closing date, monetary assets and liabilities denominated in foreign currencies are translated 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 fair value was determined. Non-monetary items that are measured in terms of cost in a foreign currency are not translated.

Exchange differences arising from translation 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, 2015	Oct 31, 2014	Nov–Oct 2014–2015	Nov–Oct 2013–2014
Denmark	DKK	100	125.61	124.08	125.36	121.0
Norway	NOK	100	99.27	109.59	106.11	109.03
U.S.	USD		8.52	7.35	8.20	6.67
U.K.	GBP		13.06	11.76	12.64	11.07
Switzerland	CHF	100	862.01	766.03	857.79	739.84
Japan	JPY	100	7.05	6.61	6.84	6.49
EMU countries	EUR		9.37	9.24	9.35	9.02

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.

COMPOUND 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 compound 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 compound 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 the Group's profit or loss. Amounts recognized in equity are reversed in the Group's profit or loss in the periods when the hedged item is recognized in the Group's 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 the 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. Investment in own and leased premises is 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. Leasing 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 excess value over the fair value of the Group's share of identifiable net assets at the acquisition date, of the cost of an acquisition, any non-controlling interests and fair value at the acquisition date.

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 assets of the CGU 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 obligations 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 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 in the consolidated balance sheet. Passenger revenue is recognized when SAS or another airline provides the transportation. Additionally, tickets that have not been utilized by passengers and which 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 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 aircraft pre-delivery payments (PDPs) are capitalized as part of the process of obtaining qualified production resources. If a decision is made to postpone deliveries of aircraft for which PDPs 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 net income 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. Deferred tax liabilities are recognized for all temporary differences liable to tax, while deferred tax assets are 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 carryforward is lost.

Deferred tax liabilities are 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 fiscal regulations 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 directly 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 ESTIMATES 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. 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.

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 and 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 parameters) 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 the 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 DUS14 for Sweden and K2013 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.

The discount rate changed during the year and, in Sweden, rose from 2.80% to 3.25%. The total impact of changed discount rates entailed a positive impact on other comprehensive income of SEK 0.8 billion. However, the life-expectancy assumption has changed (risen), which has had a negative impact on other comprehensive income of SEK 0.5 billion. Furthermore, additional pension benefits have been measured as liabilities and are recognized under the item experience gains/losses. The return on plan assets exceeded the discount rate, which entailed a positive impact on other comprehensive income of SEK 0.2 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 2.8 billion impact on the obligation and a one percentage point change in the inflation assumption has an impact of about SEK 2.1 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 are 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. The actual effects of the outcome could differ from the management's estimate, which would impact the Group's earnings (see also, the Report by the Board of Directors: Legal issues).

PARENT COMPANY'S ACCOUNTING POLICIES

The Parent Company has prepared its financial statements according to the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's 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 expensed 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–Oct 2014–2015	Nov–Oct 2013–2014
Traffic revenue:		
Passenger revenue	30,496	28,710
Charter	1,742	2,108
Mail and freight	1,265	1,279
Other traffic revenue	2,066	1,803
Other operating revenue:		
In-flight sales	253	242
Ground handling services	1,294	1,322
Technical maintenance	163	183
Terminal and forwarding services	370	369
Sales commissions and charges	548	735
Other operating revenue	1,453	1,255
Total	**39,650**	**38,006**

NOTE 3 PAYROLL EXPENSES

AVERAGE NUMBER OF EMPLOYEES

In 2014/2015, the average number of employees in the SAS Group was 11,288 (12,329). A breakdown of the average number of employees by country is provided in the table below.

The average number of employees totaled 3,811 (4,082) in Denmark, 3,606 (3,762) in Norway, and 3,430 (3,748) in Sweden.

	Nov–Oct 2014–2015		Nov–Oct 2013–2014	
	Men	Women	Men	Women
Denmark	2,529	1,282	2,560	1,522
Norway	2,253	1,353	2,199	1,563
Sweden	2,052	1,378	2,280	1,468
Finland	68	91	151	151
Estonia	-	-	33	85
Other countries	124	158	172	145
Total	**7,026**	**4,262**	**7,395**	**4,934**
Total men and women	**11,288**		**12,329**	

GENDER BREAKDOWN OF SENIOR EXECUTIVES IN THE GROUP

	2015		2014	
	Closing-date total	of which, men	Closing-date total	of which, men
Board members	**48**	**88%**	**46**	**89%**
President and other senior executives	38	74%	40	68%

SALARIES, REMUNERATION AND SOCIAL SECURITY EXPENSES

The SAS Group's total payroll expenses amounted to MSEK 9,130 (8,777), of which social security expenses comprised MSEK 1,280 (1,377) and pensions MSEK 876 (33).

Salaries, remuneration and social security expenses included restructuring costs of MSEK 177 (394).

	Nov–Oct 2014–2015		Nov–Oct 2013–2014	
	Salaries & other remuneration	Soc. sec. exp. (of which pension cost)[1]	Salaries & other remuneration	Soc. sec. exp. (of which pension cost)[1]
SAS AB	19	14 (7)	22	12 (6)
SAS Consortium	4,169	1,548 (606)	4,396	793 (-205)
Other subsidiaries	2,786	594 (263)	2,949	605 (232)
SAS Group, total	**6,974**	**2,156 (876)**	**7,367**	**1,410 (33)**

1) The pension cost for all CEOs and other senior executives of SAS Group companies amounted to MSEK 9 (14).

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

	Nov–Oct 2014–2015		Nov–Oct 2013–2014	
	Board, CEO & senior executives (of which variable salary)	Other employees	Board, CEO & senior executives (of which variable salary)	Other employees
SAS AB	15 (-)	4	17 (-)	5
SAS Consortium	28 (3)	4,141	22 (-)	4 374
Ground handling operations	14 (-)	2,420	22 (-)	2 620
Blue1	- (-)	127	6 (-)	198
SAS Cargo	7 (-)	82	6 (-)	80
Other subsidiaries	1 (-)	135	2 (-)	15
SAS Group, total	**65 (3)**	**6,909**	**75 (-)**	**7 292**

Pension costs	Nov–Oct 2014–2015	Nov–Oct 2013–2014
Defined-benefit pension plans	73	-1 032
Defined-contribution pension plans	803	1 065
Total	**876**	**33**

The 2013/2014 fiscal year included a positive earnings impact 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 19, 2015, 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)	TSEK 207 per member
Employee deputies (6)	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)	TSEK 31
Chairman of Remuneration Committee	TSEK 49
Other members of Remuneration Committee (2)	TSEK 17

With the exception of the employee representatives and their deputies, no Board member was employed by the SAS Group in the 2014/2015 fiscal year. No Board member not employed by the SAS Group received any remuneration or benefit from any SAS Group companies beyond customary airline-industry travel benefits and the fees received for board and committee duties.

Continued Note 3

POLICIES

The following remuneration policies, adopted by the AGM have been applied in the 2014/2015 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.

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 is individual and differentiated.
- Salary setting is national and adapted to the market.
- Salary setting is a key management tool for reaching the organization's targets.
- Salary setting motivates professional and personal advancement.
- Pension benefits are defined-contribution with premiums not exceeding 30% of the fixed annual salary.

PRESIDENT AND CEO

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 2014/2015 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. The retirement age is 62.
- Other benefits, such as a company car, travel benefits, health insurance and group life insurance.
- The notice period is six months in the event the President resigns and 12 months if employment is terminated 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 PRESIDENT

During the 2014/2015 fiscal year, the SAS Group had one deputy president, Göran Jansson (CFO).

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 2014/2015 fiscal year, the annual salary was TSEK 4,500.
- A defined-contribution pension plan where 29.8% of salary is paid into a chosen insurance plan. The retirement age is 60.
- Other benefits, such as a company car, travel benefits, health insurance and group life insurance.

The notice period is six months in the event that the Göran Jansson resigns and 12 months if employment is terminated by SAS AB.

Severance pay is payable to the deputy president in the event employment is terminated by SAS AB for reasons other than material breach of contract, gross neglect of the deputy president's duties 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

The 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 three of the members is 65, for one of the members 60 and for one of the members 67. The notice period for all other members of Group Management is 12 months in the event employment is terminated 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 current deputy president. 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 managerial contracts in the SAS Group are based on the five cornerstones outlined under the "Policies" heading above.

In 2015, 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 four recorded meetings in the 2014/2015 fiscal year in addition to a number of informal discussions.

REMUNERATION AND BENEFITS PAID TO THE PRESIDENT AND OTHER SENIOR EXECUTIVES IN 2014–2015 (NOV–OCT), TSEK

Name	Fixed base salary[1]	Other benefits[3]	Total of fixed salary and other benefits	Pension premium
Rickard Gustafson	8,176	195	8,371	2,516
Göran Jansson	4,505	92	4,597	1,343
Other[2]	27,396	638	28,034	4,489

1) Includes holiday compensation.
2) Two members for the full fiscal year, two members for ten months (which includes an additional 12 months' salary for one of these members), two members for six months and one member for four months.
3) Other benefits include company car, health insurance and group life insurance.

NOTE 4 OTHER OPERATING EXPENSES

	Nov–Oct 2014–2015	Nov–Oct 2013–2014
Selling and distribution costs	2,518	2,228
Jet fuel	8,430	8,806
Government user fees	4,087	3,962
Catering costs	836	756
Handling costs	1,998	1,703
Technical aircraft maintenance	2,757	2,468
Computer and telecommunications costs	1,159	1,067
Other	2,773	4,132
Total	**24,558**	**25,122**

NOTE 5 DEPRECIATION, AMORTIZATION AND IMPAIRMENT

	Nov–Oct 2014–2015	Nov–Oct 2013–2014
Intangible assets	207	92
Aircraft	1,129	1,213
Spare engines and spare parts	40	57
Workshop and aircraft servicing equipment	16	18
Other equipment and vehicles	37	28
Buildings and fittings	37	35
Total	**1,466**	**1,443**

NOTE 6 SHARE OF INCOME AND EQUITY IN AFFILIATED COMPANIES

Share of income in affiliated companies:	Nov–Oct 2014–2015	Nov–Oct 2013–2014
Air Greenland A/S[1]	30	23
Malmö Flygfraktterminal AB	7	7
Other	0	0
Total	**37**	**30**
Total revenue of affiliated companies	1,788	1,610
Income after tax in affiliated companies	94	79

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

				Share of equity	
Equity in affiliated companies:	Corporate registration number	Domicile	Share of equity %	Oct 31, 2015	Oct 31, 2014
Air Greenland A/S	30672	Nuuk, Greenland	37,5	404	377
Malmö Flygfraktterminal AB	556061-7051	Malmö, Sweden	40,0	13	13
Other				4	5
Total				**421**	**395**
Total assets in affiliated companies				2,038	1,988
Total liabilities in affiliated companies				-914	-936
Shareholders' equity in affiliated companies				**1,124**	**1,052**

NOTE 7 INCOME FROM THE SALE OF AIRCRAFT, BUILDINGS AND SLOT PAIRS

	Nov–Oct 2014–2015	Nov–Oct 2013–2014
Airbus A330	46	36
Boeing 717	36	-
Boeing 737	14	-4
MD-82/83/87	-	-31
Spare engines	1	-15
Properties	2	-2
Slot pairs	678	-
Total	**777**	**-16**

NOTE 8 INCOME FROM OTHER SECURITIES HOLDINGS

	Nov–Oct 2014–2015	Nov–Oct 2013–2014
Capital gain from the sale of shares and participations	1	3
Impairment of shares	-270	-18
Impairment of receivables	-33	-34
Dividend	2	6
Total	**-300**	**-43**

NOTE 9 NET FINANCIAL ITEMS

Financial income	Nov–Oct 2014–2015	Nov–Oct 2013–2014
Interest income on financial assets not measured at fair value	14	29
Interest income on financial assets measured at fair value	103	73
Other financial income	0	0
Net profit/loss on financial instruments categorized as:		
Held for trading, interest income	7	0
Total	**124**	**102**
Financial expenses		
Interest expense on financial liabilities not measured at fair value	-554	-731
Interest expense on financial liabilities measured at fair value	-46	-103
Other financial expenses	-35	-319
Exchange-rate differences, net	5	23
Net profit/loss on financial instruments categorized as:		
Held for trading, interest expense	-1	0
Other liabilities, interest expense	-1	0
Hedge accounting		
Fair value hedge		
– of which change in fair value of hedging instrument	-21	-20
– of which change in fair value of hedged item	21	20
Ineffective portion of cash-flow hedge	-	-
Ineffective portion of net investment hedge in foreign operations	-	-
Total	**-632**	**-1,130**
Total, net financial items	**-508**	**-1,028**

NOTE 10 TAX

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

	Nov–Oct 2014–2015	Nov–Oct 2013–2014
Current tax	-	-1
Deferred tax	-461	200
Total tax recognized in income for the year	**-461**	**199**
Tax recognized in other comprehensive income	-302	153
Total tax recognized in other comprehensive income	**-302**	**153**

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–Oct 2014–2015	Nov–Oct (%) 2014–2015	Nov–Oct 2013–2014	Nov–Oct (%) 2013–2014
Income before tax	1,417		-918	
Tax according to rate in Sweden	-312	-22.0	202	22.0
Tax effect of non-deductible costs	-96	-6.8	-27	-2.9
Tax effect of non-taxable income	61	4.3	0	0
Tax effect of remeasurement of deferred tax	-129	-9.1	33	3.6
Other	15	1.0	-9	-1.0
Tax and effective tax rate for the fiscal year	**-461**	**-32.5**	**199**	**21.7**

Deferred tax liability/tax asset:	Oct 31, 2015	Oct 31, 2014
Deferred tax liability	0	0
Deferred tax asset	375	1,111
Deferred tax asset, net	**375**	**1,111**

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

Deferred tax liability in the balance sheet:	Oct 31, 2015	Oct 31, 2014
Non-current assets	1,407	1,481
Cash-flow hedges	316	92
Pensions	559	341
Other temporary differences	164	229
Netting of deferred tax assets/liabilities	-2,446	-2,143
Total	**0**	**0**

Deferred tax assets in the balance sheet:	Oct 31, 2015	Oct 31, 2014
Tax loss carryforwards	2,314	2,704
Non-current assets	117	123
Other temporary differences	390	427
Netting of deferred tax assets/liabilities	-2,446	-2,143
Total	**375**	**1,111**

Reconciliation of deferred tax assets, net:	Oct 31, 2015	Oct 31, 2014
Opening balance	1,111	800
Change for the year for cash-flow hedges	-262	-92
Change according to statement of income	-461	199
Deferred tax recognized in equity	-40	245
Exchange-rate differences, etc.	27	-41
Deferred tax assets, net, at October 31	**375**	**1,111**

On the closing date the Group had unutilized loss carryforwards of about MSEK 10,300 (12,800). Based on these loss carryforwards, the Group recognized a deferred tax asset of MSEK 2,314 (2,704). Deferred tax assets are recognized to the extent that there are factors indicating that taxable profits will be created. The assessment of the respective Group companies' future profit performance is based on earnings reported in recent years as well as improved profitability prospects. Of recognized loss carryforwards totaling MSEK 2,314, MSEK 641 pertains to operations in Denmark, MSEK 366 to Norway and MSEK 1,307 to Sweden.

Continued Note 10

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 108 (1,270), no deferred tax asset is recognized due to uncertainty as regards future profit earnings. There are no expiration dates for the 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[1]		Total intangible assets	
	Oct 31, 2015	Oct 31, 2014	Oct 31, 2015	Oct 31, 2014	Oct 31, 2015	Oct 31, 2014
Opening cost	810	804	2,565	2,373	3,375	3,177
Investments	10	-	168	189	178	189
Sales/disposals	-	-	-811	-	-811	-
Business Combination[2]	3	-	-	-	3	-
Reclassifications	-	-	-	-	-	-
Exchange-rate differences	-72	6	1	3	-71	9
Closing accumulated cost	**751**	**810**	**1,923**	**2,565**	**2,674**	**3,375**
Opening amortization	-99	-98	-1,371	-1,277	-1,470	-1,375
Amortization for the year	-	-	-207	-92	-207	-92
Sales/disposals	-	-	811	-	811	-
Business Combination[2]	-2	-	-	-	-2	-
Reclassifications	-	-	-	-	-	-
Exchange-rate differences	7	-1	-1	-2	6	-3
Closing accumulated amortization	**-94**	**-99**	**-768**	**-1,371**	**-862**	**-1,470**
Opening impairment	-	-	-	-	-	-
Impairment losses[3]	-14	-	-	-	-14	-
Closing impairment	**-14**	**-**	**-**	**-**	**-14**	**-**
Carrying amount	**643**	**711**	**1,155**	**1,194**	**1,798**	**1,905**

1) Refers to capitalized system development costs.
2) In February, Cimber A/S was acquired.
3) Pertains to the subsidiary Blue1 Oy.

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

Goodwill:	**Oct 31, 2015**	**Oct 31, 2014**
SAS Scandinavian Airlines Norge	632	697
Blue1	-	14
Cimber	11	-
Total goodwill	**643**	**711**

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. The growth rate and cost trend for last year 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 are unchanged since the assessment in 2013/2014. The discount rate has been estimated based on a weighted capital cost after tax of 9.1% (9.1).

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 2015.

NOTE 12 TANGIBLE FIXED ASSETS

	Buildings and land		Aircraft[1,2]		Spare engines & spare parts		Workshop & servicing equipment; aircraft	
	Oct 31, 2015	Oct 31, 2014	Oct 31, 2015	Oct 31, 2014	Oct 31, 2015	Oct 31, 2014	Oct 31, 2015	Oct 31, 2014
Opening cost	1,002	1,015	18,658	20,889	305	496	676	1,052
Investments	30	13	2,738	509	16	32	29	3
Capitalized interest[3]	-	-	-	-	-	-	-	-
Sales/disposals	-95	-65	-2,950	- 1,565	-52	-13	-252	-392
Business Combinations[4]	70	-	-	-	-	-	-	-
Reclassifications	283	27	463	-1,175	-131	-217	-	5
Exchange-rate differences	-24	12	-	-	-	7	-1	8
Closing accumulated cost	**1,266**	**1,002**	**18,909**	**18,658**	**138**	**305**	**452**	**676**
Opening depreciation	-759	-774	-11,123	-12,094	-229	-349	-591	-935
Depreciation and impairment for the year	-37	-35	-1,129	-1,213	-40	-57	-16	-18
Sales/disposals	85	60	438	870	45	9	255	371
Business Combinations[4]	-11	-	-	-	-	-	-	-
Reclassifications	1	-	-	1,314	117	168	-	-2
Exchange-rate differences	15	-10	-	-	-	-	1	-7
Closing accumulated depreciation	**-706**	**-759**	**-11,814**	**-11,123**	**-107**	**-229**	**-351**	**-591**
Carrying amount	**560**	**243**	**7,095**	**7,535**	**31**	**76**	**101**	**85**

	Other equipment & vehicles		Investment in progress		Prepayment fixed assets		Total tangible assets	
	Oct 31, 2015	Oct 31, 2014	Oct 31, 2015	Oct 31, 2014	Oct 31, 2015	Oct 31, 2014	Oct 31, 2015	Oct 31, 2014
Opening cost	868	1,007	71	21	763	251	22,343	24,731
Investments	54	66	213	108	998	506	4,078	1,237
Capitalized interest[3]	-	-	-	-	-	2	-	2
Sales/disposals	-273	-218	-	-	-	-	-3,622	-2,253
Business Combinations[4]	1	-	-	-	-	-	71	-
Reclassifications	-	1	-94	-58	-466	-11	55	-1,428
Exchange-rate differences	-	12	-	-	187	15	162	54
Closing accumulated cost	**650**	**868**	**190**	**71**	**1,482**	**763**	**23,087**	**22,343**
Opening depreciation	-740	-902	-	-	-	-	-13,442	-15,054
Depreciation and impairment for the year	-37	-28	-	-	-	-	-1,259	-1,351
Sales/disposals	265	206	-	-	-	-	1,088	1,516
Business Combinations[4]	-1	-	-	-	-	-	-12	-
Reclassifications	-	-4	-	-	-	-	118	1,476
Exchange-rate differences	0	-12	-	-	-	-	16	-29
Closing accumulated depreciation	**-513**	**-740**	**-**	**-**	**-**	**-**	**-13,491**	**-13,442**
Carrying amount	**137**	**128**	**190**	**71**	**1,482**	**763**	**9,596**	**8,901**

1) The insured value of aircraft at October 31, 2015 amounted to MSEK 36,846. This includes the insured value of leased (operating leases) aircraft in the amount of MSEK 27,621.
2) Modifications of aircraft under operating leases are included in planned residual value in the amount of MSEK 277 (251).
3) Capitalizing of interest was conducted at an average interest rate of - (5.0%).
4) During the year, Cimber A/S was acquired as was Flesland Cargo ANS and Flesland Hangar ANS.

At the beginning of the 2014/2015 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 968 (1,098). In addition to these, owned aircraft include 19 (24) aircraft with a book value of MSEK 3,573 (3,928) placed in financing structures wholly owned by SAS together with appurtenant indebtedness of MSEK 1,507 (1,547), which are to be viewed as finance leased.

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

	Oct 31, 2015	Oct 31, 2014
Owned	6,127	6,437
Finance leased	968	1,098
Carrying amount	**7,095**	**7,535**

FINANCIAL LEASING

The SAS Group has finance leases for aircraft with remaining terms of around one year. In addition, finance leases exist with regard to buildings with remaining terms of around six years as well as for aircraft vehicles and service equipment with remaining terms of up to nine years.

Continued Note 12

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 276 (218). Contingent rent impacted lease payments for the year by MSEK -32 (-34).

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		Property plant and equipment	
	Oct 31, 2015	**Oct 31, 2014**	**Oct 31, 2015**	**Oct 31, 2014**
Cost	2,335	2,323	453	113
Less accumulated depreciation	-1,367	-1,225	-37	-20
Carrying amount of finance-leased assets	**968**	**1,098**	**416**	**93**

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

	Oct 31, 2015		Oct 31, 2014	
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	209	207	144	142
1–5 years	684	659	564	542
> 5 years	106	90	25	16
Total	**999**	**956**	**733**	**700**

OPERATIONAL LEASING

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

	Aircraft	
	Oct 31, 2015	**Oct 31, 2014**
Cost	2,422	2,422
Less accumulated depreciation	-2,147	-2,019
Carrying amount of assets leased out on operating leases	**275**	**403**

Depreciation for the year pertaining to assets leased out on operating leases was MSEK 129 (128).

Leasing revenues for the year of MSEK 88 (86) did not contain any contingent rent. Future leasing revenues for operating leases on the closing date:

	Oct 31, 2015	**Oct 31, 2014**
< one year	17	87
1–5 years	17	17
> 5 years	-	-
Total	**34**	**104**

CONTRACTUAL PURCHASE COMMITMENTS

The Group had the following commitments relating to future acquisitions of tangible fixed assets. Contracted orders amounted to 30 Airbus A320neo aircraft, two Airbus A330-300Es and eight Airbus A350-900s with delivery between 2016 and 2021 at a total price of MUSD 3,086 including spare parts. At the closing date, other purchase commitments totaled MSEK 9 (14).

NOTE 13 PDPs RELATING TO TANGIBLE FIXED ASSETS

	Oct 31, 2015	**Oct 31, 2014**
Airbus	1,482	763
Total	**1,482**	**763**

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, 2015	**Oct 31, 2014**	**Oct 31, 2015**	**Oct 31, 2014**	**Oct 31, 2015**	**Oct 31, 2014**	**Oct 31, 2015**	**Oct 31, 2014**	**Oct 31, 2015**	**Oct 31, 2014**
Opening cost	395	352	572	572	3,778	3,428	3,043	3,049	7,788	7,401
Contributions	-	-	-	-	549	415	762	877	1,311	1,292
Share of income in affiliated companies	37	30	-	-	-	-	-	-	37	30
Business Combinations[1]	-	-	-	-	-	-	8	-	8	-
Amortization	-	-	-	-	-	-	-1,574	-1,036	-1,574	-1,036
Dividend	-15	-5	-	-	-	-	-	-	-15	-5
Reclassifications	-	-	-	-	-	-	-	-4	-	-4
Exchange-rate differences	4	18	-	-	41	-65	91	157	136	110
Closing accumulated cost	**421**	**395**	**572**	**572**	**4,368**	**3,778**	**2,330**	**3,043**	**7,691**	**7,788**
Opening impairment	-	-	-299	-280	-	-	-4	-	-303	-280
Impairment losses	-	-	-270	-19	-	-	-	-4	-270	-23
Closing accumulated impairment	-	-	**-569**	**-299**	-	-	**-4**	**-4**	**-573**	**-303**
Carrying amount	**421**	**395**	**3**	**273**	**4,368**	**3,778**	**2,326**	**3,039**	**7,118**	**7,485**

1) Cimber A/S was acquired during the year.

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, 2015	Oct 31, 2014
Present value of funded obligations	-16,477	-17,233
Fair value of plan assets	21,762	22,146
Surplus in funded plans	**5,285**	**4,913**
Present value of unfunded obligations	-917	-1,135
Surplus in defined-benefit pension plans (net pension funds)	**4,368**	**3,778**

Recognized in profit or loss pertaining to[1]	Nov–Oct 2014–2015	Nov–Oct 2013–2014
Defined-benefit pension plans[2]	-73	1,032
Defined-contribution pension plans	-803	-1,065
	-876	**-33**
Remeasurements of defined-benefit pension plans[3]	75	-1,222

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 52 (1,044) 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 pension 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 (2015/2016) for pension insurances under the Alecta plan are expected to amount to about 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 not 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 148% (146). 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. Furthermore, interest expense and the expected return on plan assets are replaced with "net interest," which is calculated using the discount rate applied 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. SAS reports 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.

As per October 31, 2015, the remaining pension plans in Sweden reported a surplus of about SEK 5 billion, which may benefit SAS in the form of future reductions in premiums and, accordingly, special payroll tax was recognized for the surplus. At October 31, 2015, special payroll tax totaled about SEK 1.1 billion (1.1).

Defined-benefit pension plans	Nov–Oct 2014–2015	Nov–Oct 2013–2014
Current service cost	-193	-196
Past service cost and gains and losses on settlements	52	1,044
Interest expense on pension obligations	-525	-656
Interest income on plan assets	593	840
Total impact recognized in profit and loss for defined-benefit pension plans	**-73**	**1,032**

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

Changes in the present value of defined-benefit plan obligations	Oct 31, 2015	Oct 31, 2014
Opening balance, pension obligations	18,368	28,536
Current service cost	193	196
Past service cost and gains and losses on settlements	-	-584
Settlements	-207	-12,408
Interest expense	525	656
Pensions paid out	-1,557	-1,297
Exchange-rate differences	7	193
	17,329	**15,292**
Remeasurements:		
–Gain/loss (-/+) from change in demographic assumptions	514	-
–Gain/loss (-/+) from change in financial assumptions	-754	2,589
– Experience gains/losses (+/-)	305	487
Closing balance, pension obligations, October 31	**17,394**	**18,368**

Change in fair value of plan assets	Oct 31, 2015	Oct 31, 2014
Opening balance, plan assets	22,146	30,775
Special payroll tax	18	1,192
Restated, opening balance, plan assets	22,164	31,967
Settlements	-155	-11,948
Interest income	593	840
Contributions/premiums paid	497	818
Pensions paid out	-1,557	-1,297
Exchange-rate differences	48	127
	21,590	**20,507**
Remeasurements:		
– Special payroll tax	2	-115
– Exchange-rate differences	-	-114
– Return on plan assets (excluding amounts included in interest income)	170	1,868
Closing balance, plan assets, October 31	**21,762**	**22,146**

Note 15, continued

Change in pension funds, net	Oct 31, 2015	Oct 31, 2014
Opening balance, pension funds (net)	**3,778**	**12,507**
Change due to amended accounting standard (IAS 19)	-	-10,268
Special payroll tax	-	1,192
Restated opening balance, pension funds (net)	**3,778**	**3,431**
Total impact recognized in profit or loss	-73	1,032
Remeasurements	107	-1,438
Contributions/premiums paid	497	818
Special payroll tax	18	
Exchange-rate differences	41	-65
Closing balance, pension funds (net), October 31	**4,368**	**3,778**

Breakdown of the defined-benefit plan obligations and composition of plan assets by country	Oct 31, 2015					Oct 31, 2014				
	Sweden	Norway	Denmark	Other	Total	Sweden	Norway	Denmark	Other	Total
Present value of obligation	-14,016	-1,437	-604	-1,337	-17,394	-14,215	-2,084	-807	-1,262	-18,368
Fair value of plan assets	19,351	759	555	1,097	21,762	19,123	1,204	832	987	22,146
Pension funds, net	**5,335**	**-678**	**-49**	**-240**	**4,368**	**4,908**	**-880**	**25**	**-275**	**3,778**

Remeasurements – analysis of amounts recognized under other comprehensive income	Nov–Oct 2014–2015	Nov–Oct 2013–2014
– Gain/loss (+/-) from change in demographic assumptions	-514	-
– Gain/loss (+/-) from change in financial assumptions	754	-2,589
– Experience gains/losses (+/-)	-305	-487
– Special payroll tax	2	-115
– Exchange-rate differences	-	-114
– Return on plan assets (excluding amounts included in interest income)	170	1,868
Total remeasurements	**107**	**-1,437**

During the year, the discount rate was changed, and in Sweden it increased 2.80% to 3.25%. The total effect of the changed discount rates resulted in a positive impact on other comprehensive income of SEK 0.8 billion. However, the life-expectancy assumption has changed (risen), which has had a negative impact on other comprehensive income of SEK 0.5 billion. Furthermore, additional pension benefits have been measured as liabilities and are recognized under the item Experience gains/losses. The return on plan assets exceeded the discount rate, which entailed a positive impact on other comprehensive income of SEK 0.2 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 parameters) 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 the 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 DUS14 (DUS06) for Sweden and K2013 (K2009) for Norway.

	Oct 31, 2015					Oct 31, 2014				
The key actuarial assumptions were as follows:	Sweden	Norway	Denmark	Other	Total	Sweden	Norway	Denmark	Other	Total
Discount rate	3.25%	2.70%	1.50%	3.75%	2.99%	2.80%	3.50%	3.50%	3.89%	2.98%
Inflation	2.00%	0.50%	1.75%	2.50%	1.86%	2.00%	1.75%	1.75%	2.50%	1.98%
Salary growth rate	2.00%	1.75%	1.75%	0.00%	1.96%	2.00%	1.75%	1.75%	0.00%	1.96%
Pension growth rate	2.00%	0.50%	1.75%	2.50%	1.86%	2.00%	0.50%	1.75%	2.50%	2.00%

The average duration of defined-benefit pension plans was as follows:	Sweden	Norway	Denmark	Other
2014/2015 fiscal year	14.5	8.1	6.7	12.0
2013/2014 fiscal year	13.0	8.0	12.0	12.0

Note 15, continued

Plan assets are comprised as follows[1]:	Oct 31, 2015 Total	%	Oct 31, 2014 Total	%
Alecta (Sweden):				
Equities, of which 42% was invested in Swedish equities	3,548	41	3,269	38
Interest-bearing securities, of which 57% was invested in Swedish interest-bearing instruments	4,414	51	4,731	55
Properties	692	8	602	7
	8,654	**100**	**8,602**	**100**
Euroben (Sweden):				
Equities, of which 35% was invested in Swedish equities	2,496	26	2,172	23
Interest-bearing securities	6,433	67	6,800	72
Properties	-	-	434	4
Other	672	7	39	1
	9,601	**100**	**9,445**	**100**
Danica (Denmark):				
Equities	61	11	75	9
Interest-bearing securities	405	73	657	79
Properties	89	16	100	12
	555	**100**	**832**	**100**
DnB (Norway):				
Equities	99	13	148	12
Interest-bearing securities	530	70	847	70
Properties	103	13	177	15
Other	27	4	32	3
	759	**100**	**1,204**	**100**
Other countries:				
Equities	474	43	520	53
Interest-bearing securities	617	56	467	47
Other	6	1	-	-
	1,097	**100**	**987**	**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	Taken early retirement	Deferred pensioners	Pensioners
The Alecta plan	2,282	-	3,284	3,292
Euroben	103	-	575	941
Other plans in Sweden (unfunded)	-	-	-	285
DnB	11	644	-	770
Danica	44	-	-	-
Total	**2,440**	**644**	**3,859**	**5,288**

The effect on/sensitivity of the defined-benefit obligation to changes in the key assumptions is:	Sweden	Norway	Denmark	Other	Total
Discount rate, -1%	-2,389	-121	-64	-245	-2,819
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 one assumption while holding all other assumptions constant.

NOTE 16 EXPENDABLE SPARE PARTS AND INVENTORIES

	Oct 31, 2015	Oct 31, 2014
Expendable spare parts, flight equipment	281	266
Expendable spare parts, other	31	44
Inventories	33	32
Total	**345**	**342**
Measured at cost	341	342
Measured at net realizable value	4	-
Total	**345**	**342**

NOTE 17 CURRENT RECEIVABLES

Net impairment of accounts receivable and recovered accounts receivable as well as impairment of other current receivables came to MSEK 46 (45), charged to income.

Age analysis of non-impaired accounts receivable	Oct 31, 2015	Oct 31, 2014
Accounts receivable not yet due	1,193	907
Due < 31 days	46	139
Due 31–90 days	6	10
Due 91–180 days	1	8
Due > 180 days	3	3
Total	**1,249**	**1,067**

Provision for doubtful accounts receivable	Oct 31, 2015	Oct 31, 2014
Opening provision	13	17
Provision for expected losses	2	11
Reversed provisions	-1	-6
Actual losses	-4	-9
Closing provision	**10**	**13**

NOTE 18 CURRENT RECEIVABLES FROM AFFILIATED COMPANIES

	Oct 31, 2015	Oct 31, 2014
Air Greenland A/S	2	0
Total	**2**	**0**

NOTE 19 PREPAID EXPENSES AND ACCRUED INCOME

	Oct 31, 2015	Oct 31, 2014
Prepaid expenses	732	787
Accrued income	361	150
Total	**1,093**	**937**

NOTE 20 SHORT-TERM INVESTMENTS

	Oct 31, 2015	Oct 31, 2014
Treasury bills	250	250
Deposits	1,696	2,159
Commercial paper	3,079	1,148
Tax deduction account in Norway	126	146
Total	**5,151**	**3,703**

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 1,163 (977).

NOTE 21 SHARE CAPITAL

SHARE CAPITAL

The company has three classes of shares, common shares, preference shares and subordinated shares. As of October 31, 2015, 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 are treated as common shares and receive an equal share in the company's assets, although not at an amount higher than the quotient value of the subordinated shares index-adjusted from the first date of registration of the subordinated shares until the date of the distribution with an interest-rate factor corresponding to STIBOR 90 days plus two percentage points.

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 air traffic permits in the EEA, under the Articles of Association, the Board is entitled to decide on mandatory redemption of shares held by shareholders outside of Scandinavia without refund to affected shareholders. If it is not possible to redeem such shares, the Board may (subsequent to resolution by the shareholders' meeting) 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

SAS AB has two classes of shares listed. SAS's overriding goal is to create value for its shareholders. Dividends require a resolution by a shareholders' meeting, and that SAS AB has distributable earnings. The Group's earnings, expected performance, financial position, investment requirements and relevant economic conditions should also be taken into account. The dividend policy endeavors to achieve long-term sustainable dividends.

Common shares

Dividends to holders of common shares can be paid from value-creation whereby SAS's return on invested capital exceeds the average cost of capital. The dividend should take in to account any restrictions applying to the Group's financial instruments[1].

Preference shares

SAS is to pay dividends to holders of preference shares of SEK 50 per year, with a quarterly payment of SEK 12.50 per preference share until the payment date for the preference share dividend immediately following the record date of February 5, 2019, whereafter the annual preferential right to a dividend increases by an amount corresponding to 1% of the subscription price per preference share and year until the payment date for preference share dividends immediately after the record date of February 5, 2023. Thereafter, the annual preferential right to a preference-share dividend totals an amount corresponding to SEK 50 plus an additional amount equivalent to 5% of the subscription price. In all cases, dividend payments are evenly allocated over the year in the form of quarterly payments.

1) Currently, SAS has two financial instruments issued that limit dividend rights for holders of SAS common shares. SAS's bond of SEK 1.5 billion that matures in November 2017 stipulates that no dividends may be paid to holders of common shares if SAS's equity/assets ratio is less than 35%. According to the conditions of the preference shares, dividends are not paid to holders of common shares if the preference share capital exceeds 50% of the recognized shareholders' equity. Full dividends must also have been paid to preference shareholders.

NOTE 22 RESERVES

Translation reserve	2015	2014
Opening translation reserve	-109	-195
Translation differences for the year	-177	90
Less: Hedging of exchange risk in foreign operations	-	-3
Tax pertaining to hedging of exchange risk in foreign operations	-	-1
Closing translation reserve, Oct 31	**-286**	**-109**
Hedging reserve		
Opening hedging reserve	290	-35
Cash-flow hedges:		
– Recognized directly in other comprehensive income	1,020	602
– Change in statement of income	170	-185
– Tax attributed to year's change in hedging reserve	-262	-92
Closing hedging reserve, Oct 31	**1,218**	**290**
Total reserves		
Opening reserves	181	-230
Change in reserves for the year:		
– Translation reserve	-177	86
– Hedging reserve	928	325
Closing reserves, Oct 31	**932**	**181**

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, 2015	Oct 31, 2014
Subordinated loans	1,104	1,003
Bond loans	-	-
Other loans	893	937
Total	**1,997**	**1,940**

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 1,096 (974). 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 1,104 (1,003) 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 39 (48), with a countervalue of MSEK 332 (368).

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 floating interest rates in any currency. On the closing date, the SAS Group's issued bonds amounted to MSEK 2,744 (2,713). A specification of individual bond loans is provided below:

				Oct 31, 2015	Oct 31, 2014
Original amount issued	**Coupon rate**	**Term**	**Debt outstanding, currency**	**Carrying amount**	**Carrying amount**
MEUR 60.0	4.4%[1]	2010/16	MEUR 59.7	560	544
MEUR 40.0	5.5%[1]	2011/17	MEUR 38.7	363	356
MSEK 1,500.0	9.0%	2013/17	MSEK 1,493.5	1,493	1,490
MEUR 35.0	8.7%	2013/18	MEUR 35.0	328	323
Total				**2,744**	**2,713**
Less amortization 2015/2016 and 2014/2015				-560	-
Total				**2,184**	**2,713**

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 derivative agreements for some of these bonds for the purpose of limiting currency risk.

NOTE 26 OTHER LOANS

	Oct 31, 2015		Oct 31, 2014	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Finance leases	837	837[1]	605	605[1]
Convertible bond	1,466	1,358	3,007	2,684
Other loans	3,208	3,213[1]	2,872	2,867[1]
Derivatives	-	-	17	17[1]
Total before amortization	**5,511**	**5,408**	**6,501**	**6,173**
Less amortization 2015/2016 and 2014/2015	-704	-702	-2,082	-2,100
Total other loans	**4,807**	**4,706**	**4,419**	**4,073**

Maturity profile of other loans	**2015/2016**	**2016/2017**	**2017/2018**	**2018/2019**	**2019/2020**	**2020>**	**Total**
Finance leases	179	454	40	45	49	70	837
Convertible bond	-	-	-	1,466	-	-	1,466
Other loans	525	838	372	387	263	823	3,208
Derivatives	-	-	-	-	-	-	0
Total	**704**	**1,292**	**412**	**1,898**	**312**	**893**	**5,511**

1) Without taking into consideration SAS's credit risk.

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

In 2014, a convertible bond was issued for MSEK 1,600 with a term of five years. 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 3.24% for finance leases, 3.625% for convertible bonds and 3.28% 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, 2015, the Group signed an agreement on derivatives covering approximately 55% of the Group's forecast jet-fuel requirement for November 2015–April 2017. In November 2014–October 2015, jet-fuel-related costs accounted for 22.0% of the Group's operating expenses, compared with 23.3% in November 2013–October 2014.

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, 2015, the Group had signed agreements for derivatives covering approximately 57% of the Group's forecast commercial currency exposure for November 2015–October 2016 and hedged future contracted aircraft purchases through buying currency derivatives to a value of MUSD 0 (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 gross debt. The target of current policy is for the average fixed-interest term of the financial gross debt to correspond to 2 years. In addition, the development of the financial gross debt for the forthcoming 12 months and contracted future aircraft purchases is taken into consideration. At October 31, 2015, the average fixed-interest term was 1.4 (1.1) 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 0 (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 2015–October 2016 period is affected by around MSEK 45 (38) if short-term market rates rise by 1 percentage point. However, if short-term market rates fall by 1 percentage point the corresponding negative effect on net interest is MSEK -45 (-38). The estimate also includes interest-rate derivatives.

SENSITIVITY ANALYSIS, REVALUATION EFFECT ON CLOSING DATE

		Oct 31, 2015	Oct 31, 2014	Oct 31, 2015	Oct 31, 2014
Market risk	**Change**	**Earnings impact**	**Earnings impact**	**Equity impact**	**Equity impact**
Fuel price	+10%	-	-	101	244
Fuel price	-10%	-	-	-144	-264
Currency risk	+10%	15	1	192	610
Currency risk	-10%	-15	-1	-192	-610
Market interest rates	+1%	-2	0	0	7
Market interest rates	-1%	2	0	0	-7

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, 2015 the fair value of the SAS Group's outstanding derivative instruments totaled MSEK 359 (135), broken down according to the table below.

	Oct 31, 2015				Oct 31, 2014	
		Fair value				
	Outstanding volume	**Assets**	**Liabilities**	**Net**	**Outstanding volume**	**Fair value, net**
Currency derivatives	28,553	456	-63	393	20,243	444
Interest-rate derivatives	1,200	8	24	32	2,193	29
Fuel derivatives	5,862	50	-116	-66	4,404	-338
Total	**35,615**	**514**	**-155**	**359**	**26,840**	**135**

Continued Note 27

As of October 31, 2015, fair value is consistent with carrying amounts. The fair value is the amount received or paid if financial instruments outstanding 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 balance-sheet items in the table to the right.

	Oct 31, 2015	Oct 31, 2014
Other long-term receivables	8	29
Other receivables	506	511
Total derivative assets	**514**	**540**
Other loans	-	-17
Current liabilities	-155	-388
Total derivative liabilities	**-155**	**-405**
Derivative assets/liabilities net at end of the period	**359**	**135**
Allocation of derivatives according to the following:		
Cash-flow hedges	277	71
Fair-value hedges	31	47
Net investment hedges	-	8
Derivatives not designated as hedges for accounting purposes	51	9
Derivative assets/liabilities net at end of the period	**359**	**135**

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.

	Oct 31, 2015			Oct 31, 2014		
	Financial assets	Financial liabilities	Total	Financial assets	Financial liabilities	Total
Gross amount	514	-155	359	540	-405	135
Amount offset	0	0	0	0	0	0
Recognized in the balance sheet	**514**	**-155**	**359**	**540**	**-405**	**135**
Amounts covered by netting agreements	-121	23	-98	-121	3	-118
Net amount after netting agreements	**393**	**-132**	**261**	**419**	**-402**	**17**

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, 2015, 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 1,121 (375).

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, 2015, the accumulated currency effect of these cash flow-hedged currency derivatives was recognized in equity in the amount of MSEK 130 (186).

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, 2015, the accumulated effect on these cash flow-hedged interest derivatives was recognized in equity in the amount of MSEK 0 (-13).

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, 2015, the accumulated effect on these cash flow-hedged fuel derivatives was recognized in equity in the amount of MSEK -33 (-259). The time value is remeasured on an ongoing basis and any changes recognized at fair value in profit and loss.

All together, MSEK 1,218 (289) relating to cash-flow hedges was recognized in equity at October 31, 2015, and is expected to affect the statement of income in the following years as follows:

	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021>	Total
Aircraft	33	43	259	483	247	372	1,437
Commercial flows	167	-	-	-	-	-	167
Interest-rate derivatives	-	-	-	-	-	-	-
Fuel derivatives	-43	-	-	-	-	-	-43
Deferred tax	-35	-9	-57	-106	-54	-82	-343
Effect on equity	**122**	**34**	**202**	**377**	**193**	**290**	**1,218**

Continued Note 27

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.

DERIVATIVES NOT SUBJECT TO HEDGE ACCOUNTING

Other derivatives not subject to hedge accounting are remeasured on an ongoing basis and recognized at fair value through profit or loss. 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 through profit or loss.

EMISSION RIGHTS

In 2015, SAS received about 53% 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 2015 and 43% of the expected need for 2016. During the November 2014 to October 2015 period, SAS expensed emission rights to a value of MSEK 90.

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 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, 2015**	**Oct 31, 2014**
Aaa/P-1	250	320
Aa1/P-1	1,723	38
Aa2/P-1	300	140
Aa3/P-1	2,225	987
A1/P-1	2,044	2,534
A2/P-1	1,031	1,250
A3/P-1	625	2,148
Total	**8,198**	**7,417**

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, 2015, financial preparedness amounted to MSEK 9,747 (8,802), with cash and cash equivalents amounting to MSEK 7,035 (6,420) and unutilized credit facilities totaling MSEK 2,712 (2,382) or 40% (37%) 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 amounts. Future interest flows at floating rates are estimated using the current interest rate on the closing date, which means the amounts may differ.

As of October 31, 2015 the Group's interest-bearing liabilities amounted to MSEK 9,745 (10,805); 0% (0) of the interest-bearing liabilities have financial key ratio covenants for cash flow, debt/equity and liquidity. The term of the interest-bearing gross debt amounted to approximately 2.7 years (2.9) at year-end, excluding the subordinated loan of MCHF 127, which runs without stipulated maturity.

Continued Note 27

LIQUIDITY RISK, MSEK

Oct 31, 2015	Up to 3 months	4–12 months	1–5 years	Over 5 years
Financial liabilities				
Subordinated loans	5	-	15	1,135[2]
Bond loans	6	715	2,442	-
Finance leases	90	115	630	71
Convertibles	-	58	1,803	-
Other loans	133	506	2,033	878
Other liabilities	4	12	185	-
Short-term loans	67	7	-	-
Fuel derivatives	2	114	-	-
Currency derivatives	54	9	-	-
Interest-rate derivatives	-24	-	-	-
Accounts payable	1,528	-	-	-
Total	**1,865**	**1,536**	**7,108**	**2,084**
Currency derivatives, gross[1]	22,771	5,782	-	-
Financial assets				
Other long-term receivables	1	3	1,955	-
Accounts receivable	1,249	-	-	-
Other receivables	-	-	314	-
Short-term investments	5,164	-	-	-
Cash and bank	3,055	-	-	-
Fuel derivatives	50	-	-	-
Currency derivatives	323	133	-	-
Interest-rate derivatives	8	-	-	-
Total	**9,850**	**136**	**2,269**	**0**
Net	**7,985**	**-1,400**	**-4,839**	**-2,084**

Oct 31, 2014	Up to 3 months	4–12 months	1–5 years	Over 5 years
Financial liabilities				
Subordinated loans	5	-	23	974[2]
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, corresponding positive cash flows.
2) Subordinated loan with no maturity date.

Continued Note 27

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, 2015:

				Oct 31, 2015	Oct 31, 2014
Facility	**Maturity**	**Total facility**	**Utilized facility**	**Unutilized facility**	**Unutilized facility**
Credit facility, MEUR 150	2017	1,405	-	1,405	1,385
Credit facility, MUSD 137	2017	1,167	29	1,138	982
Credit facility, MUSD 38	2017	320	320	-	-
Credit facility, MUSD 82	2020	698	698	-	-
Credit facility, MUSD 54	2021	460	460	-	-
Credit facility, MUSD 54	2016	460	306	154	-
Other facilities	2015	15	-	15	15
Total		**4,525**	**1,813**	**2,712**	**2,382**

MEASUREMENT AT FAIR VALUE

Under IFRS 7, disclosures pertaining to financial instruments measured at fair value in the balance sheet are to be provided if the method for establishing fair value utilizes a fair value hierarchy consisting of three levels. The levels reflect the extent to which fair value is based on observable market data or own assumptions. Below is a description of the different levels for determining fair value.

Level 1

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, bank, pricing service (such as Thomson Reuters) or supervisory body are readily and regularly available and those prices represent actual and regularly occurring arm's length market transactions.

This category includes mainly 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 3 (273) comprises shareholdings that are not affiliated companies or subsidiaries.

The entire balance-sheet item is measured at cost because its fair value cannot be reliably measured as a justifiable expense. For this reason, the balance-sheet item "Other 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.

Continued Note 27

FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES

	Oct 31, 2015		Oct 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets at fair value	444	444	472	472
Financial assets held for trading	6,629	6,629	5,179	5,179
Other assets	3,398	3,398	4,052	4,052
Total	**10,471**	**10,471**	**9,703**	**9,703**
Financial liabilities				
Financial liabilities at fair value	136	136	346	346
Financial liabilities held for trading	19	19	59	59
Financial liabilities at amortized cost	9,590	8,820	10,400	9,461
Total	**9,745**	**8,975**	**10,805**	**9,866**

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

	Oct 31, 2015			Oct 31, 2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS						
Other long-term receivables						
– Interest-rate derivatives	-	8	-	-	29	-
Other receivables						
– Fuel derivatives	-	50	-	-	3	-
– Currency derivatives	-	456	-	-	508	-
– Interest-rate derivatives	-	-	-	-	-	-
Short-term investments	433	3,079	-	250	1,147	-
Cash and bank balances	3,047	-	-	2,775	939	-
Total	**3,480**	**3,593**	**0**	**3,025**	**2,626**	**0**
LIABILITIES						
Other loans						
– Interest-rate derivatives	-	-	-	-	17	-
Short-term loans						
– Fuel derivatives	-	116	-	-	341	-
– Currency derivatives	-	63	-	-	65	-
– Interest-rate derivatives	-	-24	-	-	-18	-
Total	**0**	**155**	**0**	**0**	**405**	**0**

Continued Note 27

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, 2015	*Fair value*	*Amortized cost*	*Fair value*	*Amortized cost*	*Fair value*			
ASSETS								
Other holdings of securities	-	-	3	-	-	-	3	3
Other long-term receivables	-	1,710	-	-	-	233	1,943	1,943
– Interest-rate derivatives	-	-	-	-	8	-	8	8
Accounts receivable	-	1,249	-	-	-	-	1,249	1,249
Receivables from affiliated companies	-	-	-	-	-	2	2	2
Other receivables	-	47	-	-	-	314	361	361
– Fuel derivatives	-	-	-	-	50	-	50	50
– Currency derivatives	70	-	-	-	386	-	456	456
– Interest-rate derivatives	-	-	-	-	-	-	0	0
Short-term investments	3,512	1,639	-	-	-	-	5,151	5,151
Cash and bank balances	3,047	-	-	-	-	-	3,047	3,047
Total	**6,629**	**4,645**	**3**	**0**	**444**	**549**	**12,270**	**12,270**
LIABILITIES								
Subordinated loans	-	-	-	1,104	-	-	1,104	332
Bond loans	-	-	-	2,184	-	-	2,184	2,288
Other loans	-	-	-	4,807	-	-	4,807	4,706
– Interest-rate derivatives	-	-	-	-	-	-	0	0
Other liabilities	-	-	-	157	-	31	188	188
Current portion of long-term loans	-	-	-	1,264	-	-	1,264	1,264
Short-term loans	-	-	-	74	-	-	74	74
– Fuel derivatives	-	-	-	-	116	-	116	116
– Currency derivatives	19	-	-	-	44	-	63	63
– Interest-rate derivatives	-	-	-	-	-24	-	-24	-24
Accounts payable	-	-	-	1,528	-	-	1,528	1,528
Total	**19**	**0**	**0**	**11,118**	**136**	**31**	**11,304**	**10,535**

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

NOTE 28 OTHER PROVISIONS

	Restructuring		Loyalty program		Other provisions		Total	
	Oct 31, 2015	Oct 31, 2014	Oct 31, 2015	Oct 31, 2014	Oct 31, 2015	Oct 31, 2014	Oct 31, 2015	Oct 31, 2014
Opening balance	1,329	977	1,462	1,236	6	3	2,797	2,216
New provisions	177	1,036	990	793	5	2	1,172	1,831
Utilized provisions	-607	-694	-890	-567	-2	-1	-1,499	-1,262
Reclassifications	-	-2	-	-	-	2	-	-
Currency effect	0	12	-	-	1	-	1	12
Closing balance	**899**	**1,329**	**1,562**	**1,462**	**10**	**6**	**2,471**	**2,797**

Breakdown in balance sheet:	Oct 31, 2015	Oct 31, 2014	Oct 31, 2015	Oct 31, 2014	Oct 31, 2015	Oct 31, 2014	Oct 31, 2015	Oct 31, 2014
Long-term liabilities	420	620	1,562	1,462	10	6	1,992	2,088
Current liabilities	479	709	-	-	-	-	479	709
	899	**1,329**	**1,562**	**1,462**	**10**	**6**	**2,471**	**2,797**

RESTRUCTURING

SAS presented extensive cost cutting and efficiency measures in conjunction with the fourth quarter interim report for 2013/2014. These measures entail 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 EuroBonus loyalty program, customers can earn bonus points by flying with SAS and/or other Star Alliance companies as well as from purchases made 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 not recognized as revenue until 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, 2015	Oct 31, 2014
Accrued interest	74	74
Derivatives	155	388
Total	**229**	**462**

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 58 – revenue recognition.

NOTE 31 ACCRUED EXPENSES AND PREPAID INCOME

	Oct 31, 2015	Oct 31, 2014
Vacation pay liability	1,089	981
Other accrued payroll expenses	167	379
Selling costs	417	429
Fuel costs	186	228
Government user fees	325	266
Handling costs	165	213
Provision for maintenance of leased engines	1,364	672
Other accrued expenses	927	1,014
Prepaid income	44	173
Total	**4,684**	**4,355**

NOTE 32 PLEDGED ASSETS

	Oct 31, 2015	Oct 31, 2014
Related to liabilities:		
Aircraft mortgages	4,986	5,450
Related to deposits:		
Deposits and blocked bank funds	2,948	2,693
Total	**7,934**	**8,143**

At October 31, 2015, the liability outstanding related to aircraft mortgages was MSEK 2,900 (2,877).

NOTE 33 CONTINGENT LIABILITIES

	Oct 31, 2015	Oct 31, 2014
Guarantees related to:		
Emission rights	38	-
Other	15	8
Total	**53**	**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 any 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 31.

NOTE 34 LEASING COMMITMENTS

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

	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021>
Aircraft	2,916	2,755	2,367	1,917	1,542	3,910
Properties	616	571	572	578	554	2,796
Machinery and equipment	323	330	333	322	317	474
Total	**3,855**	**3,656**	**3,272**	**2,817**	**2,413**	**7,180**

Leases with an annual rental cost in excess of MSEK 0.5 are included. Total lease costs in the 2014/2015 fiscal year amounted to MSEK 3,735 (3,680), of which a positive effect of MSEK 31 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 2014/2015 fiscal year, payments received for assets subleased to a third party amounted to MSEK 165. The value of future fixed payments for these assets amounted to MSEK 349.

At the end of the 2014/2015 fiscal year, the SAS Group aircraft fleet totaled 166 aircraft, of which 115 were leased.

NOTE 35 ADJUSTMENT FOR OTHER ITEMS NOT INCLUDED IN THE CASH FLOW, ETC.

	Nov–Oct 2014–2015	Nov–Oct 2013–2014
Share of income in affiliated companies	-37	-30
Dividends from affiliated companies	15	5
Capitalized interest on prepayments to aircraft manufacturers	-	-2
Earnings impact from measuring financial instruments according to IAS 39	170	-80
Impairment losses	314	100
Provisions	177	1,036
Adjustment of pension agreements	-47	-1,044
Other	-53	-30
Total	**539**	**-45**

NOTE 36 ACQUISITION OF SUBSIDIARIES AND SHARES

In the 2014/2015 fiscal year, Cimber A/S was acquired as was Flesland Cargo ANS and Flesland Hangar ANS comprising airport properties in Norway.

In the 2013/2014 fiscal year, Gardermoen Technical Base ANS was acquired from Airport Properties Norway AS.

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

	Nov–Oct 2014–2015	Nov–Oct 2013–2014
Fixed assets	68	668
Current assets	28	-
Cash and cash equivalents	8	-
Long-term liabilities	-4	-
Current liabilities	-44	-
Total	**56**	**668**
Option payments	1	19
Goodwill	11	-
Purchase price	**68**	**687**
Cash and cash equivalents in acquired companies	-8	-
Impact on the Group's cash and cash equivalents	**60**	**687**

NOTE 37 SALE OF SUBSIDIARIES AND SHARES

In the 2014/2015 fiscal year, Blue Travel Services and call center operations within the SAS Consortium were divested.

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

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

	Nov–Oct 2014–2015	Nov–Oct 2013–2014
Fixed assets	0	687
Current assets	0	-
Cash and cash equivalents	4	-
Long-term liabilities	-	-
Current liabilities	-1	-
Total	**3**	**687**
Capital gain excluding selling costs	11	5
Purchase price	**14**	**692**
Selling costs	0	-4
Consideration pertaining to divestments in 2013	-	5
Unpaid purchase price	-	-1
Cash and cash equivalents in divested companies	-4	-
Impact on the Group's cash and cash equivalents	**10**	**692**

NOTE 38 CASH AND CASH EQUIVALENTS

	Oct 31, 2015	Oct 31, 2014
Short-term investments	5,151	3,703
Cash and bank balances	3,047	3,714
Cash and cash equivalents at year-end	**8,198**	**7,417**

Disclosure of interest paid:

During the year, interest received amounted to MSEK 106 (98), of which MSEK 78 (24) pertains to forward premiums for currency derivatives. During the year, interest paid amounted to MSEK 516 (760), of which MSEK 63 (116) refers to forward premiums for currency derivatives.

NOTE 39 AUDITORS' FEES

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

	Nov–Oct 2014–2015	Nov–Oct 2013–2014
Auditing services		
PwC	7	7
Audit activities other than audit assignment		
PwC	1	2
Tax consultancy services		-
PwC	1	-
Other services		
PwC	-	1
Total	**9**	**10**

NOTE 40 TRANSACTIONS WITH AFFILIATED COMPANIES

Revenue from sales to affiliated companies amounted to MSEK 13 (13) and the cost of purchases from affiliated companies was MSEK 40 (45).

NOTE 41 SEGMENT REPORTING

GEOGRAPHICAL BREAKDOWN

	Domestic		Intra-Scandinavian		Europe		Intercontinental		Total	
	Nov–Oct 2014–2015	Nov–Oct 2013–2014	Nov–Oct 2014–2015	Nov–Oct 2013–2014	Nov–Oct 2014–2015	Nov–Oct 2013–2014	Nov–Oct 2014–2015	Nov–Oct 2013–2014	Nov–Oct 2014–2015	Nov–Oct 2013–2014
Passenger revenue	9,113	8,592	3,509	3,102	11,412	11,018	6,462	5,998	30,496	28,710
Freight and mail revenue	7	10	17	23	93	88	1,148	1,158	1,265	1,279
Charter revenue	0	0	0	0	1,742	2,108	0	0	1,742	2,108
Other traffic revenue	620	540	237	195	770	691	439	377	2,066	1,803
Total traffic revenue	**9,740**	**9,142**	**3,763**	**3,320**	**14,017**	**13,905**	**8,049**	**7,533**	**35,569**	**33,900**

	Denmark		Norway		Sweden		Europe		Other countries		Total	
	Nov–Oct 2014–2015	Nov–Oct 2013–2014	Nov–Oct 2014–2015	Nov–Oct 2013–2014	Nov–Oct 2014–2015	Nov–Oct 2013–2014	Nov–Oct 2014–2015	Nov–Oct 2013–2014	Nov–Oct 2014–2015	Nov–Oct 2013–2014	Nov–Oct 2014–2015	Nov–Oct 2013–2014
Other operating revenue	705	579	1,423	1,449	756	659	696	768	501	651	4,081	4,106

OTHER DISCLOSURES

	Denmark		Norway		Sweden		Europe		Other countries		Not broken down		Total	
	Oct 31, 2015	Oct 31, 2014	Oct 31, 2015	Oct 31, 2014	Oct 31, 2015	Oct 31, 2014	Oct 31, 2015	Oct 31, 2014	Oct 31, 2015	Oct 31, 2014	Oct 31, 2015	Oct 31, 2014	Oct 31, 2015	Oct 31, 2014
Assets[1]	1,414	1,068	692	1,055	3,756	3,496	1,859	1,219	207	270	7,126	7,611	15,054	14,719

1) Aircraft and spare parts are not broken down, see Note 1, Significant accounting policies – Segment reporting, page 55.

In 2014/2015 and 2013/2014, 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	Oct 31, 2015 Carrying amount	Oct 31, 2014 Carrying amount
Owned by SAS AB:						
SAS Sverige AB	Sigtuna	556042-5414	70,500,000	100	1,937	737
SAS Norge AS	Bærum	811176702	47,000,000	100	3,028	628
SAS Danmark A/S	Copenhagen	56994912	47,000,000	100	3,971	571
SAS Individual Holdings AB	Stockholm	556063-8255	610,000	100	721	756
SAS Tech AB	Stockholm	556137-6764	940,000	100	-	1,150
Linjeflyg AB	Sigtuna	556062-8454	2,000,000	100	237	237
OY Nordair Ab	Vantaa	525.232	150	100	6	71
SAS Cargo Group A/S	Tårnby	25736443	200,500	100	0	0
SAS Ground Handling Denmark A/S	Tårnby	32339026	55,000	100	37	33
SAS Ground Handling Norway AS	Oslo	912056228	5,000	100	52	46
SAS Ground Handling Sweden AB	Stockholm	556934-7924	445,000	100	64	58
Other					0	0
					10,053	**4,287**
Owned by SAS Consortium:						
SAS Scandinavian Airlines Norge AS	Bærum	962308449	150,000	100	-	387
SAS Scandinavian Airlines Sverige AB	Sigtuna	556235-5908	710,000	100	810	810
SAS Capital B.V.	Rotterdam	167071	501	100	8	8
SAS Ground Services Sweden AB	Stockholm	556657-7374	101,000	100	-	222
SAS Ground Services Norway AS	Oslo	986978364	12,100	100	-	260
Other					2	1
					820	**1,688**
Owned by SAS Sverige AB:						
SAS Tech AB	Stockholm	556137-6764	940,000	100	2,271	-
Owned by SAS Individual Holdings AB:						
RED1 A/S	Copenhagen	24202941	500	100	1	1
Spirit Air Cargo Handling Group AB	Stockholm	556690-7076	11,000	100	58	58
					59	**59**
Owned by RED1 A/S:						
Cimber A/S	Tårnby	34576890	600,000	100	13	-

NOTE 43 SIGNIFICANT EVENTS AFTER THE CLOSING DATE

- SAS completed the sale of Blue1 to CityJet. From spring 2016, CityJet will operate regional jet services on behalf of SAS using eight brand new Bombardier CRJ900s.
- The European Court of Justice annulled the European Commission's MEUR 70.2 fine from 2010. The decision can be appealed by the European Commission.
- Mattias Forsberg took office as Executive Vice President and CIO on January 1, 2016.
- SAS completed the financing of PDPs for five Airbus A320neo aircraft with delivery from Airbus in 2018.
- Following conversion of SAS's convertible bond loan, the number of common shares issued in SAS AB increased 1,082,551 to 330,082,551 common shares.

SAS AB, PARENT COMPANY

STATEMENT OF INCOME

MSEK	Note	Nov–Oct 2014–2015	Nov–Oct 2013–2014
Revenue		0	0
Payroll expenses	1	-30	-34
Other operating expenses		-19	-65
Operating income		**-49**	**-99**
Share of income of Group companies	2	864	4
Income from other securities holdings	2	-268	-3
Interest income and similar income items		286	379
Interest expenses and similar income items		-368	-433
Exchange-rate differences		-3	3
Income before appropriations and taxes		**462**	**-149**
Appropriations		31	82
Tax	3	5	12
Net income for the year		**498**	**-55**

The Parent Company recognizes no items in other comprehensive income for 2014/2015 and 2013/2014, respectively. Net income for the year for the Parent Company also corresponds to comprehensive income.

As part of strengthening the SAS Consortium's equity, SAS AB paid a shareholders' contribution in April 2015 of a total of SEK 7 billion to the Consortium's parent companies: SAS Danmark A/S, SAS Norge AS and SAS Sverige AB. Thereafter, the SAS Consortium's parent companies paid capital contributions totaling SEK 12 billion to the SAS Consortium. Earnings from participations in Group companies comprised a MSEK 1,121 capital gain on the intra-Group divestment of the subsidiary SAS Tech AB and impairment of holdings in subsidiaries.

BALANCE SHEET

ASSETS, MSEK	Note	Oct 31, 2015	Oct 31, 2014
Non-current assets			
Financial fixed assets			
Shares in subsidiaries	4	10,053	4,287
Other holdings of securities	5	2	272
Deferred tax assets	3	692	700
Receivables from Group companies		4,004	0
Other long-term receivables		77	114
Total non-current assets		**14,828**	**5,373**
Current assets			
Current receivables			
Accounts receivable		0	0
Receivables from Group companies		1,169	12,484
Other receivables		5	17
Prepaid expenses and accrued income		0	0
		1,174	**12,501**
Cash and bank balances		1	1
Total current assets		**1,175**	**12,502**
TOTAL ASSETS		**16,003**	**17,875**

SHAREHOLDERS' EQUITY AND LIABILITIES, MSEK	Note	Oct 31, 2015	Oct 31, 2014
Shareholders' equity			
Restricted equity			
Share capital		6,754	6,754
Statutory reserve		306	306
Unrestricted equity			
Retained earnings		5,221	5,626
Net income for the year		498	-55
Total shareholders' equity		**12,779**	**12,631**
Long-term liabilities			
Convertible loans	6	1,466	1,426
Bond loans	7	1,494	1,490
Long-term liabilities to Group companies		7	429
Deferred tax liability	3	36	49
Other liabilities		0	1
Total long-term liabilities		**3,003**	**3,395**
Current liabilities			
Current portion of long-term loans	6	0	1,581
Liabilities to Group companies		10	1
Accounts payable		2	0
Other liabilities		198	252
Accrued expenses and prepaid income		11	15
Total current liabilities		**221**	**1,849**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**16,003**	**17,875**
Pledged assets			
Contingent liabilities	8	-	336

CHANGE IN SHAREHOLDERS' EQUITY

MSEK	Share capital	Restricted reserves	Unrestricted equity	Total equity
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 year			-55	-55
Shareholders' equity, October 31, 2014	**6,754**	**306**	**5,571**	**12,631**
Preference share dividend			-350	-350
Net income for the year			498	498
Shareholders' equity, October 31, 2015	**6,754**	**306**	**5,719**	**12,779**

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 (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–Oct 2014–2015	Nov–Oct 2013–2014
OPERATING ACTIVITIES		
Income before appropriations and taxes	462	-149
Income from the sale of shares	-1,121	-5
Impairment of shares	370	1
Impairment of receivables	157	8
Adjustment for items not included in the cash flow	33	31
Cash flow from operating activities before changes in working capital	**-99**	**-114**
Change in:		
Operating receivables	15	16
Operating liabilities	-40	-160
Cash flow from changes in working capital	**-25**	**-144**
Cash flow from operating activities	**-124**	**-258**
INVESTING ACTIVITIES		
Investment in subsidiaries	-7,000	-1
Disposal of subsidiaries	2,271	4
Cash flow from investing activities	**-4,729**	**3**
FINANCING ACTIVITIES		
Proceeds from borrowings	-	1,600
Repayment of borrowings	-1,600	-
Preference share issue	-	3,500
Dividend on preference shares	-350	-175
Group contributions received	82	3
Change in short-term investments	10,913	-5,313
Change in interest-bearing receivables and liabilities	-4,192	640
Cash flow from financing activities	**4,853**	**255**
Cash flow for the year	**0**	**0**
Cash and cash equivalents at beginning of the year	1	1
Cash and cash equivalents at year-end	**1**	**1**

Disclosure of interest paid:

During the year, interest received amounted to MSEK 155 (336). During the year, interest paid amounted to MSEK 323 (357).

NOTE 1 NO. OF EMPLOYEES, SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY EXPENSES

The average number of employees was 5 (6). A breakdown of the average number of employees by country is provided in the table below.

	Nov–Oct 2014–2015		Nov–Oct 2013–2014	
	Men	**Women**	**Men**	**Women**
Denmark	-	-	-	1
Sweden	2	3	2	3
Total	**2**	**3**	**2**	**4**
Total of men and women	**5**		**6**	

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 61–62.

NOTE 2 INCOME FROM FINANCIAL ITEMS

	Nov–Oct 2014–2015	Nov–Oct 2013–2014
Dividend	2	5
Capital gain from the sale of shares and other participations	1,121	5
Impairment of shares	-370	-1
Impairment of receivables	-157	-8
Total	**596**	**1**

NOTE 3 TAX

	Nov–Oct 2014–2015	Nov–Oct 2013–2014
Current tax	-	-
Deferred tax	5	12
Total tax	**5**	**12**
Deferred tax assets/liabilities		
Opening balance	651	683
Tax effect on items in equity	0	-44
Deferred tax	5	12
Closing balance tax assets/liabilities	**656**	**651**

NOTE 4 PARTICIPATIONS IN SUBSIDIARIES

See SAS Group Note 42 – Subsidiaries in the SAS Group, page 84.

NOTE 5 OTHER HOLDINGS OF SECURITIES

	Oct 31, 2015	Oct 31, 2014
Widerøe's Flyveselskap AS	-	270
Incorporate Cell Company	2	2
Total	**2**	**272**

NOTE 6 CONVERTIBLE LOANS

In 2014, a convertible bond was issued for MSEK 1,600 maturing in five years. At the date of issue, the value of debt and equity share was determined as 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 loan is categorized as "Other liabilities," which means recognition at amortized cost.

NOTE 7 BOND LOAN

	Oct 31, 2015	Oct 31, 2014
Issued MSEK 1,500	1,494	1,490
Total	**1,494**	**1 490**

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

NOTE 8 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 undertakings).

Other contingent liabilities benefitting:	Oct 31, 2015	Oct 31, 2014
Blue1	-	336
Total	**-**	**336**

NOTE 9 AUDITORS' FEES

	Nov–Oct 2014–2015	Nov–Oct 2013–2014
Auditing services		
PwC	6	5
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.

SIGNATURES

The Board of Directors and the President hereby give their assurance that this 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, February 11, 2016

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 February 11, 2016. The consolidated 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 March 8, 2016.

Our auditors' report was submitted on February 11, 2016

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
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 November 1, 2014–October 31, 2015 fiscal year, except for the corporate governance statement on pages 37–46. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 26–88.

Responsibilities of the Board of Directors and the President for the annual accounts and consolidated accounts

The Board of Directors and the President 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 President 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 President, 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 October 31, 2015 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 October 31, 2015 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 37–46. 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 President of SAS AB (publ) for the November 1, 2014–October 31, 2015 fiscal year. We have also conducted a statutory examination of the corporate governance statement.

Responsibilities of the Board of Directors and the President

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 President are responsible for administration under the Companies Act and that the corporate governance statement on pages 37–46 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 President is liable to the company. We also examined whether any member of the Board of Directors or the President 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 our 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 President be discharged from liability for the fiscal 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, February 11, 2016

PricewaterhouseCoopers AB

Bo Hjalmarsson
Authorized Public Accountant
Principal Auditor

Eva Medbrant
Authorized Public Accountant

THE SAS SHARE AND KEY FIGURES

POSITIVE SHARE TREND

The three strategic priorities for SAS aim to provide the preconditions for achieving the overriding objective of creating long-term value for SAS shareholders. In combination with lower jet-fuel prices, the implementation of these priorities and raised profitability expectations for SAS and the industry contributed to positive trends for the company's common and preference shares in 2015.

BACKGROUND TO SAS'S CURRENT SHARE STRUCTURE

SAS has a stock exchange history extending 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 Nasdaq Nordic in Stockholm (primary listing), with secondary listings in Copenhagen and Oslo. In March 2014, SAS AB's preference share was listed on the Nasdaq Nordic in Stockholm.

At October 31, 2015, SAS AB had 336 million shares outstanding. Of these, 329 million are common shares and seven million are preference shares. At October 31, 2015, SAS had one convertible bond loan, issued in 2014, of SEK 1.6 billion. The conversion price was SEK 24.0173 in October 2015. In January 2016, the number of common shares in issue increased by slightly more than one million as a result of the conversion of MSEK 26 of the convertible bond loan.

SHARE PERFORMANCE IN 2014/2015

Over the fiscal year, the share price for SAS's common share rose 45.4% to SEK 16.5 and its preference share climbed 20.7% to SEK 501. Over the same period, the Nasdaq Stockholm OMX30 index rose 6.1%. Including preference shares, the total market capital of SAS represents about 0.1% of the total market capital listed on the Nasdaq Stockholm.

In the 2014/2015 fiscal year, the trend for SAS's common share underperformed by 14.2 percentage points compared with a weighted average of competitors' market capitalizations. The positive share-price trend for SAS and the industry coincided with lower jet-fuel prices, expectations for increased profitability and more stable market capacity.

The value of the number of common shares traded on all three exchanges where SAS is listed totaled SEK 6.3 billion (5.7). The increase was attributable to a higher average share price and a rise in the volume of shares traded. The distribution of turnover between the exchanges in the number of common shares traded during the fiscal year was: Stockholm 64%, Copenhagen 32% and Oslo 4%.

SHARES TRADED IN RELATION TO SHARES OUTSTANDING

	2014/2015	2013/2014
Common shares[1]	238%	223%
Preference shares	56%	68%

1) Adjusted for the holdings of the three Scandinavian governments of 50% of the common shares outstanding.

DISTRIBUTION OF SHAREHOLDERS AND CHANGES

At October 31, 2015, SAS had 53,366 holders of common shares and 6,019 preference shareholders. The number of individual shareholders was in line with the year-earlier period at 58,626.

Holdings in Scandinavia were about 89%, with Sweden accounting for 46%, Denmark 27% and Norway 16%. Holdings outside of Scandinavia increased by 4 percentage points and totaled 11% in October 2015. Holdings outside the EEA area were less than 3%, of which the majority were registered in the US.

SHAREHOLDER SERVICE

One component of SAS's shareholder service comprises 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.

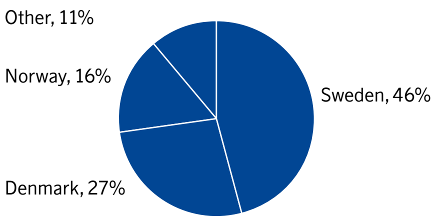
In conjunction with the quarterly reports, SAS arranges telephone conferences that can be followed by webcast on SAS's website: www.sasgroup.net. In addition, SAS provides supplementary information and facts to shareholders and investors through the website.

THE 20 LARGEST SHAREHOLDERS IN SAS AB

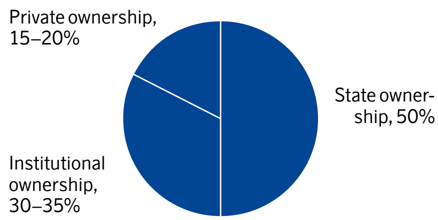
October 31, 2015	Number of common shares	Number of preference shares	% of voting rights
The Swedish Government	70,500,000	-	21.4
The Danish Government	47,000,000	-	14.3
The Norwegian Government	47,000,000	-	14.3
Knut and Alice Wallenberg's Foundation	24,855,960	-	7.5
Försäkringsaktiebolaget Avanza Pension	3,987,524	331,355	1.3
Unionen	4,150,359	-	1.3
Robur Försäkring	2,737,299	288,799	0.9
JPMC Escrow Swiss Resident Account	2,969,245	5,000	0.9
Vätterleden aktiebolag	2,731,349	113,050	0.9
Gladiator	2,330,000	270,000	0.8
BP2S Lux/Fim/Belgian Funds	1,799,357	-	0.5
JP Morgan Bank Luxembourg	1,554,801	60,454	0.5
Gamla Livförsäkringsaktiebolaget	1,392,479	-	0.4
Gerald Engström	1,300,000	-	0.4
Nordnet Pensionsförsäkring AB	1,141,421	149,133	0.4
Barclays Capital Securities Ltd	1,052,711	-	0.3
SSB Client Omnibus AC OM03	998,702	34,560	0.3
Svea Ekonomi AB	1,000,000	-	0.3
BNY GCM Client Accounts	845,760	-	0.3
Morgan Stanley & Co. LLC, W9	831,103	-	0.3
Other shareholders	108,821,930	5,747,649	34.7
Total	**329,000,000**	**7,000,000**	**100.0**

Source: Euroclear, VP Securities A/S (VP) and Verdipapirsentralen ASA (VPS).

VOTING RIGHTS IN SAS, BY COUNTRY, OCTOBER 31, 2015

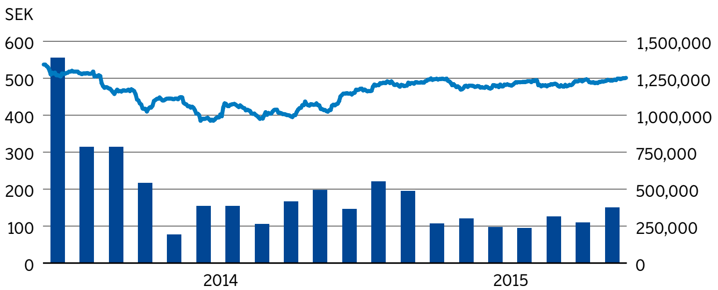


BREAKDOWN OF SAS'S SHARE CAPITAL, BY VOTES, OCTOBER 31, 2015

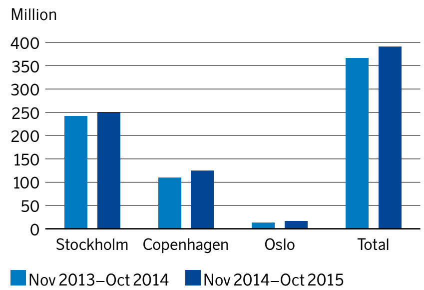


PREFERENCE SHARE PRICE

STOCK TURNOVER, PREFERENCE SHARES, MONTHLY

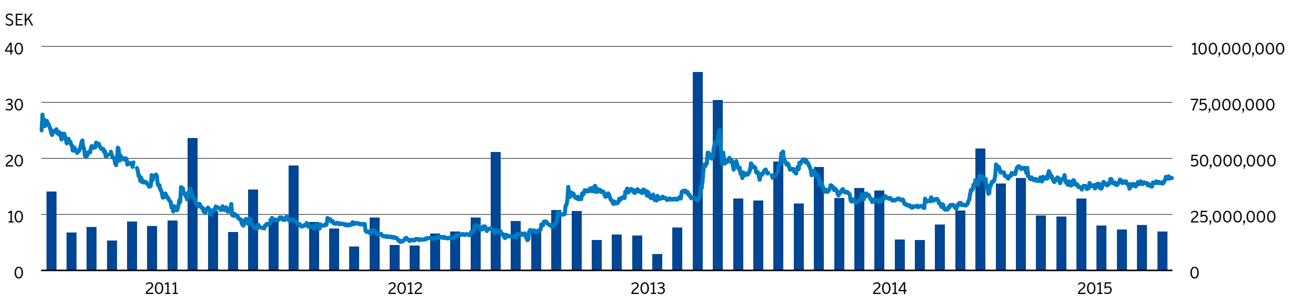


BREAKDOWN OF STOCK TURNOVER BY THE THREE EXCHANGES AND TOTAL



PRICE TREND FOR COMMON SHARES

STOCK TURNOVER, COMMON SHARES, PER MONTH



A weak yield trend combined with concerns for a softening global economy and the financial crisis in Southern Europe had a negative impact on the SAS share and the entire airline industry.

The SAS share price rose substantially in 2013 after the launch of the restructuring program and the signing of the new collective agreements.

The SAS common share followed a negative price trend at the start of 2014 in conjunction with substantial yield pressure.

The SAS share price increased at the start of the 2014/2015 fiscal year in conjunction with declining jet-fuel prices.

NUMBER OF SHAREHOLDERS

	Oct 31, 2015	Oct 31, 2014	Oct 31, 2013
Holders of common shares	53,366	54,300	61,383
Preference shareholders	6,019	4,927	-
Total number of shareholders	**58,626**	**58,434**	**61,383**

As some shareholders have both preference and common shares, the total number of shareholders does not correspond to the sum of the totals for the number of holders of common shares and preference shares.

SHARE-RELATED KEY RATIOS

	Nov–Oct 2014–2015	Nov–Oct 2013–2014	Nov–Oct 2012–2013	Jan–Oct 2012	Jan–Dec 2011
Market capitalization[1], MSEK	8,936	6,639	6,416	2,122	2,632
Issued common shares, million	329	329	329	329	329
Issued preference shares, million	7	7	-	-	-
Common share turnover, million	391.5	366.3	422.0	200.7	309.8
Preference share turnover, million	3.9	4.7	-	-	-
Earnings per common share[2], SEK	1.84	-3.03	4.12	-2.99	-5.13
Cash flow from operating activities, common share, SEK	9.23	3.33	3.12	7.79	-1.47
Dividend (common share), SEK	0	0	0	0	0
Dividend (preference share), SEK	50	25	-	-	-
Shareholders' equity per common share[2], SEK	8.10	3.66	9.76	33.91	37.79

Price-related key figures, common share, SEK	Nov–Oct 2014–2015	Nov–Oct 2013–2014	Nov–Oct 2012–2013	Jan–Oct 2012	Jan–Dec 2011
Market capitalization[2]/shareholders' equity at year-end, %	141	135	199	19	21
P/E ratio, common share	9.6	neg	3.2	neg	neg
P/CE ratio, common share	1.7	4.4	4.3	0.9	-11.0
Share price at end of fiscal year, SEK	16.50	11.35	19.50	6.45	8.00
Highest closing price for the year	18.90	21.20	25.10	9.50	27.80
Lowest closing price for the year	11.60	10.85	5.40	5.10	7.50
Average closing price for the year	15.78	14.65	13.31	7.13	16.16

1) Pertains to the total value of common and preference shares.
2) The key figures for 2012/2013 were restated to take into account the changed accounting standard IAS 19.

DISTRIBUTION OF SHARES, COMMON AND PREFERENCE SHARES

October 31, 2015	No. of share-holders	No. of votes	% of share capital	% of all share-holders
1–1,000	47,157	10,359,920	3.1	80.4
1,001–5,000	8,639	19,879,087	6.0	14.7
5,001–10,000	1,474	10,472,665	3.2	2.5
10,001–100,000	1,218	31,237,719	9.5	2.1
100,001–1,000,000	121	34,914,710	10.6	0.2
1,000,001–	17	217,626,442	66.0	0.0
Unknown shareholders		5,209,457	1.6	0.0
Total	**58,626**	**329,700,000**	**100.0**	**100.0**

Source: Euroclear, VP and VPS.

COMMON SHARES TRADED PER EXCHANGE

	Value, MSEK		No. of shares, million	
	Nov–Oct 2014–2015	Nov–Oct 2013–2014	Nov–Oct 2014–2015	Nov–Oct 2013–2014
Stockholm	4,018	3,732	250	242
Copenhagen	2,005	1,683	125	110
Oslo	272	221	17	14
Total	**6,295**	**5,636**	**392**	**366**

Source: Nasdaq OMX Nordic.

PREFERENCE SHARE TURNOVER

	Value, MSEK		No. of shares, million	
	2014–2015	2013–2014	2014–2015	2013–2014
Stockholm	1,996	2,786	3.9	4.7

Source: Nasdaq OMX Nordic.

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 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, SAS 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.

OPERATIONAL KEY FIGURES

Passenger traffic-related key figures	Nov–Oct 2014–2015	Nov–Oct 2013–2014	Nov–Oct 2012–2013	Jan–Oct 2012	2011	2010	2009	2008	2007	2006
Number of destinations served, scheduled	119	125	150	136	128	127	134	157	158	164
Number of flights, scheduled	293,898	294,679	402,460	338,870	396,134	367,817	380,470	427,201	423,807	552,899
Number of passengers, total (000)[1]	28,884	29,408	30,436	25,916	28,990	27,096	26,967	30,936	31,381	43,138
Number of passengers, scheduled (000)	26,941	27,061	28,057	23,979	27,206	25,228	24,898	29,000	29,164	39,059
Available seat km, total (million)[1]	44,289	45,158	44,629	36,126	40,953	38,851	39,934	45,764	44,433	63,555
Available seat km, scheduled (million)	40,877	40,971	40,583	32,813	37,003	34,660	35,571	41,993	40,019	54,907
Revenue passenger km, total (million)[1]	33,781	34,714	33,451	27,702	30,668	29,391	29,025	33,097	33,082	46,770
Revenue passenger km, scheduled (million)	30,561	30,686	29,650	24,746	27,174	25,711	25,228	29,916	29,365	39,247
Load factor, total (%)[1]	76.3	76.9	75.0	76.7	74.9	75.6	72.7	72.3	74.5	73.6
Average passenger distance, total (km)	1,170	1,180	1,099	1,069	1,058	1,085	1,076	1,070	1,054	1,084
Weight-related key figures										
Available tonne km, ATK, total (mill. tonne km)	5,553	5,617	5,527	4,475	5,089	4,835	5,052	5,991	5,812	7,775
Available tonne km, scheduled (mill. tonne km)	5,132	5,119	5,042	4,098	4,604	4,318	4,463	5,291	4,987	6,461
Available tonne km, other (mill. tonne km)	421	498	485	377	485	517	589	700	827	1,314
Revenue tonne km, RTK, total (mill. tonne km)	3,989	4,067	3,930	3,201	3,555	3,448	3,327	4,136	4,210	5,496
Passengers and excess baggage (mill. tonne km)	3,354	3,446	3,308	2,733	3,018	2,897	2,863	3,268	3,265	4,489
Total load factor, scheduled (%)	71.8	72.4	71.1	71.5	69.9	71.3	65.9	69.0	72.4	70.7
Traffic revenue/revenue tonne km (SEK)	7.64	8.34	9.53	9.94	10.23	10.42	11.34	10.12	9.72	9.46
Key figures for costs and efficiency										
Unit cost[2]	0.79	0.75	0.80	0.81	0.86	0.95	1.02	0.96	0.87	0.78
Jet-fuel price paid incl. hedging, average (USD/tonne)	757	978	1,093	1,116	970	773	831	1,120	786	707
Revenue-related key figures										
Passenger revenue/revenue passenger km, scheduled, yield (SEK)	1.00	0.94	1.07	1.09	1.12	1.16	1.30	1.27	1.25	1.12
Passenger revenue/available seat km, scheduled, (SEK)	0.75	0.70	0.78	0.82	0.82	0.86	0.92	0.91	0.92	0.80
Environmental key figures										
CO_2, gram/passenger km[3]	101	100	104[6]	118	122	121	127	131	130	131
Climate index[4] (Environmental index[5])	92	92	94[6]	98	100	90	94	98	96	95
Key figures for Scandinavian Airlines										
Market share, home market	35	35	35	35	36	37	39			
Yield, currency-adjusted change, (%)	4.0	-7.4	-0.4	-1.0	-2.0	-7.4	-5.2			
PASK, currency-adjusted change, (%)[7]	3.8	-5.8	-3.2	1.1	-1.3	-0.2	-7.3			
Total unit cost, change, (%)	-3.8	-2.2	-6.0	-0.1	2.0	-7.8	-8.1			
Average flight distance, scheduled, km	866	865	861	844	847	823	816			
No. of daily departures, scheduled, annual average	805	807	791	773	683	667	707			
Number of aircraft in service[8]	151	156	151	156	157	159	172			
Aircraft, block hours/day	8.8	9.0	8.7	8.2	8.1	7.5	8.0			
Pilots, FTEs	1,266	1,396	1,413	1,328[9]	1,304	1,297	1,609			
Pilots, block hours/year	688	685	665	659	650	630	550			
Pilots, payroll expenses, MSEK	2,543	2,641	2,757	2,510	3,019	3,120	-			
Cabin crew, FTEs	2,384	2,564	2,607	2,613[9]	2,528	2,442	2,835			
Cabin crew, block hours	762	762	721	674	660	640	616			
Cabin crew, payroll expenses, MSEK	1,793	1,823	2,015	1,785	2,333	2,337	-			
Regularity, (%)	98.7	99.0	98.8	99.0	98.5	96.6	99.3			
Punctuality (%) within 15 min.	87.9	88.4	86.2	89.4	88.9	86.9	90.1			
Customer satisfaction, CSI	74	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) Only includes aircraft depreciation for the years 2006–2007.

3) Carbon dioxide emissions per passenger kilometer comprising all passengers on board all flights (scheduled, charter, etc.).

4) Adjusted from 2005 to reflect changes in the Group. The base year became the full-year 2011 in conjunction with 4Excellence. The result for the January–October 2012 period comprises November 2011–October 2012.

5) Refers to Scandinavian Airlines.

6) Excluding Widerøe.

7) Refers to RASK prior to the 2013/2014 fiscal year.

8) Including wet leases.

9) Applies to January–October 2012.

Refer to page 96 for definitions & concepts.

TEN-YEAR FINANCIAL OVERVIEW

Statements of income, MSEK	2015	2014	2013	2012[1]	2011	2010	2009	2008	2007	2006
Revenue	39,650	38,006	42,182	35,986	41,412	41,070	44,918	52,870	50,598	50,152
Operating income before depreciation	2,877	1,576	3,647	955	3,019	246	-1,311	997	2,677	2,618
Depreciation, amortization and impairment	-1,446	-1,443	-1,658	-1,426	-2,413	-1,885	-1,845	-1,550	-1,457	1,757
Share of income in affiliated companies	37	30	25	32	28	12	-258	-147	32	59
Income from the sale of shares in subsidiaries and affiliated companies	-	6	700	400	-	-73	429	-	-	-
Income from sale of aircraft, buildings and slot pairs	777	-16	-118	-247	12	-239	-97	4	41	85
Income before tax, EBT	1,417	-918	1,648	-1,245	-1,629	-3,069	-3,423	-969	1,044	177
Income from discontinued operations	-	-	-	-	-	-	-327	-5,395	-135	4,528
Income, EBT, before capital gains and non-recurring items in continuing and discontinued operations	1,174	-697	919	23	94	-444	-2,247	-1,947	824	1,279
Income, EBT, before capital gains and non-recurring items in continuing operations	1,174	-697	919	23	94	-444	-1,754	-339	1,234	727
Balance sheets, MSEK										
Fixed assets	18,512	18,291	18,600	29,692	29,883	30,591	29,636	26,840	26,663	31,189
Current assets, excluding cash and cash equivalents	3,556	3,617	3,462	4,273	5,494	6,191	8,670	10,741	13,216	9,172
Cash and cash equivalents	8,198	7,417	4,751	2,789	3,808	5,043	4,189	5,783	8,891	10,803
Total shareholders' equity	6,339	4,907	3,226	11,156	12,433	14,438	11,389	7,312	17,149	16,388
Long-term liabilities	10,275	10,384	10,173	12,111	13,889	13,932	13,069	19,160	11,274	17,847
Current liabilities	13,652	14,034	13,414	13,487	12,863	13,455	18,037	16,892	20,347	16,929
Total assets	30,266	29,325	26,813	36,754	39,185	41,825	42,495	43,364	48,770	51,164
Cash-flow statements, MSEK										
Cash flow from operating activities	3,036	1,096	1,028	2,562	-482	-155	-3,414	-2,651	2,866	2,102
Investments	-4,306	-2,113	-1,877	-2,595	-2,041	-2,493	-4,661	-4,448	-2,908	-2,299
Sales of fixed assets, etc.	3,193	1,632	1,644	1,976	517	697	2,050	1,535	2,695	9,784
Cash flow before financing activities	1,923	615	795	1,943	-2,006	-1,951	-6,025	-5,564	2,653	9,587
New issue	-	3,500	-	-	-	4,678	5,808	-	-	-
Dividend	-350	-175	-	-	-	-	-	-	-	-
External financing, net	-787	-1,275	1,171	-2,961	763	-1,859	-1,524	2,480	-4,492	-7,438
Cash flow for the year	786	2,665	1,966	-1,018	-1,243	868	-1,741	-3,084	-1,839	2,149
Key figures										
Gross profit margin, %	7.3	4.1	8.6	2.7	7.3	0.6	-2.9	1.9	5.3	5.2
EBIT margin, %	5.6	0.4	6.2	-0.8	1.6	-4.7	-6.9	-1.3	2.6	2.1
EBT margin before nonrecurring items in continuing operations, %	3.0	-1.8	2.2	0.1	0.2	-1.1	-3.9	-0.6	2.4	1.4
Return on capital employed (ROCE), %[2]	12.9	1.6	23.6	-8.1	-2.2	-7.6	-11.7	-19.6	6.7	18.2
Return on shareholders' equity after tax, %[2]	18.3	-14.6	456.9	-24.8	-12.0	-17.0	-26.8	-47.6	3.8	37.8
Adjusted equity/assets ratio, %[3]	13	11	8	24	26	28	21	13	27	22
Other financial data										
Financial revenue	124	102	50	96	224	174	304	660	787	585
Financial expenses	-632	-1,130	-999	-1,055	-1,030	-1,041	-645	-933	-1,041	-1,367
Interest-bearing liabilities	9,745	10,805	11,510	10,887	13,338	11,897	14,660	16,117	12,042	16,478
Operating leasing capital[3]	17,535	14,287	11,970	10,654	9,527	10,318	13,804	13,573	14,462	23,331
Financial net debt	-726	1,102	4,567	6,549	7,017	2,862	6,504	8,912	1,231	4,134
Debt/equity ratio[4]	-0.11	0.22	1.42	0.59	0.56	0.20	0.57	1.22	0.07	0.25
Adjusted financial net debt (x7)/equity[3]	2.65	3.14	5.13	1.54	1.33	0.89	1.70	3.08	0.92	1.68
Interest expenses/average gross debt, %	5.6	7.4	7.6	8.1	7.3	6.9	5.6	7.6	7.8	6.1
Interest-coverage ratio	3.2	0.2	2.6	-1.6	-0.6	-1.9	-4.4	-5.3	1.8	4.4

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 income from discontinued operations.

3) Estimated starting 2007 with leasing costs of continuing operations. Earlier years' key figures also include leasing costs of discontinued operations.

4) Calculated on financial net debt.

Definitions & concepts, see page 96.

DEFINITIONS & CONCEPTS

Adjusted debt/equity ratio Financial net debt plus capitalized leasing costs (x7) in relation to equity.

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

AEA The Association of European Airlines. An association of the major 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.

Carbon dioxide (CO_2) A colorless gas that is formed in the combustion of all fossil fuels. The airline industry's CO_2 emissions are being reduced based on a changeover to more fuel-efficient aircraft.

Cash flow from operations Cash flow from operating activities before changes in working capital.

CASK See unit cost.

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 tax, depreciation, share of income in affiliated companies, income from the sale of fixed assets.

EBITDA margin EBITDA divided by revenue.

EBITDAR Operating income before 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 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 essentially 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 and unutilized credit facilities in relation to 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 common share from operating activities.

P/E ratio Average share price divided by earnings per common share after 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 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.

Return on shareholders' equity after tax Net income for the period attributable to shareholders in the Parent Company in relation to average equity excluding non-controlling interests.

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 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).

2016 ANNUAL GENERAL SHAREHOLDERS' MEETING

Attending the AGM

The AGM of SAS will be held on March 8, 2016 at 3:00 p.m. in Solna: The head office of SAS, Frösundaviks allé 1.

Shareholders who wish to attend the AGM must notify the company in advance. Details of the registration procedure are published in the notice calling 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 was January 19, 2016.

Sending of the notice and notification of attendance

- The notice was published on February 2, 2016.
- Deadline for notification of attendance: March 1, 2016 in Denmark and Norway and March 2, 2016 in Sweden.

Record day

- March 2, 2016.

Admission cards to the AGM will be sent on

- March 1–2, 2016.

Annual General Shareholders' Meeting

- March 8, 2016.

FINANCIAL CALENDAR 2016

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.

March 8, 2016	**Q1 Interim Report November 2015–January 2016**
March 8, 2016	**2016 AGM**
June 10, 2016	**Q2 Interim Report February 2015–April 2016**
September 8, 2016	**Q3 Interim Report May 2015–July 2016**
December 13, 2016	**Year-end report November 2015–October 2016**
January/February 2017	**Annual Report and Sustainability Report 2015/2016**

For more information, please refer to www.sasgroup.net
Contact: investor.relations@sas.se

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