

## Commercial success improves earnings

### May 2015 – July 2015

- Income before tax: MSEK 1,031 (756)
- Income before tax and nonrecurring items: MSEK 996 (759)
- Revenue: MSEK 10,973 (10,697)
- Unit revenue (PASK) increased 3.6%<sup>1</sup>
- Unit cost (CASK) increased 3.4%<sup>2</sup>
- EBIT margin: 10.4% (8.7)
- Net income for the period: MSEK 800 (496)
- Earnings per common share: SEK 2.16 (1.24)
- The outlook for the full year 2014/2015 remains firm, see page 8

### November 2014 – July 2015

- Income before tax: MSEK 550 (-468)
- Income before tax and nonrecurring items: MSEK -164 (-1,486)
- Revenue: MSEK 28,747 (27,040)
- Unit revenue (PASK) increased 5.5%<sup>1</sup>
- Unit cost (CASK) increased 3.3%<sup>2</sup>
- EBIT margin: 3.3% (1.5)
- Net income for the period: MSEK 439 (-416)
- Earnings per common share: SEK 0.54 (-1.83)

1) Currency adjusted.

2) Currency adjusted and excluding jet fuel.

### Comments by the President and CEO of SAS:

“SAS posted a positive income before tax and nonrecurring items for the third quarter of MSEK 996, up 30% year-on-year. The improvement was primarily driven by our commercial success and the continued effects from our systematic efficiency initiatives.

“SAS’s clear focus on Scandinavia’s frequent travelers is generating results and we now have more than four million EuroBonus members. We have noted substantial demand from our frequent travelers for flights to the US and in 2016 we are expanding with three new routes: Los Angeles – Stockholm, Miami – Oslo and Miami – Copenhagen. At the beginning of September, we are also opening the new direct route

between Stockholm and Hong Kong, which will be operated with SAS’s first new Airbus A330E. In parallel with advancing our positions in our target group, we are continuing the implementation of the cost measures that will generate an overall earnings impact of SEK 2.1 billion with full effect in 2017.

“We are looking forward to an exciting fall with preparations for our expansion of the intercontinental routes and a continued high pace of improvement to secure long-term competitiveness and profitability at SAS,” says Rickard Gustafson, SAS President and CEO.

### Income and key ratios

Key ratios (MSEK)	Q 3	Q 3	Q 1–3	Q 1–3	Rolling 12 months	Rolling 12 months
	May–Jul 2015	May–Jul 2014	Nov–Jul 2014–2015	Nov–Jul 2013–2014	Aug–Jul 2014–2015	Aug–Jul 2013–2014
Revenue	10,973	10,697	28,747	27,040	39,713	38,099
EBIT margin	10.4%	8.7%	3.3%	1.5%	1.7%	5.9%
Income before tax and nonrecurring items	996	759	-164	-1,486	625	-885
Income before tax, EBT	1,031	756	550	-468	100	1,100
Net income for the period	800	496	439	-416	136	1,049
Cash flow from operating activities	493	293	1,603	320	2,379	830
			<b>Jul 31, 2015</b>	<b>Oct 31, 2014</b>	<b>Jul 31, 2014</b>	<b>Jul 31, 2013</b>
Equity/assets ratio			21%	17%	21%	6%
Financial preparedness (target >20% of fixed costs)			35%	37%	37%	21%
Shareholders’ equity per common share, SEK			7.95	3.66	7.16	4.52

Widerøe was previously part of the SAS Group and as such is included in the comparative figures for periods until the end of September 2013.

# Comments by the CEO

- **Income before tax amounted to MSEK 1,031 (756) for Q3**
- **Income before tax and nonrecurring items totaled MSEK 996 (759)**
- **Unit revenue increased 3.6%**
- **EuroBonus members totaled more than four million**
- **New routes to Hong Kong, Los Angeles and Miami 2015/2016**

SAS posted a positive income before tax and nonrecurring items for the third quarter of MSEK 996, up 30% year-on-year. This improvement was primarily driven by SAS's commercial successes, which positively impacted unit revenue by 3.6%, and the continued effects from SAS's systematic efficiency initiatives. In parallel, earnings were negatively impacted by a limited pilot strike in Norway and notice of a conflict in Sweden in May.

While capacity in Scandinavia has temporarily stabilized, competition remains intense. As planned, SAS reduced capacity in the quarter, which negatively impacted traffic volumes and contributed to a rise in SAS's unit cost. However, the traffic trend was positive in July and the load factor was the highest ever for a single month.

The quarter's increase in unit revenue demonstrates that SAS's strategy and focus on Scandinavia's frequent travelers is delivering results. Our product improvements and service are appreciated by customers and increasing numbers are joining EuroBonus.

In parallel with advancing our positions in our target group, we are continuing to adjust cost levels to customers' willingness to pay. The focus is on creating a more flexible SAS that can act quickly in the highly competitive airline industry.

## Improvements for SAS travelers

SAS's strategy of winning Scandinavia's frequent travelers and our systematic focus on SAS EuroBonus is delivering results. Our customers appreciate our product improvements and, in the third quarter alone, the number of EuroBonus members increased by about 150,000 and, accordingly, we now have more than four million members.

Clear progress with efficiency enhancements at SAS creates the preconditions for continued investment in our customer offering. We have noted substantial demand from our frequent travelers for flights to the US and in 2016 we are expanding with three new routes: Los Angeles – Stockholm, Miami – Oslo and Miami – Copenhagen. In addition, we are increasing the frequency of flights to San Francisco, Shanghai, Chicago and New York in the winter. Soon, we are opening the new direct route between Stockholm and Hong Kong, which will be operated with SAS's first new Airbus A330E. Furthermore, we launched 47 seasonal routes that received a very good response from SAS customers.

The fifth upgraded long-haul aircraft with an entirely new cabin interior will soon enter service and will be followed by three more aircraft in the period up to January. Customer response has been extremely favorable to the new cabin interiors with more spacious seats, new entertainment systems and a new service concept in SAS Business.

Additional product enhancements were launched during the quarter. Fast Track has now been introduced in Aalborg and the new self-service baggage drop has been installed in Gothenburg. In parallel, the SAS lounges in Gothenburg, Oslo and Stockholm are being expanded. We have also simplified transfers for our passengers by locating more check-in terminals at our main airports in Scandinavia.

The SAS Go Light concept has been introduced on selected European routes and is aimed at passengers who do not wish to check in any luggage. Initially, the concept will be a pilot study and our other well-established service concepts, SAS Go and SAS Plus, will continue with the same benefits as previously.

The summer is an extremely intense period and we are honored to fly our passengers to many destinations and new experiences. Our employees made fantastic efforts this summer to ensure our passengers' journeys went smoothly and easily. Despite this, our punctuality did not quite live up to our customers' and our own high expectations due to operational challenges, which we are currently addressing.

## Increased efficiency and flexibility in production

The efficiency enhancements of SEK 2.1 billion announced at the end of 2014 are being implemented with full effect in 2017. However, time-consuming structural changes in IT mean that an earnings impact of SEK 0.3 billion will now be realized in 2015/2016 instead of 2014/2015 as previously announced.

SAS's strategy for increasing flexibility in the production model is to produce the majority of traffic for the larger traffic flows under SAS's own traffic license, while smaller flows and regional traffic are managed via internal and external wet leasing. This strategy means SAS has greater ability to adapt the fleet size to traffic flows and, thereby, maintain the broad network with the frequent departures demanded by our frequent travelers. In line with this strategy, SAS initiated a tender during the quarter of eight regional jet aircraft under wet leases with an option on a further six aircraft. The objectives include replacing existing Boeing 717 aircraft and better optimization of production to prevailing demand. In addition, Cimber has been established as an efficient production platform for regional air traffic.

SAS is following the long-term industry trend and outsourcing ground handling services to ensure increased cost-base flexibility. To date, about one quarter of ground handling services has been outsourced, including cleaning services, all international ground handling and line stations in Denmark and Sweden. Thus far, the results of the solution have been favorable with continued high quality and service levels for our customers in parallel with reduced fixed costs. The outsourcing of the ground handling services is ongoing and in June a letter of intent was signed with Widerøe for the outsourcing of all line stations in Norway. We have also signed a letter of intent with Aviator for the outsourcing of ground handling services at the major Scandinavian airports. SAS aims to reach a solution that is satisfactory for both customers and employees of SAS, and Aviator is a leading operator in Scandinavia with a focus on efficiency, safety and innovation.

In the third quarter, SAS signed new, simplified collective agreements with all pilots. The new agreements reduce complexity and allow SAS a higher degree of scope to adapt its operations to customer demand.

## SAS's liquidity and financial position

A precondition for developing our business is improving our profitability and financial position. Cash flow from operating activities improved by SEK 1.3 billion in the first nine months compared with the year-earlier period. In July, our financial preparedness was 35%.

We are looking forward to an exciting fall with the launch of the Stockholm – Hong Kong route, preparations for our expansion of the inter-continental routes and a continued high pace of improvement to secure long-term competitiveness and profitability at SAS.

Stockholm, September 8, 2015

Rickard Gustafson  
President and CEO

# Comments on SAS's financial statements

## Market and traffic trends

The balance between supply and demand was stable in the November 2014 to July 2015 period. Measured in the number of seats offered, capacity in Scandinavia was unchanged during the nine-month period and increased 0.6% in the third quarter. The number of passengers increased by about 1.7% during the nine-month period and by 2.4% in the third quarter.

Despite a stabilization of supply and demand in the market, SAS posted lower traffic and passenger volumes in May and June, which resulted in scheduled traffic and the number of passengers for SAS declining by 3.5% and 4.1% respectively during the quarter. The decline was attributable to a planned reduction in capacity, issues with phasing in the IT system and extremely high traffic volumes last year. However, SAS increased its scheduled passenger volumes and unit revenue (PASK) in July.

During the summer months, SAS posted a stable traffic trend for Scandinavia and trended favorably on leisure-related routes. On European routes, growth was greatest to/from Sweden, but competition continued to be extremely intense in some areas. For example, competition has increased between Copenhagen and London where five airlines are currently competing. On intercontinental routes, traffic declined 5.2% due to 4.1% lower capacity, increased competition and slightly weaker demand in parts of Asia.

Unit revenue (PASK) increased 3.6% during the quarter driven by a strong yield that rose 6.1%. However, unit revenue was negatively impacted by a load factor that was 1.9 percentage points lower during the quarter. Further details of the traffic trend for SAS are available on page 17.

## Earnings analysis May – July 2015

SAS's operating income was MSEK 1,142 (932) and income before tax and nonrecurring items totaled MSEK 996 (759). Income before tax amounted to MSEK 1,031 (756) and income after tax was MSEK 800 (496).

The exchange-rate trend had a positive impact on revenue of MSEK 272 and a negative effect on operating expenses of MSEK -874, which included positive effects from currency derivatives of MSEK 56. Accordingly, the exchange-rate trend had a negative impact on operating income of MSEK -602 for the quarter.

Revenue for SAS amounted to MSEK 10,973 (10,697). After adjustment for currency effects, revenue was in line with the year-earlier period. Currency-adjusted passenger revenue rose 2.5%, primarily due to a higher yield. However, charter revenue was 14.6% lower, which was attributable to lower volumes.

SAS's total capacity (ASK) decreased 2.9%, which was partly attributable to the year-on-year increase in unit cost (CASK), after adjustments for currency and jet fuel, of 3.4%.

Payroll expenses amounted to MSEK -2,386 (-2,495), which included restructuring costs of MSEK 0 (-1). After adjustment for currency and nonrecurring items, payroll expenses declined 4.4% year-on-year.

Leasing costs totaled MSEK -659 (-525). However, after adjustment for currency effects, leasing costs were in line with the year-earlier period.

The implementation of the ongoing restructuring program is progressing according to plan, with the exception of the delayed earnings impact from IT, and during the period resulted in cost reductions of about MSEK 250.

Jet-fuel costs amounted to MSEK -2,344 (-2,458). Adjusted for currency, costs declined by 23.7%. The falling oil price had a substantial effect on jet-fuel costs in parallel with a negative impact on costs from the market values of jet-fuel hedges. The negative currency effects amounted to MSEK -613, hedging effects (including the effect of time value) were a negative amount of MSEK -434 and the positive price

effect amounted to MSEK 1,079 compared with the year-earlier period. Net financial items for SAS amounted to MSEK -111 (-177), of which net interest expense was MSEK -101 (-174). The positive year-on-year change pertaining to net financial items was primarily due to lower current interest expenses attributable to the lower net debt.

Total nonrecurring items amounted to MSEK 35 (-3) and comprised restructuring costs, capital gains/losses, impairment and other nonrecurring items. Restructuring costs of MSEK 0 (-1) were charged to the quarter and pertained to payroll expenses. Capital gains amounted to MSEK 35 (loss: -2) and pertained to aircraft transactions of MSEK 35 (-5) and buildings of MSEK 0 (3).

## Earnings analysis November 2014 – July 2015

SAS's operating income was MSEK 943 (403) and income before tax and nonrecurring items totaled MSEK -164 (-1,486). Income before tax amounted to MSEK 550 (-468) and income after tax was MSEK 439 (-416).

The exchange-rate trend had a positive impact on revenue of MSEK 941 and a negative effect on operating expenses of MSEK -1,952, which included positive effects from currency derivatives of MSEK 758. Accordingly, the exchange-rate trend had a negative impact on operating income of MSEK -1,011 for the period.

Revenue for SAS amounted to MSEK 28,747 (27,040). Adjusted for currency effects, revenue rose 2.7% year-on-year. Currency-adjusted passenger revenue increased 5.1%, primarily due to a higher yield. However, charter revenue was 22.5% lower year-on-year.

SAS's total capacity (ASK) declined 2.5%, which was partly attributable to the year-on-year increase in unit cost (CASK), after adjustments for currency and jet fuel, of 3.3%.

Payroll expenses amounted to MSEK 7,303 (6,425), which included nonrecurring items of MSEK -12 (1,025). After adjustment for currency and nonrecurring items, payroll expenses declined 3.6% year-on-year. Wet leases increased compared with the year-earlier period, which was due to the increased external production. Total operating expenses included positive nonrecurring items of MSEK 714 (1,018). The implementation of the ongoing restructuring program is progressing according to plan, with the exception of the delayed earnings impact from IT, and resulted in cost reductions of about MSEK 740 during the period.

Jet-fuel costs amounted to MSEK -6,666 (-6,273). Adjusted for currency, the cost declined by 14.0%. The falling oil price had a substantial effect on jet-fuel costs in parallel with a negative impact on costs from the market values of jet-fuel hedges. The negative currency effects amounted to MSEK -1,479, hedging effects (including the effect of time value) were a negative amount of MSEK -1,566 and the positive price effect amounted to MSEK 2,611 year-on-year.

Net financial items for SAS amounted to MSEK -396 (-877), of which net interest expense was MSEK -379 (-588). The positive year-on-year change pertaining to net financial items was primarily due to lower current interest expenses due to a lower net debt and the termination of the revolving credit facility in February 2014.

Total nonrecurring items amounted to MSEK 714 (1,018) and comprised restructuring costs, capital gains/losses, impairment and other nonrecurring items. Restructuring costs of MSEK -12 (-19) were charged to the period and pertained to payroll expenses. Capital gains amounted to MSEK 745 (loss: -7) and pertained to aircraft transactions of MSEK 53 (-15), the sale of slot pairs of MSEK 678 (0), buildings of MSEK 2 (3) as well as the sale of shares in subsidiaries and affiliated companies, and operations totaling MSEK 12 (5). Other nonrecurring items amounted to MSEK -19 (1,044) and were attributable to expenses related to cargo activities. In the preceding year, other nonrecurring items pertained to a positive effect from amended pension terms.

## Financial position

Cash and cash equivalents were MSEK 7,453 (6,930) at July 31, 2015. At the same date, SAS also had unutilized credit facilities of MSEK 2,673 (2,320) and financial preparedness amounted to 35% (37%) of the Group's fixed costs.

SAS's interest-bearing liabilities declined MSEK 1,042 compared with October 31, 2014 and amounted to MSEK 9,763 on the closing date. The reduction was mainly attributable to a combination of repayments, the translation of liabilities in foreign currencies and changes in the market values of jet-fuel and currency derivatives. New loans amounted to MSEK 381 and repayments amounted to MSEK 2,020, which included the redemption of a convertible bond loan of MSEK 1,600.

In 2014, SAS issued a convertible bond loan, which was valued at MSEK 1,456 on July 31, 2015.

During the period, financial net debt decreased MSEK 1,285 thus resulting in SAS having a positive balance of MSEK 183 for financial net debt on the closing date. The reduction was primarily due to positive cash flow from operating activities and positive effects from the realization of financial derivatives.

At July 31, 2015, the equity/assets ratio was 21% (21%) and the adjusted equity/assets ratio was 13% (14%). The adjusted debt/equity ratio amounted to 2.70 (2.43). The adjusted ratios take into account leasing costs.

For the balance sheet, refer to page 10.

## Cash-flow statement

Cash flow from operating activities, before changes in working capital, amounted to MSEK 1,002 (-663) for the first nine months.

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

The change in working capital was both accumulated and, in the quarter, about MSEK 400 down on the year-earlier period, which was partly attributable to increased utilization of the restructuring reserves and partly due to lower current liabilities. The substantial negative change in working capital in the third quarter was attributable to the seasonal decline in the unearned transportation revenue liability.

Investments totaled MSEK 1,937 (710), of which MSEK 1,686 (546) pertained to aircraft, which included MSEK 386 for the purchase of three Boeing 717s and one Boeing 737, which were previously under operating leases, MSEK 564 (49) for ongoing aircraft investments and modifications, MSEK 634 (272) as advance payments to Airbus, MSEK 87 (202) to capitalized expenditures for engine maintenance and MSEK 15 (23) to spare parts. In addition, MSEK 154 (110) pertained to capitalized systems development costs and MSEK 97 (54) to other investments.

In February, Cimber A/S was acquired and, in June, two property companies comprising airport properties in Norway.

The sale of two slot pairs at London Heathrow generated MSEK 285 in February and MSEK 288 in June in cash and cash equivalents. The sale of four Boeing 717s and the sale and leaseback of two Boeing 737s generated MSEK 493. The sale of two slot pairs will also generate slightly more than MSEK 100 in cash and cash equivalents during 2015.

Cash flow before financing activities amounted to MSEK 750 (-209).

New loans for the period amounted to MSEK 381 (1,679), while repayments totaled MSEK 2,020 (3,033). In addition, cash flow was positively impacted by financing activities through liquidity effects from the remeasurement of financial derivatives.

Cash flow for the first nine months of the year was MSEK 37 (2,177).

Cash and cash equivalents amounted to MSEK 7,453 according to the balance sheet, compared with MSEK 7,417 at October 31, 2014.

For the cash-flow statement, refer to page 11.

## 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 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 first and second quarters are the weakest quarters in terms of earnings. However, cash flow from operating activities is seasonally weak in the first and third quarters.

## Financial targets

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

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

## Description of events after July 31, 2015

- SAS signed a letter of intent with Aviator Airport Alliance Europe AB regarding the outsourcing of ground handling services.
- Rolf Bakken took up his position as Head of Flight Operations on September 1, 2015, with responsibility for flight operations at SAS.
- Joakim Landholm left his position at SAS as Executive Vice President of Transformation effective August 31, 2015.
- As part of expanding its intercontinental routes, SAS launched three new routes: Copenhagen – Miami, Oslo – Miami and Stockholm – Los Angeles.
- Mattias Forsberg will join as the new Executive Vice President and CIO with responsibility for IT and digital innovation. He will take up his post no later than the end of 2015.

# Strategic priorities for SAS

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

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

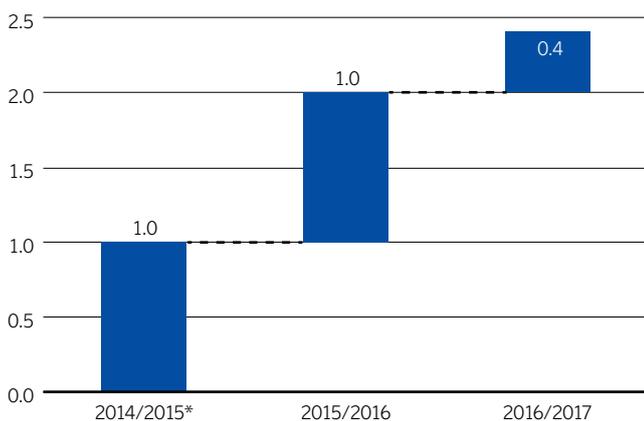
## Establish an efficient platform

### Cost measures with full effect in 2017

In December 2014, SAS launched cost measures that will generate an earnings impact of SEK 2.1 billion with full effect in 2017. The measures are aimed to meet the continued, long-term price pressure and the industry trend, with increased use of external production models, staffing agencies and the formation of proprietary low cost carriers. During the first three quarters of the current fiscal year, the measures contributed MSEK 740 in efficiency enhancements. However, time-consuming structural changes in IT mean that an earnings impact of SEK 0.3 billion will now not be realized until 2015/2016 instead of 2014/2015 as previously announced.

### Expected earnings impact from cost measures

SEK billion



\*Including SEK 0.3 billion from the restructuring program launched in November 2012.

### Fleet streamlining and production optimization

SAS's strategy for increasing flexibility in the production model is to produce the majority of traffic for the larger traffic flows under SAS's own traffic license based on one aircraft type per base, while smaller flows and regional traffic are managed via internal and external wet leasing. Therefore, SAS has, to an increasing degree, built up an external wet-lease operation with turboprop aircraft that can serve smaller flows more efficiently while reducing complexity in SAS's own production. This strategy means SAS has greater ability to adapt the fleet size to traffic flows and, thereby, maintain the broad network with the frequent departures demanded by our frequent travelers. In line with this strategy, SAS initiated a tender during the quarter of eight regional jet aircraft for production under wet leases with an option on a further six aircraft. The objectives included replacing existing Boeing 717 aircraft and better optimization of production to prevailing demand. In addition, Cimber has been established as an efficient production platform for regional air traffic. A more homogeneous aircraft fleet enhances cost-efficiency and regional production supplements SAS's own production with Boeing 737 aircraft and the Airbus A320 family. When the Boeing 717 has been phased out, SAS will only have two types of aircraft, the Airbus A320 and Boeing 737NG, in service on routes within Europe under its own traffic license.

Optimization has also been carried out in the technical operation where the maintenance program for the Boeing 737 fleet has been revised and existing agreements have been renegotiated. This has already resulted in significant savings in 2015, with additional cost reductions during the remaining contract period. The streamlining of the aircraft fleet together with the optimization of technical operations are expected to generate an earnings impact of about MSEK 300.

### Further efficiency enhancement of administration, sales and distribution

SAS has implemented further efficiency enhancements for and simplified its administration, sales organization and distribution. SAS has concluded the redundancy process in the administration. An efficiency enhancement process made possible by increased digitalization is ongoing in the global sales organization. Altogether, 285 employees in the administration and sales organizations will leave SAS in 2015.

A major review of the distribution model and marketing activities in parallel with payment methods and credit card costs is ongoing. Together with administrative efficiency enhancements, an earnings impact of about MSEK 450 is expected to be achieved.

### Outsourcing and efficiency enhancement of ground handling services

To ensure increased cost-base flexibility, SAS decided earlier to outsource ground handling services in line with the long-term industry trend. To date, SAS has outsourced about one quarter of ground handling services, including cleaning services, all international ground handling and line stations in Denmark and Sweden. Thus far, the results of the solution have been favorable with continued high quality and service levels for SAS customers in parallel with reduced fixed costs. The outsourcing of other ground handling services is ongoing and SAS signed a letter of intent with Widerøe in June for the outsourcing of ground handling services at all line stations in Norway. A letter of intent has also been signed with Aviator Airport Alliance Europe AB (Aviator) for the outsourcing of ground handling services at the major Scandinavian airports. SAS aims to reach a solution that is satisfactory for both customers and employees of SAS, and Aviator is a leading operator in Scandinavia with a focus on efficiency, safety and innovation.

In parallel, intensive efforts have been ongoing with improving the efficiency of and automating ground handling services, as well as creating preconditions for additional cost measures. In the third quarter, new shift schedules and systems support for scheduling were introduced, which will lead to significantly improved matching of resources to needs over a 24-hour period. Initially, scheduling posed certain challenges. These resulted in increased pressure on employees who, given these circumstances, have made substantial efforts to provide SAS customers with the service they expect.

Other implemented measures include the outsourcing of the function for calculating weight and balance sheets to Air Dispatch and a renegotiation of external ground handling agreements outside of Scandinavia. In total, increasing the efficiency of ground handling services is expected to generate an earnings impact of about MSEK 200 up to 2017.

### Optimization of purchasing and logistics

SAS procures external goods and services to a value of about SEK 24 billion each year. A procurement is in progress that covers all catering services and is expected to result in significant efficiency enhancements. In addition, SAS is working with the systematic renegotiation and consolidation of agreements with its 8,000-odd suppliers. In total, measures in this area are expected to contribute cost reductions of about MSEK 250.

### Measures pertaining to properties and rental costs

As a consequence of major structural changes, potential exists for SAS to optimize its use of premises and lower rental costs for both offices and technical premises. A comprehensive review of costs is ongoing, including divestments, the renegotiation of rental agreements and the letting of free capacity. In the third quarter, efficiency enhancements have been implemented pertaining to properties comprising about 140,000 square meters in Copenhagen, Oslo, Bergen and Stockholm-Arlanda. The measures are expected to lower annualized operating expenses for properties and rental costs by a total of about MSEK 200.

### Restructuring costs

The cost measures for 2015–2017 resulted in restructuring costs of a total of SEK 1.3 billion being charged to the 2013/2014 fiscal year. Up to MSEK 450 linked to restructuring of the pilot corps could be charged to the 2014/2015 and 2015/2016 fiscal years.

### New collective agreements for pilots

In addition to the SEK 2.1 billion in measures and given the ongoing extensive changes to the European airline industry, after intensive negotiations, SAS entered into new, modern, collective agreements for all pilots at SAS in April and May 2015. The new agreements reflect today's competitive conditions and allow SAS more scope to adapt its operations to customer demand. SAS's assessment is that the long-term effect following implementation of these new agreements will generate annual efficiency savings of MSEK 100. In conjunction with the negotiations, in May 2015, SAS was forced to cancel 147 flights due to a limited pilot strike in Norway and notice of a conflict in Sweden. SAS has also established a competence development center aimed at increasing staff turnover in the pilot corps and, thereby, securing competitive crew costs in the long-term. Up to MSEK 450 could be allocated as a restructuring cost under this initiative in the 2014/2015 and 2015/2016 fiscal years. However, at July 31, 2015, no provision had been made.

### Win Scandinavia's frequent travelers

In line with SAS's vision, its customer offering has been strengthened with a focus on Scandinavia's frequent travelers. The clear target-group approach has delivered results and travelers appreciate SAS's service concepts: SAS Go, SAS Plus and SAS Business. In the fourth quarter of 2014/2015, the current service concept will be supplemented with SAS Go Light, which is targeted at travelers who travel without baggage. The concept provides our passengers with more choices and is initially being launched as a pilot test on selected European routes.

SAS is further developing the EuroBonus program to build closer relationships with customers and to increase customer loyalty. In the third quarter, the number of members grew by 150,000 and exceeded four million members at the end of July 2015. The number of members

has risen 25% since the upgrade of EuroBonus in February 2014 and membership growth has contributed to increasing revenue from EuroBonus members by 10% in the third quarter compared with the year-earlier period.

SAS has a strong offering with more destinations and more departures than any other Scandinavian airline. In response to frequent travelers' demand for more routes to the US, SAS is launching three new routes in 2016: Stockholm – Los Angeles, Copenhagen – Miami and Oslo – Miami. In addition, we are increasing the frequency of flights to San Francisco, Shanghai, Chicago and New York in the winter. Soon, we are opening the new direct route between Stockholm and Hong Kong, which will be operated with SAS's first new Airbus A330E. Furthermore, we launched 47 seasonal routes that met with an extremely favorable response from SAS customers in the summer.

The fifth upgraded long-haul aircraft with an entirely new cabin interior will soon enter service and will be followed by three more aircraft in the period up to January. The response from SAS customers has been extremely favorable to the new cabin interiors with more spacious seats, new entertainment systems and a new service concept in SAS Business.

To make smooth and time-efficient travel available to more frequent travelers, SAS is investing in expanding the concept of SAS Lounges and Fast Track at more airports. Fast Track has now been introduced in Aalborg and the new self-service baggage drop has been installed in Gothenburg. In parallel, the SAS lounges in Gothenburg, Oslo and Stockholm are being expanded. SAS has also simplified transfers for our passengers by locating check-in terminals on transit paths at our main airports in Scandinavia.

In spring 2015, SAS's new Café Lounge concept was launched in Trondheim and Tromsø, and included cafe bars and internet connections. The cafe lounges are appreciated and will be introduced at more airports in Scandinavia.

### Invest in our future

SAS is introducing extensive changes to the aircraft fleet as part of its investment in the future. In September and October, the first two long-haul Airbus A330E aircraft will be delivered and another two aircraft will be delivered in the first half of 2016.

In autumn 2015, the remaining Boeing 717s will be divested and, as a consequence, the SAS aircraft fleet will only comprise four aircraft types compared with eight types in 2012.

In total, SAS has ordered 30 Airbus A320neos, four Airbus A330Es and eight Airbus A350s, which will further modernize and enhance the efficiency of SAS's aircraft fleet.

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

# 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. The policy also allows hedging up to 50% of the anticipated volumes for the period, 12 to 18 months.

The falling oil price has a substantial impact on jet-fuel costs even if the market value of hedges is negatively impacted. Hedging of SAS's future jet-fuel consumption is mainly performed using capped options and to a lesser extent swaps. SAS has hedged expected consumption up to 18 months ahead. At July 31, 2015, the hedging ratio was 72% for the coming 12-month period and 35% for the next six-month period.

Under current plans for flight capacity, the cost of jet fuel during the 2014/2015 fiscal year is expected to be in line with the table below, taking into account different prices and USD rates.

The cost of jet fuel in the statement of income does not include the effects from SAS's USD currency hedging. The effects from SAS's currency hedging are recognized in profit or loss under "Other operating expenses," since SAS's currency hedging is performed separately and is not linked specifically to its jet fuel purchases.

For foreign currency, the policy is to hedge 40-80%. At July 31, 2015, SAS had hedged 69% of its anticipated USD deficit for the next 12 months. SAS has hedged the USD deficit using forward contracts. In terms of NOK, which is SAS's largest surplus currency, 66% was hedged for the next 12 months. A weakening of the NOK against the SEK of 1% would generate a negative earnings impact of MSEK 60, excluding hedge effects. A weakening of the USD against the SEK of 1% would generate a positive earnings impact of MSEK 100, excluding hedge effects.

### Hedging of jet fuel

Hedge level (max price)	Aug-Oct 2015	Nov 15- Jan 16	Feb-Apr 2016	May-July 2016	Aug-Oct 2016	Nov 16- Jan 17
600-700 USD/tonne	83%	81%	71%	54%	53%	18%

### Vulnerability matrix, jet-fuel cost November 2014 to October 2015, SEK billion<sup>1</sup>

Market price	Exchange rate SEK/USD				
	6.00	7.00	8.00	9.00	10.00
USD 400/tonne	7.7	7.9	8.0	8.2	8.4
USD 600/tonne	8.1	8.3	8.5	8.8	9.0
USD 800/tonne	8.3	8.5	8.8	9.1	9.3
USD 1,000/tonne	8.4	8.7	9.0	9.3	9.6

1) SAS's hedging of jet fuel at July 31, 2015 and actual jet-fuel costs for November 2014 to July 2015 were 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. Legal actions initiated by cargo customers are already in progress in the UK, the Netherlands and Norway. In May 2015, SAS, together with a large number of other airlines, was the subject of a lawsuit lodged in Germany for a significant amount. SAS, which appealed the European Commission's decision, contests its responsibility in all of these legal processes. Unfavorable outcomes in these disputes could have a significantly negative financial impact on SAS. Further lawsuits by cargo customers cannot be ruled out and no provisions have been made.

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

A group of former Braathens cabin crew have, through the Parat trade union, initiated a legal process against SAS at a general court in Norway with a claim for correction of a work time factor (part-time percentage) in the calculation of pension rights in the occupational pension plan in accordance with the Norwegian Occupational Pensions Act. The summons application contains no specified demand for compensation. SAS contests the claim. SAS won the initial case, however the judgement has been appealed by the counterparty and is not expected to be heard until 2016. The financial exposure is difficult to quantify, but SAS considers the risk of a negative outcome to be limited and no provisions have been made.

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.

# Outlook for 2014/2015

## Outlook

SAS is continuing its intensive efforts to strengthen its competitiveness. SAS expects earnings before tax and nonrecurring items to be clearly positive in the 2014/2015 fiscal year. The outlook is provided that the economy does not weaken, that the trend continues in terms of reduced capacity and lower jet-fuel prices, that exchange rates are not subject to further deterioration and that no unexpected events occur.

The outlook is based on the following preconditions at July 31, 2015:

- SAS plans to reduce total capacity (ASK) by about 2% in 2014/2015.
- In the 2014/2015 fiscal year, the earnings impact from the cost measures is expected to amount to about SEK 1.0 billion.
- SAS has hedged 83% of the remaining jet-fuel consumption for the 2014/2015 fiscal year.
- SAS has hedged USD and NOK at 69% and 66%, respectively, for the next 12 months' currency exposure.
- Net investments are expected to amount to about SEK 1.3 billion in 2014/2015.
- Up to MSEK 450 linked to restructuring of the pilot corps could be charged to the 2014/2015 and 2015/2016 fiscal years.

# Statement of income

## Statement of income including statement of other comprehensive income

MSEK	Note	Q3	Q3	Q 1–3	Q 1–3	Rolling 12 months	Rolling 12 months
		May–Jul 2015	May–Jul 2014	Nov–Jul 2014–2015	Nov–Jul 2013–2014	Aug–Jul 2014–2015	Aug–Jul 2013–2014
Revenue	2	10,973	10,697	28,747	27,040	39,713	38,099
Payroll expenses <sup>1</sup>		-2,386	-2,495	-7,303	-6,425	-10,059	-9,086
Other operating expenses <sup>2</sup>	3	-6,503	-6,413	-18,306	-17,687	-25,741	-24,371
Leasing costs for aircraft <sup>3</sup>		-659	-525	-1,922	-1,510	-2,539	-1,996
Depreciation, amortization and impairment <sup>4</sup>		-343	-354	-1,030	-1,021	-1,452	-1,409
Share of income in affiliated companies		25	24	13	13	30	32
Income from sale of shares in subsidiaries, affiliated companies and operations		0	0	11	5	12	1,007
Income from the sale of aircraft, buildings and slot pairs		35	-2	733	-12	729	-44
<b>Operating income</b>		<b>1,142</b>	<b>932</b>	<b>943</b>	<b>403</b>	<b>693</b>	<b>2,232</b>
Income from other securities holdings		0	1	3	6	-46	6
Financial revenue		30	28	93	78	117	96
Financial expenses		-141	-205	-489	-955	-664	-1,234
<b>Income before tax</b>		<b>1,031</b>	<b>756</b>	<b>550</b>	<b>-468</b>	<b>100</b>	<b>1,100</b>
Tax		-231	-260	-111	52	36	-51
<b>Net income for the period</b>		<b>800</b>	<b>496</b>	<b>439</b>	<b>-416</b>	<b>136</b>	<b>1,049</b>
<b>Other comprehensive income</b>							
<i>Items that may later be reversed to net income:</i>							
Exchange-rate differences in translation of foreign operations, net after tax		-178	92	-73	98	-85	53
Cash-flow hedges – hedging reserve, net after tax		394	177	984	209	1,100	107
<i>Items that will not be reversed to net income:</i>							
Revaluations of defined-benefit pension plans, net after tax		867	-128	384	-271	-567	134
<b>Total other comprehensive income, net after tax</b>		<b>1,083</b>	<b>141</b>	<b>1,295</b>	<b>36</b>	<b>448</b>	<b>294</b>
<b>Total comprehensive income</b>		<b>1,883</b>	<b>637</b>	<b>1,734</b>	<b>-380</b>	<b>584</b>	<b>1,343</b>
Net income for the period attributable to:							
Parent Company shareholders		799	494	439	-427	130	1,037
Non-controlling interests		1	2	0	11	6	12
Earnings per common share (SEK) <sup>5</sup>		2.16	1.24	0.54	-1.83	-0.67	2.62
Earnings per common share after dilution (SEK) <sup>5</sup>		1.83	1.03	0.53	-1.83	-0.67	2.47

1) Includes restructuring costs of MSEK - (1) during the period May–July, MSEK 12 (19) during the period November–July and MSEK 387 (22) during the period August–July.

2) Includes restructuring costs of MSEK - (-) during the period May–July, MSEK - (-) during the period November–July and MSEK 575 (-) during the period August–July.

3) Includes restructuring costs of MSEK - (-) during the period May–July, MSEK - (-) during the period November–July and MSEK 67 (-) during the period August–July.

4) Includes restructuring costs of MSEK - (-) during the period May–July, MSEK - (-) during the period November–July and MSEK 96 (-) during the period August–July.

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

SAS has no option or share programs. Convertible bond loans only have a dilution effect if conversion of the loans to common shares would result in lower earnings per share. At the balance-sheet date, there was one convertible bond loan of MSEK 1,600, covering 66,618,646 shares.

## Income before tax and nonrecurring items

MSEK	Q3	Q3	Q 1–3	Q 1–3	Rolling 12 months	Rolling 12 months
	May–Jul 2015	May–Jul 2014	Nov–Jul 2014–2015	Nov–Jul 2013–2014	Aug–Jul 2014–2015	Aug–Jul 2013–2014
Income before tax	1,031	756	550	-468	100	1,100
Impairment	0	0	0	0	52	0
Restructuring costs	0	1	12	19	1,125	22
Capital gains/losses	-35	2	-745	7	-745	-963
Other nonrecurring items <sup>1</sup>	0	0	19	-1,044	93	-1,044
<b>Income before tax and nonrecurring items</b>	<b>996</b>	<b>759</b>	<b>-164</b>	<b>-1,486</b>	<b>625</b>	<b>-885</b>

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, 2015	Oct 31, 2014	Jul 31, 2014	Jul 31, 2013
Intangible assets	1,867	1,905	1,850	1,789
Tangible fixed assets	9,482	8,901	9,211	9,596
Financial fixed assets	7,905	7,485	7,870	4,183
<b>Total fixed assets</b>	<b>19,254</b>	<b>18,291</b>	<b>18,931</b>	<b>15,568</b>
Other current assets	360	350	372	373
Current receivables	3,380	3,267	3,258	3,344
Cash and cash equivalents <sup>1</sup>	7,453	7,417	6,930	3,026
Assets held for sale	-	-	-	3,327
<b>Total current assets</b>	<b>11,193</b>	<b>11,034</b>	<b>10,560</b>	<b>10,070</b>
<b>Total assets</b>	<b>30,447</b>	<b>29,325</b>	<b>29,491</b>	<b>25,638</b>
Shareholders' equity <sup>2</sup>	6,291	4,907	6,057	1,488
Long-term liabilities	10,495	10,384	9,631	8,563
Current liabilities	13,661	14,034	13,803	12,986
Liabilities attributable to assets held for sale	-	-	-	2,601
<b>Total shareholders' equity and liabilities</b>	<b>30,447</b>	<b>29,325</b>	<b>29,491</b>	<b>25,638</b>
Shareholders' equity per common share (SEK) <sup>3</sup>	7.95	3.66	7.16	4.52
Interest-bearing assets	14,475	13,481	13,587	7,038
Interest-bearing liabilities	9,763	10,805	10,367	10,585

1) At July 31, 2015, including receivables from other financial institutions, MSEK 1,243 (985).

2) Including non-controlling interests.

3) 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.

## Specification of financial net debt July 31, 2015

	According to balance sheet	Of which, financial net debt
Financial fixed assets	7,905	1,837
Current receivables	3,380	656
Cash and cash equivalents	7,453	7,453
Long-term liabilities	10,495	8,399
Current liabilities	13,661	1,364
Financial net debt		-183

## Condensed changes in shareholders' equity

MSEK	Share capital <sup>1</sup>	Other contributed capital <sup>2</sup>	Hedging reserves	Translation reserve	Retained earnings <sup>3</sup>	Total shareholders' equity attributable to Parent Company shareholders	Non-controlling interests	Total shareholders' capital
Opening shareholders' equity in accordance with approved balance sheet, November 1, 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
Equity share of convertible loans		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
Comprehensive income, August–October			116	-12	-1,254	-1,150	0	-1,150
Closing balance, October 31, 2014	6,754	494	290	-109	-2,549	4,880	27	4,907
Preference share dividend					-350	-350		-350
Equity share of convertible loans		-167			167	0		0
Non-controlling interests					27	27	-27	0
Comprehensive income, November–July			984	-73	823	1,734		1,734
<b>Closing balance, July 31, 2015</b>	<b>6,754</b>	<b>327</b>	<b>1,274</b>	<b>-182</b>	<b>-1,882</b>	<b>6,291</b>	<b>0</b>	<b>6,291</b>

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

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

3) No dividends were paid on common shares for 2013/14. Of the liability for preference-share dividends recognized for the year, MSEK 87.5 had been paid as of July 31, 2015.

# Cash-flow statement

## Condensed cash-flow statement

MSEK	Q 3	Q 3	Q 1-3	Q 1-3	Rolling 12 months	Rolling 12 months
	May-Jul 2015	May-Jul 2014	Nov-Jul 2014-2015	Nov-Jul 2013-2014	Aug-Jul 2014-2015	Aug-Jul 2013-2014
Income before tax	1,031	756	550	-468	100	1,100
Depreciation, amortization and impairment	343	354	1,030	1,021	1,452	1,409
Income from sale of aircraft, buildings and shares	-35	2	-745	7	-745	-963
Adjustment for other items not included in the cash flow, etc.	234	-145	165	-1,224	1,344	-1,289
Tax paid	0	0	2	1	0	1
<b>Cash flow from operations before change in working capital</b>	<b>1,573</b>	<b>967</b>	<b>1,002</b>	<b>-663</b>	<b>2,151</b>	<b>258</b>
Change in working capital	-1,080	-674	601	983	228	572
<b>Cash flow from operating activities</b>	<b>493</b>	<b>293</b>	<b>1,603</b>	<b>320</b>	<b>2,379</b>	<b>830</b>
Investments including advance payments to aircraft manufacturers	-730	-225	-1,937	-710	-2,653	-1,400
Acquisition of shares	0	0	0	0	-687	0
Acquisition of subsidiaries	-55	0	-60	0	-60	0
Sale of shares	0	0	0	0	688	0
Sale of subsidiaries and operations	0	0	10	4	10	211
Sale of fixed assets, etc.	707	167	1,134	177	1,897	279
<b>Cash flow before financing activities</b>	<b>415</b>	<b>235</b>	<b>750</b>	<b>-209</b>	<b>1,574</b>	<b>-80</b>
Preference share issue	0	0	0	3,500	0	3,500
Dividend on preference shares	-88	-88	-263	-88	-350	-88
External financing, net	-235	-2,099	-450	-1,026	-699	358
<b>Cash flow for the period</b>	<b>92</b>	<b>-1,952</b>	<b>37</b>	<b>2,177</b>	<b>525</b>	<b>3,690</b>
Translation difference in cash and cash equivalents	-1	1	-1	2	-2	0
Cash and cash equivalents transferred from assets held for sale	0	0	0	0	0	214
<b>Change in cash and cash equivalents according to the balance sheet</b>	<b>91</b>	<b>-1,951</b>	<b>36</b>	<b>2,179</b>	<b>523</b>	<b>3,904</b>
Cash flow from operating activities per common share (SEK)	1.50	0.89	4.87	0.97	7.23	2.52

## Financial key ratios

	Jul 31, 2015	Oct 31, 2014	Jul 31, 2014	Jul 31, 2013
CFROI, 12-month rolling	17%	18%	23%	26%
Return on shareholder's equity after tax, 12-month rolling	3%	-15%	25%	-147%
Financial preparedness (target >20% of fixed costs)	35%	37%	37%	21%
Equity/assets ratio	21%	17%	21%	6%
Adjusted equity/assets ratio	13%	11%	14%	4%
Financial net debt, MSEK	-183	1,102	1,312	5,791
Debt/equity ratio	-0.03	0.22	0.22	3.89
Adjusted debt/equity ratio	2.70	3.14	2.43	11.71
Interest-coverage ratio	1.2	0.2	1.9	0.5

# Parent Company SAS AB

The number of common and preference shareholders in SAS AB amounted to 59,734 at July 31, 2015. The average number of employees amounted to 5 (6). As part of strengthening the SAS Consortium's equity, SAS AB paid a shareholders' contribution in April 2015 of a total

of SEK 7 billion to the Consortium's parent companies: SAS Danmark A/S, SAS Norge AS and SAS Sverige AB. Thereafter, the SAS Consortium's parent companies paid capital contributions totaling SEK 12 billion to the SAS Consortium.

## Condensed statement of income

MSEK	Nov-Jul 2014-2015	Nov-Jul 2013-2014
Revenue	0	0
Payroll expenses	-25	-26
Other operating expenses	-8	-27
<b>Operating income before amortization and depreciation</b>	<b>-33</b>	<b>-53</b>
Amortization and depreciation	0	0
<b>Operating income</b>	<b>-33</b>	<b>-53</b>
Income from participations in Group companies	0	5
Income from other securities holdings	2	5
Net financial items	-120	-23
<b>Income before tax</b>	<b>-151</b>	<b>-66</b>
Tax	46	17
<b>Net income for the period</b>	<b>-105</b>	<b>-49</b>
Net income for the period attributable to:		
Parent Company shareholders	-105	-49

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

## Condensed balance sheet

MSEK	July 31, 2015	Oct 31, 2014	July 31, 2014
Financial fixed assets	12,397	5,373	12,204
Other current assets	4,502	12,501	5,735
Cash and cash equivalents	1	1	1
<b>Total assets</b>	<b>16,900</b>	<b>17,875</b>	<b>17,940</b>
Shareholders' equity	12,176	12,631	12,637
Long-term liabilities	3,421	3,395	3,403
Current liabilities	1,303	1,849	1,900
<b>Total shareholders' equity and liabilities</b>	<b>16,900</b>	<b>17,875</b>	<b>17,940</b>

## Changes in shareholders' equity

MSEK	Share capital <sup>1</sup>	Restricted reserves	Unrestricted equity <sup>2</sup>	Total equity
Opening balance, November 1, 2014	6,754	306	5,571	12,631
Preference share dividend			-350	-350
Net income for the period			-105	-105
<b>Shareholders' equity, July 31, 2015</b>	<b>6,754</b>	<b>306</b>	<b>5,116</b>	<b>12,176</b>

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 on common shares for 2013/2014. Of the liability for preference-share dividends recognized for the year, MSEK 87.5 had been paid as of July 31, 2015.

# 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, 2014 that are not deemed to have material relevance in the preparation of this financial report, meaning that the SAS Group continued to apply the same accounting policies as in its Annual Report for 2013/2014.

As previously notified, 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 2012/2013 fiscal year were restated to enable comparison with the 2013/2014 fiscal year. The effects of the restatement of SAS's financial statements for 2012/2013 can be found at [www.sasgroup.net](http://www.sasgroup.net), under Investor Relations/Financial reports/Interim reports.

## Note 2 Revenue

	Q 3	Q 3	Q 1–3	Q 1–3	Rolling 12 months	Rolling 12 months
	May–Jul 2015	May–Jul 2014	Nov–Jul 2014–2015	Nov–Jul 2013–2014	Aug–Jul 2014–2015	Aug–Jul 2013–2014
Passenger revenue	8,484	8,062	22,096	20,294	30,512	28,660
Charter	673	795	1,121	1,444	1,785	2,089
Mail and freight	293	304	947	939	1,287	1,269
Other traffic revenue	528	503	1,557	1,313	2,047	1,871
Other operating revenue	995	1,033	3,026	3,050	4,082	4,210
<b>Total</b>	<b>10,973</b>	<b>10,697</b>	<b>28,747</b>	<b>27,040</b>	<b>39,713</b>	<b>38,099</b>

## Note 3 Other operating expenses

	Q 3	Q 3	Q 1–3	Q 1–3	Rolling 12 months	Rolling 12 months
	May–Jul 2015	May–Jul 2014	Nov–Jul 2014–2015	Nov–Jul 2013–2014	Aug–Jul 2014–2015	Aug–Jul 2013–2014
Selling and distribution costs	-643	-553	-1,813	-1,597	-2,444	-2,223
Jet fuel	-2,344	-2,458	-6,666	-6,273	-9,199	-8,775
Government user fees	-1,093	-1,068	-2,969	-2,851	-4,080	-3,930
Catering costs	-241	-227	-608	-551	-813	-864
Handling costs	-530	-441	-1,442	-1,221	-1,924	-1,624
Technical aircraft maintenance	-603	-577	-1,861	-1,811	-2,518	-2,478
Computer and tele-communications costs	-274	-266	-822	-763	-1,126	-997
Other	-775	-823	-2,125	-2,620	-3,637	-3,480
<b>Total</b>	<b>-6,503</b>	<b>-6,413</b>	<b>-18,306</b>	<b>-17,687</b>	<b>-25,741</b>	<b>-24,371</b>

**Note 4 Quarterly breakdown****Statement of income**

	2012–2013			2013–2014			2014–2015				
	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3
MSEK	May–Jul	Aug–Oct	Nov–Oct	Nov–Jan	Feb–Apr	May–Jul	Aug–Oct	Nov–Oct	Nov–Jan	Feb–Apr	May–Jul
Revenue	11,593	11,059	42,182	7,871	8,472	10,697	10,966	38,006	8,371	9,403	10,973
Payroll expenses	-2,887	-2,661	-11,307	-1,446	-2,484	-2,495	-2,756	-9,181	-2,478	-2,439	-2,386
Other operating expenses	-6,379	-6,684	-25,442	-5,446	-5,828	-6,413	-7,435	-25,122	-5,668	-6,135	-6,503
Leasing costs for aircraft	-480	-486	-1,786	-485	-500	-525	-617	-2,127	-601	-662	-659
Depreciation, amortization and impairment	-426	-388	-1,658	-329	-338	-354	-422	-1,443	-282	-405	-343
Share of income in affiliated companies	19	19	25	-12	1	24	17	30	-10	-2	25
Income from sale of shares in subsidiaries, affiliated companies and operations	0	1,002	700	1	4	0	1	6	11	0	0
Income from the sale of aircraft, buildings and slot pairs	-39	-32	-118	-22	12	-2	-4	-16	0	698	35
<b>Operating income</b>	<b>1,401</b>	<b>1,829</b>	<b>2,596</b>	<b>132</b>	<b>-661</b>	<b>932</b>	<b>-250</b>	<b>153</b>	<b>-657</b>	<b>458</b>	<b>1,142</b>
Income from other securities holdings	0	0	1	5	0	1	-49	-43	3	0	0
Financial revenue	11	18	50	25	25	28	24	102	22	41	30
Financial expenses	-236	-279	-999	-308	-442	-205	-175	-1,130	-204	-144	-141
<b>Income before tax</b>	<b>1,176</b>	<b>1,568</b>	<b>1,648</b>	<b>-146</b>	<b>-1,078</b>	<b>756</b>	<b>-450</b>	<b>-918</b>	<b>-836</b>	<b>355</b>	<b>1,031</b>
Tax	-290	-103	-290	34	278	-260	147	199	196	-76	-231
<b>Net income for the period</b>	<b>886</b>	<b>1,465</b>	<b>1,358</b>	<b>-112</b>	<b>-800</b>	<b>496</b>	<b>-303</b>	<b>-719</b>	<b>-640</b>	<b>279</b>	<b>800</b>
Attributable to:											
Parent Company shareholders	886	1,464	1,357	-115	-806	494	-309	-736	-638	278	799
Non-controlling interests	0	1	1	3	6	2	6	17	-2	1	1

**Earnings-related key ratios and average number of employees**

MSEK	Q1	Q1	Q2	Q2	Q3	Q3	Q4	Q4	Rolling 12 months	Rolling 12 months
	Nov–Jan 2014–2015	Nov–Jan 2013–2014	Feb–Apr 2015	Feb–Apr 2014	May–Jul 2015	May–Jul 2014	Aug–Oct 2014	Aug–Oct 2013	Aug–Jul 2014–2015	Aug–Jul 2013–2014
Revenue	8,371	7,871	9,403	8,472	10,973	10,697	10,966	11,059	39,713	38,099
EBITDAR	225	979	829	160	2,084	1,789	775	1,714	3,913	4,642
EBITDAR margin	2.7%	12.4%	8.8%	1.9%	19.0%	16.7%	7.1%	15.5%	9.9%	12.2%
EBIT	-657	132	458	-661	1,142	932	-250	1,829	693	2,232
EBIT margin	-7.8%	1.7%	4.9%	-7.8%	10.4%	8.7%	-2.3%	16.5%	1.7%	5.9%
Income before tax and nonrecurring items	-829	-1,169	-331	-1,076	996	759	789	601	625	-885
Income before tax	-836	-146	355	-1,078	1,031	756	-450	1,568	100	1,100
Net income for the period	-640	-112	279	-800	800	496	-303	1,465	136	1,049
Earnings per common share (SEK)	-2.21	-0.35	0.58	-2.72	2.16	1.24	-1.21	4.45	-0.67	2.62
Cash flow before financing activities	-993	-1,177	1,328	733	415	235	824	129	1,574	-80
Average number of employees (FTE)	11,484	12,290	11,172	12,217	11,329	12,548	12,262	13,643	11,562	12,674

**Note 5 Financial assets and liabilities****Fair values and carrying amounts of financial assets and liabilities**

MSEK	Jul 31, 2015		Oct 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Financial assets at fair value	579	579	472	472
Financial assets held for trading	4,603	4,603	5,179	5,179
Other assets	4,764	4,764	4,052	4,052
<b>Total</b>	<b>9,946</b>	<b>9,946</b>	<b>9,703</b>	<b>9,703</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value	161	161	346	346
Financial liabilities held for trading	7	7	59	59
Financial liabilities at amortized cost	9,595	8,785	10,400	9,461
<b>Total</b>	<b>9,763</b>	<b>8,953</b>	<b>10,805</b>	<b>9,866</b>

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, 2015			Oct 31, 2014		
	Level 1	Level 2	Total	Level 1	Level 2	Total
<b>Financial assets</b>						
Financial assets at fair value	-	579	579	-	472	472
Financial assets held for trading	2,578	2,025	4,603	3,024	2,155	5,179
<b>Total</b>	<b>2,578</b>	<b>2,604</b>	<b>5,182</b>	<b>3,024</b>	<b>2,627</b>	<b>5,651</b>
<b>Financial liabilities</b>						
Financial liabilities at fair value	-	161	161	-	346	346
Financial liabilities held for trading	-	7	7	-	59	59
<b>Total</b>	<b>0</b>	<b>168</b>	<b>168</b>	<b>0</b>	<b>405</b>	<b>405</b>

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 8, 2015

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*

# Traffic data information

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

	May–Jul 2015	May–Jul 2014	Year-on-year change	Nov–Jul 2014–2015	Nov–Jul 2013–2014	Year-on-year change
Number of passengers (000)	7,323	7,639	-4.1%	19,406	19,490	-0.4%
RPK, Revenue Passenger Kilometers (mill)	9,025	9,349	-3.5%	21,775	21,998	-1.0%
ASK, Available Seat Kilometers (mill)	11,291	11,418	-1.1%	29,636	29,744	-0.4%
Load factor	79.9%	81.9%	-1.9 p.p.	73.5%	74.0%	-0.5 p.p.
Passenger yield (currency-adjusted)	0.94	0.87	+6.1%	1.01	0.96	+6.2%
Unit revenue, PASK (currency-adjusted)	0.75	0.73	+3.6%	0.75	0.71	+5.5%
Unit cost (CASK), total (currency-adjusted)	0.72	0.75	-4.4% <sup>1</sup>	0.82	0.83	-1.0% <sup>2</sup>

1) Excluding jet fuel, the total unit cost increased 3.4%.

2) Excluding jet fuel, the total unit cost increased 3.3%.

p.p.) Percentage point

## Total traffic (scheduled and charter traffic) for SAS

	May–Jul 2015	May–Jul 2014	Year-on-year change	Nov–Jul 2014–2015	Nov–Jul 2013–2014	Year-on-year change
Number of passengers (000)	7,789	8,180	-4.8%	20,144	20,420	-1.3%
RPK, Revenue Passenger Kilometers (mill)	10,266	10,796	-4.9%	23,869	24,749	-3.6%
ASK, Available Seat Kilometers (mill)	12,585	12,956	-2.9%	31,861	32,693	-2.5%
Load factor	81.6%	83.3%	-1.8 p.p.	74.9%	75.7%	-0.8 p.p.

p.p.) Percentage point

## Scheduled traffic trend for SAS by route sector

	May–Jul 2015 vs. May–Jul 2014		Nov–Jul 2014–2015 vs. Nov–Jul 2013–2014	
	Traffic (RPK)	Capacity (ASK)	Traffic (RPK)	Capacity (ASK)
Intercontinental	-5.2%	-4.1%	-3.7%	-1.8%
Europe/Intra-Scandinavia	-2.8%	-0.1%	-0.5%	+0.1%
Domestic	-2.0%	+0.9%	+2.5%	+0.7%

## Scheduled destinations and frequencies for SAS

	May–Jul 2015	May–Jul 2014	Year-on-year change	Nov–Jul 2014–2015	Nov–Jul 2013–2014	Year-on-year change
Number of destinations	111	114	-2.6%	117	123	-4.9%
Number of daily departures	812	815	-0.4%	784	785	-0.1%
No. of departures per destination/day	7.3	7.1	+2.3%	6.7	6.4	+5.0%

## Productivity

Block hours, average	May–Jul 2015	May–Jul 2014	Year-on-year change	Nov–Jul 2014–2015	Nov–Jul 2013–2014	Year-on-year change
Aircraft	9.7	9.8	-0.5%	8.6	8.8	-1.9%
Cabin crew	820	808	+1.6%	738	735	+0.4%
Pilots	767	748	+2.6%	665	666	-0.1%

# Aircraft fleet

## The SAS aircraft fleet at July 31, 2015<sup>1</sup>

Aircraft in service	Age	Owned	Leased	Total	On purchase order	On lease order
Airbus A330/A340/A350	13.6	5	7	12	12	0
Airbus A319/A320/A321	10.5	6	19	25	30	0
Boeing 737 NG	12.6	15	69	84	0	0
Boeing 717	14.9	3	2	5	0	0
Bombardier CRJ900	6.2	12	0	12	0	0
<b>Total</b>	<b>11.9</b>	<b>41</b>	<b>97</b>	<b>138</b>	<b>42</b>	<b>0</b>

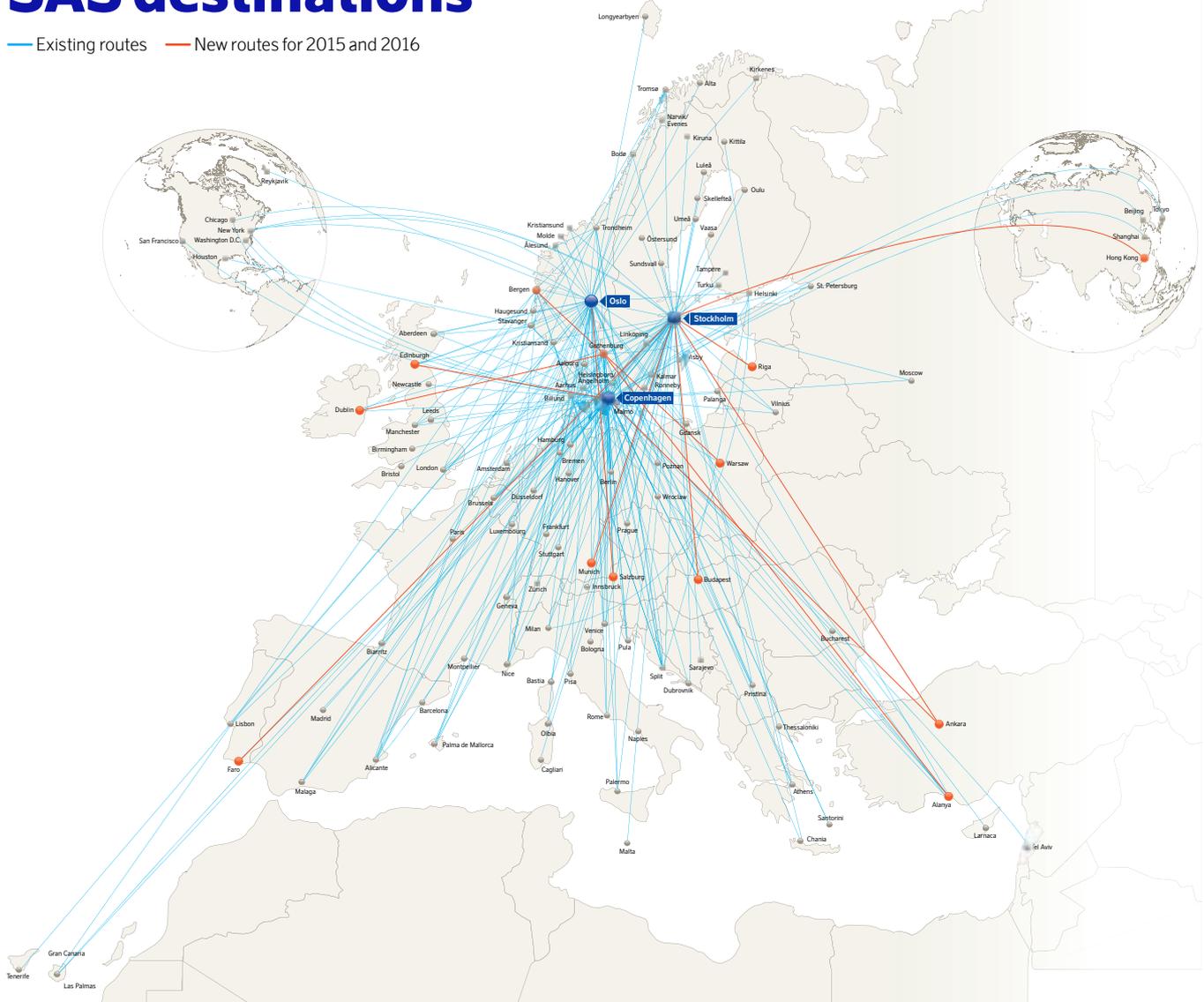
  

Leased out and parked aircraft	Owned	Leased	Total	Leased out	Parked
Douglas MD-90	8	0	8	8	0
Bombardier Q400	0	1	1	1	0
Boeing 737 NG	0	1	1	0	1
<b>Total</b>	<b>8</b>	<b>2</b>	<b>10</b>	<b>9</b>	<b>1</b>

1) In addition, the following aircraft are wet-leased: eleven ATR 72s, four Saab 2000s and one Boeing 737-700.

# SAS destinations

— Existing routes — New routes for 2015 and 2016



# Definitions & concepts

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

**Adjusted equity/assets ratio** – Equity divided by total capital plus 7 times the annual operating leasing cost.

**ASK, Available Seat Kilometers** – The total number of seats available for passengers multiplied by the number of kilometers which they are flown.

**AV, Asset Value (adjusted capital employed)** – Recognized shareholders' equity, plus surplus value in the aircraft fleet, plus 7 times the annual cost of operating aircraft leasing, net, plus financial net debt, less equity in affiliated companies. Can also be expressed as the carrying amount of the total assets, plus surplus value in the aircraft fleet, plus 7 times the annual cost of operating aircraft leasing, net, less equity in affiliated companies, minus non-interest-bearing liabilities and interest-bearing assets, excluding net pension funds.

**CAPEX (Capital Expenditure)** – Future payments for aircraft on firm order.

**CFROI** – Adjusted EBITDAR in relation to AV.

**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 in relation to the average number of common shares outstanding.

**EBIT** – Operating income.

**EBIT margin** – EBIT divided by total revenue.

**EBITDA, Operating income before depreciation** – Operating income before net financial items, tax, depreciation, share of income in affiliated companies and income from the sale of fixed assets.

**EBITDAR, Operating income before depreciation and leasing costs** – Operating income before net financial items, tax, depreciation, share of income in affiliated companies, income from the sale of fixed assets and leasing costs for aircraft.

**EBITDAR margin** – EBITDAR divided by total revenue.

**Equity/assets ratio** – Equity in relation to total assets.

**Equity method** – Shares in affiliated companies are taken up at the SAS Group's share of equity, taking acquired surplus and deficit values into account.

**Financial net debt** – Interest-bearing liabilities less interest-bearing assets excluding net pension funds.

**Financial preparedness** – Cash and cash equivalents and unutilized credit facilities/fixed costs.

**FTE** – Full Time Equivalent.

**Interest-coverage ratio** – Operating income plus financial income in relation to financial expenses.

**Load factor** – RPK divided by ASK. Describes the capacity utilization of available seats. Also called occupancy rate.

**PASK, unit revenue** – Passenger revenue divided by ASK (scheduled).

**Return on Capital Employed (ROCE)** – Operating income plus financial income in relation to average capital employed. Capital employed refers to total capital according to the balance sheet less non-interest-bearing liabilities.

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

**RPK, Revenue Passenger Kilometers** – Number of paying passengers multiplied by the distance they are flown in kilometers.

**Sale and leaseback** – Sale of an asset (aircraft, building, etc.) that is then leased back.

**Unit cost, CASK** – Total operating expenses for airline operations including aircraft leasing cost and depreciation less other revenue per ASK (scheduled and charter).

**Yield** – passenger revenue divided by RPK (scheduled).

*A more detailed list of definitions & concepts is available at [www.sasgroup.net](http://www.sasgroup.net) under Investor relations/Financial data/Financial definitions.*

SAS is Scandinavia's leading airline and has an attractive offering to frequent travelers. SAS offers more than 800 flights daily and more than 28 million passengers travel with SAS to 117 destinations in Europe, the US and Asia. Membership in Star Alliance™ provides SAS's customers with access to a far-reaching network and smooth connections. Altogether, Star Alliance offers more than 18,500 daily departures to 1,321 destinations in 193 countries around the world. In addition to airline operations, activities at SAS include ground handling

services (SAS Ground Handling), technical maintenance (SAS Technical) and air cargo services (SAS Cargo).

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

# Important events

## Events after July 31, 2015

- SAS signed a letter of intent with Aviator Airport Alliance Europe AB regarding the outsourcing of ground handling services.
- Rolf Bakken took up his position as Head of Flight Operations on September 1, 2015, with responsibility for flight operations at SAS.
- Joakim Landholm left his position at SAS as Executive Vice President of Transformation effective August 31, 2015.
- As part of expanding its intercontinental routes, SAS launched three new routes: Copenhagen – Miami, Oslo – Miami and Stockholm – Los Angeles.
- Mattias Forsberg will join as the new Executive Vice President and CIO with responsibility for IT and digital innovation. He will take up his post no later than the end of 2015.

## Third quarter 2014/2015

- Lars Sandahl Sørensen took up his post as the new Executive Vice President and COO of SAS on May 1, 2015.
- SAS signed new collective agreements for all pilots.
- In conjunction with the negotiations, SAS was forced to cancel 147 flights due to a limited pilot strike in Norway and notice of a conflict in Sweden. In total, this is expected to negatively impact earnings for SAS by about MSEK 50.
- SAS has signed a letter of intent with Widerøe for the outsourcing of all line stations in Norway as well as decided not to complete the transaction with Swissport and, instead, to continue discussions with other parties.

## Second quarter 2014/2015

- In the Swedish ServiceScore awards for 2015, SAS was voted the airline that provides the best service to its customers.
- SAS completed the acquisition of Cimber and transferred CRJ900-based production to Cimber on March 1.
- The Annual General Meeting resolved that no dividends be paid to holders of SAS AB's common shares for the 2013/2014 fiscal year.
- The Annual General Meeting resolved to adopt a preference-share dividend of MSEK 350.
- SAS sold two slot pairs at London Heathrow and generated a capital gain of MUSD 82 with a corresponding positive effect on SAS's cash flow in 2015. After the transactions, SAS was still the fifth largest carrier in terms of the number of departures on a weekly basis at London Heathrow.
- On February 24 and between February 27 and March 2, SAS cancelled 334 flights to/from Copenhagen due to stoppages, in breach of contract, by parts of SAS's cabin crew. This is expected to have a negative impact on earnings of about MSEK 50.

## First quarter 2014/2015

- SAS initiated further cost-savings of SEK 2.1 billion with full effect in 2017.
- SAS acquired Cimber A/S on December 8, 2014. The acquisition makes it possible for SAS to transfer regional CRJ900-based production to Cimber.
- SAS launched a new direct intercontinental route between Stockholm and Hong Kong.
- SAS completed the financing of PDPs for eight aircraft from Airbus.

## Financial calendar

Interim report 4, 2015 (August–October)	December 16, 2015
Annual Report 2014/2015	February 12, 2016
Annual General Shareholders' Meeting 2016	March 8, 2016
Interim report 1, 2016 (November–January)	March 8, 2016
Interim report 2, 2016 (February–April)	June 10, 2016
Interim report 3, 2016 (May–July)	September 8, 2016
Interim report 4, 2016 (August–October)	December 13, 2016

All reports are available in English and Swedish and can be ordered over the Internet at: [www.sasgroup.net](http://www.sasgroup.net) or from: [investor.relations@sas.se](mailto:investor.relations@sas.se)

SAS's 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](http://www.sasgroup.net) under Investor Relations

For definitions, refer to the Annual Report, or [www.sasgroup.net](http://www.sasgroup.net), under Investor Relations/Financial data/Financial definitions.

## Press/Investor Relations

Telephone conference 10.00 a.m., September 8, 2015  
Analyst meeting in London at 8:00 a.m., September 11, 2015

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 8, 2015, at 8:00 a.m.