



**SAS ANNUAL AND SUSTAINABILITY REPORT
FISCAL YEAR 2021**

75 YEARS OF INNOVATION

SAS

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SAS ANNUAL AND SUSTAINABILITY REPORT FISCAL YEAR 2021

SAS reports financial and sustainability information in a joint report: SAS Annual and Sustainability Report Fiscal Year 2021 (FY 2021). The SAS statutory annual report includes the report by the Board of Directors on pages 24–56 and the financial statements pages 57–102. The sustainability reporting has been prepared in accordance with the GRI Standards: Core option and comprises pages 110–131. The sustainability reporting also includes the statutory sustainability report in accordance with the Swedish Annual Accounts Act. The auditor's opinion on the annual report is included on pages 103-108 and the auditor's limited assurance report on the sustainability report and statement regarding the statutory sustainability report is included on pages 132–133.

SAS, Scandinavia's leading airline, with main hubs in Copenhagen, Oslo and Stockholm, flies to destinations in Europe, USA and Asia. Spurred by a Scandinavian heritage and sustainability values, SAS aims to be the global leader in sustainable aviation. We will reduce total carbon emissions 25 percent by 2025, by using more sustainable aviation fuel and our modern fleet with fuel-efficient aircraft. In addition to flight operations, SAS offers ground handling services, technical maintenance and air cargo services. SAS is a founding member of the Star Alliance™, and together with its partner airlines offers a wide network worldwide.

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



A large, blue and white SAS tail fin is visible on the left side of the image, set against a background of a modern building with a grid-like facade.

OPERATIONS

OPERATIONS

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SCANDINAVIA'S LEADING AIRLINE

For more than 75 years, we've flown and kept Scandinavia connected to the world and the world to Scandinavia. We have always stayed at the forefront of what's new, and looked towards the next horizon. We've seen the world change, sometimes over decades, and sometimes, all at once. Changes that have made us rethink, adapt and rebuild. We're now heading into a future where change is never-ending, and the need to rethink is constant. A future of conscious thought and sustainable innovation, our way, the Scandinavian way.

AIRLINE OPERATIONS

SAS is Scandinavia's leading airline for smooth flights to, from and within Scandinavia. Airline operations are our primary business and are conducted through SAS Scandinavia, SAS Connect, SAS Link and our production partners.

CARGO SERVICES

SAS Cargo is the leading provider of air freight solutions to, from and within Scandinavia, delivering world class quality and customer care. SAS Cargo's services are based on the cargo capacity of the SAS network, extended by dedicated truck operations.

GROUND HANDLING SERVICES

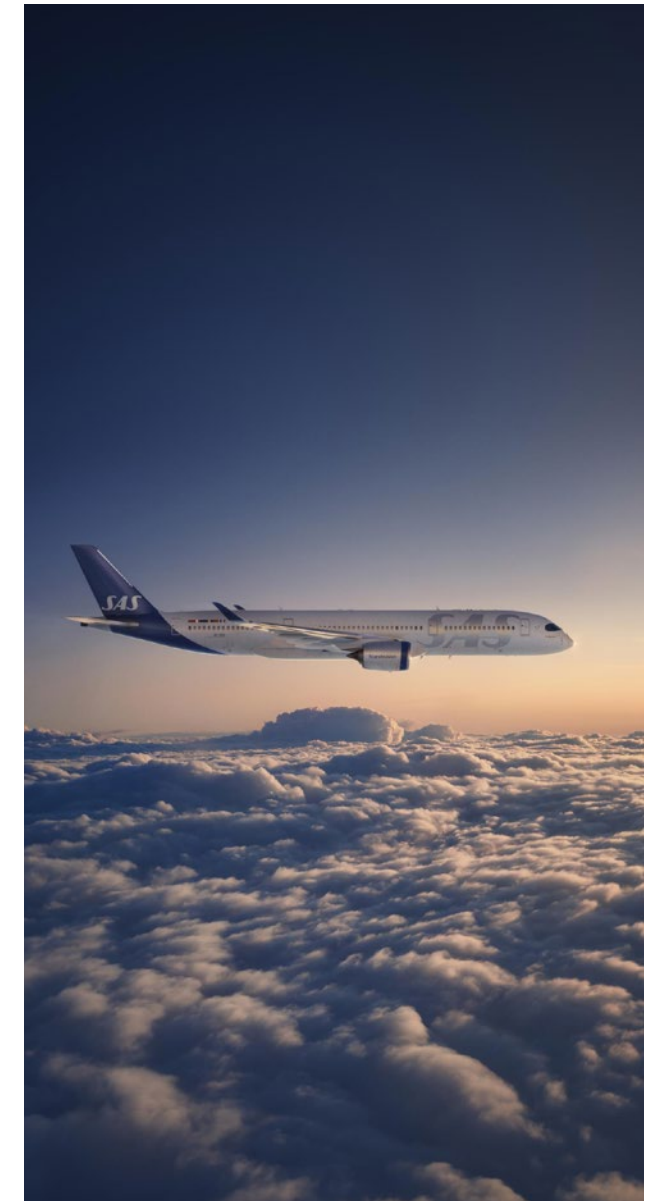
SAS Ground Handling is the leading ground handling provider at airports in Copenhagen, Oslo and Stockholm. Our operations provide passenger, cargo and ramp services for SAS and other airlines.

TECHNICAL MAINTENANCE

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

EUROBONUS

EuroBonus is Scandinavia's largest travel-related loyalty program and enables closer relationships with our customers. EuroBonus has over 6 million members and more than 100 partners. The members represent a valuable customer database that sets us apart from the competition.



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SAS IN FIGURES

As a consequence of the COVID-19 pandemic and imposed travel restrictions, demand for air travel decreased and revenue for fiscal year 2021 ended at SEK 14.0 billion. Despite measures to adapt to the market environment, the cost reduction of 35% did not offset the decline in revenue and resulted in a negative result of SEK 6.4 billion before tax and items affecting comparability.

7.6

Million passengers

14.0

Total revenue, SEK billion

-6.4

Earnings before tax and items affecting comparability, SEK billion

85.9

Punctuality, %

-34.0

Reduction of CO₂, %

-35.2

Change in total operating expenses, %



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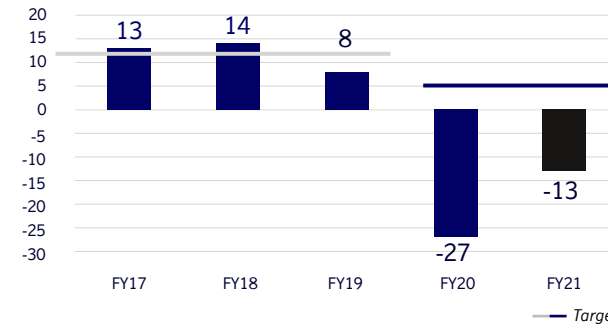
FINANCIAL AND ENVIRONMENTAL TARGETS

Our overall long-term goal is to create value for our shareholders and to deliver sustainable and profitable growth throughout the business cycle – for definitions please see page 139.

RETURN ON INVESTED CAPITAL (ROIC)*

Our target for ROIC is to exceed the post-tax Weighted Average Cost of Capital (WACC) over a business cycle, and is a prerequisite for us to create shareholder value. The target is also linked to our dividend policy, which stipulates that a dividend can be distributed when value is created through ROIC exceeding WACC, see page 29.

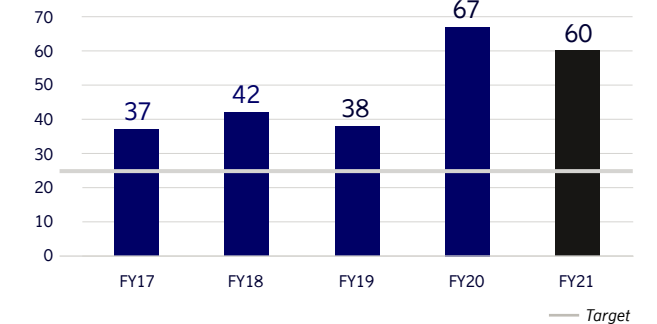
RETURN ON INVESTED CAPITAL, %



OUTCOME

Due to the COVID-19 pandemic, earnings before tax were negative which led to a ROIC of -13%, well below target.

FINANCIAL PREPAREDNESS, %



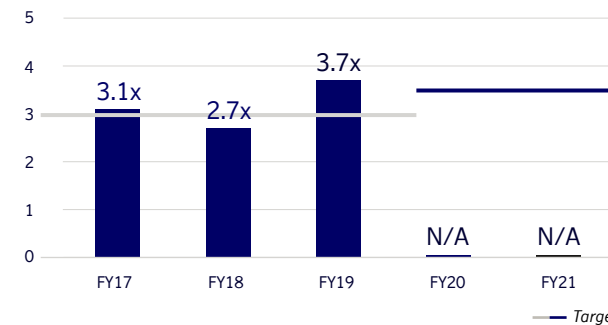
OUTCOME

A high cash position following the recapitalization in 2020, as well as lower fixed costs resulted in a financial preparedness of 60%. (Includes the contracted SEK 3bn credit facility)

FINANCIAL NET DEBT/EBITDA*

The target for financial net debt/EBITDA is a key ratio used by credit rating agencies and banks for assessing creditworthiness. The aim with maintaining a ratio with a multiple of less than three and a half (3.5x) is aligned with the SAS ambition to improve its financial position and credit rating, and thereby lower the financing costs.

FINANCIAL NET DEBT/EBITDA



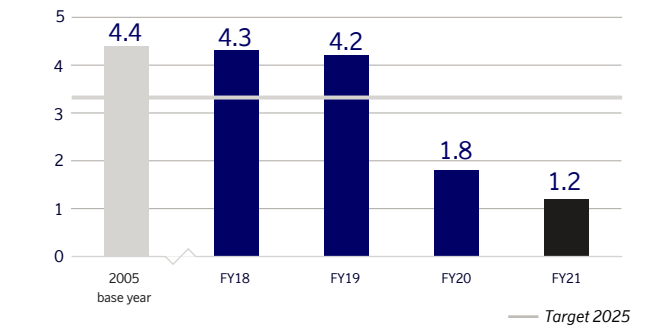
OUTCOME

The financial net debt/EBITDA ended at a negative multiple. The result is related to the negative EBITDA.

FINANCIAL PREPAREDNESS*

Our target for financial preparedness is for cash, cash equivalents and available credit facilities to exceed 25% of annual fixed costs. The target is set to ensure a healthy level of cash and cash equivalents to mitigate risks related to internal and external events and to fulfil regulatory requirements.

TOTAL CO₂ EMISSIONS, M TONNES



OUTCOME

The decline in emissions is to the vast majority due to the COVID-19 pandemic. CO₂ emissions per ASK improved by 11.5% in the same period.

*The outcome during FY17–FY19 is shown under the old definition and target, whereas FY20–FY21 is shown under the new definition and target.

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SIGNIFICANT EVENTS DURING THE YEAR

The COVID-19 pandemic affected the aviation industry significantly during the year, as last year. Imposed travel restrictions resulted in dramatically reduced demand for air travel, but as vaccination rates rose and restrictions were lifted, we slowly saw an increase in ticket sales. For SAS the ability to be flexible and adapt operations efficiently, has been a focus area during the year, in order to offer our customers attractive travel options.

OPERATIONAL

REDUCED TRAFFIC

Imposed travel restrictions due to COVID-19 reduced demand and SAS continued to adapt production. Flexibility to ramp up and down according to changing customer demand remains important.

NEW AIRCRAFT

During the year, SAS took delivery of four A320neo, one A321LR and two A350 aircraft. Meanwhile, older and less fuel-efficient aircraft were phased out at a faster rate. During the year, SAS phased out 22 Boeing 737-700/800 aircraft and five A340. As a result, SAS now has one of Europe's most modern fleets.

SAS CONNECT

In order to change to functional names for SAS' production platforms, SAS Ireland has changed the business name to SAS Connect. We are starting operation out of Copenhagen in early 2022.

SAS LINK

To ensure that we can offer competitive advantages, an attractive timetable for customers and lower the total environmental footprint, we evaluated fleet options to handle thinner flows of passengers in our regional network. Traffic will be operated out of Copenhagen from spring 2022.

FINANCIAL

CREDIT FACILITY

In July, SAS contracted a credit line facility from its' major shareholders, government of Denmark and Sweden, totaling SEK 3bn equivalent. It is still undrawn and provides a liquidity buffer during the pandemic recovery phase, should it be needed.

COST REDUCTIONS

We carried out a number of measures to adapt our cost structure to a market defined by lower demand. The short- and long-term measures to reduce costs resulted in 35.2% lower total operating expenditure.

PRODUCT AND OFFERING

SAFE TRAVEL

Additional safety precautions introduced following the COVID-19 outbreak, such as face mask requirements, remained during the year.

SAS TRAVEL READY CENTER

During the year SAS launched SAS Travel Ready Center, a digital tool to make it easier for passengers to access information about current travel restrictions concerning their destinations and to upload necessary travel documents.

EXTENDED EUROBONUS MEMBERSHIP LEVEL

SAS continued to extend EuroBonus membership levels by another 12 months on their current membership level.



The safety of our travelers and staff is always our highest priority.

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ORGANIZATION

FURLOUGH

During the year, part of SAS' employees were temporarily laid off. The furlough schemes have been crucial for optimizing manning and to scale up and down according to demand. As society is opening up again, SAS is welcoming its workforce back to the operation and offices.

NEW CEO

Anko van der Werff was appointed new President and Chief Executive Officer as of July 15, 2021.

COMMUNITY SUPPORT

SECURING CRITICAL INFRASTRUCTURE

SAS remains Scandinavia's leading airline, maintaining Scandinavian connectivity, especially domestic destinations and securing critical infrastructure for travelers and cargo.

RESCUE FLIGHTS

SAS operated rescue flights in August, in conjunction with the rescue operation out of Afghanistan. In total, SAS made 22 flights from Islamabad and Tbilisi, on behalf of the Scandinavian authorities.

SUSTAINABILITY

CO₂ EMISSIONS

During the year, CO₂ emissions decreased 34.0% year-on-year. The main reason was the reduced traffic due to COVID-19, but deliveries of more efficient aircraft, with 15–30% lower fuel consumption than the aircraft they replace, also had an effect.

EMERGING TECHNOLOGIES

We continued to work with Airbus on the development of next generation aircraft with low or zero emissions. SAS also worked together with Airbus on an innovative concept where the aerodynamic benefits of formation flying will be evaluated.

SUSTAINABLE AVIATION FUELS (SAF)

SAS consumed more than 1,000 tonnes of SAF during the year. This covers the biofuel sold to customers, the Norwegian blend-in mandate and the Swedish reduction mandate introduced on July 1, 2021. During the year, SAS used biofuel corresponding to approximately 0.3% of its total fuel consumption.

FUEL EFFICIENCY

The introduction of seven new, more efficient aircraft has supported continued fuel efficiency enhancements.

SAS has utilized big data and innovative systems to support its continued work with fuel efficiency.

CARBON OFFSET

On average 52% of SAS passenger-related carbon emissions was offset during the year.

SAS has continued the work with multiple stakeholders to accelerate the commercialization of sustainable aviation fuels.

During the year, SAS signed an agreement with Gevo regarding future SAF.



One of the crews participating in the rescue operation out of Afghanistan.

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ANOTHER YEAR SIGNIFICANTLY IMPACTED BY THE PANDEMIC

During the summer and fall of 2021, it has been encouraging to note demand and ticket sales increasing gradually. However, 2021 was still one of the most challenging years in the history of the aviation industry, as the pandemic continued to significantly impact also this year's results. The future remains uncertain which means, to be able to compete in the long term, the transformation of SAS must continue and be accelerated.

HOW WOULD YOU SUMMARIZE 2021 FOR SAS?

It comes as no surprise that just like last year, this year was heavily impacted by the COVID-19 pandemic. Another year in which it has been difficult to plan and chart a medium-term course due to ever-changing travel restrictions throughout the year. A year of disruption for passengers and airlines alike.

The imposed travel restrictions were challenging to plan around and therefore everybody at SAS has been doing everything possible to facilitate a smooth travel experience for our passengers, for instance by offering flexibility when changing tickets and generous rebooking alternatives. We also launched a new digital tool called "the SAS Travel Ready Center," which allows passengers to track updates to travel restrictions and prepare their trip online.

Once vaccination rates started rising and restrictions were lifted, we noted an increase in bookings reflecting people's desire to reconnect with loved ones, go on vacation and start meeting again. This strong underlying demand makes us focus on the long term, namely a sustainable and competitive SAS.

From a financial perspective, as travel restrictions eased, our passenger numbers gradually rose during the summer and autumn. Ticket sales and revenue increased, but uncertainties continued to affect our ramp-up. Even if the results improved, the whole year was heavily affected by the ongoing pandemic meaning that we have continued the important work to manage our liquidity, with ongoing cost reduction activities in conjunction with creating liquidity buffers. In the first quarter, SAS contracted and utilized a credit facility



Anko Van der Werff, President and CEO.

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guaranteed by the Norwegian Export Credit Guarantee Agency. Then in the summer, we secured another credit facility of SEK 3 billion with the governments of Denmark and Sweden, which provides a relevant liquidity buffer.

During the year we were proudly celebrating 75 years of being the leading airline to, from and within Scandinavia. Throughout its history, SAS has a proven track record of successfully adapting to changing market conditions.

**THIS WAS YOUR FIRST YEAR AS CEO OF SAS.
WHAT ARE YOUR IMPRESSIONS AND THOUGHTS?**

I am very happy to be part of SAS' future having assumed the role as President and CEO of Scandinavia's leading airline. These are of course challenging times, both for customers and for employees, who require adjusting continuously to a changing environment. I'm impressed by the dedication and professionalism of all SAS employees and the warm welcome that I have received.

From my extensive airline industry experience, I'm well aware of the headwinds SAS is facing and that we have yet to land safely. The entire aviation industry is under large pressure and SAS has to accelerate transition in order to adapt to a new market reality to stay competitive. Our transformation initiatives must therefore be accelerated in order to make us successful going forward. Change is sometimes difficult, but necessary.

I am grateful for all the hard work being invested by all my colleagues at SAS during our transformation to ensure our performance remains at a high level and always trying to care for our customers in the best possible way. Together with dedicated colleagues, a strong brand and operational excellence, we are working our way through these challenging times.

We are preparing for the future and are making substantial investments both in sustainability and in digitalization over the coming years, to ensure we can provide an enhanced travel experience for our customers.

**HOW IS THE WORK TOWARD MORE SUSTAINABLE
AVIATION PROGRESSING?**

SAS aims to be a global leader in sustainable aviation, and we are determined to minimize our carbon emissions. As we gradually exit the pandemic, we want to rebuild a better SAS.

Reducing climate-impacting carbon emissions and striving to increase the supply and use of sustainable aviation fuels are important components of that ambition. During the year, SAS continued to phase in new, fuel-efficient aircraft and now has one of Europe's most modern fleets. The new aircraft have 15–30% lower fuel consumption, compared with the aircraft they replace. The new, state-of-the-art aircraft will give our customers a more pleasant, comfortable and sustainable way of traveling.

“SAS aims to be a global leader in sustainable aviation, and we are determined to minimize our carbon emissions. As we gradually exit the pandemic, we want to rebuild a better SAS.”

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We are also striving to increase the supply and use of sustainable aviation fuels, such as biofuel, as these are the bridge on our journey toward zero-emission aircraft. Compared with fossil fuels, sustainable aviation fuels dramatically reduce climate-impacting CO₂ emissions in the lifecycle. We are therefore proud to be part of a collaboration with Vattenfall, Shell and Lanzatech, to investigate the production of the world's first synthetic sustainable aviation fuel. When full production is up and running, it could provide SAS with up to 25% of its requirement for sustainable aviation fuel in the 2030s. Perhaps most importantly, we aim to include our customers in this biofuel challenge and will launch several initiatives in this respect.

WHAT DO YOU SEE WHEN LOOKING AHEAD?

Air travel plays a vital role in society and SAS is a key component of Scandinavian infrastructure – connecting businesses, people and cultures in a time-efficient way. On a personal level, it's also fantastic to discover new places, experience other cultures and to be exposed to new climates, food and ideas.

The short-term recovery of the aviation industry will be greatly influenced by the development of the pandemic. We have noted healthy underlying demand, both for business as well as for leisure travel once restrictions are lifted, though we expect it will take another few years before we return to pre-pandemic levels. Travel will increase gradually as more and more people are vaccinated throughout the world, but we are also aware

that demand has changed during the pandemic. SAS expects a greater proportion of leisure travelers and even more intense competition in the future. Flexibility, with the ability to ramp up during peak times as well as the ability to ramp down during times of lower demand, will be a success factor in the airline industry going forward.

Once more, I would like to thank all my colleagues at SAS for their dedication, as well as all our customers, investors and partners for their support during the year.

From all of us at SAS, we look forward to welcoming you onboard again soon!





MARKET AND STRATEGY

MARKET AND STRATEGY

The airline operating environment

Strategy

- Preferred airline for Scandinavia's travelers
- Modern single-type fleet
- Fully competitive operating model
- Global leadership in sustainable aviation
- How we create value

THE AIRLINE OPERATING ENVIRONMENT

The aviation industry was heavily impacted by COVID-19 and imposed travel restrictions during the fiscal year 2021. The vaccination rates are rose, but uncertainties regarding the development of new variants, associated travel restrictions and a general concern regarding travel, will affect the airline industry for years to come.

THE COVID-19 EFFECT ON THE AIRLINE INDUSTRY

The pandemic continues to have a negative impact on the global economy. The travel industry is one of the most affected sectors and the pandemic has created a global crisis for the aviation industry, with a consequent and significant rise in airline debt because of different rescue packages.

COVID-19 has led to global health-concerns, travel restrictions, quarantines and advice against travel. This has resulted in a sharp decline in passenger numbers and therefore revenue for all airlines. As a consequence of the measures taken by the authorities to prevent the spread, the demand for international air travel has been dramatically reduced.

During the summer season, there was a pent-up demand for leisure travel and as travel restrictions started to be reduced, customer demand slowly increased. The recovery in demand for corporate travel has been slower, where new ways-of-working and substitution of physical conferences and meetings with digital alternatives, also affect demand.

UNCERTAINTY DEFINING THE MARKET

As vaccination rates rise, travel restrictions ease and demand increase. However, significant challenges remain to be faced as new variants of the virus are multiplying and delaying ramp-up. Some of the imposed travel restrictions remain in force and continue to adversely affect demand for air travel.

The degree of recovery has been higher in leisure travel, compared with corporate travel. Business travel is also affected by corporate travel budgets being constrained, corporate travel policies recommend reduced air travel due to the sustainability perspective and digital meetings to replace some in-person meetings.

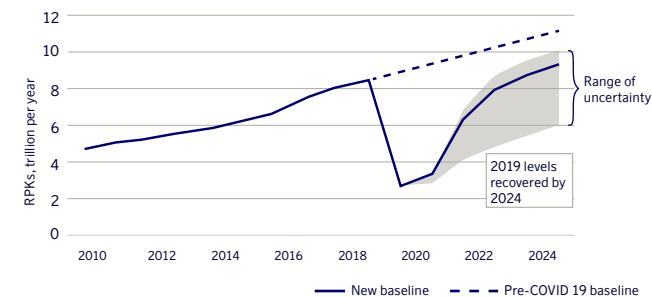
The pace of and prerequisites for countries re-opening will differ depending on geography and region, and uncertainty remains high. Bookings and cancellations are being made closer to the date of travel, which makes predictability and planning difficult for customers and airlines.

Demand going forward is heavily dependent on the global development of the COVID-19 pandemic and associated travel restrictions. Flexibility to be able to quickly adjust capacity to the changes in demand will be a success factor in the airline industry going forward, as well as managing increased seasonality and an ability to adapt the commercial models to a new market reality.

LOOKING AHEAD

As a result of these uncertainties, the prevailing market conditions will affect the airline industry for years to come. Our view is that the ramp-up phase for the airline industry will continue during 2022, with a return to pre COVID-19 levels a few years thereafter. A view which is also shared by International Air Transport Association (IATA).

GLOBAL RPK, TRILLION PER YEAR



Source: IATA/TE Air passenger Forecast, July 2021

DECREASE IN THE NUMBER OF PASSENGERS FROM SCANDINAVIAN AIRPORTS IN 2021

-39.4%

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The strategies are aimed at continuing to be the first choice for Scandinavia's travelers, ensuring full competitiveness in our operating model, securing a modern single-type fleet and demonstrating global leadership in sustainable aviation.



PREFERRED AIRLINE FOR SCANDINAVIA'S TRAVELERS



MODERN SINGLE-TYPE FLEET



FULLY COMPETITIVE OPERATING MODEL



GLOBAL LEADERSHIP IN SUSTAINABLE AVIATION



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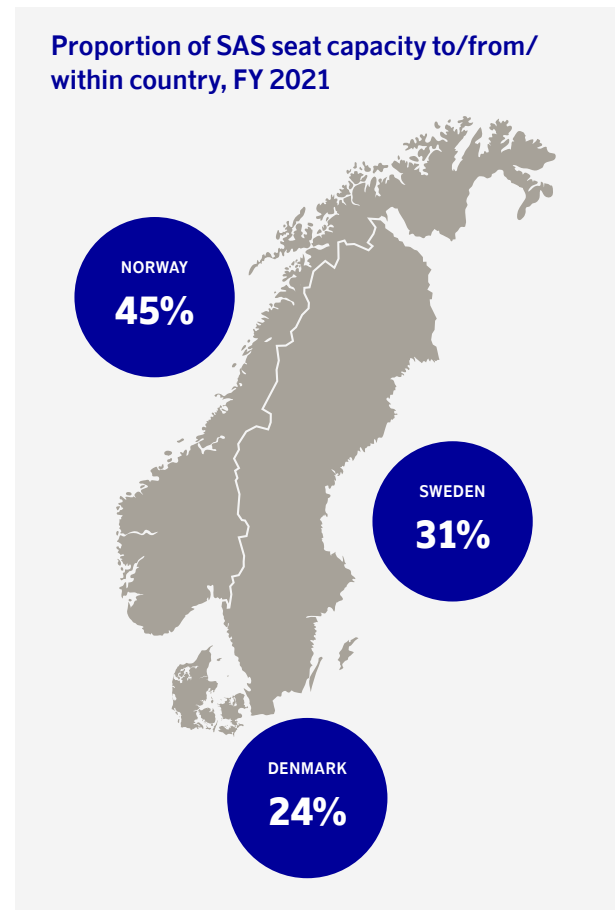
PREFERRED AIRLINE FOR SCANDINAVIA'S TRAVELERS

SAS remains focused on Scandinavia's travelers and on maintaining its strong market position in Scandinavia. To be the first choice of airline, we offer the most comprehensive network in Scandinavia as well as attractive products and services. Our customers can also enjoy our new and fuel-efficient aircraft, providing a more pleasant, comfortable and sustainable way of traveling.

As Scandinavia's leading airline, SAS prioritizes main traffic flows to, from and within Scandinavia. Even during the current pandemic, Scandinavian connectivity has been maintained by SAS, through quickly and effectively scaling up and down capacity according to demand.

SAS EuroBonus is important to strengthen the relationship with our customers. Since 2014 the number of members has grown with over 80% and attached revenue by over 70%. In addition to earning points, one of the benefits is that all SAS tickets for EuroBonus members, are automatically carbon offset, free of charge.

Proportion of SAS seat capacity to/from/within country, FY 2021



KEY PROGRESS DURING THE YEAR

Ramp-up of capacity to secure connectivity within Scandinavia and between Scandinavia and the world

Reintroduced our product offering - Food & Beverage on board and in our lounges

EuroBonus members were offered a 12-month extension on their current tier level and multiplier campaigns, making it easier to get to a higher tier level

Attractive campaigns to destinations both in Scandinavia and leisure destinations in Southern Europe

Introduced SAS Go Light on the intra-Scandinavian markets with more attractive prices for customers who travel without baggage

Operated cargo flights to the US to secure important infrastructure

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MODERN SINGLE-TYPE FLEET



SAS continues to renew its aircraft fleet and have one of Europe's most modern and efficient aircraft fleets, with 15–30% lower fuel consumption, compared with the aircraft we replace. The new state-of-the-art aircraft will give our customers a more pleasant, comfortable and sustainable way of traveling.

Our single-type fleet in each production platform will increase crew productivity through less need for training, reduce need for reserve crew and aircraft, as well as the possibility for crew to operate both wide- and narrowbody aircraft. Additionally, it will reduce maintenance costs, through fewer spare parts and engines, tools and qualifications. All in all, it will substantially reduce the complexity throughout the organization.

A single-type fleet operation, based on new Airbus aircraft, will provide significantly lower fuel consumption as well as reduced operational costs, and will also represent attractive assets to finance. We increase the pace toward reduced CO₂ emissions by accelerating the phase-out of older and less fuel-efficient aircraft.



KEY PROGRESS DURING THE YEAR

Received deliveries of 7 brand new Airbus aircraft, including 4 A320neo, one A321LR and two A350

Phased out all remaining 4-engine A340 aircraft (5 aircraft)

Accelerated the pace of the planned phase out of B737-family fleet with 22 aircraft leaving the fleet

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[Fully competitive operating model](#)

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How we create value

FULLY COMPETITIVE OPERATING MODEL

SAS will once again need to demonstrate its ability to adapt to an airline market and industry in significant change. Our operating model has been further refined to increase flexibility and productivity, based on our production platforms – SAS Scandinavia, SAS Connect, SAS Link and regional production partners.

A fully competitive operating model will allow SAS to continue to serve the entire Scandinavian market with a full range of routes and destinations catering for different customer segments. To secure cost competitiveness in our airline operations each production platform is highly specialized with defined purpose and a single-type fleet.

To ensure our competitiveness we are continuing to implement our efficiency and productivity initiatives across the entire organization. The improvements are focused on four main areas: Employees, Productivity, Fleet and Suppliers. These include a broad range of measures to deliver significant efficiency improvements to adapt our cost structure and organization to the new market environment.



KEY PROGRESS DURING THE YEAR

Prepared the start-up of SAS Connect crew base in CPH with competitive labour agreement for flight crew to allow SAS to compete with growing Low Cost Carriers

Prepared the start-up of SAS Link, a new airline and production platform operating under the SAS brand and customer offering to secure competitive operations on thinner regional markets

Started the pilot training for Mixed Fleet Flying to combine operation on narrow- and widebody Airbus fleet in SAS Scandinavia

Reduced the fleet with regional production partners and negotiated flexible ramp-up agreements

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How we create value

GLOBAL LEADERSHIP IN SUSTAINABLE AVIATION

SAS is fully committed to ambitious initiatives to reduce the climate and environmental impacts of its operations through innovation and investment in new technology and new ways of working. Our initiatives are primarily focused on reducing CO₂ emissions from our aircraft operations as they account for over 99% of our total CO₂ emissions.

Our target is to decrease total CO₂ emissions 25%, compared to 2005 levels, by 2025. The reduction corresponds to the amount of CO₂ emissions from our flights within Scandinavia during 2019 and it ensures that SAS contributes positively to the targets set out in the Paris Agreement.

A cornerstone to reach the target is our ongoing fleet renewal. We operate one of the most modern aircraft fleets in Europe, with fuel-efficient aircraft and at the same time we work with multiple initiatives to minimize fuel consumption during flights.

Additionally, we aim to take a world-leading position in the usage of Sustainable Aviation Fuels (SAF), that reduce climate-impacting CO₂ emissions by up to 80% in the lifecycle, compared to fossil fuel. By 2025, up to 10% of our fuel consumption will consist of SAF as long as the availability increases. We are working to introduce sustainable aviation fuel production in Scandinavia and to create a supportive regulatory framework in close collaboration with stakeholders across multiple industries.



KEY PROGRESS DURING THE YEAR

Phased-in 4 A320neo, one A321LR and 2 A350 aircraft, that are 15-30% more fuel efficient than the aircraft they replace

Phased out 27 older, less fuel-efficient aircraft

Secured at least 20% of sustainable aviation fuel need in 2025 through extended agreement with Gevo

-34.0% reduction in CO₂ emissions

Continued to work with multiple stakeholders to accelerate the commercialization of sustainable aviation fuels, and with Airbus to facilitate and support the development of next generation low or zero emission aircraft



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HOW WE CREATE VALUE

OUR RESOURCES →

SOCIETAL AND RELATIONSHIP CAPITAL

7.6 million passengers and relationships with customers, suppliers, partners and decision makers.

INTANGIBLE CAPITAL

Over six million members within the EuroBonus program and a strong SAS brand.

HUMAN CAPITAL

6,226 FTEs on duty, with extensive experience and highly developed skills.

MANUFACTURED CAPITAL

134 aircraft with a market value of about SEK 33 billion, and a number of properties, vehicles, machines, tools and equipment, such as lounges and self-service terminals.

FINANCIAL CAPITAL

SEK 33 billion in capital invested by shareholders, lenders and lessors.

NATURAL CAPITAL

377 ktonnes of jet fuel including 1,060 tonnes of biofuel consumed by flight operations as well as other raw materials and energy consumption.

OUR BUSINESS MODEL →

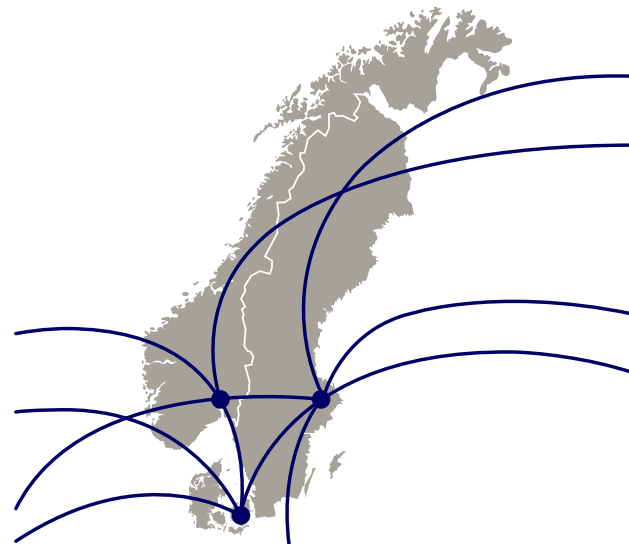
WHAT WE DO

SAS offers flights for business and leisure travelers to, from, and within Scandinavia. We offer the most destinations and departures within Scandinavia, and customer loyalty is rewarded through our EuroBonus program.

HOW WE DO IT

Our travel and freight services are built on SAS Scandinavia, SAS Connect, SAS Link, and the smaller regional traffic flows are flown via production partners. Flight operations are supported by ground handling services, technical maintenance and a sales organization.

Air travel plays an important role in society, connecting communities, cultures and people in a time-efficient way. SAS is continuously working to reduce the climate and environmental impacts of its operations through innovation and investments in new technology.



WHAT WE CREATE →

2020 figures in brackets

8 (13)

MILLION JOURNEYS

212 (243)

ROUTES

51 (50)

MILLION KG OF TRANSPORTED GOODS

108 (121)

DESTINATIONS

273 (405)

DAILY DEPARTURES

OUTPUT →

FOR SHAREHOLDERS

- Net loss for the year of MSEK -6,523 (Net loss MSEK -9,232)
- Common share market capitalization of SEK 10.9 billion as per October 31, 2021 (SEK 11.4 billion)

FOR SOCIETY

- Up to 17 infrastructure critical routes operated in Norway
- Infrastructure that enables trade, new companies, import/export, tourism, cultural exchange and regional development
- Scandinavian community
- Carried out 22 rescue flights in conjunction with the rescue operations out of Afghanistan
- Tax income & job opportunities

FOR ENVIRONMENT

- Production with more fuel-efficient aircraft resulting in lower climate impact and reduced noise

FOR CUSTOMERS

- Smooth & attractively priced travel that makes life easier
- New experiences, relationships and personal development

FOR EMPLOYEES

- Job opportunities
- Personal & professional development
- Salary and benefits

FOR INVESTORS AND SUPPLIERS

- Interest return for investors
- Revenue for suppliers

FINANCIAL INSTRUMENTS



FINANCIAL INSTRUMENTS

SAS as an investment

Financial instruments
and capital markets

SAS AS AN INVESTMENT

REASONS TO INVEST IN SAS

LEADING SCANDINAVIAN AIRLINE

The global air travel market was heavily affected by the COVID-19 pandemic during 2021. However, given Scandinavia's geography and economic prosperity, air travel will remain a vital part of the Scandinavian transport infrastructure as it connects communities, cultures and people in a time-efficient way.

For flights to, from, and within Scandinavia, SAS has in a normal year held a leading market position with a market share of over 30% and operates the region's most comprehensive network. Together with Star Alliance and partners, we offer a broad network with frequent departures. This means that SAS is often the first choice for Scandinavian travelers.

TOWARD MORE SUSTAINABLE AVIATION

SAS works continuously to reduce emissions from its flight operations. The focus on reducing emissions and more efficient use of resources is expected to continue. We have accelerated the transition to more sustainable air travel, where older aircraft are being replaced by new, more fuel-efficient aircraft, making the SAS fleet one of Europe's most modern ones. Currently we are unable to eliminate emissions with existing technology, but we are working with carbon offsetting and shortly also with carbon capture.

In the long-term, aircraft using other energy sources and storage solutions (electric powered aircraft with hydrogen or batteries as storage) can increase in importance. SAS is involved in numerous initiatives and our collaboration project with Airbus as well as our support to Heart Aerospace to make this a reality in the future, are examples of this.

Meanwhile, we intend to increase our use of sustainable aviation fuels (SAF). SAS is pushing for the large-scale commercial production of SAF in Scandinavia. By 2025, our goal is to reduce our total CO₂ emissions by 25% in comparison with 2005.

STRONG TRACK RECORD OF TRANSFORMATIONAL CAPABILITIES

SAS has continuously focused on improving efficiency through the years, when facing increased competition from other airlines as well as during negative macro-economic events, and has delivered significant efficiency improvements since 2013. During the ongoing COVID-19 pandemic, SAS has taken decisive steps to reduce costs to adapt to a market with lower demand. While remaining flexible in a volatile market, SAS continues to pursue additional efficiency improvements to retake its place as a profitable and sustainable airline.



FINANCIAL INSTRUMENTS

SAS as an investment

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OPERATING MODEL ADAPTED TO SCANDINAVIAN TRAVEL PATTERNS AND COMPETITION

Airlines are capital-intensive due to major investments in aircraft and engines, and this requires efficient capital and liquidity management. SAS has developed an operating model that allows it to serve the types of destinations and customer segments that are in demand with the Scandinavian client base. The operating model is based on our four main production platforms – SAS Scandinavia, SAS Connect, SAS Link and production partners. Moreover, we have increased the speed of the phase-out of the older Boeing 737 fleet to offer more sustainable, fuel-efficient alternatives.

The production platforms allow SAS to maintain its strong Scandinavian footprint, secure its presence on highly competitive routes and participate in new leisure markets as well as rightsizing aircraft during the off-peak season.

SCANDINAVIAN BRAND WITH A LARGE LOYALTY PROGRAM

SAS is one of Scandinavia's strongest and best-known brands, and has regularly been ranked as the strongest brand within the travel category in Scandinavia and Europe. Listed in Stockholm, Copenhagen and Oslo, SAS is a truly Scandinavian brand.

SAS EuroBonus is Scandinavia's largest loyalty program within travel and experiences and forms the core of our efforts to establish a closer relationship with our customers. EuroBonus has more than 6 million members and over 100 partners, which represents a valuable customer database and sets us apart from the competition. The loyalty program enables us to easily reach out to our customers with a variety of actions such as special offers, which in turn increase our customer satisfaction levels. SAS also offers a program to reinforce loyalty among corporate customers — SAS for Business.

SHAREHOLDER PROGRAM

Our shareholders are an important part of our future, supporting our journey to become the global leader in sustainable aviation.

Through our current shareholder program, shareholders with 4,000 shares or more can benefit from special campaigns with discounted prices on selected domestic and international tickets. Moreover, shareholders with 100,000 shares or more can also enjoy EuroBonus tier level benefits, such as fast track and lounge access.

Read more on:
<https://www.sasgroup.net/investor-relations/shareholder-program/>

FINANCIAL INSTRUMENTS

SAS as an investment

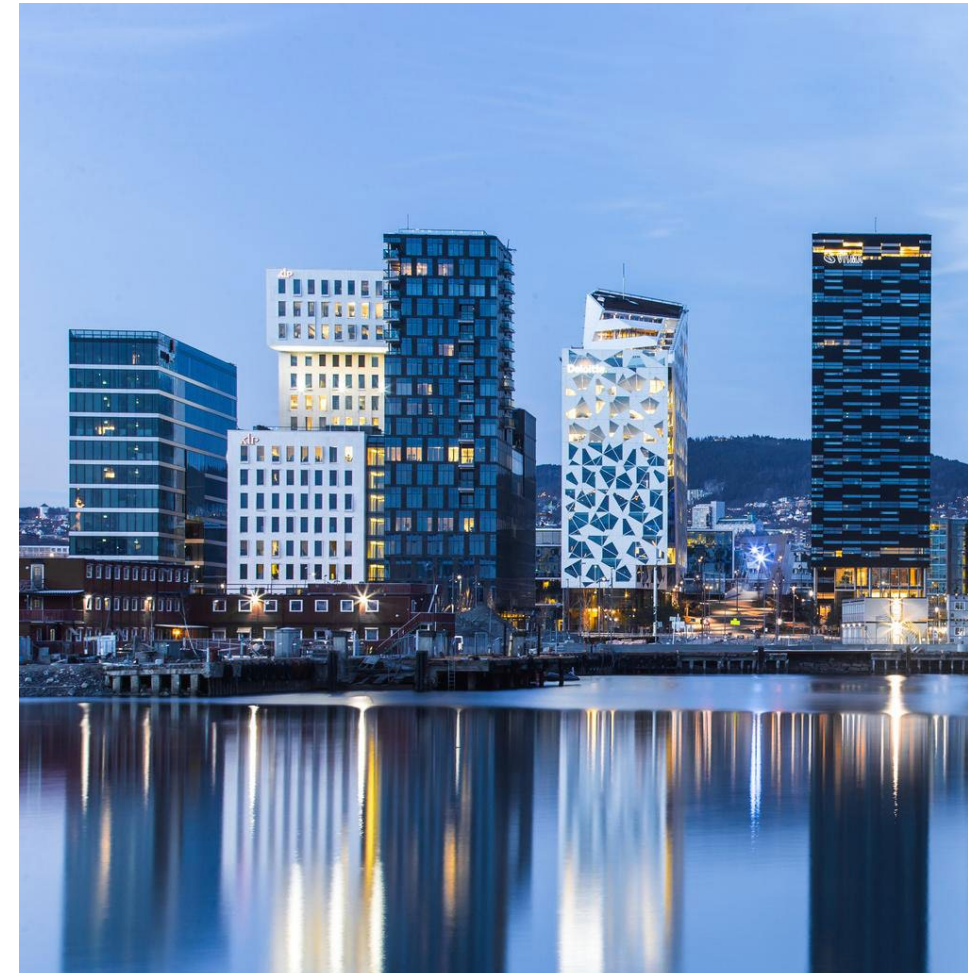
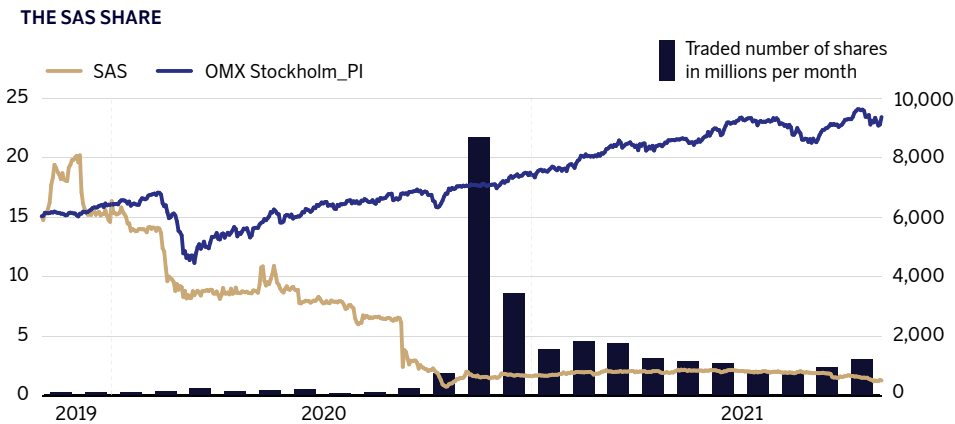
Financial instruments and capital markets

FINANCIAL INSTRUMENTS AND CAPITAL MARKETS

SAS strives to provide transparent and relevant information to the capital market so that efficient trade can be conducted in our financial instruments. These include the common shares listed on Nasdaq Stockholm, large cap, with secondary listings in Copenhagen and Oslo.

SHARE PRICE PERFORMANCE FY 2021

In total, the price per common share decreased 5.08% to SEK 1.50 during the fiscal year. Over the same period, the Nasdaq Stockholm OMX30 index increased 33.37%.



FINANCIAL INSTRUMENTS

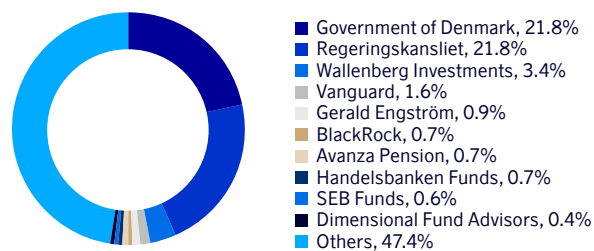
SAS as an investment

[Financial instruments and capital markets](#)

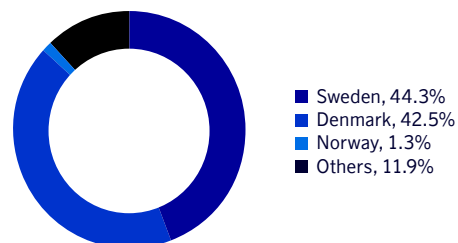
DISTRIBUTION OF SHAREHOLDERS AND CHANGES

As of October 31, 2021, SAS had 230,607 holders of common shares. Holdings in Scandinavia were in total about 88.1%, with Sweden accounting for 44.3%, Denmark 42.5% and Norway 1.3%. Of the remaining holdings outside Scandinavia, totaling 11.9%, 3.5% were registered in the U.S. followed by 0.2% in Finland.

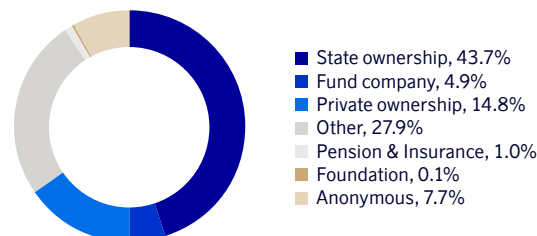
TEN LARGEST SHAREHOLDERS, OCTOBER 31, 2021



VOTING RIGHTS IN SAS, BY COUNTRY, OCTOBER 31, 2021



BREAKDOWN OF THE SAS SHARE CAPITAL, BY VOTES, OCTOBER 31, 2021



DISTRIBUTION OF COMMON SHARES

Owner distribution by holdings	Number of shares	% of capital	Number of votes	Number of owners	% of all shareholders
1–1,000	35,469,938	0.5%	0.5%	103,324	44.8%
1,001–10,000	368,939,091	5.1%	5.1%	86,255	37.4%
10,001–100,000	1,132,080,175	15.6%	15.6%	36,758	15.9%
100,001–1,000,000	932,990,935	12.9%	12.9%	4,095	1.8%
1,000,001–	4,230,551,072	58.2%	58.2%	175	0.1%
Anonymous ownership	566,008,081	7.7%	7.7%	N/A	N/A
Total	7,266,039,292	100.0%	100.0%		

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 2002 ²	New share issue, common shares	2,683,604	164,500,000	10	1,645,000,000
April 2009	New share issue, common shares	2,303,000,000	2,467,500,000	2.5	6,168,750,000
April 2010	New share issue, common shares	7,402,500,000	9,870,000,000	0.67	6,612,900,000
June 2010	Reverse split, common shares	-	329,000,000	20.1	6,612,900,000
February 2014	New issue of preference shares	7,000,000	336,000,000	20.1	6,753,600,000
January 2016	Conversion of convertible bond	1,082,551	337,082,551	20.1	6,775,359,275
November 2017	New share issue, common shares	52,500,000	389,582,551	20.1	7,830,609,275
February 2018	Redemption, preference shares	-4,898,448	384,684,103	20.1	7,732,150,470
November 2018	Redemption, preference shares	-2,101,552	382,582,551	20.1	7,689,909,275
September–November 2020	Reduction of share capital			-19.35	-7,402,972,362
	Bonus issue				+3,200,000,000
Recapitalization	Conversion of bond	+547,413,777		0.75	+410,560,333
	Conversion of hybrid bond	+1,163,793,087		0.75	+872,844,815
	Directed issue	+1,729,170,833		0.75	+1,296,878,125
	Rights issue	+3,437,102,162		0.75	+2,577,826,622
	Shares registered in November	+5,976,882		0.75	+4,482,662
	Total		7,266,039,292	1.19	8,649,529,469

1) Before SAS AB was formed in May 2001, SAS was listed through SAS Danmark A/S, SAS Norge ASA and SAS Sverige AB.
2) Technical change in connection with consolidation to one common share.



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SUMMARY OF FISCAL YEAR 2021

- Revenue for the year: MSEK 13,958 (20,513)
- The total number of passengers decreased 39.9% and amounted to 7.6 million.
- Unit revenue (PASK) declined 15.8%¹
- Unit cost (CASK) rose 2.2%²
- Income before tax was MSEK -6,525 (-10,097)
- Income before tax and items affecting comparability: MSEK -6,382 (-8,565)
- Net income for the year was MSEK -6,523 (-9,232)

1) Currency-adjusted.

2) Currency-adjusted and excluding jet fuel.

The Board of Directors and the President of the Parent Company, SAS AB, hereby submit the annual and sustainability report for SAS AB and the SAS Group for fiscal year 2021 (November 1, 2020–October 31, 2021). SAS AB is registered in Stockholm and the address of its head office is Frösundaviks allé 1, Solna, Stockholm, Sweden, and its Corporate Registration Number is 556606-8499. The company conducts airline operations, including ground handling, technical maintenance and cargo, in a Scandinavian and international network.

MARKET PERFORMANCE FISCAL YEAR 2021

Market capacity contracted drastically over the year in the wake of the COVID-19 pandemic. Measured as the number of transported passengers, the total to, from and within Scandinavia declined -39.4% during FY 2021.

The number of passengers who traveled on SAS' scheduled routes declined 40.1% and totaled 7.4 million.

SAS scheduled traffic on intercontinental routes fell 73.9%, on European and intra-Scandinavia routes traffic declined 28.0% and domestic routes noted a 26.2% decrease in traffic. SAS' charter capacity shrank 33.7% and traffic decreased 41.4% in the fiscal year.

During the fiscal year, the currency-adjusted yield increased 6.8% and currency-adjusted unit revenue (PASK) decreased 15.8% compared with last year. SAS' currency-adjusted unit cost excluding jet fuel declined 2.2%.

TRAFFIC TRENDS FOR SAS

SAS scheduled traffic	FY21	FY20	Change
Number of passengers (000)	7,380	12,315	-40.1%
RPK, Revenue Passenger Kilometers (mill)	7,748	13,259	-41.6%
ASK, Available Seat Kilometers (mill)	16,585	22,357	-25.8%
Load factor	46.7%	59.3%	-12.6 pp ¹
Passenger yield (currency-adjusted), SEK	1.08	1.02	6.8%
Currency-adjusted unit revenue, PASK, SEK	0.51	0.60	-15.8%

	FY21 vs. FY20	
Geographical trends, scheduled traffic	RPK	ASK
Intercontinental	-73.9%	-31.2%
Europe/Intra-Scandinavia	-28.0%	-27.3%
Domestic	-26.2%	-16.8%

SAS charter traffic	FY21	FY20	Change
Number of passengers (000)	205	295	-30.5%
RPK, Revenue Passenger Kilometers (mill)	508	867	-41.4%
ASK, Available Seat Kilometers (mill)	668	1,008	-33.7%
Load factor	76.2%	86.0%	-9.8 pp ¹

SAS Total traffic (scheduled and charter traffic)	FY21	FY20	Change
Number of passengers (000)	7,585	12,610	-39.9%
RPK, Revenue Passenger Kilometers (mill)	8,256	14,127	-41.6%
ASK, Available Seat Kilometers (mill)	17,253	23,365	-26.2%
Load factor	47.9%	60.5%	-12.6 pp ¹
Currency-adjusted unit cost, CASK, excl. jet fuel	0.86	0.85	-2.2%

1) Figures given in percentage points

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Punctuality and regularity

In FY 2021, SAS' arrival punctuality declined to 85.9% (87.9) and regularity improved to 98.6% (97.7) as a result of improvement initiatives implemented last year and fewer flights.

IMPACT OF THE COVID-19 PANDEMIC

The COVID-19 pandemic and the actions taken in response to its spread, including various government measures and travel restrictions, have resulted in significant disruption for the entire airline industry, including SAS' operations. The reduction of the network and number of passengers significantly decreased revenue for SAS and total revenue declined 32.0% compared with FY 2020 and was down 70.1% compared with FY 2019.

The expected gradual upturn in 2021 has been delayed and uncertainty during 2022 remains due to the existing market conditions. The recent development of new COVID-19 variants affects both demand and personnel capacity. During FY 2021, SAS has worked continuously and intensively with various cost reduction measures, limiting non-business-critical investments and various financing solutions to protect its liquidity.

If the recovery period for the industry is prolonged and demand deviates significantly negatively from the main scenario, this will require SAS to reduce costs even further and source additional funding. However, the Board of Directors expects that the Group has sufficient liquidity to continue its operations for at least the coming 12 months, refer to Note 1.

INCOME NOVEMBER 2020–OCTOBER 2021

SAS generated an EBIT of MSEK -5,494 (-9,495). Income before tax amounted to MSEK -6,525 (-10,097) and income after tax was MSEK -6,523 (-9,232). During the year, tax amounted to MSEK 2 (865). Year-on-year, the exchange-rate trend had a negative impact on revenue of MSEK 642 and a positive effect on operating expenses of MSEK 785. Foreign exchange rates thus had a positive impact on operating income of MSEK 143. The impact on net financial items was less positive than last year and amounted to MSEK 537. In total, currency effects had a net negative impact of MSEK 394 on EBT. The net effect mainly related to the SEK not performing as strongly against the USD compared with last year.

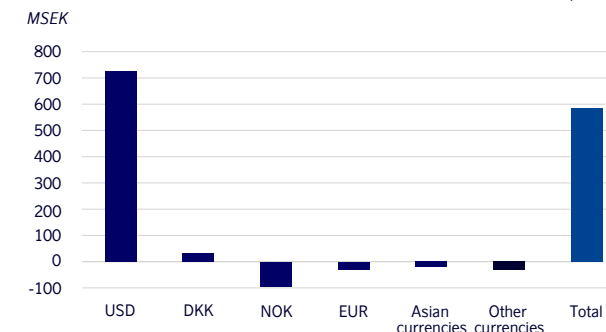
CURRENCY EFFECT BETWEEN YEARS

	FY21 versus FY20	FY20 versus FY19
MSEK		
Revenue	-642	-1,008
Personnel expenses	164	192
Other expenses	1,062	212
Translation of working capital	-273	708
Income from hedging of commercial flows	-168	-177
Operating income	143	-73
Net financial items	-537	737
Income before tax	-394	664

CURRENCY EFFECTS ON NET INCOME FOR THE YEAR

	FY21	FY20
MSEK		
Translation of working capital	417	690
Income from hedging of commercial flows	-62	106
Operating income	355	796
Currency effect on the Group's financial net debt/receivables	194	730
Income before tax	549	1,526

CURRENCY EFFECT ON REVENUE AND OPERATING EXPENSES, NET



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Revenue

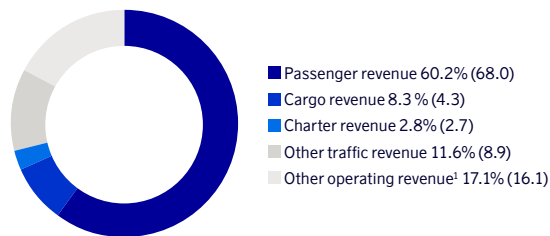
Revenue totaled MSEK 13,958 (20,513), see Note 2. Currency-adjusted revenue was down MSEK 5,913 year-on-year. The decrease in revenue mainly related to lower overall demand following the COVID-19 pandemic.

Currency-adjusted passenger revenue decreased 37.6%. The decrease was a result of lower scheduled capacity (ASK) which, based on the preceding year's circumstances, had a negative impact on revenue of MSEK 2,852. The lower load factor had a negative effect of MSEK 1,187. The lower yield had a negative effect of MSEK 1,017 on passenger revenue.

Currency-adjusted cargo revenue increased MSEK 323 and currency-adjusted charter revenue was MSEK 162 lower. Other traffic revenue (currency-adjusted) was MSEK 160 lower. The decrease in revenue mainly related to lower traffic volumes.

Other operating revenue (currency-adjusted) was MSEK 862 lower year-on-year, mainly as a consequence of the COVID-19 pandemic.

REVENUE BREAKDOWN FISCAL YEAR 2021



¹) Ground handling services, technical maintenance, terminal and forwarding services, sales commissions and charges, in-flight sales and other operating revenue.

Operational and financial expenses

Personnel expenses amounted to MSEK -5,504 (-7,969). After adjustment for currency and items affecting comparability, personnel expenses decreased MSEK 1,977 year-on-year. The decrease was mainly attributable to a lower number of employees and the effects of temporary lay-offs.

Fuel expenses amounted to MSEK -2,370 (-5,626). Adjusted for currency, jet-fuel costs decreased 53%. Volume effects had a positive impact on costs of MSEK 1,010. The jet-fuel price had a negative impact of MSEK 230 on these costs. Hedge effects had a positive impact of MSEK 1,815 year-on-year, of which MSEK 1,370 related to hedge relationships that were discontinued in the preceding year.

Air traffic charges amounted to MSEK -1,342 (-1,872). Adjusted for currency, air traffic charges decreased 25%. The decrease pertained mainly to lower traffic volumes and reduced air traffic charges as a result of the COVID-19 pandemic.

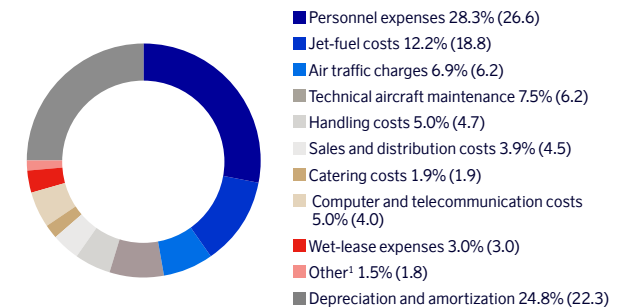
Other external expenses amounted to MSEK -5,286 (-7,847), see Note 4. Year-on-year, other external expenses (currency-adjusted) decreased MSEK 2,604. The decrease primarily related to the COVID-19 pandemic. Currency-adjusted handling costs, and sales and distribution costs decreased MSEK 383 and MSEK 542, respectively. Technical maintenance costs (currency-adjusted) decreased MSEK 272, as a result of the COVID-19 pandemic, returns of leased aircraft and deliveries of new aircraft which require less maintenance. Wet-lease expenses decreased MSEK 277 (currency-adjusted) primarily due to lower production as a result of COVID-19.

Depreciation, amortization and impairment amounted to MSEK -4,817 (-6,703), a decrease of MSEK 1,886 year-on-year. The decrease was mainly due to impairment of aircraft (owned and right-of-use assets) of MSEK 1,210 that was made in the preceding year, see Note 5.

Financial income and expenses amounted net to MSEK -1,031 (-602), representing an increase in net expenses of MSEK 429 year-on-year. The increase pertained mainly to IFRS 16, where currency revaluations on lease liabilities had a lower positive impact year-on-year of MSEK 194 (730), refer to Note 8.

Net income for the year was MSEK -6,523 (-9,232) and tax amounted to MSEK 2 (865). No deferred tax was recognized for tax loss carryforwards.

COST BREAKDOWN FOR SAS, FISCAL YEAR 2021



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

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Items affecting comparability

Total items affecting comparability amounted to MSEK -143 (-1,532) during the period and mainly pertained to capital losses on the sale of five 737-800 aircraft, and sale and leaseback transactions of one A350 and 20 V2500 engines. Last year, the item mainly comprised a restructuring cost and the impairment of aircraft.

BALANCE SHEET AND FINANCIAL POSITION**Assets**

Intangible and tangible fixed assets decreased MSEK 862 since October 31, 2020. Changes for the period included investments of MSEK 4,104, amortization and depreciation of MSEK -1,563 and other effects of MSEK -3,403. The amount for investments included advance payments of MSEK 1,679 to Airbus and two new A350 aircraft, one of which was financed through sale and leaseback. Other aircraft investments comprised capitalized expenditures for engine maintenance and modifications. Other effects included translation differences as well as the sale of five 737-800 aircraft and sale and leaseback transactions of one A350 and 20 V2500 engines.

Right-of-use assets decreased MSEK 305 during the period. New leases amounted to MSEK 2,845, and mainly related to new leases for four A320neo aircraft, one A321neo and one A350. Changes in indexation and modification in underlying agreements together with the item other increased the assets value by MSEK 97, and depreciation was MSEK -3,254. The currency effect was MSEK 7.

Financial assets increased MSEK 2,102, mainly due to the positive change in SAS' defined-benefit

pension plans. The year-on-year change also includes repayment of blocked bank funds.

Deferred tax assets decreased MSEK 641, mainly related to temporary differences in SAS' defined-benefit pension plans. No loss carryforwards were capitalized during the year.

Current receivables increased MSEK 1,513. This increase was mainly attributable to increased accounts receivable and increased deposits.

Cash and cash equivalents were MSEK 4,268 (10,231) at October 31, 2021. Unutilized contracted credit facilities amounted to MSEK 2,969 (2,751). Financial preparedness amounted to 60% (67) of SAS' fixed costs.

Shareholders' equity and liabilities

Shareholders' equity decreased MSEK 3,607 to MSEK 6,416. The decrease pertained mainly to net income for the period of MSEK -6,523, positive changes in cash-flow hedges of MSEK 496 and actuarial effects on defined-benefit pension plans of MSEK 2,655. A disbursement of hybrid bond interest resulted in a decrease of MSEK 274 in shareholders' equity.

Non-current liabilities increased MSEK 1,711 and current liabilities decreased MSEK 2,358. The total decrease in liabilities was MSEK 647 and was mainly due to lower non-interest-bearing liabilities.

Interest-bearing liabilities

On October 31, 2021, interest-bearing liabilities amounted to MSEK 32,924 (31,596), an increase of MSEK 1,328 since October 31, 2020. New loans and

amortization for the period were MSEK 5,319 and MSEK 2,562, respectively. New loans and amortization of lease liabilities were MSEK 2,772 and MSEK 2,788 respectively. The change in gross debt since October 31, 2020 included a positive trend in the fair value of derivatives, which decreased liabilities MSEK 905. Currency revaluations decreased liabilities MSEK 985, while the deferral of personnel-related tax liabilities increased liabilities MSEK 452. Accrued interest and other items increased liabilities MSEK 25.

The average fixed-interest period for gross financial debt is governed by SAS' financial policy and has a target tenor of 3 years. The average fixed-interest period including the hybrid bonds was 3.2 years (2.9) as of October 2021.

**BREAKDOWN OF SAS' INTEREST-BEARING LIABILITIES,
OCTOBER 31, 2021**

Liability	Note	MSEK
Subordinated loans	22	1,190
Bonds	22	0
Aircraft financing liabilities	22	9,788
Other loans	22	2,011
Lease liabilities	23	16,064
Current liabilities	27	3,871
Total		32,924

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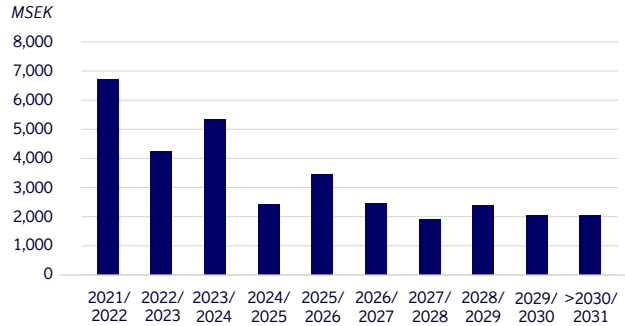
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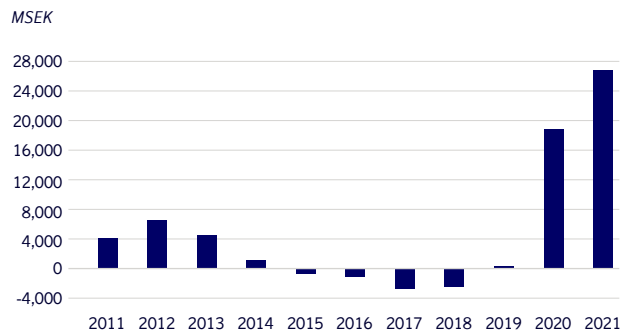
REPAYMENTS OF INTEREST-BEARING LIABILITIES, OCTOBER 31, 2021



Financial net debt/receivables

At October 31, 2021, financial net debt amounted to MSEK 26,770 (18,899), an increase of MSEK 7,871 since October 31, 2020. The increase was primarily attributable to the negative cash flow before financing activities of MSEK 6,293, new lease liabilities of MSEK 2,772, the positive trend in the fair value of derivatives of MSEK 408 and a positive currency revaluation effect of MSEK 916.

FINANCIAL NET DEBT



Key figures

At October 31, 2021, the return on invested capital (ROIC) was -13%, up 15 percentage points since October 31, 2020. The increase pertained mainly to a higher average shareholders' equity and an improved average EBIT. Financial preparedness was 60% (67) at the end of the quarter. A lower cash position effected the key figures negatively compared with October 31, 2020, but a decrease in fixed costs for the period lowered the negative effect to only 7 percentage points.

The financial net debt/EBITDA ratio is presented as "not applicable" because the key ratio is not relevant when EBITDA is negative.

At October 31, 2021, the equity/assets ratio amounted to 12%, compared with 18% at October 31, 2020. The decrease was primarily attributable to lower shareholders' equity.

Credit rating

SAS is rated by three credit-rating agencies: Moody's, Standard and Poor's and the Japanese agency, Rating and Investment Information Inc. (R&I).

SAS CREDIT RATING

	Rating	Outlook
Moody's	Caa1	Negative
R&I	CCC+	Stable
Standard & Poor's	CCC	Negative

During the year, the COVID-19 pandemic and its spread have adversely impacted airlines' credit ratings, SAS included. Following the completed recapitalization, the rating agencies, Moody's and Standard & Poor's raised their respective ratings for SAS to B3 and

B- respectively. During the year, these have since been downgraded to the current ratings of Caa1 and CCC respectively.

FINANCIAL TARGETS AND DIVIDEND POLICY

The overriding financial goal for SAS is to create shareholder value. To reach this goal, SAS works with its customer offering, efficiency enhancements and sustainability to provide the basis for long-term sustainable profitability.

SAS operates in a capital-intensive industry that requires optimization of the capital structure. For this reason, SAS has three financial targets:

The SAS financial targets are:

- Return on invested capital (ROIC) to exceed the post-tax Weighted Average Cost of Capital (WACC) over a business cycle
- Financial net debt/EBITDA to be a multiple of less than three and a half (3.5x)
- Financial preparedness: cash and cash equivalents and available credit facilities must exceed 25% of SAS annual fixed costs.

The ROIC target corresponds with the capital markets' and SAS' internal assessment of SAS' weighted average cost of capital (WACC). This is also linked to SAS' dividend policy for shareholders, which stipulates that dividends can first be paid when value is created through SAS' ROIC exceeding its WACC.

Leverage target – Financial net debt/EBITDA is a key ratio used by credit rating agencies and banks for assessing creditworthiness and includes the value of

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leased aircraft. The aim of maintaining a ratio with a multiple of less than three and a half (3.5x) is aligned with SAS' ambition of improving the financial position and credit rating, and thereby lowering financing costs.

The financial preparedness target is to have cash and cash equivalents preparedness of at least 25% of annual fixed costs. Normally, this covers SAS' unearned transportation liability and also meets regulatory requirements regarding liquidity.

CALCULATION OF ROIC

MSEK	October 2021
EBIT, 12 months	-5,494
Theoretical tax	1,176
Total	-4,318
Average shareholders' equity	7,761
Average financial net debt	24,863
Invested capital	32,624
ROIC	-13%

CALCULATION OF FINANCIAL NET DEBT/EBITDA

MSEK	
Average financial net debt	24,863
EBITDA, 12 months	-544
Financial net debt/EBITDA	-45.7

CALCULATION OF FINANCIAL PREPAREDNESS

MSEK	
Cash and cash equivalents	4,268
Unutilized credit facilities	2,969
Total	7,237
Total other external expenses	10,791
Net financial items excluding exchange-rate effects on lease liabilities	1,224
Total	12,015
Financial preparedness	60%

Dividend policy

SAS' overriding goal is to create shareholder value. Dividends require a resolution by a shareholders' meeting, and that SAS AB has distributable earnings. Dividends to holders of common shares can only be distributed when value is created through SAS' ROIC exceeding its WACC. The Group's financial position, earnings, expected performance, investment requirements and relevant economic conditions should also be taken into account. The dividend should take into account any restrictions applying to the Group's right to distribute dividends to shareholders. The dividend policy endeavors to achieve long-term sustainable dividends.

Over the fiscal year, SAS has received various forms of COVID-19 pandemic-related state aid, which are conditional on SAS not distributing funds to shareholders. The European Commission's approval of the aid encompassed by SAS' recapitalization plan includes, inter alia, such a prohibition on distributing dividends to shareholders, which ceases to apply once the instruments signed by the states under SAS' recapitalization plan have been fully redeemed or sold.

Parent Company

The Parent Company SAS AB conducts extremely limited intra-Group services. Revenue totaled MSEK 49 (49) and operating expenses MSEK -76 (-73). Net financial items totaled MSEK 461 (-53) and impairment of shares in subsidiaries amounted to MSEK -309 (-1,017). Net income for the year amounted to MSEK 92 (-1,099). The risks described in the Report by the Board of Directors also encompass the Parent Company.

FINANCING AND CAPITAL MANAGEMENT

Financing

SAS can use bank loans, capital market products, export credits and leases as sources of financing. New loans raised during the fiscal year amounted to MSEK 5,319 (11,210) and comprised aircraft financing of MSEK 1,705, financing of pre-delivery payments of MSEK 1,498, a credit facility from the Norwegian state of MSEK 1,430 and financing of emission rights of MSEK 686. In connection with aircraft transactions, the financing method is a very important factor that is taken into account together with residual value risks and financing costs.

Aircraft fleet

The aircraft fleet consists of the Airbus A320 family, Airbus A330/350 aircraft and Boeing 737 NG. In addition, SAS wet-leases 27 aircraft through strategic business partners. SAS is developing and planning to have four operational platforms: SAS Scandinavia, SAS Connect, SAS Link and Wet-lease. The aircraft fleet is SAS' largest tangible asset. SAS depreciates directly-owned aircraft over 20 years utilizing a residual value of 10%, excluding aircraft engines. Aircraft engines are depreciated over around eight years. Maintenance of leased aircraft is set off on an ongoing basis related to use, whereas maintenance of owned aircraft is capitalized and depreciated. Passenger aircraft are generally used for 20 to 25 years in commercial passenger traffic but aircraft that are well maintained can operate for substantially longer periods. There are still items of value in an aircraft after it has been taken out of service, for example engines and spare parts.

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THE SAS AIRCRAFT FLEET AT OCTOBER 31, 2021

SAS Group's Aircraft Fleet	Age	Owned	Leased	Wet Lease	Total	SAS Scandinavia	SAS Connect	Wet Lease	In service for SAS Group	Firm order purchase	Firm order lease
Airbus A330/A350	6.4	8	6		14	14			14	2	
Airbus A320 family	7.2	19	51		70	61	9		70	35	1
Boeing 737NG	16.1	14	4		18	18			18		
Bombardier CRJ	6.9			21	21			21	21		
ATR-72	8.1			6	6			6	6		
Total	8.4	41	61	27	129	93	9	27	129	37	1
Aircraft undergoing phase out											
Airbus A330	19.1		1		1						
Boeing 737NG	15.1	1	3		4						
Total		42	65	27	134						

Financing of aircraft orders

Due to COVID-19, SAS has agreed with Airbus to postpone some of the deliveries. Delivery of eight A320neo aircraft has been postponed from 2024 to 2025 and delivery of two A350-900 aircraft has been postponed from 2023 to 2024. At October 31, 2021, SAS had aircraft orders for 35 Airbus A320neo, one Airbus A321LR and two Airbus A350-900 aircraft for delivery up through 2025. In financing aircraft, SAS uses a combination of leases and secured bank loans and credit facilities. SAS aims to maintain a balance between owned and leased aircraft based on a cost, risk and flexibility perspective. The overall intention is to over time have about half of the fleet on operating leases. SAS intends to utilize a mix of bank loans, leases and bank facilities to finance owned aircraft. When leasing, which can be conducted via sale and leaseback agreements, aircraft are sold on delivery and leased back over an eight- to 12-year period.

Of the remaining order for 35 Airbus A320neo aircraft, SAS has financed seven aircraft through operating leases. One additional leased A321LR aircraft will be delivered in 2022.

AIRCRAFT ON FIRM ORDER 2021–2025 AT OCTOBER 31, 2021

	FY22	FY23	FY24	FY25	Total
Airbus A320neo	13	12	6	4	35
Airbus A321LR	1				1
Airbus A350			2		2
Total	14	12	8	4	38

As of October 31, 2021, SAS' contracted future purchase commitments for aircraft orders with delivery in the 2022–2025 period totaled MUSD 1,800.

CONTRACTED MATURITY OF LEASED AIRCRAFT

	FY22	FY23	FY24	FY25	FY26>
Operating leases, aircraft	7	13	1	–	44
Wet-leased aircraft	6	7	8	4	2
Total	13	20	9	4	46

Financing of pre-delivery payments for aircraft

Airlines make prepayments before delivery. In addition to payment in conjunction with placing the order, pre-delivery payments (PDPs) normally commence when production of the aircraft starts about two years prior to delivery. SAS continuously evaluates possibilities for the external financing of PDPs. During this fiscal year, SAS has completed the financing of pre-delivery payments of a total of 17 Airbus A320neo aircraft, totalling MSEK 1,498.

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Through a combination of ownership, and operational and wet-leased aircraft, the aim is to have high flexibility regarding the return of aircraft. This is important, as the airline industry is exposed to several macro-economic events that could rapidly have a negative effect on demand. SAS has 20 aircraft on operating leases that could be returned to the owners over the next two years.

Seasonal effects and cash-flow optimization

SAS analyzes balance-sheet items and operating trends to optimize cash flow with the aim of attaining the lowest possible funding cost within the framework of SAS' financial policy. As a result of operating liabilities exceeding current assets, working capital amounted to MSEK -9,076 (-11,081) at October 31, 2021, representing a year-on-year decline of MSEK 2,005.

Cash flow from operating activities in FY21 amounted to MSEK -4,756 (-5,176), up MSEK 420 year-on-year. The negative cash flow was due to the extensive negative effects of COVID-19. Prior to the pandemic, there were clear seasonal trends concerning cash flow from operating activities. Cash flow was strongest in the second and fourth quarters, with a high proportion of forward bookings. For FY21, cash flow from operating activities was positive in the third and fourth quarters but negative for the first two quarters.

SUSTAINABILITY REPORT

In accordance with the Swedish Annual Accounts Act, SAS has prepared a statutory Sustainability Report, which has been incorporated into the Annual and Sustainability Report 2020/2021, separate from the Report by the Board of Directors, on pages 110–131. The auditor's opinion regarding the statutory sustainability report is included on pages 132–133.

LEGAL ISSUES

The European Commission's decision in November 2010 found SAS and many other airlines guilty of alleged participation in a global air cargo cartel in the 1999–2006 period and ordered SAS to pay a fine of MEUR 70.2.

SAS appealed the decision in January 2011 and in December 2015, the Court of Justice of the European Union (CJEU) annulled the European Commission's decision including the MEUR 70.2 fine. The CJEU's ruling entered into force and the MEUR 70.2 fine was repaid to SAS at the beginning of March 2016. The European Commission took a new decision on the same issue in March 2017 and again imposed fines on SAS and many other airlines for alleged participation in a global air cargo cartel in the 1999–2006 period. The fine of MEUR 70.2 was the same as that imposed under the 2010 decision. SAS has appealed the European Commission's decision and a hearing was held in the CJEU in July 2019. Judgment is expected to be announced on March 30, 2022.

As a consequence of the European Commission's decision in the cargo investigation in November 2010 and the renewal of that decision in March 2017, SAS and other airlines fined by the Commission are involved in various civil lawsuits initiated by cargo customers in countries including the Netherlands and Norway. SAS contests its responsibility in all these legal processes. Unfavorable outcomes in these disputes could have a significantly negative financial impact on SAS. Further lawsuits by cargo customers cannot be ruled out. No provisions have been made.

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Risk area	Risk	Risk level	Risk control measures fiscal year 2021	
1	Market risks	1.1 Macro-economic trend	●	Continuous monitoring of demand, projected revenue and adaptation of SAS' capacity offering and production.
		1.2 Market and competition trends	●	Revised strategy encompassing further efficiency enhancements to meet lower demand and increased competition.
2	Employee risks	2.1 Right skills	●	Annual people reviews and successor identification.
		2.2 Engagement	●	Strengthened leadership increased internal communication and transparency.
		2.3 Processes and systems	●	Follow-up of low and high-performing individuals. Documentation of internal processes.
		2.4 Conflicts	●	Strengthen dialogue and relationships to increase consensus with the unions.
3	Operating risks	3.1 Incidents and accidents	●	Continuous internal monitoring and reporting to the Board.
		3.2 Suppliers	●	Focus on renegotiating agreements with strategic suppliers as well as follow up quality levels and efficiency.
		3.3 Competitive costs and efficiency	●	Additional efficiency enhancements to meet lower demand and to align cost levels with those of the operating environment and competitors.
4	Sustainability risks	4.1 Environmental directives and requirements	●	Continued efforts with measures to improve climate and environmental performance, and to ensure compliance with applicable laws and regulations.
		4.2 Anticorruption	●	Completed training programs for employee groups.
		4.3 Human rights	●	Ongoing requirements updates and monitoring of subcontractors.
5	Legal and political risks	5.1 Political and regulatory risks	●	Active dialogues with the political systems and industry organizations (IATA) to obtain early information about regulatory changes and to influence decisions. Together with the industry, SAS promotes air travel's importance for business and society.
		5.2 Fraud and other crime	●	Continuous improvement of SAS' capabilities for proactive identification and prevention of potential criminal and fraudulent activity.
		5.3 Legal and insurance risks	●	Development of policies and training to ensure compliance with various rules and laws. Continual monitoring of laws and policies. Legal counsel and participation in contract processes for minimizing contractual risk. Securing complete insurance protection of operations and employees.
6	Financial risks	6.1 Liquidity risk and refinancing	●	Ongoing follow-up and projections of financial preparedness.
		6.2 Exchange rates	●	Currency hedging in line with SAS' financial policy and monitoring the currency market.
		6.3 Interest rates	●	Fixing rates in line with SAS' financial policy and monitoring the interest-rate market.
		6.4 Jet-fuel price and emission rights	●	Jet-fuel hedging in line with SAS' financial policy and monitoring the jet-fuel price trend.
		6.5 Counterparty losses	●	SAS' counterparty risks are managed in line with SAS' financial policy.
7	IT	7.1 Operational reliability and dependability	●	Continual improvement of incident- and problem-handling procedures.
		7.2 Cybercrime	●	Expansion and improvement of processes and tools to prevent negative impacts on operations.
8	Other events	8.1 Extraordinary events	●	Recapitalization of SAS and adaption of operations to current demand during the COVID-19 pandemic as well as the introduction of new procedures for safe travel.
		8.2 Brand and reputation	●	Monitoring information about SAS.

● Low risk ● Medium risk ● High risk

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The underlying objective of risk management is to create the optimal preconditions for growing value for our stakeholders. SAS, as other organizations, is exposed to a large number of general and more company-specific risks that can impact operations both negatively and positively.

Risk management at SAS is about positioning SAS in relation to, known and unknown, possible events with the aim of minimizing the potential negative effects should an unexpected event occur. Overall risks are monitored and identified centrally and followed-up through policies that aim to control the risks. Flight safety is always top priority at SAS.

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

1. MARKET RISKS

1.1 Macro-economic trend

Demand in the airline industry is correlated to trends for economic growth and exports. SAS' primary operations are located in Scandinavia and about 75% of passenger revenue stems from Scandinavia. Norway accounts for 35%, Sweden for 27% and Denmark 13% of SAS' passenger revenue, which limits SAS' exposure to individual countries. As a region, however, demand in Scandinavia is crucial for SAS. In 2021, the COVID-19 pandemic led to declines in real GDP, which is expected to fall 0.8% in Norway according to Macrobond, 2.1% in

Denmark according to DØRS, Statistics Denmark, and 2.8% in Sweden according to Statistics Sweden. The negative trend, in combination with travel restrictions, led to a continued weak trend in demand for flights.

To meet this risk, SAS is adapting its operations as far as possible to align with current demand, in terms of staffing, aircraft in operation and other operations.

1.2 Market and competition trends

The airline industry is subject to intense competition from new companies that enter the market and existing airlines that can easily reprioritize capacity to Scandinavia. Changed customer behavior, and increasing numbers of low cost carriers and existing airlines moving capacity to SAS' home market, is expected to lead to intensifying competition.

To meet, and prepare itself in relation to changed competition, SAS is streamlining its production platforms and differentiating the product offering with the aim of strengthening competitiveness.

2. EMPLOYEE RISKS

2.1 Right skills

The airline industry remains in a vulnerable position as a result of the COVID-19 pandemic. Like other airlines, SAS has been forced to make extensive use of short-time layoffs and substantially reduce its workforce. Despite the uncertain times, the challenge moving forward is to maintain high engagement internally and to retain competent employees that are critical to the successful operation of the business.

Given the prevailing conditions for the company and the airline industry, there is a risk that SAS will be unable

to retain key personnel or recruit new employees with appropriate skills at a reasonable or competitive cost. Furthermore, the airline industry as a whole and SAS in particular are undergoing major structural changes, which set new requirements and challenges for SAS and its compiled competence. To manage the above, SAS runs regular employee and leadership programs based on its own employee and manager models, and works continuously with the succession order, competence planning and risk evaluation.

2.2 Engagement

SAS' operates in a highly competitive market where it is essential to have the right capabilities throughout the business, and every individual at SAS has an important role to play. It is also essential that SAS provides opportunities for employees to grow and develop together with SAS.

The Covid-19 pandemic has led to major challenges and strains on SAS employees in terms of redundancies, downsizing and uncertainty regarding the recovery of the aviation industry, which in some individual cases has contributed to fatigue and a feeling of exhaustion. SAS works continuously with follow-up of sickness numbers in close collaboration with occupational health care and in conversations between employees and managers to implement measures and support early when necessary. SAS has also significantly expanded communication from management and the CEO to employees to establish forums and channels where employees receive information about the strategic direction, increased transparency around decisions and challenges which also provide an opportunity to ask questions.

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SAS' employee culture has been historically distinguished by strong engagement in and loyalty to SAS and its customers. SAS wants to create a company with an even stronger culture that focuses on customer experience, cost efficiency and cross functional collaboration throughout the company. SAS achieves this through involvement and dialogue to ensure that all employees know how they contribute to SAS' goals and the shared successes and also in order to create a belief in the future.

SAS continuously measures employee engagement and motivation. The system enables SAS to check employee engagement on an ongoing basis. SAS can clearly see how business-strategic decisions and operational challenges affect employees differently and can thus implement the correct improvement measures more quickly.

SAS also uses clear targets and employee influence in performance development, which aims to develop employee engagement and future leaders, and to boost SAS' continued attractiveness as an employer.

2.3 Processes and systems

SAS uses systems and processes for efficient personnel management and to support securing skills needs and the succession order. SAS is gradually implementing Lean principles in its processes with clear action plans based on shared targets, which are categorized under SQDEC (Safety, Quality, Delivery, Employees and Cost), and which can be followed up across the entire operations. SAS conducts a yearly analysis of internal skills with the aim of leveraging the greatest talents and making adjustments where improvements are needed. During the year, the final modules of the SAS' new People platform

were launched to support leaders with the task of developing and securing the company's skills needs moving forward and to ensure efficient, automated and standardized processes for the employee area.

2.4 Conflicts

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

3. OPERATING RISKS

3.1 Incidents and accidents

Safety work at SAS has top priority. SAS' safety culture builds on the foundation comprised by the values, skills and experience of all employees throughout the organization.

The safety culture entails continuously striving to improve safety by encouraging SAS employees to actively learn, adapt and modify individual and organizational behavior to reduce exposure to risk.

SAS' management is well versed in the safety efforts at SAS and is involved in daily safety activities.

SAS has a safety policy that is documented, communicated and implemented in its operations.

SAS has a longstanding and well-implemented Safety Management System (SMS), which has received regulatory approval. SAS also meets IATA's safety standard, IOSA – IATA Operational Safety Audit, which

certifies that operations meet the most stringent flight safety regulations in the market.

Flight safety continues to be extremely high on a global basis and, statistically, the risk of an accident is very low. However, the aim of flight safety efforts is not to remain at these low percentages; it is to keep the total number of accidents at the same level despite an expected doubling in air travel until 2035.

Historically, safety efforts have been based on minimizing the risk of a previous event recurring, by learning from previous incidents and accidents, and through conducting diligent investigations and analyses of incidents and accidents to minimize the risk of recurrence.

In addition to more traditional methods of preventing accidents and incidents through reactive measures to prevent recurrence, SAS also has a more modern safety management system (SMS) that is based on analyzing trends, which thereby identify safety issues before they result in an incident or accident. The identification of potential incidents and accidents is one method of working proactively with flight safety. The work also entails learning from the risks at other departments, other airlines, etc., and implementing processes and procedures to ensure that serious accidents and incidents do not occur.

The SMS provides SAS with the possibility of acting more proactively with its safety efforts, prioritizing effectively and ensuring the entire organization promotes passengers', employees' and the company's safety.

All of the operating platforms used by SAS are required to be IOSA certified and hold a European traffic license.

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To ensure corresponding safety levels at the wet-lease companies that together with our own flight operations comprise the operational platforms, SAS has set the following requirements:

- Prior to contract, the operator’s safety efforts are analyzed;
- Monthly safety summaries and continuous deviation reports are sent regularly to SAS management;
- Safety follow-up meetings are held quarterly;
- SAS conducts inspection flights and performs observations in simulator training sessions;
- Annual audits are carried out by SAS; and
- Together with our business partners, seminars are conducted that showcase separate areas and share SAS’ experience.

SAS only initiates code-share collaboration with other airlines that have IOSA certification or that have submitted to a comparable audit.

Safety activities and risk levels in fiscal year 2021

In fiscal year 2021, SAS has continuously monitored and measured daily risk levels in flight operations, ground operations, technical maintenance and aviation security in a hierarchical system of objective safety performance indicators.

To aid follow-up of flight safety on a departmental basis and for the various operational platforms, SAS uses an operational flight safety tool known as Enpire. This tool has improved the capacity for identifying trends and correlations, which in turn leads to SAS dealing more proactively with safety-related risks.

The trend was stable during FY 2021. However, the substantial year-on-year decrease in flights impacted

the statistics and, on a percentage basis, more reports were written compared with the number of completed flights. This appears to be the current industry trend as we are seeing the same tendencies with all of the SAS partners.

RISK INDEX

Operations	Low	Medium	High
Flight Operations, %	4.77	0.007	0
Ground Operations, %	2.24	0	0
Technical Operations, %	0.64	0.015	0
Security, %	0.93	0	0
Total for FY 2021 as a % of the No. of flights	8.58	0.022	0
Total for FY 2020 as a % of the No. of flights	4.80	0.01	0

Low: Events that occurred where the remaining safety margin was extremely effective. Normal monitoring is the only action required.
Medium: Events that occurred where the remaining safety margin was limited. Risk evaluation plus appropriate actions were adopted for continued operations.
High: Events that occurred where the safety margins were minimal or ineffective. This group includes more serious events (such as engine failure during takeoff). Such incidents must be investigated immediately to identify whether they are isolated incidents and do not affect continued airline operations.

3.2 Suppliers

Dependence on external suppliers across all operations is increasing in pace with changes in the airline industry and development of the operating model at SAS. This applies equally to operations such as ground handling and production partners, and to administrative functions such as customer service and accounting. SAS conducts continual reviews of its supplier base, identifying the most operation-critical suppliers. SAS has an established steering model that clarifies responsibilities, risks and areas for improvement, as well as how any deviations should be managed. Responsibility for ongoing follow-up of critical suppliers has been centralized and standardized. All of SAS suppliers must meet

requirements for sustainability and social responsibility in line with SAS’ Supplier Code of Conduct. This is checked during procurement.

3.3 Competitive costs and efficiency

For profitable long-term operations, SAS must have a competitive cost structure and be highly efficient. SAS therefore implemented major structural cost-reducing measures and realized efficiency enhancements of SEK 6.7 billion between 2013 and 2019. In fiscal year 2020, SAS launched a new efficiency program of SEK 4.0 billion to be implemented during 2020–2022 to thereby adapt costs in line with the expected lower demand in the wake of the COVID-19 pandemic. Once the measures have been implemented, SAS will be a more flexible and productive airline. SAS will continue to implement further efficiency measures beyond 2022, that will provide further opportunities to enhance SAS operational efficiency.

4. SUSTAINABILITY RISKS

SAS has integrated its sustainability work into its management system, which has structured processes for mitigating and managing all risks and possibilities in the field of sustainability.

4.1 Environmental directives and requirements

Different laws and regulations impose requirements for reduced climate and environmental impact, including through restrictions on noise levels and greenhouse gas emissions. All laws and regulations in the field of the environment and the climate are handled by SAS’ management system which, as regards the environment, is ISO 14001:2015 certified.

SAS works continuously on sustainability issues to ensure compliance with national and international

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requirements. SAS measures factors such as its eco-efficiency by measuring total and relative carbon emissions. The long-term reduction in emissions is based on the renewal of the aircraft fleet, ongoing efficiency efforts and the increased blend-in of sustainable aviation fuels.

4.2 Anticorruption

During the year, SAS conducted a number of activities to prevent potential risks that may exist. This includes, for example, training programs for prioritized employee groups and control measures aimed at addressing the requirement that all employees observe the SAS Code of Conduct as well as applicable laws.

4.3 Human rights

SAS is a major purchaser of products and services from a large number of subcontractors. SAS affiliates itself with the UN Global Compact, placing a number of requirements that all subcontractors share SAS' perception and requirements regarding human rights, for example. SAS requires that employees at subcontractors have proper market-based employment terms and the right to organize into unions. SAS prioritizes subcontractors that share the basic principles of the UN Global Compact.

5. LEGAL AND POLITICAL RISKS**5.1 Political and regulatory risks**

SAS operates in a global market and is exposed to various types of political and regulatory decisions, in our home markets and abroad, that can significantly impact operations and SAS' economy both positively and negatively. SAS is obliged to comply with the laws and regulations in the markets in which we operate. SAS carefully monitors developments in the political

and regulatory arenas and, through active dialogue with political decision-makers, public agencies and organizations, strives to influence development in the issues that are assessed to have an impact on SAS as a company.

SAS is a member of and operates through domestic and international industry bodies that are tasked with monitoring society, influencing public opinion and promoting SAS and the airline industry's positions in relevant areas.

Aviation taxes and infrastructure fees

Excise taxes on air travel have been introduced in several countries. While the taxes are called environmental taxes, they have no connection with emissions or any climate protection measures. National aviation taxes create a patchwork of cost-driving taxes that impact profitability, increase the complexity of agreements at a global level and can affect future investment possibilities for areas including biofuel. SAS supports the polluter pays principle (PPP), that states that those who produce pollution should bear the costs of managing it. This must take place in a coordinated way through international bodies to reduce distortion of competition. SAS notes that emission expenses will increase in the years ahead with the introduction of the EU's Fit for 55 target that will augment existing national taxes.

State airport operators and air traffic control have announced that increased fees are expected in the coming years to compensate for revenue loss due to the pandemic. SAS is of the opinion that airlines are unable to cover our suppliers' losses and that these should instead be distributed between owner and customer. SAS is working actively together with other airlines and our industrial associations to minimize these increased fees.

Brexit

On December 24, 2020, the European Commission and the UK government signed a new trade and cooperation agreement. The agreement has been in effect since January 1, 2021. The new conditions affect companies with operations and interests in the UK market. The new agreement also includes an air traffic agreement that ensures that air transport between the EU and the UK will continue as before. SAS has adapted its procedures and administrations as such.

5.2 Fraud and other crime

SAS may be exposed to crimes that can have both an economic and intangible impact. A substantial portion of SAS' ticket sales are conducted online using credit cards, which entails a risk of credit card fraud and other cybercrimes. If credit card details and other personal information pertaining to SAS' customers should fall into the wrong hands as a result of, for example, hacking in conjunction with ticket sales, there is a risk that this could harm customer confidence in SAS. Moreover, there is a risk that payments are made for SAS tickets with credit cards that have been acquired through fraud or other criminal means, which entail that SAS is held liable to repay such payments to the cardholder or credit card company.

SAS analyzes these risks on an ongoing basis and ensures that internal controls and procedures are in place to identify and prevent potential crime and fraud.

5.3 Legal and insurance risks

SAS flies and operates in many different countries, which means that SAS has to comply with a large number of laws and regulations. The breadth of SAS' operations and the large number of contractual

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relations mean that SAS is, and may be in the future, involved in legal processes and arbitration procedures as either plaintiff or defendant. SAS may also be exposed to crimes that can have both an economic and intangible impact. At October 31, 2021, SAS was involved in a number of legal processes, the most important of which are described in more detail on page 32.

SAS' legal division ensures compliance with relevant laws and rules, conducts training and establishes internal policies, processes and rules including the SAS Code of Conduct, which establishes what ethical rules and guidelines all employees in SAS are to observe. SAS continuously monitors how changes in laws and regulations impact operations at SAS and implements new or updated procedures, guidelines, etc. Contractual risks in relation to external parties are minimized through legal counseling and participation in contractual processes. SAS has insurance cover for its operations and personnel to protect the company financially from unforeseen events and risks.

6. FINANCIAL RISKS

SAS is exposed to various types of financial risks. All risk management is performed centrally pursuant to the financial policy adopted by the Board.

Financial risks pertaining to changes in exchange rates, interest rates and fuel prices, are hedged with derivatives, which aim to counter short-term negative fluctuations and provide scope for adapting operations to longer-term changes in levels. Another aim of SAS' hedging strategy is to enable SAS to act quickly when changes in exchange rates, interest rates and fuel prices are advantageous. More information is available in Note 25.

6.1 Liquidity risk and refinancing

The cash flow from SAS' airline operations follows clear seasonal trends. Since passenger revenue is recognized when SAS or another airline provides the transportation, this means that seasonal variations impact cash flow and earnings differently. SAS also has several different financial instruments issued, as well as 65 aircraft on operating leases and 27 aircraft on wet lease contracts that are continually maturing.

The target is a financial preparedness of at least 25% of fixed costs. SAS prepares a rolling liquidity forecast that is used as a basis to ensure that financial preparedness is maintained and to identify refinancing needs. SAS uses bank loans, bonds, subordinated loans, hybrid bonds and leases as sources of funding.

SAS is in continual discussion with banks and financiers regarding refinancing of SAS' loan and leasing maturities. As a result of COVID-19, financial preparedness continued to be negatively impacted in the fiscal year. During the first part of the fiscal year, the ratio had a negative trend, but financing activities including SAS entering into credit facilities totalling the equivalent of MSEK 3,000 with the Swedish and Danish states and an improved operational cash flow during the latter part of the fiscal year has resulted in the ratio remaining strong. At October 31, 2021, financial preparedness amounted to 60% (67).

6.2 Exchange rates

Transaction risk arises from exchange-rate changes that impact the size of commercial revenue and costs and thus SAS' operating income. As a consequence of aircraft and jet fuel being priced in USD and of international operations, SAS is considerably exposed to price changes in several currencies. The USD is SAS' greatest deficit currency, and NOK is SAS' greatest surplus currency.

In fiscal year 2021, the SEK weakened 4% against the USD, which was largely attributable to a weak interest rate trend for the SEK relative to the USD. However, the exchange rate fluctuated widely over the year and had a net positive impact on SAS' revenue and costs of MSEK 728 (-30), excluding the revaluation effects of lease liabilities. During the period, the SEK has weakened against the NOK by 9% as a consequence of substantially higher oil prices and the subsequent impact on the Norwegian economy. Over the year, the SEK/NOK exchange rate had a net negative effect on SAS' revenue and net costs of MSEK -95 (-545).

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

The exchange-rate trend had a negative impact on SAS' revenue of MSEK 642 as well as a positive effect on operating expenses of MSEK 1,226 in FY 2021. The change from translation of working capital and currency hedges amounted to MSEK -441. The restatement of financial items amounted to MSEK -537. The net effect of the changes in exchange rates and the effects of implemented hedges on SAS' income before tax was MSEK 394 (664).

At October 31, 2021, SAS' hedging ratio totaled 40% of its anticipated USD deficit for FY22. In terms of the NOK, 50% of the anticipated surplus for the next 12 months was hedged. Hedging is mainly performed through currency forward contracts to prevent earnings-related revaluation effects pertaining to financial assets and liabilities. SAS' USD denominated loans are hedged against the SEK to reduce currency risk in the loan portfolio.

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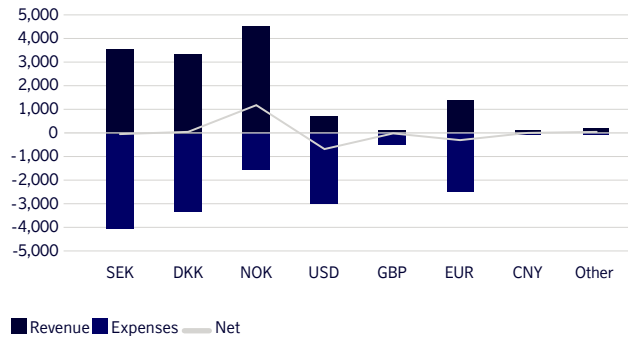
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CURRENCY BREAKDOWN SAS FISCAL YEAR 2021
MSEK



NET EARNINGS IMPACT FOR FORECASTED CURRENCY EXPOSURE (EXCL. HEDGING) FY21:

SAS total	MSEK
1% weakening of SEK against USD	-91
1% weakening of SEK against NOK	46
1% weakening of SEK against DKK	2
1% weakening of SEK against EUR	5
1% weakening of SEK against JPY	4
1% weakening of SEK against GBP	5

Currency risk for aircraft investments

SAS uses currency forwards to hedge part of the order value for aircraft it has on order to limit the currency risk. Any currency forwards outstanding are terminated on delivery under leases, both operating leases and JOLCO (Japanese leases with purchasing options). SAS has currency hedged a portion (two) of its remaining aircraft order for eight Airbus A350 aircraft.

6.3 Interest rates

The airline industry is capital-intensive and on the closing date, SAS had MSEK 16,860 (14,992) in

interest-bearing liabilities, excluding lease liabilities, which exposes SAS to interest-rate changes.

Financial policy at SAS regulates the proportion between floating and fixed-interest rates with the objective that gross financial debt has a tenor of three years with a permitted interval of 1–5 years. The average fixed-interest period for gross financial debt, including the hybrid bond, was 3.2 years (2.9) as of October 2021.

6.4 Jet-fuel price and emission rights

Jet-fuel price

Jet-fuel costs comprise the single largest expense item for SAS and in fiscal year 2021 amounted to around 12% (19) of SAS’ operating expenses (including leases, depreciation and amortization). SAS hedges jet-fuel costs to counter short-term negative fluctuations.

The policy for jet-fuel hedging states that jet fuel should be hedged at an interval of 40–80% of anticipated volumes for the coming 12 months. The policy also allows hedging of up to 50% of the anticipated volumes for the period, 13–18 months. Under the current uncertain and volatile market conditions SAS has temporarily adjusted the financial policy with regard to the hedging ratio for jet fuel.

The exception applies for FY 2022 and permits hedging between 0 and 80% of the anticipated volumes for the next 12 months.

For the forthcoming 12 months, SAS has 0% of the fuel consumption hedged. Hedging of SAS’ future jet-fuel consumption is normally conducted through swaps and options.

In FY21, market prices for jet fuel on a weighted average basis were 8% higher than the preceding fiscal year. At the start of the fiscal year, jet-fuel prices were under USD 400/MT but increased from the start of the year in line with an increase in demand.

The higher jet-fuel price meant that jet-fuel costs, adjusted for currency and volume effects, increased MSEK 230 or by 4% of the total jet-fuel costs year-on-year. Hedge effects had a positive impact of MSEK 1,815 year-on-year.

VULNERABILITY MATRIX, JET-FUEL COST FY 2022, SEK BILLION¹

Market price	Exchange rate SEK/USD				
	8.0	8.5	9.0	9.5	10.0
USD 500/MT	3.7	4.0	4.2	4.4	4.7
USD 600/MT	4.4	4.6	4.9	5.2	5.5
USD 700/MT	5.0	5.3	5.6	5.9	6.3
USD 800/MT	5.6	6.0	6.3	6.7	7.1
USD 900/MT	6.3	6.7	7.1	7.5	7.8

¹) SAS’ current hedging contracts for jet fuel at the end of the fiscal year have been taken into account. The jet-fuel cost in the statement of income does not include USD currency hedging effects. These effects are recognized under “Other” in Other operating expenses, Note 4, since currency hedging is performed separately and is not linked specifically to its jet-fuel purchases.

Emission rights

In fiscal year 2021, SAS’ emission rights expenses in the European EU-ETS emissions trading scheme totaled MSEK 0 (4). The low expense resulted from significantly lower production and emissions.

SAS hedges emission rights for the expected shortfall to reduce financial exposure. Ahead of FY 2022, SAS has hedged some of the expense for the forecast need for emission rights.

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6.5 Counterparty losses

SAS is exposed to counterparty losses through credits, lease agreements and guarantees to external parties. This exposure is governed by SAS' financial policy. No counterparty loss of any significance had any impact on SAS in the fiscal year. Net impairment of accounts receivable and recovered accounts receivable, as well as the impairment of other current receivables, had an earnings impact of MSEK -10 (-35) in fiscal year 2021.

Financial policy at SAS regulates how and in what manner SAS should act to reduce the risk of counterparty losses. SAS invests cash and cash equivalents in instruments with good liquidity or short maturity with credit ratings not lower than A3/P1 according to Moody's, or A-/K1 according to Standard & Poor's.

7. IT**7.1 Operational reliability and dependability**

SAS is increasingly dependent on its own and its suppliers' IT systems and procedures for efficient and secure operation of its website, reservation system, departure control, online bookings and revenue system, among other items. Such systems are often vulnerable to and can be disrupted or harmed by, for example, internal faults, sabotage, cyber-related fraud, computer viruses, software errors, physical damage or other events outside of SAS' and its suppliers' control. Disruptions could stem from configuration errors during upgrades or maintenance operations, and by the operational disruption of systems following the upgrade of applications.

SAS is also dependent on IT and secure information flows in all parts of its operations, and through transparent processes and continual updates, SAS secures the confidentiality, correctness, accessibility

and traceability of the information. This is also governed by a number of policies and safety solutions.

7.2 Cybercrime

Like numerous other companies, SAS is exposed to various types of attacks on its IT system on a daily basis. Moreover, all of SAS' services and products are available online and are therefore subject to ongoing attempts at cyber-related fraud. Cybercrime organizations also target SAS' IT systems, which contain critical information about SAS' transport operations, planning and passengers. There is always a risk that SAS' cyber security measures might prove inadequate or inappropriate for the purpose of preventing all attempts to attack its IT system. The degree to which any extended or serious disruption to SAS' IT system could impact SAS is uncertain and comprises a significant risk for SAS' operations and financial performance.

Continuous improvement of SAS' capabilities for proactive identification and prevention of potential cybercrime through training, processes and automated tools has, however, enabled SAS to prevent any serious negative impact to operations.

8. OTHER EVENTS**8.1 Extraordinary events**

Airline companies are impacted by extraordinary events around the world, such as natural disasters, terror attacks, conflicts and epidemics.

As a result of the COVID-19 pandemic, SAS carried out a recapitalization in autumn 2020, whereby SAS received support from the Swedish and Danish governments following a public decision from the European Commission. Appeal has been lodged against the

European Commission's decision, and there is a risk that this process could lead to additional costs for SAS moving forward.

The pandemic continued to have a considerable negative impact on passenger numbers and revenue for SAS during the year. As a result, reducing costs remains the key focus for the entire SAS Group to optimize competitiveness. SAS is further developing the operational model and is accelerating the process to ensure that the company is cost effective and competitive for the future in the face of prevailing uncertainty.

8.2 Brand and reputation

In fiscal year 2021, SAS carried approximately 7.6 million travelers. Demand for SAS' services could be negatively affected if confidence in SAS and/or the airline industry should decrease.

SAS continuously monitors the confidence trend for SAS and the industry and works strategically to strengthen the SAS brand and reputation. SAS has established media and information policies aimed at ensuring that all information pertaining to SAS is correct and accurate. If inaccurate rumors are spread about SAS or if information is provided incorrectly, SAS endeavors to follow up and correct errors to minimize any negative impact on SAS' general rating and position in the market.

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DIVIDENDS, DISPOSITION OF EARNINGS AND OUTLOOK

DIVIDEND

The Board of Directors proposes to the 2022 AGM that no dividends be paid to holders of SAS AB's common shares for fiscal year 2021.

PROPOSED DISPOSITION OF EARNINGS

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

	SEK
Hybrid bonds	7,615,000,019
Share premium reserve/Retained earnings	6,548,617,822
Net income for the year	91,748,182
Unrestricted equity, October 31, 2021	14,255,366,023

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

	SEK
To be carried forward ¹	14,255,366,023
Total	14,255,366,023

1) Of which SEK 7,615,000,019 pertains to hybrid bonds.

SIGNIFICANT EVENTS AFTER OCTOBER 31, 2021

- SAS established a partnership with Vattenfall, Shell and LanzaTech to investigate large-scale production of sustainable synthetic aviation fuel.

OUTLOOK FOR FISCAL YEAR 2022

- The ongoing COVID-19 pandemic, with its accompanying uncertainties, makes it difficult to provide any guidance on the financial performance for the coming fiscal year.

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CORPORATE GOVERNANCE REPORT

This Corporate Governance Report for fiscal year 2021 has been prepared pursuant to the Swedish Annual Accounts Act and the Swedish Corporate Governance Code (the Code).

PARENT COMPANY

SAS AB, which is the Parent Company for operations at SAS, is a Swedish public limited company headquartered in Stockholm, Sweden. Since July 2001, SAS AB has been listed on Nasdaq Nordic in Stockholm with secondary listings in Copenhagen and Oslo.

IMPORTANT REGULATIONS ADHERED TO BY SAS

External rules:

- Swedish legislation, EU regulations and laws set by other countries in which SAS operates
- The Swedish Corporate Governance Code (the Code)
- Nasdaq Nordic in Stockholm and Copenhagen and the Oslo Børs's rule book for issuers
- The Market Abuse Regulation
- The recommendations issued by relevant Swedish and international organizations
 - Flight safety regulations and certifications
 - Accounting rules

Internal rules:

- The Articles of Association¹
- The Information Policy
- The Board's work plan
- The Board's instructions to the President
- The Code of Conduct¹
- The Insider Policy

No breaches of the relevant stock exchange rules or of good stock market practices have been reported by Nasdaq's Disciplinary Committee, the Oslo Børs or the Swedish Securities Council during fiscal year 2021.

¹) Available for download at www.sasgroup.net

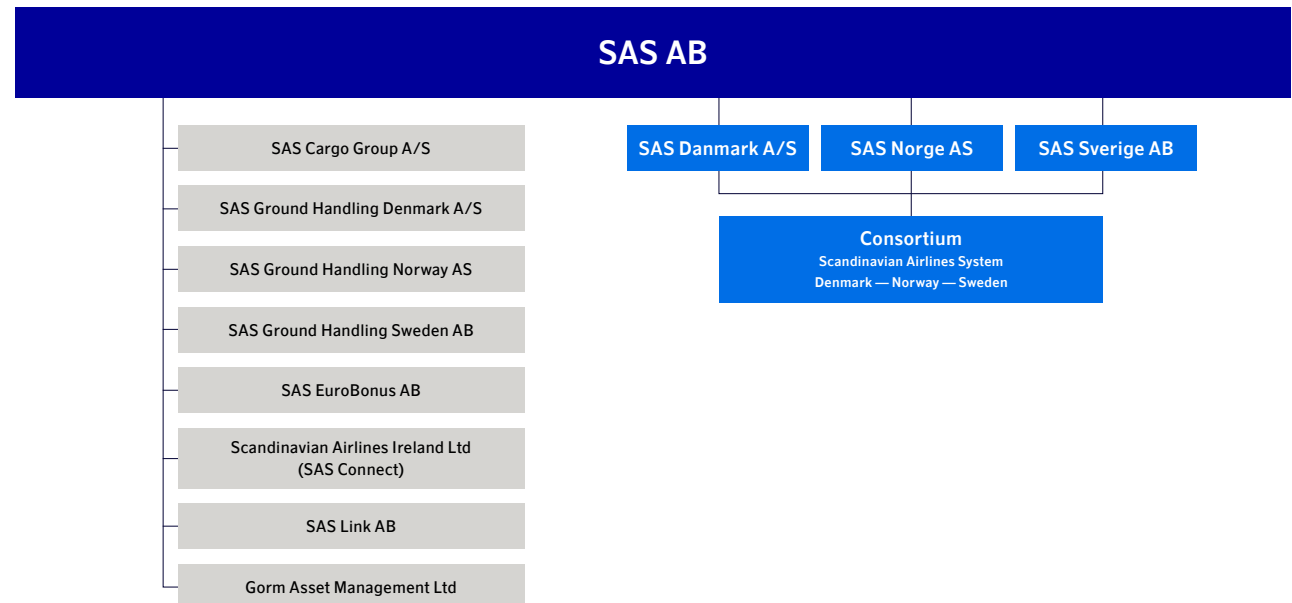
SAS' SHAREHOLDERS AND SHARE

SAS maintains ongoing dialogues with capital markets on questions regarding the SAS Group's performance, strategic position and growth possibilities. No major changes were implemented in the corporate governance principles in FY 2021. During the year, most listed airlines noted significant decreases in their share prices. SAS' common share also followed a negative trend and declined 5% over the fiscal year.

OWNERSHIP, CONTROL AND SHARE CLASSES

SAS AB has three classes of shares: common shares, subordinated shares and class C shares. Following the implementation of SAS' recapitalization plan, at October 31, 2021, there were 7,266,039,292 common shares issued with a quotient value of SEK 1.19, representing a registered share capital of SEK 8,649,529,469.

SAS' LEGAL STRUCTURE, OCTOBER 31, 2021 (COMPANIES WITH OPERATIONS)



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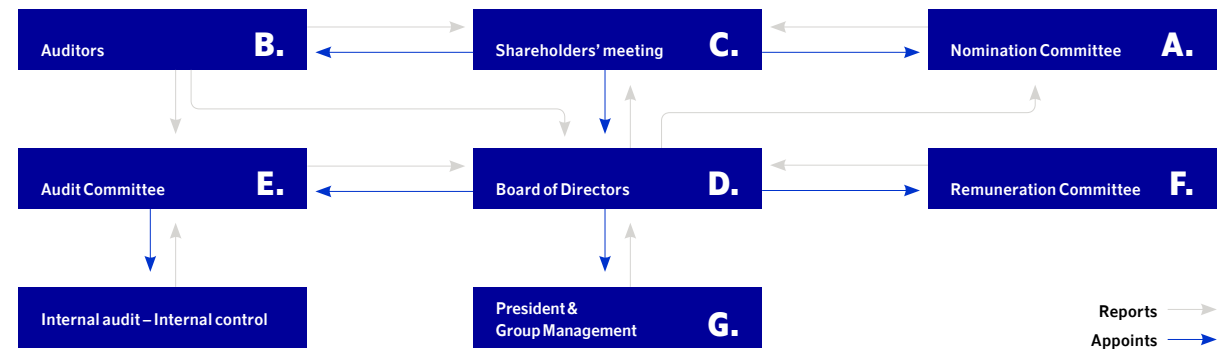
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There are no subordinated shares or class C shares issued or outstanding. Common shares and subordinated shares entitle the holders to one vote each. Each class C share entitles the holder to one-tenth of a vote.

The maximum number of common shares and subordinated shares that may be issued is limited to a number that corresponds with 100% of the company's share capital. The maximum number of class C shares that may be issued is limited to 5% of the share capital. The common shares provide shareholders the rights set out in the Swedish Companies Act and the Articles of Association.

Subordinated shares provide shareholders the right to participate in and vote at the company's shareholders' meetings. Subordinated shares do not entitle shareholders to dividends or participation in bonus issues. If subordinated shares are redeemed or the company is dissolved and its assets distributed, holders of subordinated shares are treated as holders of common shares and receive an equal share in the company's assets, although not at an amount higher than the quotient value of the subordinated shares index-adjusted from the first date of registration of the subordinated shares until the date of the payment of the redemption amount or the date of the distribution with an interest-rate factor corresponding to STIBOR 90 days plus two percentage points. For more information on subordinated shares, see Note 21. The share price performance of the common share is presented on page 22. On November 29, 2021 the Board, with the authorization granted by the AGM, resolved on an issue of 2021/2041 warrants, with the right to subscribe for a total of 3,633,019,647 subordinated shares (equivalent to approximately 50 percent of the shares outstanding and votes in SAS AB)

SAS' CORPORATE GOVERNANCE STRUCTURE



Class C shares do not entitle the holder to dividends. If the company is dissolved, class C shares entitle the holder to equal parts of the company's assets as the company's common shares, however not for an amount that exceeds the share's quotient value. The company's Board has the right to reduce the share capital by redeeming all class C shares. If such a decision is taken, class C shareholders are obligated to redeem all of their class C shares for an amount corresponding to the quotient value. The redemption amount is to be paid immediately. Class C shares held as treasury shares by the company will, on demand by the Board, be eligible for conversion to common shares. Thereafter, the conversion is to be registered with the Swedish Companies Registration Office without delay and is effective when it has been registered with the Register of Companies and noted in the Central Securities Depository Register.

PROTECTION OF SAS' AIR TRAFFIC RIGHTS IN THE ARTICLES OF ASSOCIATION

For aviation policy reasons, SAS' Articles of Association authorize, in part, the mandatory redemption of common shares by means of a reduction of share capital and, in part, should redemption not be possible or be adjudged inadequate, an option to issue subordinated shares for subscription with the support of the warrants that the Board, with the authorization granted by the AGM, resolved to issue on November 29, 2021.

IF TRAFFIC RIGHTS ARE THREATENED SAS CAN:

- Mandatorily redeem common shares
- Issue subordinated shares

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

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pertaining to permits for air traffic in the EU/EEA. Furthermore, for aviation policy reasons, the Articles of Association contain certain suitability and qualification requirements for Board members to ensure that the Board will at all times have the composition it needs to ensure that the company and its subsidiaries are able to retain their air traffic rights. These requirements include citizenship, domicile and knowledge and experience of the social, business and cultural conditions prevailing in the Scandinavian countries.

Beyond these requirements and the regulations contained in the Articles of Association, there are no restrictions or voting rules pertaining to the appointment or removal of Board members.

Mandatory redemption

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

Subordinated shares

Should the Board deem the action of redeeming common shares not possible or inadequate, the issued warrants may be used to issue subordinated shares equivalent to approximately 50 percent of the shares and votes outstanding in SAS AB so as to safeguard continued Scandinavian ownership and control. However, any such issue of subordinated shares may only take place following a resolution by the general shareholders' meeting approved by at least half of the votes cast at the meeting. Subscription for subordinated shares through the issued warrants may only be performed to the extent necessary, as assessed by the Board, to eliminate the aforementioned threat. As soon as the aforementioned threat ceases to exist, the Board shall ensure that the subordinated shares thus issued are redeemed.

OWNERSHIP AND CONTROL

On October 31, 2021, SAS AB had a total of 230,619 shareholders. The major shareholders are the Swedish and Danish governments, who together represent 43.6% of the votes. More information about the share and the ownership structure is available on pages 22 and 23 in the SAS Annual Report Fiscal Year 2021.

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

shareholders that would restrict the capacity of shareholders to vote at a shareholders' meeting or their right to freely transfer such shares.

IMPACT OF THE RECAPITALIZATION PLAN ON CORPORATE GOVERNANCE

The SAS recapitalization plan has been implemented based on the approval of the European Commission pursuant to the applicable rules for state aid. The approval includes the requirements contained in the Commission Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak which include, inter alia, a ban on dividends, restriction of SAS' ability to carry out acquisitions and a requirement for unchanged remuneration to senior executives. These requirements will be eased when the aid has been repaid.¹

Effects of a public takeover bid

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

A. NOMINATION COMMITTEE

The Nomination Committee represents shareholders of SAS and is appointed by the AGM and tasked with preparing the meeting's resolutions on nomination and remuneration issues, as well as matters of procedure for the next nomination committee. An instruction for the Nomination Committee was adopted in conjunction with the 2021 AGM.

1) The requirements pursuant to the approval by the European Commission are described in more detail on pages 63–64 of the prospectus published by SAS pertaining to the recapitalization plan on September 30, 2020.

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The Nomination Committee is tasked with making proposals for the election of the Chairman of the AGM, the number of Board members and Directors' fees, broken down among the Chairman, Vice Chairman, other Board members and any remuneration for work on Board committees, election of Board members and Chairman of the Board, election of the company's auditors, auditors' fees and the Nomination Committee ahead of the next AGM.

NOMINATION COMMITTEE, FIVE MINUTED MEETINGS (REFERS TO THE PERIOD MARCH 17, 2021 TO JANUARY 31, 2022)

Member	Representative of Votes, %	Votes, %
		OCTOBER 31 2021
Åsa Mitsell, Chairman	Swedish Ministry of Finance, for the Swedish government	21.80
Adrian Lübbert	Danish Ministry of Finance, for the Danish government	21.80
Jacob Wallenberg	Wallenberg Investments AB	3.42
Gerald Engström	Gerald Engström and Färna Invest AB	0.91
Carsten Dilling	Chairman of the Board	0

Issues discussed in the Nomination Committee

Since the AGM 2021, the Nomination Committee has evaluated the Board's work, qualifications and composition. Diversity, breadth and the gender balance have also been discussed. Since the 2018 AGM, the Chairman of the Board has participated on the Committee, and the result of the evaluation of the Board is made available to the Committee.

At least one meeting with the Board and the Group CEO must be held before the Committee submits its recommendations to the AGM.

The Committee's recommendations are published in the notice calling the AGM, on the company's website and at the AGM. Committee members received no fees or other remuneration from SAS for their work on the Nomination Committee.

When required for carrying out its assignment, the Committee utilizes recruitment consultants and other outside consultants, with SAS defraying the cost.

B. AUDITORS

The auditors are elected by the AGM and tasked with scrutinizing the company's financial reporting and the administration of the company by the Board and the President. An election was conducted to appoint an auditor at the 2021 AGM, whereby KPMG was elected for the period until the end of the 2022 AGM. The auditor in charge is Tomas Gerhardsson.

On two occasions during fiscal year 2021, the auditor in charge met with the Board, presenting the program for auditing work and reporting observations from the audit.

The auditor also met with the Audit Committee on six occasions. On one occasion during the fiscal year, the Board met with the company's auditor without the presence of the President or any other representative of the company management.

KPMG submits an auditors' report for SAS AB, the Group and an overwhelming majority of the subsidiaries. Over the past year, in addition to its auditing work, KPMG has performed advisory services for SAS Group companies in auditing-related areas as outlined in the table below. For more information about the auditors' fees in FY 2021, see Note 35.

Auditors' fees	MSEK
Auditing services	7
Other statutory assignments	0
Tax consultancy services	-
Other	3
Total	10

C. SHAREHOLDERS' MEETING

The shareholders' meeting is the highest decision-making body at SAS. At shareholders' meetings of SAS AB, one common share is equal to one vote with no restrictions on the number of votes any one shareholder is entitled to cast at such a meeting.

The shareholders' meeting may be held in Stockholm, Solna or in Sigtuna. Notice convening the AGM is issued no earlier than six and no later than four weeks prior to the meeting. Notice is published in daily newspapers and in Post- och Inrikes Tidningar in Sweden, and announced in press releases as well as published on the company's website. SAS also e-mails notices to shareholders who have requested this service via the company's website: www.sasgroup.net.

In fiscal year 2021, the Board convened the AGM on March 17, 2021.

The Articles of Association contain no special provisions regarding the election and discharge of Board members or regarding changes to the Articles of Association. As per October 31, 2021, no authority has been provided by the shareholders' meeting to the Board empowering the Board to issue new shares or to buy back the company's own shares. As per October 31, 2021, one of shareholders' meetings authorized the Board to issue warrants with the right to subscribe for subordinated shares, which the Board exercised on November 29, 2021.

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RESOLUTIONS BY THE AGM ON MARCH 17, 2021

- Adoption of statement of income and balance sheet, and the appropriation of earnings.
- Discharge from liability for Board members and President.
- Appointment of Board members, Chairman of the Board, auditors and Nomination Committee as well as resolution on the Instruction for the Nomination Committee.
- The AGM resolved to approve payment of fees for the period until the end of the next AGM of SEK 630,000 to the Chairman of the Board and, when applicable, SEK 420,000 to the Board's Vice Chairman and SEK 320,000 to each member elected by the shareholders' meeting and to ordinary employee representatives. It was also decided that each deputy employee representative be remunerated with a meeting fee of SEK 5,000 for each Board meeting they attend. In addition to this remuneration, a decision was taken to pay a fee of SEK 80,000 to the Chairman of the Remuneration Committee and SEK 27,000 to each of the other committee members, as well as SEK 100,000 to the Chairman of the Audit Committee and SEK 50,000 to each of the other committee members.
- The AGM passed a resolution to approve the Board's report on remuneration to senior executives.
- The AGM resolved to approve the Board's proposed changes to the Articles of Association.
- Resolution authorizing the Board to decide on the issue of warrants with the right to subscribe for subordinated shares

D. BOARD OF DIRECTORS

The Board's work is governed by the Swedish Companies Act, the Articles of Association, the Code and the formal work plan adopted by the Board each year. The Board is ultimately responsible for SAS' operations. This also includes risk management, regulatory compliance and internal control at SAS. The Board members are elected by the AGM for the period until the next AGM has been held. The Articles of Association stipulate that the Board of Directors should consist of six to eight members elected by the shareholders' meeting. Following the 2021 AGM, the Board comprised eight elected members. In addition, the Board consisted of three employee representatives, each with two personal deputies.

The employee representatives are appointed by the SAS employee groups in Denmark, Norway and Sweden in line with governing legislation and special agreements. Deputies attend Board meetings only in the absence of an ordinary member. Except for employee representatives, no Board member is employed by SAS AB or any other company in the SAS Group. The elected Board members are appointed for the period until the end of the next AGM. No regulation exists that limits the period of time a Board member can serve in that capacity. The experience of the Board members and their independence in relation the owners of the company are disclosed on pages 53-54.

The President and other senior executives in the company attended Board meetings to make presentations and the company's General Counsel served as the Board's secretary.

The average age of members is 55 and three of the eight members elected by the 2021 AGM are women.

All members elected by the shareholders' meeting are regarded by the Nomination Committee as being independent of the company and company management. Moreover, all Board members are deemed to be independent in relation to major shareholders on October 31, 2021.

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 Nomination Committee applies Rule 4.1 of the Code and believes that the Code's requirements for diversity, breadth and an even gender balance improved in accordance with the Committee's ambition of achieving an equal gender balance on the Board of Directors.

To streamline and enhance the work of the Board, there are two committees:

- The Remuneration Committee
- The Audit Committee

The members of these Committees are appointed by the Board. The main duty of the committees is to prepare issues for decision by the Board. These committees do not imply any delegation of the Board's legal responsibilities. Reports to the Board on issues discussed at committee meetings are either in writing or given verbally at the following Board meeting.

The work on each committee follows written instructions and a formal work plan stipulated by the Board. The General Counsel of SAS serves as the secretary to the Audit Committee. Minutes of Committee meetings are provided to all Board members. Remuneration for work on Board committees is determined by the AGM.

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ATTENDANCE AT BOARD MEETINGS, NOVEMBER 2020–OCTOBER 2021

Name	12/2	1/11	2/1	2/24	3/17 ¹	4/14	4/28 ²	5/26	6/15	7/6 ³	8/31	11/1
Carsten Dilling, Chairman	●	●	●	●	●	●	●	●	●	●	●	●
Dag Mejdell, Vice Chairman until March 2021	●	●	●	●	●	○	○	○	○	○	○	○
Lars-Johan Jarnheimer, Vice Chairman, from March 2021	●	●	●	●	●	●	●	●	●	●	●	●
Monica Caneman, member	●	●	●	●	●	●	●	●	●	●	●	●
Kay Kratky, member	●	●	●	●	●	●	●	●	●	●	●	●
Sanna Suvanto-Harsaae, member, until March 2021	●	●	●	●	●	○	○	○	○	○	○	○
Oscar Stege Unger, member	●	●	●	●	●	●	●	●	●	●	●	●
Liv Fiksdahl, member, until March 2021	●	●	●	●	●	○	○	○	○	○	○	○
Michael Friisdahl, member, from March 2021	○	○	○	○	●	●	●	●	●	●	●	●
Henriette Hallberg Thygesen, member, from March 2021	○	○	○	○	●	●	●	●	●	●	●	●
Nina Bjornstad, member, from March 2021	○	○	○	○	●	●	●	●	●	●	●	●
Tommy Nilsson, employee representative	●	●	●	●	●	●	●	●	●	●	●	●
Christa Cerè, employee representative	●	●	●	●	●	●	●	●	●	●	●	●
Jens Lippestad, employee representative	●	●	●	●	●	●	●	●	●	●	●	●

● Present ○ Absent

1) Two meetings, of which one was the statutory meeting following the AGM. 2) Extra Board meeting. 3) Extra Board meeting by correspondence.

THE BOARD'S WORK FISCAL YEAR 2021

The Board's work follows a yearly agenda with regular business items as well as special topics. The formal work plan regulates the division of the Board's work between the Board and its committees and among the Board, its Chairman and the President. Working closely with the President, the Chairman of the Board monitors the company's performance, plans Board meetings, takes responsibility for ensuring that the other members of the Board always receive high-quality information about the Group's finances and performance, and ensures that the Board evaluates its work and that of the President each year.

The formal work plan also contains provisions for meeting the Board's needs for information and financial reporting on an ongoing basis as well as instructions for the President and the company's Board

committees. This process is evaluated each year, including the work of the Board. Evaluation of the Board is carried out by way of an annual survey that is compiled and then discussed by the Board.

The Board appoints from among its own members the members of the Board's two committees: the Remuneration Committee and the Audit Committee. Between November 2020 and October 2021, the Board held 13 minuted Board meetings, including one statutory meeting and one by correspondence in addition to several informal meetings.

The President and other senior executives in the company attended Board meetings to make presentations and the company's General Counsel served as the Board's secretary.

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MAIN ISSUES ADDRESSED AT BOARD MEETINGS

Q1 November–January	Q2 February–April	Q3 May–July	Q4 August–October
<p>December 2 Year-end report for fiscal year 2020 with the proposed appropriation of earnings, the report from the external auditors, the forecast for fiscal year 2021 and the outlook for 2022–2023. Decision to take up a loan of MNOK 1.5 guaranteed by the Norwegian government. Revisions made to SAS Information Policy Decision taken for a ground handling supplier for Helsinki airport.</p> <p>January 11 President Rickard Gustafson announces his decision to step down as President and Group CEO.</p>	<p>February 1 Adoption of the Annual and Sustainability Report for FY 2020 and the appropriation of earnings. Adoption of the audit plan for FY 2021. Decision taken regarding the report on remuneration to senior executives Review of flight safety and sustainability work, including occupational injuries and sick leave. Review of the financial position. Decision taken regarding aircraft financing. Decision on notification of the AGM on March 17, 2021.</p> <p>February 24 Adoption of the interim report for the first quarter of FY 2021. Decision taken regarding purchase of sustainable aviation fuel (SAF).</p> <p>March 17 Review of the financial position. Decision taken regarding IT services and catering agreements in the US. Decision to issue capital adequacy guarantees to SAS ground handling companies in Sweden, Norway and Denmark.</p> <p>The Statutory Board meeting was held at the second Board meeting following the AGM.</p> <p>April 14 Status updates regarding COVID-19 and financial position. Decision taken regarding aircraft financing. Decision taken regarding financing structure of emission rights. Adoption of the Board's work plan and meeting schedule for FY 2022.</p> <p>April 28 Decision to appoint Anko van der Werff as President and Group CEO starting mid-July 2021 and to appoint Karl Sandlund as acting President and Group CEO for the interim.</p>	<p>May 26 The auditors presented their review and adoption of the interim report for the second quarter of FY 2021. Information about SAS' future operational model. Decision taken regarding financing of aircraft and aircraft engines.</p> <p>June 15 Strategy meeting. Customer satisfaction report and employee survey.</p> <p>July 6 Decision to enter a loan agreement for SEK 3 billion with the Swedish and Danish governments.</p>	<p>August 31 Adoption of the interim report for the third quarter of FY 2021. Extension of the temporary deviation from the fuel hedge policy in SAS' financial policy. Review of the Board's formal work plan and instructions to the President.</p> <p>November 1 Presentation of the forecast for FY 2022. Decision regarding IT development digitalization investment. Decision to change catering supplier. Decision regarding the wet lease of CRJ aircraft for summer 2022. Follow-up of risk management, regulatory compliance, internal control and corporate governance. Annual review of the Insider Policy.</p>

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E. AUDIT COMMITTEE

Area of responsibility

The Audit Committee monitors the company's financial reporting as well as the effectiveness of its internal control, internal audit and risk management. The Committee keeps itself informed about the audit. The Audit Committee is responsible for preparing the Board's quality assurance work regarding financial reporting. The Committee performs quality assurance through the discussion of critical auditing issues and the financial statements that the company submits. Issues discussed by the Committee include internal control, compliance, uncertainty in reported values, events after the closing date, changes in estimates and assessments, financial and legal risks, suspected irregularities, and other matters affecting the company's financial reporting.

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

Appointment of members

The Board appoints members of the Audit Committee. All members of the Audit Committee are independent in relation to SAS, the company management and the shareholders in line with the Code. Besides the Committee Secretary and the external auditor, the SAS Group CFO and one employee representative and, as

required, representatives from SAS' accounting unit attend Committee meetings.

REMUNERATION COMMITTEE'S WORK FISCAL YEAR 2021 — SIX MINUTED MEETINGS

Meeting date	12/2	2/1	2/24	5/26	8/31	11/1
Monica Caneman (Chairman)	●	●	●	●	●	●
Lars-Johan Jarnheimer	●	●	●	●	●	●
Oscar Stege Unger	●	●	●	●	●	●

● Present ○ Absent

F. REMUNERATION COMMITTEE

Area of responsibility

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

Appointment of members

The Board appoints members of the Remuneration Committee. The Code specifies that members of the Remuneration Committee must be independent of the company and company management. All members of the Remuneration Committee are independent in relation to SAS and the company management.

REMUNERATION COMMITTEE'S WORK FISCAL YEAR 2021 — FOUR MINUTED MEETINGS

Meeting date	12/4	1/28	8/16	8/19
Carsten Dilling	●	●	●	●
Dag Mejdell, until March 2021	●	●	○	○
Lars-Johan Jarnheimer, from March 2021	○	○	●	●

● Present ○ Absent

GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

The 2021 AGM established updated guidelines for remuneration to senior executives, which are detailed below. No amendments to the guidelines for remuneration to senior executives are proposed for resolution at the 2022 AGM.

The Board of Directors proposes guidelines for remuneration to the President and other members of Group Management. The guidelines also encompass any remuneration to Board members, other than Directors' fees. The guidelines apply to remuneration agreed after the 2022 AGM and amendments to agreed remuneration made thereafter. The guidelines do not apply to remuneration resolved by the general meeting. For employments governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

How the guidelines advance the company's business strategy, long-term interests and sustainability

Successful implementation of the company's business strategy and safeguarding the company's long-term interests, including its sustainability, require the company to recruit and retain highly qualified employees. In order to do so, SAS must offer competitive total remuneration, which these guidelines enable. Total remuneration should be on market terms and competitive and relate to responsibility and authority.

For information about the company's business strategy, see the SAS website (<https://www.sasgroup.net/en/strategic-priorities/>).

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Types of remuneration, etc.

Remuneration is on market terms and may consist of the following components: fixed salary, any variable remuneration according to separate agreements, pension and other benefits. The general meeting can also, irrespective of these guidelines, resolve on share and share-price based remuneration among other things.

Fixed salary

The fixed salary consists of fixed cash salary. The fixed salary reflects the position's requirements with respect to qualifications, responsibilities, complexity and the manner in which it serves to reach the business objectives. The fixed salary also reflects the performance of the executive and can thus be both individual and differentiated.

Variable salary

In addition to fixed salary, senior executives reporting to the President may, under separate agreements, receive variable salary when fulfilling agreed performance criteria, provided that their fixed salaries are frozen for review for a certain period after payment of the variable salary. Any variable salary consists of an annual variable cash salary and may amount to a maximum of 20% of the fixed annual salary. Criteria fulfillment for awarding variable salary must be measured over a period of one year.

The variable salary is linked to one or several predetermined and measurable criteria, which can be financial, such as EBT, CASK and PASK, or non-financial, such as CO₂ emissions, flight safety, employee engagement and customer satisfaction. Less than 30% of the variable cash remuneration depends on non-financial criteria. By linking the remuneration to senior executives to the company's earnings as well as sustainability, the

criteria contribute to the company's business strategy, long-term interests and competitiveness.

The extent to which the criteria for awarding variable remuneration have been satisfied is determined when the measurement period has ended. For financial targets, the evaluation is based on the latest financial information made public by the company.

The terms for variable remuneration are designed so that the Board of Directors, under exceptional financial conditions, may limit or refuse to pay variable remuneration if such a measure is deemed reasonable.

Further variable cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are limited in time and only made on an individual basis, either for the purpose of recruiting or retaining executives, or as remuneration for extraordinary performance beyond the individual's ordinary tasks. Such remuneration may not exceed an amount corresponding to 20% of the fixed annual cash salary and may not be paid more than once each year per individual. Any resolution on such remuneration is taken by the Board of Directors based on a proposal from the Remuneration Committee.

Pension

For the President, pension benefits, including health insurance, are defined-contribution with premiums not exceeding 40% of the fixed annual salary. For other members of Group Management, pension benefits, including health insurance, are defined-contribution unless the executive is encompassed by a defined-benefit pension under mandatory collective agreement provisions. Premiums for defined-contribution pensions are not to exceed 30% of the fixed annual salary.

Variable remuneration qualifies for pension benefits to the extent required by mandatory collective agreement provisions applicable to the executive (applies to Sweden and defined-contribution pension). In such case, the premiums for defined-contribution pensions may not exceed 36% of the fixed annual salary as a result of pension provisions for variable salary.

Other benefits

Other benefits, which may include, for example, company car, travel benefits and health insurance, are on market terms and only constitute a limited part of the total remuneration. Premiums and other costs associated with such benefits may amount to a maximum of 10% of the fixed annual salary.

Termination of employment

For the President and other members of Group Management, the notice period is six months in the event the senior executive resigns and 12 months in the event the termination of employment is by the company. In case of termination by the company, severance pay is payable in an amount corresponding to a maximum of one year's fixed salary less any remuneration received from new employments or assignments.

Additionally, remuneration is payable for any non-compete undertakings. Such remuneration compensates for loss of income and is only paid in so far as the previously employed executive is not entitled to severance pay. The remuneration is based on the fixed salary at the time of termination of employment and amounts to not more than 60% of the fixed salary at the time of termination of employment, unless otherwise provided by mandatory collective agreement provisions, and is paid during the time the non-compete undertaking applies, however not for more than 18 months following termination of employment.

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Fees to Board members

SAS Board members elected by the general meeting may, in specific cases and for limited time, be remunerated for services beyond Board work within their respective areas of competence. A fee on market terms for these services (including services rendered by a company wholly owned by a Board member) is paid, provided that such services contribute to the implementation of SAS' business strategy and long-term interests, including its sustainability. Such consultant's fee may, for each Board member, in no case exceed the annual Director's fee.

Salary and employment conditions for employees

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the Remuneration Committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out therein are reasonable.

Preparation and decision-making process

The Board of Directors has established a Remuneration Committee. The Committee's duties include preparing principles for remuneration to Group Management and the Board of Directors' decisions to propose guidelines for remuneration to senior executives. The Board of Directors prepares proposals for new guidelines at least every fourth year, and submits it to the AGM for resolution. These guidelines apply until new guidelines have been adopted by the general meeting. The Remuneration Committee also monitors and evaluates programs for variable remuneration to Group Management, the application of the guidelines to

senior executives as well as the current remuneration structures and compensation levels in the company. Remuneration to the President is decided by the Board of Directors in line with approved policies following preparation and recommendation by the Remuneration Committee. Remuneration to other senior executives is decided by the President in line with approved policies and after consultation with the Remuneration Committee. The members of the Remuneration Committee are independent in relation to the company and Group Management. The President and other members of Group Management do not participate in the Board of Directors' discussions and decisions on remuneration-related matters that pertain to them.

Derogation from these guidelines

The Board may decide to derogate from these guidelines, in whole or in part, if in a specific case there is special cause and such a derogation is necessary to safeguard the company's long-term interests, including its sustainability, or to ensure the company's financial viability. As stated above, the Remuneration Committee's duties include preparing the Board of Directors' decisions on remuneration matters, including decisions to derogate from these guidelines.

**G. PRESIDENT
AND GROUP MANAGEMENT**

The Board appoints the President of SAS AB, who is also Group CEO. The Board has delegated responsibility for the day-to-day administration of SAS to the President. Each year, an instruction defining the division of duties between the Board and the President is determined by the Board who also evaluate the work performed by the President. The Board's instructions to the President contain detailed rules governing the President's authority and obligations.

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

In FY 2021, Group Management comprised seven members, including the President. The composition and functions of the Group Management are shown on pages 55-56.

Group Management is not a corporate body in the sense of Swedish limited company law and as a collegial management body has no legal liability vis-à-vis the Board and shareholders. Only the President reports to the Board. Group Management normally holds minuted meetings every week. These meetings are chaired by the President, who reaches decisions after consulting with the other members of Group Management.

The main business areas of SAS that are not themselves a separate legal entity are led by Group Management through representatives for the respective business area.

Group Management's management and control of operations are based on guidelines and policies regarding financial management and follow-up, communication issues, human resources, legal issues, brands, business ethics and environmental matters.

INTERNAL CONTROL – FINANCIAL REPORTING

SAS applies COSO, the internationally recognized framework for internal control, to describe and evaluate the Group's control structure.

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Internal control of financial reporting is a process involving the Board of Directors, company management and employees, and is designed to provide reasonable assurance regarding the reliability of external reporting. The Board is ultimately responsible for internal control. Five areas that jointly form the basis of a sound control structure are described below.

Control environment

The control environment comprises the basis for internal control and includes the culture in which SAS communicates and acts. The Group's ambition is that its values — reliability, openness, care and value-creation — will permeate the organization and the internal control environment.

All actions, internal as well as external, are to reflect these basic values. The SAS Group's Code of Conduct describes the desired approach in various situations, including a structure for reporting deviations from the desired approach. Information concerning governance of the Group is available for all employees on the Group's intranet. These documents describe SAS' control philosophy, control model and entities as well as the companies' roles and responsibilities, owner requirements, overall monitoring, internal business relationships and the allocation of tasks.

Risk assessment

Each year, company management produces a risk assessment that encompasses all operations and is based on the targets of those operations. The risk assessment is presented to the Audit Committee and reviewed continuously throughout the year. With regard to financial reporting, an assessment of significant risks in relation to major balance sheet and

income items is carried out annually. This assessment grades the risks concerning financial reporting, and critical areas are identified.

Furthermore, SAS' internal audit carries out an annual risk assessment that forms the basis of future years' audit plans. Both the risk assessment and the audit plan are presented to company management and the Audit Committee.

Control activities

Control activities are carried out at different levels within SAS to manage risks and ensure the reliability of financial reporting. These key controls have been compiled and described in relation to each process as part of the SAS internal control framework. The processes covered by the framework include general governance processes, accounting process, revenue process, purchasing process, payroll process, asset management process and controls related to IT. The framework is subject to an annual review based on the updated risk assessment concerning risks related to financial reporting. SAS only conducted one internal audit during fiscal year 2021 due to the COVID-19 situation, pertaining to wet leases.

Information and communication

SAS aims for information and communication paths pertaining to the internal control of financial reporting to be known and appropriate. All policies and guidelines in the financial areas are on the intranet, under the SAS Group Financial Guide. SAS' accounting policies as well as any changes are always communicated by direct dispatch and at regular meetings with those responsible for financial matters in the entities and subsidiaries.

All entities and subsidiaries submit a monthly report on their activities, including their financial status and

performance. To ensure that the external information is correct and complete, an IR/Information policy has been adopted by the SAS Board. SAS' published external reports are based on reporting from all legal entities in accordance with a standardized reporting procedure.

Regularly reported financial information includes the annual report, interim reports, monthly traffic reports, press releases, presentations and telephone conferences focused on financial analysts and investors, and meetings with the capital markets in Sweden and abroad. The above information is also available on the SAS website www.sasgroup.net.

Monitoring

Internal audits at SAS have been outsourced. The audits carried out by internal audit are based on an annual internal audit plan and are mainly focused on operational risk areas. However, the internal audit plan also covers processes that impact financial reporting and the risk of irregularities, improper favoritism of another party at the company's expense, and the risk of loss or embezzlement. The annual internal audit plan is approved by the Audit Committee and the SAS Board.

Monitoring and continuous evaluation of compliance with policies and guidelines as well as monitoring reported deficiencies are conducted regularly. In connection with monitoring action plans for noted deficiencies in control activities and their control targets, these measures are tested as is their compliance. Recommendations from the external and internal audits and the status of ongoing measures are compiled and presented to Group Management and the Audit Committee. Financial reporting is discussed at each Board meeting and at meetings of the Audit Committee.

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BOARD OF DIRECTORS

The Board is responsible for the organization and administration of SAS, for ensuring proper control of its accounting and other financial circumstances as well as for appointing and removing the President. All Board members elected by the shareholders' meeting are independent of the company and company management. The 2021 AGM adopted the Nomination Committee's recommendation for re-election of Carsten Dilling, Monica Caneman, Lars-Johan Jarnheimer, Oscar Stege Unger and Kay Kratky and election of Nina Bjornstad, Henriette Hallberg Thygesen and Michael Friisdahl. Carsten Dilling was elected Chairman of the Board.

The composition of the Board is based on the fact that SAS operates in a market subject to significant pressure for change and intense competition and, not least, the considerable impact of COVID-19. The Nomination Committee considers that the Board, with its significant experience of driving change work, broad expertise in customer and consumer issues and in digitalization and extensive experience of working with strategic business development, is particularly suitable for being able to provide the company's management with the support needed in the continued change work.

The Nomination Committee's opinion was that the Code's requirements for diversity, breadth and an even gender balance increased through the Nomination Committee's proposal.

No share convertibles or options have been issued to the Board of SAS AB.



**CARSTEN DILLING,
BORN 1962**

Chairman of the Board of SAS AB since 2018. Member of the Board of SAS AB since 2014.
Directorships: Chairman of NNIT A/S, Icotera A/S, MT Højgaard Holding A/S, and Board member of Terma A/S as well as a member of Maj Invest's Investment Committee and Senior Advisor for Bank of America.
Education: B.Sc. and M.Sc. in Economics and Business Administration, Copenhagen Business School.
Earlier directorships/positions: Chairman of Get AS and Traen A/S, Board member of Gatetrade A/S, Columbus IT Partner A/S, Confederation of Danish Industry (DI) and Industrial Employers in Copenhagen (IAK) and a number of board assignments for the TDC Group. Previously President and CEO of TDC A/S.
Shareholding: 352,220.
Shareholding of related parties: 0.

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



**LARS-JOHAN JARNHEIMER,
BORN 1960**

Vice Chairman of the Board of SAS AB since 2021. Member of the Board of SAS AB since 2013.
Directorships: Chairman of Telia Company AB, Arvid Nordqvist HAB, Egmont International Holding AS and Ingka Holding B.V (IKEA). Chairman of the Polar Music Prize. Board member of Point Properties AB, Elite Hotels and Millicom International Cellular S.A.
Education: B.Sc. in Business Administration and Economics, Lund and Växjö universities.
Earlier directorships/positions: Chairman of Qliro Group, BRIS and Eniro AB. Board member of MTG Modern Times Group AB, Invik and Apoteket AB. President and CEO of Tele2.
Shareholding: 100,000.
Shareholding of related parties: 0.

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



**NINA BJORNSTAD,
BORN 1977**

Member of the Board of SAS AB since 2021.
Directorships: Managing Partner of Iconical, Board Director of Starship, Advisory Board of PwC UK.
Education: MBA in Business, University of Washington, B.Sc. in Business and Economics, University of Colorado.
Earlier directorships/positions: Head of Professional Services Google Cloud in N. Europe, Country Manager Google Cloud UK, Microsoft Enterprise Sales and Partnerships Director UK, Amazon US.
Shareholding: 0.
Shareholding of related parties: 0.

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



**MONICA CANEMAN,
BORN 1954**

Member of the Board of SAS AB since 2010.
Directorships: Chairman of the Board of Euroclear Sverige AB and Almi Företagspartner AB. Board member of Qliro Financial Services AB. Chairman of Nasdaq AB Listing Committee. Member of the council of Skandia AB.
Education: MBA, Stockholm School of Economics.
Earlier directorships/positions: Chairman of Allenex AB, Arion Bank hf, Big Ba AB, Bravida Holding AB, EDT AS, the Fourth Swedish Pension Fund, Frösunda LSS AB, Intervendum AB and Viva Media Group AB. Board member of Akademikliniken AB, Citymail Group AB, Comhem AB, EDB Business Partner ASA, Intermail A/S, Lindorff Group AB, My Safety AB, Nets AB, Nordisk Energiförvaltning ASA, Nya Livförsäkrings AB, Nocom AB, Resco AB, Schibsted ASA, SEB Trygg Liv, Svenska Dagbladet AB and XponCard Group AB.
Shareholding: 40,000.
Shareholding of related parties: 0.

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

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MICHAEL FRIISDAHL, BORN 1962

Member of the Board of SAS AB since 2021.

Directorships: Board member of the Hospital for SickKids Foundation, Toronto, Canada, and Campaign Cabinet Chair for the Scarborough Health Network Foundation \$100M fundraising campaign. President and Chief Executive Officer of Maple Leaf Sports & Entertainment (MLSE). **Education:** No formal degree. **Earlier directorships/positions:** Board member of Entertainment One (eOne), Air Canada Rouge, Air Canada Vacations, Thomas Cook North America and The Holiday Network. President and Chief Executive Officer of Air Canada Leisure Group and President & CEO of Thomas Cook North America and The Holiday Network. **Shareholding:** 521,800. **Shareholding of related parties:** 0.

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



HENRIETTE HALLBERG THYGESEN, BORN 1971

Member of the Board of SAS AB since 2021.

Directorships: Board member of Cowi Holding A/S. Executive Vice President Fleet & Strategic Brands, A.P. Møller Maersk A/S. **Education:** Executive MBA, Columbia Business School and London Business School, Ph.D. Applied Mathematics, Copenhagen Business School. M.Sc., Copenhagen Business School. **Earlier directorships/positions:** With A.P.Møller-Maersk since 1994. CEO of Svitzer, Regional Manager of Damco Americas, Regional Manager Damco North Asia and other previous leading positions in A.P.Møller Maersk. **Shareholding:** 0. **Shareholding of related parties:** 0.

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



KAY KRATKY, BORN 1958

Member of the Board of SAS AB since 2019.

Directorships/position: President of the Aviation Initiative for Renewable Energy in Germany e.V. and global consultant and Chairman of the Advisory Board of Capphenia GmbH. **Education:** Mechanical engineering at Technische Hochschule Darmstadt. **Earlier directorships/positions:** Chief Executive Officer of Austrian Airlines, COO Lufthansa German Airlines and CEO of Jade Cargo International. **Shareholding:** 50,000. **Shareholding of related parties:** 0.

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



OSCAR STEGE UNGER, BORN 1975

Member of the Board of SAS AB since 2018.

Directorships/position: Senior Advisor Wallenberg Foundations AB, Founder and CEO of Canucci AB. **Education:** M.Sc. in Business Administration and B.Sc. in Economics at Stockholm University. **Earlier directorships/positions:** Head of Investor Relations and Head of Communications at Investor AB and Director of Wallenberg Foundations AB. **Shareholding:** 100,000. **Shareholding of related parties:** 0.

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



EMPLOYEE REPRESENTATIVE CHRISTA CERÈ, BORN 1977

Employed at Scandinavian Airlines in Denmark. Member of the Board of SAS AB since 2019. **Shareholding:** 10,000. **Shareholding of related parties:** 0.

Deputies: Kim John Christiansen, First Deputy. **Shareholding:** 0. William Nielsen, Second Deputy. **Shareholding:** 133.

As of December 22, 2021, after the fiscal year 2021 ended, Christa Cerè was replaced as ordinary employee representative by first deputy Kim John Christiansen. At the same time William Nielsen was elected first deputy and Henrik Thyregod second deputy.



EMPLOYEE REPRESENTATIVE JENS LIPPESTAD, BORN 1960

Employed at Scandinavian Airlines in Norway. Member of the Board of SAS AB since March 2020. **Shareholding:** 110,000. **Shareholding of related parties:** 0.

Deputies: Endre Røros, First Deputy. **Shareholding:** 0. Pål Gisle Andersen, Second Deputy. **Shareholding:** 0.



EMPLOYEE REPRESENTATIVE TOMMY NILSSON, BORN 1957

Employed at Scandinavian Airlines in Sweden. Member of the Board of SAS AB since March 2020. **Shareholding:** 0. **Shareholding of related parties:** 0.

Deputies: Lisa Kemze, First Deputy. **Shareholding:** 0. Joacim Olsson, Second Deputy. **Shareholding:** 220.

Auditors: KPMG
Auditor in charge: Tomas Gerhardsson. Authorized Public Accountant. Elected at the 2021 AGM
Board secretary: Marie Wohlfahrt, General Counsel.

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Group Management is responsible for the company's business management, financial reporting, acquisitions/divestments, financing and communication, and other corporate matters. The members of the Group Management are appointed by the President in consultation with the Board of Directors. Only the President reports to the Board while the other members of Group Management report to the President. Group Management's responsibilities are divided among its members with regard to managing the company's business affairs, and minuted meetings are normally held every week. During fiscal year 2021, Rickard Gustafson stepped down and on July 15, 2021 was replaced in the role of President and CEO by Anko van der Werff.



ANKO VAN DER WERFF
BORN 1975

President and CEO.
Member of SAS Group
Management since July 15, 2021.
Previously: CEO of Avianca 2019-
2021, Executive Vice President
& Chief Commercial Officer at
Aeromexico 2014-2019, Several
leading management positions at
Qatar Airways and Air France KLM
2006-2014.
External directorships: None.
Education: Law degree Leiden
University, Exec degree Harvard
Business School.
Shareholding: 0.
Shareholding of related parties:
0.

*Anko van der Werff and related
parties have no significant
shareholdings or part ownership
in companies with which SAS
conducts major business.*



MAGNUS ÖRNBERG
BORN 1965

Executive Vice President and CFO.
Member of SAS Group
Management since September 1,
2020.
Previously: Executive Vice
President and Group CFO at Saab
and Division CFO and other leader-
ship positions at ABB.
External directorships: None.
Education: B.Sc from the
Stockholm School of Economics.
Shareholding: 100,000.
Shareholding of related parties:
0.



CHARLOTTE SVENSSON
BORN 1967

Executive Vice President and CIO.
Member of SAS Group
Management since February 1,
2020.
Previously: Head of Digital &
Communication Services and
member of Group Executives in
PostNord 2017–2020, Business
Area Manager for the letter
operations in the Nordic region.
Before that, CTO within the Bonnier
Group.
External directorships: Board
member of ICA Gruppen and
Combient Mix AB.
Education: Executive Program,
Strategy at Stanford University,
studies in physics and mathe-
matics at Chalmers University
of Technology and graduation in
systems science from Karlstad
University.
Shareholding: 50,000.
Shareholding of related parties:
0.



CARINA MALMGREN HEANDER,
BORN 1959

Executive Vice President and Chief
of Staff.
Member of SAS Group
Management since January 1,
2015.
Previously: Several leading
positions in HR and operations at
Electrolux, Sandvik and ABB.
External directorships:
Chairman of Svenska
Flygbranschen AB. Board
member of Projektengagemang
AB, Transportföretagen AB and
the Confederation of Swedish
Enterprise.
Education: MBA, Linköping
University.
Shareholding: 40,000.
Shareholding of related parties:
0.

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Dividends, disposition
of earnings and outlook

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[Group management](#)



**SIMON PAUCK HANSEN,
BORN 1976**

Executive Vice President and COO
Airline Operations. Member of
SAS Group Management since
October 1, 2019.

Previously: Vice President
Network & Planning and several
previous senior positions at SAS.
Started as a trainee at SAS in 1996.
External directorships: Chairman
of Luftfartens Klimapartnerskab
and Board member of the
Confederation of Danish Industry
(DI).

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

Shareholding: 100,000.

Shareholding of related parties:
0.



**KJETIL HÅBJØRG,
BORN 1972**

Executive Vice President Airline
Services.

Member of SAS Group
Management since October 1,
2019.

Previously: Vice President SAS
Ground Handling and several
previous senior positions at SAS.
Before being recruited to SAS in
2004, worked as a management
consultant.

External directorships:
Board member of Federation of
Norwegian Aviation industries
(NHO Luftfart).

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

Shareholding: 25,000.

Shareholding of related parties:
0.



**KARL SANDLUND,
BORN 1977**

Executive Vice President and CCO.
Member of SAS Group
Management since February 1,
2014.

Previously: Executive Vice
President Commercial and previ-
ously worked in various manage-
ment positions for SAS. Worked
for McKinsey before joining SAS
in 2004.

External directorships: Board
member of Storebrand ASA.

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

Shareholding: 20,000.

Shareholding of related parties:
0.

A low-angle, dark photograph of an aircraft's underbelly and landing gear inside a hangar. The lighting is dramatic, highlighting the metallic surfaces and the structure of the landing gear. A blue horizontal bar is overlaid across the middle of the image, containing the title text.

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CONSOLIDATED STATEMENT OF INCOME INCLUDING STATEMENT OF OTHER COMPREHENSIVE INCOME

MSEK	Note	FY21	FY20
Revenue	2	13,958	20,513
Personnel expenses	3	-5,504	-7,969
Jet-fuel costs		-2,370	-5,626
Air traffic charges		-1,342	-1,872
Other external expenses	4	-5,286	-7,847
Depreciation, amortization and impairment	5	-4,817	-6,703
Income from shares in affiliated companies	6	10	7
Income from the sale of aircraft and other non-current assets	7	-143	2
Operating income (EBIT)		-5,494	-9,495
Financial income	8	214	806
Financial expenses	8	-1,245	-1,408
Income before tax (EBT)		-6,525	-10,097
Tax	9	2	865
Net income for the year		-6,523	-9,232
Other comprehensive income			
<i>Items that may later be reversed to net income:</i>			
Exchange-rate differences in translation of foreign operations		39	-160
Cash-flow hedges — hedging reserve, net after tax		496	-168
<i>Items that will not be reversed to net income:</i>			
Revaluations of defined-benefit pension plans, net after tax		2,655	752
Total other comprehensive income, net after tax		3,190	424
Comprehensive income for the year		-3,333	-8,808
<i>Attributable to Parent Company shareholders:</i>			
Net income for the year		-6,523	-9,232
Comprehensive income for the year		-3,333	-8,808
Earnings per common share (SEK)	39	-0.94	-21.45
Earnings per common share after dilution (SEK)	39	-0.94	-21.45

Income before tax and items affecting comparability, MSEK	FY21	FY20
Income before tax (EBT)	-6,525	-10,097
Impairment ¹	–	1,210
Restructuring costs ²	–	324
Capital gains/losses ³	143	-2
Income before tax and items affecting comparability	-6,382	-8,565

1) Impairment pertains to aircraft in an amount of MSEK 0 (-1,040) and to right-of-use assets in an amount of MSEK 0 (-170).

2) Restructuring costs were charged to earnings as personnel expenses of MSEK 0 (-324).

3) Capital gains/losses include aircraft sales amounting to MSEK -139 (-1) and facility sales of MSEK -4 (3).

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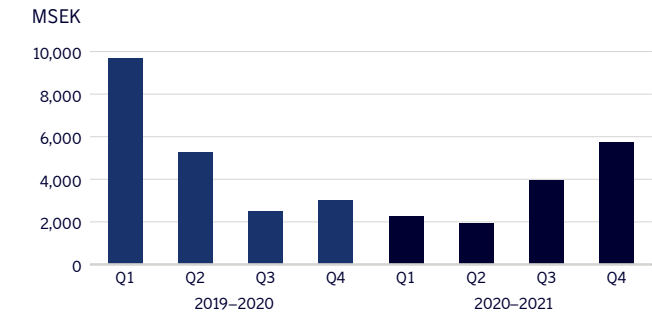
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STATEMENT OF INCOME EXCLUDING OTHER COMPREHENSIVE INCOME – QUARTERLY BREAKDOWN

MSEK	FY20					FY21				
	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year
	Nov-Jan	Feb-Apr	May-Jul	Aug-Oct	Nov-Oct	Nov-Jan	Feb-Apr	May-Jul	Aug-Oct	Nov-Oct
Revenue	9,707	5,264	2,507	3,035	20,513	2,282	1,932	3,982	5,762	13,958
Personnel expenses	-2,575	-1,995	-1,664	-1,735	-7,969	-1,428	-1,288	-1,350	-1,438	-5,504
Jet-fuel costs	-2,020	-2,504	-331	-771	-5,626	-428	-291	-618	-1,033	-2,370
Air traffic charges	-917	-523	-162	-270	-1,872	-222	-203	-368	-549	-1,342
Other external expenses	-3,618	-2,175	-635	-1,419	-7,847	-1,103	-999	-1,212	-1,972	-5,286
Depreciation, amortization and impairment	-1,340	-1,379	-2,419	-1,565	-6,703	-1,265	-1,172	-1,168	-1,212	-4,817
Income from shares in affiliated companies	2	1	1	3	7	2	3	3	2	10
Income from the sale of aircraft and other non-current assets	0	0	-1	3	2	12	0	-121	-34	-143
Operating income (EBIT)	-761	-3,311	-2,704	-2,719	-9,495	-2,150	-2,018	-852	-474	-5,494
Financial income	32	24	898	-148	806	525	-11	-144	-156	214
Financial expenses	-352	-431	-240	-385	-1,408	-290	-302	-338	-315	-1,245
Income before tax (EBT)	-1,081	-3,718	-2,046	-3,252	-10,097	-1,915	-2,331	-1,334	-945	-6,525
Tax	225	252	-298	686	865	-118	-79	-2	201	2
Net income for the period	-856	-3,466	-2,344	-2,566	-9,232	-2,033	-2,410	-1,336	-744	-6,523
<i>Attributable to:</i>										
Parent Company shareholders	-856	-3,466	-2,344	-2,566	-9,232	-2,033	-2,410	-1,336	-744	-6,523
Non-controlling interests	0	0	0	0	0	0	0	0	0	0

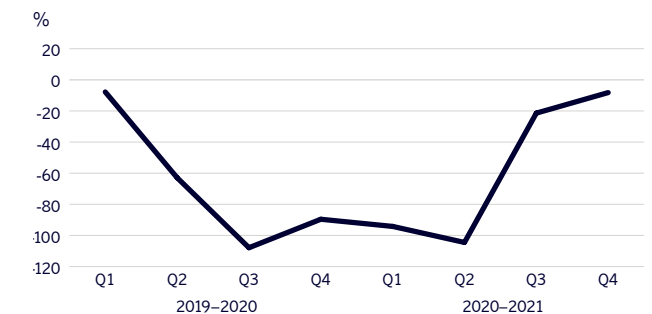
REVENUE

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



EBIT MARGIN

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



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CONSOLIDATED BALANCE SHEET

ASSETS, MSEK	Note	Oct 31, 2021	Oct 31, 2020	SHAREHOLDERS' EQUITY AND LIABILITIES, MSEK	Note	Oct 31, 2021	Oct 31, 2020
Non-current assets				Equity	21		
Intangible assets	10	709	679	Share capital		8,650	8,650
Aircraft and spare engines/parts	11	14,417	15,630	Other contributed capital		2,899	2,899
Other tangible assets	11	586	736	Reserves		319	-216
Prepayments for aircraft	12	2,966	2,495	Hybrid bonds		7,615	7,615
Right-of-use assets	13	16,959	17,264	Retained earnings incl. net income for the year		-13,067	-8,925
Participations in affiliated companies	6	24	19	Shareholders' equity attributable to Parent Company shareholders		6,416	10,023
Other participations	14	9	9	Non-controlling interests		0	0
Pension funds, net	15	6,593	3,172	Total shareholders' equity		6,416	10,023
Long-term receivables	14	1,539	2,863	Non-current liabilities			
Deferred tax assets	9	1,126	1,767	Interest-bearing liabilities	22	12,989	11,219
Total non-current assets		44,928	44,634	Interest-bearing lease liabilities	23	13,231	13,499
Current assets				Other liabilities	24	1,715	1,999
Inventories and expendable spare parts	16	412	510	Provisions	26	1,557	1,322
Accounts receivable	17	1,068	318	Deferred tax liabilities	9	540	282
Receivables from affiliated companies		0	0	Total non-current liabilities		30,032	28,321
Other receivables	18	1,443	800	Current liabilities			
Prepaid expenses and accrued income	19	593	473	Interest-bearing liabilities	27	3,871	3,773
Cash and cash equivalents	20	4,268	10,231	Interest-bearing lease liabilities	23	2,833	3,105
Total current assets		7,784	12,332	Accounts payable		1,222	1,191
TOTAL ASSETS		52,712	56,966	Unearned transportation liability	24	4,702	5,346
				Tax liabilities		5	3
				Other liabilities		643	667
				Accrued expenses and prepaid income	28	2,398	2,265
				Provisions	26	590	2,272
				Total current liabilities		16,264	18,622
				TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		52,712	56,966

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

MSEK	Share capital ¹	Not registered share capital	Other contributed capital	Hedging reserves	Translation reserve	Hybrid bonds	Retained earnings	Total shareholders' equity attributable to Parent Company shareholders
Opening shareholders' equity in accordance with approved balance sheet, October 31, 2019	7,690	–	170	183	-71	1,500	-4,100	5,372
Effect of amended accounting policies							-510	-510
Adjusted opening shareholders' equity, November 1, 2019	7,690	–	170	183	-71	1,500	-4,610	4,862
Hybrid bond interest							-126	-126
Reduction of share capital as resolved at EGM	-7,403						7,403	0
New share issue	3,875	5	2,120					6,000
New hybrid bond issue						6,000		6,000
Conversion of existing hybrid bonds to shares	873		477			-1,500	150	0
Conversion of existing bonds to shares and new hybrid bonds	410		225			1,615		2,250
Transaction costs			-93				-62	-155
Bond issue as resolved at EGM	3,200						-3,200	0
Net income for the year							-9,232	-9,232
Other comprehensive income for the year				-168	-160		752	424
Closing balance, October 31, 2020	8,645	5	2,899	15	-231	7,615	-8,925	10,023
Share registration	5	-5						–
Hybrid bond interest							-274	-274
Net income for the year							-6,523	-6,523
Other comprehensive income for the year				496	39		2,655	3,190
Closing balance, October 31, 2021	8,650	–	2,899	511	-192	7,615	-13,067	6,416

1) Pertains to 7,266,039,292 shares (7,260,062,410) in SAS AB.

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CONSOLIDATED CASH-FLOW STATEMENT

MSEK	Note	FY21	FY20
OPERATING ACTIVITIES			
Income before tax (EBT)		-6,525	-10,097
Depreciation, amortization and impairment		4,817	6,703
Income from sale of aircraft, buildings and shares		143	-2
Adjustment for other non-cash items, etc.	32	-515	-82
Tax paid		-2	-18
Cash flow from operations before change in working capital		-2,082	-3,496
<i>Change in:</i>			
Inventories and expendable spare parts		242	-164
Operating receivables		-713	-41
Operating liabilities		-2,203	-1,475
Cash flow from change in working capital		-2,674	-1,680
Cash flow from operating activities		-4,756	-5,176
INVESTING ACTIVITIES			
Aircraft		-2,412	-6,380
Buildings, equipment and investment in progress		-10	-97
Shares and participations, intangible assets, etc.		-3	-13
Prepayments for aircraft		-1,679	-1,063
Acquisition of subsidiaries/affiliated companies	33	-1	-4
Sale of subsidiaries and affiliated companies	33	-	-
Sale of aircraft, spare engines and buildings		11	3
Income from sale and leaseback of aircraft		2,489	459
Sale of fixed assets, etc.		68	-92
Cash flow from investing activities		-1,537	-7,187

MSEK	Note	FY21	FY20
FINANCING ACTIVITIES			
New hybrid bond issue	34	-	6,000
New share issue		-	5,910
Proceeds from borrowings		5,319	11,210
Repayment of borrowings		-2,562	-4,520
Amortization of lease liabilities		-2,788	-3,082
Payments of deposits and blocked bank funds		-944	-1,059
Repayments of deposits and blocked bank funds		1,312	480
Defined-benefit pension payments		-83	-299
Hybrid bond interest		-274	-128
Interest-rate derivatives		-156	-476
Other financing activities		505	-201
Cash flow from financing activities		329	13,835
Cash flow for the year		-5,964	1,472
Translation difference in cash and cash equivalents		1	-4
Cash and cash equivalents at beginning of the year		10,231	8,763
Cash and cash equivalents at year end	20	4,268	10,231

COMMENTS ON THE CASH-FLOW STATEMENT

Cash flow from operating activities before changes in working capital amounted to MSEK -2,082 (-3,496). Adjustment for other non-cash items, etc., pertained primarily to the revaluation of lease liabilities.

Changes in working capital amounted to MSEK -2,674 (-1,680). It was primarily operating liabilities and, in particular, provisions and the unearned transportation liability that decreased during the year.

Aircraft acquisitions during the year amounted to MSEK 1,994 (5,908), and comprised delivery payments for two new Airbus A350 aircraft. Moreover, aircraft investments included MSEK 418 (472) in capitalized expenditure for aircraft maintenance and aircraft modifications.

One of the delivered Airbus A350 aircraft was divested during the year through a sale and leaseback arrangement.

Proceeds from borrowings amounted to MSEK 5,319 (11,210) and loan and lease liability repayments totaled MSEK 5,350 (7,602).

In all, the SAS Group's cash and cash equivalents decreased MSEK -5,964 (1,472) during the fiscal year, whereupon cash and cash equivalents amounted to MSEK 4,268 (10,231).

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NOTES TO THE FINANCIAL STATEMENTS

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, Oslo and Stockholm form the backbone of its flight network. In addition to passenger flights, the Group provides air cargo and other aviation services at selected airports in the Group's route network.

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

The consolidated financial statements for SAS AB have been prepared in accordance with the Annual Accounts Act, recommendation RFR 1 — *Supplementary Accounting Rules for Corporate Groups*, and the EU-approved International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) that apply for fiscal years starting November 1, 2020. These standards have been consistently applied to all periods presented in the consolidated financial statements. The financial statements have been prepared on a cost basis, except for the remeasurement of financial assets and liabilities. The principal accounting policies adopted are set out below.

ACCOUNTING ESTIMATES AND ASSUMPTIONS IN THE FINANCIAL STATEMENTS

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

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

IMPACT OF THE COVID-19 PANDEMIC AND GOING CONCERN ASSUMPTION

The COVID-19 pandemic and the actions taken in response to its spread, including various government measures and travel restrictions, have resulted in significant disruption for the entire airline industry, including SAS' operations, from the start in March 2020 and continuing in fiscal year 2021. For the year, total capacity (ASK) was down 26.2% and total revenue passenger kilometers (RPK) were 41.6% lower year-on-year. The reduction of the network and number of passengers significantly decreased revenue for SAS and total revenue declined 32.0% compared with FY 2020 and was down 70.1% compared with FY 2019. Despite measures taken by SAS to reduce costs, the significant decrease in revenue cannot be fully outweighed by cost reductions, and EBT for fiscal year 2021 amounted to SEK -6.5 billion.

During FY 2021, SAS has worked continuously and intensively with various cost reduction measures, limiting non-business-critical investments and various financing solutions to protect its liquidity. This included securing the financing with lenders for the majority of aircraft deliveries until spring 2022. The short-time layoff schemes available from the Scandinavian governments have helped SAS retain as many of its employees as possible. The short-time layoffs have also enabled SAS to scale traffic up and down to meet fluctuations in demand.

However, market conditions remain uncertain and are directly dependent on the development of the pandemic and the speed at which vaccination is implemented in SAS' key markets thereby enabling travel restrictions to be relaxed further. SAS' view remains that the ramp-up phase for the airline industry will continue in 2022, with a return to pre COVID-19 levels a few years thereafter. The expected gradual upturn in 2021 has been delayed and uncertainty during 2022 remains due to the existing market conditions. The recent development of new COVID-19 variants affects both demand and personnel capacity. Moreover, passengers are choosing to book trips close to their departure dates, which adds further uncertainty to any assessment of future demand throughout the industry, primarily in the short term.

These uncertainties continue to make it difficult to estimate ticket sales and revenues which may result in continued negative cash flows, to an extent and for a duration that SAS considers temporary, but the timing of the recovery is currently uncertain.

The prevailing uncertainty means that additional cost reduction and efficiency initiatives, as well as access to liquidity is essential. As such, SAS secured a credit facility totaling SEK 3.0 billion in the third quarter. The credit facility creates a liquidity buffer as a complement to other ongoing and planned activities at SAS to further reduce costs and strengthen liquidity.

As a result of the above, SAS is working on regularly updated scenario analyses where the main scenario is that, compared with 2019, demand gradually increases in 2022, but with a further delay due to the recent development of new COVID-19 variants and with a return to pre-pandemic levels a few years

thereafter. If the recovery period for the industry is prolonged and demand deviates significantly negatively from the main scenario, this will require SAS to reduce costs even further and source additional funding including renegotiations of existing financing arrangements and other long-term credit facilities. However, the Board of Directors expects that the Group has sufficient liquidity to continue its operations for at least the coming 12 months and therefore continues to adopt the going concern basis in preparing the financial statements.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS APPLICABLE FOR FISCAL YEAR 2021

The IFRS Interpretations Committee (IFRS IC) published an agenda decision in April 2021 on configuration or customization costs in cloud computing arrangements. SAS has completed the review of the effects on the consolidated financial statements based on the IFRS IC's decisions and found that some previously reported intangible assets no longer meet the requirements to be reported as intangible assets. Adjustment has been made retroactively in accordance with the rules for changing accounting policies in IAS 8 and previous periods have been recalculated. The effects are presented below.

CONSOLIDATED BALANCE SHEET, TRANSITION EFFECT "IFRS IC'S – CLOUD COMPUTING ARRANGEMENT COSTS"

	Reported November 1, 2019	Adjusted, November 1, 2019	
MSEK			
		Adjustments	
Intangible assets	1,416	-649	767
Deferred tax assets	750	139	889
Shareholders' equity	5,372	-510	4,862

CONSOLIDATED BALANCE SHEET, "IFRS IC'S – CLOUD COMPUTING ARRANGEMENT COSTS"

	Reported October 31, 2020	Adjusted October 31, 2020	
MSEK			
		Adjustments	
Intangible assets	1,273	-594	679
Deferred tax assets	1,640	127	1,767
Shareholders' equity	10,490	-467	10,023

Note 1 continued

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CONSOLIDATED INCOME STATEMENT, "IFRS IC'S – CLOUD
COMPUTING ARRANGEMENT COSTS"

MSEK	Reported FY20	Adjustments	Adjusted FY20
Revenue	20,513	–	20,513
Personnel expenses	-7,969	–	-7,969
Jet-fuel costs	-5,626	–	-5,626
Air traffic charges	-1,872	–	-1,872
Other external expenses	-7,782	-65	-7,847
Depreciation, amortization and impairment	-6,822	119	-6,703
Income from shares in affiliated companies	7	–	7
Income from the sale of aircraft and other non-current assets	2	–	2
Operating income (EBIT)	-9,549	54	-9,495
Net financial items	-602	–	-602
Income before tax (EBT)	-10,151	54	-10,097
Tax	876	-11	865
Net income for the year	-9,275	43	-9,232

CONSOLIDATED CASH-FLOW STATEMENT, "IFRS IC'S
– CLOUD COMPUTING ARRANGEMENT COSTS"

MSEK	Reported FY20	Adjustments	Adjusted FY20
Cash flow from operating activities	-5,111	-65	-5,176
Cash flow from investing activities	-7,252	65	-7,187
Cash flow from financing activities	13,835	–	13,835
Cash flow for the year	1,472	0	1,472

KEY FIGURES

MSEK	Reported October 31, 2020	Adjustments	Adjusted October 31, 2020
Return on invested capital (ROIC)	-27%	-1%	-28%
Financial net debt/EBITDA	n/a	n/a	n/a
Financial preparedness	67%	0	67%
Equity/assets ratio	18%	0	18%

NEW AND AMENDED STANDARDS AND INTERPRETATIONS
THAT HAVE NOT ENTERED FORCE AND HAVE NOT BEEN
ADOPTED EARLY BY THE GROUP

No material new and amended standards, agenda decisions and interpretations have been issued for the accounting of the Group for fiscal years beginning on or after November 1, 2021.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Parent Company and the entities over which controlling influence is exercised by the Group. The Group controls a company when it is exposed to, or has rights to, variable returns from its participation in the company and is able to affect those returns through its influence over the company.

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

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

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

BUSINESS COMBINATIONS

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the acquisition date when controlling influence is achieved) of the assets transferred, liabilities incurred or assumed, and equity shares issued by the Group in exchange for control of the acquiree. Acquisition-related expenses are recognized in profit or loss when they are incurred. The cost also includes fair value at the acquisition date for the assets or liabilities that arise from any agreement governing a contingent consideration. Contingent considerations are classified either as equity or financial liabilities. Amounts classified as financial liabilities are remeasured each period at fair value, and any remeasurement gains or losses are recognized in profit or loss.

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

In business combinations where the sum of the cost, any non-controlling interests and fair value at the acquisition date for previously held equity exceeds fair value at the acquisition date for identifiable acquired net assets, the difference is recognized as goodwill in the balance sheet. Following a review of the difference, any negative difference is recognized directly in profit or loss as a gain from a bargain purchase.

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 interests has been adjusted and the fair value of the consideration paid or received is recognized directly in equity and distributed to the Parent Company's owners.

Loss of controlling influence

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

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

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INVESTMENTS IN AFFILIATED COMPANIES

Affiliated companies comprise all companies where the Group exercises significant but not controlling influence, which generally applies for share-holdings representing 20–50% of the votes. Affiliated companies are accounted for using the equity method.

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

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

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

SEGMENT REPORTING

The Group's operations are reported as one operating segment, which is consistent with the internal reporting to the Chief Operating Decision Maker (CODM), which is defined as SAS Group Management.

Geographic information about revenue from external customers and assets

The Group's operational monitoring of traffic revenue is destination based. 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. Sales generating other operating revenue are allocated geographically by source country.

In addition to the above, the Group's total revenue broken down by country of sales is presented in Note 2.

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

FOREIGN CURRENCY TRANSLATION

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

Transactions in currencies other than the entity's functional currency (foreign currencies) are remeasured at the exchange rates prevailing on the transaction dates. At each closing date, monetary assets and liabilities denominated in foreign currencies are retranslated at the closing-date exchange rates. Non-monetary items carried at fair value denominated in

foreign currencies are translated at the rates prevailing at the date fair value was determined. Non-monetary items that are measured in terms of cost in a foreign currency are not translated.

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

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

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

EXCHANGE RATES

			Closing rate		Average rate	
			Oct 31, 2021	Oct 31, 2020	FY21	FY20
Denmark	DKK	100	133.69	139.67	136.69	141.77
Norway	NOK	100	101.96	93.29	98.28	99.64
U.S.	USD		8.52	8.91	8.51	9.40
U.K.	GBP		11.75	11.52	11.65	12.03
Switzerland	CHF	100	935.43	972.88	931.53	982.71
Japan	JPY	100	7.50	8.55	7.81	8.71
EMU countries	EUR		9.94	10.40	10.17	10.58

FINANCIAL INSTRUMENTS, ACCOUNTING POLICIES

Financial assets

Financial assets are recognized in the consolidated balance sheet when the Group becomes a party under the contractual terms of the instrument. At the time of initial recognition, financial assets are measured at fair value and subsequently classified at amortized cost, fair value through other comprehensive income (FVTOCI) or fair value through profit and loss (FVTPL). The classification of financial assets depends on the characteristics of the asset and the business model in which it is held.

The fair value of a financial asset 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.

Amortized cost is calculated using the effective-interest method, where any premiums or discounts and directly attributable expenses and revenue

are capitalized over the contract period using the effective interest rate. The effective interest rate is the rate that yields the instrument's cost when calculating the present value of future cash flows.

Other financial assets at amortized cost

Financial assets are classified as recognized at amortized cost if the contractual terms give rise to payments that are solely payments of principal and of interest on the principal amount outstanding, and the financial asset is held in a business model aimed at holding financial assets to collect contractual cash flows. With the exception of derivatives, all of the Group's financial assets are recognized at amortized cost through application of the effective-interest method. For subsequent periods, the assets are measured at amortized cost reduced with impairment provisions.

Impairment of financial assets

The Group's financial assets measured at amortized cost are assessed for impairment based on expected credit losses (ECLs). Provisions for accounts receivable are always based on lifetime ECLs. If there is no expectation of collection, the full asset value is written off. Losses and write offs are recognized as expenses in the income statement.

Derivatives and hedge accounting

The Group uses derivatives to manage exposures related to fluctuations in interest rates, exchange rates and fuel prices. The derivatives used are mainly recognized pursuant to the rules for hedge accounting in IFRS 9. The Group's hedge instruments are designated as fair-value hedges and cash-flow hedges. Derivatives that do not meet the hedge accounting requirements are remeasured on an ongoing basis at FVTPL. Derivatives with positive values are recognized as current assets in the consolidated balance sheet, and derivatives with negative values are recognized as current liabilities.

For fair-value hedges, the effective and ineffective portions of the change in fair value of the derivative is recognized in net income for the year, together with the gain or loss on the hedged item attributable to the hedged risk.

When hedging projected cash flows, the effective portion of the change in fair value of the derivative outstanding is recognized in other comprehensive income until the underlying transaction is reflected in net income for the year, whereupon any deferred hedging gains or losses are restored in net income for the year. The ineffective portion of the change in fair value of a derivative used to hedge cash flow is recognized in net income for the year. Should hedged future transactions result in non-financial assets or liabilities, the gains and losses are included in the cost of the assets or liabilities upon initial recognition.

For measurement of effectiveness, an overall assessment is conducted of whether or not the hedging relationship is effective. The initial time value is treated as a cost for the hedging strategy and changes in the time value are recognized in other comprehensive income.

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Financial liabilities

Financial liabilities, excluding derivatives, are initially measured at fair value and subsequently at amortized cost using the effective-interest method.

Accounts payable

Accounts payable are expected to have short terms and are therefore categorized as short-term liabilities where the interest effect is negligible. The liabilities are carried at nominal amounts with no discounts.

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 years, as well as other current interest-bearing liabilities with a remaining tenor of less than one year.

Borrowings are initially recognized at fair value less transaction costs, and thereafter at amortized cost using the effective-interest method.

HYBRID BONDS

In October 2020, the MSEK 1,500 hybrid bond was exchanged for shares at 90% of par value. New hybrid bonds were issued in October 2020 to the governments of Denmark and Sweden for a total amount of MSEK 6,000. In October 2020, MSEK 2,250 of bond debt was converted into hybrid bonds with a par value of MSEK 1,615 and the remaining amount was exchanged for shares.

As all of the hybrid bonds are perpetual and since SAS controls the payment of interest and principal in the instruments, the bonds are classified as equity instruments in their entirety according to IAS 32. Transaction costs and interest attributable to the hybrid bonds are also recognized directly in shareholders' equity.

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 aircraft components 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 such as the obligatory major overhauls of engines and improvements to fixed assets are capitalized and depreciated together with the asset to which the work is related over its remaining useful life. Investments in leased premises are depreciated over their estimated useful lives, but not over a period exceeding the remaining lease period for leased premises.

Income from the sale or disposal of a tangible fixed asset is calculated as the difference between the net realizable 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 ²
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%.

2) Depreciation is based on the engines' use.

LEASES

SAS applies the accounting standard IFRS 16 – Leases, whereby the lessee recognizes an asset (a right-of-use asset) and a financial liability in the balance sheet. An expense for depreciation of the right-of-use asset is recognized in profit or loss together with an interest expense for the financial liability.

SAS applies IFRS 16 for all leases. IFRS 16 permits exceptions for short-term leases and where the underlying asset is of low value (<TUSD 5). Short-term leases are leases that at the commencement date have a lease term of 12 months or less and do not include a purchase option. Lease payments relating to short-term leases or low value leases will be recognized in the income statement over the lease term, primarily on a straight-line basis and recognized in EBIT as lease expenses.

AIRCRAFT

Lease term

Normally, the lease term used for aircraft lease agreements is the non-cancellable period stated in the lease agreement. Some lease agreements contain extension options or options to purchase the asset, and options are taken into consideration in the lease term if the Group is reasonably certain to exercise these options. The Group does not generally include options in the lease term, since there is a significant uncertainty as to whether they will be exercised. Closer to the end of the lease term and the relevant option, the Group has a better understanding of whether it is beneficial to start negotiations to keep the aircraft for an extended period. If the Group decides to use an extension option, or an option to purchase the asset, the lease liability will be remeasured. Other facts indicating that an option could be used are major modifications of the aircraft, such as a cabin facelift.

Discount rate

For new leases, the Group has chosen to apply the interest rate implicit in the lease. Aircraft lease agreements do not clearly define the implicit interest rate as defined by IFRS 16. Since the fair values of the aircraft are provided by third parties, SAS has decided to calculate the interest rate to be used for discounting the lease liabilities based on fair values available for the aircraft. The rate is calculated per contract. The rate implicit in the lease is defined as

the rate that causes the sum of the present value of lease payments and the present value of the residual value of the underlying asset at the end of the lease to equal the fair value of the underlying asset.

Sale & Leaseback

Sometimes SAS sells an aircraft to a lessor and leases back that asset from the lessor. In each transaction the Group determines if the transfer to the lessor qualifies as a sale according to IFRS 15. If the lease agreement between SAS and the lessor includes an option to buy back the aircraft, the initial transfer of the asset to SAS does not generally qualify as a sale. In that situation, the Group continues to report the aircraft as owned in the balance sheet with the corresponding financial liability applying IFRS 9. If the transfer qualifies as a sale, SAS applies the sale and leaseback rules in IFRS 16, whereby the right-of-use asset arising from the leaseback is measured at the proportion of the previous carrying amount of the asset that relates to the right of use retained by SAS. This means that only part of any gain/loss that relates to the transfer of the aircraft is recognized in profit or loss.

Costs for restoring the asset

SAS has an obligation to return the leased aircraft and their engines according to redelivery conditions specified in the lease agreement. If the condition of the aircraft and its engines, at the time of redelivery, differs from the agreed redelivery condition, the Group needs to settle the difference in cash to the lessor or maintain the aircraft and its engines so that it meets the agreed conditions.

Under IFRS 16, SAS has divided the maintenance costs into two main groups: costs incurred independent of the usage of the aircraft and costs incurred dependent on the usage of the aircraft.

Costs incurred independent of the usage of the aircraft are included in the right-of-use asset and provisions at the commencement date. These costs include the final check and painting required on return of the aircraft.

For costs incurred dependent on the usage of leased aircraft, SAS makes ongoing provisions related to the use. Please see detailed information in the section "Critical Accounting Estimates and Key Sources of Estimation Uncertainty" in Note 1. Maintenance costs for owned aircraft are capitalized and depreciated together with the asset to which the work is related. See more information in the section "Tangible fixed assets" in Note 1.

Wet Lease

SAS wet leases aircraft capacity from external operators. The Group accounts for each lease component separately from non-lease components. The consideration in the contract that has been allocated to the aircraft has been done based on the relative stand-alone price of the aircraft and the aggregate stand-alone price of the wet-lease services.

The lease term used for wet leased aircraft is the non-cancellable period stated in the lease agreements. Some contracts contain options, but they have not been included since there is a significant uncertainty to whether they will be exercised.

There is no material return obligation relating to the wet leased aircraft.

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PROPERTIES

Lease term

The lease term used for property lease contracts is the non-cancellable period stated in the lease agreements. Options to extend the lease term are not included, since there is a significant uncertainty as to whether they will be exercised.

Costs for restoring the asset

There is no material return obligation relating to the leased properties.

GROUND HANDLING EQUIPMENT

Lease term

The lease term used for ground handling equipment lease contracts is normally the non-cancellable period stated in the lease agreements. Some lease agreements contain extension options, and they have been included if the Group's assessment is that the options will be exercised.

OTHER ASSETS

Lease contracts that individually, or by asset class, are not material to the Group have been excluded from the right-of-use asset and lease liability. These contracts include leases for vehicles, smaller IT equipment and office equipment.

Temporary simplification rule for rent concessions

SAS applies the IASB amendments to IFRS 16 in regards to rent concessions that simplify how a lessee accounts for rent concessions that are a direct consequence of COVID-19. In applying the practical expedient, changes in lease payments in rent concessions ending on or before June 30, 2022 are not treated as a modification. The practical expedient has not had any effect on SAS' profit or loss in the period.

The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

INTANGIBLE ASSETS

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

Intangible assets are recognized in the balance sheet when:

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

Goodwill is recognized in the balance sheet as an intangible asset at cost less accumulated impairment losses. Goodwill represents the excess value over the fair value of the Group's share of identifiable acquired net assets at the acquisition date, of the cost of an acquisition, any non-controlling interests and fair value at the acquisition date or earlier shareholdings.

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 compares 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 weighted average cost of capital (WACC) for the particular businesses. Any impairment is recognized immediately in profit or loss.

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

EMISSION RIGHTS

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

IMPAIRMENT OF TANGIBLE, INTANGIBLE AND RIGHT-OF-USE ASSETS WITH DETERMINABLE USEFUL LIVES

The Group continuously evaluates whether any indications exist of a need for impairment of any tangible, intangible and right-of-use assets with determinable useful lives to identify any potential need for impairment. If any such indication is identified, the recoverable amount of the asset is calculated (or as part of the CGU to which it belongs) to determine the extent of any impairment loss.

The recoverable amount is defined as the higher of an asset's fair value less selling costs and the value in use (VIU).

If the estimated recoverable amount of the asset (or the CGU) is lower than its carrying amount, the carrying amount of the asset (or the CGU) is impaired. The recoverable amount is determined based on the type of asset.

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

INVENTORIES AND EXPENDABLE SPARE PARTS

Inventories and expendable spare parts are carried at the lower of cost or net realizable value. Cost is calculated using the weighted average cost. Net realizable values are calculated in part through verification with external parties and in part through internal estimates at SAS based on similar or previous sales of similar goods.

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 liability or asset recognized in the balance sheet for defined-benefit pension plans is the current value of the defined-benefit obligation at the end of the reporting period after deduction of the fair value of plan assets. The defined-benefit plan obligation is calculated each year by independent actuaries using the projected unit credit method. Pension costs for the year for defined-benefit pension plans comprise the present value of the current service cost plus net interest, which is calculated using the discount rate on the defined-benefit pension liability or pension assets, and recognized as a personnel expense in EBIT. All deviations in estimates are immediately recognized in other comprehensive income.

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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

The recognition of contractual revenue from customers follows a five-step model that requires revenue to be recognized when control over goods and services are transferred to the customer. All of the Group's customer contracts have been analyzed using the five-step model. The performance obligations identified are fulfilled at a defined point in time.

Passenger revenue

When SAS or another airline provides the transportation, in other words the flight, the Group meets its performance obligation toward the customer and the passenger revenue is recognized in profit or loss. During the period from the sale of an airline ticket until the completion of the flight, airline tickets sold are recognized as a short-term unearned transportation liability in the consolidated balance sheet. The Group assesses the estimated unearned transportation liability on an ongoing basis. More information is available under "Other traffic revenue."

Rebooking fees, that is fees for changing the time or destination of a booked airline ticket, are recognized as revenue in conjunction with the actual flight taking place.

Charter revenue

SAS has charter flight agreements with certain customers. As with passenger revenue, the Group discharges its performance obligation to the customer when transportation has been provided. Accordingly, charter revenue is recognized in profit or loss when the transportation has been provided.

Mail and freight revenue

The Group provides cargo services both on passenger planes and on commercial cargo flights. The performance obligation to the customer is discharged in conjunction with the provision of transportation. Accordingly, mail and freight revenue is recognized in profit or loss when the transportation has been provided.

Other traffic revenue

Other traffic revenue mainly includes preseating, excess baggage, unused tickets and revenue adjustments. Preseating and excess baggage are examples of ancillary revenue that are closely linked to air travel. These are recognized as revenue in conjunction with the actual flight.

The Group prepares monthly assessments of unutilized airline tickets. Unutilized and expired tickets are recognized as other traffic revenue based on historic usage data for unutilized tickets for the last 24 months. Any differences between previous months' assessments and actual outcomes are recognized in profit or loss.

The Group periodically evaluates the estimated short-term unearned transportation liability and records any resulting adjustments in other traffic revenue in the period in which the assessments 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.

Other operating revenue

Other operating revenue mainly includes revenue from in-flight sales, ground handling services, technical maintenance and sales of EuroBonus points.

In-flight sales are recognized as revenue in conjunction with the actual sale. Revenue from the performance of ground handling services and technical maintenance is recognized when the services are performed.

Sales of EuroBonus points to credit card partners are recognized as revenue in the same period that EuroBonus members use their credit cards and a EuroBonus liability arises in the consolidated balance sheet. Further information on the EuroBonus liability follows.

Loyalty program – EuroBonus

Membership in the Group's EuroBonus loyalty program enables customers to earn bonus points by flying with SAS and/or other Star Alliance companies as well as from purchases made from other business partners, such as car rental and credit card companies. The allocation of loyalty points is viewed as a separate identifiable transaction when purchasing airline tickets. As customers earn points, the EuroBonus liability increases in the consolidated balance sheet together with a corresponding decrease in revenue. The portion of the ticket price allocated to loyalty points is measured at the relative stand-alone price for the points and is not recognized as revenue until the period in which the obligation is met.

Contract assets and liabilities

IFRS 15 has introduced the terms "contract assets" and "contract liabilities." The Group presents contracts in the balance sheet as contract liabilities or contract assets depending on the relationship between the Group's performance and the customers' payments at the reporting date. Accrued income is included under contract assets, since the Group meets the performance requirement prior to receiving payment from customers. The unearned transportation liability and the loyalty program are recognized as contract liabilities since payments are received from customers before the performance obligation is discharged by the Group. Information about the discharge of performance obligations can be found earlier in this section under the headings "Passenger revenue" and "Loyalty program – EuroBonus."

As before, the unearned transportation liability is presented on a separate line in the consolidated balance sheet, while the loyalty program is presented under other liabilities (long-term). Refer to Note 24 for disclosures by the Group pertaining to contract assets and contract liabilities.

GOVERNMENT GRANTS AND CONTRACTS

Some of the legal entities in the SAS Group received support for temporary reductions in the workforce during the period as a result of COVID-19. In accordance with IAS 20, state grants are reported in the statement of income when there is reasonable assurance that the company will fulfill the conditions associated with the grants and that the grants will be received. Government grants have been reported as a reduction to personnel expenses in the periods for which the grant is intended to compensate for a total of MSEK 340 (788). SAS has also applied for support from the Danish, Swedish and Norwegian states regarding compensation for fixed costs, MSEK 880 (589) has been reported as a reduction of other external expenses. Aside from this, the Norwegian state has purchased capacity from SAS and other carriers in Norway on a commercial basis in order to maintain air services within Norway, which amounts to MSEK 92 (625).

BORROWING EXPENSES

Borrowing expenses that arise in operations are expensed in the period in which they are incurred. Borrowing expenses on aircraft pre-delivery payments (PDPs) are capitalized as part of the process of obtaining qualified production resources. If a decision is made to sell and lease back an asset, capitalization of interest expense ceases. Amortization of capitalized borrowing expenses commences when aircraft are put into service, as per the main principle for aircraft.

TAXES

Current tax for the period is based on net income for the period, adjusted for non-tax-deductible costs and non-taxable income. The current tax is calculated on the basis of tax rates applying on the closing date.

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

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

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

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

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CRITICAL ACCOUNTING ESTIMATES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in estimates are recognized in the period in which the change is made if the change affects only that period, or in the period in which the change is made and future periods if the change affects both 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 Group's reported earnings and financial position. For information about the carrying amount on the closing date, see the balance sheet with accompanying notes.

Estimated useful lives of tangible fixed assets

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

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

Impairment of assets

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

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

Pensions

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

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

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

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

Other financial assumptions are based on anticipated developments during the term of the obligation. The assessment of future salary adjustments corresponds to the assumed rate of inflation in the respective countries and life expectancies are set under DUS14 for Sweden and K2013 for Norway, refer to Note 15 for additional information.

The interest expense on the obligation and the expected return on plan assets are reported as "net interest," which is calculated using the discount rate. SAS classifies this net interest as a personnel expense and recognizes the net interest expense in profit or loss.

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

During the fiscal year, the discount rate was raised for all countries with the exception of Denmark, which retained the same discount rate, and the inflation assumption was raised for the Swedish pension plans from 1.5% to 1.9%. The total impact, primarily from changed discount rates and inflation, entailed a positive impact on other comprehensive income of SEK 0.6 billion. The return on plan assets has been higher than the discount rate, which entailed a positive impact on other comprehensive income of SEK 1.7 billion. Moreover, a positive item of SEK 0.4 billion was recognized under the item Experience gains/losses and was mainly attributable to the reduction in the number of active people during the year.

Sensitivity to changes in individual parameters can be estimated as follows: A one percentage point change in the discount rate of interest has approximately a SEK 2.7 billion impact on the obligation and a one percentage point change in the inflation assumption has an impact of about SEK 2.5 billion.

Deferred tax

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

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

Assumption regarding right-of-use assets – aircraft

SAS makes ongoing provisions related to use for undertakings arising in connection with aircraft leasing. The undertakings primarily pertain to engines, but also include landing gear, air frames and APUs. The financial impact is complex to assess as it depends on a large number of factors. Since provisions are made on an ongoing basis for larger mandatory overhauls of engines, landing gear, air frames and APUs, the risk of a return having a material impact on the Group's earnings is reduced.

Hybrid bonds

As all of the hybrid bonds are perpetual and since SAS controls the payment of interest and principal in the instruments, the bonds are classified as equity instruments in their entirety according to IAS 32.

Litigations

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

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PARENT COMPANY'S ACCOUNTING POLICIES

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

THE DIFFERENCES BETWEEN THE GROUP'S AND THE PARENT COMPANY'S ACCOUNTING POLICIES ARE LISTED BELOW:

Pensions: Current pension premiums are recognized as an expense.

Shares in subsidiaries and affiliated companies: Recognized at cost.

Acquisition-related expenses for subsidiaries, which are expensed in the consolidated financial statements, are included as part of the cost for holdings in subsidiaries.

Other shares and participations: Recognized at cost.

NOTE 2 REVENUE

REVENUE BY CATEGORY

	FY21	FY20
Traffic revenue:		
Passenger revenue	8,401	13,943
Charter revenue	384	564
Cargo revenue	1,166	877
Other traffic revenue	1,613	1,818
Total traffic revenue	11,564	17,202
Other operating revenue:		
In-flight sales	59	69
Ground handling services	455	598
Technical maintenance	108	127
Terminal and forwarding services	283	263
Sales commissions and charges	153	298
Other operating revenue	1,336	1,956
Total other operating revenue	2,394	3,311
Total	13,958	20,513

SAS recognizes passenger and charter revenue when the transportation has been performed, cargo revenue when the transportation has been completed and other revenue when the goods have been delivered or the service performed. The performance obligations identified are fulfilled at a defined point in time.

Refer to the above table for the Group's revenue broken down by category and to the table below for revenue broken down on a country basis for material sources of sales revenue.

REVENUE BY COUNTRY

Traffic revenue FY21	Sweden	Norway	Denmark	Other	Total
Passenger revenue	2,295	2,950	1,054	2,102	8,401
Charter revenue	178	64	142	0	384
Cargo revenue	186	122	210	648	1,166
Other traffic revenue	441	566	202	404	1,613
Total traffic revenue	3,100	3,702	1,608	3,154	11,564
Total other operating revenue	406	972	150	866	2,394
Total	3,506	4,674	1,758	4,020	13,958

Traffic revenue FY20	Sweden	Norway	Denmark	Other	Total
Passenger revenue	3,539	4,859	1,830	3,715	13,943
Charter revenue	176	226	162	0	564
Cargo revenue	113	104	146	514	877
Other traffic revenue	461	634	239	484	1,818
Total traffic revenue	4,289	5,823	2,377	4,713	17,202
Total other operating revenue	567	1,535	361	848	3,311
Total	4,856	7,358	2,738	5,561	20,513

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NOTE 3 PERSONNEL EXPENSES

AVERAGE NUMBER OF EMPLOYEES

In fiscal year 2021, the average number of employees in the SAS Group was 5,216 (7,568). A breakdown of the average number of employees by country is provided in the table below.

The average number of employees totaled 1,630 (2,434) in Denmark, 1,653 (2,132) in Norway, and 1,814 (2,792) in Sweden.

	FY21		FY20	
	Men	Women	Men	Women
Denmark	1,157	473	1,627	807
Norway	1,049	604	1,378	754
Sweden	1,093	721	1,660	1,132
Other countries	58	61	191	19
Total	3,357	1,859	4,856	2,712
Total men and women	5,216¹		7,568¹	

¹ In FY20 and FY21, the average number of FTEs was heavily impacted by temporary lay-offs implemented by SAS.

GENDER BREAKDOWN OF SENIOR EXECUTIVES IN THE GROUP

	Oct 31, 2021		Oct 31, 2020	
	Closing-date total	of which, men	Closing-date total	of which, men
Board members	35	60%	35	60%
President and other senior executives	32	72%	34	68%

SALARIES, REMUNERATION AND SOCIAL SECURITY EXPENSES

The SAS Group's total payroll expenses amounted to MSEK 5,631 (8,252), of which social security expenses comprised MSEK 848 (1,132) and pensions MSEK 631 (859).

Salaries, remuneration and social security expenses include restructuring costs of MSEK 0 (324).

During FY 2021 and FY 2020, SAS has used temporary lay-offs extensively in those countries where state support or furlough rules have applied, primarily Denmark, Norway and Sweden. Where the support for temporary lay-offs has entailed SAS defraying the payroll expenses and receiving state support, the support has not been deducted from the payroll expenses in the table below, which has resulted in the cost per FTE increasing dramatically when comparing the fiscal years with historical data. Only when the lay-off rules have entailed a direct reduction in salaries is this reflected in a lower payroll expense.

	FY21		FY20	
	Salaries & other remuneration ¹	Soc. sec. exp. (of which pension cost) ²	Salaries & other remuneration ¹	Soc. sec. exp. (of which pension cost) ²
SAS AB	15	13 (5)	17	14 (7)
SAS Consortium	2,889	1,178 (522)	4,295	1,547 (683)
Other subsidiaries	1,248	287 (104)	1,949	430 (169)
SAS Group, total	4,152	1,478 (631)	6,261	1,991 (859)

¹ Includes salary reductions as a result of lay-off support effective in 2020 and 2021. State support of MSEK 340 (788), received mainly for temporary lay-offs in Sweden, has not been deducted.

² The pension cost for all CEOs and other senior executives of SAS Group companies amounted to MSEK 14 (13).

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

	FY21		FY20	
	Board, CEO & senior executives (of which variable salary)	Other employees	Board, CEO & senior executives (of which variable salary)	Other employees
SAS AB	15 (-)	0	17 (-)	0
SAS Consortium	23 (-)	2,866	23 (-)	4,273
Ground handling operations	11 (-)	1,139	12 (-)	1,821
SAS Cargo	11 (-)	67	11 (-)	81
Other subsidiaries	6 (-)	13	6 (-)	17
SAS Group, total	66 (-)	4,085	69 (-)	6,192

	FY21	FY20
Pension costs		
Defined-benefit pension plans	34	51
Defined-contribution pension plans	597	808
Total	631	859

REMUNERATION AND BENEFITS PAID TO THE BOARD, PRESIDENT AND OTHER SENIOR EXECUTIVES

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

BOARD OF DIRECTORS

At the AGM of SAS AB on March 17, 2021, fees were set for the remuneration of Board members and for work on Board committees as follows:

Board Chairman	TSEK 630
Board First Vice Chairman	TSEK 420
Other Board members (9)	TSEK 320 per member
Deputy employee representatives (6)	TSEK 5 fee/Board meeting on participation
Chairman of Audit Committee	TSEK 100
Other members of Audit Committee (2)	TSEK 50
Chairman of Remuneration Committee	TSEK 80
Other members of Remuneration Committee (1)	TSEK 27

With the exception of the employee representatives and their deputies, no Board member was employed by the SAS Group in fiscal year 2021. No Board member not employed by the SAS Group received any remuneration or benefit from any SAS Group companies beyond customary airline-industry travel benefits and the fees received for board and committee duties.

POLICIES

The following remuneration policies adopted by the 2021 AGM have been applied in fiscal year 2021 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.

Total remuneration should be market-based and competitive and relate to responsibility and authority. Remuneration consists of fixed salary, variable remuneration by separate agreement, and other benefits and pension. The guidelines apply for employment contracts agreed after the 2021 AGM and amendments to existing employment contracts made thereafter.

Remuneration of senior executives is to consist of a fixed annual cash salary, which reflects the position's requirements with respect to qualifications, responsibilities, complexity and the manner in which it serves to reach the business objectives. The fixed salary also reflects the performance of the executive and can thus be both individual and differentiated. In addition to fixed salary, senior executives reporting to the President may, under separate agreements, receive variable salary (annual incentive systems) when fulfilling agreed performance criteria, provided that their fixed salaries are frozen for review for a defined period after payment of the variable salary. Any variable salary consists of an annual variable cash salary and may amount to a maximum of 20% of the fixed annual salary. Criteria fulfillment for awarding variable salary must be measured over a period of one year.

Other benefits, including company car, travel benefits and health insurance, are market-based and only constitute a limited part of the total

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remuneration. Premiums and other costs associated with such benefits may amount to a maximum of 10% of the fixed annual salary.

For the President, pension benefits, including health insurance, are defined-contribution with premiums not exceeding 40% of the fixed annual salary. For other members of Group Management, pension benefits, including health insurance, are defined-contribution unless the executive is encompassed by a defined-benefit pension under mandatory collective agreement provisions. Premiums for defined-contribution pensions are not to exceed 30% of the fixed annual salary. Variable remuneration qualifies for pension benefits to the extent required by mandatory collective agreement provisions applicable to the executive (applies to Sweden and defined-contribution pension). In such case, the premiums for defined-contribution pensions are not to exceed 36% of the fixed annual salary as a result of pension provisions for variable salary.

For the President and other members of Group Management, the notice period is six months in case of termination by the executive. In case of termination by the company, severance pay is payable in an amount corresponding to a maximum of one year's fixed salary less any remuneration received by the executive from new employments or assignments. The Board can depart from the guidelines if, in an individual case, particular reasons exist for so doing.

LIMITATIONS TO THE APPLICATION OF REMUNERATION POLICIES RESULTING FROM THE RECAPITALIZATION

Pursuant to the European Commission decision dated 14 August 2020, and until such time as 75% of the government-subscribed instruments as part of the recapitalization completed in October 2020 have been redeemed or sold, the senior executives are not entitled to increased salaries. Moreover, no variable compensation will be paid to senior executives.

In the event of any outcome from future annual incentive systems (AIS) to senior executives pursuant to the company's remuneration policies, the AIS remuneration will be reserved and not distributed until such time as 75% of the government-subscribed instruments as part of the recapitalization completed in October 2020 have been redeemed or sold.

PRESIDENT AND CEO

During the fiscal year 2021, the SAS Group has had three CEOs. Rickard Gustafson who stepped down on May 31, 2021, Karl Sandlund (acting) from May 1, 2021 until July 14, 2021 and Anko van der Werff from July 15, 2021 until further notice.

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

- An annual salary, which is normally subject to an annual salary review. The annual salary was not revised during the fiscal year 2021 and as such, amounted to TSEK 13,091.
- A defined-contribution pension plan where 40% of the fixed salary was paid as premiums to an agreed pension insurance. The retirement age is 65.
- Other benefits included company car, travel benefits, health insurance and group life insurance.

- The notice period was six months in the event the President resigned and 12 months if the termination of employment was by SAS AB. Severance pay for the President in the event employment was 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 was payable in an amount equivalent to 12 months' salary. Should new employment be obtained within 12 months of employment ending, the severance pay awarded is reduced by an amount corresponding to the remuneration received from the new position.

The acting President and CEO Karl Sandlund, had the following remuneration components during his tenure in addition to his employment contract as Chief Commercial Officer:

- A fixed monthly supplement of SEK 327,000.
- Other conditions such as pension, benefits and notice period follow the guidelines for other senior executives.

President and CEO Anko van der Werff has the following remuneration components in his employment contract:

- An annual salary, which is normally subject to an annual salary review. The annual salary was revised in conjunction with the appointment in July 2021 and amounted to TSEK 12,468.
- A defined-contribution pension plan where the corresponding 40% of the fixed salary is paid as cash remuneration on a cost-neutral basis for SAS. The Board has decided on an exception from the remuneration guidelines and, with regard to the CEO Anko van der Werff, has approved the exchange of pension premiums for the corresponding cash salary payments with the preconditions that this is cost-neutral for SAS and that EU rules on remuneration of senior executives are complied with, taking into account the importance of offering market-based and competitive total remuneration to meet the Company's long-term interests, including its sustainability.
- Other benefits included company car, travel benefits, health insurance and group life insurance.
- The notice period is six months in the event the President resigns and ten 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 four months' salary in accordance with a stair model where severance pay increases in line with time of employment and can be up to 12 months after five years' employment. 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.

OTHER SENIOR EXECUTIVES

The remaining current members of Group Management have defined-contribution pension plans where a pension provision of up to 30% of fixed base salary is made. The retirement age is 65 for all of the current members of the Group Management.

The notice period is six months in the event that the senior executive resigns and 12 months if employment is terminated by SAS AB. Severance pay is payable to the senior executives in the event employment is terminated by SAS AB for reasons other than material breach of contract, gross neglect of the senior executive's duties or criminal acts against the SAS Group in an amount equivalent to 12 months' salary, with offsetting against income from any other appointment or engagement. Severance pay is also payable on the resignation of a senior executive when the responsibilities or authorities of the senior executive are materially changed through organizational changes. However, severance pay in the above case is not payable if the senior executive is offered another relevant position in the SAS Group.

OTHER

For other standard managerial contracts at the SAS Group, total remuneration must be market-based and competitive and must be in relation to responsibility and authority.

In fiscal year 2021, total remuneration comprised fixed salary, other benefits and pension. Some 30 managers have participated in an annual incentive system for 2021.

Moreover, a variable remuneration model was introduced for management and employees in the sales organization in 2013. The variable salary component is based on outcomes in relation to predetermined individual sales targets that are set in a target contract and is capped at two months' salary.

DISCUSSION AND DECISION-MAKING PROCESS

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

The Board of Directors has established a Remuneration Committee. The Committee's duties include preparing principles for remuneration to Group Management and the Board of Directors' decisions to propose guidelines for remuneration to senior executives. The Board of Directors prepares proposals for new guidelines at least every fourth year, and submits it to the AGM for resolution. These guidelines apply until new guidelines have been adopted by the general meeting. The Remuneration Committee also monitors and evaluates programs for variable remuneration to Group Management, the application of the guidelines to senior executives as well as the current remuneration structures and compensation levels in the company. Remuneration to the President is decided by the Board of Directors in line with approved policies following preparation and recommendation by the Remuneration Committee. Remuneration to other senior executives is decided by the President in line with approved policies and after consultation with the Remuneration Committee. The members of the Remuneration Committee are independent in relation to the company and Group Management. The President and other members of Group Management do not participate in the Board of Directors' discussions and decisions on remuneration-related matters that pertain to them.

The Remuneration Committee held four minuted meetings in fiscal year 2021.

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DIRECTORS' FEES IN FISCAL YEAR 2021 (NOV–OCT), TSEK

Name	Board of Directors	Audit Committee	Remuneration Committee	Total FY21	Total FY20
Carsten Dilling	584		74	658	620
Dag Mejdell	123		8	131	390
Monica Caneman	296	93		389	367
Lars-Johan Jarnheimer	360	46	17	423	323
Sanna Suvanto-Harsaae	94			94	280
Liv Fiksdahl	94			94	280
Oscar Stege Unger	297	46		343	323
Kay Kratky	297			297	280
Michael Friisdahl	203			203	–
Henriette Hallberg Thygesen	203			203	–
Nina Bjornstad	203			203	–
Tommy Nilsson	296			296	162
Jens Lippestad	296			296	161
Christa Cerè	296			296	280
Endre Røros				–	117
Cecilia van der Meulen				–	117
Total	3,642	185	99	3,926	3,700

Fees to deputy employee representatives amounted to TSEK 24 (54).

REMUNERATION AND BENEFITS TO THE
PRESIDENT AND OTHER SENIOR EXECUTIVES
IN FISCAL YEAR 2021, TSEK

Name	Variable remuneration ²			
	Fixed salary ¹		Other benefits ³	Pension ⁴
Anko van der Werff ⁵	3,759	–	145	1,398
Karl Sandlund ⁶	1,681	–	1	554
Rickard Gustafson ⁷	6,655	–	89	2,712
Other ⁸	23,730	292	713	6,524
Total	35,825	292	948	11,188

1) Includes holiday compensation.

2) Pertains to AIS provisions for future payments in accordance with remuneration policies and the limitations resulting from the recapitalization and payment of variable compensation. For more information, see the section "Limitations to the application of remuneration policies resulting from the recapitalization".

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

4) Includes health insurance.

5) Refers to the period July 15 to October 31, 2021

6) Refers to the period May 1 to July 14, 2021

7) Refers to the period November 1, 2020 to April 30, 2021

8) Pertains to five members for the full fiscal year, refers to Karl Sandlund from November 1, 2020 to April 30, 2021 and July 15 to October 31 as well as Rickard Gustafson from May 1, 2021 to May 31, 2021.

REMUNERATION AND BENEFITS TO THE
PRESIDENT AND OTHER SENIOR EXECUTIVES
IN FISCAL YEAR 2020, TSEK

Name	Variable remuneration ²			
	Fixed salary ¹		Other benefits ²	Pension ³
Rickard Gustafson	12,538	–	137	5,227
Other ⁴	22,029	–	746	4,450
Total	34,567	–	883	9,677

1) Includes holiday compensation.

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

3) Includes health insurance.

4) Four members for the full fiscal year. One member for 11 months, one member for ten months, one member for four months and one member for two months.

NOTE 4 OTHER EXTERNAL EXPENSES

	FY21	FY20
Sales and distribution costs	768	1,352
Catering costs	373	572
Handling costs	963	1,405
Technical aircraft maintenance	1,459	1,865
Computer and telecommunication costs	976	1,210
Wet-lease expenses	581	912
Other	166	531
Total	5,286	7,847

NOTE 5 DEPRECIATION, AMORTIZATION AND
IMPAIRMENT

	FY21	FY20
Intangible assets	27	28
Right-of-use assets, depreciation	3,254	3,647
Right-of-use assets, impairment	–	170
Buildings and fittings	66	84
Aircraft, depreciation	1,383	1,657
Aircraft, impairment	–	1,040
Spare engines and spare parts	35	3
Workshop and aircraft servicing equipment	27	23
Other equipment and vehicles	25	51
Total	4,817	6,703

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NOTE 6 SHARE OF INCOME AND EQUITY IN AFFILIATED COMPANIES

	FY21	FY20
Income from shares in affiliated companies:		
Malmö Flygfraktterminal AB	10	7
Other	0	0
Total	10	7
Total revenue of affiliated companies	328	358
Income after tax in affiliated companies	24	17

Malmö Flygfraktterminal AB operates air cargo services in Malmö, Sweden. The affiliated company is closely linked to flight operations and shares in income are recognized in profit or loss.

	Oct 31, 2021	Oct 31, 2020
Equity in affiliated companies		
Opening cost	19	14
Contributions	1	4
Income from shares in affiliated companies	10	7
Dividends	-6	-5
Exchange-rate differences	0	-1
Closing accumulated cost	24	19

	Corporate registration number	Domicile	Share of equity %	Oct 31, 2021	Oct 31, 2020
Equity in affiliated companies:					
Malmö Flygfraktterminal AB	556061-7051	Malmö, Sweden	40.0	15	12
Other				9	7
Total				24	19
Total assets in affiliated companies				348	285
Total liabilities in affiliated companies				-281	-241
Shareholders' equity in affiliated companies				67	44

NOTE 7 INCOME FROM THE SALE OF AIRCRAFT AND OTHER NON-CURRENT ASSETS

	FY21	FY20
Airbus A320	-	-2
Airbus A350 (sale and leaseback)	-34	-
Boeing 737	-24	-
Engines (sale and leaseback)	-81	-
Buildings	-4	3
Total	-143	2

NOTE 8 NET FINANCIAL ITEMS

	FY21	FY20
Financial income		
Interest income on financial assets not measured at fair value	5	22
Interest income on financial assets measured at fair value	15	54
Other financial income	0	0
Exchange-rate differences lease liabilities, net	194	730
Total	214	806

	FY21	FY20
Financial expenses		
Interest expense on interest-bearing liabilities not measured at fair value	-539	-517
Interest expense on interest-bearing liabilities measured at fair value	-30	-100
Interest expense lease liabilities	-636	-691
Other financial expenses	-39	-100
Exchange-rate differences interest-bearing liabilities, net	-1	0
Total	-1,245	-1,408

Total net financial items -1,031 -602

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NOTE 9 TAX

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

	FY21	FY20
Current tax	-1	-2
Deferred tax	3	867
Total tax recognized in net income for the year	2	865
Tax recognized in other comprehensive income	-793	-110
Total tax recognized in other comprehensive income	-793	-110

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

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

	FY21	FY21 (%)	FY20	FY20 (%)
Income before tax (EBT)	-6,525		-10,097	
Tax according to rate in Sweden	1,396	21.4	2,161	21.4
Tax effect of non-tax-deductible costs	0	0	-5	0
Tax effect of non-taxable income	0	0	1	0
Tax effect of different tax rates	12	0.2	20	0.2
Tax effect of non-capitalized loss carryforwards	-1,571	-24.1	-1,245	-12.3
Other	165	2.5	-67	-0.7
Tax and effective tax rate for the fiscal year	2	0	865	8.6

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

	Oct 31, 2021	Oct 31, 2020
Deferred tax liability in the balance sheet:		
Non-current assets	1,414	1,498
Pensions	921	421
Other temporary differences	403	345
Cash-flow hedges	-12	-132
Netting of deferred tax assets/liabilities	-2,186	-1,850
Total	540	282

	Oct 31, 2021	Oct 31, 2020
Deferred tax assets in the balance sheet:		
Pensions	95	298
Other temporary differences	1,073	1,187
Tax loss carryforwards	2,144	2,132
Netting of deferred tax assets/liabilities	-2,186	-1,850
Total	1,126	1,767

	Oct 31, 2021	Oct 31, 2020
Reconciliation of deferred tax, net:		
Opening balance	1,485	567
Changed accounting policy, see Note 1	-	138
Change according to statement of income	3	867
Change in cash-flow hedging according to OCI	-137	48
Change in defined-benefit pension plans according to OCI	-656	-157
Exchange-rate differences, etc.	-110	22
Deferred tax, net, at October 31	585	1,485

On the closing date the Group had unutilized loss carryforwards of just less than MSEK 23,400 (16,000). Based on these loss carryforwards, the Group recognized a deferred tax asset of MSEK 2,144 (2,132). Deferred tax assets are recognized to the extent that there are factors indicating that taxable profits will be created. The assessment of the respective Group companies' future profit performance is based on earnings reported in recent years as well as improved profitability prospects. Of recognized loss carryforwards totaling MSEK 2,144, MSEK 641 pertains to operations in Denmark, MSEK 280 to Norway, MSEK 1,075 to Sweden and MSEK 147 to Ireland. For loss carryforwards amounting to MSEK 2,816 (1,259), no deferred tax asset is recognized due to uncertainty as regards future profit earnings. There are no expiration dates for the loss carryforwards.

Deferred tax liabilities mainly pertain to fixed assets, where fiscal values are lower than accounting values. In the future, a temporary difference pertaining to a fixed asset will change when the carrying amount and fiscal value matches or, alternatively, when the fixed asset is divested and a higher taxable gain arises. Pensions also give rise to deferred tax liabilities, since accounting and fiscal values are treated differently. SAS has chosen to recognize deferred tax net in the balance sheet as there is a legal right to offset at the same time as there is a strong legal connection between the deferred tax assets and deferred tax liabilities.

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.

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NOTE 10 INTANGIBLE ASSETS

	Goodwill		IT system		Total intangible assets	
	Oct 31, 2021	Oct 31, 2020	Oct 31, 2021	Oct 31, 2020	Oct 31, 2021	Oct 31, 2020
Opening cost	660	743	641	1,895	1,301	2,638
Changed accounting policy, see Note 1.	–	–	–	-1,267	–	-1,267
Investments	–	–	2	13	2	13
Sales/disposals	–	–	–	–	–	–
Exchange-rate differences	61	-83	–	–	61	-83
Closing accumulated cost	721	660	643	641	1,364	1,301
Opening amortization	-66	-75	-556	-1,147	-622	-1,222
Changed accounting policy, see Note 1.	–	–	–	619	–	619
Amortization and impairment for the year	–	–	-27	-28	-27	-28
Sales/disposals	–	–	–	–	–	–
Exchange-rate differences	-6	9	–	–	-6	9
Closing accumulated amortization	-72	-66	-583	-556	-655	-622
Opening impairment	–	–	–	–	–	–
Closing impairment	–	–	–	–	–	–
Carrying amount	649	594	60	85	709	679

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

	Oct 31, 2021	Oct 31, 2020
Goodwill:		
SAS Scandinavian Airlines Norway	649	594
Total goodwill	649	594

TESTING FOR IMPAIRMENT OF INTANGIBLE ASSETS

The value of the Group's intangible assets has been estimated through comparison with the recoverable amount, which is based on the Group's cash-generating value in use based on five-years' cash flow in the Group's business plan. A growth rate of +1.0% (+1.0) has been adopted for the period beyond the plan period.

The projected cash flows are based on assumptions regarding volume trends, unit revenue, operating margins and discount rates, which have been established by the management based on historical experience and market data. From and including fiscal year 2021, the assessment has been based on accounting pursuant to the accounting standard IFRS 16 – Leases, which has resulted in a decrease in the discount rate. The discount rate has been estimated based on a weighted capital cost of 7.6% (9.6) before tax, and of 6.3% (8.4) after tax. If lease liabilities had already been included in the discount rate last year, then based on the rate at that time, the discount rate would have been 8.0% before tax and 6.6% after tax. 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 margin still exists between the recoverable amount and carrying amount. Management therefore determined that there was no need for impairment of goodwill and other intangible assets at the close of October 2021.

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NOTE 11 TANGIBLE FIXED ASSETS

	Aircraft ^{1,2}		Engines & spare parts		Total aircraft and engines/spare parts	
	Oct 31, 2021	Oct 31, 2020	Oct 31, 2021	Oct 31, 2020	Oct 31, 2021	Oct 31, 2020
Opening cost	29,696	23,186	162	162	29,858	23,348
Investments	2,346	6,380	66	-	2,412	6,380
Sales/disposals	-4,956	-474	-	-	-4,956	-474
Reclassifications	-3,069	1,397	1,782	-	-1,287	1,397
Exchange-rate differences	-488	-793	-17	-	-505	-793
Closing accumulated cost	23,529	29,696	1,993	162	25,522	29,858
Opening depreciation	-14,150	-11,577	-78	-75	-14,228	-11,652
Depreciation and impairment for the year ³	-1,383	-2,697	-35	-3	-1,418	-2,700
Sales/disposals	2,109	5	-	-	2,109	5
Reclassifications	2,718	75	-331	-	2,387	75
Exchange-rate differences	45	44	0	-	45	44
Closing accumulated depreciation	-10,661	-14,150	-444	-78	-11,105	-14,228
Carrying amount	12,868	15,546	1,549	84	14,417	15,630

	Buildings and land		Other equipment & vehicles		Investment in progress		Workshop & servicing equipment, aircraft		Total other tangible fixed assets	
	Oct 31, 2021	Oct 31, 2020	Oct 31, 2021	Oct 31, 2020	Oct 31, 2021	Oct 31, 2020	Oct 31, 2021	Oct 31, 2020	Oct 31, 2021	Oct 31, 2020
Opening cost	1,317	1,341	447	433	7	14	460	434	2,231	2,222
Investments	-	1	1	24	3	22	5	49	9	96
Sales/disposals	-70	-	-54	-5	-4	-	-12	-	-140	-5
Reclassifications	4	3	-4	-	-3	-29	-24	-23	-27	-49
Exchange-rate differences	4	-28	-3	-5	-	-	-1	-	0	-33
Closing accumulated cost	1,255	1,317	387	447	3	7	428	460	2,073	2,231
Opening depreciation	-817	-772	-366	-340	-	-	-312	-308	-1,495	-1,420
Depreciation and impairment for the year	-66	-84	-25	-51	-	-	-27	-23	-118	-158
Sales/disposals	44	13	53	4	-	-	11	19	108	36
Reclassifications	-	12	3	-	-	-	4	-	7	12
Exchange-rate differences	8	14	3	21	-	-	-	-	11	35
Closing accumulated depreciation	-831	-817	-332	-366	-	-	-324	-312	-1,487	-1,495
Carrying amount	424	500	55	81	3	7	104	148	586	736

1) The insured value of aircraft at October 31, 2021 amounted to MSEK 44,685. This includes the insured value of leased aircraft in the amount of MSEK 29,778.

2) Modifications of leased aircraft are included in planned residual value in the amount of MSEK 130 (160).

3) At October 31, 2021, aircraft depreciation and impairment amounted to MSEK -1,383 (-2,697) and included impairment of MSEK 0 (-1,040) pertaining to aircraft under phase-out, see also Note 5.

SAS recognizes aircraft in the balance sheet as tangible fixed assets or as right-of-use assets. Leases defined in accordance with IFRS 16 are entered in the balance sheet as right-of-use assets (see Note 13). In cases where SAS acquires aircraft to thereafter sell and lease back, and where it is (essentially) certain that the asset will be bought back at the end of the period, the related liability that arises is treated as a financial liability pursuant to IFRS 9 and the asset is treated as a tangible asset pursuant to IAS 16.

CONTRACTUAL PURCHASE COMMITMENTS

The Group had the following commitments relating to future acquisition of tangible fixed assets. At October 31, 2021, contracted orders amounted to 35 Airbus A320neo and two Airbus A350-900 aircraft with delivery between 2022 and 2025 amounting to a total future purchase commitment, including spares, of MUSD 1,800. At the closing date, other purchase commitments totaled MSEK 18 (16). SAS has also entered into contracts for one A321LR aircraft that will be leased.

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NOTE 12 PREPAYMENTS FOR AIRCRAFT

	Prepayment	
	Oct 31, 2021	Oct 31, 2020
Opening cost	2,495	3,071
Investments	1,679	1,063
Capitalized interest	95	61
Sales/disposals	–	–
Reclassifications	-1,246	-1,595
Exchange-rate differences	-57	-105
Closing accumulated cost	2,966	2,495

MSEK 2,817 (1,764) pertains to prepayments for Airbus and MSEK 149 (731) prepayments for Other.

NOTE 13 RIGHT-OF-USE ASSETS

Right-of-use assets	Aircraft	Properties	Ground handling equipment	Total	
				FY21	FY20
Carrying amount November 1, 2019	–	–	–	–	16,718
Carrying amount November 1, 2020	14,500	2,401	363	17,264	–
New contracts	2,641	158	46	2,845	3,742
Contract modifications and index or interest rate changes to agreements	57	25	-15	67	649
Reclassifications	–	–	30	30	–
Currency revaluations	–	1	6	7	-28
Depreciation over the fiscal year	-2,755	-404	-95	-3,254	-3,647
Impairment over the fiscal year	–	–	–	–	-170
Closing balance, October 31, 2021	14,443	2,181	335	16,959	17,264

As of November 1, 2019, SAS has reported leases in accordance with IFRS 16 Leases and the previous standard, IAS 17 Leases, was replaced. The previous classification of each lease as either an operating lease or a finance lease is replaced by a model whereby the lessee recognizes an asset (a right-of-use asset) and an interest-bearing lease liability in the balance sheet. In conjunction with the transition to IFRS 16, SAS reported right-of-use assets of MSEK 16,718 as per November 1, 2019. For information on SAS' lease liabilities, see notes 23 and 31.

New contracts during the year with terms longer than 12 months are recognized under the line item *New contracts* and mainly comprised leases for four new A320neo, one A321LR and one A350-900 aircraft. Lease modifications mainly pertain to two aircraft contracts where the contract terms were extended during the year.

NOTE 14 FINANCIAL FIXED ASSETS

	Other holdings of securities		Other long-term receivables ¹		Total financial fixed assets	
	Oct 31, 2021	Oct 31, 2020	Oct 31, 2021	Oct 31, 2020	Oct 31, 2021	Oct 31, 2020
Opening cost	79	79	2,863	2,519	2,942	2,598
Contributions	–	–	220	903	220	903
Amortization	–	–	-1,447	-341	-1,447	-341
Reclassifications	–	–	–	–	–	–
Exchange-rate differences	–	–	-97	-218	-97	-218
Closing accumulated cost	79	79	1,539	2,863	1,618	2,942
Opening impairment	-70	-70	–	–	-70	-70
Impairment	–	–	–	–	–	–
Closing accumulated impairment	-70	-70	–	–	-70	-70
Carrying amount	9	9	1,539	2,863	1,548	2,872

¹⁾ The carrying amount includes blocked bank funds of MSEK 847 (2,223).

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NOTE 15 POST-EMPLOYMENT BENEFITS

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

	Oct 31, 2021	Oct 31, 2020
Pension funds in the balance sheet		
Present value of funded obligations	-16,508	-18,238
Fair value of plan assets	23,408	21,768
Surplus in funded plans	6,900	3,530
Present value of unfunded obligations	-307	-358
Surplus in defined-benefit pension plans (net pension funds)	6,593	3,172
Recognized in profit or loss pertaining to¹	FY21	FY20
Defined-benefit pension plans	-34	-51
Defined-contribution pension plans	-597	-808
	-631	-859
Remeasurements of defined-benefit pension plans ²	2,655	752

1) Expenses recognized in profit or loss include the current service cost, past service cost, net interest expense and gains and losses on settlements.

2) Recognized under other comprehensive income, net after tax.

DEFINED-BENEFIT PENSION PLANS

Most personnel pension plans in Scandinavia are now defined-contribution based. Defined-contribution pension plans are in place for the majority of personnel in Denmark and Norway, and in Sweden for aircraft crew, younger salaried employees and personnel covered by the SAF-LO collective agreement. The majority of the remaining defined-benefit pension plans are secured through insurance companies in the respective countries. In Sweden, pension plans are mainly placed with Alecta and Euroben, in Denmark with Danica and in Norway with DNB. Premiums for defined-benefit retirement pensions are individual and depend, inter alia, on the insured party's age, salary and previously vested pension rights. Expected fees in the next fiscal year (FY 2022) for defined-benefit pension plans under the Alecta plan are expected to amount to about MSEK 31. The collective consolidation level comprises the market value of Alecta's assets as a percentage of insurance undertakings estimated pursuant to Alecta's actuarial assumptions, which do not comply with IAS 19. Collective consolidation, in the form of a collective consolidation level, is normally permitted to range between 125% and 175%. If Alecta's collective consolidation level falls below 125% or exceeds 175%, actions must be taken to create conditions enabling the consolidation level to revert to the normal interval. Alecta's surplus can be allocated to the policy holders or the insured parties if the collective consolidation level exceeds

175%. However, Alecta applies reductions in premiums to avoid an excessive surplus arising. At the end of the fiscal year, Alecta's surplus in the form of the consolidated collective consolidation level was 169% (144). According to a statement by the Swedish Financial Reporting Board, UFR 10, this constitutes a multi-employer defined-benefit plan and 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 allocated share of the Alecta plan's commitments, plan assets and costs in accordance with IAS 19 rules regarding defined-benefit pension plans. SAS therefore reports net defined-benefit assets since the future economic benefits are available to SAS in the form of future reductions in premiums, cover for future pension indexing or a cash refund.

IAS 19 – *Employee Benefits* entails that all deviations in estimates are to be immediately recognized in other comprehensive income. Furthermore, the discount rate on the defined-benefit plan obligation or pension asset is calculated net, and this net interest expense is recognized by SAS as a personnel expense in profit or loss. SAS reports special payroll tax in line with the rules in IAS 19, which means that those actuarial assumptions made in the calculation of defined-benefit pension plans must also include taxes payable on pension benefits.

As per October 31, 2021, the remaining pension plans in Sweden reported a surplus of just over SEK 5.4 billion and, accordingly, special payroll tax was recognized for the surplus. At October 31, 2021, special payroll tax totaled about SEK 1.3 billion (0.7).

Defined-benefit pension plans	FY21	FY20
Current service cost	-66	-91
Past service cost and gains and losses on settlements	1	17
Interest expense on pension obligations	-213	-286
Interest income on plan assets	242	309
Payroll tax	2	0
Total impact recognized in profit and loss for defined-benefit pension plans	-34	-51

The above earnings effect is recognized in its entirety as personnel expenses.

Changes in the present value of defined-benefit plan obligations	Oct 31, 2021	Oct 31, 2020
Opening balance, pension obligations	18,596	19,581
Current service cost	66	91
Settlements	-348	-79
Interest expense	213	286
Reclassification	-	-
Pensions paid out	-771	-827
Exchange-rate differences	45	-171
	17,801	18,881
Remeasurements		
– Gain/loss (-/+) from change in demographic assumptions	19	43
– Gain/loss (-/+) from change in financial assumptions	-645	-156
– Experience gains/losses (-/+)	-360	-172
Closing balance, pension obligations, October 31	16,815	18,596

Change in fair value of plan assets	Oct 31, 2021	Oct 31, 2020
Opening balance, plan assets	21,768	21,585
Settlements	-344	-61
Interest income	242	309
Contributions/premiums paid	42	169
Other expenses/revenue	-1	-
Reclassification	-	-
Pensions paid out	-710	-719
Exchange-rate differences	26	-139
	21,023	21,144
Remeasurements		
– Special payroll tax	639	207
– Return on plan assets (excluding amounts included in interest income)	1,746	417
Closing balance, plan assets, October 31	23,408	21,768

Change in pension funds (net)	Oct 31, 2021	Oct 31, 2020
Opening balance, pension funds (net)	3,172	2,004
Total recognized in net income for the year	-34	-51
Reclassification	-	-
Remeasurements	2,732	702
Contributions/premiums paid	103	278
Special payroll tax	639	207
Exchange-rate differences	-19	32
Closing balance, pension funds (net), October 31	6,593	3,172

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Breakdown of the defined-benefit plan obligations and plan assets by country	Oct 31, 2021					Oct 31, 2020				
	Sweden	Norway	Denmark	Other	Total	Sweden	Norway	Denmark	Other	Total
Present value of obligation	-15,297	-248	-24	-1,246	-16,815	-16,604	-278	-71	-1,643	-18,596
Fair value of plan assets	21,998	–	32	1,378	23,408	20,000	–	73	1,695	21,768
Pension funds (net)	6,701	-248	8	132	6,593	3,396	-278	2	52	3,172

Remeasurements — analysis of amounts recognized under other comprehensive income	FY21	FY20
– Gain/loss (+/-) from change in demographic assumptions	-19	-43
– Gain/loss (+/-) from change in financial assumptions	645	156
– Experience gains/losses (+/-)	360	172
– Special payroll tax	639	207
– Return on plan assets (excluding amounts included in interest income)	1,746	417
Total remeasurements	3,371	909

During the fiscal year, the discount rate was raised for all countries with the exception of Denmark, which retained the same discount rate and the inflation assumption was raised for the Swedish pension plans from 1.5% to 1.9%. The total impact, primarily from changed discount rates and inflation, entailed a positive impact on other comprehensive income of SEK 0.6 billion. The return on plan assets has been higher than the discount rate, which entailed a positive impact on other comprehensive income of SEK 1.7 billion. Moreover, a positive item of SEK 0.4 billion was recognized under the item Experience gains/losses and was mainly attributable to the reduction in the number of active people during the year.

ACTUARIAL ASSUMPTIONS

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

In calculating pension obligations, the current service cost and return on plan assets, locally set parameters are applied in the respective countries on the basis of the local market situation and expected future trends. This

means that the parameters are based on market expectations at the end of the reporting period regarding the time period in which the obligation will be settled.

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

Other financial assumptions are based on anticipated developments during the term of the obligation. The assessment of future salary adjustments corresponds to the assumed rate of inflation in the respective countries and life expectancies are set under DUS14 (DUS14) for Sweden and K2013 (K2013) for Norway.

Key actuarial assumptions	Oct 31, 2021					Oct 31, 2020				
	Sweden	Norway	Denmark	Other	Total	Sweden	Norway	Denmark	Other	Total
Discount rate	1.80%	2.10%	0.00%	1.95%	1.82%	1.15%	1.25%	0.00%	1.42%	1.18%
Inflation	1.90%	0–1.75%	1.75%	3.90% ¹⁾	1.90%	1.50%	0–1.75%	1.75%	3.20% ¹⁾	1.50%
Salary growth rate	2.00%	–	1.75%	–	2.00%	2.00%	–	1.75%	–	2.00%
Pension growth rate	1.90%	0–1.75%	1.75%	3.70%	2.04%	1.50%	0–1.75%	1.75%	3.10% ¹⁾	1.62%

1) Pertains solely to UK plans.

The average duration of defined-benefit pension plans was as follows:	Sweden	Norway	Denmark	Other
Fiscal year 2021	13.7	9.4	5.8	17.0
Fiscal year 2020	14.6	9.4	5.2	16.1

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	Oct 31, 2021		Oct 31, 2020	
	Total	%	Total	%
Plan assets are comprised as follows¹:				
Alecta (Sweden):				
Equities, of which 43% (42) is invested in Swedish equities	3,731	36	3,270	35
Interest-bearing securities	5,286	51	4,951	53
Properties	1,348	13	1,121	12
	10,365	100	9,342	100
Euroben (Sweden):				
Equities, of which 30% (30) is invested in Swedish equities	2,476	24	2,276	23
Interest-bearing securities	6,705	65	6,289	63
Properties	–	–	–	–
Other	1,135	11	1,418	14
	10,316	100	9,983	100
Danica (Denmark):				
Equities	5	16	10	14
Interest-bearing securities	24	75	57	78
Properties	3	9	6	8
	32	100	73	100
Other countries:				
Equities	165	12	355	21
Interest-bearing securities	325	24	845	50
Other	888	64	495	29
	1,378	100	1,695	100

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

Membership statistics at October 31, 2021	Active employees	Taken early retirement	Deferred pensioners	Pensioners
The Alecta plan	1,549	129	3,166	3,865
Euroben	25	–	398	1,068
Other plans in Sweden (unfunded)	–	–	–	27
DnB	–	–	–	614
Danica	2	–	–	4
Other	–	–	367	308
Total	1,576	129	3,931	5,886

The effect on/sensitivity of the defined-benefit pension obligation to changes in the key assumptions, MSEK:	Sweden	Norway	Denmark	Other	Total
Discount rate, -1%	2,437	14	2	243	2,696
Inflation, +1% ¹	2,480	2	0	64	2,546
Salary, +1%	82	0	0	0	82

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

¹) Corresponds with sensitivity in terms of pension increases.

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NOTE 16 INVENTORIES AND EXPENDABLE SPARE PARTS

	Oct 31, 2021	Oct 31, 2020
Expendable spare parts, flight equipment	342	458
Expendable spare parts, other	43	19
Inventories	27	33
Total	412	510
Measured at cost	239	510
Measured at net realizable value	173	–
Total	412	510

NOTE 17 ACCOUNTS RECEIVABLE

Net impairment of accounts receivable and recovered accounts receivable, as well as the impairment of other current receivables, had an earnings impact of MSEK 10 (-35).

	Oct 31, 2021	Oct 31, 2020
Age analysis of accounts receivable		
Accounts receivable not yet due	935	247
Due <31 days	99	39
Due 31–90 days	-10	11
Due 91–180 days	-16	16
Due >180 days	60	5
Total	1,068	318

	Oct 31, 2021	Oct 31, 2020
Provision for expected credit losses on accounts receivable		
Opening provision	54	32
Provision for expected losses	–	26
Reversed provisions	-4	-3
Actual losses	–	-1
Closing provision	50	54

NOTE 18 OTHER RECEIVABLES

	Oct 31, 2021	Oct 31, 2020
Derivatives	21	155
Other receivables	1,422	645
Total	1,443	800

NOTE 19 PREPAID EXPENSES AND ACCRUED INCOME

	Oct 31, 2021	Oct 31, 2020
Prepaid expenses	211	275
Accrued income	382	198
Total	593	473

Accrued income is categorized as contract assets. Further information is provided in Note 24.

NOTE 20 CASH AND CASH EQUIVALENTS

	Oct 31, 2021	Oct 31, 2020
Cash and bank balances	4,182	8,926
Treasury bills	–	–
Deposits	–	–
Commercial paper	–	1,235
Tax deduction account in Norway	86	70
Total	4,268	10,231

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. Short-term investments are categorized as financial assets at amortized cost.

All investments have a term of no more than three months.

Disclosure of interest paid

During the year, interest received amounted to MSEK 22 (92), of which MSEK 17 (71) pertained to forward premiums for currency derivatives. During the year, interest paid amounted to MSEK 602 (785), of which MSEK 15 (122) pertained to forward premiums for currency derivatives.

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NOTE 21 SHAREHOLDERS' EQUITY

SHARE CAPITAL

SAS AB has three classes of shares: common shares, subordinated shares and class C shares.

At October 31, 2021, there were 7,266,039,292 common shares issued with a quotient value of about SEK 1.19, representing a registered share capital of SEK 8,649,529,469.

There are no subordinated shares or class C shares issued or outstanding. Common shares and subordinated shares entitle the holders to one vote each. Each class C share entitles the holder to one-tenth of a vote.

The maximum number of common shares and subordinated shares that may be issued is limited to a number that corresponds with 100% of the company's share capital. The maximum number of class C shares that may be issued is limited to 5% of the share capital. The common shares provide shareholders the rights set out in the Swedish Companies Act and the Articles of Association. Subordinated shares provide shareholders the right to participate in and vote at the company's shareholders' meetings. Subordinated shares do not entitle shareholders to dividends or participation in bonus issues. If subordinated shares are redeemed or the company is dissolved and its assets distributed, holders of subordinated shares are treated as holders of common shares and receive an equal share in the company's assets, although not at an amount higher than the quotient value of the subordinated shares index-adjusted from the first date of registration of the subordinated shares until the date of the payment of the redemption amount or the date of the distribution with an interest-rate factor corresponding to STIBOR 90 days plus two percentage points.

Class C shares do not entitle the holder to dividends. If the company is dissolved, class C shares entitle the holder to equal parts of the company's assets as the company's common shares, however not for an amount that exceeds the share's quotient value. The company's Board has the right to reduce the share capital by redeeming all class C shares. If such a decision is taken, class C shareholders are obligated to redeem all of their class C shares for an amount corresponding to the quotient value. The redemption amount is to be paid immediately. Class C shares held as treasury shares by the company will, on demand by the Board, be eligible for conversion to common shares. Thereafter, the conversion is to be registered with the Swedish Companies Registration Office without delay and is effective when it has been registered with the Register of Companies and noted in the Central Securities Depository Register.

To ensure that the ownership circumstances of the company comply with the requirements stipulated in bilateral air traffic 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. Where such a redemption is not possible or where the Board finds it inadequate and following approval by a shareholders' meeting supported by not less than half of the votes cast, the issued warrants may be used to issue subordinated shares to Scandinavian shareholders to

dilute the non-Scandinavian shareholdings to the requisite level to ensure compliance with the aforementioned regulations.

OTHER CONTRIBUTED CAPITAL

Comprises equity contributed by the owners. Includes share premiums paid in conjunction with issues.

RESERVES

	2021	2020
Translation reserve		
Opening translation reserve	-231	-71
Translation differences for the year	39	-160
Closing translation reserve, October 31	-192	-231
Hedging reserve		
Opening hedging reserve	15	183
Cash-flow hedges:		
– Recognized directly in other comprehensive income	465	-1,715
– Change in statement of income	166	1,499
– Tax attributed to year's change in hedging reserve	-135	48
Closing hedging reserve, October 31	511	15
Total reserves		
Opening reserves	-216	112
Change in reserves for the year:		
– Translation reserve	39	-160
– Hedging reserve	496	-168
Closing reserves, October 31	319	-216

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.

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 transpired.

HYBRID BONDS

In October 2020, the MSEK 1,500 hybrid bond was exchanged for shares at 90% of par value. New hybrid bonds were issued in October 2020 to the governments of Denmark and Sweden for a total amount of MSEK 6,000. In October 2020, MSEK 2,250 of bond debt was converted into hybrid bonds with a par value of MSEK 1,615 and the remaining amount was exchanged for shares.

MSEK	
Hybrid bonds, state	6,000
Hybrid bond	1,615
Total	7,615

The hybrid bonds issued to the governments of Denmark and Sweden (MSEK 2,500 each) and to the Danish government (MSEK 1,000) carry a floating coupon of 6M STIBOR plus a margin of 440 bps and 540 bps respectively.

The current margin applies from October 26, 2021 until October 26, 2023. Thereafter, the margin increases every two years until the eighth year. No further increase in the margin applies after the eighth year. The state hybrid bonds are subordinated and only senior to the share capital.

The hybrid bond of MSEK 1,615 carries a floating coupon of 6M STIBOR plus a margin of 440 bps. The current margin applies from October 23, 2021 until October 23, 2023. Thereafter, the margin increases every two years until the eleventh year. No further increase in the margin applies thereafter and all of the hybrid bonds are perpetual and SAS controls the payment of interest and principal in the instruments.

RETAINED EARNINGS

Encompass net income for the year and profits earned in the Parent Company and its Group companies. Retained earnings also includes revaluations related to post-employment benefits.

DIVIDEND POLICY

At October 31, 2021, SAS AB had one share class listed. SAS' overriding goal is to create shareholder value. Dividends require a resolution by a shareholders' meeting, and that SAS AB has distributable earnings. Dividends to holders of common shares can only be paid when value is created through SAS' ROIC exceeding its WACC. The Group's financial position, earnings, expected performance, investment requirements and relevant economic conditions should also be taken into account. The dividend should take into account any restrictions applying to the Group's right to distribute dividends to shareholders¹⁾. The dividend policy endeavors to achieve long-term sustainable dividends.

1) Over the fiscal year, SAS has received various forms of COVID-19 pandemic-related state aid, which are conditional on SAS not distributing funds to shareholders. Moreover, the European Commission's approval of the aid encompassed by SAS' recapitalization plan includes, inter alia, such a prohibition on distributing dividends to shareholders, which ceases to apply once the instruments signed by the states under SAS' recapitalization plan have been fully redeemed or sold.

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NOTE 22 INTEREST-BEARING LIABILITIES

Maturity profile for interest-bearing liabilities

	FY22	FY23	FY24	FY25	FY26	FY27>	Oct 31, 2021	Oct 31, 2020
Subordinated loans	–	–	–	–	–	1,190	1,190	1,237
Bonds	99	–	–	–	–	–	99	517
Other loans	3,772	1,541	3,130	535	1,613	4,980	15,571	13,238
Total	3,871	1,541	3,130	535	1,613	6,170	16,860	14,992
Less amortization FY21 and FY20							-3,871	-3,773
Total							12,989	11,219

SUBORDINATED LOANS

A subordinated loan of MCHF 200 was issued during fiscal year 1986. There is no set maturity date for this loan. The interest rate is fixed for ten-year periods and amounts to 0.625% from January 2016. 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 the nominal value.

In previous years, SAS repurchased MCHF 73 of the bonds, after which the balance of the loan is MCHF 127 (127), with a countervalue of MSEK 1,190 (1,237).

The bond 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 21 (29), with a countervalue of MSEK 247 (278). Fair value has been established entirely by the use of official price quotes.

BONDS

In May 2001, a MEUR 1,000 European Medium-Term Note program was established. The EMTN program makes it possible for the Group to issue bonds with fixed or floating interest rates in any currency. On the closing date, the SAS Group's issued bonds amounted to MSEK 99 (517). A specification of individual bond loans is provided below:

Original amount issued	Coupon rate	Term	Debt outstanding, currency	Oct 31, 2021		Oct 31, 2020	
				Carrying amount	Fair value	Carrying amount	Fair value
MEUR 30.0	4.0% ¹⁾	2017/22	MEUR 5	99	100	52	52
MEUR 10.0	4.0% ¹⁾	2016/21	MEUR 10	–	–	103	107
MEUR 35.0	4.4% ¹⁾	2018/20	MEUR 34.7	–	–	362	362
Total				99	100	517	521
Less amortization FY21 and FY20				-99	-100	-413	-414
Total				0	0	104	107

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

The debt outstanding in currency and the carrying amount in MSEK correspond with the amortized cost. The Group has entered into currency derivatives agreements for some of these bonds for the purpose of limiting currency risk. The fair value has been established in part by the use of official price quotes, and partly by discounting cash flows at quoted interest rates.

OTHER LOANS

	Oct 31, 2021		Oct 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Aircraft financing liabilities	12,275	13,400	11,620	12,725
Norwegian State guaranteed term loan	1,519	1,546	–	–
Other long-term loans	561	574	202	206
Short-term loans	1,016	1,022	351	344
Accrued interest	165	165	125	125
Derivatives	35	35	940	940
Total before amortization	15,571	16,742	13,238	14,340
Less amortization FY21 and FY20	-3,772	-3,977	-3,360	-3,571
Total other loans	11,799	12,765	9,878	10,769

	FY22	FY23	FY24	FY25	FY26	FY27>	Total
Maturity profile of other loans							
Aircraft financing liabilities	2,486	1,056	1,604	536	1,613	4,980	12,275
Norwegian State guaranteed term loan	–	-7	1,526	–	–	–	1,519
Other short-term loans	70	491	–	–	–	–	561
Current liabilities	1,216	–	–	–	–	–	1,216
Total	3,772	1,540	3,130	536	1,613	4,980	15,571

Other loans are recognized at amortized cost.

Aircraft financing liabilities denominated in USD amounted to MSEK 12,275, other loans are mainly denominated in NOK, EUR and DKK. Aircraft financing liabilities include some liabilities linked to assets subject to title reservation agreements. The average interest rate on the closing date amounted to 5.35% for aircraft financing liabilities and 1.85% for other loans.

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NOTE 23 INTEREST-BEARING LEASE LIABILITIES

	Oct 31, 2021	Oct 31, 2020
Non-current lease liabilities	13,231	13,499
Current lease liabilities	2,833	3,105
Total	16,064	16,604

Lease liabilities	FY22	FY23	FY24	FY25	FY26	FY27>	Oct 31, 2021	Oct 31, 2020
Aircraft	2,942	2,654	2,181	1,858	1,779	4,177	15,591	15,983
Properties	392	418	346	306	263	802	2,527	2,674
Ground handling equipment	102	113	64	35	22	35	371	399
Total	3,436	3,185	2,591	2,199	2,064	5,014	18,489	19,056
Discounting effect	-603	-496	-395	-311	-235	-385	-2,425	-2,452
Total	2,833	2,689	2,196	1,888	1,829	4,629	16,064	16,604

The Group leases aircraft, properties and ground handling equipment for which the present values of contractual lease commitments have been reported as interest-bearing liabilities. The terms of the above contracts extend for 1–12 years and are subject to various conditions, such as linking to different indices as well as interest rates. Lease liabilities are denominated in the following currencies: USD (MSEK 13,586), SEK (MSEK 1,020), NOK (MSEK 907), DKK (MSEK 540) and other currencies (MSEK 11). For more information about assets leased by the Group (right-of-use assets), see Note 13.

Amortization of lease liabilities amounted to MSEK 2,788 (3,082) for the year and the interest expense on lease liabilities was MSEK 636 (691) for the year. Remeasurement of currencies in lease liabilities had a positive impact on earnings of MSEK 194 (730) for the year. During the year, the Group had rental costs linked to short-term contracts and variable fees as well as for low value assets amounting to MSEK 142 (147).

NOTE 24 CONTRACT ASSETS AND LIABILITIES

The Group has identified contract assets, which are recognized as accrued income, refer to Note 19. The identified contract assets pertain mainly to cargo revenue and EuroBonus points sold that have yet to be invoiced to customers.

The Group has identified the following contract liabilities:

	Oct 31, 2021	Oct 31, 2020
Unearned transportation liability	4,702	5,346
Loyalty program	1,715	1,999

The unearned transportation liability and the loyalty program are recognized as contract liabilities since payments are received from customers before the performance obligation is discharged by the Group. Information about the discharge of performance obligations can be found in Note 1 under the headings "Passenger revenue" and "EuroBonus."

The unearned transportation liability was MSEK 4,702 (5,346) at October 31. Future, unmet, performance obligations are expected to be essentially discharged in the 12 months following October 31, 2021. During the year, MSEK 1,577 (3,750) of the year's opening liability was recognized in revenue.

The liability pertaining to the EuroBonus loyalty program was MSEK 1,715 (1,999) at October 31. EuroBonus points earned are valid for five years. Since uncertainty exists in terms of when the EuroBonus points will be used, the whole liability is recognized as long-term. The Group's assessment is that one fifth of the EuroBonus points will be used and recognized as revenue within 12 months from October 31, 2021 and the remainder at a declining rate over future years. During the year, MSEK 423 (341) of the year's opening liability was recognized in revenue.

NOTE 25 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 financial 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. Under the current uncertain and volatile market conditions SAS has temporarily adjusted the financial policy with regard to the hedging ratio for jet fuel. The exception applies for FY 2022 and permits hedging between 0 and 80% of the anticipated volumes for the next 12 months.

The main financial derivatives used for hedging jet fuel are options and swaps. As of October 31, 2021, the Group had signed derivative agreements covering approximately 0% of the Group's forecast jet-fuel requirement for November 2021–October 2022. In November 2020–October 2021, jet-fuel-related costs accounted for 12% of the Group's operating expenses (including leases, amortization and depreciation), compared with 19% in November 2019–October 2020.

CURRENCY RISK

The SAS Group has currency exposure both to transaction risk and to 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 40–80% of a 12-month rolling liquidity forecast. Future contracted aircraft purchases denominated in USD can be hedged by up to 80% of the contracted amount. Additionally, future aircraft sales can be hedged with currency derivatives and loans in USD in an amount up to 80% of the carrying amounts of the aircraft fleet. As of October 31, 2021, the Group had signed agreements for derivatives covering approximately 42% of the Group's forecast commercial currency exposure for November 2021–October 2022.

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. With the introduction of IFRS 16, future lease payments are recognized as an asset (right-of-use asset) and a financial lease liability. Most of the right-of-use assets are denominated in SEK but the corresponding lease liabilities are denominated in foreign currencies, mainly USD. The currency exposure from recalculating USD lease liabilities into SEK is significant. Forecast future USD revenue is hedged using the external USD denominated lease liabilities as hedging instruments to manage a specific portion of this risk.

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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 floating interest rates. To manage the interest-rate risk, interest-rate derivatives are used to change the fixed-interest term of the underlying gross financial debt. The target of current policy is for the average fixed-interest term of the gross financial debt to correspond to 3 years, with a permitted interval of 1–5 years. In addition, the development of the gross financial debt for the forthcoming 12 months and contracted future aircraft purchases is taken into consideration. At October 31, 2021, the average fixed-interest term, including the hybrid bonds, was 3.2 years (2.9).

SENSITIVITY ANALYSIS, REVALUATION EFFECT ON CLOSING DATE

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

The sensitivity analysis concerning currency shows the immediate revaluation effect on the closing date for cash-flow hedges, accounts receivable and accounts payable of a 10% strengthening or weakening of the Swedish krona against all currencies the SAS Group is exposed to. In addition to the revaluation effect, a 1% weakening of the USD against the SEK would have a positive impact of about MSEK 90 on the SAS Group's net financial items based on lease liabilities of around MUS\$ 1,595. A 1% strengthening of the USD against the SEK would have the corresponding negative effect on net financial items.

The sensitivity analysis for market interest rates shows the immediate revaluation effect on the closing date for interest-rate derivatives and short-term investments with a 1-percentage-point parallel shift in the yield curve. Beyond the revaluation effect, the SAS Group's net interest for the November 2021–October 2022 period is affected by around MSEK 32 (14) if short-term market rates rise by 1 percentage point. However, if short-term market rates fall by 1 percentage point the corresponding negative effect on net interest is MSEK -14 (-58). The estimate also includes interest-rate derivatives.

SENSITIVITY ANALYSIS, REVALUATION EFFECT ON CLOSING DATE

			Oct 31, 2021	Oct 31, 2020	Oct 31, 2021	Oct 31, 2020
Market risk	Change	Currency	Earnings impact	Earnings impact	Equity impact	Equity impact
Fuel price	+/-10%		-/-	-/-	-/-	94/-93
Currency risk, SEK	+/-10%	CNY	3/-3	-/-	15/-15	17/-17
Currency risk, SEK	+/-10%	DKK	25/-25	2/-2	-/-	-/-
Currency risk, SEK	+/-10%	EUR	40/-40	-10/10	-/-	-6/6
Currency risk, SEK	+/-10%	JPY	7/-7	4/-4	7/-7	8/-8
Currency risk, SEK	+/-10%	NOK	211/-211	71/-71	-/-	93/-93
Currency risk, SEK	+/-10%	USD	-189/189	-21/21	301/-301	401/-401
Currency risk, SEK	+/-10%	OTHER	8/8	11/-11	14/-14	13/-13
Market interest rates	+/-1%		-/-	-/-	-/-	-/-

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. The Group holds interest-rate derivatives that are exposed to LIBOR. These will not be affected by the ongoing IBOR reform, since these interest-rate swap contracts will expire prior to the reform entering force. As of October 31, 2021, the fair value of the SAS Group's derivative instruments outstanding totaled MSEK -14 (-786), broken down according to the table below.

	Oct 31, 2021 Fair value				Oct 31, 2020	
	Volume outstanding	Assets	Liabilities	Net	Volume outstanding	Fair value, net
Currency derivatives	11,434	21	-35	-14	11,525	100
Interest-rate derivatives	0	-	-	-	4,322	-154
Fuel derivatives	0	-	-	-	2,953	-732
Total	11,434	21	-35	-14	18,800	-786

As of the balance-sheet date, fair value is consistent with carrying amounts.

The fair value is the amount received or paid if outstanding financial instruments are sold on the closing date. Derivatives not subject to hedge accounting are classified as financial instruments at FVTPL. Volume outstanding means the nominal amount of derivative contracts expressed in absolute terms.

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

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OFFSETTING OF FINANCIAL DERIVATIVES

To reduce credit risks for bank receivables related to derivatives, SAS has entered into netting agreements, under ISDA agreements, signed with all of its counterparties.

The information in the following table includes financial assets and liabilities that are subject to enforceable master netting arrangements and similar agreements that cover financial instruments.

	Oct 31, 2021	Oct 31, 2020
Other long-term receivables	–	–
Other receivables	21	154
Total derivative assets	21	154
Other loans	–	–
Current liabilities	-35	-940
Total derivative liabilities	-35	-940
<i>Derivative assets/liabilities net at end of the period</i>	-14	-786
Allocation of derivatives according to the following:		
Cash-flow hedges	-21	-796
Derivatives not designated as hedges for accounting purposes	7	10
Derivative assets/liabilities net at end of the period	-14	-786

	Oct 31, 2021			Oct 31, 2020		
	Financial assets	Financial liabilities	Total	Financial assets	Financial liabilities	Total
Gross amount	21	-35	-14	154	-940	-786
Amount offset	–	–	–	–	–	–
Recognized in the balance sheet	21	-35	-14	154	-940	-786
Amounts covered by netting agreements	-19	19	0	-131	305	174
Net amount after netting agreements	2	-16	-14	23	-635	-612

HEDGE-ACCOUNTED DERIVATIVES, CASH-FLOW HEDGE

Hedging of aircraft

The hedging of future contracted aircraft purchases/sales represents hedging transactions since it is the payment flow in foreign currency during a future purchase/sale that is hedged using the cash-flow method. The loans and the currency forward contracts included in hedging relationships are translated at the relevant closing rate and the change that is calculated as effective is recognized in other comprehensive income. As of October 31, 2021, the accumulated currency effect on cash-flow-hedged loans and derivatives relating to future aircraft purchases and sales was recognized after tax in the hedging reserve in equity in the amount of MSEK 498 (599).

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, 2021, the accumulated currency effect of these cash-flow-hedged currency derivatives was recognized after tax in the hedging reserve in equity in the amount of MSEK -8 (61).

Certain projected future USD revenue is hedged using the external USD denominated lease liabilities as hedging instruments. Changes in the USD/SEK spot rate for the designated part of the USD denominated lease liability are recognized in other comprehensive income and reported as a separate component (cash-flow hedge reserve) in equity. When the hedged expected cash flows impact profit or loss as revenue, the corresponding part of the cash-flow hedge reserve is reclassified from other comprehensive income to profit or loss. As of October 31, 2021, the accumulated currency effect of these cash-flow-hedged derivatives was recognized after tax in the hedging reserve in equity in the amount of MSEK 546 (371).

Interest-rate derivatives

When the SAS Group borrows at floating interest rates and changes its interest-rate exposure by entering into interest-rate swap contracts, whereby floating interest is received and fixed interest is paid, the hedging relationship is classified as a cash-flow hedge. When hedge accounting is applied, the effective portion of the change in value of the hedge instrument is recognized in other comprehensive income. The terms of the interest-rate derivatives used for hedging transactions are matched with those of the individual loans. On the closing date October 31, 2021, the accumulated effect on these cash-flow-hedged interest-rate derivatives was recognized after tax in the hedging reserve in equity in the amount of MSEK -531 (-593).

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, 2021, the accumulated effect on these cash-flow-hedged fuel derivatives was recognized after tax in the hedging reserve in equity in the amount of MSEK 0 (-429).

Altogether, MSEK 642 (11) was recognized before tax in the hedging reserve in equity on October 31, 2021, and is expected to affect the statement of income in the following years as per the following table:

	FY22	FY23	FY24	FY25	FY26	FY27>	Total
Aircraft	83	83	93	95	95	185	634
Commercial flows, revenue	134	207	230	124	–	–	695
Commercial flows, other	-11	–	–	–	–	–	-11
Interest-rate derivatives	-84	-84	-84	-84	-81	-259	-676
Fuel derivatives	–	–	–	–	–	–	–
Deferred tax	-26	-44	-51	-29	-3	16	-137
Effect on equity	96	162	188	106	11	-58	505

DERIVATIVES NOT SUBJECT TO HEDGE ACCOUNTING

Other derivatives not subject to hedge accounting are remeasured on an ongoing basis and recognized at fair value through profit or loss. Nor are interest-rate derivatives that cannot be linked to specific borrowing subject to hedge accounting and are remeasured on an ongoing basis at their fair value through profit or loss.

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CREDIT RISK

The Group's financial transactions give rise to exposure to credit risk vis-à-vis the financial counterparties. Credit risk or counterparty risk pertains to the risk of loss if a counterparty does not fulfill its contractual obligations. The financial policy prescribes that transactions may only be entered into with counterparties with high credit ratings, defined as category A3/P-1 or better according to Moody's or alternatively A-/A-1 according to Standard & Poor's.

Limits are set for each counterparty and are continuously revised. To further reduce counterparty risks, ISDA agreements (netting agreements) are signed with most counterparties. 98% of the credit-related exposure is geographically concentrated in the Nordic countries. The breakdown of the remaining credit exposure is 1% in the rest of Europe and 1% in the rest of the world. The maximum credit exposure for derivative instruments is matched by carrying amounts/fair values, see the above table under the heading Financial derivatives. For cash and cash equivalents, the size of the credit risk is the carrying amount and is distributed as follows:

Rating (Moody's)	Carrying amount	
	Oct 31, 2021	Oct 31, 2020
Aaa/P-1	–	100
Aa1/P-1	–	640
Aa2/P-1	–	–
Aa3/P-1	2,589	6,459
A1/P-1	730	1,881
A2/P-1	36	949
A3/P-1	913	202
Total	4,268	10,231

Under other long-term receivables, credit risk is allocated between financial institutions, external aircraft lessors, external aircraft operators and various property companies. The same regulations as those defined above for financial counterparties apply for financial institutions. With regard to external aircraft lessors, the majority of claims consist of pledged collateral for leasing fees as well as costs for return requirements. Since the cost of meeting the return requirements largely relates to those costs incurred dependent on the usage of the aircraft, the credit-related exposure is substantially neutralized. The payments structure in agreements with external aircraft operators is

designed so that SAS Group's receivables in the form of pledged collateral are often or always lower than the current liabilities/expenses of the SAS Group to these external operators.

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 25% of the SAS Group's fixed costs. The financial preparedness equals cash and cash equivalents plus total unutilized credit facilities. As of October 31, 2021, financial preparedness amounted to MSEK 7,237 (11,421), with cash and cash equivalents amounting to MSEK 4,268 (10,231) and unutilized credit facilities with maturities longer than three months totaling MSEK 2,969 (1,190) or 60% (67) 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' financial liabilities and assets excluding operations for sale. The figures shown are contractual undiscounted cash flows. The tables show the contracted date when SAS is liable to pay or receive, and includes both interest and nominal amounts. Future interest flows at variable rates are estimated using the current interest rate on the closing date, which means the amounts may differ. In addition to the cash flow in the tables, annual interest on the hybrid bonds amounts to around MSEK 274.

As of October 31, 2021, the Group's interest-bearing liabilities amounted to MSEK 32,924 (31,596); 0% (0) of the interest-bearing liabilities have financial key ratio covenants for cash flow, debt/equity and liquidity. The term of the interest-bearing gross debt amounted to approximately 4.5 years (4.7) at year end, excluding the subordinated loan of MCHF 127 and hybrid bonds of MSEK 7,615 which run without stipulated maturity.

FINANCIAL NET DEBT/RECEIVABLES

MSEK	Net financial debt
Long-term receivables	913
Other receivables	973
Short-term investments	86
Cash and bank balances	4,182
Subordinated loans	-1,190
Bonds	–
Other loans	-11,799
Lease liabilities	-13,231
Current portion of long-term loans	-2,655
Current portion of lease liabilities	-2,833
Short-term loans	-1,216
Net financial debt	-26,770

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LIQUIDITY RISK

The following table illustrates the SAS Group's outflows and inflows of financial liabilities and financial derivatives as of October 31, 2021 and as of October 31, 2020. The amounts are contracted, undiscounted cash flows including interest.

	Oct 31, 2021	FY22	FY23	FY24	FY25	FY26	FY27>	Oct 31, 2020	FY21	FY22	FY23	FY24	FY25	FY26>
Financial liabilities								Financial liabilities						
Subordinated loans		-7	-7	-7	-7	-7	-1,190	Subordinated loans	-8	-8	-8	-8	-8	-1,245
Bonds		-100	-	-	-	-	-	Bonds	-419	-105	-	-	-	-
Aircraft financing liabilities ¹		-1,891	-1,574	-1,859	-745	-1,768	-5,571	Aircraft financing liabilities	-2,187	-1,581	-1,145	-1,790	-616	-5,888
Other loans		-132	-549	-1,538	-1	-	-	Other loans	-95	-65	-30	-7	-4	-4
Short-term loans		-1,043	-	-	-	-	-	Short-term loans	-351	-	-	-	-	-
Lease liabilities		-2,833	-2,689	-2,195	-1,888	-1,829	-4,630	Lease liabilities	-3,105	-2,445	-2,159	-1,993	-2,038	-4,864
Accounts payable and other liabilities		-3,460	-	-	-	-	-	Accounts payable and other liabilities	-2,690	-	-	-	-	-
Derivatives (financial assets)								Derivatives (financial assets)						
Fuel derivatives		-	-	-	-	-	-	Fuel derivatives	2	-	-	-	-	-
Currency derivatives		21	-	-	-	-	-	Currency derivatives	152	-	-	-	-	-
Interest-rate derivatives		-	-	-	-	-	-	Interest-rate derivatives	-	-	-	-	-	-
Derivatives (financial liabilities)								Derivatives (financial liabilities)						
Fuel derivatives		-	-	-	-	-	-	Fuel derivatives	-734	-	-	-	-	-
Currency derivatives		-35	-	-	-	-	-	Currency derivatives	-52	-	-	-	-	-
Interest-rate derivatives		-	-	-	-	-	-	Interest-rate derivatives	-154	-	-	-	-	-
Total		-9,480	-4,819	-5,599	-2,641	-3,604	-11,391	Total	-9,641	-4,204	-3,342	-3,798	-2,666	-12,001

¹⁾ The company's aircraft financing liabilities include MSEK 842 pertaining to financing for aircraft prepayments with pre-contracted sales on delivery. Accordingly, as no liquidity risk exists with regard to the above amount, it has been excluded from the above table.

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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, 2021.

Facility	Maturity	Total facility	Utilized facility	Oct 31,	Oct 31,
				2021	2020
Credit facility, MEUR 150	2021	–	–	–	1,561
Credit facility, MUSD 137	2021	–	–	–	1,190
Credit facility, MUSD 35	2023	78	78	–	–
Credit facility, MNOK 1,498	2024	1,527	1,527	–	–
Credit facility, MSEK 1,500	2026	1,500	–	1,500	–
Credit facility, MDKK 1,099	2026	1,469	–	1,469	–
Total		4,574	1,605	2,969	2,751

MEASUREMENT AT FAIR VALUE

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

Level 1

Financial instruments for which fair value is based on observable (unadjusted) quoted prices in active markets for identical assets and liabilities. A market is considered active if quoted prices from an exchange, bank, pricing service (such as Thomson Reuters) or supervisory body are readily and regularly available and those prices represent actual and regularly occurring arm's length market transactions.

This category includes mainly standardized derivatives where the quoted price is used in the valuation.

Level 2

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

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

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

Level 3

Financial instruments for which fair value is based on valuation models, whereby significant input is based on unobservable data.

The 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 holdings of securities

The balance-sheet item "Other participations" MSEK 9 (9) comprises share-holdings that are not affiliated companies or subsidiaries.

The entire balance-sheet item is measured at cost because its fair value cannot be reliably measured as a justifiable expense. For this reason, the balance-sheet item "Other holdings of securities" is not included in the following table "Financial assets and liabilities measured at fair value."

Interest-rate derivatives

Interest-rate swaps: The fair value of interest-rate swaps is determined by discounting estimated future cash flows. Discounting takes place on the basis of yield curves based in turn on market rates prevailing at the closing date.

Futures: Standardized futures contracts with daily settlement. Fair value is thus determined by daily "mark-to-market" valuation.

Forward Rate Agreement, (FRA): The fair value of OTC FRAs is determined by discounting estimated future cash flows. Discounting takes place on the basis of yield curves based in turn on market rates prevailing at the closing date. Standardized FRAs with cash settlement are measured at fair value using quoted bid and ask rates at year end for an FRA with a corresponding term to maturity.

Currency derivatives

Currency swaps: The fair value of currency swaps is determined by discounting estimated future cash flows in each currency and interest rate. Discounting is based on yield curves on the closing date. Translation of the currency component is based on exchange rates prevailing at the closing date.

Currency options: The fair value of options is determined by application of the Black and Scholes valuation model, a recognized and accepted valuation model in financial markets. The model is based primarily on observable data such as spot price, exercise price, term to maturity, interest rate, volatility, etc.

Fuel derivatives

Fuel options: The fair value of fuel options is determined by application of the Black and Scholes valuation model. The model is based primarily on observable data such as the fuel swap curve, exercise price, term to maturity, interest rate, volatility, etc.

Fuel swaps: The fair value of fuel swaps is determined according to the fuel swap curve at the closing date.

Short-term investments

Short-term investments classified as held for trading comprise treasury bills, mortgage bonds and commercial paper with a maximum remaining term to maturity of three months. Fair value is determined by discounting on the basis of yield curves on the closing date.

Cash and bank balances

Cash and bank balances comprise cash on hand and demand deposits at banks and corresponding financial institutions. Carrying amounts correspond to fair value.

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CATEGORIZATION OF FINANCIAL ASSETS AND LIABILITIES

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	Derivatives at FVTPL	Financial assets at amortized cost	Financial liabilities at amortized cost	Derivatives at fair value, hedge-accounted	Total carrying amount	Total fair value ¹
Oct 31, 2021						
ASSETS						
Other long-term receivables	–	1,537	–	–	1,537	1,537
Accounts receivable	–	1,068	–	–	1,068	1,068
Other receivables	–	1,236	–	–	1,236	1,236
Fuel derivatives	–	–	–	–	0	0
Currency derivatives	10	–	–	11	21	21
Accrued income	–	382	–	–	382	382
Cash and cash equivalents	–	4,268	–	–	4,268	4,268
Total	10	8,491	0	11	8,512	8,512
LIABILITIES						
Subordinated loans	–	–	1,190	–	1,190	247
Bonds ²	–	–	–	–	0	0
Other loans	–	–	11,922	–	11,922	12,765
Current portion of long-term loans	–	–	2,655	–	2,655	2,855
Short-term loans	–	–	1,181	–	1,181	1,187
Fuel derivatives	–	–	–	–	0	0
Currency derivatives	3	–	–	32	35	35
Interest-rate derivatives	–	–	–	–	0	0
Accounts payable	–	–	1,222	–	1,222	1,222
Other liabilities	–	–	483	–	483	483
Accrued expenses	–	–	1,295	–	1,295	1,295
Total	3	0	19,948	32	19,983	20,089

1) The fair values of subordinated loans have been set entirely by the use of official price quotes. The fair values of other financial assets and liabilities have been set in part by the use of official price quotes, such as discounting of future cash flows at quoted interest rates. The fair value of derivatives has been established pursuant to Level 2.

2) The remaining debt is included in the current portion of long-term loans

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	Derivatives at FVTPL	Financial assets at amortized cost	Financial liabilities at amortized cost	Derivatives at fair value, hedge-accounted	Total carrying amount	Total fair value ¹
Oct 31, 2020						
ASSETS						
Other long-term receivables	–	2,863	–	–	2,863	2,863
Accounts receivable	–	318	–	–	318	318
Other receivables	–	626	–	–	626	626
Fuel derivatives	–	–	–	2	2	2
Currency derivatives	22	–	–	130	152	152
Accrued income	–	198	–	–	198	198
Cash and cash equivalents	–	10,231	–	–	10,231	10,230
Total	22	14,236	0	132	14,390	14,389
LIABILITIES						
Subordinated loans	–	–	1,237	–	1,237	278
Bonds	–	–	104	–	104	107
Other loans	–	–	10,004	–	10,004	10,767
Current portion of long-term loans	–	–	2,357	–	2,357	2,578
Short-term loans	–	–	476	–	476	470
Fuel derivatives	–	–	–	734	734	734
Currency derivatives	12	–	–	40	52	52
Interest-rate derivatives	–	–	–	154	154	154
Accounts payable	–	–	1,191	–	1,191	1,191
Other liabilities	–	–	390	–	390	390
Accrued expenses	–	–	1,109	–	1,109	1,109
Total	12	0	16,868	928	17,808	17,829

1) The fair values of subordinated loans have been set entirely by the use of official price quotes. The fair values of other financial assets and liabilities have been set in part by the use of official price quotes, such as discounting of future cash flows at quoted interest rates. The fair value of derivatives has been established pursuant to Level 2.

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NOT 26 PROVISIONS

	Undertakings pertaining to aircraft under operating leases							
	Restructuring		Other provisions		Total			
	Oct 31, 2021	Oct 31, 2020	Oct 31, 2021	Oct 31, 2020	Oct 31, 2021	Oct 31, 2020	Oct 31, 2021	Oct 31, 2020
Opening provisions	586	449	2,995	3,060	14	16	3,594	3,525
Transition to IFRS 16	–	–	–	177	–	–	–	177
Reclassifications	–	–	–	–	–	–	–	–
New provisions	5	325	673	446	1	2	678	773
Utilized provisions	-348	-193	-1,570	-368	-1	-2	-1,919	-563
Dissolved provisions	-44	–	–	-1	–	–	-44	-1
Currency effects	-2	5	-160	-319	–	-2	-162	-317
Closing provisions	196	586	1,938	2,995	14	14	2,147	3,594
Breakdown in balance sheet:	Oct 31, 2021	Oct 31, 2020	Oct 31, 2021	Oct 31, 2020	Oct 31, 2021	Oct 31, 2020	Oct 31, 2021	Oct 31, 2020
Non-current liabilities	113	106	1,434	1,205	11	12	1,557	1,322
Current liabilities	83	480	504	1,790	3	2	590	2,272
	196	586	1,938	2,995	14	14	2,147	3,594

RESTRUCTURING

The restructuring provisions are attributable to the cost cutting and efficiency measures initiated in the last few years. These measures entail radical changes and simplification of operations, and will generate a reduction in unit cost.

In addition to restructuring provisions for personnel, the reserve also comprises provisions for property costs.

The long-term portion of the restructuring reserve will be fully utilized within five years.

The provision for restructuring costs includes no reversed unutilized amounts.

UNDERTAKINGS PERTAINING TO AIRCRAFT UNDER OPERATING LEASES

SAS makes ongoing provisions for undertakings related to aircraft leasing. The undertakings primarily pertain to engines, but also include landing gear, air frames and APUs. The long-term portion pertains primarily to a large number of undertakings with an average duration of around four years. The longest undertaking extends for just less than ten years.

NOTE 27 CURRENT INTEREST-BEARING LIABILITIES

	Oct 31, 2021	Oct 31, 2020
Current portion of non-current liabilities	2,655	2,357
Accrued interest	165	125
Derivatives	35	940
Other short-term loans	1,016	351
Total	3,871	3,773

NOTE 28 ACCRUED EXPENSES AND PREPAID INCOME

	Oct 31, 2021	Oct 31, 2020
Vacation pay liability	646	696
Other accrued personnel expenses	457	483
Selling costs	26	42
Jet-fuel costs	78	294
Air traffic charges	135	60
Technical aircraft maintenance	270	0
Handling costs	148	97
Computer and telecommunication costs	91	77
Other accrued expenses	547	516
Total	2,398	2,265

NOTE 29 PLEDGED ASSETS

	Oct 31, 2021	Oct 31, 2020
<i>Related to liabilities:</i>		
Aircraft, carrying amount	248	2,261
Prepayments, carrying amount	1,509	–
<i>Related to deposits:</i>		
Deposits and blocked bank funds	2,223	3,322
Total	3,980	5,583

At October 31, 2021, the liability outstanding related to aircraft mortgages was MSEK 78 (679). The liability outstanding for aircraft prepayments was MSEK 1,509. In addition to the above, the carrying amount for aircraft-related assets subject to title reservation agreements totaled MSEK 10,940 (11,285) with liabilities outstanding of MSEK 10,794 (10,940).

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NOTE 30 CONTINGENT LIABILITIES

	Oct 31, 2021	Oct 31, 2020
<i>Guarantees related to:</i>		
Emission rights	–	–
Other	13	16
Total	13	16

The Group is involved in various claims and legal proceedings arising in the ordinary course of business. These claims relate to, but are not limited to, the Group's business practices, employment matters, and tax matters. Provisions have been recognized for such matters in accordance with probable and quantifiable loss risks. On the basis of information currently available, those issues not requiring any provisions will not have any material adverse effect on the Group's earnings, nor will they be recognized as contingent liabilities. However, litigation is inherently unpredictable and, even though the provisions were assessed as adequate and/or that the Group has valid defenses in these matters, unfavorable results could occur. This could have a material adverse effect on the Group's earnings in future accounting periods. For more information see the Report by the Board of Directors on page 32.

NOTE 31 LEASE COMMITMENTS

October 31, 2021

In addition to the leasing commitments included in the recognized lease liabilities, the SAS Group has entered into the following contracts, with specification of the total annual rent for:

	FY22	FY23	FY24	FY25	FY26	FY27>	Total
Aircraft	150	251	251	250	250	1,353	2,505
Total	150	251	251	250	250	1,353	2,505

Rental contracts with an annual rental cost in excess of MSEK 0.5 and which are not encompassed by lease liabilities have been included in the above table. The contracts pertain to contracted aircraft leases starting after October 31, 2021. For information on the Group's lease liabilities, see Note 23.

October 31, 2020

In addition to the leasing commitments included in the recognized lease liabilities, the SAS Group has entered into the following contracts, with specification of the total annual rent for:

	FY21	FY22	FY23	FY24	FY25	FY26>	Total
Aircraft	144	203	203	203	203	1,075	2,032
Total	144	203	203	203	203	1,075	2,032

Rental contracts with an annual rental cost in excess of MSEK 0.5 and which are not encompassed by lease liabilities have been included in the above table. The contracts pertain to contracted aircraft leases starting after October 31, 2020.

NOTE 32 ADJUSTMENT FOR OTHER NON-CASH ITEMS, ETC.

	FY21	FY20
Income from shares in affiliated companies	-10	-7
Dividends from affiliated companies	6	5
Capitalized interest on aircraft prepayments	-95	-61
Revaluation of lease liabilities IFRS 16	-525	-1,208
Earnings impact from measuring financial instruments	72	735
Revaluations of pension commitments	34	51
Provisions	–	306
Reversed provisions	-33	–
Other	36	97
Total	-515	-82

NOTE 33 ACQUISITION AND DIVESTMENT OF SUBSIDIARIES AND AFFILIATED COMPANIES

No acquisitions or divestments took place during the fiscal year; however, a shareholders' contribution of MSEK 1 (4) was made to an affiliated company.

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NOTE 34 LIABILITIES IN FINANCING ACTIVITIES

	Interest-bearing liabilities, non-current		Interest-bearing lease liabilities, non-current		Interest-bearing liabilities, current		Interest-bearing lease liabilities, current		Total	
	Oct 31, 2021	Oct 31, 2020	Oct 31, 2021	Oct 31, 2020	Oct 31, 2021	Oct 31, 2020	Oct 31, 2021	Oct 31, 2020	Oct 31, 2021	Oct 31, 2020
Opening balance	11,219	9,450	13,499	–	3,773	1,833	3,105	–	31,596	11,283
Transition to IFRS 16	–	–	–	13,623	–	–	–	2,880	–	16,503
Proceeds from borrowings	5,071	11,210	2,772	4,385	686	351	–	–	8,529	15,946
Conversion of bond	–	-2,250	–	–	–	–	–	–	–	-2,250
Repayment of borrowings	-205	-3,736	–	–	-2,358	-784	-2,788	-3,082	-5,351	-7,602
Exchange-rate differences	-534	-986	-207	-984	25	-19	-317	-217	-1,033	-2,206
Accrued	55	-73	–	–	29	-36	–	–	84	-109
Derivatives	39	-39	–	–	-944	71	–	–	-905	32
Reclassification to short-term	-2,656	-2,357	-2,833	-3,525	2,660	2,357	2,833	3,525	4	–
Debt outstanding	12,989	11,219	13,231	13,499	3,871	3,773	2,833	3,106	32,924	31,597

NOTE 35 AUDITORS' FEES

The following remuneration was paid to auditing firms for auditing services.

	FY21	FY20
Auditing services		
KPMG	7	6
Other statutory assignments		
KPMG	0	0
Tax consultancy services		
KPMG	–	–
Other		
KPMG	3	3
Total	10	9

KPMG Sweden: Fees totaled MSEK 4.2 (3.7) for auditing services, MSEK 0 (0) for other statutory assignments, MSEK 0 (0) for tax and MSEK 1.8 (2.6) for other.

NOTE 36 TRANSACTIONS WITH AFFILIATED COMPANIES

Revenue from sales to affiliated companies amounted to MSEK 0 (0).
Cost of purchases from affiliated companies was MSEK 46 (44).

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NOTE 37 SEGMENT REPORTING

The Group's airline operations and other appurtenant operations are reported as one operating segment.

The following geographical breakdown of traffic revenue is based on the destination flown. Sales generating other operating revenue are allocated geographically by source country as follows. Refer to Note 2 for the Group's material source countries of sales revenue.

GEOGRAPHICAL BREAKDOWN

	Domestic		Intra-Scandinavian		Europe		Intercontinental		Total	
	FY21	FY20	FY21	FY20	FY21	FY20	FY21	FY20	FY21	FY20
Passenger revenue	3,739	5,316	655	1,543	3,110	4,465	897	2,619	8,401	13,943
Cargo revenue	3	5	2	2	81	29	1,080	841	1,166	877
Charter revenue	0	0	0	0	384	564	0	0	384	564
Other traffic revenue	718	694	126	201	597	582	172	341	1,613	1,818
Total traffic revenue	4,460	6,015	783	1,746	4,172	5,640	2,149	3,801	11,564	17,202

	Denmark		Norway		Sweden		Europe		Other countries		Total	
	FY21	FY20	FY21	FY20	FY21	FY20	FY21	FY20	FY21	FY20	FY21	FY20
Other operating revenue	150	361	972	1,535	406	567	615	574	251	274	2,394	3,311

In fiscal year 2021 and fiscal year 2020, there was no single customer who accounted for more than 10% of the Group's revenue.

The Group's assets and liabilities are mainly located in Scandinavia. Total non-current assets, including prepayments for tangible fixed assets, which do not comprise financial instruments, deferred tax assets or assets pertaining to post-employment benefits are allocated geographically as follows. The group, Not allocated, includes prepayments to Airbus and others for future aircraft deliveries amounting to MSEK 2,966 (2,495), refer to Note 12. Aircraft are utilized in a flexible manner across the route network, and are not allocated.

	Denmark		Norway		Sweden		Other countries		Not allocated		Total	
	Oct 31, 2021	Oct 31, 2020	Oct 31, 2021	Oct 31, 2020	Oct 31, 2021	Oct 31, 2020	Oct 31, 2021	Oct 31, 2020	Oct 31, 2021	Oct 31, 2020	Oct 31, 2021	Oct 31, 2020
Non-current assets	966	964	1,185	1,267	6,131	5,219	2,058	1,741	27,360	31,098	37,700	40,289

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NOTE 38 SUBSIDIARIES IN THE SAS GROUP

	Domicile	Corp. Reg. No.	Total owned shares	Holding	Oct 31, 2021 Carrying amount	Oct 31, 2020 Carrying amount
<i>Owned by SAS AB:</i>						
SAS Sverige AB	Sigtuna	556042-5414	70,500,000	100	3,523	3,523
SAS Norge AS	Bærum	811176702	47,000,000	100	3,028	3,028
SAS Danmark A/S	Copenhagen	56994912	47,000,000	100	3,970	3,970
SAS Individual Holdings AB	Stockholm	556063-8255	610,000	100	595	595
Linjeflyg AB	Sigtuna	556062-8454	2,000,000	100	237	237
SAS Cargo Group A/S	Tårnby	25736443	200,500	100	0	0
SAS Ground Handling Denmark A/S	Tårnby	32339026	55,000	100	45	35
SAS Ground Handling Norway AS	Oslo	912056228	5,000	100	8	9
SAS Ground Handling Sweden AB	Stockholm	556934-7924	445,000	100	35	6
SAS EuroBonus AB	Stockholm	559224-9782	50,000	100	200	0
SAS Connect Ltd	Dublin	601918	2,000,000	100	0	0
Gorm Asset Management Ltd	Dublin	592913	1	100	0	0
Other					1	1
					11,642	11,404
<i>Owned by SAS Consortium:</i>						
SAS Oil Sweden AB	Sigtuna	902001-7720 556269-6459	2,000	100	5	0
Other					0	1
					5	1
<i>Owned by SAS Individual Holdings AB:</i>						
SAS Link Crew Services A/S	Copenhagen	24202941	500	100	1	1
SAS Connect Crew Services A/S	Copenhagen	40995269	400	100	0	0
Other					0	0
					1	1
<i>Owned by Gorm Asset Management Ltd:</i>						
Gorm Dark Blue Ltd	Dublin	593238	1	100	0	0
Gorm Deep Blue Ltd	Dublin	593239	1	100	0	0
Gorm Sky Blue Ltd	Dublin	593240	1	100	0	0
Gorm Light Blue Ltd	Dublin	617208	1	100	0	0
Gorm Warm Red Ltd	Dublin	627405	1	100	0	0
Gorm Ocean Blue Ltd	Dublin	627406	1	100	0	0
Gorm Engine Management Ltd	Dublin	656777	1	100	0	0

NOTE 39 EARNINGS PER SHARE

Earnings per common share are calculated as net income for the period attributable to Parent Company shareholders and hybrid bond expenses in relation to 7,266,039,292 (439,109,783) common shares outstanding. The calculation of earnings per share before and after dilution is based on the following earnings and number of common shares. In October 2020, the number of common shares increased 6,877,479,859 through a new share issue. In November 2020, a further 5,976,822 shares were registered from the new share issue. The total number of shares after new issues in 2020 amounted to 7,266,039,292, refer to Note 21. There are no potential common shares outstanding and, accordingly, no dilution can arise.

	FY21	FY20
Net income for the year, attributable to Parent Company shareholders	-6,523	-9,232
Less expenses for the hybrid bond	-274	-188
Net income for the year, attributable to Parent Company shareholders, before and after dilution	-6,797	-9,420
Weighted average number of common shares during the year, before and after dilution	7,266,039,292	439,109,783
Earnings per common share before dilution (SEK)	-0.94	-21.45
Earnings per common share after dilution (SEK)	-0.94	-21.45

NOTE 40 RELATED-PARTY TRANSACTIONS

The recapitalization plan was completed in October 2020, when a total of 1,729,170,833 common shares were issued to the governments of Denmark and Sweden through the directed share issue, in addition to the major shareholders' participation in the rights issue. In total, the recapitalization plan resulted in the governments of Denmark and Sweden each holding 1,584,296,144 common shares, corresponding to a holding of approximately 21.8% for each government. The governments of Denmark and Sweden also subscribed for MSEK 6,000 in new hybrid bonds on which interest has been paid in fiscal year 2021. In July 2021, a credit facility totaling SEK 3 billion was entered into with the governments of Denmark and Sweden as lenders. This credit facility has not been utilized during the fiscal year.

Aside from the above, no significant related-party transactions took place in fiscal year 2021 or in fiscal year 2020 except those between Group companies, where transactions are conducted subject to market terms and conditions. No significant transactions occurred with related parties aside from the above and the information in Note 3 regarding the remuneration of senior executives.

NOTE 41 SIGNIFICANT EVENTS AFTER THE CLOSING DATE

- SAS established a partnership with Vattenfall, Shell and LanzaTech to investigate large-scale production of sustainable synthetic aviation fuel.

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SAS AB, PARENT COMPANY

STATEMENT OF INCOME

MSEK	Note	FY21	FY20
Revenue		49	49
Personnel expenses	1	-27	-28
Other operating expenses		-49	-45
Operating income (EBIT)		-27	-24
Impairment in subsidiaries		-309	-1,017
Interest income and similar income items		505	195
Interest expenses and similar income items		-44	-248
Income before tax (EBT)		125	-1,094
Appropriations		-40	-
Tax	2	7	-5
Net income for the year		92	-1,099

The Parent Company recognized no items in other comprehensive income for fiscal year 2021 and fiscal year 2020, respectively. Accordingly, net income for the year for the Parent Company corresponds to comprehensive income.

BALANCE SHEET

ASSETS, MSEK	Note	Oct 31, 2021	Oct 31, 2020
Non-current assets			
<i>Financial fixed assets</i>			
Participations in subsidiaries	3	11,642	11,404
Other holdings of securities	4	2	2
Deferred tax assets	2	719	713
Receivables from Group companies		12,548	10,833
Other long-term receivables		28	550
Total non-current assets		24,939	23,502
Current assets			
<i>Current receivables</i>			
Receivables from Group companies		18	105
Other receivables		0	44
Prepaid expenses and accrued income		13	2
		31	151
Cash and bank balances		1	1
Total current assets		32	152
TOTAL ASSETS		24,971	23,654

SHAREHOLDERS' EQUITY AND LIABILITIES, MSEK	Note	Oct 31, 2021	Oct 31, 2020
Equity			
Restricted equity			
Share capital		8,650	8,650
Statutory reserve		447	447
Unrestricted equity			
Share premium reserve		2,729	2,729
Hybrid bonds		7,615	7,615
Retained earnings		3,819	5,192
Net income for the year		92	-1,099
Total shareholders' equity		23,352	23,534
Non-current liabilities			
Non-current liabilities		1,552	-
Other provisions		7	7
Total non-current liabilities		1,559	7
Current liabilities			
Liabilities to Group companies		41	-
Accounts payable		4	23
Other liabilities		6	2
Accrued expenses and prepaid income		8	83
Provisions		1	5
Total current liabilities		60	113
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		24,971	23,654

Information regarding the Parent Company's contingent liabilities is available in Note 5.

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CHANGES IN SHAREHOLDERS' EQUITY

MSEK	Restricted equity			Unrestricted equity			Total shareholders' equity
	Share capital	Not registered share capital	Statutory reserve	Share premium reserve	Hybrid bonds	Retained earnings	
Opening shareholders' equity in accordance with approved balance sheet, October 31, 2019	7,690	-	447	-	1,500	1,027	10,664
Hybrid bond interest						-126	-126
Reduction of share capital as resolved at EGM	-7,403					7,403	0
New share issue	3,875	5		2,120			6,000
New hybrid bond issue					6,000		6,000
Conversion of existing hybrid bonds to shares	873			477	-1,500	150	0
Conversion of existing bonds to shares and new hybrid bonds	410			225	1,615		2,250
Transaction costs				-93		-62	-155
Bond issue as resolved at EGM	3,200					-3,200	0
Net income for the year						-1,099	-1,099
Closing balance, October 31, 2020	8,645	5	447	2,729	7,615	4,093	23,534
Share registration	5	-5					0
Hybrid bond interest						-274	-274
Net income for the year						92	92
Closing balance, October 31, 2021	8,650	0	447	2,729	7,615	3,911	23,352

Number of shares: 7,266,039,292 (7,260,062,410) common shares with a quotient value of SEK 1.19 (1.19). Each common share entitles the holder to one vote and all common shares own equal rights to participation in the company's assets and profits.

CASH-FLOW STATEMENT

MSEK	FY21	FY20
OPERATING ACTIVITIES		
Income before appropriations and tax	125	-1,094
Impairment of subsidiaries	309	1,017
Cash flow from operations before change in working capital	434	-77
<i>Change in:</i>		
Operating receivables	-7	-38
Operating liabilities	-55	13
Cash flow from change in working capital	-62	-25
Cash flow from operating activities	372	-102
INVESTING ACTIVITIES		
Investment in subsidiaries	238	-445
Cash flow from investing activities	238	-445
FINANCING ACTIVITIES		
New hybrid bond issue	-	6,000
New share issue	-	5,910
Hybrid bond interest	-274	-128
Repayment of borrowings	-571	-1,311
Lending to subsidiaries	-1,168	-9,956
Change in short-term investments	-	32
Change in interest-bearing liabilities	1,403	-
Cash flow from financing activities	-610	547
Cash flow for the year	0	0
Cash and cash equivalents at beginning of the year	1	1
Cash and cash equivalents at year end	1	1

Disclosure of interest paid:

During the year, interest received amounted to MSEK 595 (216). During the year, interest paid amounted to MSEK 44 (186).

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

The average number of employees amounted to 2 (2), all of whom were employed in Sweden.

	FY21		FY20	
	Men	Women	Men	Women
Sweden	1	1	1	1
Total men and women	2		2	

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

NOTE 2 TAX

	FY21	FY20
Current tax	–	–
Deferred tax	7	-5
Total tax	7	-5
Reconciliation of deferred tax, net		
Opening balance	713	717
Tax effect on items in equity	-1	1
Change according to statement of income	7	-5
Deferred tax, net, at October 31	719	713

NOTE 3 PARTICIPATIONS IN SUBSIDIARIES

	FY21	FY20
Opening balance	11,404	9,977
Contributions	547	2,444
Impairment	-309	-1,017
Closing balance	11,642	11,404

See also SAS Group Note 38 – Subsidiaries in the SAS Group.

NOTE 4 OTHER HOLDINGS OF SECURITIES

	Oct 31, 2021	Oct 31, 2020
Incorporate Cell Company	2	2
Total	2	2

NOTE 5 CONTINGENT LIABILITIES

SAS AB has provided an irrevocable undertaking to assume liability, as for its own debt, for the SAS Consortium's contractual interest-bearing obligations, leasing commitments and other financial obligations with some reservations in terms of subordinations and with the proviso that the obligations were entered into from the date the irrevocable undertaking entered force until it terminated on September 30, 2020.

Furthermore, SAS AB provides downstream guarantees for subsidiaries on a case-by-case basis. These guarantees may cover, wholly or in part, a subsidiary's general obligations or be for a fixed sum or a specific purpose. The downstream guarantees mainly include undertakings pursuant to purchase contracts, aircraft financing, and leasing of aircraft and other equipment.

Moreover, SAS AB has also issued time-limited capital adequacy guarantees for certain subsidiaries.

NOTE 6 AUDITORS' FEES

	FY21	FY20
Auditing services		
KPMG	7	6
Other statutory assignments		
KPMG	0	0
Tax consultancy services		
KPMG	–	–
Other		
KPMG	3	3
Total	10	9

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

KPMG Sweden: Fees totaled MSEK 4.2 (3.7) for auditing services, MSEK 0 (0) for other statutory assignments, MSEK 0 (0) for tax and MSEK 1.8 (2.6) for other.

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SIGNATURES

The Board of Directors and the President hereby give their assurance that this Annual Report has been prepared pursuant to the Swedish Annual Accounts Act and RFR 2, *Accounting for Legal Entities*, and provides a true and fair view of the company's financial position and earnings, and that the Report by the Board of Directors provides a true and fair overview of the company's operations, financial position and earnings, and describes the significant risks and uncertainty factors to which the company is exposed.

The Board of Directors and President hereby give their assurance that the consolidated financial statements have been prepared pursuant to the International Financial Reporting Standards (IFRS) as adopted by the EU, and provide a true and fair view of the Group's financial position and earnings, and that the Report by the Board of Directors for the Group provides a true and fair overview of the performance of the Group's operations, financial position and earnings, and describes the significant risks and uncertainty factors to which the companies in the Group are exposed.

Stockholm, January 26, 2022

Carsten Dilling
Board Chairman

Lars-Johan Jarnheimer
Vice Chairman

Monica Caneman
Board member

Oscar Stege Unger
Board member

Henriette Hallberg Thygesen
Board member

Nina Bjornstad
Board member

Michael Friisdahl
Board member

Kay Kratky
Board member

Jens Lippestad
Board member

Tommy Nilsson
Board member

Kim John Christiansen
Board member

Anko Van der Werff
President and CEO

Our auditors' report was submitted on January 26, 2022

KPMG AB

Tomas Gerhardsson
Authorized Public Accountant

As stated above, the annual accounts and the consolidated accounts were approved for issuance by the Board of Directors on January 26, 2022. The consolidated statement of income and balance sheet and the Parent Company's statement of income and balance sheet will be subject to adoption by the Annual General Shareholders' Meeting on March 17, 2022.

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AUDITORS' REPORT

To the general meeting of the shareholders of SAS AB, corp. id 556606-8499

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of SAS AB for the financial year 2020-11-01—2021-10-31, except for the corporate governance statement on pages 42-56. The annual accounts and consolidated accounts of the company are included on pages 24-102 in this document.

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, 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of October 31, 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 42-56. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

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Accounting of passenger revenue including contract liabilities for tickets sold but not yet recognized as revenue and the customer loyalty program

See notes 2 and 24 and accounting principles on page 69 in the annual accounts and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The Group accounts for passenger revenue of MSEK 8,401 for the financial year 2020/21, and liabilities for unearned transportation revenue of MSEK 4,702 and for the customer loyalty program of MSEK 1,715 as at October 31, 2021. The COVID-19 pandemic and the actions taken in response to its spread, including government measures and travel restrictions, have continued to cause major disruption to SAS' operations including reduced revenue, cancelled flights and refunded tickets.

Passenger revenue is accounted for as a liability from the point of sale until commencement of the air transport for the passenger. Upon departure of the air transport, revenue is recognized in the income statement. Additionally, tickets that subsequent to the scheduled flight date, have been assessed to expire before utilization by a passenger are recorded as revenue. Based on historical outcomes and seasonality, a regular assessment is performed to estimate the value of tickets, for which the scheduled flight date has passed, that will expire before utilization. The recognition of revenue relating to the estimate for expired tickets results in a corresponding reduction of the unearned transportation revenue liability.

Furthermore, the Group has a customer loyalty program, EuroBonus. Points earned by program members are recorded as a liability on the balance sheet until they are redeemed or have expired. The value of the liability is derived by the number of points held by members and the estimated fair value per point adjusted for the estimated future expiration rates. Points that are estimated to expire prior to redemption are recognized as revenue, with a corresponding reduction to the customer loyalty program liability.

Response in the audit

In our audit, we have assessed the risks of the processes relating to the accounting for passenger revenue, unearned transportation revenue, and the customer loyalty program. We have evaluated the design and implementation of internal controls relating to the relevant estimates and the interfacing of systems to derive the data used in these estimates.

We have assessed the reasonableness of the models utilized by the Group to develop these estimates and their impact on the associated accounts. This assessment includes the validation of the data utilized as a basis for each estimate and the accuracy of the underlying calculations.

For the estimate of the fair value of customer loyalty program points before consideration of the estimated expiry, we examined the key inputs used to calculate the value by comparing historical usage patterns and observable market values such as comparable airfares. For assumptions regarding future ticket expiration and customer loyalty program point expiration, we assessed the Group's accuracy in forecasting by comparing previous estimates to actual outcomes. We evaluated these assumptions against historical trends, and future expectations. We have also agreed the final estimates to the corresponding income statement and balance sheet accounts.

We have also assessed the disclosures for passenger revenue and related contract liabilities included in the annual accounts and the consolidated accounts.

The recognition of revenue and movements in contract liabilities associated with expired tickets and the customer loyalty program is based on a number of inherently complex assumptions. Volatility or inaccuracies in determining these assumptions may have significant impact on the Group's results and financial position.

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Auditors' report***Carrying values of aircraft and provisions for major maintenance costs of leased aircraft***

See notes 11 and 26 and accounting principles on pages 67 and 70 in the annual accounts and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The carrying value of aircraft in the Group amounted to MSEK 12,868 as at October 31, 2021, and the provision for major maintenance costs of leased aircraft and engines amounted to MSEK 1,938.

The Group's aircraft are divided into various components and with an estimated end of life residual value. Engines are depreciated based on utilization and major maintenance costs for the various components are capitalized and depreciated until the next scheduled mandatory major maintenance occasion. For major maintenance costs of leased aircraft and engines, provisions are made on a continuous basis which are utilized when the major maintenance is carried out or the aircraft is returned.

The Group's estimations of useful lives, residual values and major maintenance costs for engines and other aircraft components are complex in nature. Changes in the basis for these assumptions and estimates may have a significant impact on the Group's results and financial position.

Response in the audit

In our audit, we have evaluated the design and implementation of internal controls associated with the determination and calculation of component depreciation and maintenance provisions. This includes the development and monitoring of flight hours and flight cycles for engine components.

We have assessed the reasonableness of assumptions made for useful lives, components and residual values regarding aircraft and reconciled these assumptions against carrying values of aircraft components and associated depreciation recorded in the income statement.

To assess the completeness and accuracy of provisions for major maintenance for leased aircraft, we have evaluated the Group's calculations and related accounting on a sample basis through inspection of lease agreements, market values, flight cycles and flight hours.

We have also assessed the disclosures for aircraft and provisions for major maintenance costs of leased aircraft included in the annual accounts and the consolidated accounts.

Valuation of non-current assets and parent company participations in subsidiaries

See note 10-13 and accounting principles on page 68 in the annual accounts and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The Group's intangible and tangible non-current assets and right-of-use assets totalled SEK 35,637 million at October 31, 2021. The carrying value has been subject to an impairment test, which is complex in nature and is based on significant elements of judgment. An impairment test has been prepared for the respective cash generating unit, or group of units, which for the Group consists of one unit.

The impairment test requires that the Group make projections using assumptions about internal and external conditions and plans for the operations. Examples of such judgments include future cash flows, which in turn require assumptions to be made of future development and market conditions, particularly considering the COVID-19 pandemic. Another important assumption is which discount rate to be used in order to reflect the time value of money as well as the specific risks the operations face. Changes in these assumptions and assessments may have a significant impact on the Group's results and financial position.

In the parent company, the carrying value of participations in subsidiaries at October 31, 2021 amounted to SEK 11,642 million. An impairment test of this carrying value is also performed, using the same technique and judgments, as described above for intangible and tangible non-current assets and right-of-use assets.

Response in the audit

In our audit, we have assessed whether the impairment tests have been prepared in accordance with the prescribed method.

Moreover, we have considered the reasonableness of the assumptions of projected future cash flows as well as the discount rate used through review and evaluation of the Group's written documentation and forecasts. An integral part of our work has also been to examine the group's sensitivity analysis to evaluate how reasonable changes in the assumptions may impact the valuation. We have involved our valuation specialists in the audit, mainly with regard to assumptions for discount rate linked to external markets.

We have also reviewed the disclosures relating to the impairment test included in the annual accounts and the consolidated accounts.

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Auditors' report**Other Information than the annual accounts and consolidated accounts**

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-23 and 109-142. The other information comprises also of the remuneration report which we obtained prior to the date of this auditor's report. The Board of Directors and the Chief Executive Officer are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors and the Chief Executive Officer are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in

accordance with IFRS as adopted by the EU. The Board of Directors and the Chief Executive Officer are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Chief Executive Officer are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Chief Executive Officer intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in

the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Chief Executive Officer.
- Conclude on the appropriateness of the Board of Directors' and the Chief Executive Officer's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions

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- that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
 - Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and

to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, measures that have been taken to eliminate the threats or related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**Opinions**

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Chief Executive Officer of SAS AB for the financial year 2020-11-01—2021-10-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general 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 Chief Executive Officer be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described

in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Chief Executive Officer shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

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Auditors' report**Auditor's responsibility**

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Chief Executive Officer in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed

are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. 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.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 42-56 has been prepared in accordance with the Annual Accounts Act. Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our 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. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph


the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

KPMG AB, P.O. Box 382, SE-101 27, Stockholm, was appointed auditor of SAS AB by the general meeting of the shareholders on March 17, 2021. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2019.

Stockholm, January 26, 2022

KPMG AB

Tomas Gerhardsson
Authorized Public Accountant

The background of the page is a photograph of a man and a woman in a professional office setting. The man, in the foreground, is wearing a dark suit and a blue tie, and is looking towards the woman. The woman is seen from the back, with long blonde hair, and is wearing a light-colored blouse. They appear to be in a meeting or discussion. A large blue banner with the text 'SUSTAINABILITY NOTES' is overlaid on the center of the image.

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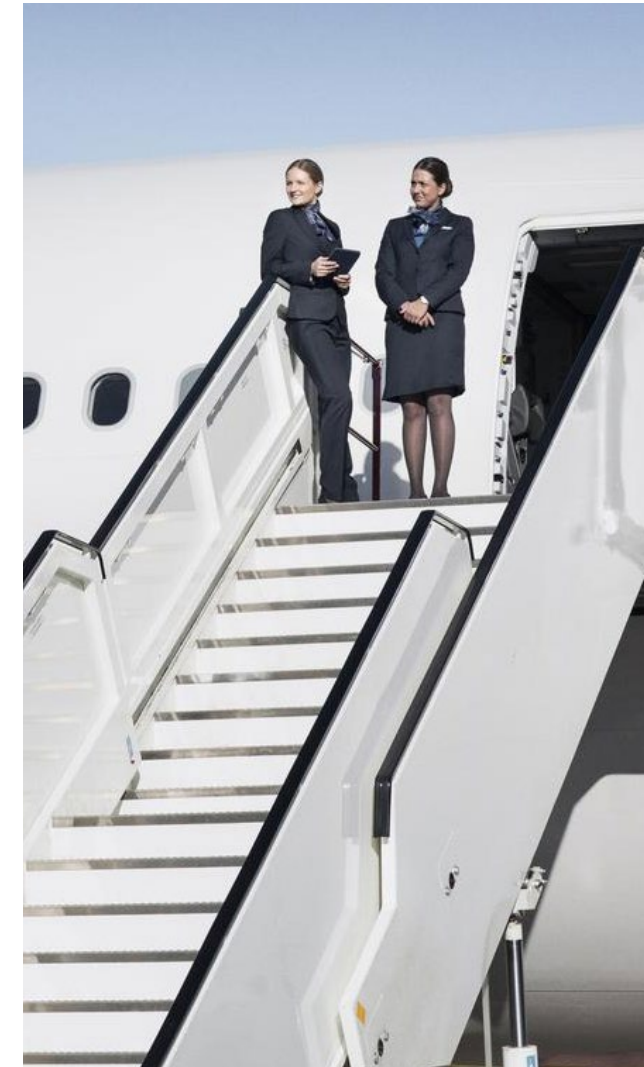
SUSTAINABILITY

SAS, together with the whole aviation industry continued to be heavily impacted by the consequences of the COVID-19 pandemic during the fiscal year 2021. However, our work to promote the transition to more sustainable air travel remains a prioritized and existential topic for SAS.

By aiming for global leadership in sustainable aviation, we want to be at the forefront of the transition toward a net-zero carbon society. SAS has been working to reduce the environmental impact of its operations for many years and our progress has been disclosed in external verified reports since 1996.

ENVIRONMENTAL, SOCIAL AND FINANCIAL RESPONSIBILITY

For SAS, sustainable development means a simultaneous focus on environmental, social and financial responsibility. In many ways, our work on sustainability issues increases our value and competitiveness, by using resources more efficiently and minimizing risks. For example, aircraft fuel efficiency, optimizing passenger and freight capacity reduces fuel consumption as well as costs. There is also a strong financial incentive to reduce sick leave.



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OUR SUSTAINABILITY FOCUS AREAS

With our determined commitment, documented activities and results, we strive to reduce our impact on the climate and the environment, and to take care of our customers, employees and society at large. This enables us to minimize sustainability-related risks and draw on potential opportunities – to avoid unnecessary costs, realize financial savings and differentiate ourselves from the competition.

The transition to more sustainable air travel is an existential topic for SAS and we believe that sustainable development means continuous improvements in all relevant areas of sustainability. We have a well-defined process for continuously reviewing which topics are the most relevant and material in terms of sustainability. The process involves engaging with internal and external stakeholders and is based on international guidelines such as the GRI, the UN Global Compact, the UN Sustainable Development Goals, global trends, the media, stakeholder dialogues, and our own assessments of risks and opportunities.

Based on our most recent updated materiality analysis, the following topics remain the most material for SAS and its stakeholders:

Environment

- Emissions
- Waste
- Noise

Business

- Business ethics and anti-corruption
- Sustainable supply chains

The materiality analysis also identifies ‘sustainability communication’ and ‘customer satisfaction’ as areas of significant importance to SAS and its stakeholders. We actively communicate on sustainability issues in a transparent manner with our stakeholders, including the publication of our Annual and Sustainability Report. Customers increasingly demand more sustainable products, and it is an essential part of our product responsibility to provide products that are more sustainable, thus increasing customer satisfaction.

OUR MOST MATERIAL TOPIC – GREENHOUSE GAS EMISSIONS

Based on our materiality analysis, our most important environmental impact is emissions from the consumption of fossil fuels. Aircraft operations account for over 99%¹ of our greenhouse gas emissions. We therefore focus on promoting aircraft efficiency and the transition to sustainable aviation fuels (SAF) in our ISO 14001 environmental management system.

Our focus areas to reduce emissions:

- Increased energy efficiency
- Sustainable aviation fuels & emerging technologies
- Sustainable products & services

Employees

- Diversity and equality
- Work conditions

UN SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals (SDGs), or Global Goals for Sustainable Development, are a collection of 17 global goals set by the United Nations General Assembly in 2015. They involve meeting a broad range of global development targets by 2030. The goals encourage businesses to consider how they can best contribute to overcoming global challenges related to economic, social and environmental sustainability.

Our most relevant SDGs

As we aim for global leadership in sustainable aviation, we focus on reducing our climate impact, promoting resource efficiency and creating an attractive workplace. Four of the SDGs are closely aligned to our sustainability agenda.



SDG 5 – GENDER EQUALITY

Goal 5 promotes gender equality and the empowerment of all women and girls. SAS contributes toward this goal by encouraging gender equality and diversity through its recruitment policy and annual People Review.

SDG 8 – DECENT WORK AND ECONOMIC GROWTH

Goal 8 promotes sustained, inclusive and sustainable economic growth, productive employment and decent work for all. SAS provides fair working conditions for all its employees, partners and suppliers.

SDG 12 – RESPONSIBLE CONSUMPTION AND PRODUCTION

Goal 12 promotes sustainable consumption and production patterns. SAS works continuously with its product development and efficiency improvements in order to reduce its climate and environmental impacts.

SDG 13 – CLIMATE ACTION

Goal 13 calls for urgent action to combat climate change. SAS works proactively to reduce its greenhouse gas emissions by focusing on reducing emissions from its aircraft operations.

¹⁾ This figure is based on available statistics included in this report. As of today, it covers our flight operations including regional production partners, and the providers of external services capable of delivering statistics.

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SUSTAINABILITY GOVERNANCE**SAS MANAGEMENT SYSTEM**

Sustainability is a vital part of our business and is integrated into the SAS management system. The system encompasses all activities at SAS and is based on airline operational standards, our own and shared environmental and sustainability policies, the SAS Code of Conduct, the UN Global Compact, the UN Sustainability Development Goals, EU taxonomy, Lean and ISO 14001. The system provides guidelines for the ongoing cycle of planning, implementation and evaluation, as well as the improvement of processes and activities to meet operational and sustainability targets. SAS also has control mechanisms with allocated follow-up systems and resources in order to ensure compliance with applicable international and national legislation.

Our approach to environmental responsibility involves complying with all relevant legislation and minimizing our absolute as well as relative greenhouse gas emissions and other environmental impacts.

Both the SAS Environmental Policy and the SAS Sustainability Policy are approved by Group Management and apply to all SAS' employees, products and services. The policies, together with goals and strategies, are reviewed annually at the ISO 14001 management review by Group Management. Activities are followed up within the management system and reported weekly, monthly, quarterly or annually according to specific needs.

The SAS environmental management system has been certified according to ISO 14001 throughout the company since 2010. The ISO standard is a key part of how we work with our environmental goals.

CODE OF CONDUCT

The Board of Directors has issued the SAS Code of Conduct to summarize and clarify SAS' stated priorities, promises, policies and other regulations. The Code applies to all employees regardless of role or type of employment. To highlight the Code's importance, an extensive training program supports the implementation of the Code and all personnel regularly participate. The SAS Code of Conduct is available at www.sasgroup.net. There are also clear rules and structures for reporting and addressing suspected violations through the management system or the SAS whistle-blower function. The whistle-blower function was used on five occasions in FY 2021. Three cases have been closed and two are still under investigation.

RISK MANAGEMENT

SAS has a precautionary risk management approach, and the work is focused on minimizing sustainability-related risks and capturing potential opportunities. The risks and opportunities are assessed and strategically dealt with within the management system and are integrated into our comprehensive risk management. Risk control measures are crucial to managing risks.

SAS works to manage risks and certain opportunities that offer tangible business potential. One example is our work with mitigating environmental impacts through our certified environmental management system. The system provides us with operational control and the capacity to quickly deal with changing business environment requirements. Read more in the Risk management section on pages 33-40.

SAS annually discloses its risks and opportunities related to climate change to CDP. Risks and opportunities are related to our possibilities to conduct aircraft operations in a changing climate, transition activities and customer perception regarding SAS as a more sustainable alternative for fast and efficient travel over longer distances. The CDP disclosure and result (B in 2021) is available on www.cdp.net.



The UN Sustainable Development Goals (SDGs) are a collection of 17 goals set by the United Nations General Assembly in 2015 to reach a broad range of targets by 2030.

THE GLOBAL GOALS
For Sustainable Development

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EU TAXONOMY

As described by the European Commission, the EU Taxonomy is a classification system, establishing a list of environmentally sustainable economic activities. It could play an important role to help the EU scale up sustainable investment and implement the European green deal. The EU Taxonomy would provide companies, investors, and policymakers with appropriate definitions for which economic activities can be considered environmentally sustainable.

SAS fall under the scope of the Non-Financial Reporting Directive and must disclose to what extent the activities that they carry out meet the criteria set out in the EU Taxonomy.

SAS' main economic activities, airline operations, is not included in the taxonomy yet and other economic activities as defined by the taxonomy is below 1% of total turnover. As such our share of eligible turnover as defined by the EU Taxonomy is 0%.

Based on SAS' economic activities and the current taxonomy regulation SAS has also reviewed our investments (as disclosed on pages 77-78), this review conclude that our share of eligible capital expenditures and also operating expenses as defined by the taxonomy is 0%.

SAS anticipate that the taxonomy will include airline operation within the next couple of year and the share of eligible activities and aligned activities will increase.

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ENVIRONMENTAL SUSTAINABILITY

SAS is determined to reduce its greenhouse gas emissions. To drive our environmental work, we have set comprehensive and ambitious short and long-term environmental goals.

OUR ENVIRONMENTAL GOALS

To reduce our greenhouse gas emissions and to drive our environmental work, we have set comprehensive and ambitious short- and long-term environmental goals.

2025 goal

- 25% lower total CO₂ emissions compared with 2005 (absolute emissions)

2030 goals

- Sustainable aviation fuel equivalent to SAS' domestic production (on average 18% the last 5 years)
- 50% noise reduction compared with 2010
- 100% sustainable materials in SAS' customer offering
- 100% recycling where possible

2050 goal

- Net zero carbon emissions in line with IATAs updated ambition.

INDUSTRY EMISSIONS GOALS

SAS intends to be part of a long-term sustainable society and support the International Air Transport Association (IATA) ambition that it will be possible to fly commercially without material climate impact by 2050. The IATA and the airline industry have agreed on the following joint targets:

- Improved fuel efficiency by an average of 1.5% annually from 2009 to 2020
- Carbon-neutral growth from 2020
- Net zero carbon emissions by 2050 (updated In October 2021)

Source: www.enviro.aero

The UN aviation organization, the International Civil Aviation Organization (ICAO), has decided on a global market-based measure for implementation by 2021 – the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). The key elements of a global solution should not distort competition and should incorporate the UN's CBDR principles (common but differentiated responsibility). Carbon-neutral growth is going to be achieved through CORSIA. At present, we are prepared to fulfill reporting obligations for our emissions. Based on the structure of the scheme, we cannot estimate an annual cost yet.

SAS is fully committed to reaching the IATA targets and our fuel efficiency has improved by approximately 2% each year since 2010. We will realize these targets through a combination of new technology, sustainable aviation fuels, new energy sources, more efficient air traffic management and coordinated action to improve the infrastructure as well as the conditions under which air transport operates. See page 116 onwards for more details on how we are actively working to reduce our emissions.

**SDG 13 – CLIMATE ACTION**

Goal 13 calls for urgent action to combat climate change. SAS works proactively to reduce its greenhouse gas emissions by focusing on reducing emissions from its aircraft operations.

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OUR GREENHOUSE GAS EMISSIONS

In FY 2021, our absolute CO₂ emissions from aircraft operations decreased 34.0% compared with the previous year. The vast majority of the reduction was due to reduced traffic as a consequence to the COVID-19 pandemic.

Our CO₂ emissions per passenger kilometer increased to 118 grams (111) as a consequence of the significantly lower cabin factor as a result of the dramatic reduction in demand due to the COVID-19 pandemic.

However, the energy efficiency per available seat kilometer improved 11.5% compared with last year due to the continued introduction of more efficient aircraft and primarily usage of the most efficient aircraft in the reduced traffic program.

During FY 2021, SAS used 1,060 tonnes sustainable aviation fuel. The usage is derived from the customer SAF upgrade ancillary service and the Norwegian blend-in obligation and Swedish reduction mandate.

Compared to 2005, our total emissions in FY 2021 have decreased 72.0%, while production measured in tonne kilometer has been reduced 71.5%.

GREENHOUSE GAS EMISSIONS, SCOPE 1

	Unit	FY 2021	FY 2020	Base year 2010
Flight Operations				
CO ₂ total	1,000 tonnes	1,189	1,802	3,511
as of domestic flights	1,000 tonnes	356	471	
as of flights to/from EU/EEA	1,000 tonnes	440	674	
as of flights to/from outside EU/EEA	1,000 tonnes	393	656	
CO ₂ passenger share	1,000 tonnes	1,006	1,611	3,244
NOx	1,000 tonnes	4.4	7.3	14.3
HC	1,000 tonnes	0.07	0.13	-
Passenger kilometers	million	8,497	14,491	29,572
Tonne kilometer	million	1,155	1,768	3,480
Departures	1,000	102	151	279
CO ₂ /passenger kilometer	gram	118	111	109.7
CO ₂ /available seat kilometer	gram	52	59	74
CO ₂ /tonne kilometer	gram	1,029	1,019	1,009
Aircraft Noise – takeoff	85 db area in km ² per dep.	1.81	2.09	2.40
Ground Handling				
CO ₂ Vehicle Petrol ¹	tonnes	25	36	
CO ₂ Vehicle Diesel ¹	tonnes	1,830	2,049	
Maintenance Productions				
CO ₂ Vehicle Petrol ¹	tonnes	70	94	
CO ₂ Vehicle Diesel ¹	tonnes	25	18	
SAS Cargo Group				
CO ₂ cargo share flown	1,000 tonnes	182	191	
Cargo tonne kilometer flown	million	305	319	
CO ₂ /cargo tonne kilometer flown	gram	597	598	
CO ₂ /cargo tonne kilometer trucked	gram	107	150	

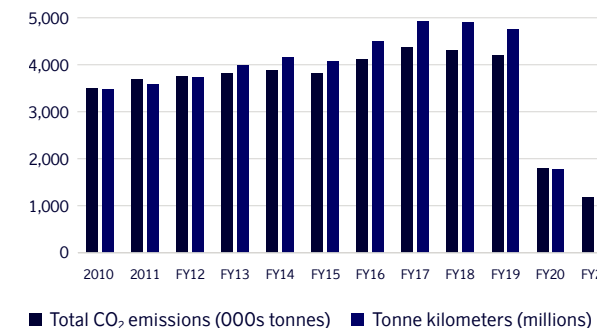
¹) SAS only report on main bases ARN, CPH and OSL.

WHAT ARE OUR RELATIVE AND ABSOLUTE EMISSIONS?

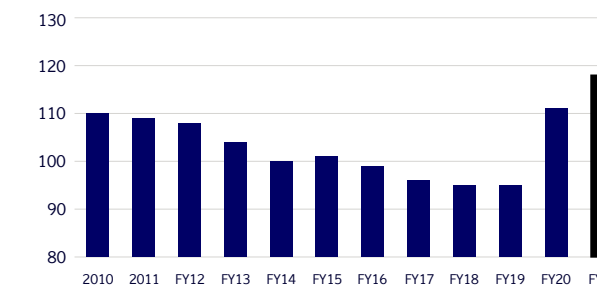
Absolute emissions refer to our total quantity of emissions (often measured in tonnes CO₂).

Relative emissions refer to emissions per production unit (e.g. gram CO₂ per tonne kilometer, gram CO₂ per passenger kilometer, gram CO₂ per cargo tonne kilometer or gram CO₂ per available seat kilometer).

SAS FLIGHT OPERATIONS, TOTAL CO₂ EMISSIONS



SAS FLIGHT OPERATIONS CO₂ GRAM/ PASSENGER KILOMETER



Share of CO₂ emissions

The following observations were made in an analysis of our total CO₂ emissions in FY 2021:

- Flights shorter than 500 km were responsible for 18% of emissions, flights between 500 and 800 km for 10%, flights between 800 and 3,000 km for 37%, and flights longer than 3,000 km for 36%.
- Domestic flights were responsible for 30% of emissions, and international flights for the remainder.

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Non-CO₂ emissions

In regard to greenhouse gas emissions, SAS has chosen to disclose different emissions separately in this report and the emission calculator is available on our web pages. Most emission calculators used in the market calculate an estimated CO₂ equivalent (CO₂e) based on different multipliers to include non-CO₂ emissions. SAS has chosen not to do so, because consensus is lacking among scientists and experts, on how to calculate NO_x, particles and water vapor emissions to CO₂e. SAS supports multiple initiatives aiming to reduce the effect of the non-CO₂ emissions in daily operations as well as develop a more advanced calculation methodology. In general, it can be noted that the current fleet renewal, and the technology choices made by SAS, contribute to a greater relative reduction of non-CO₂ emissions than CO₂ emissions.

Our focus areas to reduce emissions

SAS environmental programs include the following emission-related areas, which are all described in more detail below:

- Increased energy efficiency
- Sustainable aviation fuel (SAF) & emerging technologies
- Sustainable products & services

Due to the COVID-19 pandemic, various administrative functions of SAS, as well as counterparts at external stakeholders, were short-term laid off at different levels. This has affected some ongoing processes but will not affect long-term ambitions and targets.

**CO₂ EMISSIONS FOR SCANDINAVIAN AIRLINES
AIRCRAFT OPERATIONS FISCAL YEAR 2021**

	1,000s tonnes CO ₂	% of total aircraft operation CO ₂
Denmark		
Domestic flights	13	1.1%
Flights to EU/EEA	100	8.4%
Flight to outside EU/EEA	193	16.2%
Norway		
Domestic flights	259	21.8%
Flights to EU/EEA	51	4.3%
Flight to outside EU/EEA	7	0.6%
Sweden		
Domestic flights	85	7.1%
Flights to EU/EEA	106	8.9%
Flight to outside EU/EEA	7	0.6%
Finland		
Domestic flights	-	-
Flights to EU/EEA	2	0.2%
Flight to outside EU/EEA	-	-
EU/EEA		
Departing EU/EEA ¹ for Scandinavia and Finland	179	15.1%
Flights within EU/EEA ¹	2	0.2%
Departing EU/EEA ¹ for outside EU/EEA	-	-
Outside EU/EEA		
Departing from outside EU/EEA bound for Scandinavia/Finland	184	15.5%
Departing from outside EU/EEA bound for EU/EEA ¹ or outside EU/EEA	1	0.1%
Total	1,189	100.0%

¹⁾ Excluding Denmark, Sweden, Norway and Finland, which are reported separately.

INCREASED ENERGY EFFICIENCY**Fleet renewal**

Continuous fleet renewal is a vital part of our efforts to reduce greenhouse gas emissions from our aircraft operations. Our strategy is to ensure long-term profitability through a well-balanced fleet plan. Over the years, we have continuously renewed our fleet by replacing less efficient aircraft with more efficient ones.

The aircraft we use are either owned, leased or wet-leased. Owned and leased aircraft have during FY 2021 been operated by SAS Scandinavia or SAS Connect. Wet-leased aircraft have during FY 2021 been operated by a number of regional production partners using regional jets and turboprop aircraft.

Through a constructive dialogue with Airbus, we have managed to defer delivery of new aircraft not needed in the short-term. These deferrals are important as they reduce our capital expenditure for 2021–2024 and better align deliveries of new aircraft with the expected return in demand. We are still committed to achieving a single-type fleet operation by 2023, based on new Airbus aircraft that will provide lower fuel consumption and reduced maintenance costs compared with our current fleet composition. Furthermore, we have made progress on our ambitious sustainability goals by accelerating the phase-out of older and less fuel-efficient aircraft. In the 140–200 seat range, we will operate a single-type aircraft fleet when all A320neo aircraft are delivered. Based on performance data, the A320neo aircraft shows a substantial improvement in fuel consumption and noise emissions. The A320neo has 15–18% lower fuel consumption on a typical short-haul flight compared with the previous generation, the A320ceo.

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During the year, we received 4 A320neo, 2 A350 and 1 A321LR aircraft and concurrently phased out 27 older aircraft. By 31 October 2021, we had received 45 of the 80 A320neo, and six of the eight A350 aircraft ordered in total. At year end, the SAS fleet consisted of 129 aircraft (14 long-haul aircraft, 88 short-haul aircraft and 27 aircraft flown by regional production partners). The average age of the entire aircraft fleet was 8.4 years at year end.

Right sizing

SAS offers an extensive network of destinations and routes for different passenger volumes, which requires an aircraft fleet of different sizes and ranges. With our regional production partners, we can optimize our schedule and aircraft size to optimally meet demand, particularly on regional routes with relatively low demand. This unique capacity to switch aircraft size to meet demand enables us to optimize our fuel use and emissions per seat kilometer. We also draw on our extensive experience to constantly drive efficient aircraft planning.

Fuel efficiency program

We have a comprehensive long-term fuel saving program integrated into our operations. An important aspect of increasing fuel efficiency is to ensure that all employees in SAS airline operations have the prerequisites and knowledge to promote fuel efficiency. Key functions are those responsible for network planning, products and services as well as those employees involved in aircraft operations.

Ongoing activities include optimizing operating procedures and support systems to promote fuel efficiency. Any change must maintain the highest level of flight

safety standards and balance fuel efficiency with other operational costs, such as maintenance costs and air-space charges.

Airspace and European Network

Over the past 20+ years, SAS has worked with various stakeholders and made numerous investments to enable and prepare for the introduction of a more efficient European air traffic control system. The responsibility to implement this important transformation, lies with authorities.

Collaboration with aircraft and engine manufacturers

Through ongoing environmental work, we engage with various aircraft and engine manufacturers, producers of interiors and other aircraft installations. Environmental performance and criteria are integrated into all decision-making procurement processes for new aircraft and regional production partners.

SUSTAINABLE AVIATION FUEL (SAF) & EMERGING TECHNOLOGIES

For over a decade, we have worked on various activities to promote the development of alternative and more sustainable aviation fuels (SAF), such as biofuels. It is essential that sustainable aviation fuels are commercialized in order to meet our own and the airline industry's environmental and climate objectives, and to secure alternatives to fossil fuels.

SAS continues to ask for SAF quotes in all jet-fuel tenders in order to indicate that we are prepared to purchase biofuel if the sustainability criteria are in place and the price is competitive. SAS is involved in a number of national and international projects, forums

and networks to accelerate the commercialization of SAF production in Scandinavia. These include the IATA/ATAG biofuel network, RISE, SAFUG, NISA, Fossil Free Aviation 2045, Preem, Klimapartnerskabet and other Scandinavian interest organizations. There are different production pathways certified and many more on their way to potentially being certified. Our strategy is to support the progress of already certified pathways and to be involved in projects and initiatives working with the most realistic and implementable pathways to potential certification within a realistic time frame.

Our main sustainability criteria for biofuels is that the production is sustainable in the long-term, does not compete with food production or access to potable water, does not harm biodiversity and uses as little land area as possible. According to the IATA, depending on the production method, SAF can reduce lifecycle CO₂ emissions by up to 80%.

From 2020, Norwegian fuel suppliers are required to blend in 0.5% SAF on all flights fueled in Norway. As of July 1, 2021 a SAF reduction mandate was introduced in Sweden. The emission reduction in the life cycle from using SAF is set to be 0.8% in 2021 and increasing to 1.7% in 2022.

There is a suggestion to introduce an EU-wide mandate within EU Fit for 55, named ReFuel EU Aviation. The suggestion is subject to a parliamentary process and is suggested to regulate a growing share SAF usage from 2025. The starting point is 2% in 2025 and 5% in 2030.

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Future lower emission aircraft

There are several development projects ongoing aimed at commercializing future low emission aircraft in a time frame of 5 to 15 years. When developing more efficient aircraft there are several development areas, such as improved aerodynamics, weight reductions, and further improved or new propulsion solutions.

During the year, new propulsion solutions continued to be in focus. There are many different possible solutions, for example next generation jet turbine engines using traditional jet fuel or SAF, jet turbines converted to use hydrogen and electric engines with battery or hydrogen fuel cells as energy storage. Every solution has its opportunities and challenges, and we anticipate many different solutions commercialized over time.

The ongoing projects among smaller producers are targeting the 10-15 seat market with a one- to two-hour flight range before 2030 and the major aircraft manufacturers are expecting to commercialize 100-150 seat aircraft with a typical short-haul range in the market before 2040.

SAS and Airbus signed a memorandum of understanding in 2019 with the aim of accelerating the development of a 100-seat aircraft with technology enabling full-electric, hybrid or hydrogen propulsion during the 2030s. Within the agreement, SAS and Airbus cover different topics connected to the commercialization of the technology, such as SAS business needs, charging capabilities, operational possibilities and boundaries, etc. In October 2020, Airbus launched its 'ZEROe' concept and our work continued as planned during FY 2021.

SAS puts a lot of effort into its engagement with Airbus and strongly supports the development of various initiatives within this area. We strongly believe that we will experience a major technology shift during the 2030s with the commercialization of several full-electric, hybrid or hydrogen aircraft.

SAS also participates in The Nordic Network for Electric Aviation (NEA, a network that aims to address the prerequisites for commercialization of electric aircraft in the Nordic region). The network is managed by RISE, with participants Heart Aerospace, Swedavia, Avinor and other Nordic airlines.

OTHER ENVIRONMENTAL TOPICS

Emissions of ozone-depleting substances

Airlines must submit annual reports on their use, consumption, leakage and storage of halon to the authorities. In FY 2021, there were no instances reported where halon was used as a fire safety precaution.

Emissions calculations and CO₂ offsetting

Carbon offsetting options for customers have been available since 2006. In our emissions calculator, which is available on www.sasgroup.net, greenhouse gas emission calculations are provided for SAS' flights. We carbon offset all SAS' tickets for EuroBonus members, Youth travel with SAS and our own staff tickets. For FY 2021, these offsets resulted in 0.5 million tonnes of CO₂, or 52% of the passenger-related CO₂ emissions. The offsetting is conducted through the purchase of emission reducing mechanisms connected to third-party renewable energy projects in Asia.

Glycol, diesel and petrol consumption

Glycol is used when deicing aircraft. We increased our usage of glycol to 1,464 thousands liters (1,431) in FY 2021.

SAS uses vehicles to provide maintenance and ground-related services at airports and follow airport regulations promoting the switch to vehicles with lower environmental impact. At our main bases, all vehicles are leased, with contracts and fuel consumption continuously followed up. SAS Cargo also monitors CO₂ emissions per cargo tonne kilometer from its subcontracted ground trucking operations.

Some spillages were reported in conjunction with ground handling during the year. These were properly managed according to procedures.

Emissions from energy consumption in buildings

We continuously work to reduce energy consumption. Our energy consumption decreased due to more effective lighting but also to less building floor space being used. This is mainly due to the substantial reduction of our own operations in recent years.

GREENHOUSE GAS EMISSIONS, SCOPE 2

	Unit	FY 2021	FY 2020	Base year 2010
Energy				
CO ₂ energy	1,000 tonnes	5.7	8.6	24.9
As of CO ₂ electricity	1,000 tonnes	2.4	4.1	12.3
As of CO ₂ heating	1,000 tonnes	3.3	4.5	12.6

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Own business travel

We have control of our own business trips on SAS' flights which generated approximately 311 tonnes CO₂ during the year. SAS is looking into and evaluating how to get suppliers to report our scope 3.

Noise

Aircraft noise is perceived to be the most material impact for local airport stakeholders. There are strict regulations in place along flight paths that are close to residential areas. During FY 2021, noise emissions at take-off decreased 13.4% and 24.7% compared to 2010. This is due to the introduction of newer and quieter aircraft.

SAS received a few noise violation reports in FY 2021. The number of breaches has declined in recent years as a result of the procurement of quieter aircraft and improvement initiatives, such as specific flight simulator training scenarios flying to and from airports with strict noise regulations.

Waste

We work continuously to improve the recycling of onboard waste, although this is challenging as waste must be handled in accordance with different national legislation. The legislation often implies a treatment that does not enable sorting or recycling. We do however recycle aluminum cans at all our Scandinavian base stations. All disposal of waste is taken care of by third-party suppliers. Waste from our offices, ground services and technical maintenance is measured and divided into sorted, unsorted and hazardous waste.

Due to the COVID-19 pandemic, operations were dramatically reduced and in most of the year, all food serving onboard was put on hold and our lounges were closed. During a period this resulted in zero food waste, both from our onboard catering and lounge service.

	Unit	FY 2021	FY 2020	Base year 2010
Sorted waste	tonnes	642	817	-
Unsorted waste	tonnes	123	170	815
Hazardous waste	tonnes	61	83	302

Jet fuel spills

In FY 2021, a few fuel leaks were reported during refueling of aircraft with SK flight numbers. These were handled according to procedures.

Environmental regulations and compliance

Besides improving resource efficiency and environmental performance, our sustainability work ensures that SAS operations comply with all applicable environment-related laws and regulations. No severe incidents breaching any environmental permits were reported in FY 2021.

Environment-related costs

In FY 2021, SAS' external environment-related user charges and travel taxes amounted to MSEK 206 (627). These charges and travel taxes comprised environment-related travel taxes and user charges that are sometimes associated with the environmental performance of aircraft and are included in landing fees. Our environmental taxes in Sweden and in Norway amounted to MSEK 124 (271).

The aviation industry pays for its CO₂ emissions within the EU through the European Union Emission Trading Scheme (EU-ETS), which is an established market-based measure. SAS expensed emission rights related to the EU-ETS amounting to MSEK 0 (4) in FY 2021. From January 1, 2021, SAS also reports CO₂ emissions to CORSIA. As of January 1, 2021, UK created their own emission trading scheme (UK-ETS). SAS fully complies to UK-ETS.

We believe that market-based measures should not distort competition but should address emission reduction targets and create incentives for continuous improvement. SAS has supported the development of a global, market-based solution for airline emissions for many years.

SAS fully supports the Polluter Pays Principle and takes responsibility for its emissions. However, we oppose the Swedish and Norwegian taxes that don't address the actual CO₂ emissions and are in addition to EU-ETS or the soon to be introduced CORSIA. The result can be seen as a way of implementing economic measures but lacks incentives to reduce CO₂ emissions. For example, a passenger onboard an A320neo aircraft with 50% SAF pays the same tax as a passenger onboard an aircraft two generations older, despite having approximately 65% lower emissions.

Environment-related liabilities

SAS has no known major environment-related liabilities or contingent liabilities, such as contaminated land.

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Environment-related investments

According to SAS' guidelines, our investments are to be both environmentally and economically sound. This contributes to our profitability and helps ensure we can meet future environmental requirements.

During FY 2021, no significant environment-related investments were conducted. This is because our preferred solution is leasing, rather than investing in aircraft, vehicles, computers, etc.

SUSTAINABLE PRODUCTS & SERVICES

We continuously develop our products and services, to make them as sustainable as possible in terms of resources and materials with a lifecycle perspective.

Due to the COVID-19 pandemic, operations have been dramatically reduced, but sustainability remains an important focus in our daily business.

The safety of passengers and employees is always our highest priority and because of the COVID-19 outbreak, additional measures were introduced to ensure safety and well-being onboard. We introduced mandatory facemasks, safety processes and a safety kit for all staff onboard.

In October 2021, we re-started the serving of food onboard, starting with a reduced service on flights over 80 minutes from Denmark. We also opened our lounges with a limited food supply. Our ambitious sustainability goals remain, and we continue to develop more sustainable product and services onboard and in our lounges, to be introduced as traffic slowly increases.

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EMPLOYEES

OUR APPROACH TO EMPLOYEES

As an employer, our responsibility is to ensure decent working conditions in the work environments within our operations, mainly in the Nordic region. SAS is also responsible for providing personal and professional development opportunities. The SAS Work Environment Policy, Leadership Policy, Personnel Policy and Diversity Policy apply to all employees at SAS. Group Management is ultimately responsible for the policies. The policies are reviewed annually, and activities are followed up on within the management system and reported weekly, monthly, quarterly or annually according to specific needs.

We have a zero-tolerance policy toward all forms of harassment and work continually to counteract harassment through various activities. This is regulated by our Code of Conduct, and web-based training in the code is mandatory for all employees.

Redundancies and cooperation with labor unions

With the new market reality that has come with the COVID-19 outbreak, SAS is adapting and reshaping how to plan and navigate short-term as well as taking into account the uncertainties surrounding the overall future of the aviation industry.

Day-to-day collaboration with labor unions is mainly carried out on a national level with unions that have collective agreements with SAS. Collaborations take place within the framework of national laws

and agreements affecting the unit concerned. SAS conducted negotiations and discussions with all unions during FY 2021.

Employee representatives from the Scandinavian countries sit on the SAS Board of Directors. Employees elect representatives from units in the group's Scandinavian operations. SAS employees are covered by collective bargaining agreements, with the main exception of a few specialists and senior executives at group level.

DIVERSITY AND EQUAL OPPORTUNITIES

The SAS Diversity Policy promotes equal treatment of all employees and job applicants. Our work with equal opportunities includes promoting diversity and equality in all its forms. In FY 2021, the legal gender distribution at SAS was 37% women and 63% men.

At SAS, there is a traditional split between female-dominated roles and male-dominated roles. Pilots (5% women), and technicians and aircraft maintenance staff (5% women) are traditionally male-dominated, while cabin crew (76% women), check-in and gate personnel at the airports (66% women) are typically female-dominated.

As of October 31, 2021, SAS Group Management comprised 29% women, the SAS Board of Directors comprised 36% women and SAS Cargo Board of Directors comprised 33% women.

SAS works actively to promote equality in traditional gender dominated roles and in management by encouraging gender equality and diversity through our recruitment policy and annual people reviews. SAS recruitment policy states that the best candidate for a particular position is chosen, with the SAS diversity aims in mind.

Legal gender	Age			Total
	<30	30–50	>50	
Women	239	938	1,578	2,755
Men	517	1,470	2,790	4,777
Total	756	2,408	4,368	7,532

Training

In FY 2021, SAS employees attended approximately 210,000 hours of training (excluding in-air training hours), which equates to an average of 28 hours per employee. The decrease in training hours was due to COVID-19. Flight crews, technical and operational ground staff are covered by a number of license and competency requirements from EU-OPS, and the IATA through the IOSA (IATA Operational Safety Audit).

Company health services

Our health services or health and work environment (HWE) function that support the entire organization, offers services through in-house or outsourced resources including therapists, stress and rehabilitation experts, ergonomic specialists and engineers. The function also offers special services, including aviation medicine, stress management, follow-up on sick leave,

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health profiles, ergonomics, and advice in handling chemicals. Investments are made throughout the organization into various health-promoting activities both in the workplace and during leisure time. During the COVID-19 pandemic, many employees have been working from home according to recommendations and quarantine restrictions from authorities. SAS was well prepared regarding digital solutions, but as for many other companies in this situation, it resulted in new challenges regarding the work environment.

Sick leave

Sick leave is a significant expense for society that can be caused by physical and mental illness. Our calculation for sick leave costs amounted to approximately MSEK 101 (153) in FY 2021. SAS works actively to prevent short- and long-term sick leave.

A standardized reporting method is implemented for all three Scandinavian countries, and sick leave is reported according to Swedish legislation. Managers, supported by HR, conduct early follow-ups with sick employees, which have reduced long-term absence.

For crew, special sick leave follow-up teams work in close collaboration with external occupational health and aeromedical specialists. Early contact with employees and support for medical health care and rehabilitation programs shorten periods of illness.

When short-term sick leave is reported, employees are offered medical advice from nurses. In cases of frequent short-term sick leave, SAS requires a "first day doctor's note". Temporary workplaces and special work schedules are offered for better and faster rehabilitation.

During FY 2021, total sick leave at SAS increased to 4.3% (4.2%). Long-term sick leave, more than 14 days, accounted for 2.9% (3.0%) of the total sick leave at SAS.

Occupational accidents

The number of occupational accidents leading to absence at SAS was 5 in FY 2021. The decrease during FY 2021 was mainly due to reduced workload, improved processes for systematic follow-up, educational activities and clarification of definition in collaboration with safety representatives, supervisors, HR and labor-management joint safety committees that cover all employees in each country.

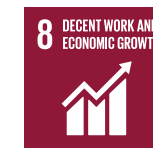
Ground handling has the highest frequency of occupational accidents within SAS. Examples of occupational accidents include crushing, falling and in some cases involving vehicles in connection with baggage handling.

SAS	DK	NO	SE	Total
No. of employees October reporting fiscal year (head count)	2,456	2,446	2,630	7,532
No. of women	839	887	1,029	2,755
of whom, women, %	34	36	39	37
Total sick leave, %	3.9	5.1	3.8	4.3
Long-term sick leave (more than 14 days), %	2.7	3.4	2.4	2.9
Total number of occupational accidents with one day sick leave or more	2	3	0	5
Occupational accident frequency lost time-to-injury rate (H value)	0.5	0.6	0.0	0.4



SDG 5 – GENDER EQUALITY

Goal 5 promotes gender equality and the empowerment of all women and girls. SAS contributes toward this goal by encouraging gender equality and diversity through its recruitment policy and annual People Review.



SDG 8 – DECENT WORK AND ECONOMIC GROWTH

Goal 8 promotes sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. SAS provides fair working conditions for all its employees, partners and suppliers.

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BUSINESS

BUSINESS ETHICS AND ANTI-CORRUPTION

Our management approach is to take an active stance against all forms of corruption and anti-competitive behavior.

The SAS Code of Conduct, Legal Policy, and SAS Anti-bribery Policy are applicable to everyone who acts on behalf of SAS Group. The SAS Board of Directors has the overall responsibility for implementing the Code of Conduct and monitoring compliance. Compliance is monitored throughout the management system and through internal audits.

Regulations relating to bribery and other improper actions are particularly strict. An example is the ongoing "Competition Law Compliance Program" that covers all entities within SAS. The program addresses the most material risks related to corruption and employees that are exposed to corruption risks in their daily work.

SUSTAINABILITY IN OUR SUPPLY CHAIN

We have close to 3,600 suppliers that provide products and services. The supply chain is centered around aircraft operations and the associated services. It includes:

- aircraft and engine manufacturers
- airport and air navigation service providers
- fuel suppliers
- catering suppliers
- IT suppliers
- technical maintenance suppliers
- regional production partners
- financial services

Suppliers are primarily situated in the geographical areas where SAS' routes are flown. In line with our operational model, we are increasingly outsourcing ground handling, regional production partners, customer services and accounting functions to external suppliers.

Supply chain responsibility

The SAS Supplier Code of Conduct and the SAS Purchasing Policy cover all purchasing activities within SAS. Group Management is responsible for the Purchasing Policy, which is reviewed annually. Activities are followed up within the management system and reported weekly, monthly, quarterly or annually according to specific needs.

Supply chain governance

Our established governance model clarifies supply chain responsibilities, risks and improvement areas as well as how potential deviations are handled. The responsibility for continuously following up with our critical suppliers is centralized and standardized. All SAS' suppliers are required to meet our high prioritized sustainability and social responsibility requirements, our Purchasing Policy, and the general terms and conditions of the UN Global Compact and other specific sustainability requirements. Sustainability is highlighted as an evaluation criterion in all SAS' sourcing governance.

The criteria depend on the type of product or service and where it is produced, but may include energy efficiency, waste handling, collective agreements, human rights, child labor, etc. Criteria are reviewed and managed in the procurement phase and during the agreement period.

Stakeholder dialogue

We have a long tradition of ongoing dialogue and cooperation with a wide range of stakeholders and involvement in community-related issues.

SAS prioritizes close collaboration with customers, authorities, suppliers and airports to create conditions to develop solutions for improved sustainability performance. SAS also engages in dialogue with parties that want knowledge, drive change or support SAS in different ways, i.e. employees, partners, experts, NGOs, organizations, researchers, etc.

We see stakeholder dialogue as an opportunity to initiate engagement on relevant topics and to gain input to further develop the SAS customer offering and sustainability agenda. As an effort to create a greater understanding of the aviation industry, we also participate in various industry and employee organizations.

A list of our stakeholders can be found at www.sasgroup.net

**SDG 12 – RESPONSIBLE CONSUMPTION AND PRODUCTION**

Goal 12 promotes sustainable consumption and production patterns. SAS works continuously with its product development and efficiency improvements in order to reduce its climate and environmental impacts.

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PRODUCT RESPONSIBILITY

We take responsibility for maintaining the highest standards of product responsibility and follow strict policies as well as applicable legislation concerning health and safety, environmental impact, IT security and food safety. We also have a responsibility to deliver products and services that are reliable and are produced under decent conditions. The SAS Quality Policy is applicable to all SAS products and services, it is overseen and annually reviewed by Group Management. Activities are followed up within the management system and reported weekly, monthly, quarterly, or annually according to their specific needs.

Flight Safety is highly regulated, and SAS is regularly audited by external parties. The relevant authorities review working conditions for airline personnel regarding areas such as working hours, which help to promote flight safety.

Punctuality and regularity are crucial aspects to deliver passenger transport on time and as planned. SAS works continuously to monitor and improve punctuality and regularity, which is highly valued by SAS customers. Punctuality is also of high importance for reducing emissions.

IT security and integrity are increasingly important, and SAS has an extensive program to ensure the high level of IT security required. We also comply with the EU General Data Protection Regulation (GDPR) legislation.

SAS CONTRIBUTES TO ECONOMIC DEVELOPMENT

Our operations benefit society by directly and indirectly creating economic value and social welfare in the countries and communities where we operate.

We promote significant direct economic benefits as an employer and a purchaser of goods and services. In FY 2021, SAS paid wages and salaries totaling MSEK 4,152 which included social security expenses of MSEK 847 and pensions of MSEK 631. SAS aims to achieve market pay for all employee groups.

SAS creates economic value by providing the necessary infrastructure to enable smooth passenger journeys and cargo transport to, from and within Scandinavia. Air transport pays the costs for the infrastructure it needs to operate, such as airports, air traffic control and security. In FY 2021, these costs amounted to MSEK 2,275 for Scandinavian Airlines. Of these costs, Scandinavian Airlines paid MSEK 341 in security-related costs.

COMMUNITY SUPPORT

SAS supports social initiatives that are mainly related to our airline operations. Some initiatives that took place during the year were due to the extraordinary situation surrounding the COVID-19 pandemic.

Rescue flights

SAS operated rescue flights in August, in conjunction with the rescue operation out of Afghanistan. In total, SAS made 22 flights from Islamabad and Tbilisi, on behalf of the Scandinavian authorities.

Securing infrastructure

SAS maintain Scandinavian connectivity, especially on domestic destinations and secure critical infrastructure for travelers and cargo.

Air bridges for medical supply

SAS contributed with transport via air freight to bring essential medicine and medical equipment to Scandinavia during the pandemic.

Preparedness for air ambulance operations

SAS has a commercial agreement with the Swedish government to make two specially equipped Boeing 737s available as air ambulances within the framework of the Swedish National Air Medevac (SNAM) in the event of a national emergency. A similar agreement exists with the Norwegian Armed Forces under which SAS is to make a remodeled ambulance service 737-700 available for medical evacuation within 24 hours, and a second aircraft within 48 hours if necessary.

Christmas flight

Every December since 1985, we have supported the Norwegian "Christmas flight". The Christmas flight is an aid campaign carried out by SAS' employees together with volunteers, who throughout the year collect goods and contributions from various partner companies and private individuals. We provide an aircraft with full operational support, while pilots and crew volunteer in their free time, and fuel is sponsored by a fuel supplier. Due to COVID-19 no flight were conducted in December 2020 or 2021.

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SAS – YOU ASSIST

YOU ASSIST is a non-profit initiative launched by SAS’ employees in 1979. It is run voluntarily by SAS’ employees, and as a section in the internal SAS Club it is supported by SAS. The main focus is to help children in developing countries get a better life through various projects in different countries. During 2021, due to the pandemic, other types of measures have been required, such as support for food and digitalization at schools to ensure the children’s continued learning. Approximately 95% of the funds raised by SAS YOU ASSIST goes directly to the projects, leaving only 5% used for administration.

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ABOUT THIS REPORT

The sustainability reporting in SAS Annual and Sustainability Reports, has been subject to third-party review since 1996. The report describes the company's most essential environmental and societal aspects during fiscal year 2021 from November 1, 2020, to October 31, 2021.

The Annual and Sustainability Report has been prepared in accordance with the GRI Standards: Core option. The UN Global Compact, UN Sustainability Development Goals, ISO 14001 and CDP were also taken into consideration in the preparation of this report. The sustainability part of this report has been prepared following the SAS Accounting Policies for Sustainability Reporting.

In accordance with the Swedish Annual Accounts Act, SAS has prepared a statutory Sustainability Report, which has been incorporated into the Annual and Sustainability Report FY 2021, separate from the Report by the Board of Directors, on pages 110-131. The auditor's opinion regarding the statutory sustainability report is included on pages 132-133.

This Annual and Sustainability Report is a key part of our commitment to communicate transparently with stakeholders. The 2020 materiality analysis was reviewed and updated in 2021 and "sustainability communication" was still identified as an area of great importance to SAS and its stakeholders.

The SAS Group is referred to as SAS in this Sustainability Report.

External review: material sustainability information and EU-ETS

All material sustainability information in the Annual and Sustainability Report for FY 2021 has been reviewed by KPMG. The Auditor's assurance report can be found on pages 132–133.

KPMG has verified the reporting systems regarding CORSIA and the EU trading scheme for emission allowances for flights under the SK flight number.

External initiatives

SAS has been a member of the UN Global Compact since 2003 and participates in the Nordic Network. One criterion for publishing company information on the Global Compact website is an annual update – the Communication On Progress (COP). The most recent SAS information update was completed in June 2021. The UN Global Compact is a pivotal component of the SAS Code of Conduct and the requirements imposed on the company's suppliers.

We have also chosen to use the UN Sustainable Development Goals (SDGs) as a tool to structure our strategic sustainability agenda. See pages 111–112 for more on our approach to the SDGs.

Examples of organizations related to sustainability issues where SAS is a member:

- Member of the Nordic initiative Sustainable Aviation
- Member of Nordic CEOs for a Sustainable Future
- Member of the biofuel cluster Fossilfritt Flyg 2045
- Member of The Nordic Network for Electric Aviation
- Member of the IATA and participant in the IATA's Environmental Committee
- Active in the Nordic working group for environmental issues in aviation (N-ALM)
- Member in Star Alliance, the world's largest airline network
- Participation in three national industry organizations: NHO Luftfart in Norway, Föreningen Svenskt Flyg in Sweden and Dansk Industri in Denmark

Accounting policies for sustainability reporting fiscal year 2021

'SAS' or 'The SAS Group' is used throughout the report when referring to our overall operations.

For FY 2021, SAS reports its general sustainability results divided into the segments:

- Scandinavian Airlines comprises all operations in the SAS Consortium, including SAS Cargo Group (SCG)
- SAS Ground Handling (SGH)

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For environmental responsibility, SAS strives to distinguish between airline and ground operations. Accordingly, the following distinctions have been made:

- Airline operations with an SK flight number. Scope 1
- Ground handling in SAS Ground Handling (SGH). SGH conducts ground handling for SAS and other customers, such as other airlines. Scope 1
- Technical maintenance in SAS Maintenance Production. SAS Maintenance Production conduct technical maintenance primarily for SAS but also for other customers, such as other airlines. Scope 1
- Freight and mail services within SAS Cargo Group A/S (SCG). Scope 1
- Facilities owned or leased by SAS. Scope 2

The SAS legal structure is presented on page 42.

Monitoring sustainability-related data

We monitor relevant sustainability key performance indicators (KPIs) on an ongoing basis. SAS uses various parts of the Lean methodology and follow-ups of these KPIs are conducted within the management system and reported weekly, monthly, quarterly or annually according to specific needs.

As preparation for external sustainability reporting, there are data collection processes in the management system covering all areas of the SAS sustainability agenda.

SCOPE OF THE SUSTAINABILITY WORK

The goal of the Annual and Sustainability report is to disclose all information necessary to provide the reader with a comprehensive overview of our environmental, societal, and financial responsibilities.

The ultimate responsibility for our sustainability aspects, and their integration in operational activities, lies with Group Management. The Annual and Sustainability Report is approved by SAS Board of Directors and SAS Group Management before publication. The SAS Board of Directors submitted the Annual and Sustainability Report FY 2020 in January 2021.

Limitations

The main principle for sustainability reporting is that all units and companies controlled by SAS are accounted for. This means that sustainability-related data for divested companies owned by SAS during the period is reported wherever possible. The same accounting policies as for financial information in the Annual Report are intended to be used for information in the Sustainability Report.

SAS has a number of production indicators (such as passenger kilometers and tonne kilometers). There are differences between the Annual Report and the Sustainability Report with regards to the disclosure of the number of passenger kilometers. The Annual Report uses revenue passenger kilometers (RPK) where paying passengers are included, while the Sustainability Report uses passenger kilometers (PK) where all passengers (including non revenue) are included.

Standard definitions for environmental and societal data have been applied throughout SAS. None of the limitations are considered to have any substantial significance.

Changes in accounting policies and calculating principles

None.

Principles for reporting and calculating external and other environment related costs

Where possible, environment-related costs are based on information directly from the accounting system. When this has not been possible, for example, for calculations of certain charges and taxes that are included in landing charges, estimates were used based on the number of passengers to a certain destination and the charge or tax per passenger.

Principles for reporting and calculating environmental data

Reported environmental information is based on the following calculations and/or factors:

- Distance, based on WGS84 Great Circle Distance (GCD) calculations between airport reference points as defined in national Aeronautical Information Publication (AIPs).
- Passenger weight for PK calculations uses 100 kg for any person with hand luggage and checked luggage transported. This does not include active crew.
- Cargo and mail, actual weight is used.
- Fuel density (kg per liter):
 - Jet A/A-1¹: Actual density or 0.8
 - Diesel: 0.84
 - Petrol: 0.73
 - Heating oil: 0.84
- CO₂ factor (per weight unit of fuel):
 - Jet A/A-1¹: 3.15
 - Diesel: 3.17

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- Petrol: 3.12
- Heating oil: 3.17
- Electricity: 90 (grams/kWh based on Nordic energy mix)
- Energy conversion of fuels (GWh per 1,000 tonnes):
 - Jet A/A-1: 12.0
 - Diesel: 12.0
 - Petrol: 12.2
 - Heating oil: 12.0
- Nitrogen oxides (NOx), factors (per weight unit of fuel):
 - Jet A/A-1² Between 0.00694 and 0.0193²

1) Fuel density and CO₂ factor for Jet A/A-1 is calculated according to approved MRV plan.
2) Varies per aircraft/engine combination.

CO₂ emissions per passenger kilometer and cargo tonne kilometer – Scope 1

SAS has chosen to apply a calculation method to divide the amount of fuel used for passenger and cargo transport before dividing the amount by passenger or cargo tonne-kilometer. The method is based on the IATA Carbon Calculator Tool. The assumption is that fuel usage is proportional to weight. Passenger fuel usage is the ratio of total passenger weight to total weight multiplied by the total fuel used. The remainder is allocated to cargo transport.

Total Passenger Fuel Usage	=	(Total Passenger Weight/ Total Weight) x Total Fuel Used
Where, Total Weight	=	Total Passenger Weight + Total Freight/Cargo Weight
Total Passenger Weight (kg)	=	(Number of Seats x 50 kg) + (Number of Passengers x 100 kg)

The calculation method allocates 50 kg per seat as a prerequisite for passenger transport and the same weight per passenger as used in all other calculations applied within the industry.

For cases when flights were conducted without passengers or freight/cargo transport, all CO₂ emissions were allocated as passenger transport. This may include training flights, positioning flights between scheduled flights, and flights to/from maintenance, etc. The reason for this changed calculation method is to achieve more precise CO₂ emissions per production unit calculations. The previous calculation method essentially involved double accounting, with emissions per passenger kilometer including the fuel used for freight/cargo transport and vice versa.

CO₂ emissions per available seat kilometer – Scope 1

In order to calculate the CO₂ emissions for each available seat, the assumption is that each seat is occupied by one passenger which corresponds to 100 kg. The metric is calculated by dividing the total CO₂ emissions with the total available tonne kilometer and then multiplied with 0.1 (i.e. 100 kg or 0.1 tonne).

Principles for reporting and calculating employee data

The following principles for calculating and reporting societal data have been used.

Occupational accidents (H value)

Frequency of occupational accidents (H value) is calculated using the following formula:

$$\frac{\text{No. of occupational accidents with a minimum of one day absence} \times 1,000,000}{\text{Total number of performed working hours per year}}$$

Number of employees

In this report, the number of employees is based on the number of persons during the month of October and sick leave statistics calculated for the fiscal year. The statistics include employees with a budgeted or actual schedule and/or who were sick during the period. Employees hired outside Scandinavia are included in the disclosure as Denmark.

Sick leave

Sick leave is reported as the number of days sick in relation to the number of employees multiplied by the number of calendar days. For sick leave, absence due to sick children is excluded. Long-term sick leave (more than 14 days) is reported as a percentage of the total sick leave.

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GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundaries	Pages 17, 110-111 and 126-127
	103-2	The management approach and its components	Pages 112 and 123
	103-3	Evaluation of the management approach	Page 112 and 123-124
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	Pages 123-124
OCCUPATIONAL HEALTH AND SAFETY			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundaries	Pages 17, 110-111 and 126-127
	103-2	The management approach and its components	Pages 112 and 123
	103-3	Evaluation of the management approach	Pages 112 and 121-122
GRI 403: Occupational Health and Safety 2016	403-1	Workers representation in formal joint management-worker health and safety committees	Pages 121-122
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Pages 121-122 Not reported by gender. No fatalities.

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GRI Standards	Disclosure	Page number(s) and /or URL(s)	Omission
TRAINING AND EDUCATION			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundaries	Pages 17, 110-111 and 126-127
	103-2	The management approach and its components	Pages 112, 121 and 123
	103-3	Evaluation of the management approach	Pages 112 and 121-122
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	Page 121
DIVERSITY AND EQUAL OPPORTUNITY			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundaries	Pages 17, 110-111 and 126-127
	103-2	The management approach and its components	Pages 112 and 121-122
	103-3	Evaluation of the management approach	Pages 112 and 123
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	Pages 53-56 and 121
SUPPLIER SOCIAL ASSESSMENT			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundaries	Pages 17, 110-111 and 126-127
	103-2	The management approach and its components	Page 123
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GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criterias	Page 123-124
CUSTOMER HEALTH AND SAFETY			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundaries	Pages 17, 110-111 and 126-127
	103-2	The management approach and its components	Pages 112 and 123
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GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	Page 124

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ASSURANCE REPORT

AUDITOR'S LIMITED ASSURANCE REPORT ON SAS AB SUSTAINABILITY REPORT AND STATEMENT REGARDING THE STATUTORY SUSTAINABILITY REPORT

To SAS AB, Corp. Id. 556606-8499

INTRODUCTION

We have been engaged by the Board of Directors and the Chief Executive Officer of SAS AB to undertake a limited assurance engagement of SAS AB Sustainability Report for the financial year 2020-11-01 – 2021-10-31. SAS AB has defined the scope of the Sustainability Report that also is the Statutory Sustainability Report on page 1 in this document.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE CHIEF EXECUTIVE OFFICER

The Board of Directors and the Chief Executive Officer are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with applicable criteria and the Annual Accounts Act respectively. The criteria are defined on page 126 in the Sustainability Report, and are part of the Sustainability Reporting Standards published by GRI (The Global Reporting Initiative), that are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report. Our assignment is limited to the historical information that is presented and does not cover future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of financial information (revised). A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR's accounting standard RevR12. The auditor's opinion regarding the Statutory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 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.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of SAS AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit.

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Our procedures are based on the criteria defined by the Board of Directors and Chief Executive Officer as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusions below.

CONCLUSIONS

Based on the limited assurance procedures performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Chief Executive Officer.

A Statutory Sustainability Report has been prepared.

Stockholm, 26 January 2022

KPMG AB

Tomas Gerhardsson
Authorized Public
Accountant

Torbjörn Westman
Expert Member of FAR



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OPERATIONAL KEY FIGURES

	FY21	FY20	FY19	FY18	FY17	FY16	FY15	FY14	Jan–Oct, 2013	2012
Passenger traffic-related key figures										
Number of destinations served, scheduled	108	121	127	125	123	118	119	125	150	136
Number of flights, scheduled	99,821	149,608	287,969	291,908	298,100	297,481	293,898	294,679	402,460	338,870
Number of passengers, total, (000) ¹	7,585	12,610	29,761	30,082	30,065	29,449	28,884	29,408	30,436	25,916
Number of passengers, scheduled (000)	7,380	12,315	28,451	28,794	28,625	27,738	26,941	27,061	28,057	23,979
Available seat km, total (million) ¹	17,253	23,365	52,371	52,781	52,217	48,620	44,289	45,158	44,629	36,126
Available seat km, scheduled (million)	16,585	22,357	48,471	49,023	48,303	44,956	40,877	40,971	40,583	32,813
Revenue passenger km, total (million) ¹	8,256	14,127	39,375	39,946	40,078	36,940	33,781	34,714	33,451	27,702
Revenue passenger km, scheduled (million)	7,748	13,259	35,825	36,496	36,360	33,508	30,561	30,686	29,650	24,746
Load factor, total (%) ¹	47.9	60.5	75.2	75.7	76.8	76.0	76.3	76.9	75.0	76.7
Weight-related key figures										
Available tonne km, ATK, total (mill. tonne km)	2,275	3,052	6,797	6,859	6,746	6,179	5,553	5,617	5,527	4,475
Available tonne km, scheduled (mill. tonne km)	1,314	2,436	6,302	6,372	6,251	5,741	5,132	5,119	5,042	4,098
Available tonne km, other (mill. tonne km)	962	616	495	487	495	437	421	498	485	377
Revenue tonne km, RTK, total (mill. tonne km)	1,091	1,649	4,645	4,808	4,819	4,404	3,989	4,067	3,930	3,201
Passengers and excess baggage (mill. tonne km)	820	1,401	3,907	3,964	3,976	3,666	3,354	3,446	3,308	2,733
Total load factor, total (%)	47.9	54.0	68.4	70.1	71.4	71.3	71.8	72.4	71.1	71.5
Traffic revenue/revenue tonne km (SEK)	37.01	24.48	8.68	8.40	7.99	8.11	8.92	8.34	9.53	9.94
Key figures for costs and efficiency										
Unit cost	1.00	1.15	0.78	0.72	0.69	0.70	0.79	0.75	0.80	0.81
Jet-fuel price paid incl. hedging, average (USD/tonne)	728	1,017	750	675	566	583	757	978	1,093	1,116
Revenue-related key figures										
Passenger revenue/revenue passenger km, scheduled, yield (SEK)	1.08	1.05	0.97	0.93	0.90	0.91	1.00	0.94	1.07	1.09
Passenger revenue/available seat km, scheduled, (SEK)	0.51	0.62	0.73	0.70	0.68	0.68	0.75	0.70	0.78	0.82

1) Total production includes scheduled traffic, charter, ad hoc flights and EuroBonus flights, etc. This means that the figures deviate from the published traffic statistics.

Definitions & concepts, see page 139.

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	FY21	FY20	FY19	FY18	FY17	FY16	FY15	FY14	Jan–Oct, 2013	2012
Environmental key figures										
CO ² , gram/passenger km ¹	118	111	95	95	96	99	101	100	104	118
CO ² , gram/available seat km, total	52	59	62	63	65	67	69	70	70	69
Key figures for Scandinavian Airlines										
Market share, to, from and within Scandinavia, (%)	32	36	32	32	31	31	32	33	32	33
Yield, currency-adjusted change, (%)	6.8	8.6	3.2	1.6	-2.9	-7.7	4.0	-7.4	-0.4	-1.0
PASK, currency-adjusted change, (%) ²	-15.8	-12.8	2.5	0.5	-1.9	-8.0	3.8	-5.8	-3.2	1.1
Total unit cost, change, (%)	14.2	46.4	7.7	2.2	-3.5	-11.1	-3.8	-2.2	-6.0	-0.1
No. of daily departures, scheduled, annual average	273	405	789	800	817	813	805	807	791	773
Number of aircraft in operation ³	129	135	158	157	158	156	151	156	151	156
Aircraft, block hours/day	5.7	6.9	9.3	9.6	9.6	9.3	8.8	9.0	8.7	8.2
Pilots, FTEs	779	989	1,285	1,273	1,345	1,300	1,228	1,396	1,413	1,328
Pilots, block hours/year	397	377	637	687	686	681	688	685	665	659
Pilots, personnel expense, MSEK ⁴	1,732	2,301	2,536	2,580	2,435	2,489	2,370	2,459	2,584	2,979
Cabin crew, FTEs	1,294	1,183	2,516	2,522	2,635	2,574	2,325	2,564	2,607	2,613
Cabin crew, block hours	589	530	734	771	777	759	762	762	721	674
Cabin crew, personnel expense, MSEK ⁴	756	1,185	1,738	1,767	1,613	1,647	1,546	1,587	1,769	2,087
Regularity, %	98.6	98.8	97.5	98.0	98.9	98.4	98.7	99.0	98.8	99.0
Punctuality (%) within 15 min.	85.9	87.9	80.3	77.7	83.6	83.9	87.9	88.4	86.2	89.4
Customer satisfaction, CSI	70	73 ⁵	72	70	72	73	74	72	71	72

1) Carbon dioxide emissions per passenger kilometer comprising all passengers on board all flights (scheduled, charter, etc.). The method has been adjusted from fiscal year 2013 onward.

2) Refers to RASK prior to fiscal year 2014.

3) Including wet leases.

4) Excluding restructuring costs.

5) Measured from November 2019 to February 2020.

Definitions & concepts, see page 139.

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TEN-YEAR FINANCIAL OVERVIEW

	2021 ⁵	2020 ^{3,5}	2019	2018	2017	2016	2015	2014	2013	2012 ¹
Statements of income, MSEK										
Revenue	13,958	20,513	46,736	44,718	42,654	39,459	39,650	38,006	42,182	35,986
Operating income before amortization and depreciation	-570	-2,736	2,988	3,783	2,844	2,962	2,877	1,576	3,647	955
Depreciation, amortization and impairment	-4,817	-6,703	-1,924	-1,763	-1,635	-1,367	-1,446	-1,443	-1,658	-1,426
Income from shares in affiliated companies	10	7	-10	35	4	39	37	30	25	32
Income from the sale of shares in subsidiaries and affiliated companies	-	-	0	-4	-21	-7	-	6	700	400
Income from the sale of aircraft, buildings and slot pairs	-143	2	112	479	995	265	777	-16	-118	-247
Financial income	214	806	172	129	148	91	124	102	50	96
Financial expenses	-1,245	-1,408	-544	-609	-611	-553	-632	-1,130	-999	-1,055
Income before tax, EBT	-6,525	-10,097	794	2,050	1,725	1,431	1,417	-918	1,648	-1,245
Income before tax and items affecting comparability	-6,382	-8,565	786	2,136	1,951	939	1,174	-697	919	23
Balance sheets, MSEK										
Non-current assets	44,928	44,634	22,281	21,127	20,252	19,319	18,512	18,291	18,600	29,692
Current assets, excluding cash and cash equivalents	3,516	2,101	2,968	3,316	3,467	4,065	3,556	3,617	3,462	4,273
Cash and cash equivalents	4,268	10,231	8,763	9,756	8,836	8,370	8,198	7,417	4,751	2,789
Shareholders' equity	6,416	10,023	5,372	7,268	8,058	6,026	6,339	4,907	3,226	11,156
Non-current liabilities	30,032	28,321	13,525	12,011	9,363	9,822	10,275	10,384	10,173	12,111
Current liabilities	16,264	18,622	15,115	14,920	15,134	15,906	13,652	14,034	13,414	13,487
Total assets	52,712	56,966	34,012	34,199	32,555	31,754	30,266	29,325	26,813	36,754
Cash-flow statements, MSEK										
Cash flow from operating activities	-4,756	-5,176	3,318	4,559	2,443	3,663	3,036	1,096	1,028	2,562
Investments	-4,105	-7,557	-6,207	-6,840	-7,315	-5,960	-4,306	-2,113	-1,877	-2,595
Sale of fixed assets, etc.	2,568	370	1,627	4,161	7,228	3,345	3,193	1,632	1,644	1,976
Cash flow before financing activities	-6,293	-12,363	-1,262	1,880	2,356	1,048	1,923	615	795	1,943
New hybrid bond issue	-	6,000	1,474	-	-	-	-	-	-	-
New share issue	-	5,910	-	1,223	-	-	-	3,500	-	-
Proceeds from borrowings	5,319	11,210	2,292	-	-	-	-	-	-	-
Amortization	-5,350	-7,602	-2,362	-	-	-	-	-	-	-
Redemption of preference shares	-	-	-1,112	-2,579	-	-	-	-	-	-
Dividends	-	-	-26	-228	-350	-350	-350	-175	-	-

Ten-year financial overview, continued

OTHER		2021 ⁵	2020 ^{3,5}	2019	2018	2017	2016	2015	2014	2013	2012 ¹
Operational key figures	External financing, net	360	-1,683	3	621	-1,537	-530	-787	-1,275	1,171	-2,961
	Cash flow for the year	-5,964	1,472	-993	917	469	168	786	2,665	1,966	-1,018
Ten-year financial overview	Key and alternative performance measures^{2,3}										
	EBIT margin, %	-40.4	-46.3	2.5	5.7	5.1	4.8	5.6	0.4	6.2	-0.8
Definitions	Return on shareholders' equity, %	-84	-538	14	22	18	24	18	-15	457	-25
	Return on invested capital, % ⁴	-13	-28	8	14	13	12	14	4	18	-1
Shareholder information	Financial net debt/EBITDA ⁴	n/a	n/a	3.7x	2.7x	3.1x	3.2x	3.0x	4.2x	3.2x	6.5x
	Financial preparedness, % ⁴	60	67	38	42	37	41	40	37	26	31
Destinations	Equity/assets ratio, %	12	18	16	21	25	19	21	17	12	30
	Adjusted equity/assets ratio, %	n/a	n/a	9	13	15	12	13	11	8	24
	Financial net debt, MSEK	26,770	18,899	328	-2,432	-2,799	-1,166	-726	1,102	4,567	6,549
	Shareholders' equity excluding hybrid bonds per common share	-0.16	0.33	10.12	16.11	13.28	7.12	8.10	3.66	33.70	33.91
	Debt/equity ratio	4.1	1.8	0.06	-0.33	-0.35	-0.19	-0.11	0.22	1.42	0.59
	Adjusted debt/equity ratio	n/a	n/a	4.70	2.70	2.28	3.08	2.65	3.14	5.13	1.54
	Interest expense/average gross debt, %	1.8	1.8	4.3	6.4	6.6	5.4	5.6	7.4	7.6	8.1
	Interest-coverage ratio	-4.4	-6.7	2.5	4.4	3.8	3.6	3.2	0.2	2.6	-1.6

1) As a consequence of the Group's fiscal year changing to November 1–October 31, fiscal year 2012 was shortened to the period January 1–October 31. Yield-based key figures are calculated based on income items for a 12-month period.

2) SAS calculates various Alternative Performance Measures (APMs) that complement the metrics defined in the applicable rules for financial reporting. The APMs facilitate comparison between different periods and are used for internal analysis of the business's performance, development and financial position, and are therefore deemed to provide valuable information to external stakeholders, such as investors, analysts, rating agencies and others. For definitions, refer to the Definitions & concepts section. A list of the APMs deemed of sufficient material importance to specify is available at www.sasgroup.net under Investor Relations.

3) The key ratios from 2020 are inclusive of IFRS 16. The key ratios from 2019 and earlier are based on financial statements excluding IFRS 16 that have not been restated.

4) Key ratios calculated according to another definition from October 31, 2020 due to the introduction of IFRS 16. Previous years' key figures have not been restated.

5) As described in Note 1, the 2020 and 2021 fiscal years have been restated pursuant to the IFRS IC's agenda decision pertaining to cloud computing arrangement costs. Key figures for previous years have not been restated. The APMs are calculated using averages of the qualifying periods' balance-sheet items. Until 2019, the return on invested capital, adjusted equity/assets ratio and adjusted debt/equity ratio were calculated using capitalized leasing costs, net, whereby operational leasing commitments for aircraft were taken into consideration.

Definitions & concepts, see page 139–140.

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FINANCIAL DEFINITIONS

SAS uses various key figures, including alternative performance measures (APMs), for internal analysis purposes and for external communication of the operations' results, performance and financial position. The aim of these APMs is to illustrate the performance measures tailored to operations that, in addition to the other key figures, enable various stakeholders to more accurately assess and value SAS' historical, current and future performance and position. A list of the APMs deemed of sufficient material importance to specify is available at www.sasgroup.net under Investor Relations.

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

Affiliated company – Company where the SAS Group's holding amounts to at least 20% and at the most 50%.

AOC (Air Operator Certificate) – Permits for flight operations.

ASK, Available Seat Kilometers – The total number of seats available for passengers multiplied by the number of kilometers which they are flown.

ATK, Available tonne kilometers – The total number of tonnes of capacity available for the transportation of passengers, freight and mail multiplied by the number of kilometers which this capacity is flown.

Available seat kilometers – See ASK.
Available tonne kilometers – See ATK.

Block hours – Refers to the time from when the aircraft leaves the departure gate until it arrives at the destination gate.

CAGR – Compound annual growth rate.

Capital employed – Total capital according to the balance sheet less non-interest-bearing liabilities.

Capitalized lease expenses (x7) – The net annual operating lease costs for aircraft multiplied by seven.

Carbon dioxide (CO₂) – A colorless gas that is formed in the combustion

of all fossil fuels. The airline industry's CO₂ emissions are being reduced based on a changeover to more fuel-efficient aircraft.

CASK – See unit cost.

Code share – When one or more airlines' flight number is stated in the timetable for a flight, while only one of the airlines operates the flight.

Debt/equity ratio – Financial net debt in relation to equity.

Earnings per common share (EPS) – Net income for the period attributable to Parent Company shareholders less preference-share dividends and hybrid bond expenses in relation to the average number of common shares outstanding.

EBIT – Operating income.

EBIT margin – EBIT divided by revenue.

EBITDA – Operating income before tax, net financial items, income from the sale of fixed assets, share of income in affiliated companies, and depreciation and amortization.

EBITDA margin – EBITDA divided by revenue.

EBITDAR – Operating income before tax, net financial items, income from the sale of fixed assets, share of income in affiliated companies, depreciation and amortization, and leasing costs for aircraft.

EBITDAR margin – EBITDAR divided by revenue.

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/assets ratio – Equity in relation to total assets.

Finance leases – Based on a lease where the risks and rewards of ownership of the asset essentially remain with the lessee. The asset is reported as a fixed asset in the balance sheet because the lessee has an obligation to purchase the asset at the end of the lease. The commitment to pay future leasing charges is entered as a liability. As of November 1, 2019, SAS Group applies the new accounting standard IFRS 16 – Leases. See Right-of-use assets.

Financial net debt – Interest-bearing liabilities less interest-bearing assets excluding net pension funds.

Financial net debt/EBITDA – Average financial net debt in relation to EBITDA.

Financial preparedness – Cash and cash equivalents, plus unutilized credit facilities with a maturity longer than three months, in relation to fixed costs and financial net excluding exchange-rate differences on lease liabilities. In this ratio, fixed costs are defined as personnel expenses and

other external expenses over the last 12 months.

FTE – Average number of employees, full-time equivalents.

IATA – International Air Transport Association. A global association of almost 300 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.

Items affecting comparability – Items affecting comparability are identified to facilitate comparison of SAS' underlying results in different periods. These items consist of impairment, restructuring costs, capital gains/losses, and other items affecting comparability. They arise as a consequence of specific events, and are items that both management and external assessors take note of when analyzing SAS. By reporting earnings excluding nonrecurring items, the underlying results are shown, which facilitates comparability between different periods.

LCC – Low Cost Carrier.

Load factor – RPK divided by ASK. Describes the capacity utilization of available seats.

Market capitalization – Share price multiplied by the number of shares outstanding.

NPV – Net present value. Used to calculate capitalized future costs of operating leases for aircraft, for example.

Operating leases – Based on a leasing contract in which the risks and rewards of ownership remain with the lessor and is equivalent to renting. The leasing charges are expensed on a current basis in the statement of income. As of November 1, 2019, SAS Group applies the new accounting

standard IFRS 16 – Leases. See Right-of-use assets.

PASK (unit revenue) – Passenger revenue divided by ASK (scheduled).

Preference share capital – Preference share capital, corresponding to the redemption price for 2,101,552 preference shares at 105% of the subscription price of SEK 500, amounting to MSEK 1,103.

Redemption of all preference shares was carried out in December 2018.

RASK – Total traffic revenue divided by Total ASK (scheduled + charter).

Regularity – The percentage of flights completed in relation to flights scheduled.

Return on Invested Capital (ROIC) – EBIT adjusted with theoretical taxes in relation to average shareholders' equity and financial net debt.

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

Revenue passenger kilometers (RPK) – See RPK.

Revenue tonne kilometers (RTK) – See RTK.

Right-of-use assets (RoU) – As of November 1, 2019, SAS Group applies the new accounting standard IFRS 16 – Leases. IFRS 16 replaces former standard IAS 17 Leases. The previous classification of each lease as either an operating lease or a finance lease is replaced by a model whereby the lessee recognizes an asset (a right-of-use asset) and a financial liability in the balance sheet. See more information in Note 1.

RPK, Revenue passenger kilometers – Number of paying passengers multiplied by flown distance (km).

RTK, Revenue tonne kilometers – The number of tonnes of paid traffic (passengers, freight and mail) multiplied by the distance this traffic is flown in kilometers.

Sale and leaseback – Sale of an asset (aircraft, building, etc.) that is then leased back.

Shareholders' equity excluding hybrid bonds per common share – Shareholders' equity attributable to Parent Company shareholders excluding hybrid bonds in relation to the total number of common shares outstanding.

Total load factor – RTK divided by ATK.

Unit cost, (CASK) – Total personnel expenses, other operating expenses, lease expenses for aircraft and depreciation adjusted for currency and items affecting comparability, less other operating revenue per ASK (scheduled and charter).

Unit revenue – See PASK.

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

Wet lease agreement – Leasing in of aircraft including crew.

Working capital – The total of non-interest-bearing current assets and non-interest-bearing financial fixed assets excluding equity in affiliated companies and other securities holdings less non-interest-bearing liabilities.

Yield – Passenger revenue divided by RPK (scheduled).

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SUSTAINABILITY DEFINITIONS

Average number of employees – is defined as the average number of employees expressed in full-time equivalents, excluding leave of absence, parental leave and long-term sick leave. This definition is also used in financial reporting. Sometimes the term FTE (Full-Time Equivalent) is used.

Biofuels – are solid or liquid fuels of biological origin. Liquid fuels for vehicle/ship/aircraft engines. They are considered carbon neutral to various degrees. The EU renewables directive (2009/28/EC) and biofuels directive (2003/30/EC) define the EU's mandates on biofuels and degree of carbon neutrality.

Carbon dioxide (CO₂) – is a colorless gas that is formed in the combustion of all fossil fuels.

Cargo tonne kilometer – includes all freight and mail (in metric tonnes) multiplied by the great circle distance flown for all flights performed.

CDP – is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. Read more at <http://www.cdp.net>.

CFCs – are a group of chlorofluorocarbons that may also contain hydrogen and/or bromide. A class of stable chemical compounds mostly known under the trade names Freon or Halon. Their manufacture is prohibited by the Montreal Protocol because of their depletion of the ozone layer. Aviation has an exception for use under a critical use clause due to the lack of approved alternatives. Research for alternatives is ongoing.

Charges for infrastructure – imposed by the operators of the infrastructure and which are intended to cover

operating and capital costs for airlines and air traffic management.

CO₂ – Carbon dioxide (see definition).

CO₂ passenger or cargo share – is the amount of CO₂ emissions from passenger or cargo transport.

Code of Conduct – is the ethics rules and guidelines of a particular business.

CSR – Corporate Social Responsibility.

dB – Decibel, a logarithmic unit of measurement that expresses the magnitude of a physical quantity relative to a specified or implied reference level.

Environmental related charges – are charges imposed by the airport operators to motivate aircraft operators to operate aircraft with high eco-efficiency with respect to noise and other emissions such as NO_x, as well as surcharges imposed by airport operators to motivate aircraft operators to avoid take-offs and landings at night.

Environmental related investments – Investments in assets to prevent, reduce or restore environmental damage arising from operations and/or aimed at meeting upcoming, more stringent environmental requirements.

Environmentally related taxes – Taxes that, in contrast to other corporate taxation, are motivated by environmental grounds. Examples are the environmentally motivated passenger charge in the UK and the environmentally related fiscal CO₂ charges in Sweden and Norway.

External environmental related costs – are the sum of environmental charges and environmentally related charges and taxes.

Fossil fuels – are fuels consisting of organic carbon and hydrogen compounds in sediment or underground deposits – especially coal, oil and natural gas.

Global Compact – is a challenge from the former UN Secretary General Kofi Annan to business and industry to live up to ten principles of human rights, employee rights, the environment and anti-corruption, as formulated by the UN. www.unglobalcompact.org

Greenhouse effect – Carbon dioxide and other gases trap and reradiate incoming solar radiation that would otherwise be reflected back into space. Most scientists agree that human use of fossil fuels is causing global warming. Other gases that contribute to the greenhouse effect are CFCs (see definition), methane and nitrous oxide.

GRI – Global Reporting Initiative is an organization that provides companies and organizations with a global sustainability reporting framework and thereby allows comparisons between companies from a social, environmental and economic perspective. www.globalreporting.org

Halons – See CFCs.

ISO 14000 – is a series of international environmental standards developed by the International Organization for Standardization. The general guiding principles for ISO 14000 are identical to those in the quality standard ISO 9000.

Jet A-1 – is the common jet fuel specification outside North America. Jet A and Jet A-1 are very similar and throughout this Sustainability Report the term 'jet fuel' is used to describe fuel used by the aviation industry.

MRV – Monitoring, Reporting and Verification of CO₂ emissions and production in tonne-kilometers in the EU Emissions Trading Scheme.

Nitrogen oxides – (NO_x) Formed during combustion in jet engines. The high temperature and pressure in aircraft engines cause the atmospheric nitrogen and oxygen to react with each other. This mainly occurs during take-off and ascent when the engine temperature is at a maximum.

Noise – includes environmentally detrimental, undesirable sounds. The environmental impact of air traffic in the form of noise is primarily a local issue. Noise is normally described and measured in dB(A), an A-weighted sound level.

Nox – Nitrogen oxides (see definition).

Occupational accident – is the number of injuries employees incur by accident due to a sudden, unforeseen and external incident, resulting in at least one day of absence.

PK – (used in the sustainability-related reporting) – Passenger Kilometers, includes all passengers (100 kg per passenger including luggage) excluding active crew multiplied by the great circle distance flown for all flights performed.

SAF – Sustainable Aviation Fuel is a term for fuel made for aviation, that is produced in a sustainable way and with sustainable raw material, aimed to reduce the greenhouse gas emissions. It includes biofuel, but is not limited to biofuel.

SAFUG – Sustainable Aviation Fuel Users Group. Aviation industry organization focused on accelerating the development and commercialization of sustainable aviation fuels.

Tonne kilometers – are the number of transported metric tonnes of passengers and cargo multiplied by the distance flown.

Weighted noise contour – is calculated based on the number of takeoffs per day at a given airport, with regard to the aircraft types the airline uses at that airport. The weighted noise contour defines the area in km² that is subjected to a noise footprint of 85 dB(A) or more in connection with take-off.

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INVESTOR RELATIONS

SAS Investor Relations is responsible for providing relevant information to and being available for dialogue with shareholders, analysts and the media. Over the year, SAS has completed a number of international roadshows and participated in several capital market activities. The company also holds regular analyst meetings.

Analysts who monitor SAS

DNB	Ole Martin Westgaard
HSBC	Andrew Lobbenberg and Achal Kumar
Nordea	Hans-Erik Jacobsen
Sparebank 1 Markets	Lars-Daniel Westby
Sydbank	Jacob Pedersen

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SHAREHOLDERS' MEETING
2022

ATTENDING THE AGM

The AGM of SAS will be held on 17 March 2022.

Parties who wish to participate in the AGM must provide notification to the company through advance submission of their postal ballot. Details of the registration procedure are published in the notice convening the AGM.

SENDING OF THE NOTICE AND NOTIFICATION OF
ATTENDANCE

- The notice is scheduled to be published on February 7, 2022.

FINANCIAL CALENDAR

Monthly traffic data is generally issued on the fifth working day of every month. The detailed financial calendar is available at www.sasgroup.net under Investor Relations.

March 1, 2022	Q1 Interim report (Nov 2021–Jan 2022)
March 17, 2022	Annual General Shareholders' Meeting
May 31, 2022	Q2 Interim Report (Feb 2022–Apr 2022)
August 26, 2022	Q3 Interim Report (May 2022–Jul 2022)
November 30, 2022	Year-end report (Nov 2021–Oct 2022)
January/February 2023	SAS Annual and Sustainability Report, fiscal year 2022

For more information, please refer to www.sasgroup.net.

ANNUAL REPORT

SAS' annual reports and other financial information are available in English and Swedish and can be downloaded at www.sasgroup.net.

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