



More passengers choose SAS in a challenging market

May–July 2014

Comparative figures for the corresponding year-earlier period include Widerøe.

- Revenue: MSEK 10,697 (11,593)
- Unit revenue (PASK) declined 7.1 %
- Unit cost (CASK) decreased 5.6 %¹
- EBIT margin: 8.7 % (12.1 %)
- Income before tax: MSEK 756 (1,176)
- Net income for the period: MSEK 496 (886)
- Earnings per common share: SEK 1.24 (2.69)
- The outlook for the full year 2013/2014 stands firm, see page 7

1) Currency adjusted and excluding jet fuel.

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

November 2013–July 2014

Comparative figures for the corresponding year-earlier period include Widerøe.

- Revenue: MSEK 27,040 (31,123)
- Unit revenue (PASK) declined 7.9 %
- Unit cost (CASK) decreased 4.9 %²
- EBIT margin: 1.5 % (2.5 %)
- Income before tax: MSEK -468 (80)
- Net income for the period: MSEK -416 (-107)
- Earnings per common share: SEK -1.83 (-0.33)

Comments by the President and CEO of SAS:

“SAS posted an EBT of MSEK 756 for the third quarter. This result reflects a market under continued intense price pressure. At the same time, the high passenger growth and productivity show that our strategy is generating effects.

“It is gratifying that we delivered 100 % regularity on our long-haul routes in July, meaning that not a single flight was cancelled. In June, SAS announced that we would be aggressively intensifying measures to strengthen competitiveness. We have now adapted the organization to rapidly implement changes that will generate an impact on earnings

of SEK 1 billion and work on additional measures is proceeding at a rapid pace. One example is the reduction of personnel numbers by half in our subsidiary Blue1. Meanwhile, we are continuing to invest in our customer offering. For example, in August, SAS launched a new, direct intercontinental route between Stavanger and Houston.

“All in all, the fierce competition in the airline industry is persisting and SAS is continuing to work at a fast pace to create long-term profitability,” says Rickard Gustafson, SAS President and CEO.

Income and key ratios

Key ratios (MSEK)	May–Jul 2014	May–Jul 2013	Nov–Jul 2013–2014	Nov–Jul 2012–2013
Revenue	10,697	11,593	27,040	31,123
EBIT margin (target >8 %)	8.7 %	12.1 %	1.5 %	2.5 %
Income before tax and nonrecurring items	759	1,029	-1,486	318
Income before tax, EBT	756	1,176	-468	80
Net income for the period	496	886	-416	-107
Cash flow from operating activities	293	-276	320	518

	Jul 31, 2014	Oct 31, 2013	Jul 31, 2013
Equity/assets ratio (target >35 %)	21 %	12 %	6 %
Financial preparedness (target >20 % of fixed costs)	37 %	26 %	21 %
Shareholders' equity per common share, SEK	7.16	9.76	4.52

The SAS Group has applied the amended standard for pension reporting, IAS 19 – Employee Benefits since November 1, 2013. As part of implementing the amended accounting standard, reported figures for the preceding fiscal year (2012/2013) were restated to enable comparison with the 2013/2014 fiscal year. The effects of the restatement of the SAS financial statements for 2012/2013 can be found at www.sasgroup.net, under Investor Relations/Reports and Presentations/Interim reports.

Comments by the CEO

- **Income before tax amounted to MSEK 756**
- **SAS's traffic increased 9.6 %**
- **Load factor increased to the record level of 81.9 %**
- **The number of passengers increased by 700,000**
- **The unit cost decreased 5.6 %**
- **The number of EuroBonus members exceeded 3.5 million**
- **100 % regularity on SAS's long-haul routes to Asia and the USA in July**

SAS's income before tax for the third quarter amounted to MSEK 756. This result reflects a market under continued intense price pressure. However, the high passenger growth shows that our strategy is generating effects. The number of passengers who chose SAS increased by more than 700,000 during the quarter year-on-year, while the load factor rose 2.4 percentage points to 81.9 %.

In Scandinavia, capacity, measured as the number of seats, increased 6 % over the past 12 months. During the same period, SAS increased the number of seats by 3.9 % without increasing the aircraft fleet. This increase was achieved by improving aircraft utilization, enhancing productivity and phasing out older aircraft and replacing them with new aircraft with more seats. This production improvement has meant that SAS has been able to expand on selected, high-demand destinations at a marginal cost. SAS is continuing its robust efforts to drive three strategic priorities – to establish an efficient production platform, to win the battle for Scandinavia's frequent travelers and to invest in the future.

SAS's costs continuing to fall

SAS is continuously improving its efficiency and productivity. In the third quarter, the unit cost fell an additional 5.6 %, resulting in an accumulated 10 % reduction since autumn 2012.

In June, SAS announced that it was intensifying measures to enhance the efficiency of the cost structure, which will generate an earnings impact of SEK 1 billion in 2014/2015 and additional savings in the SEK billion range in the future. A new organization has now been introduced to ensure the rapid implementation of the announced changes. For instance, a unit was established that will exclusively focus on efficiency enhancements and structural changes. The new organization also entails a reduction of 300 full-time equivalents (FTEs). These changes are progressing at a rapid pace and cost reductions were initiated in the summer corresponding to SEK 0.5 billion. One such measure was the initiation of a 50 % personnel reduction in the subsidiary Blue1. Detailed planning of the long-term measures is underway and will be announced in connection with SAS's Year-end Report.

Success in the battle for Scandinavia's frequent travelers

SAS is continuing to invest to make travel easier for Scandinavia's frequent travelers. Our activities to date this year include launching 40 selected routes and introducing Fast Track facilities in Bergen, Stavanger, Trondheim and at Stockholm Arlanda's domestic terminal. A new domestic lounge was opened in Oslo and we expanded our self-service boarding and baggage drop, making travel even easier for SAS's passengers.

Our customers' time is important and SAS is continuing to fly with high punctuality. During the most intensive summer months, we maintained 100 % regularity on our long-haul routes to the US and Asia. This means that not a single flight was cancelled. Our high regularity, which is also the result of investing in a spare aircraft, is part of the reliability that our customers value.

The development of SAS's strong offering to Scandinavia's frequent travelers is yielding results. Despite the intense competition during the quarter, a record number of customers chose to travel with SAS. In addition to strong passenger growth, our success with the upgraded EuroBonus program continues.

The number of members is increasing by about 50,000 every month and now totals 3.5 million. With a growing membership base we are continuing to tie in advantageous partnerships that add value for SAS customers and create new revenue streams.

In August, SAS launched a new, direct intercontinental route between Stavanger and Houston. This route particularly targets our frequent travelers in the offshore and oil industry. We are examining the possibility of adding direct intercontinental routes from Scandinavia.

Financial position enables continued investments in the future

A prerequisite for developing our business is increased profitability and an improved financial position. In August, we carried out the sale and leaseback of four Airbus A330-300 Enhanced aircraft, which represents the first phase in the renewal of our long-haul fleet. During the quarter, SAS repaid a SEK 1.8 billion bond loan. Our financial preparedness is 37 %, far exceeding the target of 20 %. Combined with an equity/assets ratio of 21 %, SAS is well equipped to continue its work toward a long-term profitable business.

Outlook

SAS is continuing its intensive efforts to strengthen competitiveness. For the winter program, SAS is planning to maintain frequencies but reduce capacity by optimizing the aircraft fleet. In the 2013/2014 fiscal year, the earnings impact from the existing restructuring program is expected to amount to about SEK 1.2 billion. The new cost measures being initiated will result in restructuring costs, which are expected to impact earnings in the current fiscal year. These will be announced in connection with the release of SAS's Year-end Report.

Provided that market conditions, in terms of capacity, jet fuel and exchange rates, do not decline any further and that no unexpected events occur, potential exists to post a positive EBT, including the positive effect from the amendments to pension reporting and excluding restructuring costs, also in the 2013/2014 fiscal year.

Stockholm, September 10, 2014

Rickard Gustafson
President and CEO

Comments on SAS's financial statements

Earnings analysis May–July 2014

On September 30, 2013, the sale of 80 % of the shareholding of Widerøe's Flyveselskap AS (Widerøe) was completed, which means that Widerøe's earnings are included in the comparative figures for the corresponding year-earlier period.

SAS's operating income was MSEK 932 (1,401) and income before tax and nonrecurring items totaled MSEK 759 (1,029). Income before tax amounted to MSEK 756 (1,176) and income after tax was MSEK 496 (886).

The exchange-rate trend had a positive impact on revenue of MSEK 113 and on operating income of MSEK 62 compared with the corresponding year-earlier period.

Revenue for SAS amounted to MSEK 10,697 (11,593). Adjusted for currency effects and Widerøe, revenue declined 0.5 % year-on-year, primarily due to a lower yield and lower other traffic revenue. In the corresponding year-earlier period, the EuroBonus points liability was recalculated in an amount of MSEK 100, which negatively impacted the change in yield in the third quarter. Charter revenue and sales of EuroBonus points increased year-on-year. The number of passengers increased 10.3 %, capacity (ASK) rose 6.4 % and the load factor increased 2.4 percentage points. The currency-adjusted yield declined 9.8 %, the currency-adjusted unit revenue (PASK¹) declined 7.1 % and, after adjustments for currency and jet fuel, the unit cost (CASK) decreased 5.6 % compared with the year-earlier period.

Total operating expenses for SAS amounted to MSEK -9,765 (-10,192). Adjusted for currency effects, Widerøe and nonrecurring items, operating expenses increased 2.9 % year-on-year, primarily due to higher volumes. Other operating expenses were positively impacted by MSEK 106 for the dissolution of USD hedges for aircraft. The ongoing restructuring program during the period resulted in cost reductions of about MSEK 220.

Payroll expenses amounted to MSEK -2,495 (-2,887), which included restructuring costs of MSEK -1 (0). Payroll expenses, after adjustment for currency, Widerøe and nonrecurring items, declined 2.7 % year-on-year.

Jet-fuel costs amounted to MSEK -2,458 (-2,354). Adjusted for currency effects and Widerøe, costs increased 8.8 %, which was mainly attributable to higher volumes and prices.

Net financial items for SAS amounted to MSEK -177 (-225), of which net interest expense was MSEK -174 (-188).

Total nonrecurring items amounted to MSEK -3 (147) and comprised restructuring costs, capital gains/losses and other nonrecurring items. Restructuring costs totaled MSEK -1 (186), of which MSEK -1 (0) pertained to payroll expenses. The year-earlier period included the dissolution of a restructuring reserve linked to buildings. Capital losses amounted to MSEK -2 (-39) and pertained to aircraft transactions of MSEK -5 (-39) and buildings of MSEK 3 (0).

Earnings analysis November 2013–July 2014

On September 30, 2013, the sale of 80 % of the shareholding of Widerøe's Flyveselskap AS (Widerøe) was completed, which means that Widerøe's earnings are included in the comparative figures for the corresponding year-earlier period.

SAS's operating income was MSEK 403 (767) and income before tax and nonrecurring items totaled MSEK -1,486 (318). Income before tax amounted to MSEK -468 (80) and income after tax was MSEK -416 (-107).

The exchange-rate trend had a negative impact on revenue of MSEK -235 and on operating income of MSEK -137 compared with the corresponding year-earlier period.

Revenue for SAS amounted to MSEK 27,040 (31,123). Adjusted for currency effects and Widerøe, revenue declined 3.6 % year-on-year, primarily due to a lower yield and lower other traffic revenue. The number of passengers increased 5.6 %, capacity (ASK) rose 4.8 % and the load factor increased 0.9 percentage points. The currency-adjusted yield declined 9.1 %, the currency-adjusted unit revenue (PASK) declined 7.9 % and, after adjustments for currency, jet fuel and nonrecurring items, the unit cost (CASK) decreased 4.9 % compared with the year-earlier period.

Total operating expenses for SAS amounted to MSEK -26,637 (-30,356). Adjusted for currency effects, Widerøe and nonrecurring items, operating expenses increased 1.5 % year-on-year, primarily due to higher volumes that resulted in higher handling costs and maintenance costs for engines. However, selling costs and government user fees were reduced during the period. Other operating expenses were positively impacted by MSEK 106 for the dissolution of USD hedges for aircraft. The ongoing restructuring program during the period resulted in cost reductions of about MSEK 920.

Payroll expenses amounted to MSEK -6,425 (-8,646), which included restructuring costs of MSEK -19 (-37) and nonrecurring items of MSEK 1,044 (0) pertaining to changed pension terms. Payroll expenses, after adjustment for currency, Widerøe and nonrecurring items, declined 0.3 % year-on-year.

Jet-fuel costs amounted to MSEK -6,273 (-6,544). Adjusted for currency effects and Widerøe, costs increased 0.7 %, which was mainly attributable to higher volumes, positive hedging effects and lower prices.

Net financial items for SAS amounted to MSEK -877 (-688), of which net interest expense was MSEK -588 (-569) and costs linked to the cancelled credit facility were MSEK -175 (0).

Total nonrecurring items amounted to MSEK 1,018 (-238) and comprised restructuring costs, capital gains/losses and other nonrecurring items. Restructuring costs totaled MSEK -19 (149), of which MSEK -19 (-37) pertained to payroll expenses and MSEK 0 (186) to the dissolution of the restructuring reserve linked to buildings. Capital losses amounted to MSEK -7 (-387) and pertained to aircraft transactions of MSEK -15 (-86), MSEK 3 (0) for buildings as well as the sale of shares in subsidiaries and affiliated companies of MSEK 5 (-301). Other nonrecurring items amounted to MSEK 1,044 (0), attributable to the positive effect from amended pension terms.

The SAS Group has applied the amended standard for pension reporting, IAS 19 – Employee Benefits since November 1, 2013. As part of implementing the amended accounting standard, reported figures for the preceding fiscal year (2012/2013) were restated to enable comparison with the 2013/2014 fiscal year. The effects of the restatement of the SAS financial statements for 2012/2013 can be found at www.sasgroup.net, under Investor Relations/Reports and Presentations/Interim reports.

1) PASK (unit revenue) Passenger revenue/ASK (scheduled)

Financial position

Cash and cash equivalents were MSEK 6,930 (3,026) at July 31, 2014. SAS also had unutilized credit facilities amounting to MSEK 2,320 (3,186) at July 31, 2014. Financial preparedness amounted to 37 % (21 %) of the Group's fixed costs at the end of July 2014.

In February 2014, a preference share issue was carried out that strengthened shareholders' equity by SEK 3.5 billion before issue costs, which partly offset the effect of the amended standard for pension reporting. According to a decision by the Shareholders' Meeting, a dividend of SEK 50 per preference share and year is payable on a quarterly basis, amounting to a total annual dividend of MSEK 350. By issuing a new convertible bond loan of SEK 1.6 billion in March, SAS also secured the refinancing of the existing convertible bond that matures in 2015. In connection with these issues, the credit facility amounting to SEK 1.8 billion was terminated in February and a new credit facility of MEUR 150 was agreed with UBS.

SAS's interest-bearing liabilities declined MSEK 1,143 compared with October 31, 2013 and amounted to MSEK 10,367 on the closing date. New loans raised during the fiscal year amounted to MSEK 1,485 and repayments amounted to MSEK 3,033. New loans raised principally comprised the bond of SEK 1.6 billion taking into account the deducted equity portion.

At July 31, 2014, the value of the debt and equity shares (conversion option and repurchase right) relating to the convertible bond loan issued in 2010 were set at MSEK 1,570 and MSEK 30, respectively. On the date of issue, these values were MSEK 1,374 and MSEK 226 respectively. At July 31, 2014, the debt and equity shares of the newly issued convertible bond loan were set at MSEK 1,416 for the debt portion and MSEK 184 for the equity share. At the date of issue, these values were MSEK 1,399 and MSEK 201 respectively. The value of the equity share was included in shareholders' equity, following a deduction for deferred tax.

During the year, financial net debt decreased MSEK 3,255 to MSEK 1,312 on the closing date, mainly due to the issue of preference shares.

At July 31, the equity/assets ratio was 21 % (6 %) and the adjusted equity/assets ratio was 14 % (4 %). The adjusted debt/equity ratio amounted to 2.4 (11.7). The adjusted ratios take into account leasing costs.

For the balance sheet – refer to page 9.

Cash-flow statement

Cash flow from operations before changes in working capital was MSEK -663 (885) for the first nine months of the fiscal year.

Non-cash items mainly comprised a nonrecurring item of MSEK -1,044 pertaining to the impact on earnings from changed terms for pension commitments.

Working capital improved by slightly more than MSEK 1,300 year-on-year. The positive trend in both November–July and the most recent quarter was primarily attributable to the unearned transportation revenue liability and other operating liabilities, such as accounts payable and provisions, but also lower capital tied-up in accounts receivable.

Investments amounted to MSEK 710 (1,187), of which MSEK 0 (414) pertained to aircraft, MSEK 202 (123) to capitalized expenditures for engine maintenance, MSEK 0 (100) to aircraft modifications, MSEK 23 (184) to spare parts, MSEK 103 (247) to other investments that are largely attributable to ongoing aircraft investments and MSEK 272 (32) as advance payments to Airbus. In addition, MSEK 110 (87) pertained to capitalized system development costs.

Nine MD-82s were divested during the period.

Accordingly, cash flow before financing activities amounted to MSEK -209 (666).

In February, a preference share issue was carried out that raised SEK 3.5 billion and, in March, a convertible bond loan totaling SEK 1.6 billion was issued. Repayments totaled approximately SEK 3 billion during the period.

Cash flow for the period was MSEK 2,177 (453).

Cash and cash equivalents amounted to MSEK 6,930 according to the balance sheet, compared with MSEK 4,751 at October 31, 2013.

For the cash-flow statement – refer to page 10.

Seasonal variations

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

Seasonal fluctuations in demand impact cash flow and earnings differently, since passenger revenue is recognized when customers actually travel, which results in revenue generally increasing during months in which more passengers are transported. Since a substantial share of an airline's costs is fixed, earnings are impacted by fluctuations in revenue levels.

Seasonal variations indicate that the third and fourth quarters are seasonally the strongest quarters in terms of earnings. However, cash flow from operating activities is normally seasonally weak in the third quarter due to negative changes in working capital since the number of advance bookings declines during the summer.

Financial targets

In conjunction with the launch of the restructuring program in November 2012, SAS decided to set new financial targets. The targets aim to reflect an operation that has cut its fixed costs and improved its profitability and cash flow. SAS has chosen not to specify when the targets will be reached due to current uncertain market conditions.

SAS's financial targets are:

Profitability:	Equity/ assets ratio:	Financial preparedness:
Operating margin (EBIT) >8%.	>35 %.	Cash and cash equivalents and unutilized credit facilities/fixed costs >20 %.

Description of events after July 31, 2014

- SAS signed a sale and leaseback agreement with the Chinese bank Bocomm that secured the financing of four Airbus A330-300 Enhanced aircraft with delivery in 2015 and 2016.

Strategic priorities for SAS

SAS has adopted three strategic priorities to ensure competitiveness and provide opportunities for long-term sustainable profitability:

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

Establish an efficient production platform

SEK 3 billion in cost measures in 2013–2015

When the restructuring program was launched in November 2012, the aim was to implement cost reductions of about SEK 3 billion in the 2013–2015 period. At April 30, 2014, SAS had implemented all measures regarding new collective agreements and pension terms, and all measures in Commercial and Sales & Marketing pertaining to restructuring the organization and enhancing the efficiency of the network. The process is progressing according to plan in administration and approximately 90% of the reductions had been achieved by July 31. The aim of the IT restructure is to halve IT expenses at SAS by 2016 through standardization, fewer systems and applications, as well as through reductions in personnel and additional outsourcing.

For the 2013/2014 fiscal year, the earnings impact of the restructuring program is expected to amount to SEK 1.2 billion with an additional impact of SEK 0.3–0.4 billion in the 2014/2015 fiscal year.

To ensure increased cost-base flexibility, reduce the level of dependency on external revenue and provide enhanced conditions for Ground Handling's operations to grow, SAS has initiated the outsourcing process of ground handling services. As a first stage, 10% of the shares were sold to Swissport in the fourth quarter of 2012/2013. The parties have agreed to pause negotiations until Swissport has concluded the acquisition and integration of Servisair.

Additional cost measures 2014–2017

SAS must continuously improve its efficiency to achieve its long-term profitability targets. Since the measures introduced in November 2012 have essentially been implemented, SAS is entering a new phase of implementing cost improvements to offset the revenue pressure in the market. The overriding organizational structure of SAS has been changed to meet the next phase of the restructuring process. Under the new organization, all commercial functions are gathered into one division, which means increased focus and an even better time-to-market for customer offerings, product development and marketing activities. A new unit is being created that exclusively focuses on driving efficiency enhancements and structural changes. The reorganization enables a further reduction in support, commercial functions, administration and management of approximately 300 FTEs, which will result in a saving of approximately MSEK 250. Similarly, ground operations' efficiency measures in Scandinavia will amount to savings of about MSEK 200. Additional efficiency enhancements are being implemented in SAS's supply chain, sales and distribution as well as technical maintenance.

The initiated measures are expected to have an earnings impact of SEK 1 billion in the 2014/2015 fiscal year, in addition to the above-named earnings effects from the ongoing restructuring program.

Detailed planning is underway for additional measures in the billion range, which will be announced in connection with the release of SAS's Year-end Report. Of these, improvements corresponding to SEK 0.5 billion in the form of efficiency enhancements in catering, properties and other purchasing have already been initiated. In addition, personnel reductions of 50% have been initiated at the subsidiary Blue1, corresponding to a cost reduction of about MSEK 150. The additional

measures for the 2014–2017 period will result in restructuring costs, which are expected to impact earnings in the current fiscal year. The extent of these restructuring costs will be announced in connection with the release of SAS's Year-end Report.

In addition to the measures described above, SAS is working constantly to optimize production platforms by continuing to promote Lean in its work processes and by increasing the degree of utilization of the aircraft fleet and flight crew. During the year, a cross-functional Lean initiative has resulted in quality and efficiency enhancements. This has played a major part in SAS continuing to be one of the world's most punctual airlines.

Win the battle for Scandinavia's frequent travelers

SAS's primary customer group encompasses frequent flyers to, from and within Scandinavia who value easier and more time-efficient travel. The improved cost position has meant that extensive commercial ventures, which strengthen SAS's offering to frequent travelers, can be initiated. SAS plans to open 53 new routes in 2014. A new inter-continental route, Stavanger-Houston, has been opened with an efficient and attractive customer offering aimed particularly at frequent travelers in the offshore and oil industries. SAS is also examining the possibility of expanding the number of direct intercontinental routes from Scandinavia.

In addition, an extensive upgrade of EuroBonus has been launched. The number of members in EuroBonus is increasing by about 50,000 every month and now totals 3.5 million. A larger membership base also increases possibilities for tying in more advantageous partnerships that add value for SAS customers and create new revenue streams. Coop and Skandia are examples of new partners.

Additional Fast Track facilities have opened including Bergen, Stavanger and Trondheim and more are underway. The lounges have been upgraded and a new domestic lounge opened at Oslo Airport. Copenhagen now has automatic boarding and baggage drop, thus saving travelers with SAS even more time.

SAS is also investing SEK 0.5 billion in a new digital platform, which means higher service levels, automation and enables increased revenue. A number of new digital services have already been launched, including EuroBonus Connect, which enables telephone calls between members, and SAS Newsstand, which allows free downloads of newspapers prior to departure. The results have been immediate. During the quarter, load factor and passenger growth increased steadily as did SAS's market shares.

Invest in the future

SAS is introducing extensive changes to the aircraft fleet as part of its investments in the future. For the winter program, SAS is planning to maintain frequencies but reduce capacity by optimizing the aircraft fleet. Since the end of 2013, the SAS in-service aircraft fleet has consisted solely of Next Generation aircraft – with greater comfort and higher fuel efficiency. In addition, SAS has ordered 30 Airbus A320 NEOs, four Airbus A330Es and eight Airbus A350s, which combined with the upgrades of the cabin interiors further modernize the aircraft fleet for the future. The first aircraft with the entirely new cabin interior is expected to be in service at the start of 2015 and thereafter delivery of upgraded aircraft will be at a rate of one per month. Investments in making traveling easier are continuing with measures including additional Fast Track facilities and automation on the ground. SAS is also investing in the organization's leadership by introducing a new leadership and employee model linked to the Lean processes.

Risks and uncertainties

SAS works strategically to refine and improve its risk management. Risk management includes identifying both new risks and known risks, such as changes in jet-fuel prices or exchange rates. SAS monitors general risks centrally, while portions of risk management are conducted in the operations and include identification, action plans and policies. For further information about risk management at SAS, refer to the most recently published annual report.

Currency and fuel hedging

SAS's financial policy is to handle changes in jet-fuel costs primarily through the hedging of jet fuel, price adjustments and yield management.

The policy for jet-fuel hedging states that fuel should be hedged at an interval of 40–80 % of anticipated volumes for the coming 12 months. At July 31, 2014, the hedging ratio was 54 % for the coming 12 months. The market value of the hedges (excluding time value) was marginally negative at the end of the third quarter. Hedging is performed using options and swaps, with strong emphasis on the next two quarters. Under current plans for available flight capacity, the cost of jet fuel during the current fiscal year is expected to be in line with the table below, taking into account different prices and USD rates.

For foreign currency, the policy is to hedge 40–80 %. At July 31, 2014, SAS had hedged 45 % of its anticipated USD deficit for the next 12 months. SAS has covered its USD deficit using a combination of forward contracts and options. In terms of NOK, which is SAS's largest surplus currency, 50 % of the anticipated surplus for the next 12 months was hedged.

Hedging of jet fuel

	Aug–Oct 2014	Nov–Jan 2014–2015	Feb–Apr 2015	May–Jul 2015
Hedging of jet fuel	100 %	100 %	15 %	1 %

Vulnerability matrix, jet-fuel cost November 2013 to October 2014, SEK billion¹

Market price	Exchange rate SEK/USD			
	5.00	6.00	7.00	8.00
USD 600/tonne	7.8	8.1	8.4	8.7
USD 800/tonne	7.9	8.3	8.6	8.9
USD 1,000/tonne	8.0	8.4	8.7	9.1
USD 1,200/tonne	8.1	8.4	8.8	9.2
USD 1,400/tonne	8.1	8.5	8.8	9.2

1) SAS's current hedging contracts for jet fuel at July 31, 2014 have been taken into account.

Legal issues

As a consequence of the European Commission's decision in the cargo investigation in November 2010, SAS and other airlines fined by the Commission are involved in various civil lawsuits in Europe (the UK, the Netherlands, Germany and Norway). SAS, which appealed the European Commission's decision, contests its responsibility in all of these legal processes. Together with other airlines, SAS is also the defendant in a damage suit in the US based on competition law that pertains to air cargo operations. Unfavorable outcomes in these disputes could have a significantly negative financial impact on SAS. Further lawsuits by cargo customers cannot be ruled out and no provisions have been made.

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

A group of former Braathens cabin crew have, through the Parat trade union, initiated a legal process against SAS at a general court in Norway with a claim for correction of a work time factor (part-time percentage) in the calculation of pension rights in the occupational pension plan in accordance with the Norwegian Occupational Pensions Act. The summons application contains no specified demand for compensation. SAS contests the claim. Irrespective of the outcome, the assessment of SAS is that the dispute will not have any material negative financial impact on SAS.

A large number of former cabin crew of SAS in Denmark are pursuing a class action against SAS at a Danish court, demanding additional payments from SAS to the Pension Improvements Fund for Cabin Crew (the CAU fund) citing that the CAU fund is a defined-benefit supplementary plan. The financial exposure is difficult to quantify, but SAS, which disputes the claim, considers the risk of a negative outcome to be limited and no provisions have been made.

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

Full-year 2013/2014

SAS is continuing the intensive efforts to strengthen competitiveness. Ahead of the winter program, SAS is planning to maintain frequencies but reduce capacity by optimizing the aircraft fleet.

In the 2013/2014 fiscal year, the earnings impact from the existing restructuring program is expected to amount to about SEK 1.2 billion. The new cost measures being initiated will result in restructuring costs, which are expected to impact earnings in the current fiscal year. These will be announced in connection with the release of SAS's Year-end Report.

Provided that market conditions, in terms of capacity, jet fuel and exchange rates, do not decline any further and that no unexpected events occur, potential exists to post a positive EBT, including the positive effect from the amendments to pension reporting and excluding restructuring costs, also in the 2013/2014 fiscal year.

Statement of income

Statement of income including statement of other comprehensive income

(MSEK)	May-Jul 2014	May-Jul 2013	Nov-Jul 2013-2014	Nov-Jul 2012-2013
Revenue	10,697	11,593	27,040	31,123
Payroll expenses ¹	-2,495	-2,887	-6,425	-8,646
Other operating expenses ²	-6,413	-6,379	-17,687	-18,758
Leasing costs for aircraft	-525	-480	-1,510	-1,300
Depreciation, amortization and impairment	-354	-426	-1,021	-1,270
Share of income in affiliated companies	24	19	13	6
Income from sale of shares in subsidiaries, affiliated companies and operations	0	0	5	-302
Income from the sale of aircraft and buildings	-2	-39	-12	-86
Operating income	932	1,401	403	767
Income from other securities holdings	1	0	6	1
Financial revenue	28	11	78	32
Financial expenses	-205	-236	-955	-720
Income before tax	756	1,176	-468	80
Tax	-260	-290	52	-187
Net income for the period	496	886	-416	-107
Other comprehensive income				
<i>Items that may later be reversed to net income:</i>				
Exchange-rate differences in translation of foreign operations , net after tax	92	-69	98	-179
Cash-flow hedges – hedging reserve, net after tax	177	91	209	79
<i>Items that will not be reversed to net income:</i>				
Revaluations of defined-benefit pension plans	-128	2,532	-271	1,583
Total other comprehensive income, net after tax	141	2,554	36	1,483
Total comprehensive income	637	3,440	-380	1,376
Net income for the period attributable to:				
Parent Company shareholders	494	886	-427	-107
Non-controlling interests	2	0	11	0
Earnings per common share (SEK) ³	1.24	2.69	-1.83	-0.33
Earnings per common share after dilution (SEK) ³	1.08	2.50	-1.83	-0.33

1) Includes restructuring costs of MSEK 1 (-) during the period May-July and MSEK 19 (37) during the period November-July.

2) Includes restructuring costs of MSEK - (-186) during the period May-July and MSEK - (-186) during the period November-July.

3) Earnings per common share are calculated as net income for the period attributable to Parent Company shareholders less preference share dividends in relation to 329,000,000 common shares outstanding.

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

Income before tax and nonrecurring items

(MSEK)	May-Jul 2014	May-Jul 2013	Nov-Jul 2013-2014	Nov-Jul 2012-2013
Income before tax	756	1,176	-468	80
Restructuring costs	1	-186	19	-149
Capital gains/losses	2	39	7	387
Other nonrecurring items ¹	0	0	-1,044	0
Income before tax and nonrecurring items	759	1,029	-1,486	318

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

Balance sheet

Condensed balance sheet

(MSEK)	Jul 31, 2014	Oct 31, 2013	Jul 31, 2013
Intangible assets	1,850	1,802	1,789
Tangible fixed assets	9,211	9,677	9,596
Financial fixed assets	7,870	7,121	4,183
Total fixed assets	18,931	18,600	15,568
Other current assets	372	361	373
Current receivables	3,258	3,101	3,344
Cash and cash equivalents ³	6,930	4,751	3,026
Assets held for sale	-	-	3,327
Total current assets	10,560	8,213	10,070
Total assets	29,491	26,813	25,638
Shareholders' equity ¹	6,057	3,226	1,488
Long-term liabilities	9,631	10,173	8,563
Current liabilities	13,803	13,414	12,986
Liabilities attributable to assets held for sale	-	-	2,601
Total shareholders' equity and liabilities	29,491	26,813	25,638
Shareholders' equity per common share ²	7.16	9.76	4.52
Interest-bearing assets	13,587	10,371	7,038
Interest-bearing liabilities	10,367	11,510	10,585

1) Including non-controlling interests.

2) Total shareholders' equity attributable to Parent Company shareholders excluding total preference share capital in relation to the 329,000,000 common shares outstanding. The SAS Group has not carried out any buyback programs.

3) At July 31, 2014, including receivables from other financial institutions, MSEK 985 (885).

Specification of financial net debt July 31, 2014

	According to balance sheet	Of which, financial net debt
Financial fixed assets	7,870	1,640
Current receivables	3,258	485
Cash and cash equivalents	6,930	6,930
Long-term liabilities	9,631	8,105
Current liabilities	13,803	2,262
Financial net debt		1,312

Condensed changes in shareholders' equity

(MSEK)	Share capital ¹	Other contributed capital ²	Hedge reserves	Translation reserve	Retained earnings ³	Total share- holders' equity attributable to Parent Company shareholders	Non- controlling interests	Total share- holders' capital
Opening shareholders' equity in accordance with approved balance sheet, November 1, 2012	6,613	337	-12	29	4,189	11,156	-	11,156
Effect of new accounting policy					-11,044	-11,044	-	-11,044
Opening balance shareholders' equity adjusted in accordance with new policy, November 1, 2012	6,613	337	-12	29	-6,855	112	-	112
Comprehensive income, November–July			79	-179	1,476	1,376	-	1,376
Closing balance, July 31, 2013	6,613	337	67	-150	-5,379	1,488	-	1,488
Change in holdings in subsidiaries						-	15	15
Comprehensive income, August–October			-102	-45	1,869	1,722	1	1,723
Closing balance, October 31, 2013	6,613	337	-35	-195	-3,510	3,210	16	3,226
New issue of preference shares	141				3,359	3,500		3,500
New issue costs					-96	-96		-96
Preference share dividend					-350	-350		-350
Other contributed capital		157				157		157
Comprehensive income, November–July			209	98	-698	-391	11	-380
Closing balance, July 31, 2014	6,754	494	174	-97	-1,295	6,030	27	6,057

1) Number of shares in SAS AB: 329,000,000 common shares with a quotient value of SEK 20.10 and 7,000,000 preference shares with a quotient value of SEK 20.10.

2) The amount comprises share premium reserves and the equity share of convertible loans.

3) No dividends were paid for 2012 and 2012/13. Of the preference share dividend liability for the year, MSEK 87.5 had been paid as of July 31, 2014.

Cash-flow statement

Condensed cash-flow statement

(MSEK)	May-Jul 2014	May-Jul 2013	Nov-Jul 2013-2014	Nov-Jul 2012-2013
Income before tax	756	1,176	-468	80
Depreciation, amortization and impairment	354	426	1,021	1,270
Income from sale of aircraft, buildings and shares	2	39	7	387
Adjustment for other items not included in the cash flow, etc.	-145	-336	-1,224	-851
Tax paid	0	-1	1	-1
Cash flow from operations before change in working capital	967	1,304	-663	885
Change in working capital	-674	-1,580	983	-367
Cash flow from operating activities	293	-276	320	518
Investments including advance payments to aircraft manufacturers	-225	-235	-710	-1,187
Sales of subsidiaries and operations	0	0	4	60
Sales of fixed assets, etc.	167	519	177	1,275
Cash flow before financing activities	235	8	-209	666
Preference share issue	0	0	3,500	0
Dividend on preference shares	-88	0	-88	0
External financing, net	-2,099	171	-1,026	-213
Cash flow for the period	-1,952	179	2,177	453
Translation difference in cash and cash equivalents	1	0	2	-2
Cash and cash equivalents transferred to assets held for sale	0	-153	0	-214
Change in cash and cash equivalents according to the balance sheet	-1,951	26	2,179	237

Financial key ratios

	Jul 31, 2014	Oct 31, 2013	Jul 31, 2013
CFROI, 12-month rolling	23%	31%	26%
Financial preparedness (target >20% of fixed costs)	37%	26%	21%
Equity/assets ratio (target >35%)	21%	12%	6%
Adjusted equity/assets ratio	14%	8%	4%
Financial net debt, MSEK	1,312	4,567	5,791
Debt/equity ratio	0.22	1.42	3.89
Adjusted debt/equity ratio	2.43	5.13	11.71
Interest-coverage ratio	1.9	2.6	0.5

Financial assets and liabilities

Fair value and carrying amount of financial assets and liabilities

(MSEK)	Jul 31, 2014		Oct 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets at fair value	329	329	137	137
Financial assets held for trading	5,858	5,858	3,662	3,662
Other assets	2,868	2,868	3,144	3,144
Total	9,055	9,055	6,943	6,943
Financial liabilities				
Financial liabilities at fair value	126	125	141	141
Financial liabilities held for trading	18	18	21	21
Financial liabilities at amortized cost	10,223	9,516	11,348	11,105
Total	10,367	9,659	11,510	11,267

Fair value is generally determined by using 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.

The Group's financial assets and liabilities are measured at fair value as stated below:

Level 1: Financial instruments for which fair value is based on observable (unadjusted) quoted prices in active markets for identical assets and liabilities. This category includes mainly treasury bills and standardized derivatives, where the quoted price is used in the

valuation. Cash and bank balances are categorized as level 1.

Level 2: Financial instruments for which fair value is based on valuation models that utilize other 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).

Level 3: Financial instruments for which fair value is based on valuation models, whereby significant input is based on unobservable data. At present, SAS has no financial assets or liabilities where the valuation is essentially based on unobservable data.

Fair value hierarchy

(MSEK)	Jul 31, 2014			Oct 31, 2013		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial assets						
Financial assets at fair value	-	329	329	-	137	137
Financial assets held for trading	2,862	2,996	5,858	3,270	392	3,662
Total	2,862	3,325	6,187	3,270	529	3,799
Financial liabilities						
Financial liabilities at fair value	-	126	126	-	141	141
Financial liabilities held for trading	-	18	18	-	21	21
Total	0	144	144	0	162	162

Parent Company SAS AB

Income before tax for the period amounted to MSEK -66 (-954). The year earlier included an impairment of shares in Widerøe totaling MSEK 765. At November 1, 2013, personnel from SAS AB were transferred to the SAS Consortium. In the second quarter of 2014, 7 million preference shares corresponding to SEK 3.5 billion and a convertible bond loan of SEK 1.6 billion were issued.

The number of shareholders in SAS AB amounted to 60,547 at July 31, 2014. The average number of employees amounted to 6 (36).

Condensed statement of income

(MSEK)	Nov-Jul 2013-2014	Nov-Jul 2012-2013
Revenue	0	4
Payroll expenses	-26	-68
Other operating expenses	-27	-63
Operating income before depreciation	-53	-127
Amortization and depreciation	0	0
Operating income	-53	-127
Income from participations in Group companies	5	-792
Income from other securities holdings	5	0
Net financial items	-23	-35
Income before tax	-66	-954
Tax	17	-83
Net income for the period	-49	-1 037
Net income for the period attributable to: Parent Company shareholders	-49	-1,037

Net income for the period also corresponds with total comprehensive income.

Condensed balance sheet

(MSEK)	Jul 31, 2014	Oct 31, 2013	Jul 31, 2013
Financial fixed assets	12,204	5,984	5,495
Other current assets	5,735	7,099	6,184
Cash and cash equivalents	1	1	1
Total assets	17,940	13,084	11,680
Shareholders' equity	12,637	9,475	9,594
Long-term liabilities	3,403	3,478	1,954
Current liabilities	1,900	131	132
Total shareholders' equity and liabilities	17,940	13,084	11,680

Changes in shareholders' equity

(MSEK)	Share capital ¹	Restricted reserves	Unrestricted reserves ²	Total equity
Opening balance, Nov 1, 2013	6,613	473	2,389	9,475
Reclassification		-167	167	-
New issue of preference shares	141		3,359	3,500
New issue costs			-96	-96
Preference share dividend			-350	-350
Other contributed capital			157	157
Net income for the period			-49	-49
Shareholders' equity, Jul 31, 2014	6,754	306	5,577	12,637

1) Number of shares: 329,000,000 common shares with a quotient value of SEK 20.10 and 7,000,000 preference shares with a quotient value of SEK 20.10.

2) No dividends were paid for 2012 and 2012/13. Of the preference share dividend liability for the year, MSEK 87.5 had been paid as of July 31, 2014.

Notes

Note 1 Accounting policies and financial statements

This interim report for the SAS Group was prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The interim report for the Parent Company was prepared in accordance with the Swedish Annual Accounts Act and RFR 2.

A number of amendments of standards, new interpretations and new standards took effect for fiscal years beginning November 1, 2013, of which IAS 19 Employee Benefits (Amended) has affected the preparation of this financial report with retrospective application. IFRS 13 has also impacted the preparation of this financial report with additional information about financial assets and liabilities. Other amendments, new interpretations and new standards are not deemed relevant to the preparation of this financial report, which means that the SAS Group has continued to apply the same accounting policies as in its 2012/2013 Annual Report, with the exception of the amended IAS 19.

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

"Unrecognized actuarial gains and losses and plan amendments" were recognized in their entirety in shareholders' equity, which had a negative impact of about SEK 7.8 billion on the Group's shareholders' equity. The Parent Company SAS AB's recognized shareholders' equity has not been affected by this amendment. Furthermore, interest expense and expected return on plan assets are replaced with a "net interest," which is calculated using the net discount rate on the defined-benefit pension liability or pension asset. SAS classifies this net interest expense as a payroll expense and recognizes the net interest expense in operating income.

In November 2012, new collective agreements were signed with flight crew in Scandinavia. Among other things, the new agreements mean that the defined-benefit pension plans were, largely, replaced with defined-contribution pension plans effective as of the first quarter of 2013/2014, which reduced pension commitments by about SEK 12.9 billion. In addition, the change in terms gave rise to an improvement in earnings of about SEK 1 billion.

At October 31, 2013, pension commitments amounted to SEK 28.5 billion and at July 31, 2014 to SEK 16.3 billion.

Note 2 Quarterly breakdown

Statement of income

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

Note 2 Quarterly breakdown – continued

Earnings-related key ratios and average number of employees

(MSEK)	Nov-Jan 2013-2014	Nov-Jan 2012-2013	Feb-Apr 2014	Feb-Apr 2013	May-Jul 2014	May-Jul 2013	Aug-Oct 2013
Revenue	7,871	9,597	8,472	9,933	10,697	11,593	11,059
EBITDAR	979	318	160	1,074	1,789	2,327	1,714
EBITDAR margin	12.4%	3.3%	1.9%	10.8%	16.7%	20.1%	15.5%
EBIT	132	-525	-661	-109	932	1,401	1,829
EBIT margin	1.7%	-5.5%	-7.8%	-1.1%	8.7%	12.1%	16.5%
Income before tax and nonrecurring items	-1,169	-745	-1,076	34	759	1,029	601
Income before tax	-146	-767	-1,078	-329	756	1,176	1,568
Net income for the period	-112	-588	-800	-405	496	886	1,465
Earnings per common share (SEK)	-0.35	-1.79	-2.72	-1.23	1.24	2.69	4.45
Cash flow before financing activities	-1,177	-1,054	733	1,712	235	8	129
Average number of employees (FTE)	12,290	14,354	12,217	14,078	12,548	14,432	13,643

The Board of Directors and President hereby assure that this interim report provides a true and fair overview of the performance of the Parent Company's and the Group's operations, financial position and earnings, and describes the significant risks and uncertainty factors to which the Parent Company and the companies included in the Group are exposed.

Stockholm, September 10, 2014

Fritz H. Schur
Chairman of the Board

Jacob Wallenberg
First Vice Chairman

Dag Mejdell
Second Vice Chairman

Monica Caneman
Board member

Lars-Johan Jarnheimer
Board member

Birger Magnus
Board member

Sanna Suvanto-Harsaae
Board member

Carsten Dilling
Board member

Jens Lippestad
Board member

Sven Cahier
Board member

Bo Nielsen
Board member

Rickard Gustafson
President and CEO

This interim report is unaudited.

Traffic data information

The traffic data information on this page and other parts of this report pertains solely to Scandinavian Airlines (SAS) and the production company Blue1's traffic. Widerøe was sold on September 30, 2013, but is not included in any comparative figures. The traffic data information thus shows the traffic trend for the current organization of SAS compared with the preceding year.

Scheduled passenger traffic, yield, PASK and unit cost for SAS

	May-Jul 2014	May-Jul 2013	Year-on-year change	Nov-Jul 2013-2014	Nov-Jul 2012-2013	Year-on-year change
Number of passengers (000)	7,639	6,926	+10.3%	19,490	18,463	+5.6%
RPK, Revenue Passenger Kilometers (mill)	9,349	8,527	+9.6%	21,998	20,731	+6.1%
ASK, Available Seat Kilometers (mill)	11,418	10,731	+6.4%	29,744	28,381	+4.8%
Load factor	81.9%	79.5%	+2.4 ³	74.0%	73.0%	+0.9 ³
Passenger yield (currency-adjusted)	0.86	0.96	-9.8%	0.92	1.01	-9.1%
Unit revenue, PASK (currency-adjusted)	0.71	0.76	-7.1%	0.68	0.74	-7.9%
Unit cost (CASK), total (currency-adjusted)	0.68	0.71	-3.7% ¹	0.75	0.78	-2.9% ²

1) Excluding jet fuel, the total unit cost decreased 5.6%.

2) Excluding jet fuel, the total unit cost decreased 2.5%. Excluding jet fuel and amended pension terms totaling MSEK 450 in the Feb-Apr 2013 period, the total unit cost declined 4.9%.

3) Figures in percentage points

Total traffic (scheduled and charter traffic) for SAS

	May-Jul 2014	May-Jul 2013	Year-on-year change	Nov-Jul 2013-2014	Nov-Jul 2012-2013	Year-on-year change
Number of passengers (000)	8,180	7,415	+10.3%	20,420	19,347	+5.5%
RPK, Revenue Passenger Kilometers (mill)	10,796	9,838	+9.7%	24,749	23,394	+5.8%
ASK, Available Seat Kilometers (mill)	12,956	12,112	+7.0%	32,693	31,206	+4.8%
Load factor	83.3%	81.2%	+2.1 ¹	75.7%	75.0%	+0.7 ¹

1) Figures in percentage points

Scheduled traffic trend for SAS by route sector

	May-Jul 2014 vs. May-Jul 2013		Nov-Jul 2013-2014 vs. Nov-Jul 2012-2013	
	Traffic (RPK)	Capacity (ASK)	Traffic (RPK)	Capacity (ASK)
Intercontinental	+4.0%	+4.7%	+3.6%	+4.2%
Europe/Intra-Scandinavia	+15.7%	+9.7%	+9.6%	+5.4%
Domestic	+6.9%	+4.5%	+1.9%	+4.1%

Scheduled destinations and frequencies for SAS

	May-Jul 2014	May-Jul 2013	Year-on-year change	Nov-Jul 2013-2014	Nov-Jul 2012-2013	Year-on-year change
Number of destinations	114	107	+6.5%	123	120	+2.5%
Number of daily departures	815	785	+3.8%	785	772	+1.7%
No. of departures per destination/day	7.1	7.3	-2.6%	6.4	6.4	-0.8%

Aircraft fleet

The SAS aircraft fleet at July 31, 2014¹

Aircraft in service	Age	Owned	Leased	Total	On purchase order	On lease order
Airbus A330/A340/A350	12.6	5	7	12	12	0
Airbus A319/A320/A321	9.5	6	19	25	30	0
Boeing 737 NG	11.8	17	67	84	0	2
Boeing 717	13.9	4	5	9	0	0
Bombardier CRJ900	5.2	12	0	12	0	0
Total	11.0	44	98	142	42	2

Leased out and phased out aircraft	Owned	Leased	Total	In service	Parked
Douglas MD-90 series	8	0	8	8	0
Bombardier Q400	0	1	1	1	0
Boeing 737 Classic	0	2	2	0	2
McDonnell Douglas MD-80	3	0	3	0	3
Total	11	3	14	9	5

1) In addition, the following aircraft are wet-leased: four CRJ200s, seven ATR 72s and four Saab2000s.

Main



Airbus A330/A340-300



Airbus A319/A320/A321



Boeing 737-600/700/800

Regional



Bombardier CRJ900



Boeing 717

For further information on each model of aircraft, refer to www.sasgroup.net

Important events

Events after July 31, 2014

- SAS launched the Stavanger–Houston route.
- SAS signed a sale and leaseback agreement with the Chinese bank Bocomm that secured the financing of four Airbus A330-300 Enhanced aircraft with delivery in 2015 and 2016.

Third quarter 2013/2014

- SAS made a downward adjustment of the forecast for the 2013/2014 fiscal year.
- SAS launched further streamlining measures with an earnings impact of SEK 1 billion in the 2014/2015 fiscal year. In addition, longer-term measures in the billion range will be made concrete in the latter part of 2014.
- SAS launched 34 seasonal routes over the summer period.

Second quarter 2013/2014

- The AGM resolved to authorize the Board to decide on the issue of up to 7 million preference shares and convertibles for a maximum amount of MSEK 2,000.
- SAS carried out a preference share issue. Since interest far exceeded expectations, the offer was increased from 4 million to 7 million preference shares at a subscription price of SEK 500 per preference share, corresponding to SEK 3.5 billion. The settlement date was February 28. A dividend of SEK 50 per preference share and year is payable on a quarterly basis, amounting to a total annual dividend of MSEK 350.
- SAS carried out a convertible issue amounting to MSEK 1,600 with annual interest of 3.625%, which falls due for payment every six months at a conversion price of SEK 24.0173, corresponding to a conversion premium of 25%. The value of the equity share (conversion option and repurchase right) was set at MSEK 201 at the date of issue. The value of the equity share was included in shareholders' equity, following a deduction for deferred tax.
- Due to the preference share issue, SAS canceled the revolving credit facility, (the RCF), which was entered into in connection with the launch of the 4XNG restructuring program in autumn 2012.
- A new credit facility of MEUR 150 was entered into with UBS.
- The credit-rating agency Moody's upgraded the credit rating for SAS by one notch, from the previous Caa1 rating to B3, with a continued positive outlook.

First quarter 2013/2014

- SAS AB was informed that Danmarks Nationalbank had sold all of its shares in SAS AB and, accordingly, the bank's representative on the company's Nomination Committee stepped down from his position in accordance with the Nomination Committee's work instructions as adopted by the AGM.
- In November, the SAS Group's balance sheet and statement of income was affected as follows by the implementation of new pension terms, the reversal of deferred tax liabilities related to pensions, the accounting for special payroll tax on the pension surplus in the Alecta and Euroben plans, and the implementation of the revised IAS 19. The above will negatively impact the Group's shareholders' equity in an amount of about SEK 6.8 billion:
 - Pension commitments were reduced by about SEK 12.9 billion
 - Plan assets were reduced by about SEK 10.7 billion
 - Remaining actuarial gains and losses of about SEK 10.3 billion were recognized in shareholders' equity
 - Deferred tax liabilities were reduced by about SEK 1.2 billion
 - An improvement in the statement of income (payroll expenses) of about SEK 1 billion.
- The Board proposed that the AGM authorize the Board to decide on the issue of up to 7 million preference shares and convertibles for a maximum amount of MSEK 2,000.

Financial calendar

Interim report 4, 2014 (August–October)	December 18, 2014
Annual Report 2013/2014	January 20, 2015
Annual General Shareholders' Meeting 2015	February 19, 2015
Interim report 1, 2015 (November–January)	March 5, 2015
Interim report 2, 2015 (February–April)	June 18, 2015
Interim report 3, 2015 (May–July)	September 8, 2015
Interim report 4, 2015 (August–October)	December 16, 2015

All reports are available in English and Swedish and can be ordered over the Internet at: www.sasgroup.net or from: investor.relations@sas.se

SAS' monthly traffic data information is normally issued on the fifth business day of the following month. A complete financial calendar can be found at: www.sasgroup.net

For definitions, refer to the Annual Report, or www.sasgroup.net, under Investor Relations/Reports and Presentations.

Press/Investor Relations

Telephone conference 10.00 a.m., September 10, 2014

SAS discloses this information pursuant to the Swedish Securities Market Act and/or the Swedish Financial Instruments Trading Act. The information was provided for publication on September 10, 2014, at 8:00 a.m.