

FAST TRACK TO EXCELLENCE



STAR ALLIANCE 

SAS



Contents

The year in figures	1
President's comments	2
Goals and outcomes in 2012	4

Strategy 4Excellence	
Next Generation (4XNG)	6

SAS customer offering	12
-----------------------	----

Airline industry	16
Policy framework for civil aviation	18
Quality and safety	19
The airlines' operations	20
Risks and risk management	23
Financial position	26
The share and shareholder service	28
Sustainability	30

Formal financial accounts	
Contents	35
Report by the Board of Directors	36
Notes	48
Corporate Governance Report	79
Board of Directors	84
Management	86

SAS in figures	90
----------------	----

A full version of the sustainability report for January to October 2012 and an online version of the financial accounts are available at: www.sasgroup.net

Events during the year 2012 in brief

Outcome January–March:

Strengthened cash flow but negative income in line with expectations – 4Excellence measures corresponding to SEK 5 billion initiated to meet continued challenges in 2012.

- The Board of Directors of Spanair filed for bankruptcy and SAS made a provision of SEK 1.7 billion for outstanding receivables in the year-end report for 2011.
- SAS named Europe's most punctual major airline for the third year in succession according to the independent source Flight-Stats.
- Blue1 started a statutory conciliation process to reorganize its operations as part of the transition to a production company under the Scandinavian Airlines umbrella.

Outcome April–June:

4Excellence started to deliver results – the aggressive initiatives resulted in more passengers and increased revenue – unit cost decreased 4%.

- The SAS Annual General Shareholders' Meeting on April 19 decided to change the fiscal year to the period November 1–October 31 instead of the calendar year. All Board members were reelected and the meeting resolved in favor of the proposals on the agenda on all other issues. The meeting also resolved that no dividend be paid for the 2011 fiscal year.
- SAS sold six properties to Swedavia for SEK 1.8 billion, with a liquidity effect of MSEK 439 and a capital gain of MSEK 334.
- SAS signed a historic partnership agreement with Apollo valued at MSEK 920.

Outcome July–September:

4Excellence made an impact: MSEK 607 in income before tax and nonrecurring items in the third quarter – Passenger revenue rose 9% and unit cost declined 6.1%.

- SAS signed an agreement to sell and phase out all MD-80 aircraft.
- Star Alliance named world's Best Airline Alliance by Skytrax.
- The EFTA Surveillance Authority (ESA) in Brussels announced its view that the current ban on earning EuroBonus points on Norwegian domestic flights is a breach of EEA legislation. The Norwegian authorities contested this view.

The shortened fiscal year January–October:

Positive income before tax and nonrecurring items. The measures launched at the beginning of the year are now making an impact: MSEK 23 in income before tax and nonrecurring items for January–October 2012. Passenger revenue up 5.6% (currency-adjusted). Unit cost decreased by 4% (excluding jet-fuel and currency adjustments). Income before tax during the period, January–October 2012, was MSEK –1,245. Previously announced restructuring costs and other non-recurring items impacted income by MSEK 1,421, of which about SEK 1 billion pertained to the upcoming restructuring program 4XNG.

After the end of the fiscal year November

SAS launched a new aggressive plan to increase profitability and secure long-term financial preparedness

4Excellence Next Generation (4XNG), which addresses SAS's structural and financial challenges, comprises:

- Measures with an annual positive earnings effect of approximately SEK 3 billion; including new collective agreements, changed pension conditions and substantial streamlining of the administration.
- The divestment of assets with a liquidity effect of about SEK 3 billion.
- The new pension terms reduce considerably the negative impact on equity of amended reporting rules for pensions.
- Core shareholders and banks have placed credit facilities of SEK 3.5 billion at the Group's disposal until March 2015, contingent on full implementation of the 4XNG plan, the conclusion of new collective agreements and parliamentary approval.
- A unanimous Board decided on November 19 that the terms for the implementation of the submitted plan were in place.

December

- All parliamentary approvals and all conditions were finalized for the new credit facility of SEK 3.5 billion, which was secured until 2015.

Focus on three main challenges to recreate full competitiveness

The aviation industry is characterized by intense competition, pressure on prices and high fuel costs. SAS has successfully implemented a number of action plans to streamline and enhance the efficiency of operations as well as to strengthen its competitiveness. In 2011, 4Excellence was introduced, which started to deliver positive results in 2012 – both in the form of passenger growth and through a reduced cost base. Despite the above, three main challenges remained:

The SAS Group's historical legacy and a geographical home base in three countries have created an overly costly and inflexible cost structure. SAS has also been overly dependent on external credit facilities to be able to maintain an adequate financial preparedness. In addition, it became apparent that the new accounting rules for pensions, which will be applied from November 1, 2013 will have a substantial negative impact on the SAS Group's equity.

SAS has now faced these challenges through the 4Excellence Next Generation strategic plan, with the acceptance of employees, owners and creditors. The implementation of this plan will deliver lower and more flexible costs, while the announced divestments will provide adequate financial stability and resources to continue to strengthen the Group's customer offering.

SAS Group key figures	2012 Jan–Oct	2011 Jan–Oct	2011 Jan–Dec
Revenue, MSEK	35,986	34,979	41,412
EBITDAR before nonrecurring items, MSEK	3,629	3,401	4,089
EBIT margin	–0.8	2.9	1.6
Income before tax and non-recurring items, MSEK	23	96	94
Income before tax, EBT, MSEK	–1,245	381	–1,629
EBT margin before tax and non-recurring items, %	0.1	0.3	0.2
Net income for the period, MSEK	–985	338	–1,687
Cash flow from operating activities, MSEK	2,562	363	–482
Investments, MSEK	1,273	1,500	2,041
Earnings per share, SEK	–2.99	1.03	–5.13
Share price at end of fiscal year, SEK	6.45	10.85	8.0
Dividend (proposal for 2012), SEK	0	n/a	0

SAS Group financial goals

Operating margin, EBIT	>8%
Equity/assets ratio	>35%
Financial preparedness	>20%

Financial key figures	2012 Oct 31	2011 Oct 31	2011 Dec 31
CFROI, 12-month rolling, %	9	17	17
Financial preparedness, % of fixed costs	29	38	33
Equity/assets ratio, %	30	35	32
Adjusted equity/assets ratio, %	24	29	26
Financial net debt, MSEK	6,549	4,143	7,017
Debt/equity ratio	0.59	0.29	0.56
Adjusted debt/equity ratio	1.54	0.93	1.33
Interest coverage ratio	–1.6	0.5	–0.6

Other key figures	2012 Jan–Oct	2011 Jan–Oct	2011 Jan–Dec
Number of passengers, millions ¹	24.0	23.0	27.2
Average number of employees	14,897	15,184	15,142
of which, women, %	38	38	38
Total sick leave, % ²	7.1	–	7.0
Carbon (CO ₂), 000s tonnes	3,340	3,284	3,863
Nitrogen oxides (NO _x), 000s tonnes	13.6	13.2	15.6
Climate index ³	98	–	100

1) Pertains to scheduled passengers

2) Applies only to Scandinavian Airlines (excl. Blue1)

3) Full year 2011 new base year. The result consist of November 2011–October 2012.

The platform has been laid for a new and sustainable SAS

2012 entailed continued exacting conditions for the European aviation industry. Even if performance in the Nordic region, our home market, was relatively stable, the surrounding macroeconomic turbulence continued for the fifth consecutive year. Above all, the trend in the euro zone created a generally unsettled operating environment for all companies to navigate – not least for the airline industry, which is extremely sensitive to business cycles. New, more stringent requirements across the entire banking system have added a level of complexity, that also ultimately impacts the preconditions for funding.

During the year, business travel volumes were under pressure from a softening economy and competition for leisure travel volumes intensified, not just from regional low-cost carriers but also from traditional network airline companies, which are all doing their utmost to fill their aircraft. In addition, well-capitalized competitors, primarily from the Middle East, have aggressively advanced their positions. Despite the global economic slowdown, jet-fuel prices remained at historic highs albeit with a somewhat more stable trend during the year.

I can state that SAS has managed relatively well in this challenging climate, particularly due to its solid commercial platform, high levels of customer satisfaction and customer loyalty. In the Nordic region, we serve the most destinations from a local, regional or global perspective. We offer a superior schedule and deliver world-class quality and punctuality. For the 2012 fiscal year (January–October), we see a positive trend in the underlying result. The number of passengers, including charter passengers, increased by about one million to about 26 million customers, which matched well with our increased capacity. During the period, the load factor increased by 1.2 percentage points and passenger revenue after currency adjustments and nonrecurring items was up 5.6%. In parallel, we worked successfully on streamlining measures and reduced unit cost by 4% (after currency and fuel adjustment), entailing a substantial increase in productivity. All of the above serves to demonstrate that 4Excellence, which was launched during 2011, has delivered on our promises.

Nevertheless, the results are far from satisfactory and it has become increasingly clear that major structural changes are necessary to create a functional and sustainable business model. SAS is primarily a regional operator, with about 70% of its production on domestic, intra-Scandinavian and European routes. The prerequisites, whether measured from a geographic, competitive or customer perspective, do not exist for any significant future changes in the existing balance (70/30) between the SAS Group's regional and

“We offer a superior schedule and deliver world-class quality and punctuality.”

“Nevertheless, the results are far from satisfactory and it has become increasingly clear that major structural changes are necessary to create a functional and sustainable business model.”

intercontinental production. This means that SAS must primarily be able to compete under the conditions that prevail in the regional market to create long-term profitability and shareholder value. This requires salaries, terms of employment and pension solutions that are fully adapted to market levels. Customers are not prepared to pay for employment terms and conditions that are more expensive than the competition. We must make further increases in our productivity, lower our cost levels, reduce the complexity and bureaucratic inertia as well as more rapidly adapt operations to changes in our business environment.

Furthermore, the business model must be attractive for the capital markets, thus securing access to the capital necessary to fund growth and aircraft investments.

These fundamental business issues and challenges cannot be avoided. During the year, we therefore prepared and launched the next generation of our change agenda – 4Excellence Next Generation (4XNG). The plan addresses the fundamental challenges facing SAS and creates the first network airline company in Europe with a cost base enabling it to compete fully with low-cost carriers in the regional market. The plan comprises an aggressive initiative by SAS that builds on the positive trend we experienced in 2012. SAS aims to rapidly become profitable through a number of structural measures and thus continue to grow through defending its leading position in the business travel segment and, in parallel, moving forward its position in the growing leisure travel market.

On November 19, we took the first crucial step in our change process through the signing of new collective agreements with our flight crew unions. The preceding week was extremely dramatic and challenging for SAS personnel, customers, suppliers and shareholders. We made no secret of the fact that the company's very existence was on the line. Our unions showed and took great responsibility and our employees kept services running with sustained quality and service levels despite these extraordinary circumstances. This was admirable and commendable at every level. The new agreements laid the foundation for us to secure our funding until 2015 and thus the possibility of driving forward operations and the change process.

However, much work remains and the entire organization is now fully focused on delivering the other initiatives in the plan at a high pace in 2013. Unfortunately, this means that many talented employees will have to leave SAS or will have new employers. While this is an extremely unpleasant and painful process, it is necessary if we are to create a sustainable future for our business.

We believe in a new strong and profitable SAS with 4XNG. A SAS



“On November 19, we took the first crucial step in our change process through the signing of new collective agreements with our flight crew unions.”

that makes it simpler to travel to, from and within Scandinavia. We can invest aggressively and continue to develop our customer offering on the ground and in the air. Among other measures, we are launching 45 new destinations in the 2013 summer program. We are deepening the level of our global partnerships in parallel with the expansion of our own global reach with new destinations including San Francisco, which provides significant time savings for the technology-heavy Scandinavian business world. We are also continuing to renew our fleet through the phase-in of Boeing 737NGs and Airbus A320s. There are no MD-80s remaining in Stockholm after the end of 2012.

Work on our sustainability program continues. Our target is to reduce emissions by 20% in 2015 compared with 2005 through such measures as the renewal of the aircraft fleet, optimization of the traffic schedule and flying with enhanced efficiency with the means at our disposal. We are pioneers in many areas. The “green approaches” and our efforts to work with increased fuel efficiency are two good examples. The essence is to reduce our fuel consumption and accompanying climate-impacting emissions while reducing costs. Plain and simple business sense.

Outlook for 2012/2013

4XNG will deliver a significantly improved cost base looking ahead. New collective agreements for flight crews are being implemented, at the same time as SAS now has full focus on realization of the plan's remaining activities. During 2012/2013, a positive impact on earnings of SEK 1.5 billion is expected from the 4XNG plan.

We expect a negative trend for the RASK and yield but, given that no significant unexpected events occur in our operating environment and that jet-fuel prices remain stable at current levels, the SAS Group's assessment is that potential exists to post a positive EBIT margin in excess of 3% and a positive EBT for full-year 2012/2013. However, due to seasonality, the first quarter of 2013 (November–January) will be extremely weak.

Stockholm, February 15, 2013

Rickard Gustafson
President and CEO

4Excellence has delivered results...

In September 2011, the 4Excellence strategy was launched with the goal of achieving excellence in four core areas by 2015 – Commercial Excellence, Sales Excellence, Operational Excellence and People Excellence. In total, about half of the measures have been implemented with a resulting earnings effect for the January–October period of about SEK 1.8 billion before nonrecurring items.

Commercial Excellence

Targets 2015

- Be the first choice of Nordic business travelers
- Capture a significant position in leisure travel
- Customer satisfaction – No. 1 in Scandinavia

Outcome January–October 2012

- Passenger revenue up 5.6%
- Customer satisfaction index 72
- 38 new destinations
- New clear SAS profile implemented on the ground
- Fast Track at an increasing number of airports
- Increased capacity in Copenhagen
- Smart Pass implemented throughout Scandinavia
- More options, for example, lounge access

Operational Excellence

Targets 2015

- Decrease unit cost by 3–5% per year
- Total emissions to be reduced by 20%

Outcome January–October 2012

- Unit cost down 4%
- Multiple LEAN activities implemented
- Increased productivity
- New IT-based distribution platform
- Blue1 integrated into Scandinavian Airlines
- Increased fuel efficiency



4EXCELLENCE

Sales Excellence

Targets 2015

- Robust growth in contract volumes
- Proportion of revenue from EuroBonus members ~50%

Outcome January–October 2012

- New EuroBonus partners
- New Star Alliance partners
- SAS Credits now has 30,000 members
- A more customer-oriented and cost-efficient sales organization
- Investment in digital channels

People Excellence

Targets 2015

- Job satisfaction at SAS should be in the top 5 for the entire Nordic transportation sector

Outcome January–October 2012

- Job satisfaction index 63 – benchmark 68
- Leadership index 69 – benchmark 66
- Roll-out of performance management

...but three major challenges remained...

1. Costs/flexibility

The SAS Group's historical legacy and a geographical home base in three countries have created a cost structure that is too expensive and inflexible.

2. Liquidity

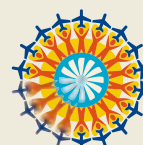
SAS has been too dependent on external credit facilities to be able to maintain adequate financial preparedness.

3. Equity

The new accounting rules for pensions, which will be applied from November 1, 2013 will have a substantial negative impact on the SAS Group's equity.

...and we are dealing with them now...

Measures	Main objective		
	Cost	Flexibility	Liquidity/ Equity
New collective agreements for flight crew	✓	✓	
Outsourcing of Ground Handling, customer service and certain administrative functions		✓	✓
Centralization of administration, staff cuts and market-based remuneration	✓		
New pension agreements with defined-contribution pensions	✓		✓
Savings and streamlining measures in IT	✓	✓	
Asset sales			✓



4EXCELLENCE NEXT GENERATION

4XNG will deliver an earnings improvement (EBIT) of about SEK 3 billion and liquidity effects of about SEK 3 billion pertaining to the sale of assets.

Read more on pages 6–11

Our vision:

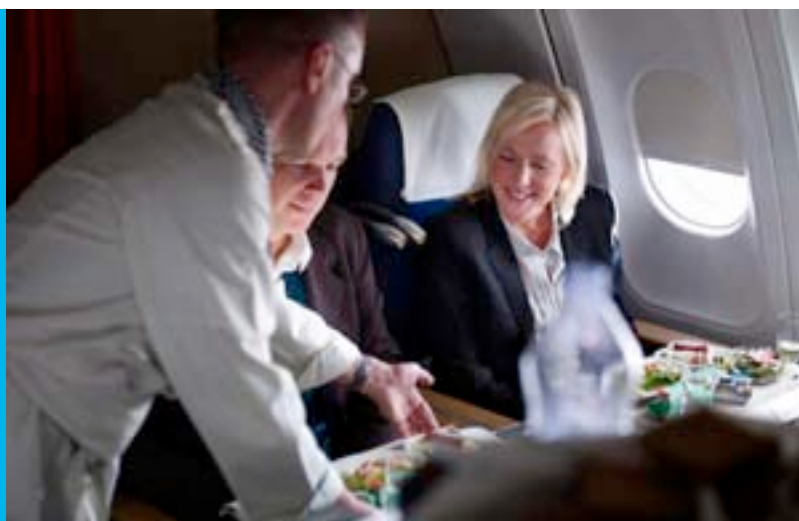
To be **valued for excellence** by all stakeholders

Our mission:

We provide **best value for time and money to Nordic travelers** whatever the purpose of their journey

Our brand promise:

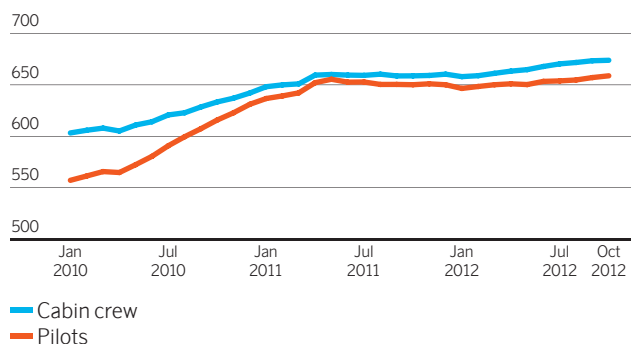
Service and Simplicity



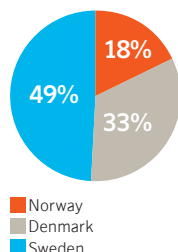
New collective agreements for flight crew

On November 19, we took the first crucial step in 4XNG through the signing of new collective agreements with the Group's flight crew unions. The new agreements involve salary and employment terms at market rates that enable significant efficiency enhancements with regard to planning and scheduling. The unions have shouldered responsibility and delivered under extraordinary circumstances and the agreements create the conditions necessary for increased productivity, flexibility, reduced complexity and lowered costs.

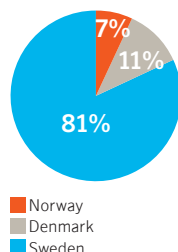
Increased productivity for Scandinavian Airlines flight crew
Block hours/year



Geographic allocation of administrative posts, 2012



4XNG target, 2015



Centralization and streamlining of administration

Administrative functions will be reduced and centralized to Stockholm, with adjustment of employment terms to market rates combined with a degree of outsourcing. In total, the number of employees in administration will be reduced by about 1,000 full-time equivalents.

Outsourcing for increased flexibility in the cost structure

4XNG is not only a savings program, it also provides opportunities for increased flexibility, reduced complexity and the exchange of fixed costs for variable costs. This will be accomplished through the outsourcing of areas including Ground Handling, customer service and certain administrative functions, in which costs are linked to the degree of utilization and the unit cost thus lowered over time through economies of scale among service providers.



New pension agreements

In June 2011, the IASB (International Accounting Standards Board) published amendments to IAS 19 Employee Benefits. The amendments to IAS 19 have now been adopted by the EU. The revised IAS 19 no longer permits the application of the “corridor approach.” Instead, all actuarial gains and losses are to be recognized immediately in other comprehensive income. As a result of the amendments, the accumulative unrecognized deviations (unrecognized actuarial gains and losses and plan amendments) will be recognized in full in shareholders’ equity, which will have a significantly negative effect on the SAS Group’s shareholders’ equity. The Parent Company SAS AB’s recognized shareholders’ equity will not be affected by this amendment.

The amended IAS 19 will be applied from fiscal years beginning on or after January 1, 2013. Due to the change of fiscal year for the Group, SAS intends to apply the amended standard for the fiscal year starting on November 1, 2013.

At the start of 2012, the accumulated unrecognized actuarial gains and losses and plan amendments amounted to about SEK

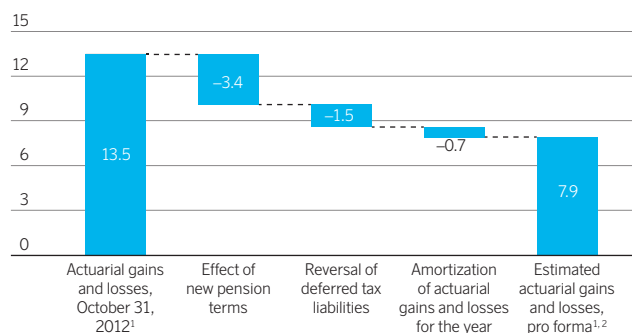
12.1 billion. The deviation increased during the fiscal year, primarily, due to significantly lower-than-anticipated returns on plan assets and as a consequence of lower discount rates in Sweden, Norway and Denmark. Amortization of the deviation in actuarial gains and losses for the year amounted to about SEK 0.3 billion. At the end of the 2012 fiscal year, accumulated unrecognized actuarial gains and losses and plan amendments amounted to about SEK 13.5 billion.

Effects of the new pension plans

In November 2012, new collective agreements were signed with flight crews in Scandinavia, which entailed major changes in pension terms. The majority of existing defined-benefit pension plans will be replaced by defined-contribution pension plans. The previous right to early retirement has also been eliminated. These changes were not included in the present value calculation of pension commitments as of October 31, 2012. The agreed changes in pension terms will reduce actuarial gains or losses and the negative effect on shareholders’ equity by about SEK 3.4 billion and pension commitments are estimated to decrease from SEK 33.5 billion to about SEK 14 billion, which is a reduction of almost 60%.

Effect of the revised IAS 19 and new pension terms

SEK bn

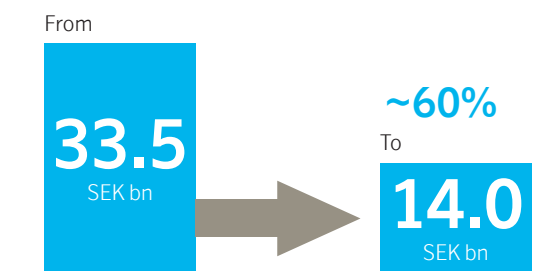


1) Including plan amendments

2) The effect of a recognition of actuarial gains and losses and plan amendments including their impact on equity in conjunction with commencing application of the revised IAS 19 (from November 1, 2013)

4XNG enables a transition from defined-benefit to defined-contribution pension terms. These changes will reduce the negative effect on shareholders’ equity by an estimated SEK 3.4 billion, reduce the

Defined-benefit pension commitment



defined-benefit pension commitment by SEK 19.5 billion (almost 60%) and reduce earnings volatility arising from changes in pension commitments.



Transformation of IT operations

SAS has built a complex legacy structure encompassing support for the entire product portfolio and service offering. This meant that SAS had a relatively high total IT cost. The structure also comprised a hindrance for flexibility and simplification of operations. Over the past few years, SAS has driven the New Distribution Platform project forward, thus replacing a multitude of older solutions with one standard platform for the distribution of the company's products. The new IT platform contributes to lowered distribution costs and simplification of operations and maintenance. As part of 4XNG, SAS aims to virtually halve IT costs over the coming years. This is possible through a major simplification, standardization and reduction of systems and applications, as well as through additional outsourcing of development, maintenance and operations. The remaining IT organization will be streamlined and centralized to Stockholm.

Divestment of assets

4XNG includes an undertaking to divest assets and a funding plan with potential to generate net sales proceeds totaling SEK 3 billion. The sales proceeds will be utilized to strengthen the Group's financial preparedness and reduce dependence on external funding. SAS will also actively evaluate the possibilities of realizing additional value from its financed aircraft portfolio and other assets.

The funding plan and divestment of assets includes:

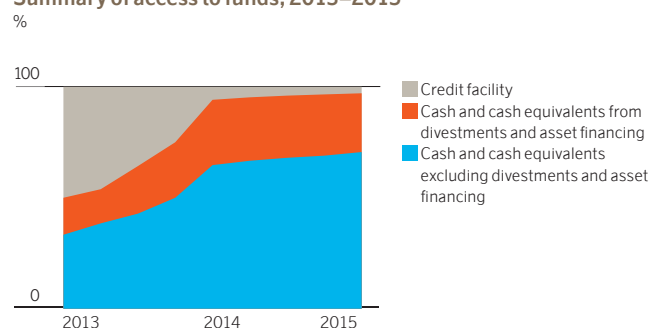
- Widerøe, a regional airline in Norway
- Airport-related real estate
- Ground Handling
- Aircraft engines



4XNG rapidly reduces dependence on external funding...

The agreement with the SAS Group's banks and major shareholders to expand the existing credit facility of SEK 3.2 billion to SEK 3.5 billion and extend its term until March 31, 2015, is a prerequisite for our continued ability to conduct operations. The new facility provides SAS with the required access to funds while we complete our asset sales and realize the full earnings effect of the cost reductions in 4XNG.

Summary of access to funds, 2013–2015



...and a positive impact on earnings already in 2012/2013

4XNG will deliver a significantly improved cost base moving forward. The new collective agreements for flight crews are being implemented and SAS now has full focus on realizing the remaining activities. During 2012/2013, a positive impact on earnings of SEK 1.5 billion is expected from the 4XNG plan.

SAS continues to expect a negative trend for the RASK and yield

but, given that no significant unexpected events occur in our operating environment and that jet-fuel prices remain stable at current levels, the SAS Group's assessment is that potential exists to post a positive EBIT margin in excess of 3% and a positive EBT for the full-year 2012/2013. However, due to seasonality, the first quarter of 2013 (November–January) will be extremely weak.

The future SAS organization

	2012	On completion of 4XNG
Administrative units	3 units	1 unit in Stockholm
Divestments and consolidation	Widerøe, Blue1, SAS	SAS
Distribution of employees in Scandinavia	Sweden 30% Norway 34% Denmark 36%	38% 31% 31%

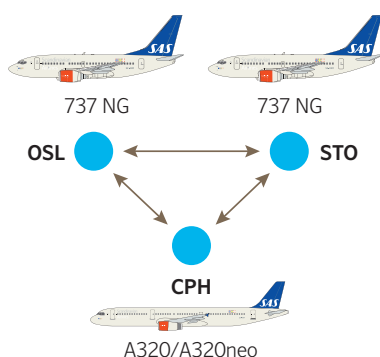


A simplified fleet...

The SAS Group will simplify Scandinavian Airlines' aircraft fleet. In the future, only the Airbus A320 family will be used as medium-haul aircraft from the base in Copenhagen and, from the bases in Oslo and Stockholm, only Boeing 737NG aircraft will be used. Accordingly, MD-80s were phased out from Stockholm in 2012 and will be completely phased out from the fleet in service in 2013. In addition, the Boeing 737 Classic will be phased out from the base in Oslo.

2014–2016

One type of aircraft at each production base, Scandinavian Airlines

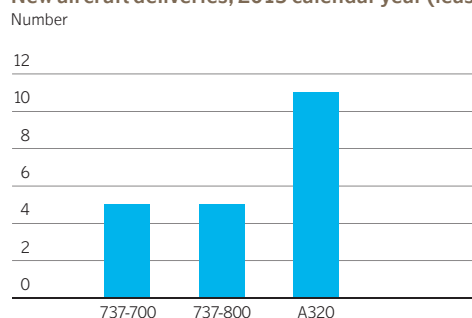


...through leasing...

As part of executing 4XNG, SAS has signed operational leasing contracts for 26 aircraft in 2013–2014. The leasing contracts comprise 14 Boeing 737NGs and 12 Airbus A320s. The transition started in 2012 when the Boeing 737NG and Airbus A320 fleets were increased by seven and one aircraft respectively.

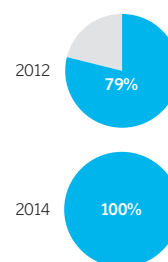
This renewal also makes a contribution to realizing the Group's environmental objectives. The fuel consumption of the new aircraft is about 10–15% less than the older aircraft in a comparison between aircraft with the equivalent number of seats. In some cases, the replacement aircraft are larger, which gives a greater reduction per seat. However, part of the Group's strategy is to fly with aircraft that have a well-adapted number of seats to ensure as low emissions as possible. Although they are theoretically more efficient, flying excessively large aircraft generates unnecessarily high emissions.

New aircraft deliveries, 2013 calendar year (leased)



Next Generation proportion

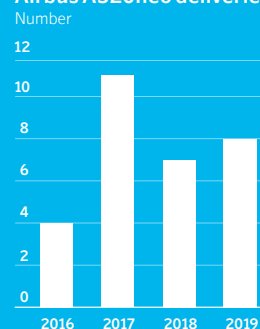
Scandinavian Airline's aircraft fleet in service



...and the purchase of 30 Airbus A320neos

SAS has placed a firm order for the purchase of 30 Airbus A320neos with options on a further 11 aircraft. The first Airbus A320neos will start to be delivered in 2016. These aircraft are, in principle, similar to existing aircraft in the Airbus A320 family but have new engines and "sharklet" wingtips, which improve aerodynamic efficiency. Compared with the current Airbus A320 and Boeing 737NG aircraft, fuel consumption is reduced by about 15% and noise by about 50%.

Airbus A320neo deliveries



Optimal fleet for profitable flights

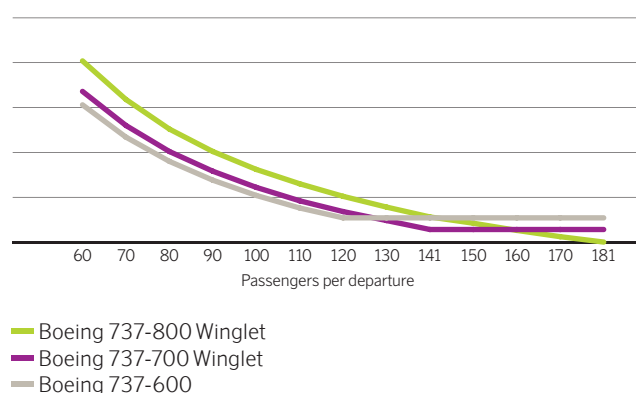
The SAS Group's customer offering comprises flights to minor and major cities in Scandinavia and Europe as well as feeder traffic to the SAS network and Star Alliance. As part of efforts to save passenger time, SAS offers a variety of departures to each destination, thus providing travelers with the ability to plan their journey better.

To ensure that SAS generates sustainable profitability from this service, even for departures to smaller cities, SAS utilizes various sizes of aircraft. In this manner, the cost of each flight and passenger is kept at a reasonable level – even if the cost per passenger is some-

what higher than for flights to major cities where larger planes are used and filled. Over a day, demand varies even for major destinations. Access to various sizes of aircraft will enable SAS to offer greater departure frequencies.

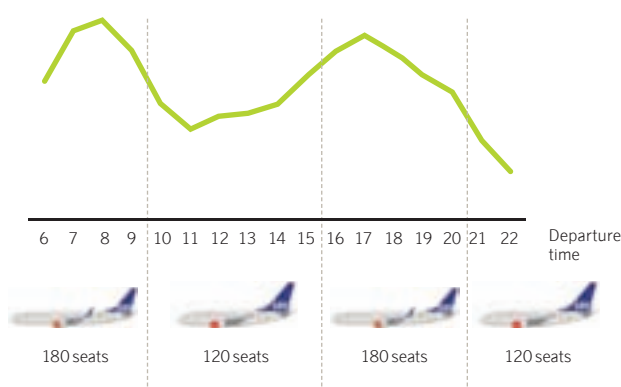
The SAS Group's diversified fleet enables the right aircraft type with the right capacity to be used at different times of the day. For customers, this means more departures and thus increased flexibility. See also page 15.

Cost per passenger by aircraft size



The SAS Group's diversified fleet enables increased departure frequency

Illustration of demand on one route in Scandinavia



Enhanced competitiveness

During the year, a large number of LEAN activities were implemented that generate continuous effects in the form of reduced expenses and quality enhancements. LEAN activities also actively contribute to enhanced productivity, which now enables SAS to handle almost twice as many passengers per employee compared with 2008. The core of these improvements is the commitment

from employees to work continuously on enhancement measures. When SAS has implemented 4XNG, unit costs will be substantially reduced in parallel with enhanced productivity and utilization of aircraft. All in all, SAS will have a more competitive, more flexible and market-adjusted cost structure. SAS will be better able to adapt operations to changes in its operating environment.

SAS customer offering

Empowered to move forward...

The SAS Group will intensify its efforts to ensure a pleasant overall experience for customers when they choose SAS. This comprises everything from booking, checking in and time at the airport to, naturally, the actual flight. In 2012, we started the implementation of our new clear identity at airports. The focus on new routes and greater frequency is high on the agenda as is upholding our position as one of the most punctual airlines in the world.

Continued leadership in business travel...

Slightly more than 50% of the Group's revenue comes from business travel. SAS has a strong customer offering for this target group and an extremely strong position. It all boils down to flying to key business destinations, offering a high frequency and departures that suit the rhythm of business. For this target group, the world-class punctuality of SAS comprises a decisive factor, as do time-saving priority through airport congestion and other smart solutions, such as Fast Track and SAS Smart Pass. We are continuously evaluating opportunities for closer collaboration with selected airlines, both at a regional level and within Star Alliance, with the aim of further strengthening our customer offering by adding efficient scheduled services to attractive business destinations that we do not serve directly ourselves.

ALWAYS WITH SAS

1 bag up to 23 kg
24-hour money-back guarantee
Child discounts
Online check-in

Select your seat
Free coffee and tea
Free newspapers
EuroBonus points



In 2012, Fast Track was improved at Kastrup airport in Copenhagen through increased capacity.



On April 8, 2013, SAS will open the Copenhagen–San Francisco route.

...and an enhanced customer offering for leisure travelers

Leisure travel is expected to become increasingly important over the next few years and is estimated to account for close to 80% of growth. SAS will also gradually develop its leisure travel offering to capture a larger share of this growing market. SAS will offer this target group full transparency in pricing, improved schedules and more destinations. The majority of leisure travelers fly with SAS to European capitals, on domestic flights and between the Scandinavian countries. By optimizing utilization rates for the aircraft fleet, SAS will be able to launch new routes and frequencies, primarily to southern Europe as well as an increased charter offering. In addition to bolstering the customer offering, this will increase productivity and enable a lower unit cost.

...with smart, time-saving solutions

SAS customers are offered smart, time-saving solutions encompassing every part of the journey – from booking to arrival. Mobile services, such as text messaging check-in and mobile boarding cards,

are both practical and simple to use. SAS customers also save time through Fast Track and SAS Smart Pass. SAS Smart Pass is based on the latest in mobile services, Near Field Communication (NFC), which is a wireless communication technology that comprises a transmitter that is activated when it comes within the vicinity of a reader. The roll-out of onboard WiFi is ongoing. This is appreciated by business travelers, who often wish to utilize their travel time for work, and by leisure travelers.



Loyalty should be rewarded with loyalty

SAS's goal is to increase the share of revenue from EuroBonus members from its current 41% to 50% by the end of 2015. This will take place by doubling the number of members and revenue from external partners. SAS will now strengthen the EuroBonus concept, which means that membership and travelling with us will become even more rewarding, regardless of travel habits. The SAS Group's unique loyalty program for small and medium-sized companies, SAS Credits, provides opportunities to collect credits for the company, in addition to personal bonus points that can be redeemed for hotel nights or airline tickets.



Number of EuroBonus members, thousands

	2012 Oct	2011 Dec	Change
No. of members, total	2,939	2,826	4.0%
of which in Sweden	867	816	6.3%
of which in Norway	795	755	5.3%
of which in Denmark	573	560	2.3%
of which in Finland	248	247	0.3%
of which international	457	448	2.0%
Total number of gold members	74	68	9.0%
Total number of silver members	125	128	-2.0%

The best network in the Nordic region...

The SAS Group flew to 136 destinations with an average of 1,111 departures per day in the January–October 2012 period. Together with other partners, this enables SAS to offer the Nordic region's best timetable by far. In total, the Group flew about 28 million passengers on scheduled services in the 2012 fiscal year, an increase of 1 million year-on-year.

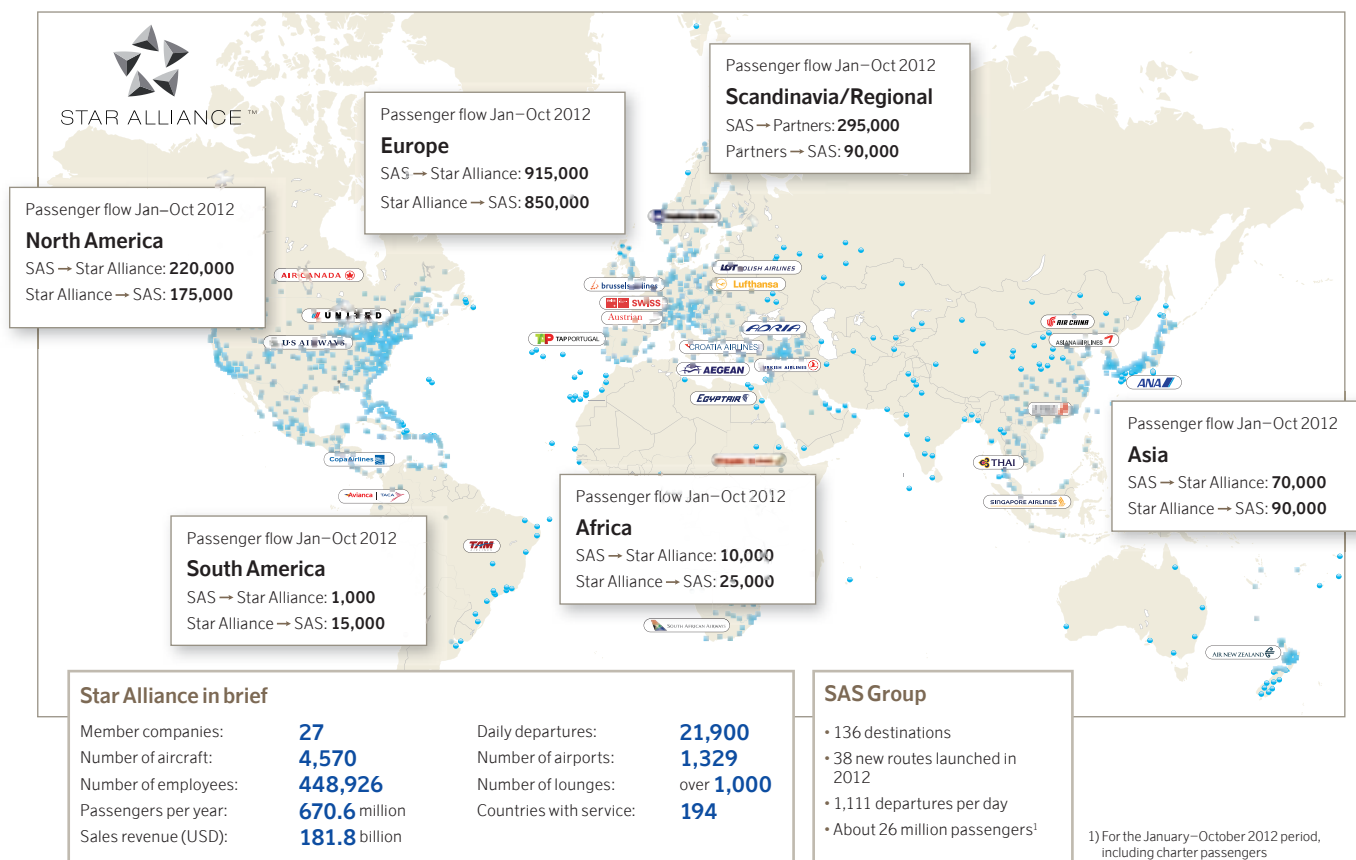
Membership of Star Alliance is the foundation of the SAS Group's global partner and network strategy. Together, the 27 airlines offer 21,900 daily departures to 194 countries and transport approximately 670 million passengers per year.

SAS customers are thereby offered access to a global network of flights with a flexible and smooth travel experience and the opportunity to redeem bonus points all round the world. Customers are also offered other benefits

through access to loyalty programs and the lounges of other Star Alliance member airlines. In addition, SAS collaborates with Estonian Air, Aeroflot, airBaltic, Rossiya-Russian Airlines, Icelandair and Nextjet under bilateral terms.

Trend in 2012

In 2012, SAS and Singapore Airlines signed a joint venture agreement for air connections between Scandinavia and Singapore. The aim is to increase capacity and the customer offering while coordinating schedules to be able to offer smart travel solutions in northern Europe, south-east Asia, Australia and New Zealand. As a first step, Singapore Airlines will increase the frequency of flights between Singapore and Copenhagen in 2013.



...and the highest departure frequency

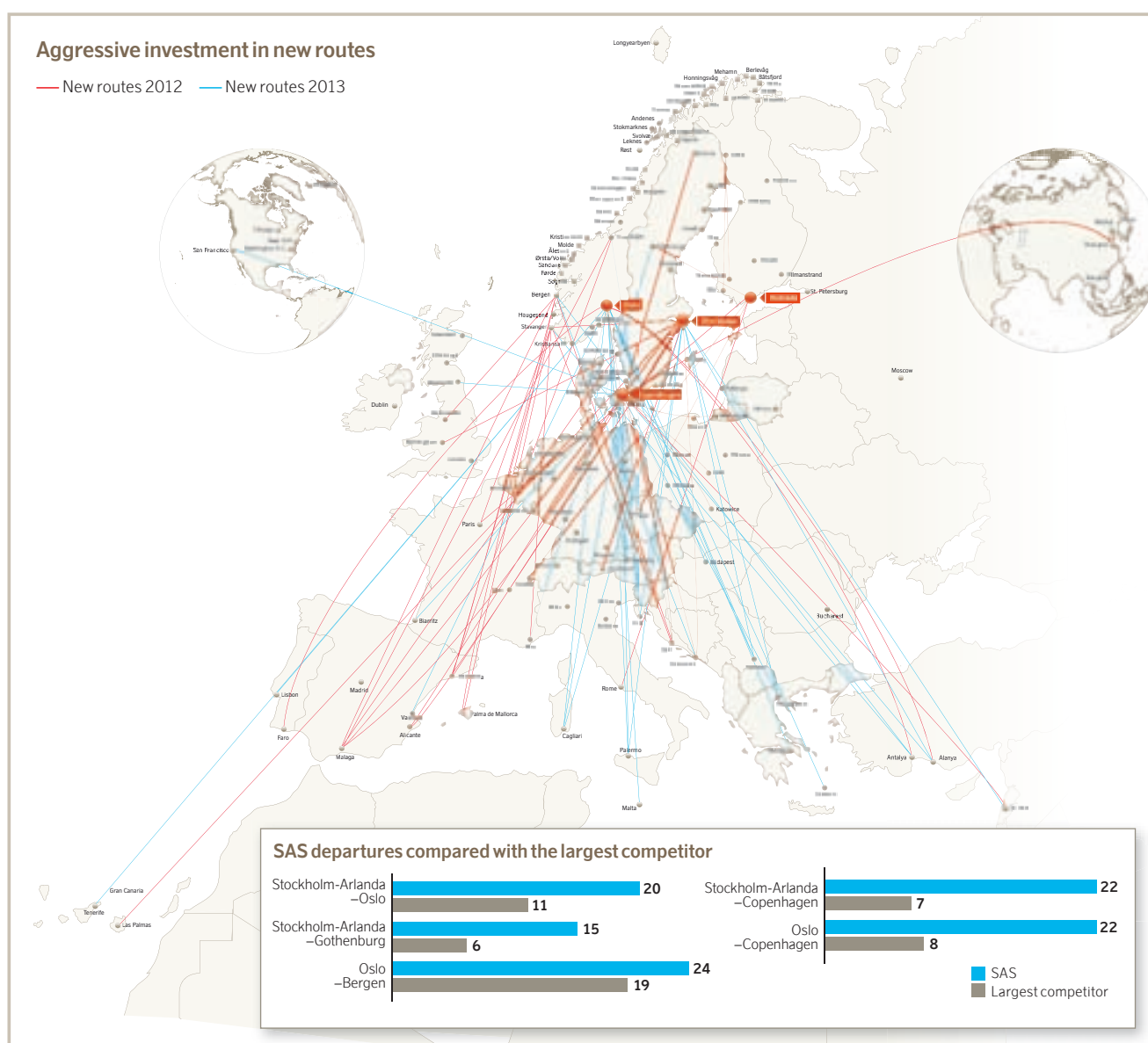
The SAS Group's gradually improved cost base has enabled the new leisure travel routes to become profitable. In 2012, the SAS Group opened 38 new routes, many of which were leisure travel destinations that SAS flew to on a seasonal basis. These contributed to SAS reporting positive figures for July, which was not previously profitable, for the first time since 1995. In addition to cost-efficiency enhancements, several campaigns and increased load factors contributed to the positive trend.

Ahead of 2013, SAS plans to open 45 new routes for leisure and

business travelers. SAS will open 17 from Norway, 11 from Sweden, 10 from Denmark and 7 from Finland.

In addition, SAS is increasing the frequency of many of its existing domestic and European routes in 2013. In total, the Group plans to increase capacity by 5–6% in the November 2012 to October 2013 period. This includes the new Copenhagen–San Francisco route that starts in April 2013.

In pace with the further enhancement of the SAS Group's cost base, it will be possible to launch additional routes later in 2013.



Airspace is being redrawn

The preconditions for operating an airline have undergone fundamental change over the past ten years. The airline sector has made a transition from a stringently regulated sector where international flight routes were based on bilateral agreements to a liberalized industry in Europe and, to an increasing degree, in the rest of the world.

The rise of new airlines and low cost carriers (LCCs) with pared-down service concepts have widened the customer offering and put pressure on existing network airline companies. In addition, many airlines have been consolidated, which has contributed to fundamental changes in market preconditions. The SAS Group has successively adapted its operations to meet these new conditions and, on completion of the 4XNG plan, will have a cost base in parity with the new airlines and LCCs for comparable routes and aircraft types.

Travel trends

The most rapid growth in the future is expected from the leisure travel segment. IATA expects close to 80% of market growth until 2020 to stem from leisure travel. With this in mind, SAS has widened its customer offering and increased its investment in leisure travel. In 2013, 45 routes will be opened, the majority of which will be seasonal leisure routes.

Competition with LCCs

Competition in the airline industry has increased in the early 21st century. LCCs have contributed to substantial growth in the air travel market. In many cases, network airline companies have continued to grow but LCCs have outpaced them and, accordingly, increased their relative market shares. The SAS Group has gradually increased its competitiveness and succeeded in retaining its market shares in key markets in recent years.

For example, the SAS Group's share of the Norwegian market was marginally higher in 2012 than it was in 2011 and 2010. The SAS Group's market shares also increased in Denmark and Sweden in 2012. However, LCCs continue to increase capacity in the Nordic market, albeit at a slightly reduced pace in 2012. Through its enhanced cost base, the SAS Group is favorably positioned to profitably compete with LCCs in their traditional leisure travel segment.

SAS market

The value of the Nordic airline industry is estimated at slightly more than SEK 100 billion and is expected to grow to SEK 170 billion by 2020 according to IATA. Due to the large distances in the Nordic region, its topography and its encircling seas the only alternative for quick, efficient travel, in many cases, is air travel. This means that about 70% of growth over the next five to ten years is expected to come from traffic to and from Europe. Travel to and from Asia is expected to account for another 20% of growth.

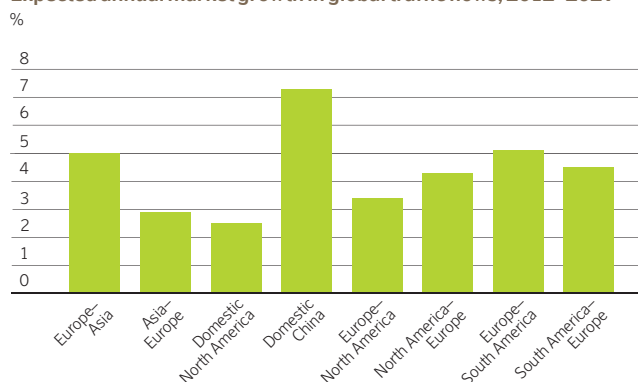
Market and capacity trends in January–October 2012

Flight capacity increased on a global basis by 4.0% in January–October 2012 according to IATA. In Europe the increase was 3.6%. In the Scandinavian market, which is not reported separately by IATA, capacity increased by about 4.5% according to data from APG, and this was primarily attributable to increases in capacity in the Norwegian and Swedish markets.

Ahead of 2013, market capacity is expected to continue growing. Official sources indicate that capacity in Scandinavia and the Nordic region could increase by about 6%. The SAS Group plans to increase capacity by 5–6%. Expected medium-term growth in the market is estimated at about 4–6%.

Despite the uncertain macroeconomic situation the traffic trend was favorable in the January–October period, the SAS Group's traffic increased by 6.2% and its load factor by 1.2 percentage points. In July, the Group posted the highest load factor (86.1%) for a single month in the company's history.

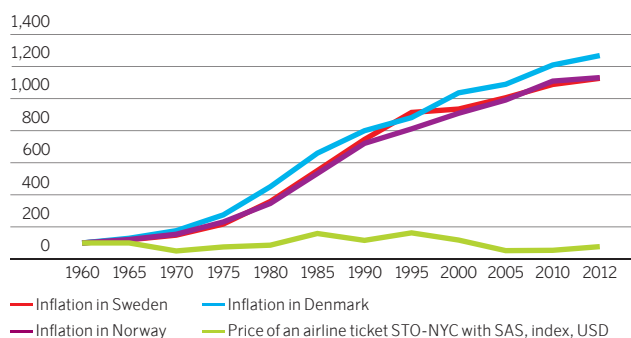
Expected annual market growth in global traffic flows, 2012–2029



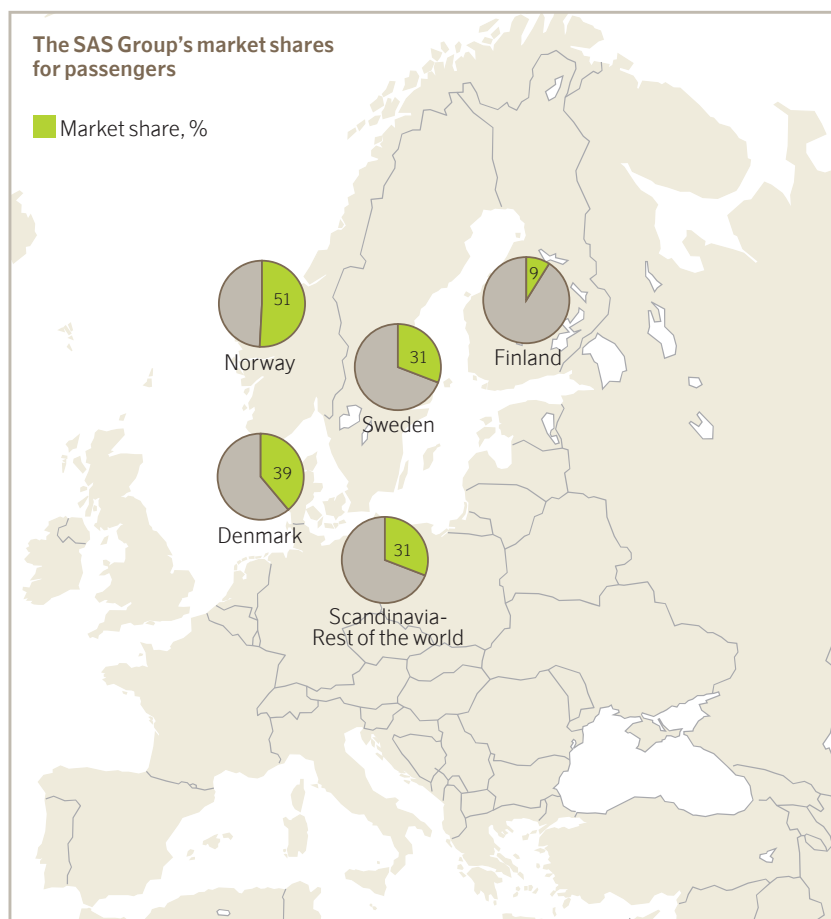
Source: Airbus

Ticket prices compared with the consumer price index, 1960–2012

Index = 100 in 1960



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

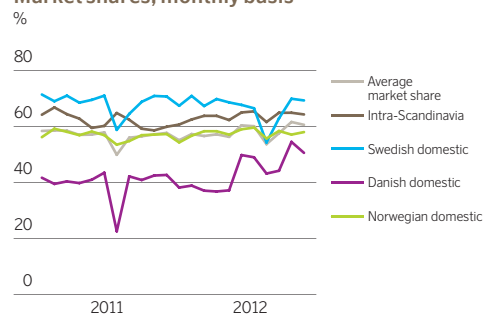


Source: SAS and official airport statistics for the Nordic region

Geographic distribution of SAS passenger revenues, Jan–Oct 2012

	%
Norway	38
Sweden	22
Denmark	12
Finland	3
Europe	15
Other countries	10
Total	100

Market shares, monthly basis



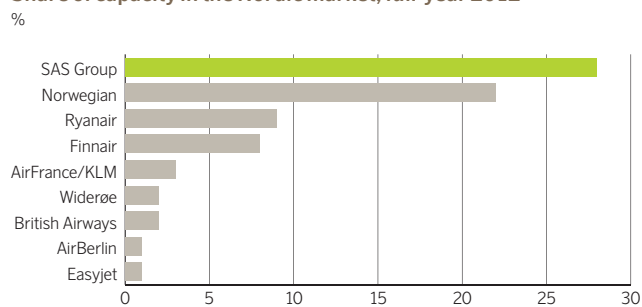
Source: APG, TRAST and official airport statistics for the Nordic region

LCCs share of capacity in the Nordic market



Source: APG

Share of capacity in the Nordic market, full-year 2012



Source: APG

Regulation has a major impact on air travel profitability

Political and administrative decisions at national or EU level have an increasingly major strategic and economic significance for the airline industry. Extensive effort is invested both by SAS and by our trade organizations IATA and AEA to influence these developments.

Developments in the EU and relations with third countries

Regulatory zeal continues – particularly at EU level, but, unfortunately, any initiatives that could lead to lower costs for the airline industry do not appear to be materializing in the short term. This applies primarily to plans to establish a genuine Single European Sky with functional airspace blocks (FABs) that follow natural air routes rather than national borders. Denmark and Sweden are the two countries that have come closest to meeting the EU's requirements to merge airspaces into FABs. Other European countries have a substantial amount of work remaining despite the requirement to establish FABs by December 2012, in line with the member states' own decision.

Additional liberalization of the market for ground handling appears to be amounting to nothing after being blocked by a number of member states and the European Parliament. However, the industry has met with success regarding the hindrance of ill-conceived amendments of rules for the allocation of departure and arrival times at European airports.

A proposal for new rules to safeguard the rights of passengers vis-à-vis airlines in conjunction with delays and cancelled flights is expected at the start of the year. The new rules are expected to offset the virtually unlimited responsibility that airlines currently bear in conjunction with major disruptions in the infrastructure.

In the area of civil aviation policy, new and more liberal civil aviation agreements were signed between the Scandinavian countries and Japan and Russia during the year. The agreements are not sufficiently extensive but do mark a definite step in the right direction in areas including the new more liberal rules for ownership and control.

Trading of emission rights

During the year, the EU's Emission Trading Scheme (ETS) was the target of extremely sharp criticism from governments around the world and, primarily, from the US, China, Russia and India. Some countries have even legislated to stop their respective airlines from participating in the system. As a consequence, the European Commission decided in November to freeze the application with respect to traffic to and from the EU, pending progress with a global agreement under the auspices of the ICAO in autumn 2013. However, the system has been applied in the EU/EEA since January 1, 2012, which creates a competitive disadvantage for European airlines in relation to non-European competitors.

One positive consequence of the ETS system is that it counteracts forces that wish to introduce various types of environmental taxes in the airline industry.

EuroBonus on domestic travel in Norway

In autumn 2010, SAS pursued a legal and political process aimed at removing the ban on earning bonus points on Norwegian domestic routes. The Norwegian Competition Authority has performed an extensive investigation and recommended a partial solution, whereby it would be possible to lift the bonus ban on three major domestic routes. Unfortunately, the government department responsible did not follow the agency's line and, in October, the Norwegian Government decided not to make any changes.

Working conditions in the airline industry

An issue that received major attention during the year is how several low cost carriers use flight crew supplied by staffing agencies in various countries to thereby avoid Scandinavian legislation on working conditions, social security expenses and taxes. The issue is controversial in many respects and distorts competition. It is presently being evaluated by a number of government agencies in the Scandinavian countries.

Infrastructure costs

During the year, the SAS Group's infrastructure costs, meaning fees paid for access to airports and air traffic control services, amounted to MSEK 6,781, of which MSEK 5,092 comprised fees to airports. A portion of the costs are charged against the Group's earnings and the remaining portion is paid directly by passengers to the respective supplier via the airline.

Airports and air traffic control organizations comprise a natural monopoly and their incentive to reduce costs and thereby fees for airlines is limited. Despite a new EU directive covering policies for determining government user fees and despite binding legislation requiring European traffic control organizations to implement streamlining measures, the airline industry, rather than seeing any positive examples of fees being reduced, has actually seen the reverse. The fact of the matter is that fuel and government user fees are among the only costs that continue to climb.

The areas of controversy in the fee structure include the subsidies and discounts (sometimes up to 100%) that are provided by public sector airports in conjunction with the establishment of new air routes and, which, in many cases, lead to a radical distortion of competition.

SAS Group infrastructure costs Jan–Oct 2012, MSEK

	Government user fees	Overflight fees	Total
Scandinavian Airlines			
Denmark	946	161	1,107
Norway	1,479	256	1,734
Sweden	675	382	1,057
International	1,344	743	2,087
Scandinavian Airlines total	4,444	1,541	5,985
Widerøe & Blue1	648	148	796
SAS Group total	5,092	1,689	6,781

Flight safety requires constant focus

An effective safety culture is decisive in improving safety activities. SAS strives for a prominent position in the airline industry, with a market-leading safety culture. This aim must be clear for SAS customers and employees.

The SAS Group works systematically to continuously improve the safety culture at all levels of the organization. It is fundamental to these efforts to ensure an open culture where the organization and individuals can develop, contribute and learn from positive and negative experiences to minimize risk exposure and thereby contribute to a continuous reduction in risk exposure. Regularly recurring surveys show that the safety culture at SAS is of a high standard.

Development of safety activities in 2012

SAS continues to develop a safety management system for flight safety to ensure the fulfillment of future requirements from civil aviation authorities. The management system includes all operative components, such as the organizational structure, responsibility and procedures. Improvements in the system are based on planning, monitoring and remedial measures. In 2012, SAS worked proactively with the identification and management of safety issues in the assessment of the safety performance indicators that were introduced in 2011. Information is gathered from flight operations, crews, station activities, technical maintenance and aviation security. This information is then compiled in a hierarchical system of objective safety performance indicators that illustrate how well the daily operations are progressing in relation to the safety targets identified by SAS.

In addition to objective data collection and evaluation of systems, SAS focuses on the human factor. In 2012, a number of recommendations from a project in this field were implemented with the aim of increasing knowledge and awareness. As part of facilitating open reporting of incidents, SAS has continued efforts to clarify definitions and methods that will be implemented at the start of next year.

SAS is participating in the EU sponsored Masca (Managing System Change in Aviation) project. The aim is to develop a structure for managing skills and knowledge of procedures for managing change in the entire air transport system. The project focuses on the transfer of management competence to organizations that are responsible for and involved in change. The SAS Group's safety activities are highly valued and the project also provides SAS with access to knowledge, which is in line with the company's ambition to be at the forefront of safety activities.

Another area in which SAS is actively engaged is research into fatigue. SAS is a partner in a research project, in collaboration with government agencies, the industry and universities, to enhance the scientific model behind the measurement of fatigue and assessment of flight crews. This, in combination with the company's long-established fatigue reporting system, will comprise the basis of enhanced crew scheduling moving forward.

The SAS Group

The airlines in the SAS Group have a high level of flight safety and committed employees at all levels. All airline companies in the Group are IATA Operational Safety Audit (IOSA) certified, which can be compared with ISO 9000. Maintaining the certification requires approval by the IATA every second year after the original audit. SAS completed its fifth IOSA audit in 2012 without any remarks for the fifth time, which is unique in the industry.

Companies in the SAS Group only initiate code-share collaboration with airline companies that are IOSA certified or the equivalent.

Vision Monitor

The Vision Monitor system was introduced in 2011 to measure safety in real time. The system has contributed to safety through its ease-of-use and ability to predict potential risks. As the first airline to use the system, SAS is also performing enhancements that will improve the management of results and identification of weaknesses in various procedures.

Reported deviations in Scandinavian Airlines, Jan–Oct 2012			
Flight Operations, %	0.55	0.0064	-
Ground Operations, %	0.48	0.0020	-
Technical Operations, %	0.31	0.0040	-
Security, %	0.16	-	-
Total in 2012, as a %, of the total number of flights (251,945)	1.50	0.0124	0.0
Total in 2011, as a %, of the total number of flights (248,681)	1.67	0.0160	0.0012

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

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

■ 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 managed immediately to ensure that this is an isolated incident and does not affect continued airline operations.

Examples of deviations in 2012:

- MD-80. Engine problem and smoke in cabin during takeoff. Takeoff was aborted and the aircraft evacuated.
- Boeing 737. When being reversed, the aircraft collided with another aircraft that was taxiing behind the first aircraft.
- Boeing 737. When the aircraft was taxiing to the runway, its wingtip collided with another aircraft.
- Boeing 737. In conjunction with a gate being connected to the aircraft, control of the gate was lost and the door of the aircraft damaged.

The Nordic region's largest airline in terms of revenue, passengers and flights

In addition to scheduled airline services and charter traffic, Scandinavian Airlines comprises ground handling, technical maintenance, SAS Cargo and air cargo handling. In the January–October period, Scandinavian Airlines' revenue amounted to SEK 33.1 billion, up 2.9% year-on-year.

The airline transported 21.7 million passengers on scheduled services to 101 destinations with 781 daily flights. The network is primarily dimensioned to meet the needs of business travelers, but leisure travel is a growing segment and accounts for an increasing proportion of revenue.

Key events January–October 2012

- Scandinavian Airlines launched 38 new routes
- Scandinavian Airlines and Singapore Airlines signed a joint venture agreement for air connections between Scandinavia and Singapore
- Scandinavian Airlines was the Europe's most punctual airline for the third successive year according to the independent source Flight-Stats
- Scandinavian Airlines started to install a new and more comfortable chair, Recaro, and a new face-lifted interior throughout the fleet in September
- Scandinavian Airlines integrated Blue 1 into its operations during the year

Targets

The profitability requirement is an EBIT margin of at least 8%. The objective of reducing the unit cost by 3–5% per year was established within the framework of the 4Excellence strategy. The climate index target for 2012 was 98, and the outcome was 98.

Earnings and traffic growth

After a weak start to the year, traffic growth gradually improved in 2012. Primarily, traffic increased on the intercontinental routes and to and from leisure destinations in Europe. Demand was driven by relatively healthy demand in Scandinavia compared with many countries that were more directly impacted by the financial crisis primarily affecting southern Europe. During the year, Blue1 was integrated into Scandinavian Airlines' operations and the network optimized, which entailed focusing on the Nordic domestic routes, as well as the closure of the majority of Blue1's European routes.

Traffic increased by 6.3% in the January–October period and the number of passengers increased by 3.8%. Increased investment in the leisure market contributed to growth. For much of the period, the yield was under pressure due to overcapacity in many markets but stabilized towards the end of the period. However, adjusted for longer flight distances, the yield was almost unchanged. The load factor increased by 1.4 percentage points and amounted to 76.0%. In the July–August period, the load factor was at record levels. The improved load factor meant that the unit revenue, RASK, increased 2.2% year-on-year. Capacity increased by 4.4% as a consequence of new routes and increased frequencies.

Capacity will continue to increase, also in 2013, partly due to the new Copenhagen – San Francisco route and increased frequency on the Copenhagen – New York route, which will increase the utilization

ratio of the intercontinental fleet. In addition, 45 new routes are planned in Europe.

During the period, operating expenses increased by 10%, primarily attributable to higher jet-fuel costs of MSEK 1,490. The increase was due to jet-fuel hedging having a smaller impact and currency effects for jet fuel of about MSEK 376. Streamlining measures from the 4Excellence strategy started to gradually increase their impact during the year and contributed to a decline of 4.0% in the unit cost excluding jet-fuel costs.

In the January–October period, revenue increased 2.9% to MSEK 33,148 due to increased passenger numbers. EBIT improved by MSEK 396 primarily driven by higher traffic revenue and lower payroll expenses.

Widened network delivers effect

In 2012, Scandinavian Airlines widened and enhanced its network in line with the 4Excellence strategy. A total of 38 new routes were opened. The majority of the new routes enhanced the Group's offering to the leisure market, partly with the addition of many routes that were only flown during the summer season. This contributed to a substantial increase in the load factor and to the unit revenue during the summer. In parallel, capacity and frequency were increased on several domestic routes, which improved the product for the key business travel market.

Many corporate customers renewed and widened the scope of their agreements with Scandinavian Airlines. For example, Peab selected Scandinavian Airlines for 19 destinations and the Swedish government renewed its agreement for Swedish domestic traffic. During the year, the SAS corporate program for small and medium-sized companies reached 30,000 customers, which is divided over 22 markets. In total, contract customers account for 35–40% of the revenues of Scandinavian Airlines.

Punctuality and regularity

Scandinavian Airlines was the most punctual airline in Europe in 2012. Punctuality for the January–October 2012 period was 89.9% and regularity was 99.1%. The airline works proactively to maintain and continue improving punctuality and regularity.

Environmental efforts

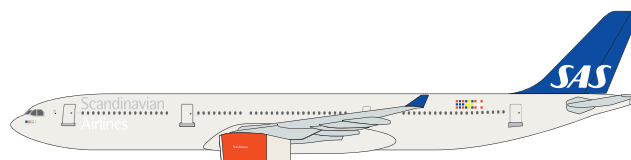
Work continued during the period with realizing the SAS Group's environmental targets through the ISO 14001 certified environmental management system. Emissions per passenger kilometer declined by 3.0% to 116 grams (119). During the period, fuel and energy consumption in ground operations decreased.

Aircraft fleet

SAS has a network of destinations with varied passenger volumes and distances, which requires an aircraft fleet with aircraft of varying size and range to make the offering attractive to business and leisure travelers. Scandinavian Airlines including Blue1 had 145 aircraft in operation at October 31, 2012 and the fleet comprised 11 long-haul aircraft, 122 short-haul aircraft, and 12 regional jets.

The average age of the aircraft fleet was 12.6 years for Scandinavian Airlines and 12.2 years for Blue1. Despite increased capacity and raised passenger numbers, Scandinavian Airlines, including Blue1, had two fewer aircraft in operation in October 2012 compared with December 2011. During the year seven MD-80s were phased out of service by SAS. In addition, SAS sold 18 MD-80s during the

The airlines' operations – Scandinavian Airlines



period and phased in one Airbus A340, which had previously been leased out, into the aircraft fleet. In parallel, the aircraft fleet was rejuvenated through five Boeing 737 NGs being phased into the fleet.

Flight operations

Scandinavian Airlines flight crew totaled 2,613 cabin crew and 1,328 pilots. During the period, productivity increased 2.3% for cabin crew and 1.6% for pilots, due to the renegotiated collective agreements and improved planning processes.

Operations in Scandinavian Airlines

SAS Ground Handling

SAS Ground Handling is a leading developer of services that enable fast and flexible check-in and boarding. Ground handling is carried out internally in Scandinavia by SAS Ground Handling. Outside Scandinavia these services are outsourced. Outsourced ground operations are carried out under the management or supervision of Scandinavian Airlines personnel. A relatively large portion of ground handling consists of services that are sold to other airlines that operate in Scandinavia, such as other airlines in Star Alliance.

SAS Cargo Group

Cargo space in the Group's aircraft is marketed and sold through the SAS Cargo Group, which serves a global market. SAS Cargo is market leader in airmail and air-freight to, from and within Scandinavia due to its high quality levels, competitive products and prices.

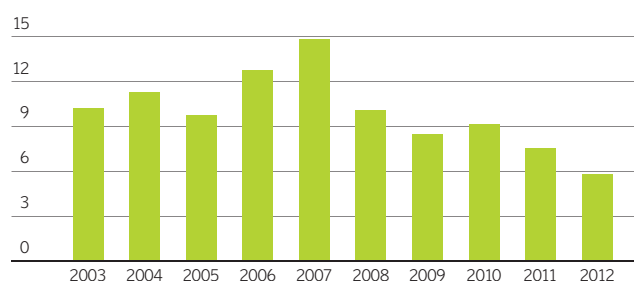
During 2012, the market for airmail and air-freight was characterized by significant overcapacity and therefore substantial price pressure. The market had a positive trend in the first half of 2012 before stagnating and falling off. Freight volumes decreased about 5% in January–October 2012 compared with the year-earlier period.

Despite challenging market conditions and price pressure, the SAS Cargo Group managed to generate significantly more positive and improved earnings compared with 2011.

Spirit

Spirit operates the Group's air cargo activities on the ground. Operationally, the company is closely aligned with SAS Cargo, but revenue is mainly attributable to external customers.

Delayed baggage, number per 1,000 passengers



In January–October 2012, the amount of delayed baggage averaged 6.4 bags per 1,000 passengers, down 29% year-on-year. This was achieved despite the fact that SAS decreased the minimum time for baggage transfers at Copenhagen Airport to 25 minutes. This is the best result in the 2000s and demonstrates how SAS is raising quality levels.

Financial key figures, MSEK

	2012 Jan–Oct	2011 Jan–Oct	2011 Jan–Dec ¹
Revenue	33,148	32,205	36,735
of which passenger revenue	24,543	23,576	26,179
EBITDAR	2,139	4,041	4,771
EBIT before nonrecurring items	907	511	952
EBIT margin before nonrecurring items, %	2.7	1.6	2.6
EBT before nonrecurring items	228	62	543

1) Excluding Blue 1

Operational key figures

	2012 Jan–Oct	2011 Jan–Oct	2011 Jan–Dec ¹
Share of home market passengers, %	36	36	36
Number of scheduled passengers, 000s	21,666	20,869	22,912
Passenger kilometers (RPK), million	24,045	22,610	24,839
Available seat km (ASK), million	31,620	30,274	33,306
Passenger load factor, %	76.0	74.7	74.6
Yield, currency adjusted, change, %	–0.7	-	–2.0
RASK, change, %	2.2	-	–1.3
Total unit cost, change, %	0.1	-	2.0
Number of destinations	101	100	90
Average flight distance, scheduled, km	854	844	847
Number of daily departures (average)	781	777	683
No. of departures per destination/day	7.7	7.8	7.6
Number of aircraft, total	156	173 ²	147
Aircraft, block hours/day	8.38	8.19	8.1
Pilots, block hours	673	663	650
Cabin crew, block hours	683	668	660
Regularity, %	99.1	98.5	98.5
Punctuality (% within 15 min.)	89.9	89.4	88.9

1) Excluding Blue 1

2) Pertains to September

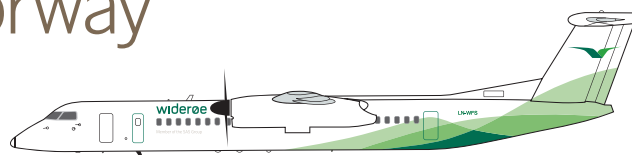
Other key figures

	2012 Jan–Oct	2011 Jan–Oct	2011 Jan–Dec ¹
Customer satisfaction	72	72	72
Climate index ²	98	-	100
Carbon dioxide (CO ₂), 000 tonnes	3,199	3,150	3,460
Nitrogen oxides (NO _x), 000 tonnes	13.1	12.8	14.3
Average number of employees	13,591	13,924	13,479
of whom women, %	38	38	38
Total sick leave ¹ , %	7.1	-	7.0
Total No. of occupational injuries > 1 day sick leave	255	-	251

1) Excluding Blue 1

2) Full year 2011 new base year. The result consist of November 2011–October 2012.

To, from and within Norway



Widerøe is a wholly owned subsidiary based in Norway that operates domestic and international regional air traffic.

Key events, January–October 2012

- Widerøe named Airline of the Year 2012/2013 by the European Regions Airline Association.
- Widerøe won the routes to Røros and Florø in the Norwegian Ministry of Transport and Communications' procurement of short-haul routes until 2016.
- After appealing the procurement of flight routes to Lofoten, Widerøe won the routes until April 1, 2017.
- The number of passengers on the Florø route grew 15% in April–May after Widerøe took over the contract from April 1, 2012.

Targets

The profitability requirement is an EBIT margin of at least 8%. The climate index target was 100 and the outcome 102.

Earnings and market performance

Widerøe continued to grow in 2012 and the number of passengers increased 8.7% to 2.3 million in January–October, which was the highest number of passengers ever transported by the company. New Norwegian domestic routes to Florø, Røros and Flåm in combination with higher frequencies on existing routes contributed to the positive trend. The acquisition of services to Vestland from Scandinavian Airlines, at the start of the year, also played its part in growth.

In the January–October 2012 period, Widerøe increased capacity by 4.8% year-on-year. In parallel, the load factor declined 1.7 percentage points to 58.7%. The decline in the load factor reflected Widerøe's increase in capacity on the short-haul domestic routes, which, in general, have a lower load factor at the same time as capacity on international routes declined. The network change contributed to an increase in Widerøe's yield of 3.5%.

As a part of the 4Excellence strategy, Widerøe strived to increase its operational efficiency. These efforts led to a continued decline in the hourly cost for the majority of Widerøe operating areas. However, unit cost increased 8.4%, which was attributable to higher jet-fuel prices and network changes. Additional streamlining measures will be implemented in 2013. Widerøe's punctuality increased by 1.5 percentage points year-on-year and was 87.6%.

In 2012, revenue increased 4.7% to MSEK 3,273 due to increased passenger numbers and a higher yield. At the same time, operating expenses increased 10.8% to MSEK 2,828 as a result of increased capacity and higher jet-fuel prices. EBT before nonrecurring items declined by MSEK 151 to MSEK 198. The decline in EBT was primarily attributable to higher jet-fuel prices of MSEK 81, increased competition on the company's commercial routes and losses arising from the strike by security personnel at Norwegian airports in June. The EBIT margin before nonrecurring costs amounted to 6.0%, which is one percentage point below the target.

Financial key figures, MSEK

	2012 Jan–Oct	2011 Jan–Oct	2011 Jan–Dec
Revenue	3,273	3,126	3,775
of which passenger revenue	2,455	2,319	2,796
EBITDAR	446	575	704
EBIT before nonrecurring items	196	355	435
EBIT margin before nonrecurring items, %	6.0	11.4	11.5
EBT before nonrecurring items	198	349	430

Operational key figures

	2012 Jan–Oct	2011 Jan–Oct	2011 Jan–Dec
Share of home market passengers, %	18	17	17
Number of scheduled passengers, 000s	2,313	2,127	2,536
Passenger kilometers (RPK), million	701	688	811
Available seat km (ASK), million	1,193	1,138	1,355
Passenger load factor, %	58.7	60.5	59.8
Yield, currency adjusted, change, %	3.5	-	-2.0
RASK, change, %	0.1	-	-1.8
Total unit cost, change, %	8.4	-	-9.0
Number of destinations	48	47	47
Average flight distance, scheduled, km	230	254	253
Number of daily departures (average)	343	316	317
No. of departures per destination/day	7.1	6.7	6.7
Number of aircraft	39	37	38
Aircraft, block hours/day	6.9	6.6	6.7
Pilots, block hours	487	450	455
Cabin crew, block hours	495	472	474
Regularity, %	96.3	96.4	96.1
Punctuality (% within 15 min.)	87.6	86.1	86.5

Other key figures

	2012 Jan–Oct	2011 Jan–Oct	2011 Jan–Dec
Climate index ¹	102	-	100
Carbon dioxide (CO ₂), 000 tonnes	141	134	161
Nitrogen oxides (NO _x), 000 tonnes	0.5	0.5	0.6
Average number of employees	1,262	1,215	1,216
of whom women, %	33	33	33
Total sick leave, %	5.7	-	5.8
Total No. of occupational injuries	2	-	8
> 1 day sick leave			

1) Full year 2011 new base year. The result consist of November 2011–October 2012.

Aircraft fleet

In October 2012, Widerøe's aircraft fleet comprised 39 Q100/Q200/Q300/Q400/Q400NGs. During the year, the net expansion of the aircraft fleet was one aircraft. The average age of the aircraft fleet was 14.9 years. The smaller Q100, Q200 and Q300 aircraft fly mainly on the contracted short-haul routes, while the larger Q400/Q400NG aircraft serve the larger airports.

Continuous risk management

The SAS Group works continuously to reduce the operations' risk exposure to potential known and unknown events. Risk management also comprises positioning SAS to minimize negative risks and to identify opportunities in connection with changes in currencies and jet fuel prices. Overall risks are monitored and identified centrally and followed-up through policies that aim to control the risks. Flight safety is the SAS Group's highest priority and described in more detail on page 19.

Risk management in 2012

Cost-base flexibility is of crucial strategic importance to the management of our operating environment. For a considerable time, SAS has worked strategically to reduce fixed costs and thereby enable rapid response to decreased demand through lower costs. 4XNG, which was launched in 2012 aims to significantly enhance the Group's level of adaptability through an increased proportion of variable costs. Additional information about the 4XNG plan is available on page 4–11.

Different risks

Market and other risks impact demand and are mitigated by greater flexibility in the cost base to enable rapid adaptation of the production volume. The SAS Group's exposure to various markets and customer segments helps to reduce the risk level but increases exposure to extraordinary events in the business environment.

Unlike preceding years, no significant events occurred in the 2012 fiscal year that suddenly impacted demand. The greatest impact on demand stemmed from the financial crisis in southern Europe. Demand in northern Europe remained relatively stable after a weak start to 2012.

Operating risks are related to factors that can constitute a hinder to production. These factors can rapidly lead to major loss of revenue for an airline company. The Group is exposed to risks connected to the organization and its employees. In addition, regulation of the airline industry entails that airline companies are exposed to political decisions that can impact operating expenses. There is a strong environmental opinion that benefits companies with efficient sustainability efforts, while new financial controls can imply initial costs. Accordingly, SAS's decision to invest in the Airbus A320neo positions and reduces SAS's future risks. From 2014, the SAS Group's aircraft fleet will only comprise Next Generation aircraft with significantly enhanced fuel efficiency.

Market risks	Risk level	Risk management	Outcome January–October 2012	Read more
Macroeconomic development Demand in the airline industry is strongly correlated to economic growth.	Average	Focus on flexibility in the cost base through an efficient mix in the aircraft fleet and collective agreements.	The financial crisis in Europe had an adverse effect on demand and yield, but the Group's exposure to the Scandinavian market limited the decline in demand. Through the 4XNG plan, SAS will increase its cost base flexibility to be better able to meet changes in demand.	Page 16
Market impact The Group is active in several markets and impacted by various business cycles, which reduces exposure. The Group is particularly sensitive to global trends.	Average	The Group is adapting its production to ensure the right capacity in each market to reduce business risk.	In 2012, traffic growth was favorable in Scandinavia. However, the yield fell at the start of the year before stabilizing somewhat later in the fiscal year.	Pages 14–17
Competition and price performance The airline industry is subject to intense competition from new companies that enter the market. Changed customer behavior and increasing numbers of LCCs in the SAS Group's home market are intensifying competition.	High	To address this, SAS must lower its costs to a competitive level, and offer added value compared with LCCs.	The capacity share of LCCs declined somewhat measure as a whole in Scandinavia in 2012, but competition increased on several routes. SAS lowered its unit cost before jet-fuel costs by 4% and initiated 4XNG to reduce unit cost moving forward.	Pages 16–17, 24
Capacity changes Due to long delivery times, aircraft orders are based on long-term forecasts. This can lead to over or under-capacity and affect prices.	High	Being a market leader in the Nordic region creates opportunities for controlling capacity changes. Short-term leases are utilized to adapt capacity and demand.	Total capacity in the Nordic region increased by only 2% in 2012 and the SAS Group's share of capacity increased year-on-year to about 28% in the Nordic region and 32% in Scandinavia.	Pages 16–17, 24
Other risks	Risk level	Risk management	Outcome January–October 2012	Read more
Natural disasters, terror attacks, conflicts and epidemics Airline companies are generally heavily impacted by extraordinary events around the world.	High	SAS strives to increase the proportion of variable costs to be able to rapidly realign operations in the case of extraordinary events. Group continuously reviews various contingency plans for catastrophe management.	No abnormal events occurred in the SAS Group's primary home markets in 2012.	-

Risks and risk management

Legal risks

The breadth of the SAS Group's operations means that the Group is, and may be in the future, involved in legal processes and arbitration procedures as either plaintiff or defendant. The SAS Group continuously monitors changes in regulations and policies that impact the Group's procedures and operations. SAS has a Code of Conduct that aims to ensure compliance by the Group's personnel with laws/policies. At the end of October 2012, the SAS Group was involved in two legal disputes in particular.

– As a consequence of the European Commission's decision in the cargo investigation in November 2010, SAS and other airlines fined by the Commission are involved in various civil lawsuits in Europe (the UK, the Netherlands and Norway). SAS, which appealed the European Commission's decision, contests its responsibility in all of these legal processes. Further lawsuits by cargo customers cannot be ruled out and no provisions have been made.

– In April 2010, 33 SAS pilots jointly submitted an application for a summons against SAS at the Stockholm City Court. In the application, the claimants seek to have certain terms of employment rendered invalid and adjusted, and also seek a declaratory claim for

damages from SAS. The claimants are former employees of Swedish airline Linjeflyg, who were employed by SAS in conjunction with its acquisition of Linjeflyg in 1993. The claimants allege that the terms of employment are discriminatory and are in breach of EU law on free movement of labor. SAS, which disputes the claim in its entirety, considers the risk of a negative outcome to be limited and no provisions have been made.

Financial risks are managed through hedging against changes in exchange rates, interest rates and fuel prices thus countering short-term fluctuations and providing scope for managing any changes.

Currency risks

As a consequence of its international operations, the SAS Group is exposed to price changes in several currencies. Transaction risk arises from exchange-rate changes that impact the size of commercial revenue and costs and thus the SAS Group's operating income.

Currency exposure is managed through continuously hedging 40–80% of the Group's surplus and deficit currencies based on a 12-month rolling liquidity forecast.

Sensitivity analysis, January–October 2012

		Scandinavian Airlines		
Airline operations		Group total	Airlines	Widerøe
Passenger traffic – 1% change of RPK, MSEK		200	180	20
Load factor – 1 percentage point change, MSEK		270	250	20
1% change in passenger revenue per passenger kilometer (yield), MSEK		270	240	30
1% change in the airline operations' unit cost, MSEK		370	340	30
1% change in the price of jet fuel, MSEK		80	76	4

Operating risks	Risk level	Risk management	Outcome January–October 2012	Read more
Employee turnover SAS remains one of the most attractive workplaces in the Nordic region.	Average	PULS analysis	PULS results for 2012 showed a slight decline in employees' attitude toward SAS as an employer.	Pages 6–7
Strikes Historically, the airline industry has been severely affected by labor market disputes.	Low	Transparent and open dialog.	No strikes directed toward Scandinavian Airlines as an employer. However, the strike by safety personnel at Norwegian airports in 2012 negatively impacted all airlines.	-
Incidents and accidents The airline industry is exposed to aircraft accidents.	Low	Safety is top priority. Constantly working for improvement. Extensive reporting culture.	No incidents with red-level risk during the year.	Page 19
Crime and fraud The companies may be exposed to crimes that can have both an economic and material impact.	Low	Code of Conduct, internal control, audits, safety activities.	No material crime or fraud was directed toward SAS.	-
IT security SAS is dependent on IT for its financial transactions and operating activities.	Average	Effective IT security secures confidentiality, accuracy, availability, traceability and authenticity.	SAS upgraded its entire IT platform for the booking system and heightened security levels. The operations were not affected by any computer hacking.	-

Environmental risks	Risk level	Risk management	Outcome January–October 2012	Read more
Environmental directives and requirements Laws and regulations as well as public opinion set requirements for reduced environmental impact.	Low	SAS is committed to sustainability and works actively to reduce its environmental impact.	The SAS Group reduced its carbon dioxide emissions per passenger kilometer from 121 to 118 grams in January–October 2012 compared with the same period last year.	Pages 30–33

Legal and political risks	Risk level	Risk management	Outcome January–October 2012	Read more
Taxes and fees directed at the airline industry The airline industry is subject to fees for take-off, landing and overflights.	Average	Active dialog and negotiations with authorities and organizations.	The unit cost of government user fees for Scandinavian Airlines rose 1.1% in January–October 2012.	Page 18
Compliance risks Infringement of laws or internal regulations.	Average	Internal policies and regulations, internal guidelines and the Code of Conduct.	No legal process of any significance had a negative impact on SAS in 2012.	Pages 79–83

The Group has net surplus and deficit currencies, principally, in USD and DKK. A decline in the SEK against, for example, the USD means a negative impact on earnings as a consequence of exchange-rate driven cost increases not being balanced by corresponding increases in revenue. In 2012, the USD was relatively stable against the Group's main surplus currencies: the SEK, NOK and EUR.

The weakening of the SEK in the second quarter of 2012 negatively impacted the SAS Group's operating income despite currency hedging.

In total, the exchange-rate trend had a negative impact on operating income compared with the preceding year (which included non-recurring effects from the reversal of USD hedges). The total difference between 2012 and 2011 from exchange-rate changes was MSEK -911.

In 2012, the Board decided that exceptions to financial policy could be made thereby enabling a lower degree of hedging. In October 2012, the Group hedged 22% of its anticipated USD deficit for the next 12 months.

Effects of remeasuring, translation risk

When assets and liabilities that are booked in currencies other than SEK are remeasured at the closing-date rate, earnings are usually impacted. However, currency hedging can be recognized as other comprehensive income, under certain conditions. In this case, earnings are not impacted until the asset is divested, which is normally mitigated by the asset's changed market capitalization. See Note 27 on page 65.

Net earnings effect of exchange-rate changes, SAS Group, January–October 2012

	Group total
1% weakening of SEK against USD	-80
1% weakening of SEK against NOK	+55
1% weakening of SEK against DKK	-5
1% weakening of SEK against EUR	-0
1% weakening of SEK against JPY	+5
1% weakening of SEK against GBP	+6

Hedging of jet fuel 2012–2013

	Nov-Jan 2012/2013	Feb-Apr 2013	May-Jul 2013	Aug-Oct 2013
Hedging of jet fuel	72%	54%	53%	21%

Estimated jet fuel cost November 2012–October 2013, SEK bn

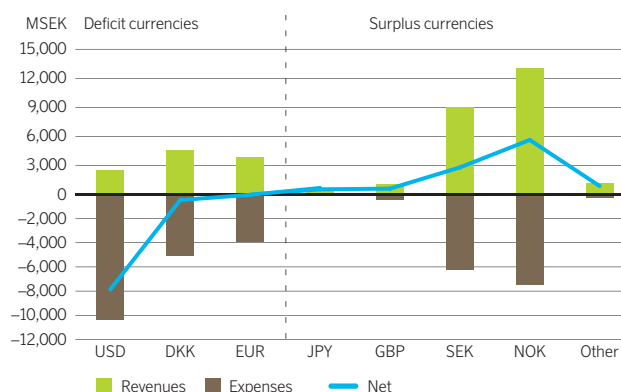
	SEK 5.0/ USD	SEK 6.0/ USD	SEK 7.0/ USD	SEK 8.0/ USD
Market price, jet fuel				
600 USD/tonne	4.7	5.7	6.6	7.6
800 USD/tonne	5.9	7.0	8.2	9.4
1,000 USD/tonne	7.0	8.4	9.8	11.2
1,200 USD/tonne	7.9	9.4	11.0	12.6
1,400 USD/tonne	8.8	10.5	12.3	14.1

After taking into account the SAS Group's hedging of jet fuel.

Jet fuel

The price of jet fuel increased during 2012 and comprised 22.9% (compared with 20.2% for the full-year 2011) of the Group's operating expenses, including leasing. 40–80% of the Group's forecast jet fuel needs for the next 12 months are hedged. The SAS Group's policy to hedge jet fuel entails that hedging can take place up to 18 months in advance.

Currency breakdown in the SAS Group, January–October 2012



Financial risks	Risk level	Risk management	Outcome January–October 2012	Read more
Counterparty losses SAS is exposed through credits, lease agreements and guarantees to external parties.	High	Exposure is regulated by SAS Group Finance Policy.	Even though SAS was negatively impacted by the bankruptcies of Cimber Air, Skyways and Malev, the financial effects were limited.	Note 27
Liquidity risk The airline industry is seasonal, which affects cash flow during the year.	Low	The target is a financial preparedness of at least 20% of fixed costs.	SAS's financial preparedness was 29% and above the target in October 2012. The revolving credit facilities were renewed and extended until 2015 in November 2012.	Note 27
Fuel prices Jet fuel comprises about 20% of the Group's operating expenses including leasing, which exposes the company to changes in price.	High	Hedging of 40–80% of consumption for the next 12 months.	The average price of jet fuel in USD increased 2% during the year. However, The Group's unit cost for jet fuel rose 13% due to reduced hedging levels in 2011.	Note 27
Interest rates The airline industry is capital-intensive and the company is a net borrower. This exposes the company to interest-rate changes.	Low	The finance policy regulates the proportion between variable and fixed interest rates. The objective is that the liability will have a fixed term of 3.5 years.	Net interest was MSEK 298 (before currency effects) higher year-on-year, primarily due to increased bank-related costs and higher interest levels.	Note 27
Exchange rates A considerable part of revenues, expenses and assets/liabilities is in currencies other than SEK, generating exchange-rate effects.	Average	Hedging of foreign currencies. 40–80% of surplus and deficit currencies are hedged on a rolling 12-month basis.	The total variance between 2012 and 2011 from exchange-rate effects was MSEK -911.	Note 27

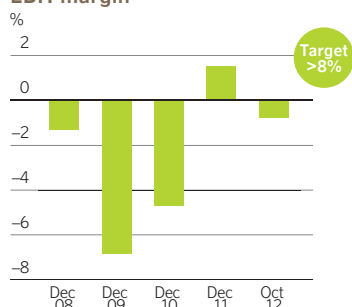
New financial targets set

In conjunction with the launch of the 4Excellence Next Generation plan, the SAS Group set new financial targets. These targets should reflect an operation that has cut its fixed costs, improved its profitability and cash flow and reduced its balance sheet.

Profitability

The EBIT margin shows the operating income before financial items as a percentage of revenue for the period. The target is to maintain an EBIT margin of not less than 8%. The measures implemented by SAS aim to reach the target from the 2014/2015 fiscal year.

EBIT margin



Equity/assets ratio

The SAS Group's equity/assets ratio will exceed 35% and is calculated by dividing equity with the total capital employed. Despite the amended accounting rules for pensions, SAS assesses that the equity/assets ratio will not fall below 20% in fiscal year 2013/2014. The equity/assets ratio target is expected to be achieved in fiscal year 2014/2015.

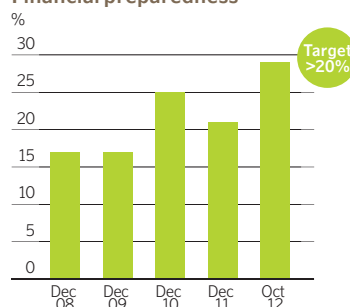
Equity/assets ratio



Financial preparedness

Cash and cash equivalents and unutilized credit facilities/fixed costs to exceed 20%. At October 31, 2012, financial preparedness amounted to SEK 8.1 billion, of which cash and cash equivalents were SEK 2.8 billion and total unutilized credit facilities were SEK 5.3 billion. This provided a financial preparedness level of 29%.

Financial preparedness

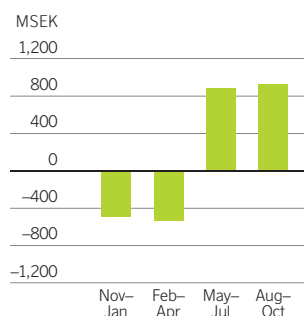


Cash flow

The SAS Group applies no specific cash-flow targets. However, SAS works continuously with analysis of balance-sheet items and trends for operations with the aim of attaining the lowest possible total funding cost. Since operating liabilities exceed current assets, the Group had a net working capital that amounted to about SEK 10.1 billion at October 31, 2012.

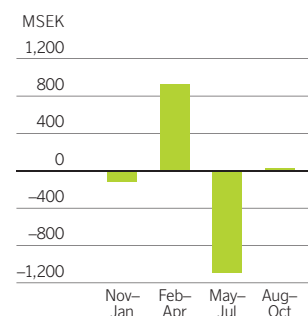
Cash flow from operations follows clear seasonal trends, which impact working capital. Demand in SAS's markets is seasonally low in the December–February period and peaks in April–June and September–October with the highest proportion of advance bookings in the January–May period. This is due to market variations, whereby the proportion of advance bookings ahead of the holiday period in the summer has a major impact on working capital. Demand can deviate from the normal seasonal pattern and take different paths in the Group's markets. SAS has gradually developed sophisticated methods to dynamically adjust capacity to demand on a monthly and weekly basis, for example, in connection with major holidays.

Cash flow from operations before changes in working capital¹



1) Pertains to the period Q2, 2010 to Q4, 2012

Cash flow from operations after changes in working capital¹



1) Pertains to the period Q2, 2010 to Q4, 2012

Funding

The SAS Group uses commercial papers, bank loans, bond loans, convertible bond loans, subordinated loans and leasing as sources of funding. At October 31, 2012, the Group had contracted credit facilities of MSEK 7,113, of which MSEK 5,266 was unutilized. At the same time, the Group's interest-bearing liabilities amounted to MSEK 10,887, down MSEK 2,451 compared with the end of 2011. The Group's capitalized net leasing cost (x7) was MSEK 10,654 at the closing date.

Amortization over the period amounted to MSEK 2,572. New loans raised amounted to MSEK 714 and, principally, comprised renewal of existing aircraft financing. The Group made no EMTN or other bond issues during the fiscal year.

At October 31, 2012, the value of the debt and equity share (conversion option and repurchase right) relating to the convertible bond loan was set at MSEK 1,491 and MSEK 109, respectively. At the date of issue, these amounts were MSEK 1,374 and MSEK 226, respectively. The value of the equity share was included in shareholders' equity, following a deduction for deferred tax.

Contracted credit facilities, MSEK

Committed credit facilities, October 31, 2012	Total	Utilized	Unutilized	Maturity
Revolving credit facility, MEUR 366 ¹	3,155		3,155	2013
Bilateral facility, MSEK 1,250 ²	1,250		1,250	2013
Revolving credit facility, MUSD 86	572	572		2013
Credit facility, MUSD 125	829	552	277	2016
Credit facility, MUSD 70	464	464		2017
Credit facility, MUSD 125	830	259	571	2020
Other facilities	13		13	2013
Total	7,113	1,847	5,266	

1) SAS renewed this credit facility in November 2012. The new facility runs until March 31, 2015 and was increased to SEK 3.5 billion.

2) The facility was terminated in November 2012.

In November 2012, as part of securing the financial stability of the Group, SAS reached an agreement to increase the existing credit facility of SEK 3.2 billion to an amortized facility of SEK 3.5 billion and, in parallel, extend the term to March 31, 2015. In parallel, SAS's bilateral facilities amounting to SEK 1.25 billion were terminated as these provided limited benefit at a significant financial cost. The credit facilities are provided by seven banks, the three Scandinavian states and KAW.

In the latter part of 2012, SAS agreed a new secured credit facility of MUSD 125 for three Airbus A330-300s as part of refinancing when an ECA-backed loan matured.

Fixed-rate period

During the year, the SAS Group's financial net debt declined by MSEK 468 and amounted to MSEK 6,549 at the closing date. The average fixed-rate period for the financial net debt is governed by the Group's financial policy and should amount to about 3.5 years. The average fixed-rate period during the year was 1.9 years.

Creditworthiness

SAS is rated by three credit-rating agencies – Moody's, Standard and Poor's and the Japanese agency, Rating and Investment Information Inc. During the fiscal year, the SAS Group's rating was unchanged but, in February 2012, Standard and Poor's changed their outlook from stable to negative. In November 2012, Standard and Poor's lowered their rating for SAS from B- to CCC+.

The SAS Group's cash and cash equivalents are held in instruments with good liquidity or short maturity with credit ratings not lower than A3/P1 according to Moody's, or A-/A-1 according to Standard & Poor's.

Investments and sales

Investments for the January–October 2012 period amounted to MSEK 1,273 (1,500), of which MSEK 115 related to aircraft, MSEK 253 to engine maintenance, MSEK 167 to aircraft modifications and MSEK 135 to spare parts. Aircraft purchases comprised six MD-80s and one Q300 that were previously on operational lease. Five of these MD-80s were sold on. In addition, investments totaling MSEK 340 are ongoing that are primarily attributable to aircraft.

Acquisition and divestment of subsidiaries relates to the sale of real estate to Swedavia that was completed at the end of June 2012 with a cash-flow effect of MSEK 439. During the period, 18 MD-80s and three Q400s were sold.

Airbus A320neo deliveries

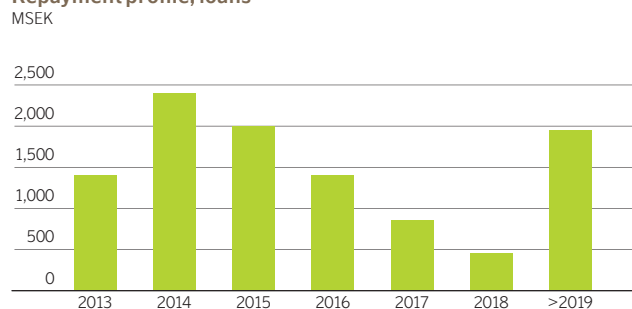
	Total	2016	2017	2018	2019
Number of aircraft ¹	30	4	11	7	8

1) The list price before discounts for an Airbus A320neo is about MUSD 90.

Capitalized leasing costs, net

	MSEK
Capitalized leasing costs, net (x7)	10,654

Repayment profile, loans



The repayment profile pertains to the new fiscal year from November to October.

The share and shareholder service

The share, 2012

The implementation of 4XNG creates the pre-conditions to again create long-term value for the SAS Group's shareholders after several years of negative returns.

Since 2007, the SAS Group's market capitalization has declined by over 90%. Following the implementation of the first step in 4XNG in November 2012, when the new union collective agreements were signed, the share price rose by 30% from the end of October to the end of December. New profitability targets have been prepared and the aim is to obtain an EBIT margin of 8% in 2014/15.

Share performance

The SAS share is traded on the stock exchanges in Stockholm, Mid Cap list (primary listing), Copenhagen and Oslo. The SAS market value declined 19.4% in the January–October 2012 period following the bankruptcy of Spanair and due to a weak yield trend in combination with concerns over a softening global economy. At the end of the period, the share price recovered in parallel with a positive traffic trend, a more positive yield and substantial improvement in unit costs, which increased the Group's profitability. Compared with a weighted average of competitors' market capitalization, the performance of the SAS share was 46 percentage points weaker during the period.

In 2012, the value of the number of shares traded on all three exchanges where SAS is listed declined to SEK 1.5 billion, which was attributable to a decline in the volume of shares traded and a lower share price. The number of shares traded in relation to shares outstanding was 95% in the January–October 2012 period, adjusted for the three Nordic governments' 50% share of the SAS Group.

The distribution of trade between the exchanges in number of shares traded during the year was: Stockholm 78%, Copenhagen 18% and Oslo 4%.

Shareholder service

A key component of shareholder service is the continuous financial reporting, such as, annual reports, interim reports, monthly traffic

reports and press releases. SAS provides supplementary information and facts to shareholders and investors at www.sasgroup.net

Under Investor Relations on the SAS Group's website, SAS provides a shareholder service for all registered shareholders. The service provides opportunities to register for interim reports and receive notices of Annual General Meetings by e-mail. Annual Reports are sent to shareholders by mail upon request. In addition, shareholders who own at least 400 shares (the number of shares may change – see under Investor Relations on the website for the current level) can also make return bookings with Scandinavian Airlines for special prices.

Webcasts are normally arranged in conjunction with interim reports, and can be viewed directly on the website where they are usually available for the following two months. For the institutional market, the SAS Group arranges regular meetings with investors and analysts. Presentations for private shareholders are also arranged at various locations throughout Scandinavia.

Diffusion of ownership and change

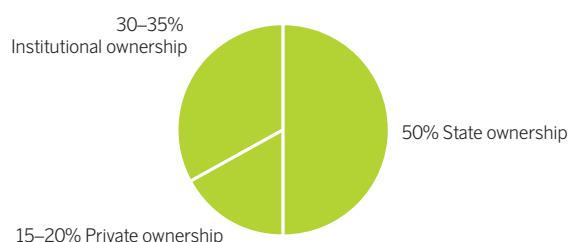
On October 31, 2012, SAS had 64,268 shareholders. Holdings in Scandinavia were about 91%, with Sweden accounting for 50%, Denmark 25% and Norway 16%. Holdings outside the EEA area were less than 2%, of which the majority are registered in the US. In 2012, ownership changes between the various countries were small.

Dividend and dividend policy

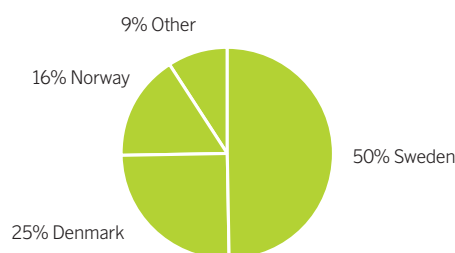
The SAS Group's annual dividend is determined after taking into account the Group's earnings, financial position, capital requirements and the relevant economic conditions. Over a business cycle, the dividend will lie within 30–40% of the Group's earnings after standard tax. As a general rule, no dividend is paid in the event of a loss, to protect the Group's financial position.

The Board of Directors proposes to the Annual General Shareholders' Meeting that no dividends be paid to SAS AB's shareholders for the 2012 fiscal year. This is motivated by the SAS Group's results and cash flow. A good financial position and financial flexibility will be important in completing all measures in the 4Excellence and 4XNG strategies as well as in future investments.

Breakdown of SAS Group share capital



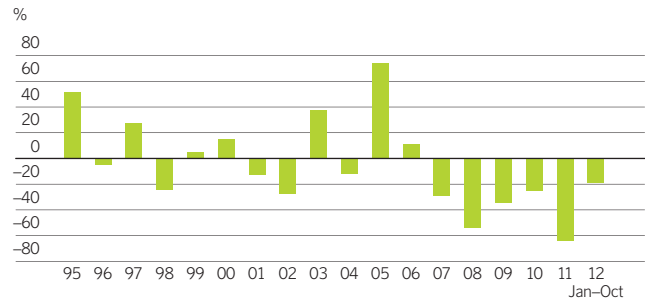
Breakdown of SAS Group share capital by country



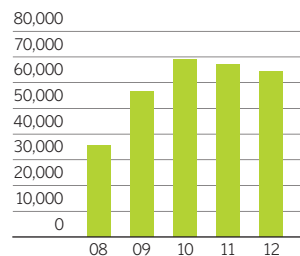
The analysts' recommendations, 2013



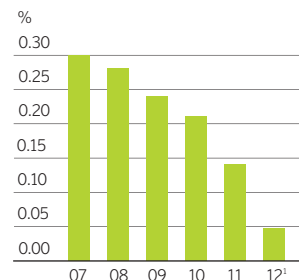
The SAS share's long-term annual total yield



Number of shareholders in SAS AB

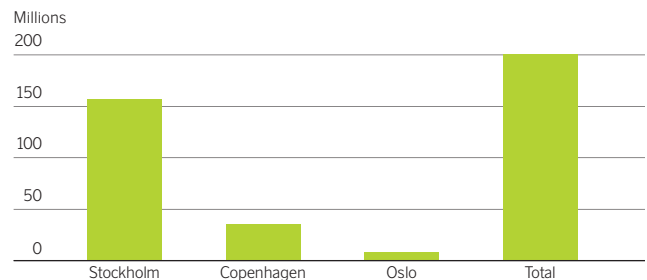


SAS's share trading volume (as percentage of total turnover on the Stockholm Stock Exchange)

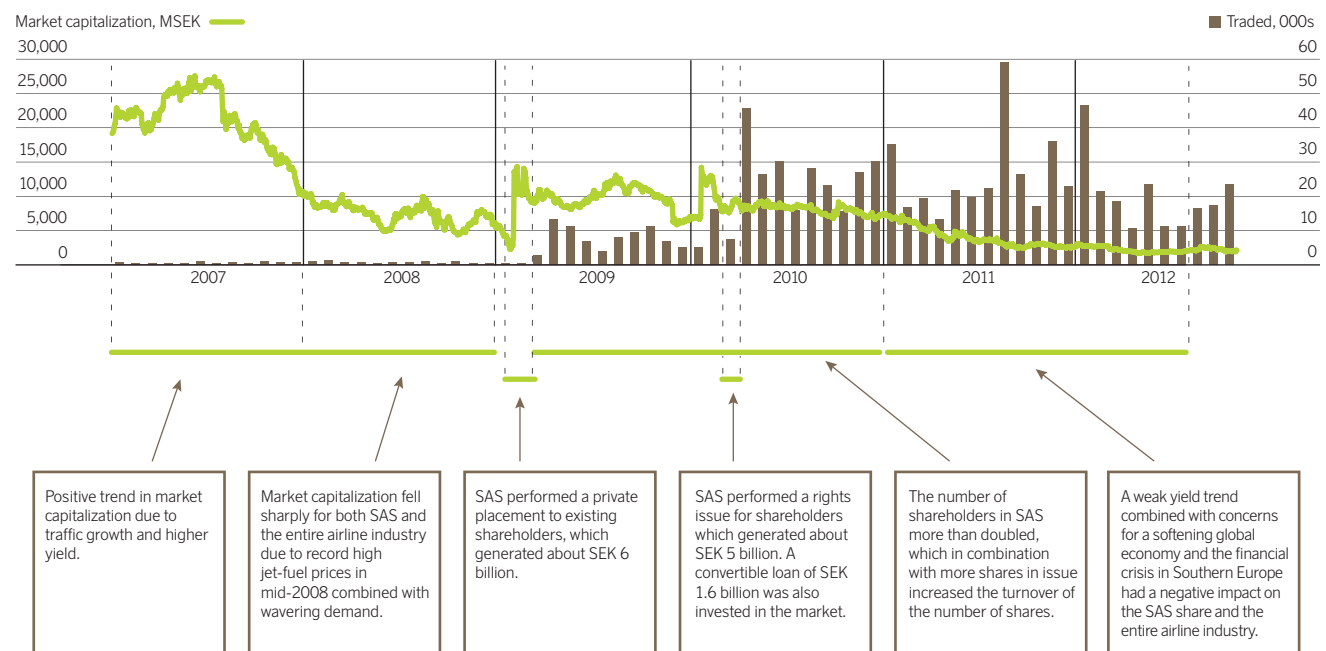


1) Pertains to the Jan–Oct 2012 period

Volume of shares traded, divided by the three exchanges and total, Jan–Oct 2012



The share



Sustainable development creates value – even in turbulent times

SAS is confident that an economically sustainable operation implies social and environmental responsibility. Work with sustainability issues can contribute in various ways to increased value and competitiveness.

SAS sustainability overview and sustainability report

Since 2011 SAS has chosen to disclose a Sustainability overview in the Annual Report and a more comprehensive sustainability report separately, which is available on our website at www.sasgroup.net under the heading “Sustainability”.

The separate sustainability report applies for the entire Group. It is the SAS Group's 17th sustainability report. These reports have been audited since 1997. The United Nations Global Compact (UNGC), ISO 14001 and the Carbon Disclosure Project as well as the guidelines issued by the Global Reporting Initiative (GRI) have all been taken into consideration.

SAS Sustainability performance in brief

- The SAS Group's total CO₂ emissions increased 1.7% during January–October 2012, while the total number of passenger kilometers increased 4.7% year-on-year. This means that the relative CO₂ emissions decreased during the period to 118 grams (121) per passenger kilometer compared with the same period the year before.
- The SAS Group decreased its total CO₂ emissions from flight operations by 14.3% in the November 2011–October 2012 period compared to the full year 2005. One of the Group's main targets in 4Excellence is to reduce its total emissions by 20% by 2015 compared with 2005.
- Energy consumption in the SAS Group facilities fell 14.8% in November 2011–October 2012 compared with the base year of 2010.
- Fossil fuel consumption by ground vehicles at the SAS Group's major airports in Scandinavia decreased by 26% in November 2011–October 2012 compared with the base year of 2010.
- SAS met its commitment to comply with national legislation regarding the inclusion of aviation in emissions trading on January 1, 2012.
- All of the SAS Group's airlines retained their certifications according to ISO 14001.
- All of the Group's airlines complied with the regulations regarding EU-ETS.
- Job satisfaction at SAS decreased. The index decreased by 3 units to 63.
- Sick leave rose to 7.1% (7.0) in Scandinavian Airlines, remained stable at 4.7% (4.7) in Blue1 and declined to 5.7% (5.8) in Widerøe.

Sustainable development creates value

SAS's starting point is that by constantly improving our processes, reducing our resource consumption and the sustainable enhancement of production efficiency, we can create value in a sustainable

Sustainability-related key figures¹

	2012 Jan–Oct	2011 Jan–Oct	2011 Jan–Dec
Revenue, MSEK	35,986	34,979	41,412
EBT before nonrecurring items, MSEK	23	96	94
EBIT margin, %	–0.8	2.9	1.6
Number of passengers, millions	24.0	23.0	27.2
Average number of employees,	14,897	15,184	15,142
of whom women, %	38	38	38
Sick leave, % ²	7.1	-	7.0
Total number of occupational injuries	257	-	272
Climate index ³	98	-	100
CO ₂ emissions, 000s tonnes	3,340	3,284	3,863
NO _x emissions, 000s tonnes	13.6	13.2	15.6
CO ₂ grams per passenger km.	118	121	122
Fuel consumption airline operations, 000s tonnes	1,060	1,043	1,226
Fuel consumption ground operations, 000s liters	1,750	2,620 ⁵	3,157 ⁵
Water consumption, 000s m ³	155 ⁴	-	161 ⁵
Energy consumption, ground, GWh	182 ⁴	-	194 ⁵
Unsorted waste, 000s tonnes	0.7 ⁴	-	0.8
Hazardous waste, 000s tonnes	0.2 ⁴	-	0.2
External environment-related costs, MSEK	275	-	407

1) Accounting Principles under Sustainability at www.sasgroup.net.

2) Changed method. Pertains only to Scandinavian Airlines.

3) Full year 2011 new base year. The result consist of November 2011–October 2012.

4) Pertains to November 2011–October 2012.

5) Historic value changed.

manner, not only in terms of growth for our shareholders but also for such stakeholders as customers, employees and contractors. To communicate these efforts and their results, SAS endeavors to maintain the outstanding level of its sustainability reporting, work that is also driven by external requirements and stakeholder expectations.

SAS's long-term goals remain firmly in place and sustainability reporting will maintain a high standard, for which SAS has received praised from sustainability analysts and other external appraisers.

The SAS Group's stakeholders generally emphasize environmental responsibilities, especially how SAS manages requirements to reduce climate-impacting emissions. Environmental responsibilities therefore comprise the largest section of the SAS Group's reported sustainability practices. Social responsibility – in the widest sense of the term – is equally important for SAS, but does not receive the same significance in the sustainability report.

Despite market turmoil in the airline industry during recent years, commitment to sustainability-related issues has not waned. By adapting our capacity and introducing emissions-reducing practices, emissions per passenger kilometer in the long term continued to fall.

The SAS Group's work with maintaining its social responsibility is core to the continuously ongoing activities contained in the 4Excellence and 4XNG plans. Even though these activities mean redundancies and changes for SAS employees, compliance with the legislation and practices in each market is of the utmost importance. For SAS, it is crucial to have employees based and employed where the actual work is carried out.

SAS's environmental efforts in brief

The overall objective for SAS's sustainability practices is to create long-term value growth for our owners and help the Group achieve its targets. In January–October 2012, the intensity of SAS's sustainability work continued. The impaired external factors in the market did not affect the targets or the timeline.

Environmental vision

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

Environmental policy

SAS will have an environmental program on par with leading industry competitors that attracts employees, customers, and investors and is perceived as positive by other stakeholders.

SAS will contribute to sustainable development by optimizing resource use, seeking the use of renewable energy and minimizing its environmental impact throughout its operations.

SAS's environmental programs and activities are based on continuous improvement, with reference to SAS's overall environmental goals. Each company and unit is responsible for setting specific targets and working to reach them.

The activities within SAS's environmental programs will be coordinated and integrated with production, quality and financial activities and will comply with applicable legislation and other requirements.

Environmental target

SAS aims to create responsible and sustainable traffic growth, while reducing environmental impact.

- 50% lower emissions per unit by 2020 compared with 2005

Environmental goals by 2015

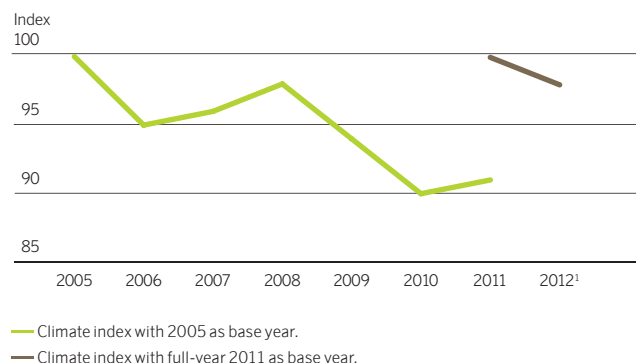
During January–October 2012, SAS's environmental programs continued at an intense pace in the Group, which was in line with the action plans drawn up in 2011 to reach their targets by no later than 2015.

The environmental goals up to 2015 will lay the basis for ensuring that SAS operations will be sustainable in the long-term.

SAS will:

- reduce flight emissions by 20% in 2015 compared with 2005.
- reduce energy consumption in buildings by 15% in 2015 compared with 2010.
- reduce ground-vehicle consumption of fossil fuels by 10% at SAS's major airports in Scandinavia by 2015 compared with 2010.
- improve one index point annually for the Customer Satisfaction Index question involving being an environmental-aware company (2011: Index 64)
- secure a regular, large-scale supply of a commercially available and sustainable jet fuel by 2015.

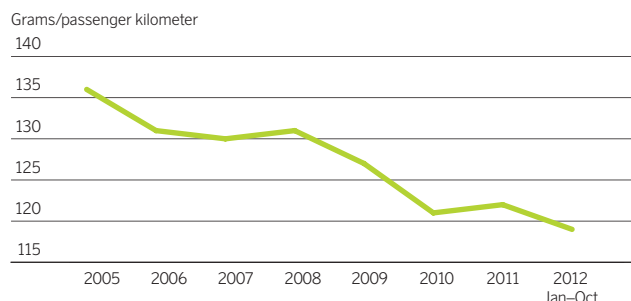
SAS Group, Climate Index



1) Full year 2011 new base year. The result consist of November 2011–October 2012.

The climate index measures climate impact in relation to traffic measured in passenger kilometers and comprises 2/3 carbon dioxide and 1/3 nitrogen oxides (as indicators of other greenhouse gases). See Accounting Principles at www.sasgroup.net/miljo

SAS Group, CO₂ emissions per passenger kilometer from flight operations



SAS Environmental Program

The short-term goal of reaching the target of a 20% reduction in flight emissions by 2015 compared with 2005 is an important milestone in the SAS Environmental Program. The Environmental Program is a long-term commitment aiming to optimize resource use, make the transition to renewable energy and minimize environmental impact throughout its operations.

Examples of activities in the program where SAS has full control and own responsibility

1. More modern and efficient aircraft

By 2015, SAS plans to have replaced all remaining previous generation aircraft (MD-80s and Boeing 737 Classics) with new and more efficient aircraft (Boeing 737NGs and the Airbus A320 family). This will generate fuel savings of about 10–15% per seat compared with other same-sized aircraft. During this transformation period, SAS is endeavoring to minimize use of the older aircraft and these aircraft remain on the ground in off-peak periods. By the end of 2012, all MD-80s will be phased out at the base in Stockholm. By 2016, SAS plans to introduce the Airbus A320neo that will have 15% lower fuel consumption and generate 50% less noise than the existing Airbus A320s.

SAS plans to take a decision on future long-haul aircraft in the years to come.

2. Efficient use of SAS different aircraft sizes

SAS currently operates with aircraft of varying sizes. The aim is to create conditions for flying as profitably and energy-efficiently as possible depending on the time of day and destination.

One example is the SAS Group's Boeing 737NGs with 120+, 141+ and 183+ seats. This entails great flexibility depending on demand, which guarantees the lowest possible total emissions at any given time. Flying aircraft that are too big generates unnecessary extra emissions even if it generates a better result per available seat kilometer.

Another example is that an aircraft that flies for 15 minutes between two islands along the Norwegian coast with an average demand of 20+ passengers is obviously not subject to the same conditions as an aircraft that flies more than ten hours with a demand of 240+ passengers. These two aircraft are a component in the SAS business model and have different energy efficiencies. These aspects are very important to consider when comparing different airlines environmental performance.

3. Culture and behavior

An important aspect of increasing the fuel efficiency is to make sure that all employees in SAS's airline operations have the prerequisites and knowledge to be fuel efficient. This entails involvement of all employee groups affecting the fuel consumption.

Work is continuously ongoing with a large number of activities that focus primarily on established operational conditions, such as procedures and how they are implemented, and whether the available system support is sufficiently optimized for higher fuel efficiency. Naturally, all changes maintain a standard that meets the highest level of flight safety requirements.

4. Modification of existing aircraft

SAS modifies its aircraft continuously in order to modernize to better technology, improve aerodynamics or reduce weight.

An example of better technology is the ongoing engine upgrade program within the framework of the ordinary technical maintenance of most of the Boeing 737NG fleet. In practice, this entails that the engines are upgraded to the latest version ("Tech Inserts" or "Evolution"). More than half of the fleet's engines on the Boeing 737NG, which were delivered prior to 2006, have now been upgraded and are thus about 3% more fuel efficient than when they were originally delivered. Aircraft delivered after 2007 already have "Tech Inserts" and aircraft delivered after the summer of 2011 have "Evolution".

Examples of weight reduction include the replacement of the brakes on Boeing 737-800s with lighter versions in composite material or installing light-weight seats in a number of Boeing 737NGs and Airbus A320s.

Examples of improved aerodynamics include the installation of winglets on Boeing 737NGs or sharklets on Airbus A320s. This can potentially reduce the fuel consumption by 1–5% depending on the stage length for certain airlines. SAS has installed winglets on a number of Boeing 737NGs where it is profitable from a sustainability perspective.

All in all, this means that the fuel efficiency of a Boeing 737NG delivered in 1998 is, by and large, comparable to a brand new Boeing 737NG.

5. Less weight on board

Apart from modifying the aircraft, work is also constantly ongoing to reduce the weight of all material and products included in SAS's service offering. Examples include optimizing the amount of water filled for toilet use, replacing glass wine bottles with a plastic alternative, optimizing the amount of products served and used based on analysis of the actual demand.

Examples of activities in the program where SAS can contribute and is an important stakeholder

1. Alternative and sustainable jet fuels

SAS has been working for many years with various activities designed to accelerate the development of alternative and sustainable jet fuels. In January–October 2012, SAS also conducted concrete discussions with a range of prospective stakeholders in connection with the production of alternative and sustainable jet fuels in Scandinavia. SAS took the initiative to start a sustainable-fuel user-group in Scandinavia. The plan is to start the work in 2013 in order to accelerate the progress during the coming years.

SAS has indicated clearly to existing and prospective producers of jet fuels that we are prepared to purchase alternative jet fuels if the price is competitive and sustainability criteria are in place.

It is vital for SAS that the production of alternative sustainable jet fuels does not compete with food production or access to drinking water and that it has minimal impact on biodiversity.

2. Greener Flights

Since early 2000s, SAS has been working with the parties responsible for air traffic control in Sweden, Norway and Denmark in an effort to identify more efficient methods for controlling air traffic in the airspace of these countries.

In Sweden, for example, this work has resulted in the Continuous Descent Approach from Top of Descent becoming standard during low and medium-peak traffic at Stockholm-Arlanda. SAS has also been deeply involved in the establishment of the S-curved approaches on runway 19R and the curved approach to runway 26 at Stockholm-Arlanda.

The Continuous Descent Approach from Top of Descent entails that air traffic control allows the aircraft to approach in a continuous gliding descent without using unnecessary engine power. This is common at small airports where there is no other air traffic close by, but still unusual at large airports where other air traffic must be handled in parallel.

In practice, the Curved Landing Approach entails using satellite based Required Navigation Performance (RNP AR) rather than the traditional ground-based ILS. At runway 19R approaches follow an S curve. This reduces noise close to the airport and minimizes exposure in sensitive areas. At runway 26 the approach is curved which reduces flying distance, thereby lowering emissions.

SAS is currently involved in a number of activities in Scandinavia which aim to demonstrate short-term potential environmental improvements within the framework of existing systems and methods on flights.

3. Single European Sky

SESAR (Single European Sky Air Traffic Management Research) is an EU initiative aimed at advancing tomorrow's airspace and the air traffic management system in Europe. SAS is involved in SESAR and participates in efforts to enhance efficiency, capacity and safety, and to reduce the environmental impact of flights.

The long-term objectives for SESAR are:

- A threefold increase in capacity.
- A tenfold increase in safety levels.
- A 10% reduction in carbon dioxide emissions.
- Half the Air Traffic Control costs.

By 2020, this will lead to:

- Flight times that are 8–14 minutes shorter.
- A reduction in fuel consumption of between 300 and 500 kilograms per flight.
- A reduction in CO₂ emissions of between 948 and 1,575 kilograms on average, per flight, compared with 2010.



SAS Environmental Program

SAS environmental program

This is the symbol for the SAS environmental program, which comprises all the environmental measures contained in the SAS environmental management system. One of the areas where the symbol can be found is on the engines for the SAS Boeing 737NG fleet.



Scandinavian Airlines newest Boeing 737-800 was taken into service on April 25, 2012. As per October 31, 2012, the aircraft had made about 900 flights with average carbon dioxide emissions per passenger kilometer of 78 grams.

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



04-20 88 888
THANK YOU
FOR YOUR CHOICE
04-20 88 888

Contents

Report by the Board of Directors	36	Notes to the consolidated financial statements	
Consolidated statement of income including a statement of other comprehensive income	42	Note 1 Significant accounting policies	48
Comments on the consolidated statement of income	43	Note 2 Revenue	54
Statement of income – quarterly breakdown	44	Note 3 Payroll expenses	54
Consolidated balance sheet	45	Note 4 Other operating expenses	56
Comments on the consolidated balance sheet	45	Note 5 Depreciation, amortization and impairment	56
Change in shareholders' equity	46	Note 6 Share of income and equity in affiliated companies	56
Consolidated cash-flow statement	47	Note 7 Income from the sale of aircraft and buildings	57
Comments on the consolidated cash flow statement	47	Note 8 Income from other security holdings	57
Notes to the financial reports	48	Note 9 Net financial items	57
SAS AB, Parent Company, including notes	76	Note 10 Tax	57
Corporate governance	79	Note 11 Intangible assets	58
Corporate Governance Report	79	Note 12 Tangible fixed assets	59
Information about the Annual General Shareholders' Meeting	82	Note 13 Prepayments relating to fixed assets	60
Internal control – financial reporting	82	Note 14 Financial fixed assets	60
SAS Group's areas of responsibility	83	Note 15 Pension funds, net	61
SAS Group's legal structure	83	Note 16 Expendable spare parts and inventories	62
Board of Directors and auditors	84	Note 17 Current receivables	63
Group management	86	Note 18 Current receivables from affiliated companies	63
Auditors' report	89	Note 19 Prepaid expenses and accrued income	63
		Note 20 Short-term investments	63
		Note 21 Share capital	63
		Note 22 Reserves	63
The SAS Group's share data	90	Note 23 Long-term liabilities	64
Aircraft fleet	91	Note 24 Subordinated loans	64
The Group's operational key figures	92	Note 25 Bond loans	64
Ten-year financial overview	93	Note 26 Other loans	64
Definitions & concepts	95	Note 27 Financial risk management and financial derivatives	65
		Note 28 Other provisions	71
		Note 29 Short-term loans	72
		Note 30 Unearned transportation revenue	72
		Note 31 Accrued expenses and prepaid income	72
		Note 32 Pledged assets	72
		Note 33 Contingent liabilities	72
		Note 34 Leasing commitments	72
		Note 35 Adjustment for other items not included in the cash flow, etc.	73
		Note 36 Acquisition of subsidiaries	73
		Note 37 Disposals of subsidiaries	73
		Note 38 Cash and cash equivalents	73
		Note 39 Auditor's fees	73
		Note 40 Transactions with affiliated companies	73
		Note 41 Segment reporting	74
		Note 42 Subsidiaries in the SAS Group	75
		Note 43 Significant events after the closing date	75

Annual report 2012

Report by the Board of Directors

The Board of Directors and the President of SAS AB hereby submit the annual report for SAS AB and the SAS Group for fiscal year 2012 (January–October). The company is domiciled in Stockholm, Sweden, and its Corporate Registration Number is 556606-8499.

Highlights¹

- Revenue for the year amounted to MSEK 35,986 (34,979), up 2.9%.
- The number of passengers (scheduled traffic) totaled 24 million, up 4.3%. SAS captured market shares in Denmark, Norway and Sweden.
- Capacity (ASK) increased 4.5% compared with 2011.
- Income before tax and nonrecurring items was MSEK 23 (96).
- Income before tax amounted to MSEK –1,245 (381).
- Net income for the period totaled MSEK –985 (338).
- The new 4Excellence strategy, launched at the end of 2011, delivered substantial effects during the year.
 - Passenger revenue increased 5.6% after currency adjustment.
 - Unit cost decreased by 4% (after jet–fuel and currency adjustments).
- A new aggressive plan was launched in November 2012 – 4Excellence Next Generation (4XNG) – which addresses SAS's structural and financial challenges.
 - Measures with an annual positive earnings effect of approximately SEK 3 billion; including new collective agreements for flight crews with such features as changed pension conditions in place.
 - As a result of the new pension terms, the negative impact on equity of amended reporting rules for pensions is reduced by approximately SEK 3.4 billion.
 - Divestment of assets with a liquidity effect of about SEK 3 billion.
- In November, core shareholders and banks placed credit facilities of SEK 3.5 billion at the Group's disposal until March 2015.

¹) The comparative figures in Highlights are for the period January 2011–October 2011.

MARKET PERFORMANCE

Traffic growth was healthy during January–October 2012, in parallel with a relatively moderate increase in capacity, leading to a general increase in load factors for the industry and for the SAS Group, which posted record high load factors in April, July and August. The Group's traffic increased 6.2% in January–October 2012, positively impacted by healthy growth on the intercontinental routes, primarily to Asia. Traffic to and from Asia was weaker at the start of the year and only climbed marginally. However, from March 2012, strong growth was posted, which was attributable primarily to weak comparative levels following the earthquake in Japan in March 2011 and the opening of a new route to Shanghai. Traffic to and from North America also trended positively and rose 6% during the period. The trend was also positive for traffic in Scandinavia/Europe, which contributed to the SAS Group increasing total market share in Scandinavia. Capacity increased by a total of 4.5% during the January–October period due to increased capacity on the intercontinental routes and the opening of more longer-distance leisure destinations during the summer months.

Despite the positive traffic trend, the currency-adjusted yield for Scandinavian Airlines declined by 0.7% as a consequence of continued overcapacity in key markets. However, the currency-adjusted total unit revenue, RASK, increased 2.2%, positively impacted by the higher load factor.

In total, the SAS Group carried 24 million passengers on scheduled services in January–October 2012 corresponding to an increase of 4.3% year-on-year.

INCOME January–October 2012

At the Annual General Shareholders' Meeting of the SAS Group on April 19, 2012 a resolution was passed to change the Group's fiscal year to comprise the period November 1–October 31 instead of the calendar year and that the current fiscal year for 2012 be shortened to comprise the period January 1, 2012–October 31, 2012. The aim of this change was to match the fiscal year to the Group's operations, which are conducted in two distinct periods; a winter and a summer program. This change in the Group's fiscal year was approved by the Swedish Tax Agency. Accordingly, the Annual Report, including notes, for the January 1, 2012–October 31, 2012 fiscal year will be compared with the preceding fiscal year, which comprised the period January 1–December 31, 2011.

The SAS Group's income before tax and nonrecurring items was MSEK 23 (94) and income after tax totaled MSEK –985 (–1,687).

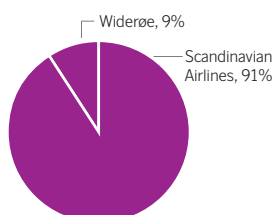
The SAS Group's revenue amounted to MSEK 35,986 (41,412).

4Excellence and 4Excellence Next Generation

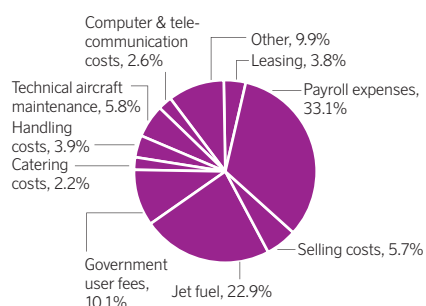
At the end of 2011, the new 4Excellence strategy was launched with the aim of achieving excellence in four core areas by 2015 – Commercial Excellence, Sales Excellence, Operational Excellence and People Excellence. The strategy has a strong focus on unit cost. In parallel, other ambitious targets were set, such as, that SAS must reduce total emissions by 20% by 2015, become the Nordic region's most appreciated airline and secure job satisfaction levels corresponding to the top five in the entire Nordic transportation sector. The objective is to achieve sustainable profitability to deliver sufficient returns to shareholders.

As part of 4Excellence, measures were implemented in a number of key areas in 2012. In total, about half of the program's measures were implemented during the fiscal year with an estimated effect on earnings of about SEK 1.8 billion before nonrecurring items. The implementation of 4Excel-

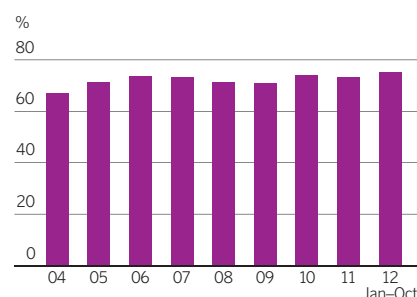
SAS Group, revenue breakdown, January–October 2012



SAS Group, cost breakdown, January–October 2012



SAS Group, passenger load factor



lence resulted in SAS being able to increase currency-adjusted passenger revenue by 5.6% and lower the unit cost (CASK – after fuel and currency adjustments) by 4% in January–October 2012.

Despite major progress and healthy results in 4Excellence, the challenge of achieving long-term competitiveness and financial stability remained. In conjunction with the report for the third quarter in November 2012, a new business plan called 4Excellence Next Generation (4XNG) was launched. This is an aggressive plan that builds on the positive trend we have witnessed to date in 2012. The new plan deals with the remaining structural and financial limitations through radical changes and simplification of operations. In total, the plan means further cost reductions of about SEK 3 billion over and above those resulting from ongoing activities in 4Excellence. The main components include new collective agreements for flight crews with salary and employment terms at market levels that enable significant efficiency enhancements with regard to planning and scheduling. Furthermore, new defined-contribution pension solutions will be introduced for most employees and administrative functions will be reduced and centralized to Stockholm.

On November 19, the first crucial step in the 4XNG plan was taken through the signing of new collective agreements with the flight crew unions. In addition, outsourcing is planned for ground handling and major parts of customer service, as well as comprehensive saving and streamlining measures in IT. The plan also includes the divestment of assets to reduce the company's long-term dependence on credit facilities. These divestments total about SEK 3 billion and include Widerøe, SAS Ground Handling, properties and aircraft engines.

The 4XNG plan aims to enable SAS, moving forward, to efficiently compete in the growing leisure travel market while also maintaining competitiveness in the important business travel market.

CHANGES IN GROUP STRUCTURE

The Group structure continued to be simplified during the year, primarily in connection with the 4Excellence strategy. As a consequence of the new strategy and of the transition of SAS from a holding structure with multiple subsidiaries to an airline organized by function, changes were implemented in Group Management to create clearly defined responsibility for the strategy's four areas of excellence.

As part of its overriding strategy of focusing on its core business, SAS sold six properties at Arlanda, Landvetter and Sturup to Swedavia for MSEK 1,775 in 2012. Prior to the sale, purchase options were exercised for three separate properties, which were previously leased by SAS under operating leases. All of the properties were either acquired or sold as corporate entities.

No other businesses were sold or acquired during the year. Under the 4XNG plan, SAS intends to divest the following, moving forward:

- Widerøe
- Airport-related properties
- Ground handling
- Aircraft engines

REMAINING LIABILITIES, RECEIVABLES AND ACCOUNTING CHANGES

In June 2011, the IASB (International Accounting Standards Board) published amendments to IAS 19 Employee Benefits. The amendments to IAS 19 have been adopted by the EU. The amendments related to the recognition

of defined-benefit pension plans will be applied from fiscal years beginning as of January 1, 2013. The change in the SAS Group's fiscal year means that the amended IAS 19 will be applied from November 1, 2013. Among other features, the revised IAS 19 no longer permits the deferral of the recognition of certain deviations in estimates (the "corridor approach" has been removed). Instead, all deviations in estimates are to be recognized immediately in other comprehensive income. As a result of the amendments, the accumulative unrecognized deviations (unrecognized actuarial gains and losses and plan amendments) will be recognized in its entirety in shareholders' equity, which will have a significant negative effect on the Group's shareholders' equity.

The parent company SAS AB's recognized shareholders' equity is not affected by this amendment. At October 31, 2012, the item "unrecognized actuarial gains and losses and plan amendments" amounted to about SEK 13.5 billion, up slightly more than SEK 1 billion compared with December 31, 2011. The increase was partly due to a lower discount rate and a lower-than-anticipated return on plan assets. The recognition of actuarial gains and losses and plan amendments will also involve a reversal of deferred tax liabilities related to pensions given that the temporary difference between the accounting value and the value for tax purposes will be eliminated. The effect of the reversal of deferred tax liabilities related to pensions amounted to approximately SEK 1.5 billion, which had a positive impact on the SAS Group's shareholders' equity.

In November 2012, new collective agreements were signed with flight crews in Scandinavia, which entailed major changes in pension terms. The majority of existing defined-benefit pension plans will be replaced with defined-contribution pension plans. The previous right to early retirement has also been eliminated. These changes have not been included in the present value computation of the pension commitment as of October 31, 2012. As a result of the agreed changes in pension terms, the effect on the recognition of actuarial gains and losses is estimated to decrease by about SEK 3.4 billion and the pension commitment to be reduced by about 60%.

RISK MANAGEMENT

The SAS Group works strategically to refine and improve its risk management. Risk management includes identifying both new risks and known risks. The Group monitors the comprehensive risks centrally, while portions of risk management are conducted in the operations and include identification, action plans and policies.

Market risks: The SAS Group is especially sensitive to global trends and events. However, the Group is active in several markets and is therefore affected by different economic cycles, mitigating the Group's exposure. As a result of the somewhat more stable economies in the Nordic region compared with the rest of Europe, passenger growth was healthy in 2012, although the robustness of the growth varied. The Group adjusts its production to ensure the right capacity in each market to reduce market risk. The airline industry is highly competitive since new airlines continuously enter the market. Changes in customer behavior and an increasing number of low-cost carriers in the SAS Group's home market could result in further intensification of competition. To meet this, SAS is implementing the 4XNG plan, which will introduce structural changes that will lower costs to levels that are competitive in the long-term.

Financial risks: The SAS Group is exposed to various types of financial risk. All risk management is performed centrally pursuant to the financial

Overall risk management in the SAS Group

Risk management is implemented through the diversification of risk, operating policies, the Code of Conduct and hedging arrangements. For further information see pages 23–25.

Market risks	Operating risks	Environmental risks	Legal and political risks	Financial risks	Other risks
<ul style="list-style-type: none"> • Macro-economic growth • Market impact • Competition – low-cost carriers in the home market • Capacity change • Price performance 	<ul style="list-style-type: none"> • Personnel turnover • Strikes • Incidents and accidents • Crime and fraud • IT security 	<ul style="list-style-type: none"> • Environmental directives and requirements • Laws and regulations • Requirements to reduce environmental impact 	<ul style="list-style-type: none"> • Government user fees and airline industry taxes • Compliance risks – laws and internal rules 	<ul style="list-style-type: none"> • Counterparty losses • Liquidity risk • Fuel price • Interest rates • Exchange rates 	<ul style="list-style-type: none"> • Natural disasters • Terror attacks • Conflicts • Epidemics

policy adopted by the Board. SAS utilizes derivative instruments in its financial risk management to limit exposure to currency, interest-rate and jet-fuel price risk; see Note 27. The SAS Group hedges 40–80% of its anticipated fuel consumption on a rolling 12-month basis. This is done primarily to create enough time to adapt operations to market conditions. The SAS Group's strategy for dealing with higher jet fuel prices is based on the hedging of jet fuel, yield management and fare adjustments.

For foreign currency, the policy is to hedge 40–80%. During the 2012 fiscal year, a Board decision was taken, whereby an exception to this policy was approved, which enables a lower degree of hedging. In October 2012, the SAS Group had hedged 22% of its anticipated USD deficit for the next 12 months. The SAS Group has hedged its USD deficit using a combination of forward contracts and options.

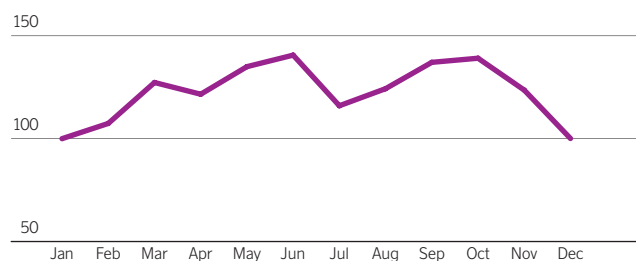
Environmental risks: Environmental laws and regulations, including restrictions on noise levels and greenhouse gas emissions, could have an adverse impact on the SAS Group. The Group works continuously on sustainability issues to ensure compliance with national and international requirements.

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

SEASONAL EFFECTS

Demand in SAS's markets is seasonally low in the winter period from December–February, relatively high in September–November and peaks in April–June. This is due to demand variations in the business market. Demand can deviate from the normal seasonal pattern and take different paths in the Group's markets. SAS has gradually developed sophisticated methods to dynamically adjust capacity to demand on a monthly and weekly basis, for example in connection with major holidays.

Seasonal variations in the number of passengers transported, SAS Group 2004–2012



January = index 100.

THE SAS SHARE

Two share classes

SAS AB has two classes of shares, common shares and subordinated shares. Currently, there are 329 million common shares issued, which constitute a total registered share capital of MSEK 6,612. Common shares provide shareholders all of the rights laid down in the Swedish Companies Act and the Articles of Association.

In addition, the capacity exists to issue special subordinated shares to safeguard the company's air traffic rights. Subordinated shares give shareholders the right to participate in and vote at SAS AB's shareholders' meetings. However, subordinated shares do not entitle shareholders to dividends or participation in bonus issues. If subordinated shares are redeemed or the company is dissolved and its assets distributed, holders of subordinated shares receive compensation equivalent only to the nominal value of the shares plus an interest-rate factor. For more information on subordinated shares, see Note 21.

Share price performance

In the period January–October 2012, SAS AB's market capitalization declined 19.4%, due to a weak yield trend and uncertainty concerning the future recognition of pensions under IAS 19. Following the signing of the new collective agreements on November 19, 2012, the share price rose significantly.

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

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

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

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

Should the Board deem the action of redeeming common shares not possible or inadequate, the Board may propose a shareholders' meeting to decide whether to issue subordinated shares in such number so as to safeguard continued Scandinavian ownership and control. Such a decision must be approved by at least half of the votes cast at the meeting. The subordinated shares thus issued are subscribed for with the support of previously issued warrants, which are currently held by a subsidiary of SAS AB but which the Board of SAS AB has the right to decide to transfer to one or more appropriate legal entities domiciled in Denmark, Norway or Sweden as soon as this is judged necessary for aviation policy reasons. In total, there are 75,000 warrants issued which, after the rights issue conducted and the reverse split of shares in 2010, 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 qualifications requirements for Board members to ensure that the Board will at all times have the composition it needs to ensure that the company and its subsidiaries are able to retain their air traffic rights. These requirements include citizenship, domicile and knowledge and experience of the social, business and cultural conditions prevailing in the Scandinavian countries. Beyond these requirements and the regulations contained in the Articles of Association, there are no restrictions or voting rules pertaining to the appointment or removal of Board members.

Ownership and control

At October 31, 2012, there were only three shareholders who each own and control more than 10% of the voting rights for all shares in the company. The Danish government owns 14.3%, the Norwegian government owns 14.3% and the Swedish government owns 21.4%. Combined, the three states own 50.0% of the shares in SAS AB. At the beginning of the year, Scandinavian shareholders held approximately 91% and non-Scandinavian shareholders held about 9% of the total share capital in SAS AB.

No restrictions exist 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 agreements between shareholders that would restrict the capacity of shareholders to vote at a shareholders' meet-

ing or their right to freely transfer such shares. Besides the aforementioned warrants for subordinated shares (which require the approval of the shareholders' meeting), the Board has, as of February 2013, no authorization to decide that the company will issue new shares or buy back its own shares.

Effects of a public takeover bid

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

CAPITAL MANAGEMENT

Financial targets

The SAS Group's overall target is to create value for its shareholders. In conjunction with the new measures contained in the 4XNG plan implemented by SAS, the financial targets reflect an operation that has reduced its fixed costs, increased its profitability and cash flow and reduced its balance sheet. The financial targets are as follows:

Profitability: An operating margin (EBIT margin) >8%, which is expected to be achieved from fiscal year 2014/2015.

Equity/assets ratio: >35% – despite the amended accounting rules for pensions, SAS assesses that the equity/assets ratio will not fall below 20% in fiscal year 2013/2014. The equity/assets ratio target is expected to be achieved in fiscal year 2014/2015.

Financial preparedness: Cash and cash equivalents and unutilized credit facilities/fixed costs >20%, which was achieved during the year.

Target attainment at October 31, 2012

The EBIT margin was –0.8%

The Equity/assets ratio was 30%.

Financial preparedness amounted to 29% corresponding to MSEK 8,055.

Dividend policy

The SAS Group's annual dividend is determined by taking into account the Group's earnings, financial position, capital requirements and relevant macroeconomic conditions. Over a business cycle the dividend is to be in the region of 30–40% of the Group's income after standard tax. To protect the Group's financial position, no dividend is paid as a rule in the event of a loss.

WORK OF THE BOARD OF DIRECTORS

The Board of Directors of SAS AB consists of ten members, of whom seven are elected by the Annual General Shareholders' Meeting. The three other members plus six deputies are elected by the employee organizations in Denmark, Norway and Sweden.

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

The Board's work follows a yearly agenda with regular business items as well as special topics. At the Annual General Shareholders' Meeting on April 19,

2012, all Board members were reelected. Fritz H. Schur was reelected as the Chairman of the Board.

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

The Board held 13 meetings, of which one was statutory and one held by correspondence. The Board discussed the regular business items presented at the respective meetings, such as business and market conditions, financial reporting and follow-up, the company's financial position and investment. Additionally, at various meetings the Board discussed matters involving flight safety work, internal control, the work of the Board, the year-end report, interim reports, strategy and business plans as well as budget.

Special topics discussed by the Board during the year included the 4Excellence strategy and the 4XNG plan. The Board has diligently monitored the financial position and kept itself informed of the negotiations with banks and owners with regard to the long-term funding of the company. The Board has also dealt with the effects of the future changes in accounting rules pertaining to pensions and their impact on the SAS Group. The integration of Blue1 with Scandinavian Airlines was also dealt with and decided in 2012.

On three occasions during the year, the company's auditor met with the Board, presenting the program for auditing work, the audit of the annual report and an evaluation of internal control. In 2012, no review of the interim report at September 30 (hard-close) was performed due to the shortened fiscal year. On one occasion the Board met with the company's auditor without the President or anyone else from company management being present.

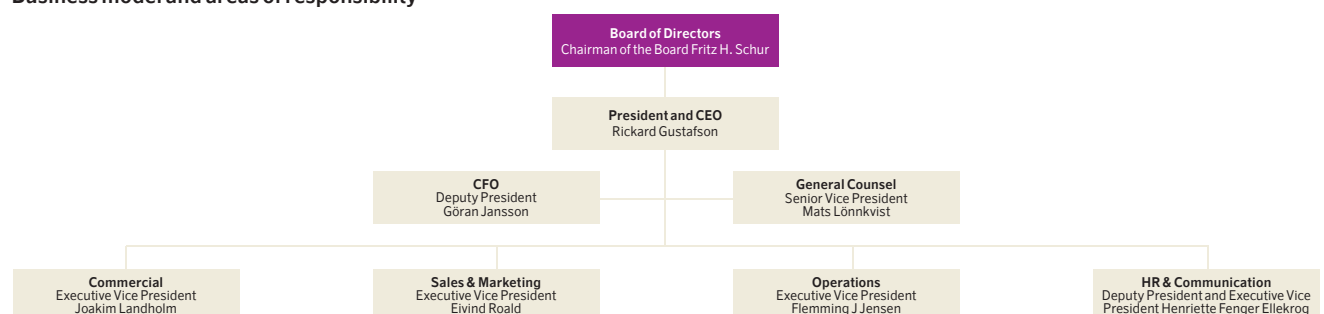
The main task of the Board's two committees is to prepare issues for the Board's decision. The Remuneration Committee consists of three members and the Audit Committee of three members all elected by the Annual General Shareholders' Meeting. In 2012, the Audit Committee held three minuted meetings, examining the scope and performance of external and internal auditing work, financial reporting and internal control. During the year, the Remuneration Committee had two minuted meetings plus a number of informal meetings in connection with the adoption of guidelines and policies for remuneration and other employment terms for senior executives. These terms were reviewed in connection with the 4XNG plan. The Committee also discussed the employment terms for the new members of the Group Management. Prior to the 2013 Annual General Shareholders' Meeting, the Remuneration Committee prepared the recommendation for remuneration policies and other terms of employment for company management that, pursuant to the Swedish Companies Act and the Swedish Corporate Governance Code, the Board is obligated to present to the Meeting for resolution. The fees paid to Board members and remuneration for serving on the separate Board committees are reported in Note 3.

The SAS Group prepares a separate corporate governance report; see page 79.

GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

The Remuneration Committee prepares remuneration policies applicable to the Group Management, which are subsequently addressed by the Board, which presents the motion to the Annual General Shareholders' Meeting for resolution. Remuneration of the President is to be decided by the Board within the framework of approved policies following preparation and recom-

Business model and areas of responsibility



mendation by the Remuneration Committee. Remuneration of other senior executives is decided by the President within the framework of approved policies and after consulting with the Remuneration Committee.

The guidelines adopted at the 2012 Annual General Shareholders' Meeting are outlined in Note 3. During the fiscal year, one deviation from the stipulated guidelines was made with regard to the Executive Vice President for Sales & Marketing. The Board is of the opinion that particular reasons exist for such a deviation and that he should receive variable remuneration with a target salary of 100%, comprising a fixed base salary of 60% and a variable salary of 40% linked to specific set sales targets.

In parallel with the negotiations regarding new collective agreements in November 2012, a decrease in pay was decided for all members of Group Management. As of December 1, 2012 the remuneration of all members of Group Management was lowered by 5–20%. The guidelines to be proposed to the Annual General Shareholders' Meeting on March 20, 2013 are unchanged in relation to the remuneration policies adopted at the 2012 Annual General Shareholders' Meeting.

SAFETY IN THE SAS GROUP

Pervasive safety culture

The safety culture in the SAS Group 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.

SAS's safety work has top priority. The efforts are managed with the aim of achieving continuous improvements and a common understanding of the importance of safety to the customers and to SAS. The Group's safety policy is documented and applied throughout all operations.

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 2012, SAS worked proactively to identify and manage safety issues in its assessment of safety performance indicators that were introduced in 2011. Information is gathered from airline operations, crews, station activities, technical maintenance and aviation security. This information is compiled in a hierarchical system of objective safety performance indicators, which show how well the daily operations are progressing in relation to the safety targets that SAS has identified.

In compliance with new requirements from the civil aviation authorities, SAS continued to develop a systematic safety management system for flight safety. The management system covers all operative components, including organizational structure, responsibility, alignment and procedures. The improvement process encompassed by the system is based on planning, implementing, follow-up and correction.

The airlines in the SAS Group have a high level of flight safety with committed personnel at all levels. All airlines in the Group hold IATA Operational Safety Audit (IOSA) certification which can be compared to ISO 9000 certification. To remain certified, the airlines must be audited and approved every second year by IATA following the original inspection. SAS implemented the fifth IOSA audit in 2012 without any observations for the fifth time. The companies in the SAS Group only initiate code-share collaboration with other airlines that have IOSA certification or that have submitted to a comparable audit.

During the 2012 fiscal year, the flight safety level in the SAS Group was high and in line with the current industry standard.

LEGAL ISSUES

As a consequence of the European Commission's decision on the cargo investigation in November 2010, SAS and other airlines fined by the Commission are involved in various civil lawsuits in Europe (the UK, the Netherlands and Norway). SAS, which appealed the European Commission's decision, contests its liability in all of these legal processes. Further lawsuits by cargo customers cannot be ruled out and no provisions have been made.

In April 2010, 33 SAS pilots jointly submitted an application for a summons against SAS at the Stockholm City Court. In the application, the claimants seek to have certain terms of employment rendered invalid and adjusted, and also seek a declaratory claim for damages. The claimants are former employees of Swedish airline Linjeflyg, who were employed by SAS in conjunction with its acquisition of Linjeflyg in 1993. The claimants allege that the terms of employment are discriminatory and are in breach of EU law on free movement of labor. SAS, which disputes the claim in its entirety, considers the risk of a negative outcome to be limited and no provisions have been made.

SAS GROUP'S CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

The SAS Group has an overarching sustainability policy which supports its ambition, based on the Group's requirement regarding long-term financial performance, to reduce environmental impact and further social progress. Together with the Code of Conduct, the sustainability policy is a part of the SAS Corporate Manual that governs the Group's operations. The 4Excel- lence strategy, which was launched in 2011, has four main targets, of which one is sustainability-related, namely the reduction of carbon emissions from the SAS Group's airline operations by 20% in 2015 from 2005 levels.

Environmental responsibility

The overwhelming majority of the SAS Group's environmental impact comprises airline operations and its use of fossil fuels. Other environmental impact consists primarily of cabin and ground operations, the majority of which comprises energy and water consumption as well as waste generation.

The environmental impact of airline operations mainly consists of emissions of carbon dioxide and nitrogen oxides related to the consumption of non-renewable fuels, as well as noise.

Local and regional environmental impact consists mainly of noise during takeoffs and landings, as well as acidification and eutrophication of soil and water. To lessen the environmental impact, two long-term measures have the greatest potential according to SAS: continuous renewal of the aircraft fleet to a newer generation, which means that the SAS Group always seeks the best economically viable technology, and incorporation of biofuel blends to reduce total carbon emissions.

The SAS Group's airline operations use internationally type-approved aircraft according to ICAO certification standards. Environmental approval is an integral part of national registrations of aircraft.

Environment-based national and/or local permits, rules and regulations provide a framework for aircraft use. The trend is toward a stricter environmental policy framework for the airline industry. For example, there is a risk that in coming years stricter emissions and noise standards could affect the Group's traffic to certain airports. This could potentially prevent the Group from utilizing parts of its aircraft fleet in the most flexible way possible and/or lead to higher emission-based landing fees.

The special directive, designed to include airlines in EU ETS emission rights trading, endorsed by the EU in 2008, took effect on January 1, 2012. All of the SAS Group's airlines, Scandinavian Airlines, Blue1 and Widerøe, have approved and verified MRV (Monitoring, Reporting and Verification) plans and verifying reports to meet statutory requirements in EU ETS.

Otherwise, SAS is not aware of any changes in the policy framework that could have significant operational or financial consequences for its business during the coming fiscal years.

The SAS Group measures its eco-efficiency with a climate index, which tracks trends in airline operations relative to environmental impact. The climate index for the Group improved by 2 percentage points to 98 at October 31, 2012 compared with the base year 2011. In absolute terms, the SAS Group's airlines reduced their carbon emissions per passenger kilometer to 118 grams (121) in the period January–October 2012 compared with the same period in 2011.

Of the SAS Group's operations, parts of ground operations at Stockholm, Oslo and Copenhagen airports are covered by permits pursuant to national environmental laws. The permit for Stockholm covers maintenance bases and regulates emissions to air, chemicals and waste management, and sets target and monthly mean values for effluent from the treatment plant.

The permit also includes operations not run by the SAS Group, such as other airlines or businesses that rent hangars. The SAS Group submits an annual environmental report to Sigtuna Municipality. The permit at Oslo Airport covers water from a treatment plant connected to hangars and maintenance bases. The SAS Group submits an annual environmental report to Ullensaker Municipality. Copenhagen Airport has environmental permits for treatment plants and chemical stocks as well as permits that primarily concern the use of chemicals in maintenance work in workshops and hangars. Here too, an annual report must be submitted to the local environmental agencies.

The operational management of SAS premises in Scandinavia is performed by Coor Service Management. Responsibility for the Group's operations carried out in properties managed by Coor Service Management, including all environmental permits, is vested in the SAS Group.

In general, the SAS Group's airline operations are dependent on the licensed activities conducted by Ground Operations and Technical Opera-

tions in workshops, maintenance bases and hangars and on the respective airport owners' licenses for operations and glycol handling and thresholds for atmospheric emissions and noise. The Group has obtained all the necessary licenses and permits for its operations in Scandinavia.

One of environmental regulations that Stockholm-Arlanda Airport is subject to stipulates ceilings for the airport's carbon and nitrogen oxide emissions. In 2011, Swedavia submitted an application for an entirely new environmental permit. The SAS Group has extensive operations at Stockholm-Arlanda and is highly dependent on the airport's environmental permit. From January 7, 2013, a new amendment enters force in the Swedish Environmental Code (Chapter 16, Section 2 and Chapter 26, Section 9), which states that carbon emissions from airline operations, in the same manner as from fixed facilities, may not be regulated in any manner other than that stipulated by the Emissions Trading Act (2004:1199).

The SAS Group's airline operations have a dispensation for halon use and submit annual reports to the authorities on consumption including leakages and storage. In the January–December 2012 period, the SAS Group estimates that the discharge of halon was just over 12 kilograms.

During the year, the authorities did not issue the Group any orders with a material impact on the SAS Group's activities.

In the January–October 2012 period, aircraft operated by SAS Group airlines, in exceptional cases, deviated from local approach and takeoff rules. It is the considered opinion of SAS that none of the incidents had any material environmental consequences.

Efforts to sanitize the land in connection with the discharge of Perfluorooctane sulfonate (PFOS) that occurred in conjunction with the filling of a rented out hangar at Oslo-Gardermoen with foam in 2010 were completed during the period. Minor work remained at October 31, 2012 and continuous measurements and, when needed, action will be taken for a number of years.

Otherwise, the Group 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 employees and for its impact on the surroundings and communities in which the Group operates. Given the organizational changes that the renewed and accelerated strategic approach entails, redundancies will continue to occur. The issue of redundancy is initially handled by the individual companies, where the negotiations follow national laws and practice.

The SAS Group also has its own guidelines that permit transfer of employees between the national companies under a special arrangement negotiated between SAS AB and the personnel trade union organizations.

SAS Group subsidiaries and units report sick leave and occupational injuries pursuant to national legislation. Efforts to reduce sick leave have priority, and there are special projects to return employees on long-term sick leave back to work. In the January–October 2012 period, sick leave at Scandinavian Airlines was 7.1%.

SAS Group companies are working actively on equal opportunity, based in part on the legislation in effect in each country, and in part on the current situation in the respective companies. The SAS Group's diversity policy 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 six men at October 31, 2012. Approximately 23% of the TOP100 management forum are women.

With regard to human resources, the airlines plan and conduct regular in-service training of all certified personnel such as technicians, cabin crew and pilots. This is done to uphold competency standards, such as those required by air operator certificates (AOCs). In addition, the SAS Group has an extensive management training program and a large number of web-based training programs.

The PULS employee satisfaction survey shows that general job satisfaction in the SAS Group is on a declining trend. This is probably due to the general uncertainty regarding the Group's situation. Long-term plans are ongoing to address these issues. The response rate was declining but still relatively high.

The sustainability section of this report and the separate sustainability report for the SAS Group in 2012 contain more complete descriptions of the SAS Group's efforts to contribute to sustainable development.

PUNCTUALITY AND REGULARITY

Scandinavian Airlines was named Europe's most punctual major airline according to research company FlightStats in 2009–2011 with regard to arrivals. Scandinavian Airlines achieved a punctuality rating of 89.9% for departures and a regularity of 99.1% during the January–October 2012 period with both ratios posting an improvement compared with the full-year 2011. Widerøe's punctuality was high at 87.6% with a regularity of 96.3%.

PARENT COMPANY

SAS AB is a Swedish public limited company registered in Stockholm, Sweden and the address of its head office is Kabinvägen 5, Arlanda, Stockholm, Sweden. SAS AB is the Parent Company of the SAS Group. The company conducts air traffic operations in a comprehensive Nordic and international network.

DIVIDEND 2012

The Board of Directors proposes to the Annual General Shareholders' Meeting that no dividends be paid to SAS AB's shareholders for the 2012 fiscal year. This is motivated by the SAS Group's results and cash flow. A good financial position and financial flexibility will be important in completing all measures in the 4Excellence and 4XNG strategies as well as in future investments.

PROPOSED DISPOSITION OF EARNINGS

The following Parent Company earnings are available for disposition by the Annual General Shareholders' Meeting:

	MSEK
Retained earnings	3,666
Net income for the year	–120
Total unrestricted equity	3,546

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

	MSEK
Amount retained by Parent Company	3,546
Total	3,546

The position of the Group and Parent Company at October 31, 2012 and the earnings of operations for fiscal year 2012 are stated in the following statements of income, balance sheets, cash-flow statements, changes in shareholders' equity, comments on the financial statements and notes.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- The Board of Directors resolves that prerequisites exist for the implementation of the 4XNG plan. The credit facility of SEK 3.5 billion is made available
 - Measures with an annual positive earnings effect of approximately SEK 3 billion; including new collective agreements with such features as changed pension conditions in place
 - The new pension terms reduce by approximately SEK 3.4 billion the negative impact on equity of amended reporting rules for pensions
 - Divestment of assets with a liquidity effect of about SEK 3 billion
- SAS launches 45 new routes for 2013
- The SAS Group's Board of Directors reduces Board fees by 30% from November 5, 2012

FULL-YEAR 2012/13

4XNG will deliver a significantly improved cost base moving forward. New collective agreements for flight crews will be implemented directly, at the same time as SAS has full focus on realization of the remaining activities. During 2012/2013, a positive impact on earnings of SEK 1.5 billion is expected from the 4XNG plan.

SAS continues to expect a negative trend for the RASK and yield but, given that no significant unexpected events occur in our operating environment and that jet-fuel prices remain stable at current levels, the SAS Group's assessment is that potential exists to post a positive EBIT margin in excess of 3% and a positive EBT for full-year 2012/2013. However, due to seasonality, the first quarter of 2013 (November–January) will be extremely weak.

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

MSEK	Note	2012 Jan–Oct	2011 Jan–Dec
Revenue	2	35,986	41,412
Payroll expenses	3	–11,584	–13,092
Other operating expenses	4	–22,105	–23,741
Leasing costs for aircraft		–1,342	–1,560
Depreciation, amortization and impairment	5	–1,426	–2,413
Share of income in affiliated companies	6	32	28
Income from the sale of shares in subsidiaries and affiliated companies		400	0
Income from the sale of aircraft and buildings	7	–247	12
Operating income		–286	646
Income from other holdings of securities	8	0	–1,469
Financial income	9	96	224
Financial expenses	9	–1,055	–1,030
Income before tax		–1,245	–1,629
Tax	10	260	–58
Net income for the year		–985	–1,687
<i>Other comprehensive income:</i>			
Exchange-rate differences on translation of foreign operations, net after tax of 0 (0)		–29	127
Cash-flow hedges – hedging reserve, net after tax of 94 (159)		–263	–445
Total other comprehensive income for the year, net after tax		–292	–318
Total comprehensive income		–1,277	–2,005
<i>Net income for the year attributable to:</i>			
Parent Company shareholders		–985	–1,687
<i>Comprehensive income attributable to:</i>			
Parent Company shareholders		–1,277	–2,005
Earnings per share (SEK) ¹		–2.99	–5.13

1) Earnings per share is calculated on the basis of 329,000,000 (329,000,000) shares outstanding.

The SAS Group has no option or share programs. The convertible bond loan of MSEK 1,600 covering 34,408,602 shares has no dilution effect, as the interest rate per common share that can be obtained on conversion exceeds earnings per share before dilution.

EBITDAR before nonrecurring items, MSEK	2012 Jan–Oct	2011 Jan–Dec
Revenue	35,986	41,412
Payroll expenses	–11,584	–13,092
Other operating expenses	–22,105	–23,741
EBITDAR	2,297	4,579
Restructuring costs	1,274	339
Other nonrecurring items	58	–829
EBITDAR before nonrecurring items	3,629	4,089

Income before tax and nonrecurring items, MSEK	2012 Jan–Oct	2011 Jan–Dec
Income before tax	–1,245	–1,629
Impairment	0	2,207
Restructuring costs	1,313	357
Capital gains	–153	–12
Other nonrecurring items	108	–829
Income before tax and nonrecurring items	23	94

Comments on the consolidated statement of income

All figures in parenthesis pertain to the preceding fiscal year, 2011, which comprised 12 months (January–December).

The SAS Group's income before tax and nonrecurring items amounted to MSEK 23 (94).

Income before tax amounted to MSEK –1,245 (–1,629), income after tax was MSEK –985 (–1,687) and tax had a positive impact of MSEK 260 (–58).

The Group's revenue amounted to MSEK 35,986 (41,412).

Payroll expenses amounted to MSEK –11,584 (–13,092), which included restructuring costs of MSEK –979 (–158). Expenses for jet-fuel amounted to MSEK –8,035 (–7,769) and other operating expenses excluding jet-fuel costs amounted to MSEK –14,070 (–15,972). Leasing costs totaled MSEK –1,342 (–1,560). Depreciation, amortization and impairment amounted to MSEK –1,426 (–2,413). The preceding year's costs included impairment pertaining to MD-80 aircraft of MSEK –330, MD-90 aircraft of MSEK –100 and Airbus A340 aircraft of MSEK –295, which were impaired due to softening market values for aircraft.

Of the capital gain totaling MSEK 153 (12), MSEK –257 (11) pertained to aircraft transactions, MSEK 10 (1) to property transactions and MSEK 400 (0) to the sale of shares in subsidiaries, affiliated companies and businesses.

Income from other holdings of securities amounted to MSEK 0 (–1,469). The preceding fiscal year included impairment of loans to and leasing receivables from Spanair of MSEK –1,482, which were attributable to the Board of Spanair filing for bankruptcy at the start of 2012.

The Group's net financial items amounted to MSEK –959 (–806), of which, net interest expense accounted for MSEK –757 (–721), exchange-rate differences for MSEK 1 (0) and other financial items MSEK –203 (–85), of which, MSEK –50 (0) was classified as a nonrecurring item.

Total nonrecurring items amounted to MSEK –1,268 (–1,723) and comprised impairment of MSEK 0 (–2,207), which in the preceding fiscal year was attributable to the impairment of aircraft by MSEK –725 as well as the impairment of loans to and leasing receivables from Spanair by MSEK –1,482. Restructuring costs related to the implementation of Core SAS, 4X and 4XNG amounted to MSEK –1,313 (–357), of which, MSEK –979 (–158) pertained to payroll expenses and MSEK –334 (–199) other operating expenses.

The capital gain was MSEK 153 (12) and pertained to the capital gains mentioned above. Other nonrecurring items amounted to MSEK –108 (829) from an out of court settlement pertaining to a legal dispute in Cargo in an amount of MSEK –28, a provision of MSEK –30 for the renegotiation of suppliers' agreements and financial expenses arising from renegotiation of the credit facility in an amount of MSEK –50. In the preceding fiscal year, other nonrecurring items pertained to a provision of MSEK –249 due to the Board of Spanair filing for bankruptcy, revaluation of the EuroBonus points liability of MSEK 380, which was recognized as revenue, settlement of a legal dispute in SAS Cargo of MSEK –31 and the reversal of USD hedges for aircraft totaling MSEK 729 recognized in other operating expenses.

CURRENCY EFFECTS ON SAS GROUP EARNINGS

Revenue as well as operating expenses and financial items are affected significantly by exchange-rate fluctuations. Only approximately 25% 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 2012 compared with 2011 was MSEK –897 for the January to October period. The currency effect on operating expenses is primarily attributable to the weakening of the Swedish krona, principally, in the second quarter of 2012. The currency effect from currency hedges was primarily attributable to the recognition of a reversal of USD hedges in an amount of MSEK 970 during 2011. The difference between the years in the effect of exchange-rate differences on the financial net debt was MSEK –14. Comparing 2012 with 2011, the total currency effect on income before tax was therefore MSEK –911.

Currency effect

MSEK	2012/11 Jan–Oct	2011/10 Jan–Dec
Revenue	87	–1,481
Payroll expenses	69	484
Other operating expenses	–470	1,721
Translation of working capital	–66	76
Income from hedging of commercial flows	–517	1,129
Operating income	–897	1,929
Net financial items	–14	16
Income before tax	–911	1,945

Currency effects on net income for the year

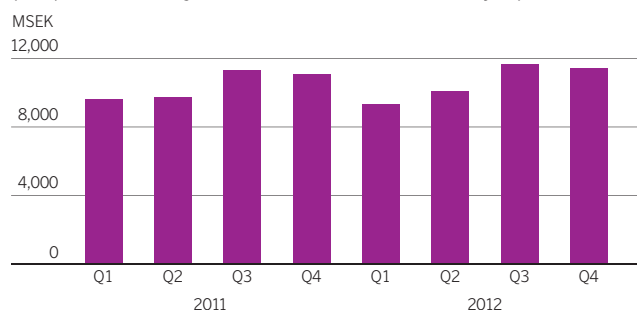
MSEK	2012 Jan–Oct	2011 Jan–Dec
Translation of working capital	–46	15
Income from hedging of commercial flows	75	703
Operating income	29	718
Currency effect on the Group's financial net debt	1	0
Income before tax	30	718

Statement of income excluding other comprehensive income – quarterly breakdown

MSEK	2011					2012				
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct	Jan-Oct
Revenue	9,313	11,319	10,616	10,164	41,412	9,591	11,392	11,096	3,907	35,986
Payroll expenses	-3,312	-3,349	-3,213	-3,218	-13,092	-3,403	-3,323	-3,013	-1,845	-11,584
Other operating expenses	-5,590	-5,552	-6,135	-6,464	-23,741	-6,229	-6,870	-6,429	-2,577	-22,105
Leasing costs for aircraft	-391	-373	-388	-408	-1,560	-367	-413	-390	-172	-1,342
Depreciation, amortization and impairment	-414	-1,153	-434	-412	-2,413	-421	-434	-426	-145	-1,426
Share of income in affiliated companies	-9	2	30	5	28	-14	17	32	-3	32
Income from the sale of shares in subsidiaries and affiliated companies	0	0	0	0	0	0	336	63	1	400
Income from the sale of aircraft and buildings	-5	17	24	-24	12	-24	-73	-70	-80	-247
Operating income	-408	911	500	-357	646	-867	632	863	-914	-286
Income from other holdings of securities	3	5	0	-1,477	-1,469	0	0	0	0	0
Financial revenue	57	56	49	62	224	49	32	14	1	96
Financial expenses	-210	-242	-273	-305	-1,030	-314	-293	-309	-139	-1,055
Income before tax	-558	730	276	-2,077	-1,629	-1,132	371	568	-1,052	-1,245
Tax	185	-179	-62	-2	-58	403	-51	-134	42	260
Net income for the period	-373	551	214	-2,079	-1,687	-729	320	434	-1,010	-985
<i>Attributable to:</i>										
Parent Company shareholders	-373	551	214	-2,079	-1,687	-729	320	434	-1,010	-985

Revenue, 2011–2012

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



EBIT margin, 2011–2012

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



SAS Group consolidated balance sheet

ASSETS, MSEK	Note	Oct 31, 2012	Dec 31, 2011
Fixed assets			
Intangible assets	11	1,922	1,693
Tangible fixed assets	12		
Land and buildings		353	491
Aircraft		11,220	11,866
Spare engines and spare parts		1,349	1,367
Workshop and aircraft servicing equipment		110	76
Other equipment and vehicles		117	123
Investment in progress		34	66
Prepayments relating to tangible fixed assets	13	160	155
		13,343	14,144
Financial fixed assets	14		
Equity in affiliated companies	6	325	317
Other holdings of securities		23	23
Pension funds, net	15	12,232	11,355
Deferred tax asset	10	597	1,340
Other long-term receivables		1,250	1,011
		14,427	14,046
Total fixed assets		29,692	29,883
Current assets			
Expendable spare parts and inventories	16	687	705
Current receivables	17		
Accounts receivable		1,311	1,275
Receivables from affiliated companies	18	3	6
Other receivables		1,399	2,574
Prepaid expenses and accrued income	19	873	934
		3,586	4,789
Cash and cash equivalents			
Short-term investments	20	366	2,842
Cash and bank balances		2,423	966
		2,789	3,808
Total current assets		7,062	9,302
TOTAL ASSETS		36,754	39,185

SHAREHOLDERS' EQUITY AND LIABILITIES, MSEK	Note	Oct 31, 2012	Dec 31, 2011
Shareholders' equity			
Share capital	21	6,612	6,612
Other contributed capital		337	337
Reserves	22	17	309
Retained earnings		4,190	5,175
Total shareholders' equity attributable to Parent Company owners		11,156	12,433
Non-controlling interests		-	-
Total shareholders' equity		11,156	12,433
Long-term liabilities	23		
Subordinated loans	24	978	1,019
Bond loans	25	2,763	2,809
Other loans	26	5,260	6,179
Deferred tax liability	10	1,013	2,154
Other provisions	28	1,967	1,673
Other liabilities		130	55
		12,111	13,889
Current liabilities			
Current portion of long-term loans		1,403	2,309
Short-term loans	29	411	997
Prepayments from customers		0	24
Accounts payable		1,929	1,540
Tax payable		32	18
Unearned transportation revenue	30	4,292	3,453
Current portion of other provisions	28	1,186	428
Other liabilities		1,033	1,160
Accrued expenses and prepaid income	31	3,201	2,934
		13,487	12,863
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		36,754	39,185
Book equity per share (SEK) ¹		33.91	37.79

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

1) Calculated on 329,000,000 (329,000,000) outstanding shares. No dilution occurred during the year.

Comments on the consolidated balance sheet

Assets

The SAS Group's total assets decreased from MSEK 39,185 to MSEK 36,754 in the January 1 – October 31, 2012 fiscal year.

Investment for the fiscal year amounted to MSEK 1,273 and pertained, primarily, to the purchase of aircraft, engine maintenance and aircraft modifications. Aircraft purchases totaled MSEK 115 for seven aircraft – one Bombardier Q300 and six MD-80s. Of these aircraft, five MD-80s were sold on. In addition, investment in system development amounted to MSEK 263.

At October 31, 2012, book net pension funds totaled MSEK 12,232. At December 31, 2011, the value of book net pension funds was MSEK 11,355 (see also Note 15).

At October 31, 2012, cash and cash equivalents amounted to MSEK 2,789, which was a decrease of MSEK 1,019 since December 31, 2011. Cash and cash equivalents totaled 8% of total assets.

Shareholders' equity

Shareholders' equity decreased by MSEK 1,277 to MSEK 11,156 from the start of the year. Net income for the year was MSEK –985 and changes in the value of cash-flow hedges amounted to MSEK –357 before tax adjustment. Other changes in shareholders' equity were related to exchange-rate differences in translation of foreign operations, etc. At October 31, 2012, the equity/assets ratio was 30% (32), book equity per share was SEK 33.91 (37.79) and return on book equity was –25% (–12).

Liabilities

At October 31, 2012, MSEK 10,887 (13,338) of total liabilities was interest-bearing. The value of contracted credit facilities was MSEK 7,113 (7,004) of which MSEK 5,266 (5,093) was unutilized. Amortization in the fiscal year amounted to MSEK 2,572 (2,570). The year's borrowing amounted to MSEK 714 (3,440), of which the majority was replacement finance for aircraft.

Financial net debt excluding net pension funds amounted to MSEK 6,549 (7,017), corresponding to a decrease of MSEK 468 from the start of the year.

At October 31, 2012, the debt/equity ratio calculated on the financial net debt was 0.59 (0.56 at December 31, 2011). The adjusted debt/equity ratio amounted to 1.54 at the end of the fiscal year (1.33 at December 31, 2011).

At October 31, 2012, the provision for SAS's liability to members of the EuroBonus loyalty program amounted to MSEK 1,412 (1,347 at December 31, 2011).

Total capital employed amounted to MSEK 22,043 (25,771) at year-end. Average capital employed during the year was MSEK 24,757 (27,065). Return on capital employed was –8% (–8).

The SAS Group's change in shareholders' equity

MSEK	Shareholders' equity attributable to Parent Company Shareholders					Total equity attributed to Parent Company owners	Total equity
	Share capital ¹	Other con- tributed capital	Hedging reserves	Translation reserve	Retained earnings ³		
Opening balance January 1, 2011	6,612	337²	696	-69	6,862	14,438	14,438
Net income for the year					-1,687	-1,687	-1,687
Exchange-rate differences on translation of foreign operations				127		127	127
Cash-flow hedges			-604			-604	-604
Tax attributable to components pertaining to comprehensive income			159			159	159
Total comprehensive income for the year	-	-	-445	127	-1,687	-2,005	-2,005
Closing balance, December 31, 2011	6,612	337	251	58	5,175	12,433	12,433
Net income for the year					-985	-985	-985
Exchange-rate differences on translation of foreign operations				-29		-29	-29
Cash-flow hedges			-357			-357	-357
Tax attributable to components pertaining to comprehensive income			94			94	94
Total comprehensive income for the year	-	-	-263	-29	-985	-985	-985
Closing balance, October 31, 2012	6,612	337	-12	29	4,190	11,156	11,156

1) The share capital in SAS AB is distributed among 329,000,000 shares with a quotient value of SEK 20.1. See Note 21.

2) The entire amount consists of share premium reserves.

3) No dividends were paid in 2010 and 2011.

SAS Group consolidated cash-flow statement

MSEK	Note	2012 Jan–Oct	2011 Jan–Dec
OPERATING ACTIVITIES			
Income before tax		–1,245	–1,629
Depreciation and impairment		1,426	2,413
Income from the sale of aircraft, buildings and shares		–153	–12
Adjustment for other items not included in the cash flow, etc	35	1,292	–39
Tax paid		–1	1
Cash flow from operating activities before changes in working capital		1,319	734
Change in:			
Expendable spare parts and inventories		13	–27
Operating receivables		39	314
Operating liabilities		1,191	–1,503
Cash flow from changes in working capital		1,243	–1,216
Cash flow from operating activities		2,562	–482
INVESTING ACTIVITIES			
Aircraft		–535	–995
Spare parts		–135	–225
Buildings, equipment and investment in progress		–340	–357
Shares and participations, intangible assets, etc.		–263	–325
Prepayments for flight equipment		-	–139
Acquisition of subsidiaries	36	–1,322	-
Total investments		–2,595	–2,041
Sale of subsidiaries	37	1,761	-
Sale of aircraft and buildings		211	351
Income from sale and leaseback of aircraft		-	136
Sale of other non-current assets, etc		4	30
Cash flow from investing activities		–619	–1,524
FINANCING ACTIVITIES			
Proceeds from borrowings		714	3,440
Repayment of borrowings		–2,572	–2,570
Change in interest-bearing receivables and liabilities		–1,103	–107
Cash flow from financing activities		–2,961	763
Cash flow for the year		–1,018	–1,243
Translation difference in cash and cash equivalents		–1	0
Cash and cash equivalents transferred from assets held for sale		-	8
Cash and cash equivalents at beginning of the year		3,808	5,043
Cash and cash equivalents at year-end	38	2,789	3,808

Comments on the consolidated cash flow statement

In 2012, income before tax was adversely impacted by restructuring costs of MSEK –1,313. Adjustment for other items not included in the cash flow, etc. amounted to MSEK 1,292, mainly comprising provisions for restructuring costs.

Change in working capital, which amounted to MSEK 1,243, was mainly attributable to a substantial increase in operating liabilities, where primarily unearned transportation revenue liability was higher than at year-end 2011.

Cash flow from operating activities amounted to MSEK 2,562.

In 2012, investments in aircraft comprised six MD-80s and one Q300, previously on operating lease, of which five MD-80s were sold on.

Acquisition and sale of subsidiaries pertains to property divestments to Swedavia, which were completed in June and generated an effect of MSEK 439 on cash flow.

External financing decreased by a net amount of MSEK 2,961 during the year.

In all, the SAS Group's cash and cash equivalents decreased MSEK 1,019, whereupon cash and cash equivalents amounted to MSEK 2,789.

Notes to the financial reports

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

Note 1 Significant accounting policies

General

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

The core business of the Group is operating passenger flights on an extensive Nordic and international route network. The Group's three main operational hubs in Copenhagen, Stockholm and Oslo form the backbone of its flight network. In addition to passenger flights, the Group provides air cargo and other aviation services at selected airports in the Group's route network. The Group's operations include Scandinavian Airlines and Widerøe. In addition to the airline operations of the consortium Scandinavian Airlines System, Scandinavian Airlines also comprises ground operations, technical operations, SAS Cargo and Blue1. Besides these operations there are Group-wide functions and other operations.

SAS AB is a Swedish public limited company domiciled in Stockholm and the address of its head office is Kabinvägen 5, Arlanda, Stockholm. SAS AB is the Parent Company of the SAS Group.

At the Annual General Meeting of SAS on April 19, a resolution was passed to change the SAS Group's fiscal year to comprise the period November 1 – October 31 instead of the calendar year, and that the current fiscal year be shortened to comprise the period January 1, 2012 – October 31, 2012. The aim of changing the fiscal year is to bring the fiscal year into line with SAS's operations, which are conducted in two distinct periods – winter and summer. The change of the fiscal year for the SAS Group has been approved by the Swedish Tax Agency. Accordingly, the Annual Report, including these notes, for the January 1 – October 31, 2012, fiscal year will be compared with the last fiscal year which comprised the period January 1 – December 31, 2011.

The consolidated financial statements have been prepared in accordance with the EU-approved International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) that apply for the fiscal year starting on January 1, 2012. These standards have been consistently applied to all periods presented in the Group's 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 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, income and expenses. Actual outcome may differ from these estimates and assumptions.

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

New and amended standards and interpretations 2012

The following new and amended standards and interpretations, including improvements are effective and have been adopted as of the fiscal year 2012:

IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 7 Financial Instruments: Disclosures (Amended) and IAS 12 Income Taxes (Amended). The implementation of these amendments to standards has not had any material effect on the consolidated financial statements.

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 standards, amendments 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, 2012, but have not been adopted early:

IAS 19 Employee Benefits (Amended) Means that it is no longer permitted to defer recognition of certain deviations in estimates (the "corridor" approach has now been eliminated) and all estimates are to be immediately recognized in other comprehensive income. Pursuant to the amended standard, accumulated unrecognized deviations "Unrecognized deviations from estimates and plan amendments" will be recognized in their entirety in shareholders' equity, which will have a material negative impact on the Group's shareholders' equity. The Parent Company SAS AB's recognized shareholders' equity will not be affected by this amendment. Furthermore, interest expense and expected return on plan assets are replaced with a "net interest," which is calculated using the discount rate used to measure the net defined-benefit pension obligation or pension assets. Recognition of actuarial gains and losses as well as plan amendments will also mean that deferred tax liabilities linked to pensions will be dissolved when the temporary difference between the accounting and tax values disappears. The effect of dissolving deferred tax liabilities linked to pensions amounts to about SEK 1.5 billion, which positively impacts the SAS Group's shareholders' equity.

IAS 19 including amendments will be applied for fiscal years starting January 1, 2013 and onwards. As a result of the changes to the Group's fiscal year, the Group intends to apply the amended standard for the fiscal year starting November 1, 2013. As a result of changes in the revised IAS 19, the Swedish Financial Reporting Board has withdrawn UFR 4 Accounting for special employer's contribution and tax on returns. Instead, the Group will report special employer's contributions in line with the rules in IAS 19, which means that those actuarial assumptions made in the calculation of defined-benefit pension plans must also include taxes payable on pension benefits.

In November 2012, new collective agreements were signed with flight crew in Scandinavia, which entailed substantial changes to pension terms. The majority of existing defined-benefit pension plans will be replaced by defined-contribution pension plans. The previous right to early retirement has also been eliminated. These changes are not included in the present-value calculation of pension obligations as of October 31, 2012. Following the agreed changes to pension terms, the estimated impact of recognition of actuarial gains and losses will be reduced by SEK 3.4 billion and pension obligations are expected to decline by about 60%.

IFRS 9 Financial Instruments replaces the parts of IAS 39 relating to the classification and measurement of financial instruments. IFRS 9 provides that financial instruments be classified in two categories; those measured at amortized cost and those measured at fair value. Classification is established at the time the financial instruments are initially recognized based on the company's business model and the characteristics of the contractual terms applying to cash flows arising from these assets. No material changes are implied for financial liabilities compared with IAS 39. The most significant 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 of the liability be recognized in other comprehensive income instead of profit or loss if so doing does not give rise to measurement or recognition inconsistency in the financial statements (accounting mismatch). The Group intends to apply the amended standard, at the latest, for the fiscal year starting January 1, 2015 and has as yet not evaluated its effects. The standard has yet to be adopted by the EU.

In addition to the above, the IASB has issued the following new standards, amendments and interpretations of existing standards: IFRS 1 First-time Adoption of International Financial Reporting Standards (amended), IFRS 7 Financial Instruments: Disclosures (amended), IFRS 10 Consolidated Financial Statements (new), IFRS 11 Joint Arrangements (new), IFRS 12 Disclosure of Interests in Other Entities (new), IFRS 13 Fair Value Measurement (new), IAS 1 Presentation of Financial Statements (amended), IAS 27 Separate Financial Statements (amended), IAS 28 Investments in Associates and Joint Ventures (amended), IAS 32 Financial Instruments: Classification (amended), IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (new) and Annual Improvements to IFRSs 2009–2011. SAS deems that the application of these new and amended standards and interpretations will not have any material impact on the Group's consolidated financial statements in the period when they are applied for the first time.

Principles of consolidation

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

and operating strategies of an entity so as to obtain economic benefits.

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

The earnings of subsidiaries acquired during the year are included in the Group's earnings from the effective date of control. The separate net assets, both tangible and intangible, of newly acquired subsidiaries are consolidated into the financial statements on the basis of the fair value to the Group as 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 interest in the net assets of consolidated subsidiaries is recognized in the consolidated balance sheet as a separate component of equity. The Group's earnings and components in other comprehensive income are attributable to the Parent Company's owners and to the non-controlling interests' owners, even if this generates a negative value for the non-controlling interest. All intra-Group transactions, balance-sheet items, income and expenses are eliminated on consolidation.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of acquisition when controlling influence is achieved) of the assets transferred, liabilities incurred or assumed, and equity shares issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized when they are incurred. The cost also includes fair value at the date of acquisition for the assets or liabilities that arise from any agreement governing a contingent consideration. Changes to fair value for a contingent consideration that arises due to additional information received after the date of acquisition regarding facts or conditions present at the date of acquisition, 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 date of acquisition, with the following exceptions:

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

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

Transactions with non-controlling interests

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

Loss of controlling influence

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

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

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

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

Investments in affiliated companies

Affiliated companies are accounted for using the equity method from the date significant influence commenced 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 results of these affiliated companies. Any losses arising from affiliated companies are recorded in the consolidated financial statements until the investment in such affiliated companies is impaired to zero. Thereafter, losses are only accounted for to the extent that the Group is committed to providing financial support to such affiliated companies.

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

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

Discontinued operations and assets held for sale

When the Group intends to dispose of, or classify as "held for sale," a business component that represents a separate major line of business or geographical area of operations, it classifies it as discontinued. The net profit or loss from discontinued operations is reported in the statement of income, 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

Identification of reportable segments is performed based on the external reporting to the Chief Operating Decision Maker (CODM), which for SAS is the President. The Group is governed and reported according to the segments described below. The accounting policies applied in segment reporting coincide with the Group's accounting policies according to the description contained in this note.

The SAS Group's operating segments consist of Scandinavian Airlines and Widerøe. For external reporting purposes, the Group aggregates these along with other SAS Group activities and eliminates the transactions between these segments to produce total results for the SAS Group, which the CODM uses to manage the business. The other SAS Group activities include some common service and management functions.

The CODM does not regularly review the operating results of remaining operations, and accordingly these operations are not reported as separate segments. They are included in the tables in Note 41 in the column under Other.

All operations, whether they are corporations or business units, are to have a businesslike relationship with customers and suppliers within the Group.

The performance of the segments is evaluated on the basis of an operating income metric, with the segment information presented per business area by operating income, EBIT. Other items are not broken down by business area.

Geographic information about revenue from external customers:

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 remeasured at the rates of exchange prevailing on the dates of the transactions. At each balance-sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance-sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of cost in a foreign currency are not retranslated.

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance-sheet date. 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 purpose are as follows:

Exchange rates

			Closing rate		Average rate	
			2012 Oct 31	2011 Dec 31	2012 Oct 31	2011 Dec 31
Denmark	DKK	100	115.55	120.33	117.36	121.17
Norway	NOK	100	115.85	115.05	116.02	115.85
U.S.	USD		6.63	6.92	6.78	6.46
U.K.	GBP		10.68	10.68	10.72	10.36
Switzerland	CHF	100	713.27	735.56	724.59	732.18
Japan	JPY	100	8.31	8.92	8.59	8.09
EMU countries	EUR		8.62	8.94	8.73	9.03

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 costs 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 classified into the following categories: available-for-sale, financial assets remeasured at fair value through the statement of income and loan receivables and accounts receivable. The classification 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 classified according to their contractual provisions.

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

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

Accounts payable

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

Borrowings

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

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

Composite financial instruments

The components in a combined financial instrument (convertible debenture) 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 time of issue, the debt component's fair value is determined by discounting at the current market interest rate for an equivalent debt with no conversion option. This amount is recognized as a debt and then measured at amortized cost until the debt is extinguished on conversion or reaching its maturity date.

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

Transaction costs directly attributable to the issue of the combined financial instrument are allocated proportionately to the debt or equity component based on the initial distribution of funds received. Transaction costs

attributable to the equity component are recognized directly in equity. Transaction costs attributable to the debt component are included in the debt's carrying amount and allocated over the term of the liability using the effective interest method.

Derivative financial instruments

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

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

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

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

Tangible fixed assets

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

Costs for routine aircraft maintenance as well as repair costs are expensed as incurred. Extensive modifications, including the obligatory major overhauls of engines, and improvements to fixed assets are capitalized and depreciated together with the asset to which the work is related over its remaining useful life. 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 leasing contracts. 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 finance charges 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 abovementioned principles for finance and operating leasing.

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 costs 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
- 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 net identifiable assets at the date of acquisition, of the cost of an acquisition, any holdings without controlling influence and fair value at the date of acquisition.

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 estimated useful life of the asset, which amounts to no more than five years. Amortization of capitalized development costs is included in the depreciation/amortization item in the statement of income.

Emission rights

Any emission rights received without the need for payment of any consideration from the respective countries' government agencies are 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 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. 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.

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

Pension costs for the year comprise the present value of pension earnings for the year plus interest on the obligation at the beginning of the year, less return on funded assets. Amortization of actuarial gains and losses and plan amendments is added to this total for certain pension plans. The Group applies the "corridor approach" when recognizing actuarial gains and losses. Under the corridor approach, actuarial gains and losses outside the lower and upper limits of the corridor, which is calculated as 10% of the greater of the defined obligation as of that date or the fair value of plan assets, are recognized immediately. Actuarial gains and losses outside the corridor are amortized over a 15-year period, which corresponds to the average remaining employment period.

Plan amendments and deviations between anticipated and actual results for estimated pension commitments and funded assets are amortized over the average remaining working lives of the employees participating in the pension plan.

Termination benefits

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

Revenue recognition

Passenger revenue

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

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

Charter revenue

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

Mail and freight revenue

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

Interest income

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

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 awarding of loyalty points is considered a separately identifiable transaction in purchases of airline tickets. The portion of the ticket price allocated to loyalty points is measured at fair value and not recognized as revenue until the period in which the obligation is fulfilled.

Borrowing expenses

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

Taxes

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

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

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

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

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

Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements and application of accounting policies are often based on management's assessments or on estimates and

assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

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

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

Estimated useful lives of tangible fixed assets

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

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

Impairment of assets

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

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

Pensions

Pension assumptions are an important element in the actuarial methods used to measure pension obligations and asset valuations and significantly affect the recognized pension obligation, pension assets and the annual pension cost. The two most critical assumptions are the discount rate and expected return on plan assets.

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

A lower discount rate increases the present value of the pension liability and the annual pension cost.

In order to determine the expected rate of return on plan assets, the Group considers the current and anticipated categories of plan assets as well as historic and expected returns on the various categories.

Gains or losses may arise if the actual return is higher or lower than estimated or by actual inflation levels and salary adjustments that deviate from the Group's assumptions. In addition, actuarial gains or losses are affected by changed parameters concerning the discount rate and life expectancy. Any change in these assumptions could potentially result in a significant change to the pension assets, obligations and pension costs in future periods.

During the year, the discount rate used for calculation of the present value of pension commitments in Sweden, Norway and Denmark was lowered, which resulted in a corresponding increase in the present value of pension commitments and actuarial gains and losses. In addition, the assessment of future salary adjustments was lowered by half a percentage point for pension plans in Sweden and now corresponds to the assumed rate of inflation in the respective countries, for further information see Note 15.

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 4 billion impact on the obligation. A one percentage point change in the inflation assumption has approximately a SEK 1.7 billion impact on the obligation and a one percentage point change in the parameter for payroll adjustment has approximately a SEK 1.4 billion impact on the obligation. A one percentage point change in the expected long-term return on plan assets has approximately a SEK 0.3 billion impact on the fair value of the plan assets.

Deferred taxes

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

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

Litigation

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

Parent Company accounting policies

The Parent Company has prepared its financial statements according to the Annual Accounts Act and Swedish Financial Reporting Board recommendation RFR 2 Accounting for Legal Entities as well as applicable statements from the Swedish Financial Reporting Board. Under RFR 2, the Parent Company, in preparing the annual financial statements for the legal entity, applies all EU-approved IFRSs and statements insofar as this is possible within the framework of the 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.

Revised accounting policies:

Amendments to RFR 2, 2012

The amendments that have entered into force for RFR 2 Accounting for Legal Entities and, which apply for the 2012 fiscal year, pertain to the following areas: IFRS 7 Financial Instruments, Disclosures; IAS 1 Presentation of Financial Statements, IAS 10 Events after the Reporting Period, IAS 11 Construction Contracts, IAS 18 Revenue and IAS 19 Employee Benefits. The implementation of these amendments has had no material impact on the Parent Company's financial statements.

Amendments to RFR 2 that have not yet entered force and which have not been applied in advance by the Parent Company

The Swedish Financial Reporting Board has published an amendment to RFR 2 regarding the recognition of Group contributions. The new amendment is to be applied to fiscal years beginning on or after January 1, 2013. The amendment entails that a company can elect to can apply either the main rule or the alternative rule to the recognition of Group contributions. The main rule entails that the Parent Company recognizes Group contributions received from subsidiaries as financial income and Group contributions paid to subsidiaries as an increase in participations in Group companies. The alternative rule entails that both Group contributions received and paid are to be recognized as appropriations by the Parent Company. This amendment has not been applied in advance by the Group and its impact has not yet been evaluated.

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: Stated at cost. Acquisition-related expenses for subsidiaries that are charged in the consolidated income statement, 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

	2012 Jan–Oct	2011 Jan–Dec
Traffic revenue:		
Passenger revenue	26,998	30,497
Charter	1,726	1,872
Mail and freight	1,130	1,449
Other traffic revenue	1,954	2,131
Other operating revenue:		
In-flight sales	18	27
Ground handling services	1,012	1,339
Technical maintenance	148	243
Terminal and forwarding services	315	383
Sales commissions and charges	776	955
Other operating revenue	1,909	2,516
	35,986	41,412

Note 3 Payroll expenses

Average number of employees

In 2012, the average number of employees in the SAS Group was 14,897 (15,142). A breakdown of the average number of employees by country is provided in the table below.

Average number of employees totaled 4,710 (4,759) in Denmark, 5,360 (5,333) in Norway, and 3,964 (4,086) in Sweden.

	2012 Jan–Oct		2011 Jan–Dec	
	Men	Women	Men	Women
Denmark	2,967	1,743	3,027	1,732
Norway	3,413	1,947	3,364	1,969
Sweden	2,463	1,501	2,526	1,560
Finland	179	148	215	189
Estonia	25	72	29	70
Other countries	233	206	246	215
Total	9,280	5,617	9,407	5,735
Total men and women	14,897		15,142	

Gender breakdown among senior executives in the Group

	2012		2011	
	Total on closing date	of which Men	Total on closing date	of which Men
Board members	34	79%	56	79%
President and other senior executives	32	75%	41	76%

Salaries, remuneration and social security expenses

The SAS Group's total payroll expenses amounted to MSEK 11,014 (12,500), of which social security expenses comprised MSEK 1,345 (1,742) and pensions MSEK 1,031 (1,465).

Salaries, remuneration and social security expense included restructuring costs of MSEK 979 (158).

	2012 Jan–Oct		2011 Jan–Dec	
	Salaries & other remuneration	Soc. sec. (of which pension cost) ¹	Salaries & other remuneration	Soc. sec. (of which pension cost) ¹
SAS AB	63	36 (18)	72	54 (29)
SAS Consortium	7,215	2,129 (966)	6,041	2,455 (1,257)
Other subsidiaries	1,360	211 (47)	3,180	698 (179)
SAS Group total	8,638	2,376 (1,031)	9,293	3,207 (1,465)

¹ The pension cost for all CEOs and other senior executives of SAS Group companies amounted to MSEK 13 (22).

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

	2012 Jan–Oct		2011 Jan–Dec	
	Board, CEO & senior executives (of which variable salary)	Other employees	Board, CEO & senior executives (of which variable salary)	Other employees
SAS AB	30 (-)	33	37 (-)	35
SAS Consortium	9 (-)	7,206	- (-)	6,042
Blue1	9 (-)	156	14 (-)	216
Widerøes Flyveselskap	3 (1)	1,001	3 (1)	1,019
SAS Cargo	8 (1)	63	9 (2)	79
Other subsidiaries	3 (0)	117	9 (0)	1,830
SAS Group total	62 (2)	8,576	72 (3)	9,221

	2012 Jan–Oct	2011 Jan–Dec
Pension costs		
Defined-benefit pension plans	552	931
Defined-contribution pension plans	479	534
Total	1,031	1,465

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

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

Board of Directors

At the Annual General Shareholders' Meeting of SAS AB on April 19, 2012, unchanged fees, compared with 2011, were set for the remuneration of directors and for work on Board committees as follows:

Board chairman	TSEK 585
Board first vice chairman	TSEK 390
Board second vice chairman	TSEK 345
Other Board members (7 persons)	TSEK 295 per member
Employee deputies (6 persons)	TSEK 1 study fee/Board meeting
	TSEK 3.5 fee/Board meeting on participation
Chairman of Audit Committee	TSEK 95
Other members of Audit Committee (2 persons)	TSEK 45
Chairman of Remuneration Committee	TSEK 70
Other members of Remuneration Committee (2 persons)	TSEK 25

With the exception of the employee representatives and their deputies, no member of the Board was employed by the SAS Group in 2012. No Board member not employed by the SAS Group received any remuneration or benefit from any company in the SAS Group beyond customary travel benefits and the fees received for board duties.

All Board members reduced their Directors' fees, as set by the Annual General Shareholders' Meeting, by 30% starting November 5, 2012.

Policies

The following remuneration policies, adopted by the Annual General Shareholders' Meeting have been applied in 2012 in regard to senior executives in the SAS Group. In this connection, senior executives refers to the President and the other members of the SAS Group Management. During 2012, there have been a total of eight other members of the SAS Group Management. Currently, the SAS Group Management comprises the President and six other members.

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

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

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

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

- An annual salary, which is subject to salary review in January of each year. At January 1, 2012, his annual salary was TSEK 10,000. During the year, the salary was reduced and at December 1, 2012, annual salary was lowered by 20% to TSEK 8,000.
- A defined-contribution pension plan where 30% of the fixed salary is paid as premiums to an agreed pension insurance. Retirement age is 62 years.
- The notice period is six months in the event the President resigns and 12 months if the termination of employment is by SAS AB. Severance pay for the President in the event employment is terminated by SAS AB for reasons other than material breach of contract, gross neglect of his duties as President or criminal acts against the SAS Group is payable in an amount equivalent to 12 months of salary. Should new employment be obtained within 12 months of employment ending, the severance pay awarded is reduced by an amount corresponding to the remuneration received from the new position.

Deputy Presidents

In 2012, the SAS Group had three deputy presidents, John S. Dueholm (Deputy President and CEO) until June 30, 2012, Henriette Fenger Ellekrog (Deputy President and Executive Vice President HR & Communication) and Göran Jansson (CFO).

John S. Dueholm had the following remuneration components in his employment contract:

John Dueholm ended his operational responsibility on September 14, 2011 but remained employed as Deputy President until June 30, 2012. For the period to June 30, 2012, John S. Dueholm had a salary of TDKK 2,865, estimated to correspond to TSEK 3,311 (which refers to the salary set on January 1, 2011) and a defined-contribution pension plan where 35% of salary was paid into a chosen insurance plan. On June 30, 2012, pursuant to a previous agreement, John S. Dueholm received a lump sum of TDKK 1,000, corresponding to approximately TSEK 1,156, which in line with John S. Dueholm's request, was paid as salary.

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

- An annual salary, which is subject to salary review in January of each year. On January 1, 2012, her salary was TDKK 3,910, corresponding to approximately TSEK 4,519. During the year, the salary was reduced and at December 1, 2012, annual salary was lowered by a total of 20% to TDKK 3,157, corresponding to TSEK 3,648. In addition, Henriette Fenger Ellekrog has waived her rights to a previously agreed increase in pension premiums to 35% as of July 1, 2012 which was exchanged for salary remuneration.
- A defined-contribution pension plan where 30% is paid into an insurance plan. Retirement age is 65.

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

- An annual salary, which is subject to salary review in January of each year. At January 1, 2012, the salary was TSEK 4,620. During the year, the salary was reduced and at December 1, 2012, annual salary was lowered by a total of 15% to TSEK 3,950.
- A defined contribution pension plan where 29.8% of salary is paid into a chosen insurance plan. Retirement age is 60.

The notice period is 6 months in the event that Henriette Fenger Ellekrog and Göran Jansson resign and 12 months if the termination of employment is by SAS AB.

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

During the year, the other members of Group Management have also lowered their salaries and at December 1, 2012, these salaries were lowered, overall, by 15%. Two of the four current members of Group Management have defined-contribution pension plans where a pension provision of 23–30% of fixed base salary is made. The retirement age is 65 for both individuals. The remaining two members of Group Management have defined-contribution pension plans with a retirement age of 67 and 60 respectively. The notice period for all other members of Group Management is 12 months in the event the termination of employment is by SAS AB and six months in the event the employee resigns.

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

Share price-related remuneration

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

Other

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

In 2012, total remuneration comprised fixed salary, variable salary, other benefits and pension. The variable salary component comprised two parts: one part linked to the Group's financial performance and one part based on individual predetermined targets and performances documented in a performance contract. The weighting of the variable salary between a performance bonus and a variable portion is set annually by SAS Group Management. Any payments related to the Group's financial performance require earnings to be positive. Payment of the variable salary takes place subsequent to the adoption of the SAS Group's annual report by the Annual General Shareholders' Meeting.

In 2012, as part of the measures included in the 4Excellence Next Generation plan, it was decided to alter the remuneration model for managerial positions at SAS. Accordingly, variable salary and performance-based bonuses are being phased out in managerial contracts. The termination of variable remuneration will occur at the end of the individual notice periods applicable for the respective managers and will be implemented in the first half of 2013. From this point onwards, managerial contracts will comprise fixed salary, other benefits and pension.

However, the introduction of a variable remuneration model is planned for management and employees in the sales organization in 2013. The planned model comprises a "target salary", comprising fixed 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 Annual General Shareholders' Meeting. 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 remuneration policies and other employment terms for the Group Management to the Annual General Shareholders' Meeting for resolution.

During the year, the Remuneration Committee discussed and presented recommendations to the Board regarding comprehensive guidelines for remuneration policies in the SAS Group, including policies and levels for 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 with the exception of one deviation from the policies. During the year, the Board determined to introduce a variable remuneration model for one member of Group Management from the 2012/2013 fiscal year. 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 Shareholders' Meeting 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 Marketing & Sales, which is a functional area where variable salary is an established market standard.

The Remuneration Committee held two recorded meetings in addition to a number of informal discussions.

Remuneration and benefits paid to the President and other senior executives in 2012 (Jan–Oct), TSEK

Name	Fixed base salary ¹	Other benefits ⁴	Total of fixed salary and other benefits	Pension premium
Rickard Gustafson	8,051	164	8,215	2,611
John S. Dueholm ²	4,466	73	4,539	1,123
Göran Jansson	3,815	6	3,821	1,120
Henriette Fenger Ellekrog ²	3,678	90	3,768	1,084
Other ^{2,3}	16,641	582	17,223	4,252

1) For the periods, Dueholm until June 30, 2012, Landholm from January 16–October 31, 2012, Roald from April 1–October 31, 2012, Zakrisson until September 30, 2012.

2) Converted to TSEK.

3) The category Other applies to a larger group than 2011 (four individuals, albeit not for the entire year) and, for the major portion of 2012, comprised five individuals. At October 31, 2012, the number was four individuals.

4) Other benefits include company car, health insurance and group life insurance.

Note 4 Other operating expenses

	2012 Jan–Oct	2011 Jan–Dec
Selling costs	1,994	2,348
Jet-fuel	8,035	7,769
Government user fees	3,539	4,042
Catering costs	780	823
Handling costs	1,372	1,709
Technical aircraft maintenance	2,025	2,329
Computer and telecommunications costs	898	1,088
Other	3,462	3,633
Total	22,105	23,741

Note 5 Depreciation, amortization and impairment

	2012 Jan–Oct	2011 Jan–Dec
Intangible assets	38	46
Aircraft ¹	1,108	1,986
Spare engines and spare parts	158	204
Workshop and aircraft servicing equipment	29	47
Other equipment and vehicles	46	66
Buildings and fittings	47	58
Land improvements	-	6
Total	1,426	2,413

1) Including impairment of MSEK – (725)

Note 6 Share of income and equity in affiliated companies

	2012 Jan–Oct	2011 Jan–Dec
<i>Share of income in affiliated companies:</i>		
Air Greenland A/S ¹	28	24
Flyrail AB	-1	-1
Malmö Flygfraktterminal AB	5	5
Other	0	0
Total	32	28
Total revenue of affiliated companies	1,278	1,588
Income after tax in affiliated companies	105	94
SAS Group's share of income	32	28

1) The share of income includes adjustment of last year's income figure by MSEK –8 (–8).

Share of equity					
<i>Equity in affiliated companies:</i>	Corporate registration number	Domicile	Share of equity %	2012 Oct 31	2011 Dec 31
Air Greenland A/S	30672	Nuuk, Greenland	37.5	308	299
Flyrail AB	556773-5252	Norrköping, Sweden	50.0	3	4
Malmö Flygfraktterminal AB	556061-7051	Malmö, Sweden	40.0	12	11
Other				2	3
Total				325	317
Total assets in affiliated companies				1,752	1,521
Total liabilities in affiliated companies				852	681
Shareholders' equity in affiliated companies				900	840
SAS Group's share of equity in affiliated companies				325	317

Note 7 Income from the sale of aircraft and buildings

	2012 Jan–Oct	2011 Jan–Dec
Boeing 737	-	11
deHavilland Q400	-39	-29
MD-82/83/87	-218	29
Properties	10	1
Total	-247	12

Note 8 Income from other security holdings

	2012 Jan–Oct	2011 Jan–Dec
Impairment of loans and leasing receivables from Spanair	-	-1,482
Dividend	-	13
Total	-	-1,469

Note 9 Net financial items

	2012 Jan–Oct	2011 Jan–Dec
Financial income		
Interest income on financial assets not measured at fair value	22	79
Interest income on financial assets measured at fair value	82	135
Other financial income	0	1
Net profit/loss on financial instruments categorized as:		
Held for trading	-8	9
Total	96	224
Financial expenses		
Interest expense on financial liabilities not measured at fair value	-658	-761
Interest expense on financial liabilities measured at fair value	-199	-209
Other financial expenses	-203	-86
Exchange rate differences, net	1	0
Net profit/loss on financial instruments categorized as:		
Held for trading	4	68
Other liabilities	0	-42
Hedge accounting		
Fair value hedge		
- of which change in fair value of hedging instrument	-11	30
- of which change in fair value of hedged item	11	-30
Ineffective portion of cash-flow hedge	-	-
Ineffective portion of net investment hedge in foreign operations	-	-
Total	-1,055	-1,030

Note 10 Tax

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

	2012 Jan–Oct	2011 Jan–Dec
Current tax	-21	-228
Deferred tax	281	170
Total tax costs recognized in the income for the year	260	-58
Tax recognized in other comprehensive income	94	159
Total tax cost recognized in other comprehensive income	94	159

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.

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

	2012 Jan–Oct	2012 (%) Jan–Oct	2011 Jan–Dec	2011 (%) Jan–Dec
Income before tax	-1,245		-1,629	
Tax according to rate in Sweden	327	-26.3	428	-26.3
Tax effect of income in affiliated companies	-13	-1.0	-17	-1.0
Tax effect of non-deductible costs	-271	-21.8	-693	-42.5
Tax effect of non-taxable income	316	25.4	22	1.4
Other	-12	-1.0	80	4.9
Tax effect of remeasurement of deferred tax	-87	-7.0	122	7.5
Tax expense and effective tax rate for the fiscal year	260	20.9	-58	-3.5

	2012 Oct 31	2011 Dec 31
Deferred tax liability/tax asset:		
Deferred tax liability	1,013	2,154
Deferred tax asset	-597	-1,340
Deferred tax liability, net	416	814

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

	2012 Oct 31	2011 Dec 31
Deferred tax liability in the balance sheet:		
Non-current assets	1,919	1,892
Provisions	0	-48
Cash-flow hedges	-50	-62
Pensions	1,726	1,521
Other temporary differences	209	351
Netting of deferred tax assets/liabilities	-2,791	-1,500
Total	1,013	2,154

	2012 Oct 31	2011 Dec 31
Deferred tax assets in the balance sheet:		
Tax loss carryforwards	2,558	1,744
Non-current assets	77	64
Provisions/receivables	753	32
Netting of deferred tax assets/liabilities	-2,791	-1,500
Total	597	1,340

Reconciliation of deferred tax liability, net:	2012 31 Oct	2011 31 Dec
Opening balance	814	1,116
Change for the year for cash-flow hedges	-94	-159
Change according to statement of income	-281	-170
Deferred tax recognized in equity	-1	1
Exchange-rate differences etc.	-22	26
Deferred tax liability, net, at October 31	416	814

On the closing date the Group had unutilized loss carryforwards of about MSEK 11,200 (11,500). Based on these loss carryforwards, the Group recognized a deferred tax asset of MSEK 2,558 (2,744). Deferred tax assets are recognized to the extent that there are factors indicating that taxable profits will be created before the right to use the loss carryforwards is lost. The as-

essment of the respective Group company's future profit performance is based on earnings reported in recent years as well as improved profitability prospects. The recognized tax assets refer primarily to the Group's operations in Denmark and Sweden. For loss carryforwards amounting to MSEK 1,342 (1,570), no deferred tax asset is recognized due to uncertainty as regards future profit earnings. Of the loss carryforwards, MSEK 0 expires in 2013 and MSEK 75 in 2014–2022. There are no expiration dates for the remaining loss carryforwards.

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

Taxes recognized directly in the balance sheet regarding cash-flow hedges reported according to IAS 39 amounted to MSEK 59 (174).

Note 11 Intangible assets

	Goodwill		Other assets ²		Total intangible assets	
	2012 Oct 31	2011 Dec 31	2012 Oct 31	2011 Dec 31	2012 Oct 31	2011 Dec 31
Opening cost	1,027	1,011	1,992	1,666	3,019	2,677
Investments	-	-	263	325	263	325
Sales/disposals	-	-	-2	-	-2	-
Reclassifications from assets held for sale ¹	-	17	-	-	-	17
Reclassifications	-	-	-	-	-	-
Exchange-rate differences	6	-1	-2	1	4	-
Closing accumulated cost	1,033	1,027	2,251	1,992	3,284	3,019
Opening amortization	-130	-113	-1,196	-1,150	-1,326	-1,263
Amortization for the year	-	-	-38	-46	-38	-46
Sales/disposals	-	-	-	-	-	-
Reclassifications from assets held for sale ¹	-	-17	-	-	-	-17
Reclassifications	-	-	-	-	-	-
Exchange-rate differences	-	-	2	-	2	-
Closing accumulated amortization	-130	-130	-1,232	-1,196	-1,362	-1,326
Carrying amount	903	897	1,019	796	1,922	1,693

1) The sale of Spirit was discontinued in the preceding year and has therefore been reclassified under continuing operations.
2) Refers to capitalized system development costs.

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

Goodwill:	2012 Oct 31	2011 Dec 31
SAS Scandinavian Airlines Norge	737	732
Widerøe	152	151
Blue1	14	14
Total goodwill	903	897

Testing for impairment of intangible assets

The value of the Group's goodwill items has been estimated through comparison with the recoverable amount. The recoverable amount has been based on the respective cash generating unit's value in use and is based on the cash flows in each unit's business plan, which covers a four-year period.

No growth rate or cost trend beyond the plan period has been adopted and the test is based on a constant level of earnings.

The projected cash flows are based on assumptions regarding volume trends, unit revenue, operating margins and discount rates. Assumptions beyond the fourth year of the plan period assume that cash flow will remain constant at the level of the final year. The policies applied in the above assessment are unchanged from the assessment in 2011.

The discount rate has been estimated based on a weighted capital cost after tax of between 9.6% and 10.2% (10.2). The discount rate before tax for each company has subsequently been determined depending on each company's nominal tax rate and amounts to between 13.0% and 13.5%. In 2011, the discount rate before tax was between 13.8% and 14.2%.

To support the impairment tests performed on goodwill in the Group, a comprehensive analysis was performed of the sensitivity in the variables used in the model. A weakening of any of the significant assumptions included in the business plans or a weakening of the annual growth rate in revenue and operating margins beyond the plan period, or an increase in the discount rate that, individually, is reasonably probable, shows that a healthy margin still exists between the recoverable amount and carrying amount. Management therefore determined that there was no additional need for impairment of goodwill at the close of October 2012.

Note 12 Tangible fixed assets

	Buildings and land		Aircraft ^{1,2,3}		Spare engines & spare parts		Workshop & servicing equipment; aircraft	
	2012 Oct 31	2011 Dec 31	2012 Oct 31	2011 Dec 31	2012 Oct 31	2011 Dec 31	2012 Oct 31	2011 Dec 31
Opening cost	1,611	1,298	24,792	23,865	2,518	2,385	1,077	1,086
Investment	4	12	535	995	135	225	57	30
Capitalized interest ⁴	-	-	-	-	-	-	-	-
Sales/disposals	-394	-90	-1,343	-629	-29	-41	-34	-66
Reclassification from assets held for sale ⁵	-	326	-	-	-	-	-	39
Reclassifications	46	66	370	564	3	-49	-	-11
Exchange-rate differences	-3	-1	14	-3	-	-2	-12	-1
Closing accumulated cost	1,264	1,611	24,368	24,792	2,627	2,518	1,088	1,077
Opening depreciation	-1,120	-923	-12,926	-11,213	-1,151	-992	-1,001	-996
Depreciation and impairment for the year	-47	-64	-1,108	-1,986	-158	-204	-29	-47
Sales/disposals	253	87	910	289	18	28	34	63
Reclassification from assets held for sale ⁵	-	-221	-	-	-	-	-	-33
Reclassifications	-	-	-14	-16	13	16	-	11
Exchange-rate differences	3	1	-10	-	-	1	18	1
Closing accumulated depreciation	-911	-1,120	-13,148	-12,926	-1,278	-1,151	-978	-1,001
Carrying amount	353	491	11,220	11,866	1,349	1,367	110	76

	Other equipment & vehicles		Investment in progress		Prepayment fixed assets		Total tangible assets	
	2012 Oct 31	2011 Dec 31	2012 Oct 31	2011 Dec 31	2012 Oct 31	2011 Dec 31	2012 Oct 31	2011 Dec 31
Opening cost	1,211	1,225	66	118	155	24	31,430	30,001
Investment	46	43	233	272	-	139	1,010	1,716
Capitalized interest ⁴	-	-	-	-	5	4	5	4
Sales/disposals	-83	-88	-	-	-	-	-1,883	-914
Reclassification from assets held for sale ⁵	-	47	-	39	-	-	-	451
Reclassifications	-	-15	-264	-363	-	-10	155	182
Exchange-rate differences	-3	-1	-1	-	-	-2	-5	-10
Closing accumulated cost	1,171	1,211	34	66	160	155	30,712	31,430
Opening depreciation	-1,088	-1,095	-	-	-	-	-17,286	-15,219
Depreciation and impairment for the year	-46	-66	-	-	-	-	-1,388	-2,367
Sales/disposals	79	88	-	-	-	-	1,294	555
Reclassification from assets held for sale ⁵	-	-24	-	-	-	-	-	-278
Reclassifications	-	8	-	-	-	-	-1	19
Exchange-rate differences	1	1	-	-	-	-	12	4
Closing accumulated depreciation	-1,054	-1,088	-	-	-	-	-17,369	-17,286
Carrying amount	117	123	34	66	160	155	13,343	14,144

1) The insured value of aircraft at October 31, 2012 amounted to MSEK 30,938. This includes the insured value of leased (operating leases) aircraft in the amount of MSEK 19,910.

2) Modifications of aircraft under operating leases are included in planned residual value in the amount of MSEK 356 (199).

3) The depreciation and impairment of aircraft for the year included impairment losses of MSEK - (725).

4) Capitalizing of interest was conducted at an average interest rate of 5.0% (5.0).

5) The sale of Spirit was discontinued in the preceding year and has therefore been reclassified under continuing operations.

At the beginning of 2012, seven Boeing 737s, two Airbus A321s and four Airbus A330/340s had been formally acquired through finance leases, with original terms of ten years. During the year, the leases of two Airbus A321s, one Airbus A330 and one Airbus A340 fell due. These four aircraft were refinanced and placed in financing structures wholly owned by SAS.

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 9 (13) finance-leased aircraft are recognized in the balance sheet in the amount of MSEK 2,357 (4,062). In addition to these, owned aircraft include 21 (21) aircraft valued at MSEK 3,961 (2,811) placed in financing structures wholly owned by SAS together with appurtenant indebtedness of MSEK 1,953 (1,675), which are to be viewed as finance leased.

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

	2012 Oct 31	2011 Dec 31
Owned	8,863	7,804
Finance leased	2,357	4,062
Carrying amount	11,220	11,866

Finance leasing

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

Lease payments consist in part of minimum lease payments and in part of contingent rent. In those cases where the lease payments are based on a floating interest rate they are included in minimum lease payments according to the current rate at the start of the agreement. Future changes of the interest rate are included in the contingent rent. Total lease payments amounted to MSEK 1,224 (772). Contingent rent impacted lease payments for the year by MSEK -27 (-66).

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

	Aircraft		Plant and equipment	
	2012 Oct 31	2011 Dec 31	2012 Oct 31	2011 Dec 31
Cost	3,863	6,673	35	-
Less accumulated depreciation	-1,506	-2,611	-	-
Carrying amount of finance-leased assets	2,357	4,062	35	-

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

	2012 Oct 31		2011 Dec 31	
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	472	470	1,022	1,017
1–5 years	646	628	1,097	1,060
> 5 years	13	7	-	-
Total	1,131	1,105	2,119	2,077

Operating leasing

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

	Aircraft		Plant and equipment	
	2012 Oct 31	2011 Dec 31	2012 Oct 31	2011 Dec 31
Cost	2,685	4,531	0	0
Less accumulated depreciation	-2,025	-3,212	0	0
Carrying amount of assets leased out on operating leases	660	1,319	0	0

Depreciation for the year pertaining to assets leased out on operating leases was MSEK 193 (225).

Leasing revenues for the year of MSEK 67 (201) did not contain any contingent rent.

Future leasing revenues for operating leases on the closing date:

	2012 Oct 31	2011 Dec 31
< one year	77	81
1–5 years	173	259
> 5 years	-	-
Total	250	340

Contractual purchase commitments

The Group had the following commitments relating to future acquisition of tangible fixed assets. On the closing date, contracted orders amounted to 30 Airbus A320neo aircraft with a list price of approximately MUSD 90 per aircraft before discounts. At the closing date, other purchase commitments totaled MSEK 20 (32).

Note 13 Prepayments relating to fixed assets

	2012 Oct 31	2011 Dec 31
Airbus	147	142
Bombardier	13	13
Total	160	155

Note 14 Financial fixed assets

	Equity in affiliated companies		Other holdings of securities		Pension funds, net		Other long-term receivables		Total financial fixed assets	
	2012 Oct 31	2011 Dec 31	2012 Oct 31	2011 Dec 31	2012 Oct 31	2011 Dec 31	2012 Oct 31	2011 Dec 31	2012 Oct 31	2011 Dec 31
Opening cost	317	294	303	303	11,355	10,512	3,746	3,566	15,721	14,675
Contributions	-	-	-	-	989	677	294	326	1,283	1,003
Share of income in affiliated companies	32	28	-	-	-	-	-	-	32	28
Reclassification from assets held for sale ¹	-	-	-	-	-	32	-	91	-	123
Amortization	-	-	-	-	-	-	-266	-223	-266	-223
Dividend	-12	-3	-	-	-	-	-	-	-12	-3
Reclassifications ²	-	-	-	-	-	-	-1,867	-7	-1,867	-7
Exchange-rate differences	-12	-2	-	-	-112	134	-60	-7	-184	125
Closing accumulated cost	325	317	303	303	12,232	11,355	1,847	3,746	14,707	15,721
Opening impairment	-	-	-280	-280	-	-	-1,395	-	-1,675	-280
Impairment losses	-	-	-	-	-	-	-	-1,395	-	-1,395
Reclassifications ²	-	-	-	-	-	-	1,395	-	1,395	-
Closing impairment	-	-	-280	-280	-	-	-1,395	-280	-1,675	-1,675
Closing residual value	325	317	23	23	12,232	11,355	1,847	2,351	14,427	14,046

¹ The sale of Spirit was discontinued during the preceding year and Spirit was, therefore, reclassified as continuing operations.

² MSEK 1,395 regards the provision made in 2011 pertaining to receivables from Spanair that were reclassified in 2012.

Note 15 Pension funds, net

	2012 Oct 31	2011 Dec 31
Pension funds, net, funded plans	14,083	13,459
Pension funds, net, unfunded plans	-1,851	-2,104
Total	12,232	11,355

Most personnel pension plans in Scandinavia are defined-benefit plans. Defined-contribution pension plans are in place for the majority of personnel in Denmark as is the case for younger salaried employees in Sweden and personnel covered by the SAF-LO collective agreement in Sweden. The majority of defined-benefit pension plans are placed with insurance companies. The collective pension plans for pilots and salaried employees in Sweden and for personnel in Norway are placed with defined-benefit pension plans at insurance companies in the respective countries. In Sweden, pension plans are mainly placed with Alecta and Euroben 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). The Alecta plan is a multi-employer pension plan. According to a statement by the Swedish Financial Reporting Board, UFR 3, this constitutes a 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.

The normal retirement age for non-flight personnel mainly follows the respective country's rules regarding general retirement. The normal retirement age for SAS flight personnel is 60. However, during the fiscal year, the pension age for flight crew in Norway was changed to 62. According to agreements with SAS pilots in Denmark, Norway and Sweden, and with cabin crew in Norway, voluntary early retirement with pension is allowed from the age of 55 at the earliest. SAS has also undertaken to pay a pension up to normal retirement age, 60, to pilots who lose their licenses. The retirement age for cabin crew employed in Sweden is 65, but once they reach the age of 50 the retirement age is reduced to 60. The estimated present value of all these obligations is included in SAS's estimated total pension commitment.

In November 2012, new collective agreements were signed with flight crew in Scandinavia, which mean major changes to pension terms – the majority of existing defined-benefit pension plans will be replaced with defined-contribution pension plans. In addition, the earlier right to take early retirement was also removed. These changes are not included in the present value calculation of pension commitments as of October 31, 2012. In consequence, the agreed changes in pension terms are expected to result in a reduction in actuarial gains or losses of about SEK 3.4 billion and pension commitments are estimated to decrease from SEK 33 billion to about SEK 14 billion, which is a reduction of about 60%.

In calculating pension commitments, the year's pension earnings and returns on plan assets, locally set parameters are applied in the respective countries on the basis of the local market situation and expected future trends. The following long-term economic assumptions represent a weighted average for the SAS Group:

	2012 Oct 31	2011 Dec 31	2010 Dec 31
Discount rate	3.8%	4.2%	4.6%
Expected long-term rate of return on plan assets	5.9%	5.9%	5.9%
Inflation	1.6%	1.7%	1.7%
Future salary adjustments	1.6%	1.7%	2.2%
Future adjustments of current pensions	1.6%	1.7%	1.7%

The following interest parameters are used for the largest pension plans in Sweden and Norway:

Discount rate	3.5% (4.0%) in Sweden and 4.0% (4.3%) in Norway
Long-term rate of return	6.0% (6.0%) in Sweden and 6.0% (6.0%) in Norway

According to IAS 19, the discount rate is determined by reference to the market yields on corporate bonds at the closing date with the same term as the commitment, which amounts to about 15 years for SAS. Where no corporate bonds exist with the same term as the commitment, the interest rate has been extrapolated or interpolated as necessary.

Therefore, the discount rate at SAS is determined at the closing date with reference to corporate bonds and with regard to relevant spreads with terms compatible to the term of the commitments.

The currency and term reflect the estimated allocation over time and the amount of pension payments as well as the currency in which these payments are to be made in.

Other financial assumptions are based on anticipated developments during the term of the commitment.

As part of determining the expected return on plan assets, the Group takes into consideration the present value of the assets and expected allocation by category as well as the historic and expected return on the different asset categories, in other words, the long-term return must correspond to the expected long-term return on plan assets based on the pension institutes' investments in equities or interest-bearing securities.

The inflation assumption is 1.0% in Sweden, 1.5% Denmark and 2.0% in Norway, which corresponds with estimated future salary adjustments in the respective countries.

Actuarial gains or losses may arise from actual returns being lower or higher than expected, or by actual inflation levels and salary adjustments deviating from assumptions. In addition, an actuarial gain or loss is impacted by changed parameters regarding the discount rate, life expectancy and early retirement.

IAS 19 permits the postponement of recognizing actuarial gains and losses by amortizing accumulated actuarial gains and losses that exceed 10% of the greater of the commitment or the funded assets over the average remaining period of employment. SAS estimates the remaining employment period for most pension plans is 15 years. A shorter amortization period is applied in some cases where the remaining employment period is deemed to be considerably shorter.

At the beginning of 2012, accumulated unrecognized actuarial gains and losses including plan amendments amounted to SEK 12.1 billion. During the fiscal year, the deviation has increased primarily due to significantly lower than estimated returns on plan assets as well as from lowered discount rates in Sweden, Norway and Denmark. Amortization of the deviation in actuarial gains and losses for the year amounted to about SEK 0.3 billion. At the end of the 2012 fiscal year, accumulated unrecognized actuarial gains and losses including plan amendments amounted to about SEK 13.5 billion.

Sensitivity to changes in individual parameters can be estimated as follows: A 1 percentage-point change in the discount rate has an impact of approximately SEK 4.0 billion on the commitment, a 1 percentage-point change in the inflation assumption has an impact of approximately SEK 1.7 billion on the commitment and a 1 percentage-point change in the parameter for payroll adjustment has an impact of approximately SEK 1.4 billion on the commitment. A 1 percentage-point change in expected long-term rate of return on plan assets has an impact of approximately SEK 0.3 billion on the fair value of plan assets.

Defined-benefit pension plans	2012 Jan–Oct	2011 Jan–Dec
Current service cost	-754	-916
Interest cost	-1,051	-1,363
Expected return on plan assets	1,551	1,832
Amortization of actuarial gains and losses and plan amendments for the year	-298	-484
Total expense recognized in profit and loss	-552	-931

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

In the financial statements, the commitments of the SAS Group are included as specified in the table below.

Status, booked pension assets	2012 Oct 31	2011 Dec 31
Fair value plan assets	32,264	32,089
Present value of pension commitments	-33,506	-32,786
Total	-1,242	-697
Unrecognized actuarial gains and losses and plan amendments ¹	13,474	12,052
Book assets	12,232	11,355

1) Of which actuarial gains and losses MSEK 13,239 (11,762).

Changes in present value of defined-benefit plan commitments	2012	2011
Opening balance, pension commitments, January 1	32,786	31,370
Pensions paid out	-1,478	-1,753
Current service cost	754	916
Interest cost	1,051	1,363
Actuarial gains and losses (-/+)	509	739
Reversal of companies held for sale	-	172
Exchange-rate differences	-116	-21
Closing balance, defined-benefit commitments, October 31 (December 31)	33,506	32,786

Change in fair value of plan assets	2012	2011
Opening balance, fair value of plan assets, January 1	32,089	31,651
Employer contributions	1,541	1,194
Pensions paid out	-1,478	-1,320
Expected return on plan assets	1,551	1,832
Actuarial gains and losses (+/-)	-1,360	-1,424
Reversal of companies held for sale	-	177
Exchange-rate differences	-79	-21
Closing balance, fair value of plan assets, October 31 (December 31)	32,264	32,089

Plan assets consist of the following Group	2012 Oct 31	2011 Dec 31
Equities	19%	17%
Interest-bearing securities	70%	65%
Properties	10%	9%
Other	1%	9%
	100%	100%

Only an insignificant share of the plan assets is invested in SAS shares.

	2012 Oct 31	2011 Dec 31	2010 Dec 31	2009 Dec 31	2008 Dec 31
Present value pension commitments	-33,506	-32,786	-31,370	-33,578	-32,615
Fair value of plan assets	32,264	32,089	31,651	32,816	30,472
Deficit/surplus	-1,242	-697	281	-762	-2,143
Experience gains/(losses) on plan assets	-925	-1,449	-280	-735	-1,529
Experience gains/(losses) on defined-benefit commitments	-1,417	484	1,334	-21	318

Note 16 Expendable spare parts and inventories

	2012 Oct 31	2011 Dec 31
Expendable spare parts, flight equipment	454	456
Expendable spare parts, other	193	212
Inventories	40	37
Total	687	705
Measured at cost	687	705
Measured at net realizable value	-	-
Total	687	705

In the 2012 fiscal year, the actual rate of return on plan assets was under the Group's estimated long-term return, which is reflected in the item "Unrecognized actuarial gains and losses and plan amendments". The actual rate of return on plan assets totalled MSEK 626 (383), which corresponds to a return of 2% (1%). In the 2012/2013 fiscal year, the return is expected to be about 6%.

In the 2012/2013 fiscal year, employer contributions are expected to amount to SEK 1.6 billion.

The difference between plan assets/pension commitments and net book assets is shown below (as per October 31, 2012):

	Plan assets	Pension commitments	Difference	Unrecognized actuarial gains and losses and plan amendments	Pension funds, net
Pension plans in Sweden	15,648	12,610	3,038	4,428	7,466
Pension plans in Norway	11,112	14,612	-3,500	6,716	3,216
Pension plans in other countries	5,504	6,284	-780	2,330	1,550
Total	32,264	33,506	-1,242	13,474	12,232

"Pension funds, net" includes unfunded pension plans funded via operating income in the amount of MSEK 461 (464) in Sweden and MSEK 1,389 (1,641) in Norway.

Pension funds, net, including pension commitments, plan assets plus unrecognized plan amendments and actuarial gains and losses for the defined-benefit pension plans performed as follows:

Pension funds, net	2012	2011
Opening balance, January 1	11,355	10,512
Total expense recognized in profit and loss	-552	-931
Employer contributions	1,541	1,194
Pensions paid out	-	433
Pension funds (reversals from companies held for sale)	-	13
Exchange-rate differences	-112	134
Closing balance, October 31 (December 31)	12,232	11,355

Of total pension commitments of MSEK 33,506 (32,786), MSEK 30,600 (29,936) was funded and MSEK 2,906 (2,850) unfunded.

Note 17 Current receivables

Net impairment of accounts receivable and recovered accounts receivable came to MSEK 11 (5), charged to income. Impairment of other current receivables was charged to income in an amount of MSEK 0 (87).

Age analysis of non-impaired accounts receivable	2012 Oct 31	2011 Dec 31
Accounts receivable not yet due	1,187	1,060
Due < 31 days	64	74
Due 31–90 days	0	59
Due 91–180 days	18	23
Due > 180 days	42	59
Total	1,311	1,275

Provision for doubtful accounts receivable	2012 Oct 31	2011 Dec 31
Opening provision	32	44
Reclassification from assets held for sale	-	1
Provision for expected losses	10	12
Reversed provisions	-2	-18
Actual losses	-9	-7
Closing provision	31	32

Note 18 Current receivables from affiliated companies

	2012 Oct 31	2011 Dec 31
Air Greenland A/S	3	6
Total	3	6

Note 19 Prepaid expenses and accrued income

	2012 Oct 31	2011 Dec 31
Prepaid expenses	767	647
Accrued income	106	287
Total	873	934

Note 20 Short-term investments

	2012 Oct 31	2011 Dec 31
Treasury bills	-	1,037
Mortgage bonds	-	-
Deposits	118	1,020
Commercial paper	-	592
Tax deduction account in Norway	248	193
Total	366	2,842

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.

Note 21 Share capital

Share capital

The Company has two classes of shares, common shares and subordinated shares. As of October 31, 2012, a total of 329,000,000 common shares were issued and outstanding, which together constituted a registered share capital of SEK 6,612,900,000. No changes were made in the 2012 fiscal year as regards the number of shares or share capital.

There are no subordinated shares issued or outstanding. The 329,000,000 common shares have a quotient value of SEK 20.1 per share. The common shares provide shareholders the rights found in the Swedish Companies Act and the Articles of Association. Subordinated shares provide shareholders the right to participate in and vote at SAS AB's shareholders' meetings. Subordinated shares do not entitle shareholders to dividends or participation in bonus issues. If subordinated shares are redeemed or the company is dissolved and its assets distributed, holders of subordinated shares receive compensation equivalent only to the nominal value of the shares plus an interest-rate factor.

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

Dividend policy

The SAS Group's annual dividend is determined by taking into account the Group's earnings, financial position, capital requirements and relevant macroeconomic conditions. Over a business cycle, the dividend is to be in the region of 30–40% of the Group's income after standard tax. To protect the Group's financial position, no dividend is paid as a rule in the event of a loss.

Note 22 Reserves

Translation reserve	2012	2011
Opening translation reserve	58	-69
Translation differences for the year	-34	132
Less: Hedging of exchange risk in foreign operations	6	-6
Tax pertaining to hedging of exchange risk in foreign operations	-1	1
Closing translation reserve, Oct 31 (Dec 31)	29	58
Hedging reserve		
Opening hedging reserve	251	696
Cash-flow hedges:		
- Recognized directly in other comprehensive income	-225	662
- Change in statement of income	-132	-1,266
- Tax attributed to year's change in hedging reserve	94	159
Closing hedging reserve, Oct 31 (Dec 31)	-12	251
Total reserves		
Opening reserves	309	627
Change in reserves for the year:		
- Translation reserve	-29	127
- Hedging reserve	-263	-445
Closing reserves, Oct 31 (Dec 31)	17	309

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.

	2012 Oct 31	2011 Dec 31
Subordinated loans	978	1,019
Bond loans	201	331
Other loans	1,274	1,420
Total	2,453	2,770

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 907 (936). 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 978 (1,019) 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 32 (45), with a countervalue of MSEK 231 (327).

Note 25 Bond loans

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

date, the SAS Group's issued bonds amounted to MSEK 2,763 (3,659). A specification of individual bond loans is provided below:

Original amount issued	Coupon rate	Term	Debt outstanding, currency	Oct 31, 2012 Carrying amount	Dec 31, 2011 Carrying amount
MEUR 60.0	14.7% ¹	2010/16	MEUR 56.7	494	507
MEUR 75.0	9.6%	2011/14	MEUR 75.0	646	671
MEUR 40.0	12.3% ¹	2011/17	MEUR 37.0	323	331
MSEK 1,000.0	-	2010/12	-	-	850
MSEK 1,300.0	10.50%	2011/14	MSEK 1,300.0	1,300	1,300
Total				2,763	3,659
Less amortization 2012/2013 and 2012					-850
Total				2,763	2,809

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. Repurchasing in an amount of MSEK 150 was performed in 2011.

The interest-rate exposure is managed by entering into interest-rate

swap contracts to adjust the fixed-interest term for some of the loans. The Group has also entered into currency derivatives agreements for some of these bonds for the purpose of limiting currency risk.

Note 26 Other loans

	Oct 31, 2012		Dec 31, 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Finance leases	1,069	1,079	2,060	2,076
Convertible bond	1,491	1,625	1,453	1,649
Other loans	4,062	4,381	4,091	4,414
Derivatives	41	41	34	34
Total before amortization	6,663	7,126	7,638	8,173
Less amortization 2012/2013 and 2012	-1,403	-1,505	-1,459	-1,600
Total other loans	5,260	5,621	6,179	6,573

Maturity profile of other loans	12/13	13/14	14/15	15/16	16/17	2017>	Total
Finance leases	401	122	107	114	325		1,069
Convertible bond				1,491			1,491
Other loans	1,002	309	314	756	407	1,274	4,062
Derivatives			41				41
Total	1,403	431	462	2,361	732	1,274	6,663

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

In 2010, a convertible bond was issued for MSEK 1,600 maturing in five years. The value of debt and share of equity on the convertible loan has been determined at the closing date to MSEK 1,491 and MSEK 109, respectively. On the date of issue, these values were MSEK 1,374 and MSEK 226 respectively. The loan conversion price is SEK 46.50 and is convertible every three months.

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 variable margin. The variable margin is based on certain key ratios calculated from the Group's quarterly results.

The average interest rate on the closing date amounted to 1.78% for finance leases, 7.50% for convertible bonds and 3.29% 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, 2012, the Group signed an agreement on derivatives covering approximately 50% of the Group's forecast jet-fuel requirement for November 2012–October 2013. In January–October 2012, jet-fuel-related costs accounted for 23.8% of the Group's operating expenses, compared with 21.1% in 2011.

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. During the year, the Board approved an exception to the policy, which allowed a lower degree of hedging. 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.

Translation risk arises during conversion of balance sheet items in foreign currencies due to currency fluctuations. To limit translation risk the policy is to keep the financial net debt mainly in the presentation currency of the respective subsidiary. Furthermore, the SAS Group has hedged its foreign subsidiaries' equity through borrowings and derivatives.

Interest-rate risk

The SAS Group is exposed to interest-rate risk when the market value of the financial net debt (interest-bearing assets and liabilities) is affected by movements in the yield curve (market interest rates at different maturities). Group borrowing includes loans at both fixed and variable interest rates. To manage the interest-rate risk, interest-rate derivatives are used to change the fixed-interest term of the underlying financial net debt. The target of current policy is for the average fixed-interest term of the financial net debt to correspond to 3.5 years. In addition, the development of the financial net debt for the forthcoming 12 months and contracted future aircraft purchases is taken into consideration. In line with the policy, the average fixed interest-rate term during the year was approximately 1.9 (3.7) years. At October 31, 2012, the fixed-interest term was 2.3 (1.7) years.

Sensitivity analysis, revaluation effect on closing date

The sensitivity analysis concerning fuel price shows the immediate revaluation effect of a 10% parallel shift in the price curve for underlying fuel.

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 126 (312) 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 2012–October 2013 period is affected by around MSEK –44 (–16) if short-term market rates rise by 1 percentage point. However, if short-term market rates fall by 1 percentage point the corresponding positive effect on net interest is MSEK 44 (16). The estimate also includes interest-rate derivatives.

Sensitivity analysis, revaluation effect on closing date

	Change	Earnings impact, 2012 Oct 31	Earnings impact, 2011 Dec 31	Equity impact, 2012 Oct 31	Equity impact, 2011 Dec 31
Market risk					
Fuel price	+10%	-	-	173	216
Fuel price	-10%	-	-	-173	-204
Currency risk	+10%	-21	-15	66	423
Currency risk	-10%	5	15	-58	-451
Market interest rates	+1%	-	-21	32	39
Market interest rates	-1%	-	13	-33	-40

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, 2012 the fair value of the SAS Group's outstanding derivative instruments totaled MSEK 99 (664), broken down according to the table below.

	Outstanding volume	2012 Oct 31 Fair value			2011 Dec 31	
		Assets	Liabilities	Net	Outstanding volume	Fair value, net
Currency derivatives	25,937	64	-160	-96	39,065	461
Interest-rate derivatives	943	71	-25	46	5,472	55
Fuel derivatives	4,355	329	-180	149	4,930	148
Total	31,235	464	-365	99	49,467	664

As of October 31, 2012, fair value is consistent with carrying amounts. The fair value is the amount received or paid if outstanding financial instruments are sold on the closing date. Derivatives not subject to hedge accounting are classified as financial instruments held for trading. Outstanding volume means the nominal amount of derivative contracts expressed in absolute terms.

The total carrying amount for the Group's derivative financial instruments is presented in the following balance-sheet items.

	2012 Oct 31	2011 Dec 31
Other long-term receivables	71	85
Other receivables	393	1,139
Total derivative assets	464	1,224
Other loans	-41	-34
Current liabilities	-324	-526
Total derivative liabilities	-365	-560
Derivative assets/liabilities		
Net at end of the period	99	664
Allocation of derivatives according to the following:		
Cash-flow hedges	52	446
Fair-value hedges	88	105
Net investment hedges	-80	72
Derivatives not designated as hedges for accounting purposes	39	41
Derivative assets/liabilities		
net at end of the period	99	664

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, 2012, 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 19 (44).

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, 2012, the accumulated currency effect of these cash flow-hedged currency derivatives was recognized in equity in the amount of MSEK -45 (200).

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 accounting policies for the interest-rate derivatives used for hedging transactions are matched with those of the individual loans. As of October 31, 2012, the accumulated effect on these cash flow-hedged interest derivatives was recognized in equity in the amount of MSEK -30 (-25).

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, 2012, the accumulated effect on these cash flow-hedged fuel derivatives was recognized in equity in the amount of MSEK 44 (32).

All together, MSEK -12 (251) relating to cash-flow hedges was recognized in equity at October 31, 2012, and is expected to affect the statement of income in the following years as follows:

	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018>	Total
Aircraft	1			3	9	13	26
Commercial flows	-61						-61
Interest-rate derivatives			-41				-41
Fuel derivatives	59						59
Deferred tax	0		11	-1	-2	-3	5
Effect on equity	-1	-	-30	2	7	10	-12

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 accounting policies for the interest-rate derivatives used for hedging transactions are matched with those of the individual loans.

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

To hedge net investments in foreign operations, SAS has entered into currency derivative agreements and loans in the corresponding currency. When hedge accounting is applied, the effective portion of the change in value of the hedge instrument is recognized in equity. As of October 31, 2012, the Group's net investments were MNOK 1,092.

Derivatives not subject to hedge accounting

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

Emission rights

From January 1, 2012, all air traffic to, from and within the EU is included in the European emissions trading system (ETS). In 2012, SAS received about 66% of the rights free of charge and had to procure the remainder on the open market. As of October 31, SAS had secured about 100% of the actual and expected need for emission rights for 2012. Any emission rights received without the need for payment of any consideration from the respective countries' government agencies 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 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.

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. 62% of the credit-related exposure is geographically concentrated in the Nordic countries. The breakdown of the remaining credit exposure is 38% in the rest of Europe and 0% in the rest of the world. The maximum credit exposure for derivative instruments is matched by carrying amounts, see the above table under the heading Financial derivatives. For short-term investments, the size of the credit risk is the carrying amount and is distributed as follows:

	Carrying amount	
Rating (Moody's)	2012 Oct 31	2011 Dec 31
Aaa/P-1		1,037
Aa1/P-1		100
Aa2/P-1		249
Aa3/P-1		470
A1/P-1	366	986
Total	366	2,842

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, 2012, financial preparedness amounted to MSEK 8,055 (8,901), with cash and cash equivalents amounting to MSEK 2,789 (3,808) and unutilized credit facilities totaling MSEK 5,266 (5,093) or 29% (33) of the Group's fixed costs. The SAS Group's cash and cash equivalents are held in instruments with good liquidity or short maturity with a credit rating of no lower than A3/P-1 according to Moody's or A-/A-1 according to Standard & Poor's.

The following tables show remaining contractual terms for SAS's financial liabilities and assets excluding operations for sale. The figures shown are contractual undiscounted cash flows. The tables show the contracted date when SAS is liable to pay or receive, and includes both interest and nominal amount. Some liabilities are linked to financial covenants, which mean that in the event of default SAS can be liable for repayment earlier than the contracted maturity. Future interest flows at variable rates are estimated using the current interest rate on the closing date, which means the amounts may differ.

As of October 31, 2012 the Group's interest-bearing liabilities amounted to MSEK 10,887 (13,338); 13% (12) of the interest-bearing liabilities have financial key ratio requirements for cash flow, debt/equity and liquidity. The term of the interest-bearing gross debt amounted to approximately 3.0 years (3.2) at year-end, excluding the subordinated loan of MCHF 127 which runs without stipulated maturity.

Liquidity risk, MSEK

October 31, 2012	Up to 3 months	4–12 months	1–5 years	over 5 years
Financial liabilities				
Subordinated loans	21		65	907
Bond loans	76	239	3,029	216
Finance leases	72	346	701	
Convertibles	30	150	1,750	
Other loans	190	996	2,237	1,396
Other liabilities			58	
Short-term loans				
Fuel derivatives	131	49		
Currency derivatives	112	48		
Interest-rate derivatives	-16		41	
Accounts payable	1,929			
Total	2,545	1,828	7,881	2,519
Financial assets				
Other long-term receivables	1	2	1,179	
Accounts receivable	1,311			
Other receivables	2	1,010		
Short-term investments	366			
Cash and Bank	2,423			
Fuel derivatives	91	237		
Currency derivatives	60	4		
Interest-rate derivatives			71	
Total	4,254	1,253	1,250	

December 31, 2011	Up to 3 months	4–12 months	1–5 years	over 5 years
Financial liabilities				
Subordinated loans	3		89	936
Bond loans	74	1,039	2,861	363
Finance leases	330	686	1,111	
Convertibles	1	90	1,900	
Other loans	157	484	2,774	1,568
Other liabilities			56	
Short-term loans	470			
Fuel derivatives	73	146		
Currency derivatives	199	128	-17	
Interest-rate derivatives	-9	14	26	
Accounts payable	1,540			
Total	2,838	2,587	8,800	2,867
Financial assets				
Other long-term receivables	1	2	1,011	
Accounts receivable	1,275			
Receivables from affiliated companies	6			
Other receivables	323	1,117		
Short-term investments	2,842			
Cash and Bank	966			
Fuel derivatives	95	272		
Currency derivatives	344	427		
Interest-rate derivatives	2	1	83	
Total	5,854	1,819	1,094	

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, 2012:

Facility	Maturity	Total facility	Utilized facility	Unutilized facility, October 2012	Unutilized facility, December 2011
Revolving credit facility MEUR 366	2013	3,155	-	3,155	3,274
Revolving credit facility MUSD 86	2013	572	572	-	-
Revolving credit facility MUSD 125	2016	829	552	277	292
Revolving credit facility MUSD 70	2017	464	464	-	256
Credit facility MUSD 125	2020	830	259	571	-
Bilateral bank facilities	2013	500	-	500	500
Bilateral bank facilities	2013	500	-	500	500
Bilateral bank facilities	2013	250	-	250	250
Other facilities	2013	13	-	13	21
Total		7,113	1,847	5,266	5,093

In November 2012, the existing MEUR 366 credit facility was renegotiated to an amortized facility of SEK 3.5 billion and the tenor extended until March 31, 2015, which was split into two separate tranches, the utilization of which is governed by separate covenants. The facility is conditional on full implementation of the 4XNG strategic plan. In parallel, the SEK 1.25 billion bilateral facilities were terminated.

Measurement at fair value

For fiscal years beginning on or after January 1, 2009 the disclosure requirements in IFRS 7 have been extended concerning financial instruments measured at fair value in the balance sheet. The standard requires disclosure of methods used to determine fair value according to a fair value hierarchy consisting of three levels. The levels reflect the extent to which fair value is based on observable market data or own assumptions. Below is a description of the different levels for determining fair value.

Level 1

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

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

Level 2

Level 2 comprises financial instruments for which fair value is based on models that utilize observable data for the asset or liability other than the quoted prices included within level 1, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Examples of observable data in level 2 is data that can serve as a basis for assessing prices, such as market interest rates and yield curves.

This category includes mainly certificates and non-standard derivative instruments (interest-rate, currency and fuel swaps as well as currency and fuel options) not traded in an active market and the fair value is determined using valuation techniques based essentially on observable market data.

Level 3

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

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

Determination of fair value – valuation techniques

Other security holdings – Shares and participations

The balance sheet item "Other security holdings" MSEK 23 (23) is made up of strategic shareholdings that are not affiliated companies or subsidiaries.

The entire balance-sheet item is measured at cost because its fair value cannot be reliably measured at justifiable expense. For this reason, the balance-sheet item "Other security 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. Carrying amounts correspond to fair value.

Financial assets and liabilities measured at fair value

	Oct 31, 2012			Dec 31, 2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS						
Other long-term receivables						
- Interest-rate derivatives		71			85	
Other receivables						
- Fuel derivatives		329			367	
- Currency derivatives		64			771	
- Interest-rate derivatives					1	
Short-term investments				1,036	592	
Cash and bank balances	2,423			966		
Total	2,423	464		2,002	1,816	
EQUITY & LIABILITIES						
Other loans						
- Interest-rate derivatives		-41			34	
Current portion of long-term loans						
- Currency derivatives						
Short-term loans						
- Fuel derivatives		-180			219	
- Currency derivatives		-160			310	
- Interest-rate derivatives		16			-3	
Total		-365			560	

Categorization of financial assets and liabilities

	Held for trading	Loans and receivables	Financial assets available for sale	Other liabilities	Hedging instruments, derivatives	Non-financial items	Total carrying amount	Total fair value ¹
October 31, 2012	Fair value	Amortized cost	Fair value	Amortized cost	Fair value			
ASSETS								
Long-term receivables from affiliated companies							0	0
Other holdings of securities			23				23	23
Other long-term receivables		878				301	1,179	1,179
- Interest-rate derivatives					71		71	71
Accounts receivable		1,311					1,311	1,311
Receivables from affiliated companies							0	0
Other receivables		207				799	1,006	1,006
- Fuel derivatives					329		329	329
- Currency derivatives	45				19		64	64
- Interest-rate derivatives							0	0
Short-term investments		366					366	366
Cash and bank balances	2,423						2,423	2,423
Total	2,468	2,762	23	0	419	1,100	6,772	6,772
EQUITY AND LIABILITIES								
Subordinated loans				978			978	231
Bond loans				2,763			2,763	2,763
Other loans				5,219			5,219	5,621
- Interest-rate derivatives					41		41	41
Other liabilities				72		58	130	130
Current portion of long-term loans				1,403			1,403	1,505
Short-term loans				87			87	87
- Fuel derivatives					180		180	180
- Currency derivatives	125				35		160	160
- Interest-rate derivatives					-16		-16	-16
Accounts payable				1,929			1,929	1,929
Total	125	0	0	12,451	240	58	12,874	12,631

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

Categorization of financial assets and liabilities

					Hedging instruments, derivatives	Non-financial items	Continuing operations and operations held for sale	
	Held for trading	Loans and receivables	Financial assets available for sale	Other liabilities			Total carrying amount	Total fair value ¹
December 31, 2011	Fair value	Amortized cost	Fair value	Amortized cost	Fair value			
ASSETS								
Long-term receivables from affiliated companies							0	0
Other holdings of securities			23				23	23
Other long-term receivables		723				203	926	926
- Interest-rate derivatives	1				84		85	85
Accounts receivable		1,275					1,275	1,275
Receivables from affiliated companies						6	6	6
Other receivables		566				869	1,435	1,438
- Fuel derivatives					367		367	367
- Currency derivatives	206				565		771	771
- Interest-rate derivatives	1						1	1
Short-term investments	1,629	1,213					2,842	2,842
Cash and bank balances	966						966	966
Total	2,803	3,777	23	0	1,016	1,078	8,697	8,700
EQUITY AND LIABILITIES								
Subordinated loans				1,019			1,019	327
Bond loans				2,809			2,809	2,809
Other loans				6,145			6,145	6,539
- Interest-rate derivatives					34		34	34
Other liabilities				24		31	55	55
Current portion of long-term loans				2,309			2,309	2,450
Short-term loans				471			471	471
- Fuel derivatives					219		219	219
- Currency derivatives	154				156		310	310
- Interest-rate derivatives	14				-17		-3	-3
Accounts payable				1,540			1,540	1,540
Total	168	0	0	14,317	392	31	14,908	14,751

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

Note 28 Other provisions

	Restructuring		Loyalty program		Other provisions		Total	
	2012 Oct 31	2011 Dec 31	2012 Oct 31	2011 Dec 31	2012 Oct 31	2011 Dec 31	2012 Oct 31	2011 Dec 31
Opening balance, January 1	636	899	1,347	1,816	118	85	2,101	2,800
Provisions	1,313	357	448	662	30	54	1,791	1,073
Utilized provisions	-315	-630	-383	-1,131	-38	-20	-736	-1,781
Currency effect	-3	7				-1	-3	6
Liabilities attributable to assets held for sale								
Reclassification from assets held for sale		3						3
Closing balance, October 31 (December 31)	1,631	636	1,412	1,347	110	118	3,153	2,101
Breakdown in balance sheet:	2012 Oct 31	2011 Dec 31	2012 Oct 31	2011 Dec 31	2012 Oct 31	2011 Dec 31	2012 Oct 31	2011 Dec 31
Long-term liabilities	461	225	1,412	1,347	94	101	1,967	1,673
Current liabilities	1,170	411			16	17	1,186	428
	1,631	636	1,412	1,347	110	118	3,153	2,101

Restructuring

SAS presented the 4Excellence Next Generation (4XNG) plan in conjunction with the interim report for the third quarter 2012. The plan means radical changes and simplification of operations, which will realize a substantial reduction in unit cost. The provision for the 2012 fiscal year comprised, primarily, costs directly attributable to 4XNG. The criteria under IAS37 were met, since the restructuring plan was announced and negotiations completed ahead of the annual accounts.

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

Loyalty program

Through membership in the Group's loyalty program, EuroBonus, customers can earn bonus points through flying with SAS and/or other Star Alli-

ance companies as well as when they make purchases from other business partners, such as car rental and credit card companies.

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

The amount for utilized provisions for 2011 includes a revaluation of the EuroBonus points liability of MSEK 380. Previous estimates of fair value per point category were adjusted downwards driven by continued price reductions, changes in EuroBonus rules and withdrawal patterns.

Other provisions

Other provisions mainly include maintenance costs for leased aircraft pursuant to the lease agreements.

Note 29 Short-term loans

	2012 Oct 31	2011 Dec 31
Issued commercial paper	-	-
Overdraft facilities, utilized portion	-	356
Accrued interest	86	114
Derivatives	324	526
Other	1	1
Total	411	997

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 52 – revenue recognition.

On the closing date, the estimated reserve in the unearned transportation revenue liability amounted to MSEK 188 (201).

Note 31 Accrued expenses and prepaid income

	2012 Oct 31	2011 Dec 31
Vacation pay liability	1,413	1,260
Other accrued payroll expenses	236	482
Selling costs	415	364
Government user fees	379	262
Handling costs	210	217
Other accrued expenses	424	168
Prepaid income	124	181
Total	3,201	2,934

Note 32 Pledged assets

	2012 Oct 31	2011 Dec 31
<i>Related to long-term liabilities:</i>		
Real estate mortgages	19	121
Aircraft mortgages	4,151	3,369
Shares in subsidiaries	0	0
<i>Related to deposits:</i>		
Deposits and blocked bank funds	986	776
Total for long-term liabilities	5,156	4,266

Outstanding liability at October 31, 2012, relating to aircraft mortgages was MSEK 2,816 (2,597).

The item Shares in subsidiaries includes the carrying amount of SAS shares in SAS's wholly owned financing structures for aircraft. For additional information in this regard, please refer to Note 12.

	2012 Oct 31	2011 Dec 31
<i>Related to credit facilities:</i>		
Real estate mortgages	67	-
Aircraft mortgages	807	-
Mortgages for spare parts	745	-
Company mortgages	816	-
Other mortgages	116	-
Blocked bank funds	40	-
Total for credit facilities	2,591	-

Total collateral pledged for long-term liabilities and one credit facility amount to MSEK 7,747 (4,266).

Note 33 Contingent liabilities

	2012 Oct 31	2011 Dec 31
<i>Guarantees related to</i>		
Emission rights	68	45
Other	6	9
Total	74	54

The Group is involved in various other 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. Adequate provisions have been recognized for such matters in accordance with probable and quantifiable loss risks. On the basis of information currently available, those issues not requiring any provisions will not have a material adverse effect on the Group's earnings. However, litigation is inherently unpredictable and, even though the provisions were assessed as adequate and/or that the Group has valid defenses in these matters, unfavorable results could occur. This could have a material adverse material effect on the Group's earnings in future accounting periods.

Note 34 Leasing commitments

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

	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018>
Aircraft	1,667	1,766	1,675	1,450	1,219	2,483
Properties	919	842	759	757	759	3,505
Machinery and equipment	17	14	12	9	5	3
Total	2,603	2,622	2,446	2,216	1,983	5,991

Leases with an annual rental cost in excess of MSEK 0.5 are included. Total lease costs in the 2012 fiscal year amounted to MSEK 2,148 (2,684), of which MSEK 21 pertains to contingent rent. Contingent rents vary according to different factors such as revenue, the consumer price index and short-term market interest rates. In the 2012 fiscal year, payments received for assets subleased to a third party amounted to MSEK 296. The value of future fixed payments for these assets subleased to third parties amounted to MSEK 471.

At the end of the 2012 fiscal year, the SAS Group aircraft fleet totaled 204 aircraft, of which 107 were leased. No sale and leaseback transactions were carried out during the year.

SAS has an option to purchase nine of the properties being leased in Denmark and Norway. The rent on these properties amounted to MSEK 160 for the 2012/2013 fiscal year.

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

	2012 Jan-Oct	2011 Jan-Dec
Share of income in affiliated companies	-32	-28
Dividends from affiliated companies	12	3
Capitalized interest on prepayments to aircraft manufacturers	-5	-4
Earnings impact from measuring financial instruments according to IAS 39	69	-111
Reversal of currency hedges	-	-970
Provisions and impairment losses	1,221	1,731
Payment of fine levied on SAS Cargo, provision made in 2010	-	-660
Other	27	0
Total	1,292	-39

Note 36 Acquisition of subsidiaries

In 2012, subsidiaries owning three airport properties were acquired from Airside Properties AB. These properties were then sold to Swedavia. In 2011, no subsidiaries were acquired. According to the acquisition analyses performed, the value of the assets and liabilities acquired was as follows:

	2012 Jan-Oct	2011 Jan-Dec
Fixed assets	1,279	-
Current assets	-	-
Cash and cash equivalents	-	-
Long-term liabilities	-	-
Current liabilities	-	-
Total	1,279	-
Option payments and early redemption of options	43	-
Purchase price paid and impact on the Group's cash and cash equivalents	1,322	-

Note 37 Disposals of subsidiaries

In 2012, subsidiaries containing six airport properties were sold to Swedavia. In 2011, no subsidiaries were sold.

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

	2012 Jan-Oct	2011 Jan-Dec
Intangible assets	-	-
Tangible fixed assets	1,427	-
Financial fixed assets	-	-
Current assets	-	-
Current receivables	-	-
Cash and cash equivalents	-	-
Long-term liabilities	-	-
Current liabilities	-	-
Total	1,427	-
Capital gain/loss excluding selling costs	348	-
Purchase price paid	1,775	-
Selling costs	-14	-
Impact on the Group's cash and cash equivalents	1,761	-

Note 38 Cash and cash equivalents

	2012 Oct 31	2011 Dec 31
Short-term investments	366	2,834
Cash and bank balances	2,423	966
Cash and cash equivalents reclassified from assets held for sale	-	8
Cash and cash equivalents at year-end	2,789	3,808

Disclosure of interest paid:

During the year, interest received amounted to MSEK 115 (182), of which MSEK 57 (57) pertains to forward premiums for currency derivatives. During the year, interest paid amounted to MSEK 843 (935), of which MSEK 246 (174) refers to forward premiums for currency derivatives.

Note 39 Auditor's fees

The following remuneration was paid by continuing operations to auditing firms for auditing services.

	2012 Jan-Oct	2011 Jan-Dec
Deloitte		
Auditing services	11	12
Audit activities other than audit assignment	6	9
Tax consultancy services	0	1
Other services	4	0
Total Deloitte	21	22
Other auditing firms		
Auditing services	0	0
Total	21	22

Note 40 Transactions with affiliated companies

Revenue from sales to affiliated companies amounted to MSEK 17 (23). Cost of purchases from affiliated companies was MSEK 24 (28).

Note 41 Segment reporting

The Group's operations are managed and reported by business segment according to the following:

The Group's operations are managed and reported as two business segments: Scandinavian Airlines and Widerøe. Scandinavian Airlines includes operations in the consortium of Scandinavian Airlines System, SAS Cargo

and Blue1. Widerøe is an independent airline based in Norway. From the first quarter 2012, Blue1 has been reported under the Scandinavian Airlines segment with restated comparative figures.

Other operations include the Parent Company SAS AB (Group functions) and other non-reportable segments.

	Scandinavian Airlines		Widerøe		Reconciliation Other		Eliminations		SAS Group	
	2012 Jan-Oct	2011 Jan-Dec	2012 Jan-Oct	2011 Jan-Dec	2012 Jan-Oct	2011 Jan-Dec	2012 Jan-Oct	2011 Jan-Dec	2012 Jan-Oct	2011 Jan-Dec
External revenue	32,753	37,659	3,231	3,751	2	2	0	0	35,986	41,412
Sales between segments	395	405	42	24	6	10	-443	-439	0	0
Revenue	33,148	38,064	3,273	3,775	8	12	-443	-439	35,986	41,412
Payroll expenses	-10,262	-11,786	-1,234	-1,337	-88	31	0	0	-11,584	-13,092
Other operating expenses	-20,747	-22,027	-1,593	-1,734	-119	-332	354	352	-22,105	-23,741
Leasing costs for aircraft	-1,311	-1,524	-120	-123	0	-	89	87	-1,342	-1,560
Depreciation, amortization and impairment	-1,296	-2,265	-129	-146	-1	-2	0	0	-1,426	-2,413
Share of income in affiliated companies	4	4	0	0	28	24	0	0	32	28
Capital gains/losses	-257	12	10	0	400	0	0	0	153	12
Operating income	-721	478	207	435	228	-267	0	0	-286	646
Reconciliation with net income for the period:										
Income from other security holdings									0	-1,469
Net financial items									-959	-806
Tax									260	-58
Net income for the year									-985	-1,687

Geographical breakdown

	Domestic		Intra-Scandinavian		Europe		Intercontinental		Total	
	2012 Jan-Oct	2011 Jan-Dec	2012 Jan-Oct	2011 Jan-Dec	2012 Jan-Oct	2011 Jan-Dec	2012 Jan-Oct	2011 Jan-Dec	2012 Jan-Oct	2011 Jan-Dec
Passenger revenue	8,917	10,292	2,928	3,453	10,089	11,340	5,064	5,412	26,998	30,497
Freight and mail revenue	82	58	18	48	69	119	961	1,224	1,130	1,449
Charter revenue	35	57	5	13	1,686	1,798	0	4	1,726	1,872
Other traffic revenue	646	719	241	232	687	783	380	397	1,954	2,131
Total traffic revenue	9,680	11,126	3,192	3,746	12,531	14,040	6,405	7,037	31,808	35,949

	Denmark		Norway		Sweden		Europe		Other		Total	
	2012 Jan-Oct	2011 Jan-Dec	2012 Jan-Oct	2011 Jan-Dec	2012 Jan-Oct	2011 Jan-Dec	2012 Jan-Oct	2011 Jan-Dec	2012 Jan-Oct	2011 Jan-Dec	2012 Jan-Oct	2011 Jan-Dec
Other operating revenue	676	867	1,816	2,074	832	1,105	571	991	283	426	4,178	5,463

OTHER DISCLOSURES

	Denmark		Norway		Sweden		Europe		Other		Not broken down		Total	
	2012 Jan-Oct	2011 Jan-Dec	2012 Jan-Oct	2011 Jan-Dec	2012 Jan-Oct	2011 Jan-Dec	2012 Jan-Oct	2011 Jan-Dec	2012 Jan-Oct	2011 Jan-Dec	2012 Jan-Oct	2011 Jan-Dec	2012 Jan-Oct	2011 Jan-Dec
Assets ¹	1,067	1,062	1,596	1,522	4,138	10,530	647	397	167	58	11,956	6,588	19,571	20,157
Investments for the year	58	12	56	59	608	838	22	60	4	1	525	1,071	1,273	2,041

¹) Aircraft and spare parts are not broken down, see Note 1. Significant accounting policies – Segment reporting, page 50.

In 2012 and 2011, there was no single customer who accounted for more than 10% of Group revenue.

Note 42 Subsidiaries in the SAS Group

	Domicile	Corporate registration number	Total owned shares	Holding	Carrying amount at October 31, 2012	Share of equity at October 31, 2012	Carrying amount at December 31, 2012
<i>Owned by SAS AB:</i>							
SAS Sverige AB	Sigtuna	556042-5414	70,500,000	100	737	1,042	737
SAS Norge AS	Bærum	811176702	47,000,000	100	628	2,474	628
SAS Danmark A/S	Copenhagen	56994912	47,000,000	100	571	799	571
Widerøes Flyveselskap AS	Bodø	917330557	364,196	100	1,440	664	1,440
SAS Individual Holding AB	Stockholm	556063-8255	610,000	100	756	752	756
SAS Tech AB	Stockholm	556137-6764	940,000	100	1,150	2,246	1,150
Nordair A/S	Tårnby	24176711	10,000	100	0	-74	0
Linjeflyg AB	Sigtuna	556062-8454	2,000,000	100	237	245	237
OY Nordair Ab	Vantaa	525.232	150	100	71	-136	671
SAS Revenue Information Services A/S ¹	Tårnby	28098766			-	-	16
Other					0	69	0
					5,590	8,081	6,206
<i>Owned by SAS Danmark A/S, SAS Norge AS and SAS Sverige AB:</i>							
SAS Consortium	Stockholm	902001-7720	-	100	4,345	4,345	5,280
<i>Owned by SAS Consortium:</i>							
SAS Scandinavian Airlines Norge AS	Bærum	962308449	150,000	100	951	736	951
SAS Scandinavian Airlines Danmark A/S ¹	Tårnby	10156858			-	-	1,370
SAS Scandinavian Airlines Sverige AB	Sigtuna	556235-5908	710,000	100	810	818	810
Linjeflyg Leasing HB	Sigtuna	916644-1080	-	79	391	391	324
Cherrydean Ltd	Dublin	310983	12,633,198	100	53	50	53
SAS Capital B.V.	Rotterdam	167071	501	100	8	70	8
SAS Ground Services Sweden AB	Stockholm	556657-7374	101,000	100	300	232	300
SAS Ground Services Norway AS	Oslo	986978364	12,100	100	552	275	552
SAS Ground Services Denmark A/S ¹	Copenhagen	27723454			-	-	111
URIS Ltd	Dublin	316438	1,620,000	100	3	4	3
Other					2	-	3
					3,070	2,576	4,485
<i>Owned by Nordair A/S:</i>							
SAS Cargo Group A/S	Tårnby	25736443	200,500	100	0	-459	0
<i>Owned by SAS Individual Holdings AB:</i>							
RASNA/S	Copenhagen	24202941	500	100	1	0	1
Spirit Air Cargo Handling Group AB	Stockholm	556690-7076	11,000	100	63	65	63
SAS Accounting Services Denmark A/S ¹	Copenhagen	27 931 693			-	-	0
SAS Human Resources Denmark A/S ¹	Copenhagen	27 931 766			-	-	6
SAS Human Resources Norway AS ²	Bærum	987 331 992			-	-	10
					64	65	80
<i>Owned by Uris Ltd:</i>							
Commercial Aviation Leasing Limited	Dublin	30 8550	1,612,747	6	5	5	5
<i>Owned by Cherrydean Limited:</i>							
Commercial Aviation Leasing Limited	Dublin	30 8550	25,266,373	94	78	78	81

1) The company has been merged into SAS Danmark A/S during the 2012 fiscal year.

2) The company was liquidated during the 2012 fiscal year.

Note 43 Significant events after the closing date

The Board of Directors resolves that the prerequisites exist for the implementation of the 4XNG plan. The credit facility of SEK 3.5 billion is made available.

- Measures with an annual positive earnings effect of approximately SEK 3 billion; including new collective agreements with such features as changed pension conditions in place.
- The new pension terms reduce the negative impact on equity of amended reporting rules for pensions by approximately SEK 3.4 billion.
- Divestment of assets with a liquidity effect of about SEK 3 billion.

SAS launches 45 new routes for 2013.

SAS's Board of Directors reduces fees by 30% from November 5, 2012.

SAS AB, Parent Company

Statement of income

MSEK	Note	2012 Jan–Oct	2011 Jan–Dec
Revenue		16	19
Payroll expenses	1	–96	–123
Other operating expenses		–68	–254
Depreciation		0	0
Operating income		–148	–358
Share of income of Group companies	2	28	–894
Income from other securities holdings	2	-	13
Impairment of receivables		-	–1,395
Interest income and similar income items		219	350
Interest expenses and similar income items		–294	–271
Exchange-rate differences		21	1
Income before appropriations and taxes		–174	–2,554
Appropriations		20	-
Tax	3	34	49
Net income for the year		–120	–2,505

The Parent Company recognizes no items in other comprehensive income for 2012 and 2011, respectively. Net income for the year for the Parent Company also corresponds to total comprehensive income.

Balance sheet

ASSETS, MSEK	Note	2012 Oct 31	2011 Dec 31
Non-current assets			
<i>Tangible fixed assets</i>			
Equipment	4	0	0
<i>Financial fixed assets</i>			
Shares in subsidiaries	5	5,590	6,206
Other holdings of securities	6	2	2
Deferred tax asset	3	725	691
Other long-term receivables		34	-
Total non-current assets		6,351	6,899
Current assets			
<i>Current receivables</i>			
Accounts receivable		0	0
Receivables from Group companies		7,053	8,115
Other receivables		26	249
Prepaid expenses and accrued income		0	0
		7,079	8,364
Cash and bank balances		0	0
Total current assets		7,079	8,364
TOTAL ASSETS		13,430	15,263

SHAREHOLDERS' EQUITY AND LIABILITIES, MSEK	Note	2012 Oct 31	2011 Dec 31
Shareholders' equity			
Restricted equity			
Share capital		6,612	6,612
Statutory reserve		473	473
Unrestricted equity			
Retained earnings		3,666	6,171
Net income for the year		–120	–2,505
Total shareholders' equity		10,631	10,751
Long-term liabilities			
Convertible loans	7	1,491	1,453
Long-term liabilities to Group companies		1,082	2,810
Other liabilities		4	2
Total long-term liabilities		2,577	4,265
Current liabilities			
Liabilities to Group companies		6	10
Accounts payable		7	8
Other liabilities		189	207
Accrued expenses and prepaid income		20	22
Total current liabilities		222	247
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		13,430	15,263
Pledged assets			
Pledged assets	8	1,440	-
Contingent liabilities	9	119	124

Change in shareholders' equity

MSEK	Share capital	Restricted reserves	Unrestricted equity	Total equity
Shareholders' equity, December 31, 2010	6,612	473	6,171	13,256
Net income for the period			-2,505	-2,505
Shareholders' equity, December 31, 2011	6,612	473	3,666	10,751
Net income for the period			-120	-120
Shareholders' equity, October 31, 2012	6,612	473	3,546	10,631

No. of shares: 329,000,000 (329,000,000). Quotient value 20.1 (20.1).
Each share is entitled to one vote and all shares own equal rights to a share in the company's assets and profits.

There were no dilutions during the year.

Cash-flow statement

MSEK	2012 Jan-Oct	2011 Jan-Dec
Operating activities		
Income before appropriations and taxes	-174	-2,554
Depreciation and amortization	0	0
Income from the sale of shares, etc.	0	0
Impairment of shares	613	894
Anticipated dividend	-600	-
Impairment of receivables	-	1,367
Provision	50	-
Adjustment for items not included in the cash flow	38	45
Cash flow from operating activities before changes in working capital	-73	-248
<i>Change in:</i>		
Operating receivables	19	-19
Operating liabilities	53	94
Cash flow from changes in working capital	72	75
Cash flow from operating activities	-1	-173
Investing activities		
Investment in Group companies	-	-1,493
Disposal of Group companies	3	79
Disposal of equipment	0	0
Cash flow from investing activities	3	-1,414
Financing activities		
Short-term investments	1,749	1,163
Change in long-term liabilities	-1,728	390
Change in current liabilities	-23	33
Cash flow from financing activities	-2	1,586
Cash flow for the year	0	-1
Cash and cash equivalents at beginning of the year	0	1
Cash and cash equivalents at year-end	0	0

Disclosure of interest paid:

During the year, interest received amounted to MSEK 181 (291). During the year, interest paid amounted to MSEK 161 (226).

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

The average number of employees was 44 (45). A breakdown of the average number of employees by country is provided in the table below.

	2012 Jan–Oct		2011 Jan–Dec	
	Men	Women	Men	Women
Denmark	4	6	4	6
Sweden	18	16	19	16
Total	22	22	23	22
Total of men and women	44		45	

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 54–56.

Note 2 Income from financial items

	Income from participations in Group companies		Income from other securities holdings	
	2012 Jan–Oct	2011 Jan–Dec	2012 Jan–Oct	2011 Jan–Dec
Dividend	41	-	-	13
Anticipated dividend	600	-	-	-
Capital gain/loss from the sale of shares and other participations	0	0	-	-
Impairment of shares	-613	-894	-	-
Total	28	-894	-	13

Note 3 Tax

	2012 Jan–Oct	2011 Jan–Dec
Current tax	-	-
Deferred tax	34	49
Total tax	34	49
Deferred tax assets		
Tax-loss carryforwards	691	642
Deferred tax	34	49
Closing balance tax assets	725	691

Note 4 Tangible fixed assets

	2012 Oct 31	2011 Dec 31
Equipment		
Opening cost	1	3
Disposals/sales	-1	-2
Acquisitions for the period	0	0
Closing accumulated cost	0	1
Opening depreciation	-1	-3
Disposals/sales	1	2
Depreciation for the period	0	0
Closing accumulated depreciation	0	-1
Carrying amount	0	0

Note 5 Participations in subsidiaries

See SAS Group Note 42 – Subsidiaries in the SAS Group, page 75.

Note 6 Other holdings of securities

	2012 Oct 31	2011 Dec 31
Incorporate Cell Company	2	2
Total	2	2

Note 7 Convertible loans

In 2010, a convertible debenture was issued for MSEK 1,600 maturing in five years. The value of debt and share of equity on the convertible bond loan has been determined at the closing date at MSEK 1,491 (1,453) and MSEK 109 (147), respectively. On the date of issue, these values were MSEK 1,374 and MSEK 226, respectively. The conversion price of the bonds is SEK 46.50 and is convertible every three months and has an interest rate of 7.5%.

The loan is categorized as “Other liabilities,” which means recognition at amortized cost.

Note 8 Pledged assets

	2012 Oct 31	2011 Dec 31
Pledged assets, Widerøe Flyveselskap AS	1,440	-
Total	1,440	-

Note 9 Contingent liabilities

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

	2012 Oct 31	2011 Dec 31
Other contingent liabilities benefiting:		
Blue1	119	124
Total	119	124

Note 10 Fees to auditing firms

	2012 Jan–Oct	2011 Jan–Dec
Fees paid to Deloitte were as follows:		
Auditing services	4	4
Audit activities other than audit assignment	5	6
Tax advice	0	0
Total	9	10

Corporate governance

Corporate Governance Report

SAS AB is the Parent Company of the SAS Group and a Swedish public limited company headquartered in Stockholm, Sweden. Since July 2001, SAS AB has been listed on the NASDAQ OMX Stockholm with secondary listings in Copenhagen and Oslo. In 2005, the Stockholm Stock Exchange introduced the Swedish Corporate Governance Code (the Code) as part of the listing agreement. Since then, SAS AB has complied with the Code in its various versions. The objective of corporate governance is to govern the company in such a manner that it meets owners' requirements regarding return on invested capital and thereby contribute to economic efficiency and growth. The objective of corporate governance is to provide SAS with effective management and control of its operations in combination with adequate transparency, clarity and proper business ethics.

This report constitutes the SAS Group's corporate governance report for the 2012 fiscal year and has been prepared pursuant to the Swedish Annual Accounts Act and the provisions of the Code based on the revision of the Code issued in February 2010.

No significant changes were made to corporate governance compared with the preceding year.

Legal framework governing the SAS Group

Corporate governance in the SAS Group is based on Swedish legislation, the Articles of Association, the Swedish Corporate Governance Code (the Code), and the NASDAQ OMX Stockholm Rules for Issuers, as well as other applicable rules and recommendations issued by relevant Swedish and international organizations.

In accordance with NASDAQ OMX Stockholm rules and regulations the SAS Group has produced an information/investor relations policy to ensure adequate disclosure to the capital market. The information/investor relations policy was updated in 2012 with the aim of clarifying and enhancing the management of rumors in the media.

Departure from the Code

Since the implementation of the Code, the SAS Group has followed the Code with the exception of the following instance: SAS conducts shareholder's meetings in Swedish, Norwegian and Danish, which departs from clause 1.5 of the Code.

Reason for the departure: the Articles of Association for SAS AB specify that the language used at shareholders' meetings is to be Swedish, Danish or Norwegian, and, if the Board so decides, other languages as well. The reason all three Scandinavian languages are used at shareholders' meetings is due to the strong Scandinavian nature of the SAS Group with the largest number of shareholders in Denmark, a management and Board comprising citizens of all three Scandinavian countries, and a system for remote attendance of shareholders' meetings from Copenhagen and Oslo. 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.

In 2012, Deloitte did not review the interim report dated September 30 (hard-close). Reason for departure from clause 7.6 of the Code: In accordance with the resolution of the 2012 Annual General Shareholders' Meeting, SAS has changed its fiscal year to November 1–October 31, which has entailed a shortened fiscal year in 2012 (January–October).

Shareholders' meeting

At the Shareholders' Meeting of SAS AB, which is the company's highest decision-making body, one share is equal to one vote with no restrictions on the number of votes any one shareholder is entitled to.

The shareholders' meeting may be held in Stockholm or in Sigtuna. According to a provision in the company's Articles of Association, shareholders may also attend the meeting from locations in Copenhagen and Oslo via telecommunications links. Irrespective of the where shareholders attend the meeting, they have the same rights, including voting rights.

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, Denmark and Norway and announced in press releases as well as published on the company's website. The company e-mails notices to shareholders who have requested this service via Shareholder Service on the company website; www.sasgroup.net.

A table of the major shareholders in SAS AB can be found on page 90 of the Annual Report. The Articles of Association contain no special provisions regarding the election and discharge of Board members or regarding changes to the Articles of Association. Currently, no authority has been provided by the shareholders' meeting to the Board empowering the Board to issue new shares or buy back treasury shares.

Nomination Committee

The Nomination Committee is appointed by the Annual General Shareholders' Meeting and tasked with preparing the meeting's resolutions on nomination and remuneration issues, as well as matters of procedure for the next nomination committee. Members of the Nomination Committee, irrespective of how they were appointed, must address the interests of all shareholders. In conjunction with the 2012 Annual General Shareholders' Meeting, an instruction for the Nomination Committee was adopted. Ahead of the 2013 Annual General Shareholders' Meeting, the Nomination Committee is tasked with making proposals for the election of the Chairman of the Annual General Shareholders' Meeting, the number of Board members and Board fees, broken down among the Chairman, Vice Chairman, other Board members and any remuneration for work on Board committees, election of Board members and Chairman of the Board, election of auditors, auditors' fees and the Nomination Committee ahead of the 2014 Annual General Shareholders' Meeting.

Nomination Committee, six minuted meetings

Jonas Iversen, Ministry of Finance, for the Swedish Government
Peter Brixen, Danish Ministry of Finance
Knut J. Utvik, Norwegian Ministry of Trade and Industry
Peter Wallenberg Jr, Knut and Alice Wallenberg Foundation
Karsten Bilttoft, Danmarks Nationalbank
Anders Rydin, SEB Funds (until December 2012)¹

¹ In December 2012, Anders Rydin resigned his position on the grounds of the significant reduction in the shareholding of SEB Funds in SAS AB. The Nomination Committee made the assessment that it could complete its assignment pursuant to its instruction even without the participation of Anders Rydin.

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 Nomination Committee submits its recommendations to the Annual General Shareholders' Meeting. The Nomination Committee's recommendations will be published in the notice convening the Annual General Shareholders' Meeting, on the company website, and at the Annual General Shareholders' Meeting. Committee members received no fees or other remuneration from SAS for their work on the Nomination Committee. When required, the Nomination Committee utilizes outside advisers and consultants, with the SAS Group defraying the cost.

Board of Directors

The Articles of Association stipulate that the Board of Directors consist of six to eight members elected by the shareholders' meeting. During the year, the Board comprised seven duly elected members, no deputies and three employee representatives, each with two personal deputies. Fees to employee members are listed in the following table. The employee members 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. By a special Board deci-

sion, a representative of the SAS pilots' organization participates as an observer to the Board, in addition to the employee representatives.

The elected Board members are appointed for the period until the end of the next Annual General Shareholders' Meeting in compliance with the Code. 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 84–85.

The average age of members is 59 years and two of the seven members elected by the shareholders' meeting are women. All members elected by the shareholders' meeting are regarded by the Nomination Committee as being independent of the company and company management, while one member is not regarded as being independent of the company's major shareholders. SAS AB meets the requirements of the Code regarding Board independence vis-à-vis the company, company management, and the company's major shareholders.

The Board's work

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

In January–October 2012, the Board of Directors held 12 scheduled meetings.

Senior executives in the company attended Board meetings to make presentations and the General Counsel of the SAS Group served as the Board's secretary. At its meetings, the Board discussed the regular business items presented at the respective meetings including business and market conditions, financial reporting and follow-up, the company's financial position, and investments. The Board also discussed any sustainability-related information of material importance.

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

Outcome January–October 2012, recorded fees for employee representatives

Christian Anderström	SEK 6,000
Sven Cahier	SEK 6,000
Bo Nielsen	SEK 6,000
Trygve Skogseide	SEK 4,000
Rune Thuv	-
Per Weile	SEK 6,000 ¹
Asbjörn Wikestad	SEK 6,000

¹) A further SEK 3,000 was paid for 2011.

Remuneration Committee

Remuneration and other terms of employment for senior executives are designed with a view to ensuring the company's access to executives possessing the requisite skills for the company at a cost appropriate to the company and so that they have the intended effects for the company's operations.

Remuneration Committee, two minuted meetings

	Number of meetings attended
Fritz H. Schur (Chairman)	2
Jacob Wallenberg	2
Dag Mejdell	2

The Group's Remuneration Committee complies with the Code's instructions. The Code specifies that members of the Remuneration Committee must be independent of the company or company management. Fritz H. Schur and Jacob Wallenberg are independent in relation to the company, company management, as well as major shareholders. Owing to his position as President and CEO of Posten Norge AS, wholly owned by the Norwegian government, Dag Mejdell is not regarded as independent in relation to major shareholders.

The Committee prepares proposals for remuneration policies and other employment terms for resolution at the Annual General Shareholders' Meeting.

Audit Committee and financial reporting

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 reports that the company submits. Issues discussed by the Committee include internal control, compliance, uncertainty in reported values, events after the closing date, changes in estimates and assessments, financial and legal risks, suspected and verified irregularities, and other matters affecting the company's financial reporting. The company's external auditor attends all meetings of the audit committee. The Board scrutinizes and approves the company's year-end and interim reports.

Without otherwise impacting the responsibilities and obligations of the Board, the Audit Committee is tasked with monitoring the company's financial reporting, including, the audit of the annual report and consolidated financial statements, scrutinizing and monitoring the impartiality and independence of

Attendance at Board meetings, January–October 2012

	Jan 24	Feb 1	Feb 7	Mar 14 ¹	Apr 19	May 2 ²	Jun 7–8	Aug 7	Sep 20	Oct 12	Oct 23	Oct 28
Fritz H. Schur, Chairman	●	●	●	●	●	●	●	●	●	●	●	●
Jacob Wallenberg, Vice Chairman	●	●	●	●	○	●	●	●	●	●	●	●
Monica Caneman, member	●	●	●	●	●	●	●	●	●	●	○	●
Jens Erik Christensen, member	●	●	●	●	●	●	●	●	●	●	●	●
Dag Mejdell, member	●	●	●	●	●	●	●	●	●	●	●	●
Gry Mølleskog, member	●	●	●	○	●	●	●	●	●	●	○	●
Timo Peltola, member	●	●	●	●	●	●	●	●	●	●	●	●
Ulla Grøntvedt, employee member	●	●	●	●	●	●	●	●	●	●	●	●
Anna-Lena Gustafsson, employee member	●	●	●	●	●	●	●	●	●	●	●	●
Elisabeth Goffeng, employee member	●	●	●	●	●	●	●	●	●	●	●	●

● Present ○ Absent

¹) One meeting was held by correspondence on March 14, 2012. ²) The meeting of May 2, 2012 was a statutory meeting.

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 the General Shareholders' Meetings.

Audit Committee, three minuted meetings

	Number of meetings attended
Timo Peltola (Chairman)	3
Jens Erik Christensen	3
Monica Caneman	3

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

Auditors

Auditors are elected by the Annual General Shareholders' Meeting and tasked with scrutinizing the company's financial reporting and management of the company by the Board and the President. An election was conducted to appoint an auditor at the 2009 Annual General Shareholders' Meeting, whereby Deloitte AB was reelected for the period until the end of the 2013 Annual General Shareholders' Meeting. The principal auditor is Jan Palmqvist (born in 1962), who assumed responsibility for the audit engagement at Deloitte in 2011. In addition to SAS AB, he has audit engagements for AFA Försäkring, Nordisk Renting and Länsförsäkringar Stockholm. On three occasions during the 2012 fiscal year, the principal auditor met with the Board, presenting the program for auditing work and reporting observations from the audit of the financial statements and the evaluation of internal control.

Since SAS had a shortened fiscal year in 2012, no "hard close" examination was performed of the interim accounts at September 30.

On one occasion during the year, the Board met with the company's auditor without the presence of the President or any other representative of the company management. Deloitte submits an audit report regarding SAS AB, the Group, and an overwhelming majority of the subsidiaries. In the past seven years, in addition to its auditing work, Deloitte has performed advisory services for SAS Group companies in auditing-related areas for a total invoiced amount of MSEK 117, of which MSEK 10 pertains to the 2012 fiscal year. Auditors' fees for work performed are in line with the resolution of the Annual General Shareholders' Meeting. For more information about the auditors' fees in 2012, 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 management of company and Group operations to the President. Each year, an instruction defining the division of duties between the Board and the President is determined by the Board who also evaluate the work performed by the President. The Board's instructions to the President contain detailed rules governing the President's authority and obligations. Group Management comprised eight members, including the President, for the majority of 2012. The composition of members of Group Management is shown on page 86.

The President liaises and works closely with the Chairman while meeting regularly with the Chairman to discuss the Group's activities and performance and to plan Board meetings. To enable the Board to monitor the Group's financial position on an ongoing basis, the President makes monthly reports to the Board.

Group Management is not a corporate body in the sense of Swedish limited company law and as a collegial management body has no legal liability vis-à-vis the Board and shareholders. Only the President reports to the Board. Group Management normally has minuted meetings every week. These meetings are chaired by the President, who reaches decisions after consulting with the other members of Group Management.

Those of the Group's main business areas 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 a number of guidelines and policies regarding financial management and follow-up, communication issues, human resources, legal issues, the Group's brands, business ethics and environmental matters.

Remuneration policies and other terms of employment for company management

Remuneration policies for company management are to be formulated and presented by the Remuneration Committee to the Board, which submits the proposal to the Annual General Shareholders' Meeting for adoption. The 2012 Annual General Shareholders' Meeting adopted the remuneration policies and other terms of employment for senior executives. The remuneration policies for 2012 remained unchanged compared with those that applied in 2011, with the exception of the lowering of the maximum pension premium payable from 35% to 30%. Pursuant to the resolution of the Annual General Shareholders' Meeting, no variable remuneration is payable to senior executives and no share-related incentive programs exist in the SAS Group. The Board deems that particular circumstances exist for deviation from the remuneration policies with regard to the Board's decision to allow variable remuneration to the member of Group Management responsible for Sales & Marketing, see Note 3 on page 55.

Agreements concluded previously with some executives that contain partially deviating conditions governing pensions, notice periods and severance pay will be respected until they cease or are renegotiated.

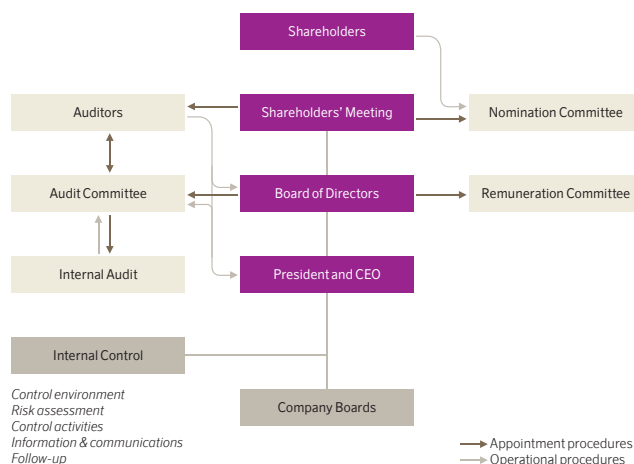
Total remuneration must be market-based and competitive and must be in relation to responsibility and authority. Remuneration consists of fixed salary, other benefits and pension.

Remuneration of senior executives is to consist of a fixed annual base salary. 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.

Remuneration of the President is to be decided within the framework of policies approved by the Board of SAS AB and on the recommendation of the Remuneration Committee established by the Board. Remuneration of other members of Group Management is to be decided by the President within the framework of approved remuneration policies after consultation with the Remuneration Committee. The detailed guidelines are available on the company's website. For detailed information about remuneration and benefits for the Board, President and senior executives in 2012 see Note 3, page 56.

Corporate governance, governance structure

The SAS Group had 64,268 shareholders on October 31, 2012. The major shareholders are the three Scandinavian governments. The largest private shareholders are the Knut and Alice Wallenberg Foundation, Försäkringsbolaget Avanza Pension, A.H. Värdepapper AB, Unionen and the funds of various banks.



Fees decided at the 2012 Annual General Shareholders' Meeting

Name	Nationality	Independent	Board	Audit Committee	Remuneration Committee	Total, TSEK
Fritz H. Schur	DK	Yes	585		70	655
Jacob Wallenberg	SE	Yes	390		25	415
Dag Mejdell	NO	No ¹	345		25	370
Monica Caneman	SE	Yes	295	45		340
Jens Erik Christensen	DK	Yes	295	45		340
Gry Mølleskog	NO	Yes	295			295
Timo Peltola	FI	Yes	295	95		390
Elisabeth Goffeng	NO	–	295			295
Ulla Grøntvedt	SV	–	295			295
Anna-Lena Gustafsson	SV	–	295			295
Total			3,385	185	120	3,690

1) Dag Mejdell is not considered independent in relation to major shareholders (but is independent in relation to SAS and its management).

On their own initiative, as part of the SAS Group's 4Excellence Next Generation plan, all Board members reduced their Board fees decided by the Annual General Shareholders' Meeting by 30%, as of November 5, 2012.



Annual General Shareholders' Meeting

The Annual General Shareholders' Meeting of the SAS Group is to be held on March 20, 2013 at 2:00 p.m. at the following venues:

Copenhagen: Park Inn by Radisson Copenhagen Airport, Engvej 171

Stockholm-Arlanda: Clarion Hotel, Arlanda Airport

Oslo: Radisson Blu Nydalen, Nydalsveien 33

General information

To facilitate participation by shareholders in Denmark and Norway in general shareholders' meetings, the meeting can be attended from locations in Copenhagen and Oslo via telecommunications links. Shareholders par-

ticipating in this manner have the same rights as shareholders attending the meeting in Stockholm or Sigtuna. Shareholders may participate, address the meeting and vote on matters at the same moment as shareholders present in Stockholm or Sigtuna. This procedure means that, in practice, the meeting is held in three locations simultaneously.

Attending the Annual General Shareholders' Meeting

Shareholders who wish to attend the Annual General Shareholders' Meeting must notify the company in advance. Details about notification will be published in the notice convening the Annual General Shareholders' Meeting.

Proposals or questions for inclusion in the notice of the Annual General Shareholders' Meeting

Shareholders who wish to address a specific question or who have a proposal for inclusion in the notice convening the Annual General Shareholders' Meeting may do so.

Items in the notice

- The deadline for receiving business to be included in the notice is January 30, 2013.

Sending of the notice and notification of attendance

- The notice is to be sent in February 2013.

- Deadline for notification of attendance: March 14, 2013 in Sweden and March 13, 2013 in Norway and Denmark.

Record day

- March 14, 2013

Admission cards to the AGM will be sent on

- March 14 and 15, 2013

Annual General Shareholders' Meeting

- March 20, 2013

Internal control – financial reporting

The SAS Group applies COSO, the internationally recognized framework for internal control, to describe and evaluate the Group's control structure. COSO's guidance contains a total of 20 principles, which are divided into five areas and described below. Adaptations have been carried out on the basis of assessed need in various operations of the SAS Group.

Internal control of financial reporting is a process involving the Board of Directors, executive 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 Group's ambition is that its values – reliability, openness, care and value-creation – will permeate the organization and the internal control environment. All actions, internal as well as external, are to reflect these basic values. The SAS Group has produced a Code of Conduct, which describes the desired approach in various situations, including a structure for reporting deviations from the desired approach. Employees have received training in the Group's Code of Conduct.

Information concerning governance of the Group is available for all employees on the Group's intranet and in the SAS Corporate Manual. For the SAS Group's Board and each subsidiary, there are instructions for the Board and CEO that clearly describe responsibilities and authorizations.

Risk assessment

Every year, company management performs a risk assessment regarding financial reporting. The assessment of risks in various major balance sheet and income items is graded where critical areas have been identified. The

SAS Group's internal audit function performs an ongoing overarching risk assessment that results in an annual audit plan. The audits performed by the internal audit are primarily aimed at operational auditing, but also focus on processes that impact financial reporting and risk of irregularities, improper favoritism of another party at company expense, and the risk of loss or embezzlement. The audit plan is approved by the Audit Committee and the SAS Group's Board.

Control activities

Control activities cover, inter alia, internal control in each Group company. Beyond this, there are control activities to ensure updating in accordance with IFRS using specific forms for reporting in the Group's corporate reporting system. The SAS Group has financial officers, both centrally and locally, who are responsible for financial updates.

The total assessment of the audit performed in 2012 was that the internal control of financial reporting was satisfactory and the rating was 97%.

SAS has prepared a form with defined control targets in the management process, accounting process, revenue process, purchasing process, payroll process and asset management process. These control targets also include IT controls that safeguard change management, user administration and procedures and responsibilities. The management of all units and subsidiaries conduct their own annual assessment of the internal control in relation to the fulfillment of control targets, including documentation of the processes used in the control activities. This control and evaluation also comprises processes conducted by third parties. The evaluation is also reviewed by the external auditors who make an independent assessment of status and improvement potential. In the event of evaluations not being approved, whereby the assessment by the external auditor prevails, action plans are prepared, which are subject to monitoring.

Information and communication

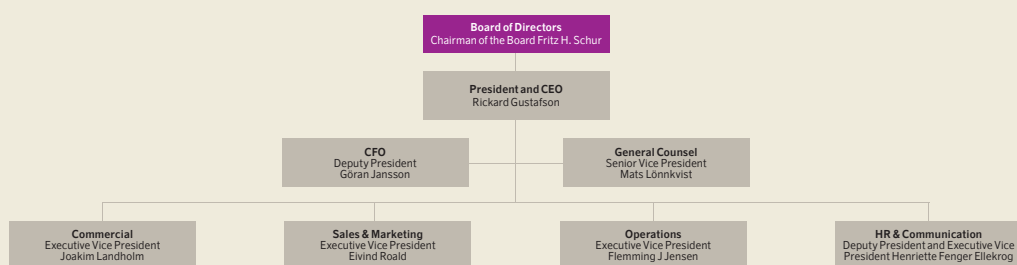
Policies and guidelines regarding the financial process are communicated to all affected parties in the Group. All policies and guidelines in the financial areas are on the intranet, under "SAS Group Financial Guide." The SAS Group's published external reports are based on reporting from all legal entities in accordance with a standardized reporting procedure. Financial information reported regularly includes the annual report, interim reports, press releases, presentations and telephone conferences 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

The SAS Group's accounting policies as well as any changes are always communicated by direct dispatch and at regular meetings with those responsible for financial matters in the units and subsidiaries. All units and subsidiaries submit a report on their activities every month, including their financial status and performance. To ensure that the external information is correct and complete, the SAS Group pursues an information policy regarding disclosures to the stock exchange and an Investor Relations policy that has been laid down by the SAS Group's Board. This policy is available on the SAS Group website under Investor Relations.

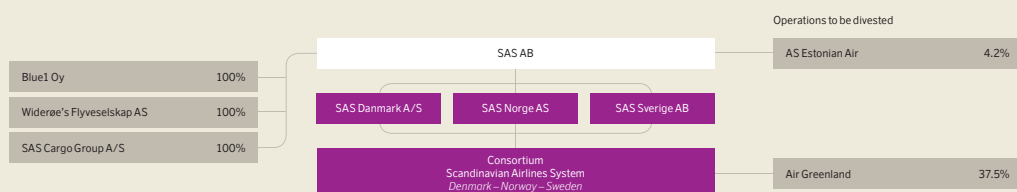
Monitoring

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 the "self assessment," the new or modified controls are tested. Recommendations from the external and internal audits and the status of ongoing measures are compiled and presented to Group Management and Audit Committee. Financial reporting is discussed at each Board meeting and at meetings of the Audit Committee.

Business model and areas of responsibility



SAS Group's legal structure February 15, 2013



Board of Directors

The Board is responsible for the organization and administration of the Group and for ensuring proper control of its accounting and other financial circumstances as well as for appointing the President. All members of the Board elected by the Shareholders' Meeting are independent of the company and company management. The Annual General Shareholders' Meeting 2012 adopted the Nomination Committee's recommendation for reelection of all Board members of SAS AB: Fritz H. Schur, Jens Erik Christensen, Dag Mejdell, Timo Peltola, Jacob Wallenberg, Monica Caneman and Gry Mølleskog. Fritz H. Schur was reelected Chairman of the Board. No share convertibles or options have been issued to the Board of the SAS Group.



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. Chairman of PostNord AB, DONG Energy A/S, F. Uhrenholt Holding A/S, Relationscore ApS 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 and Post Danmark A/S. Vice Chairman of Interbank A/S and Board member of De Post NV/La Poste SA, Belgium, and others. *Shareholding:* 40,000.



Vice Chairman Jacob Wallenberg, born 1956

Vice Chairman of the Board of SAS AB since 2001. *Directorships:* Chairman of Investor AB. Vice Chairman of Ericsson AB and SEB and Board member of ABB Ltd, The Coca-Cola Company, the Knut and Alice Wallenberg Foundation and the Stockholm School of Economics. *Education:* B.Sc. Economics and MBA Wharton School, University of Pennsylvania. *Earlier directorships/positions:* Vice Chairman of Stockholms Handelskammare Service AB, Electrolux AB and Atlas Copco, as well as Board member of the Confederation of Swedish Enterprise and the Nobel Foundation. *Shareholding:* 10,000.



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 Arbeidsgiverforeningen Spekter and International Post Corporation. Vice Chairman of the Board of EVRY ASA and Board member of Norsk Hydro ASA and IK investment. *Educations:* MBA, Norwegian School of Economics and Business Administration. *Earlier directorships/positions:* President and CEO of Dyno Nobel ASA. Chairman of Svenska Handelsbanken, Region Norway. Board member of DYWIDAG System International GmbH. *Shareholding:* 4,214.



Monica Caneman, born 1954

Member of the Board of SAS AB since 2010. *Directorships:* Chairman of the Fourth Swedish Pension Fund, Arion bank hf and Big Bag AB. Board member of Storebrand ASA, Poolia AB, My Safety AB, Intermail A/S, SOS Children's Villages and Schibsted Sverige AB. *Education:* MBA, Stockholm School of Economics. *Earlier directorships/positions:* Board member of EDT AS, Allenex AB, Frösunda LSS AB and Intervendum 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.



Jens Erik Christensen, born 1950

Member of the Board of SAS AB since 2006.
Directorships: Chairman of Scandinavian Private Equity A/S, Dansk Merchant Capital A/S, Alpha Holding A/S and Vördur Tryggingar hf. Vice chairman of BankNordik A/S. Board member of Nemi Forsikring A/S, Andersen&Martini A/S, TK Development A/S, Nordic Corporate Investment A/S as well as member of the Danish Government's infrastructure commission. Chairman of the Board of Skandia A/S Denmark. *Education:* Cand. Act. University of Copenhagen. *Earlier directorships/positions:* President of Codan A/S, President of Codan Försäkring A/S and President of Trygg-Hansa AB as well as member of the Executive Committee of the Royal & Sun Alliance plc. 1999–2006; prior to this, directorships and business development in the financial sector. *Shareholding:* 12,666.



Gry Mølleskog, born 1962

Member of the Board of SAS AB since 2010. Took up her position as Chief of Staff of the Royal Secretariat at the Norwegian Royal Court on September 1, 2012. *Directorships:* Chairman of Norsk Folkemuseum. Board member of Norwegian Property ASA and Quartz+Co. *Education:* Master of Management from the Norwegian School of Management BI and studies at the University of Oslo. *Earlier directorships/positions:* Five years as Senior Client Partner in Korn/Ferry International and experience as Head of Staff for the Norwegian Royal Court. In addition, Ms. Mølleskog has held several positions in the SAS Group, most recently as Senior Vice President at the head office in Stockholm. Board member of Hurtigruten ASA, Oslotrikken AS, DnBNOR Finans, Posten Norge and Steen og Ström. *Shareholding:* 666.



Timo Peltola, born 1946

Member of the Board of SAS AB since 2005.
Directorships: Vice Chairman of TeliaSonera. Member of the Board of AW Energy Oy and CVC Capital Partners Advisory Board. Member of Citigroup's Nordic Advisory Board. *Education:* MBA, Turku School of Economics and Business Administration. Studies at IMI, Geneva. Honorary doctorate in economics, Swedish School of Economics and Business Administration in Helsinki and Turku School of Economics and Business Administration. *Earlier directorships/positions:* Chairman of Ilmarinen, Merita Bank, Amer-group, Instrumentarium, Neste oil as well as Vice Chairman of Nordea. Board member of Huhtamaki Oyj and CEO of Huhtamaki Oyj 1988–2004. *Shareholding:* 2,000.



Employee representative

Elisabeth Goffeng, born 1957

Employed at Scandinavian Airlines in Norway. Member of the Board of SAS AB since May 2011. *Shareholding:* 0.
Deputies: Trygve Skogseide, First Deputy.
Shareholding: 0.
 Asbjörn Wikestad, Second Deputy.
Shareholding: 0.



Employee representative

Ulla Gröntvedt, born 1948

Employed at Scandinavian Airlines Sweden. Member of the Board of SAS AB since 2001. *Shareholding:* 2,000.
Deputies: Sven Cahier, First Deputy.
Shareholding: 0
 Christian Anderström, Second Deputy.
Shareholding: 400.



Employee representative

Anna-Lena Gustafsson, born 1959

Employed at Scandinavian Airlines Denmark. Member of the Board of SAS AB since September 2011. *Shareholding:* 0.
Deputies: Bo Nielsen, First Deputy.
Shareholding: 392.
 Per Weile, Second Deputy.
Shareholding: 200.

Auditors Deloitte AB

Principal auditor Jan Palmqvist, born 1962, Authorized Public Accountant. Elected in 2011.

Other major engagements AFA Försäkring, Nordisk Renting and Länsförsäkringar Stockholm.

Corporate Secretary Mats Lönnkvist, General Counsel, SAS Group and Member of SAS Group Management.

Group Management

Group Management is responsible for the Group's business management, financial reporting, acquisitions/disposals, financing and communication and other corporate matters. The members of 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 Group's business affairs, and minuted meetings are normally held every second week.



Rickard Gustafson, born 1964
President and CEO

Member of SAS Group Management from February 1, 2011. Previously, various executive positions in GE Capital, both in Europe and the US, and President of Codan/Trygg-Hansa from 2006–2011. *External directorships:* none. *Education:* Master of Science, Industrial Economics. *Shareholding:* 40,000.



Henriette Fenger Ellekrog, born 1966
Deputy President and Executive Vice President, Human Resources and Communication

Member of SAS Group Management from October 1, 2007. Since 2007, responsible for Human Resources, and since 2010 responsible for Communication. *Previous positions include:* 1998–2007 various executive positions in TDC A/C, most recently as Senior Executive Vice President, Corporate HR and Chief of Staff. Prior to that, various positions and management posts at Mercuri Urval A/S and Peptech (Europe) A/S. *External directorships:* Chairperson of the Swedish Aviation Industry Group, Board member of Svenskt Flyg, Daycatch A/S, Fonden for Dansk-Norsk Samarbejde, Advisory Board for women in management positions and the Boards of the Confederation of Danish Industry and the University of Copenhagen expertise panel. *Education:* Cand. ling. merc. degree from the Copenhagen Business School. *Shareholding:* 12,200.



Göran Jansson, born 1958
Deputy President and CFO

Member of SAS Group Management since 2011. Previously CFO and Deputy CEO of Assa Abloy. *External directorships:* Board member of Axis Communication AB and SPP. *Education:* Graduate in Business Administration from Stockholm University. *Shareholding:* 0.



Flemming J. Jensen, born 1959
Executive Vice President Operations

Member of SAS Group Management since September 14, 2011. Flemming J. Jensen joined SAS in 1989 and, since 2008, has held a number of executive positions in SAS production including Chief Operating Officer Production Unit CPH. During the period 2002–2008, he was Chief Pilot and before that, a pilot. *External directorships:* Board member of Industrial Employers in Copenhagen (IAK) and a member of the Board and Executive Committee of the Confederation of Danish Industry. *Education:* Pilot in the Danish Air Force. *Shareholding:* 14,100.



Joakim Landholm, born 1969

Executive Vice President Commercial

Member of SAS Group Management since January 16, 2012. Joakim Landholm joins SAS from a position as Chief Operating Officer at RSA Scandinavia, which comprises Trygg-Hansa and Codan. He has an extensive background in management, strategy and analysis from GE Money Bank, Accenture and Swedbank. *External directorships:* none. *Education:* Master of Business Administration from the Stockholm School of Economics. *Shareholding:* 0.



Mats Lönnkvist, born 1955

Senior Vice President, General Counsel

Member of SAS Group Management since 2009. Head of Legal, Insurance and Public Affairs, and is the Board secretary at SAS AB. *Previous engagements/posts:* Various legal posts in the SAS Group 1988–2009, the law firm of Mannheimer & Zetterlöf 1984–1988. *External directorships:* none. *Education:* Law degree from Uppsala University. *Shareholding:* 2,704.



Eivind Roald, born 1966

Executive Vice President Sales & Marketing

Member of SAS Group Management since April 1, 2012. Eivind Roald joined SAS after seven years as the President of Hewlett Packard in Norway. 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:* None. *Education:* Bachelor's degree from the Norwegian School of Management BI. *Shareholding:* 0.



The Board of Directors and the President hereby give their assurance that the Annual Report has been prepared pursuant to the Swedish Annual Accounts Act and RFR 2, Accounting for Legal Entities, and provides a true and fair view of the company's financial position and earnings and that the Report by the Board of Directors provides a true and fair overview of the company's operations, financial position and earnings, and describes the significant risks and uncertainty factors to which the company is exposed.

The Board of Directors and President hereby give their assurance that the consolidated financial statements have been prepared pursuant to the International Financial Reporting Standards (IFRS) as adopted by the EU, and provide a true and fair view of the Group's financial position and earnings, and that the Report by the Board of Directors for the Group provides a true and fair overview of the performance of the Group's operations, financial position and earnings, and describes the significant risks and uncertainty factors to which the companies in the Group are exposed.

Stockholm, February 15, 2013

Fritz H. Schur

Chairman of the Board

Jacob Wallenberg

Vice Chairman

Dag Mejdell

Second Vice Chairman

Monica Caneman

Board Member

Jens Erik Christensen

Board Member

Gry Mølleskog

Board Member

Timo Peltola

Board Member

Elisabeth Goffeng

Board Member

Ulla Gröntvedt

Board Member

Anna-Lena Gustafsson

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 15, 2013. The Group's statement of income and balance sheet and the Parent Company's statement of income and balance sheet will be subject to adoption by the Annual General Shareholders' Meeting on March 20, 2013.

Our auditors' report was submitted on February 15, 2013

Deloitte AB

Jan Palmqvist

Authorized Public Accountant

Auditors' report

To the annual meeting of the shareholders of SAS AB,
Corporate Registration Number 556606-8499

Report on the annual accounts and consolidated financial statements

We have audited the annual accounts and the consolidated financial statements of SAS AB for the January 1, 2012 to October 31, 2012 fiscal year, except for the corporate governance statement on pages 79–87. The company's annual accounts and consolidated financial statements are included in the printed version of this document on pages 36–88.

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

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 financial statements in accordance with the International Financial Reporting Standards, as adopted by the EU, 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the annual accounts and consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. These 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 financial statements 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 financial statements. 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 financial statements 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2012 and its financial performance and cash flows for the year in accordance with the Annual Accounts Act. The consolidated financial statements 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, 2012 and its financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinion does not include the corporate governance report on pages 79–87. The

statutory administration report is consistent with the other parts of the annual accounts and consolidated financial statements.

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 the consolidated financial statements, 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 for the January 1, 2012 to October 31, 2012 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 79–87 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 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 opinion.

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 financial statements.

Stockholm, February 15, 2013
Deloitte AB

Jan Palmqvist
Authorized Public Accountant

The SAS Group's share data

Share related key figures

	2012 Jan–Oct	2011	2010	2009	2008	2007
Market capitalization, MSEK	2,122	2,632	7,403	9,944	6,235	13,654
Number of shares traded, millions ¹	200.7	309.8	271.2	79.2	9.2	7.6
Shares traded, MSEK	1,509.8	4,900	9,540	11,183	8,936	18,961
Number of shares, millions	329	329	329	2,467.50	164.5	164.5
Income after tax, SEK per share ²	–2.99	–5.13	–6.74	–8.96	–38.66	3.87
Cash flow from operating activities, SEK per share ²	7.79	–1.47	–0.47	–10.38	–16.12	17.42
Dividend, SEK	0	0	0	0	0	0
Dividend in % of earnings after tax	0	0	0	0	0	0
Dividend yield, %	0	0	0	0	0	0
Shareholders' equity, SEK per share ²	33.91	37.79	43.88	34.62	44.45	104.13
Total assets, SEK per share ²	111.71	119.10	127.13	129.16	263.61	296.47
Revenue, SEK per share ²	109.38	125.87	124.83	136.53	321.4	307.59

	2012 Jan–Oct	2011	2010	2009 ¹	2008 ¹	2007 ¹
Price-related key figures, SEK						
Market capitalization/equity at year-end, %	19	21	51	87	85	80
Share price at year-end	6.45	8.00	22.5	30.23	18.95	41.5
Highest share price during the year	9.50	27.80	43.2	43.5	41.13	83.75
Lowest share price during the year	5.10	7.50	17.85	6.95	13.35	41.5
Average share price during the year	7.13	16.16	25.9	28.75	23.19	65.66

1) For 2006–2009, the historic key figures have been adjusted for the rights issues in 2009 and 2010 and reverse split in 2010.

2) For 2009–2011, the key figures are calculated based on 329 million shares and for 2006–2008 based on 165.4 million shares.

The 20 largest shareholders in the SAS Group¹

Oct. 31, 2012	Number of shares	Holding
Swedish government	70,500,000	21.4%
Danish government	47,000,000	14.3%
Norwegian government	47,000,000	14.3%
Knut and Alice Wallenbergs Foundation	24,855,960	7.6%
Försäkringsaktiebolaget, Avanza Pension	4,847,674	1.5%
A. H. Värdepapper AB	4,750,000	1.4%
Unionen	4,700,532	1.4%
Danmarks Nationalbank	4,578,588	1.4%
Robur Försäkring	2,980,013	0.9%
CBNY-DFA-INT SML CAP V	2,697,699	0.8%
JPM Chase NA	2,000,186	0.6%
Nordnet Pensionsförsäkring AB	1,488,081	0.5%
Ponderus Securities AB	1,414,768	0.4%
Credit Suisse Sec Europe LTD	1,393,644	0.4%
Swedbank Robur Sverigefond	916,281	0.3%
SEB	802,324	0.2%
KPA Pensionsförsäkring AB	781,237	0.2%
Swedbank Robur Sverigefond Mega	778,670	0.2%
JP Morgan Bank	775,262	0.2%
Skandinaviska Enskilda Banken S.A., W8IMY	731,855	0.2%
Other shareholders	104,007,226	31.6%
Total	329,000,000	100.0%

1) Under Danish law, disclosure is permitted only when the shareholding exceeds 5%.

Distribution of shares

Oct. 31, 2012	No. of share- holders	No. of votes	% of share capital	% of all share- holders
1–1,000	51,661	12,135,362	3.7	80.4
1,001–5,000	9,744	22,420,984	6.8	15.2
5,001–10,000	1,508	11,256,807	3.4	2.3
10,001–100,000	1,246	31,788,991	9.7	1.9
100,001–1,000,000	95	24,849,250	7.6	0.1
1,000,001–	14	220,207,145	66.9	0.0
Unknown owners		6,341,461	1.9	
Total	64,268	329,000,000	100%	100%

Shares traded per exchange

	Value, MSEK		Number, millions	
	2012 Jan–Oct	2011	2012 Jan–Oct	2011
Stockholm	1,181	3,946	156.6	248.9
Copenhagen	263	745	35.6	47.5
Oslo	66	208	8.5	13.5
Total	1,510	4,900	200.7	309.9

Change in share capital¹

	Event	No. of new shares	Total no. of shares	Nominal value/ share, SEK	Nominal share capital
May 2001	Company registration	50,000	50,000	10	500,000
July 2001	Non-cash issue	155,272,395	155,322,395	10	1,553,223,950
August 2001	Non-cash issue	6,494,001	161,816,396	10	1,618,163,960
May 2005 ²	New share issue	2,683,604	164,500,000	10	1,645,000,000
April 2009	Rights issue	2,303,000,000	2,467,500,000	2.5	6,168,750,000
April 2010	Rights issue	7,402,500,000	9,870,000,000	0.67	6,612,900,000
June 2010	Reverse split	-	329,000,000	20.1	6,612,900,000

1) Before SAS AB was formed in May 2001, the SAS Group was listed through SAS Danmark A/S, SAS Norge ASA and SAS Sverige AB.

2) Technical change in connection with consolidation to one common share.

Shareholders per exchange

	Oct. 31, 2012	2011	2010
Stockholm	22,668	24,358	25,291
Copenhagen	38,457	39,416	40,585
Oslo	3,143	3,143	3,128
Total	64,268	66,917	69,004

Trading codes – share distribution, ISIN code SE0003366871

	Reuters	Bloomberg	Share distribution
Stockholm	SAS.ST	SAS SS	1,419 mill.
Copenhagen	SAS.CO	SAS DC	665 mill.
Oslo	SASNOK.OL	SAS NO	383 mill.

Analysts who monitor SAS

Scandinavian equity analysts	Contact
ABG Sundal Collier	Lars Heindorff
Enskilda Securities	Lars-Tore Turtveit
First Securities	Hans Erik Jacobsen
Handelsbanken	Dan Togo Jensen
Danske Bank	Brian Börsting
Nordea	Finn Bjarke Petersen
Terra Markets	Vilis Eizentas
Sydbank	Jacob Pedersen
International equity analysts	Contact
Citi	Andrew Light
Goldman Sachs	Hugo Scott Gall
HSBC	Andrew Lobbenberg
Nomura	Andrew Evans

Aircraft fleet

The SAS Group's fleet of aircraft at October 31, 2012¹

	Age	Owned	Leased	Total	In service	Leased out	On order
Airbus A330/A340	10.4	5	6	11	11	0	
Airbus A319/A320/A321	8.8	4	10	14	12	0	30
Boeing 737 Classic	19.4	0	10	10	10	0	
Boeing 737NG	11.4	23	49	72	72	0	
Boeing 717	12.2	0	9	9	9	0	
McDonnell Douglas MD-80-serien	23.1	13	8	21	19	0	
McDonnell Douglas MD-90-serien	0.0	8	0	8	0	8	
Avro RJ-85	0.0	0	5	5	0	1	
deHavilland Q-serien	14.7	32	10	42	39	0	
Bombardier CRJ900NG	3.4	12	0	12	12	0	
Total	13.1	97	107	204	184	9	30

1) In addition, the following aircraft are wet leased: four CRJ200s and one ATR for SAS in Denmark and two ATRs and four SAAB 2000s for Blue1 in Finland.

The aircraft fleet divided by airline and leased-out aircraft

	Age	Owned	Leased	Total	In service	Leased out	On order
SAS Scandinavian Airlines	12.6			143	136	8	30
Widerøe	14.9			39	39	0	
Blue1	12.2			13	9	1	
Leased-out aircraft				9			
Total	13.1			204	184	9	30

The Group's operational key figures

Passenger traffic-related key figures	2012 Jan–Oct	2011	2010	2009	2008	2007	2006	2005	2004	2003
Number of destinations served, scheduled	136	128	127	134	157	158	164	147	146	130
Number of flights, scheduled	338,870	396,134	367,817	380,470	427,201	423,807	552,899	554,838	530,597	502,145
Number of passengers, total, 000s ¹	25,916	28,990	27,096	26,967	30,936	31,381	43,138	41,033	38,253	36,399
Number of passengers, scheduled, 000s	23,979	27,206	25,228	24,898	29,000	29,164	39,059	36,312	34,250	31,005
Available seat kilometers, total (mill.) ¹	36,126	40,953	38,851	39,934	45,764	44,433	63,555	62,445	60,173	54,800
Available seat kilometers, scheduled (mill.)	32,813	37,003	34,660	35,571	41,993	40,019	54,907	53,689	51,478	47,634
Revenue passenger kilometers, total (mill.) ¹	27,702	30,668	29,391	29,025	33,097	33,082	46,770	44,566	41,287	36,985
Revenue passenger kilometers, scheduled (mill.)	24,746	27,174	25,711	25,228	29,916	29,365	39,247	35,864	33,312	30,403
Load factor, total (%) ¹	76.7	74.9	75.6	72.7	72.3	74.5	73.6	71.4	68.6	67.5
Average passenger distance, total (km)	1,069	1,058	1,085	1,076	1,070	1,054	1,084	1,086	1,079	1,016
Weight-related key figures²										
Available tonne kilometers, ATK, total (mill. tonne km)	4,475	5,089	4,835	5,052	5,991	5,812	7,775	7,614	7,302	6,227
Available tonne kilometers, scheduled (mill. tonne km)	4,098	4,604	4,318	4,463	5,291	4,987	6,461	6,376	6,068	5,201
Available tonne kilometers, other (mill. tonne km)	377	485	517	589	700	827	1,314	1,238	1,233	1,026
Revenue tonne kilometers, RTK, total (mill. tonne km)	3,201	3,555	3,448	3,327	4,136	4,210	5,496	5,299	4,629	4,133
Passengers and excess baggage (mill. tonne km)	2,733	3,018	2,897	2,863	3,268	3,265	4,489	4,298	3,844	3,234
Total load factor, scheduled (%)	71.5	69.9	71.3	65.9	69.0	72.4	70.7	69.6	63.4	66.4
Traffic revenue/revenue tonne kilometers (SEK)	9.94	10.23	10.42	11.34	10.12	9.72	9.46	8.80	9.39	10.89
Key figures for costs and efficiency										
Total unit cost ⁵	0.81	0.86	0.95	1.02	0.96	0.87	0.78	0.73	0.74	0.84
Jet fuel price paid incl. hedging, average (USD/tonne)	969	970	773	831	1,120	786	707	564	434	314
Revenue-related key figures										
Passenger revenue/revenue passenger km, scheduled, yield (SEK)	1.09	1.12	1.16	1.30	1.27	1.25	1.12	1.10	1.11	1.27
Passenger revenue/available seat km, scheduled, (SEK)	0.82	0.82	0.86	0.92	0.91	0.92	0.80	0.73	0.72	0.81
Environmental key figures										
CO ₂ , gram/passenger km ⁶	118	122	121	127	131	130	131	136	154	158
Climate index ³ (Environmental index ⁴ until 2004)	98	100	90	94	98	96	95	100	76	78

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) Excludes Blue1 in 2002–2004 and Braathens in 2002–2003.

3) Adjusted from 2005 to reflect the current Group's climate impact. Full year 2011 new base year. The result January 2012–October 2012 consist of November 2011–October 2012.

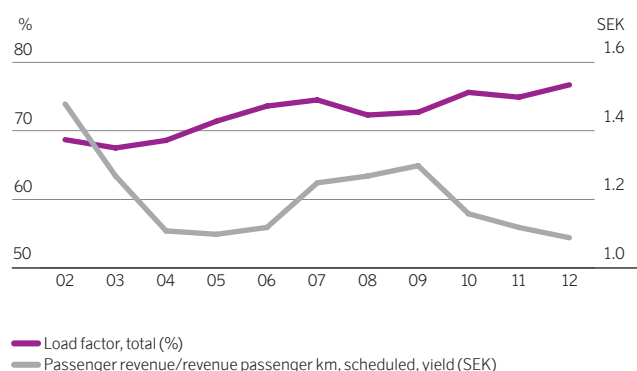
4) Refers to Scandinavian Airlines.

5) Only includes aircraft depreciation for the years 2002–2007.

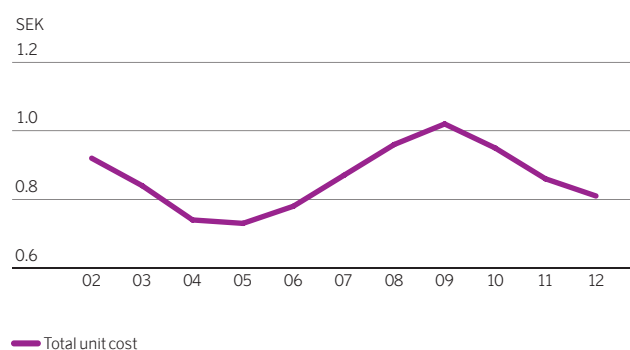
6) Carbon dioxide per passenger kilometer comprising all passengers onboard all flights (scheduled, charter, etc.).

For definitions and concepts refer to page 95.

Load factor and yield, 2002–2012



Total unit cost, 2002–2012



Ten-year financial overview

Statements of income, MSEK	2012 ¹	2011	2010	2009	2008	2007	2006	2005	2004 ²	2003 ^{2,4}
Revenue	35,986	41,412	41,070	44,918	52,870	50,598	50,152	55,501	58,093	57,655
Operating income before depreciation	955	3,019	246	-1,311	997	2,677	2,618	2,548	1,779	597
Depreciation, amortization and impairment	-1,426	-2,413	-1,885	-1,845	-1,550	-1,457	1,757	-2,170	-2,846	-3,046
Share of income in affiliated companies	32	28	12	-258	-147	32	59	76	157	39
Income from sale of shares in subsidiaries and affiliated companies	400	-	-73	429	-	-	-	41	5	651
Income from the sale of aircraft and buildings	-247	12	-239	-97	4	41	85	182	113	649
Income before tax, EBT	-1,245	-1,629	-3,069	-3,423	-969	1,044	177	-246	-1,833	-1,699
Income from discontinued operations	-	-	-	-327	-5,395	-135	4,528	577	-	-
Income, EBT, before capital gains and nonrecurring items in continuing and discontinued operations	23	94	-444	-2,247	-1,947	824	1,279	114	-1,701	-2,450
Income, EBT, before capital gains and non-recurring items in continuing operations	23	94	-444	-1,754	-339	1,234	727	-106	-	-
Balance sheets, MSEK										
Fixed assets	29,692	29,883	30,591	29,636	26,840	26,663	31,189	36,439	38,458	42,768
Current assets, excluding cash and cash equivalents	4,273	5,494	6,191	8,670	10,741	13,216	9,172	12,893	10,748	9,441
Cash and cash equivalents	2,789	3,808	5,043	4,189	5,783	8,891	10,803	8,684	8,595	9,066
Total shareholders' equity	11,156	12,433	14,438	11,389	7,312	17,149	16,388	12,081	11,044	12,926
Long-term liabilities	12,111	13,889	13,932	13,069	19,160	11,274	17,847	23,608	25,193	25,633
Current liabilities	13,487	12,863	13,455	18,037	16,892	20,347	16,929	22,327	21,564	22,716
Total assets	36,754	39,185	41,825	42,495	43,364	48,770	51,164	58,016	57,801	61,275
Cash-flow statements, MSEK										
Cash-flow from operating activities	2,562	-482	-155	-3,414	-2,651	2,866	2,102	1,507	-1,440	-1,167
Investments	-2,595	-2,041	-2,493	-4,661	-4,448	-2,908	-2,299	-1,827	-3,865	-4,488
Sales of non-current assets, etc.	1,976	517	697	2,050	1,535	2,695	9,784	2,797	6,853	5,535
Cash flow before financing activities	1,943	-2,006	-1,951	-6,025	-5,564	2,653	9,587	2,477	1,548	-120
Rights issue	-	-	4,678	5,808	-	-	-	-	-	-
Dividend	-	-	-	-	-	-	-	-	-	-
External financing, net	-2,961	763	-1,859	-1,524	2,480	-4,492	-7,438	-2,426	-2,016	-1,480
Cash flow for the year	-1,018	-1,243	868	-1,741	-3,084	-1,839	2,149	51	-468	-1,600
Key figures										
Gross profit margin, %	2.7	7.3	0.6	-2.9	1.9	5.3	5.2	4.6	3.1	1.0
EBT margin, before nonrecurring items in continuing operations, %	0.1	0.2	-1.1	-3.9	-0.6	2.4	1.4	-0.2	-	-
Return on capital employed (ROCE), % ³	-8.1	-2.2	-7.6	-11.7	-19.6	6.7	18.2	5.0	-1.1	0.0
Return on book equity after tax, % ³	-24.8	-12.0	-17.0	-26.8	-47.6	3.8	37.8	1.4	-14.9	-11.7
Adjusted equity/assets ratio, % ⁵	24	26	28	21	13	27	22	15	15	16

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) Comparative figures for 2004 have been restated according to IFRS. Errors relating to Spanair's accounts have been corrected for 2003–2004.

3) Includes results from discontinued operations.

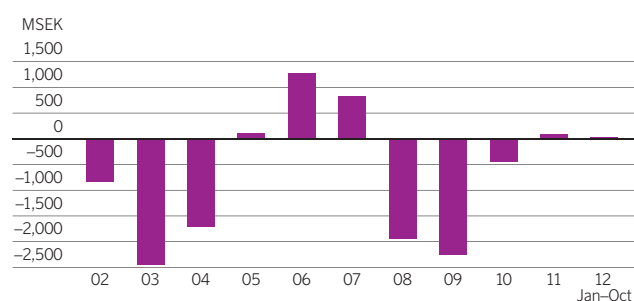
4) For 2003 and earlier years, SAS Group accounting was according to Swedish Financial Accounting Standards Council recommendations.

For differences between IFRS and earlier accounting policies see the SAS Group's 2005 Annual Report.

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

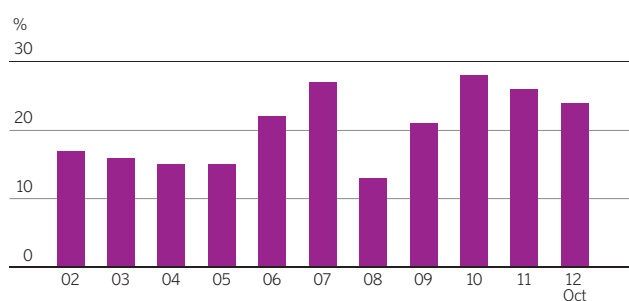
Definitions and concepts see page 95.

EBT¹



1) Income, EBT, before capital gains and nonrecurring items in continuing and discontinued operations.

Adjusted equity/assets ratio, 2002–2012



Financial key figures, MSEK	2012 ¹	2011	2010	2009	2008	2007	2006	2005	2004 ²	2003 ^{2, 4}
Income and capital concepts included in CFROI										
Income before depreciation, EBITDA, in continuing and discontinued operations	872	3,019	246	-1,732	-1,232	2,646	3,663	2,984	1,779	597
+ Operating lease costs, aircraft	1,618	1,560	1,815	2,534	3,186	3,472	3,527	3,133	2,689	2,935
EBITDAR	2,490	4,579	2,061	802	1,954	6,118	7,190	6,117	4,468	3,532
- Operating lease revenue, aircraft	-96	-199	-341	-312	-160	-174	-194	-155	-163	-145
Adjusted EBITDAR in continuing and discontinued operations	2,394	4,380	1,720	490	1,794	5,944	6,996	5,962	4,305	3,387
Adjusted average capital employed⁶										
+ Total equity	12,153	14,087	13,045	11,014	13,224	16,687	12,706	11,921	11,823	13,655
+ Surplus value aircraft	-37	-1,305	-1,037	193	-423	-208	371	-161	-674	167
+ Capitalized leasing costs, net (x 7)	9,827	9,706	11,984	19,502	22,016	23,191	22,567	18,967	18,130	22,844
- Equity in affiliated companies	-309	-300	-300	-567	-755	-1,054	-1,132	-853	-676	-519
+ Financial net debt	6,448	3,957	4,403	5,662	3,163	2,447	11,136	16,119	18,592	19,031
Adjusted capital employed	28,082	26,145	28,095	35,804	37,225	41,063	45,648	45,993	47,195	55,178
Cash Flow Return On Investments CFROI, %	8.5	16.8	6.1	1.4	4.8	14.5	15.3	13.0	9.1	6.1
Other financial data										
Financial income	96	224	174	304	660	787	585	492	357	1,096
Financial expenses	-1,055	-1,030	-1,041	-645	-933	-1,041	-1,367	-1,465	-1,399	-1,684
Interest-bearing liabilities	10,887	13,338	11,897	14,660	16,117	12,042	16,478	26,337	27,280	28,866
Operating leasing capital ⁵	10,654	9,527	10,318	13,804	13,573	14,462	23,331	20,846	17,682	19,530
Financial net debt	6,549	7,017	2,862	6,504	8,912	1,231	4,134	14,228	17,377	18,122
Debt/equity ratio ³	0.59	0.56	0.20	0.57	1.22	0.07	0.25	1.18	1.57	1.40
Adjusted financial net debt (x7)/equity ⁵	1.54	1.33	0.89	1.70	3.08	0.92	1.68	2.90	3.17	2.91
Interest expenses/average gross debt, %	8.1	7.3	6.9	5.6	7.6	7.8	6.1	5.2	4.3	6.5
Interest-coverage ratio	-1.6	-0.6	-1.9	-4.4	-5.3	1.8	4.4	1.3	-0.3	0.0

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) Comparative figures for 2004 have been restated according to IFRS. Errors relating to Spanair's accounts have been corrected for 2003–2004.

3) Calculated on financial net debt.

4) For 2003 and earlier years SAS Group accounting was according to Swedish Financial Accounting Standards Council recommendations.

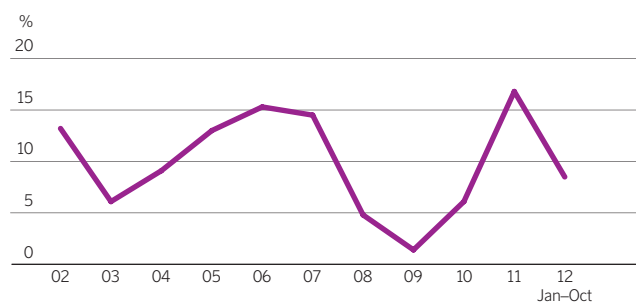
For differences between IFRS and earlier accounting policies see the SAS Group's 2005 Annual Report.

5) Estimated starting 2007 with NPV and leasing costs of continuing operations, respectively. Earlier years' key figures also include NPV and leasing costs of discontinued operations.

6) Includes continuing and discontinued operations.

Definitions and concepts see page 95.

CFROI¹, 2002–2012



1) Cash Flow Return On Investments.

Adjusted net debt/equity ratio¹



1) Adjusted financial net debt (x7)/Equity

Definitions & concepts

Adjusted capital employed (AV Asset value) Total equity, plus surplus value in the aircraft fleet, plus 7 times the annual cost of operating aircraft leasing, net, plus financial net debt, less equity in affiliated companies

Adjusted debt/equity ratio Financial net debt plus capitalized leasing costs (x7) in relation to equity and non-controlling interests.

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

AEA The Association of European Airlines.

Affiliated company Company where the SAS Group's holding amounts to at least 20% and at the most 50%.

AOC Air Operator Certificate.

ASK, Available seat kilometers The total number of seats available for passengers multiplied by the number of kilometers which they are flown.

ATK, Available tonne kilometers The total number of tonnes of capacity available for the transportation of passengers, freight and mail multiplied by the number of kilometers which this capacity is flown.

Available seat kilometers See ASK.

Available tonne kilometers See ATK.

Block hours Refers to the time from when the aircraft leaves the departure gate until it arrives at the destination gate.

Book equity Total shareholders' capital attributable to Parent Company shareholders excluding non-controlling interests.

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 non-interest-bearing liabilities.

Capital employed, market adjusted See adjusted capital employed (AV).

Capitalized leasing costs (x 7) The annual cost of operating leases for aircraft multiplied by seven.

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

CASK See unit cost.

CFROI Adjusted EBITDAR in relation to AV.

Code-share When one or more airlines' flight number is stated in the timetable for a flight, while only one of the airlines operates the flight.

CSI Customer Satisfaction Index measures how customers perceive SAS's services.

Debt/equity ratio Financial net debt in relation to equity and non-controlling interests.

Dividend yield, average price Dividend as a percentage of the average share price during the year.

Earnings per share (EPS) Income after tax divided by the total number of shares.

EASA European Aviation Security Agency.

EBIT (including capital gains) Operating income.

EBITDA margin EBITDA divided by revenue.

EBITDA, Operating income before depreciation Income before net financial items, tax, depreciation, share of income in affiliated companies and income from the sale of fixed assets.

EBITDAR margin EBITDAR divided by revenue.

EBITDAR, Operating income before depreciation and leasing costs Operating income before net financial items, tax, depreciation, share of income in affiliated companies, income from the sale of fixed assets and leasing costs for aircraft.

EBT Income before tax.

EEA European Economic Area

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.

Equity per share Book equity divided by the total number of shares.

Equity/assets ratio Book equity plus non-controlling interests in relation to total assets.

EV, Enterprise value Market capitalization plus net debt and 7 times the net annual cost of operating leases for aircraft.

Finance leasing Based on a leasing contract where the risks and rewards of ownership of the asset remain with the lessee. The asset is reported as a fixed asset in the balance sheet because the lessee has an obligation to purchase the asset at the end of the lease. The commitment to pay future leasing charges is entered as a liability.

Financial net debt Interest-bearing liabilities less interest-bearing assets excluding net pension funds.

Financial net debt, market adjusted (x 7) Financial net debt plus capitalized leasing costs, multiplied by seven.

Financial preparedness Cash and cash equivalents including unutilized credit facilities/ fixed costs.

FTE Full-time equivalent.

Gross profit margin Operating income before depreciation (EBITDA) in relation to revenue.

IATA International Air Transport Association. A global association of more than 200 airlines.

ICAO International Civil Aviation Organization. The United Nations' specialized agency for international civil aviation.

Interest-coverage ratio Operating income plus financial income in relation to financial expenses.

Interline revenue Ticket settlement between airlines.

IPCC Intergovernmental Panel on Climate Change, scientific panel appointed by the United Nations Environmental Program, UNEP, and the World Meteorological Association, WMO, to assess what is happening to the global climate and the impact of climatic disturbances.

IRR Internal Rate of Return- discount rate where the present value of a project's cash flow, from investment to sales, is equal to zero.

JAA Joint Aviation Authorities.

LCC Low Cost Carrier.

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 leasing 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.

P/CE ratio Average share price divided by cash flow per share after paid tax.

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

Passenger load factor RPK divided by ASK. Describes the capacity utilization of available seats. Also called occupancy rate.

RASK Total traffic revenue/Total ASK (scheduled+charter).

Regularity The percentage of flights completed in relation to flights scheduled.

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

Return on capital employed (ROCE), % Operating income plus financial income in relation to average capital employed. Capital employed refers to total capital according to the balance sheet less non-interest-bearing liabilities.

Revenue passenger kilometers (RPK) See RPK.

Revenue tonne kilometers (RTK) See RTK.

RPK, Revenue passenger kilometers Number of paying passengers multiplied by the distance they are flown in kilometers.

RTK, Revenue tonne kilometers The number of tonnes of paid traffic (passengers, freight and mail) multiplied by the distance this traffic is flown in kilometers.

Sale and leaseback Sale of an asset (aircraft, building, etc.) that is then leased back.

Total load factor RTK divided by ATK.

Total return The sum of the change in share price including dividends.

Unit cost, (CASK) total The airline's total operating costs including aircraft leasing and depreciation adjusted for currency and restructuring costs less non-traffic-related revenue per total ASK (scheduled and charter).

Unit revenue (RASK) Total traffic revenue/Total ASK (scheduled+charter).

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).



Annual General Shareholders' Meeting 2013

The SAS Group's Annual General Shareholders' Meeting will be held on March 20, 2013 at 2:00 p.m.

Copenhagen: Park Inn by Radisson Copenhagen Airport, Engvej 171.

Stockholm-Arlanda: Clarion Hotel Arlanda Airport.

Oslo: Radisson Blu Nydalen, Nydalsveien 33.

For more detailed information, see page 82.

Financial calendar 2013

Monthly traffic is issued on the fifth working day of every month. The detailed financial calendar is available at www.sasgroup.net under Investor Relations.

March 8, 2013	▶	Q1 Interim Report 1 (Nov–Jan)
March 20, 2013	▶	Annual General Shareholders' Meeting
June 11, 2013	▶	Q2 Interim Report 2 (Feb–Apr)
September 4, 2013	▶	Q3 Interim Report 3 (May–Jul)
December 19, 2013	▶	Year-end Report (Nov 2012–Oct 2013)
February 2014	▶	Annual Report & Sustainability Report 2013

For more information, please refer to www.sasgroup.net

Contacts – SAS Group

Investor Relations: investor.relations@sas.se

Environment and sustainability: Director Lars Andersen Resare
+46 709 97 23 46
lars.andersen@sas.se

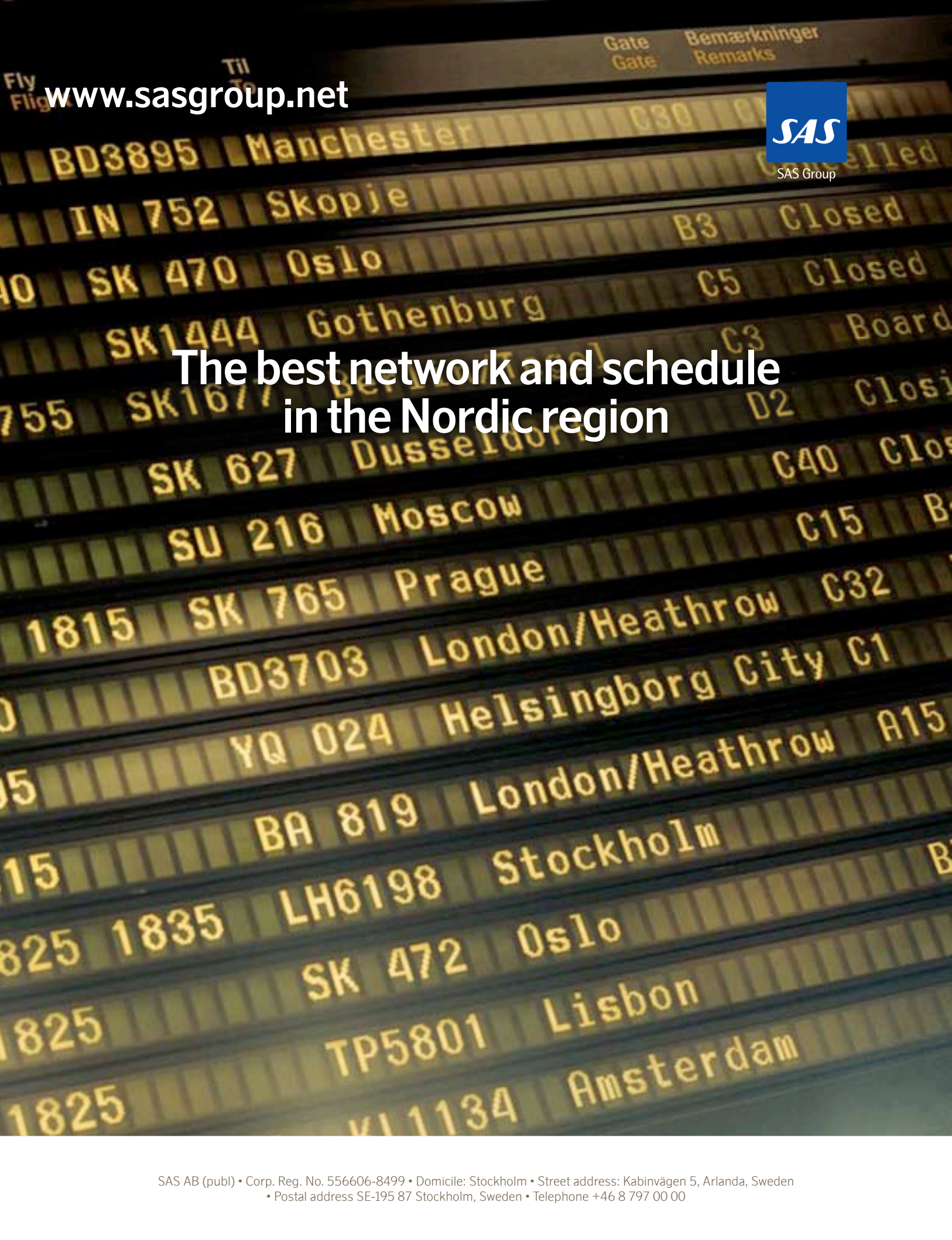
Distribution policy

All reports are available in English and Swedish and can be downloaded at www.sasgroup.net

The SAS Group's printed Annual Report is distributed only to shareholders who have requested it and can also be ordered via e-mail: investor.relations@sas.se

Production: SAS Group and Intellecta Corporate
Design: Intellecta Corporate
Translation: The Bugli Company AB
Photography: SAS image bank
Printing: TMG Sthlm
Environmentally friendly paper: Galerie Art Silk
Production is environmentally certified in accordance with Ecomark
(www.tmgsthlm.se/ecomark).
Total CO₂: 904 kg. Total energy consumption: 2,568 kWh.
Environmental data relate to Swedish and English editions.





www.sasgroup.net



**The best network and schedule
in the Nordic region**