

## SAS's commercial initiatives deliver results

### February 2015 – April 2015

- Income before tax: MSEK 355 (-1,078)
- Income before tax and nonrecurring items: MSEK -331 (-1,076)
- Revenue: MSEK 9,403 (8,472)
- Unit revenue (PASK) increased 6.8%
- Unit cost (CASK) increased 3.4%<sup>1</sup>
- EBIT margin: 4.9% (-7.8%)
- Net income for the period: MSEK 279 (-800)
- Earnings per common share: SEK 0.58 (-2.72)
- SAS expects to post clearly positive income before tax and non-recurring items for the full-year 2014/2015, see page 8

### November 2014 – April 2015

- Income before tax: MSEK -481 (-1,224)
- Income before tax and nonrecurring items: MSEK -1,160 (-2,245)
- Revenue: MSEK 17,774 (16,343)
- Unit revenue (PASK) increased 6.7%
- Unit cost (CASK) increased 3.1%<sup>1</sup>
- EBIT margin: -1.1% (-3.2%)
- Net income for the period: MSEK -361 (-912)
- Earnings per common share: SEK -1.63 (-3.07)

1) Currency adjusted and excluding jet fuel.

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

“SAS posted an income before tax and nonrecurring items of MSEK -331 for the second quarter, representing a substantial year-on-year improvement in earnings. This improvement was primarily driven by a positive trend for unit revenue, which climbed 6.8%. Income before tax was positively impacted by the divestment of two slot pairs at London Heathrow.

Our customers value our offering and the positive response has resulted in 158,000 more passengers in SAS Plus, up 15% year-on-year. In addition, the number of EuroBonus members continued to increase and the membership base now totals 3.9 million members.

In parallel with SAS continuously developing its customer offering,

we are maintaining a high pace of change for implementation of the previously announced cost measures. The implementation is proceeding as planned and, together, the measures will generate an earnings impact of SEK 2.1 billion with full effect in 2017. The unit cost increased 3.4% in the second quarter, largely due to capacity reduction. This confirms the continued need to increase cost-base flexibility and further reduce costs.

SAS is investing in the future and the new, simplified collective agreements for pilots create the prerequisites for future expansion and, as a consequence, SAS is increasing its long-haul fleet by three additional aircraft,” says Rickard Gustafson, SAS President and CEO.

### Income and key ratios

Key ratios (MSEK)	Q 2	Q 2	Q 1-2	Q 1-2	Rolling 12 months	Rolling 12 months
	Feb-Apr 2015	Feb-Apr 2014	Nov-Apr 2014-2015	Nov-Apr 2013-2014	May-Apr 2014-2015	May-Apr 2013-2014
Revenue	9,403	8,472	17,774	16,343	39,437	38,995
EBIT margin	4.9%	-7.8%	-1.1%	-3.2%	1.2%	6.9%
Income before tax and nonrecurring items	-331	-1,076	-1,160	-2,245	388	-615
Income before tax, EBT	355	-1,078	-481	-1,224	-175	1,520
Net income for the period	279	-800	-361	-912	-168	1,439
Cash flow from operating activities	1,535	935	1,110	27	2,179	261

	Apr 30, 2015	Oct 31, 2014	Apr 30, 2014	Apr 30, 2013
Equity/assets ratio	14%	17%	17%	-8%
Financial preparedness (target >20% of fixed costs)	34%	37%	44%	18%
Shareholders' equity per common share, SEK	2.15	3.66	5.22	-5.93

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 355 (-1,078)**
- **Income before tax and nonrecurring items amounted to MSEK -331 (-1,076)**
- **Unit revenue increased 6.8%**
- **The number of travelers in SAS Plus increased 15%**
- **The number of EuroBonus members increased 15%**
- **The long-haul fleet will be expanded with three more aircraft**
- **Improved prospects for the full-year 2014/2015**

SAS posted an income before tax and nonrecurring items of MSEK -331 for the second quarter, representing a year-on-year improvement in earnings of MSEK 745. This improvement was primarily driven by a positive trend for unit revenue, which rose 6.8% year-on-year. Earnings were also positively impacted by a capital gain in conjunction with the divestment of two slot pairs at London Heathrow, union conflicts in the industry and a more stable development of market capacity.

It is clear that SAS's service and continuous product enhancements are appreciated by customers. In parallel with advancing our positions and achieving commercial successes, we are continuing to adapt our cost levels to customers' willingness to pay and industry trends. The focus is on creating a SAS that can act rapidly and flexibly in the market.

## Increased production flexibility

Continued intense competition in the airline industry and squeezed margins are driving airlines toward production models with flexible staffing. SAS is responding with continuous changes to continue lowering costs and to create the prerequisites to be able to better adapt production to demand.

A more homogeneous aircraft fleet makes production more efficient and, during the quarter, regional jet-based production using CRJ-900 aircraft was transferred to Cimber, which SAS acquired in February 2015. This means that, within Europe, SAS can focus production to Boeing 737 NG aircraft and the Airbus A320 family.

Implementation of the SEK 2.1 billion in efficiency measures at the end of 2014 had an earnings impact of MSEK 230 during the quarter. The increase in SAS's unit cost excluding jet fuel of 3.4% was mainly due to the reduction in total capacity of 1.8%. This confirms the need to continue to increase cost-base flexibility and further reduce costs. In the second quarter, SAS concluded the redundancy process in the administration, worked intensively to enhance the efficiency of and automate Ground Handling's operations, and agreed new tenancy agreements for properties.

SAS has utilized the possibility to realize substantial value by transferring two slot pairs at London Heathrow in February. After the transactions, SAS was still the fifth largest carrier in terms of the number of departures on a weekly basis at London Heathrow. The transactions resulted in a capital gain of MSEK 678.

In Scandinavia, market conditions for ground handling have changed, thereby creating new possibilities for SAS. A letter of intent was signed with Widerøe for the outsourcing of all line stations in Norway. SAS has decided not to complete the transaction with Swissport, since the right financial conditions were not in place and, instead, discussions are ongoing with other parties.

SAS has entered into modern, simplified collective agreements for all pilots. The new agreements reduce complexity and allow SAS a higher degree of scope to adapt operations to customer demand. As a direct consequence of the new agreements, SAS intends to increase the long-haul fleet through the addition of three more aircraft. 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. I would like to take this opportunity to, once again, apologize to those customers inconvenienced by strike action.

## Improvements for SAS travelers

Our efforts to make life easier for Scandinavia's frequent travelers continues and constant product enhancements contribute to the strengthening of our position in Scandinavia. During the quarter, the positive response to our product resulted in 158,000 more passengers in SAS Plus, which positively impacted SAS's unit revenue trend. In parallel, the number of EuroBonus members increased by 131,000 in the quarter, up 15% year-on-year, and the membership base now comprises 3.9 million EuroBonus members.

In 2015, SAS launched 13 new routes and is now barely three months from opening the new direct route between Stockholm and Hong Kong. We will continue to adapt our offering with additional seasonal destinations, and are entering the summer season with a strong offering of new and recurring leisure destinations.

The use of our self-service solutions is steadily increasing and our aim of being at the forefront of digital services is appreciated by customers. Therefore, we are continuing to develop services that make travel easier with, for example, a new function for youth bookings in our app, digital newspapers and magazines, and an entertainment program via Wi-Fi on our upgraded long-haul aircraft.

Moreover, in the spring, a new concept, Café Lounges, was launched at the gates in Trondheim and Tromsø, and we plan to open similar lounges at two more airports in Scandinavia during the year.

## Invest in our future

In 2015, the first four upgraded long-haul aircraft with entirely new cabin interiors entered service. The response among customers has been extremely positive. Among other enhancements, the new cabins have more spacious seats, which in SAS Business can recline fully into a flat-bed seat, and a new entertainment system with HD screens and wireless internet throughout the cabin.

The renewal of the long-haul fleet is continuing and three more upgraded aircraft will enter service in 2015. In September, the first of 12 entirely new long-haul aircraft will be delivered, an Airbus A330E. The new aircraft entail not only an improved customer experience but also reduced costs and more sustainable jet-fuel management.

## SAS's liquidity and financial position

At the end of the quarter, SAS's financial preparedness was 34% despite the repayment of a convertible bond loan of SEK 1.6 billion during the quarter. Cash flow from operating activities posted a year-on-year improvement of MSEK 600. This shows that SAS is taking steps in the right direction, at the same time as our industry has to maintain a continuously high pace of improvement to be able to make the necessary investments and post sustainable profitability.

We have noted that our commercial investments and a more stable market have strengthened revenue and, thereby, improved SAS's outlook for the 2014/2015 fiscal year. However, in the long term, we foresee continued intense competition as a result of the comprehensive changes in the European airline industry and increased market capacity from 2016. This means that, in line with other airlines, we have chosen not to specify long-term financial targets for profitability and the equity/assets ratio.

We look forward to a summer season with many travelers on board our aircraft and continued measures to reach long-term sustainable profitability.

Stockholm, June 18, 2015

Rickard Gustafson  
President and CEO

# Comments on SAS's financial statements

## Earnings analysis February – April 2015

SAS's operating income was MSEK 458 (-661) and income before tax and nonrecurring items totaled MSEK -331 (-1,076). Income before tax amounted to MSEK 355 (-1,078) and income after tax was MSEK 279 (-800).

The exchange-rate trend had a positive impact on revenue of MSEK 426 and a negative effect on costs of MSEK -1,065. The exchange-rate trend had a negative impact on operating income of MSEK -240, which includes the positive effects from currency derivatives of MSEK 399.

Revenue for SAS amounted to MSEK 9,403 (8,472). Adjusted for currency effects, revenue rose 5.7% year-on-year, primarily due to a higher yield. However, charter revenue was lower year-on-year.

Regarding scheduled traffic the number of passengers increased with 0.2%, capacity (ASK) rose 0.7% and the load factor decreased 1.4 percentage points. The currency-adjusted yield increased 8.8%, the currency-adjusted unit revenue (PASK<sup>1</sup>) rose 6.8% and, after adjustments for currency and jet fuel, the unit cost (CASK) increased 3.4% compared with the year-earlier period.

Total operating expenses for SAS amounted to MSEK -8,945 (-9,133). Operating expenses, after adjustment for currency and non-recurring items, declined 1.8% year-on-year, where the largest reduction pertained to jet fuel and payroll expenses. Payroll expenses amounted to MSEK -2,439 (-2,484), which included nonrecurring items of MSEK -12 (-18). After adjustment for currency and nonrecurring items, payroll expenses declined 4.0% year-on-year. During the quarter, amortizations were recognized for previously capitalized expenses for systems development and, in parallel, operating expenses included additional costs due to the ongoing IT transition. Total operating expenses included positive nonrecurring items of MSEK 686 (-2). The implementation of the ongoing restructuring program is progressing according to plan and during the period resulted in cost reductions of about MSEK 230.

Jet-fuel costs amounted to MSEK -2,299 (-1,985). Adjusted for currency, costs declined by 10.3%. 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 -578, hedging effects were a negative amount of MSEK -696 and the positive price effect amounted to MSEK 990 compared with the year-earlier period.

Net financial items for SAS amounted to MSEK -103 (-417), of which net interest expense was MSEK -126 (-210). The positive year-on-year change pertaining to net financial items was primarily due to lower current interest expenses and the cancellation of the revolving credit facility in February 2014.

Total nonrecurring items amounted to MSEK 686 (-2) and comprised restructuring costs, capital gains/losses, impairment and other nonrecurring items. Restructuring costs of MSEK -12 (-18) were charged to the quarter and pertained to payroll expenses. Capital gains amounted to MSEK 698 (16) and pertained to aircraft transactions of MSEK 18 (12), the sale of slot pairs of MSEK 678 (0), buildings of MSEK 2 (0) as well as the sale of shares in subsidiaries and affiliated companies, and operations totaling MSEK 0 (4).

## Earnings analysis November 2014 – April 2015

SAS's operating income was MSEK -199 (-529) and income before tax and nonrecurring items totaled MSEK -1,160 (-2,245). Income before tax amounted to MSEK -481 (-1,224) and income after tax was MSEK -361 (-912).

The exchange-rate trend had a positive impact on revenue of MSEK 669 and a negative effect on costs of MSEK -1,665. The exchange-rate trend had a negative impact on operating income of MSEK -409, which includes the positive effects from currency derivatives of MSEK 577.

Revenue for SAS amounted to MSEK 17,774 (16,343). Adjusted for currency effects, revenue rose 4.5% year-on-year, primarily due to a higher yield. However, charter revenue was lower year-on-year.

Regarding scheduled traffic the number of passengers increased with 2.0%, capacity (ASK) rose 0.1% and the load factor increased 0.5 percentage points. The currency-adjusted yield increased 6.0%, the currency-adjusted unit revenue (PASK<sup>1</sup>) rose 6.7% and, after adjustments for currency and jet fuel, the unit cost (CASK) increased 3.1% compared with the year-earlier period.

Total operating expenses for SAS amounted to MSEK -17,973 (-16,872). Operating expenses, after adjustment for currency and non-recurring items, declined 1.8% year-on-year, where the largest reduction pertained to jet fuel, payroll expenses, technical maintenance and property costs. Payroll expenses amounted to MSEK -4,917 (-3,930), which included nonrecurring items of MSEK -12 (1,026). After adjustment for currency and nonrecurring items, payroll expenses declined 3.2% year-on-year. During the first six months, selling costs, as well as costs for wet leases increased compared with the year-earlier period, which was due to the increased number of passengers and higher external production. Total operating expenses included positive non-recurring items of MSEK 678 (1,021). The implementation of the ongoing restructuring program is progressing according to plan and, during the period, resulted in cost reductions of about MSEK 490.

Jet-fuel costs amounted to MSEK -4,322 (-3,815). Adjusted for currency, costs declined by 7.7%. 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 -866, hedging effects (including the effect of time value) were a negative amount of MSEK -1,127 and the positive price effect amounted to MSEK 1,532 year-on-year.

Net financial items for SAS amounted to MSEK -285 (-700), of which net interest expense was MSEK -278 (-414). The positive year-on-year change pertaining to net financial items was primarily due to lower current interest expenses and the cancellation of the revolving credit facility in February 2014.

Total nonrecurring items amounted to MSEK 679 (1,021) and comprised restructuring costs, capital gains/losses, impairment and other nonrecurring items. Restructuring costs of MSEK -12 (-18) were charged to the first six months and pertained to payroll expenses. Capital gains amounted to MSEK 710 (-5) and pertained to aircraft transactions of MSEK 18 (-10), the sale of slot pairs of MSEK 678 (0), buildings of MSEK 2 (0) as well as the sale of shares in subsidiaries and affiliated companies, and operations totaling MSEK 12 (5). Other non-recurring 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 7,362 (8,881) at April 30, 2015. At the same date, SAS also had unutilized credit facilities of MSEK 2,699 (2,148) and financial preparedness amounted to 34% (44%) of the Group's fixed costs.

SAS's interest-bearing liabilities declined MSEK 546 compared with October 31, 2014 and amounted to MSEK 10,259 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 raised during the first and second quarters amounted to MSEK 255 and repayments amounted to MSEK 1,836. During the second quarter, a convertible bond loan of MSEK 1,600 was redeemed.

1) PASK (unit revenue) is calculated as passenger revenue/ASK (scheduled)

In 2014, SAS issued a convertible bond loan, which was valued at MSEK 1,446 on April 30, 2015.

During the first six months, financial net debt decreased MSEK 799 to MSEK 303 on the closing date. The reduction was primarily due to positive cash flow from operating activities.

At April 30, 2015, the equity/assets ratio was 14% (17%) and the adjusted equity/assets ratio was 9% (12%). The adjusted debt/equity ratio amounted to 3.75 (2.70). 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 -571 (-1,630) in the first six 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 in line with the year-earlier period.

Investments amounted to MSEK 1,207 (485), of which MSEK 1,056 (362) pertained to aircraft, which included MSEK 272 for the purchase of three Boeing 717s, which were previously under operating leases, MSEK 295 (40) for ongoing aircraft investments and modifications, MSEK 446 (212) as advance payments to Airbus, MSEK 30 (110) to capitalized expenditures for engine maintenance and MSEK 13 (0) to spare parts. In addition, MSEK 122 (102) pertained to capitalized systems development costs and MSEK 29 (21) to other investments.

In February, Cimber A/S was acquired.

The sale of two slot pairs at London Heathrow generated MSEK 285 in cash and cash equivalents and the sale of two Boeing 717s generated MSEK 134. The sale of two slot pairs will also generate slightly less than MSEK 400 in cash and cash equivalents during 2015.

Cash flow before financing activities amounted to MSEK 335 (-444).

New loans for the period amounted to MSEK 255 (1,679), while repayments totaled MSEK 1,836 (967). In addition, cash flow was positively impacted by financing activities through liquidity effects from the remeasurement of financial derivatives.

Cash flow for the first six months amounted to MSEK -55 (4,129).

Cash and cash equivalents amounted to MSEK 7,362 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

The SAS Group'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 create 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 the equity/assets ratio. SAS retains its target for financial preparedness which is to exceed 20% of the annual fixed costs.

### Description of events after April 30, 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, modern 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.
- Joakim Landholm will be leaving SAS and his position as Executive Vice President of Transformation on August 31, 2015.
- 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.



# 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:

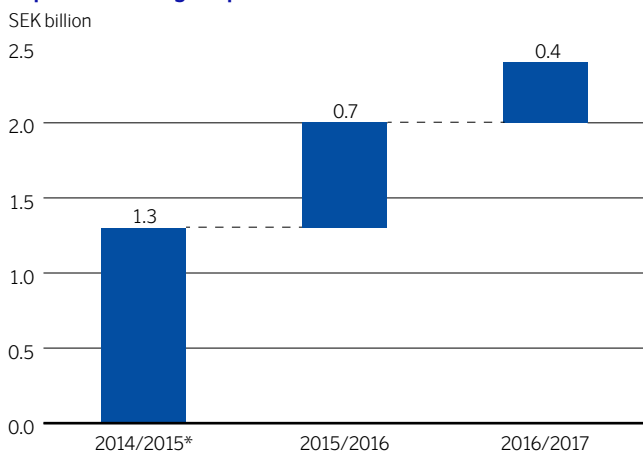
1. Establish an efficient production platform
2. Win the battle for Scandinavia's frequent travelers
3. Invest in our future

## Establish an efficient production 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. During the first six months of 2014/2015, the measures contributed MSEK 490 in efficiency measures. 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.

### Expected earnings impact from cost measures



\* 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 will be 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.

In the second quarter, SAS completed the acquisition of Cimber and transferred SAS's production using CRJ900s to Cimber, which has an efficient and focused production platform for regional jet-based production. This change also means that, moving forward, SAS will be able to reduce its costs and increase flexibility. Accordingly, SAS will only have two types of aircraft: the Airbus A320 and Boeing 737NG, in service on routes within Europe, which will simplify and focus the production platform.

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 completed further efficiency enhancements for its administration, sales organization and distribution. SAS has now concluded the redundancy process in the administration, which was linked to the notice given just ahead of summer 2014. In the Nordic region, 205 employees will have left SAS by the end of 2015. A further 80 employees in the global sales organization outside of the Nordic region will leave SAS in 2015.

A major review of the distribution model and marketing activities is ongoing. The new EU regulation covering interchange fees for debit and credit cards in combination with new payment methods and changed channel mixes with more direct sales are expected to generate significant savings. Together with administrative efficiency enhancements, savings of about MSEK 450 are 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. The market for ground handling services has changed significantly in the past year, which also creates new possibilities for SAS. SAS has now signed a letter of intent with Widerøe for the outsourcing of parts of SAS's ground handling services. The solution entails Widerøe taking responsibility for ground handling services at all line stations in Norway. Given the changes in the market and financial conditions not being in place, SAS has decided not to complete the transaction with Swissport and will, instead, continue discussions with other parties. Swissport's 10% shareholding in SAS Ground Handling will be transferred back to SAS.

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 second quarter, automated baggage drop facilities were introduced at two airports in Denmark and are now awaiting roll-out at more airports in Scandinavia. In addition, new shift schedules and systems support for scheduling have been introduced, which will lead to significantly improved matching of resources to needs on a daily and weekly basis. 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. In the second and third quarter, a procurement is being carried out for all catering services that is expected to result in annual savings of about MSEK 75. Through the centralization of storage and optimization of the logistics flows, it will be possible to implement significant savings with retained customer experience. 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 over an extended period, SAS has premises that are partially unused and rental costs that are too high for both offices and technical premises. A comprehensive review of costs has been initiated, including divestments, the renegotiation of rental agreements and the letting of free capacity.

During the second quarter, an agreement was entered into with Thylander Group regarding new tenancy terms for properties adjacent to Copenhagen Airport. An agreement has also been made with Swedavia for the divestment of and reduction in hangar and office space at Arlanda. In Oslo, an agreement was concluded with Oslo Pensjons Forsikring for the sale and leaseback of a number of technical premises. The transactions and renegotiated agreements are expected to contribute to reducing annual operating expenses by 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.

### **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, SAS has, after intensive negotiations, entered into new, modern collective agreements for all pilots at SAS. The new agreements reflect today's competitive conditions and allow SAS more scope to adapt operations to customer demand. SAS's assessment is that these new agreements will generate annual efficiency savings of MSEK 100. These new agreements also create the prerequisites for SAS to expand its long-haul fleet by three aircraft. 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.

### **Win the battle for Scandinavia's frequent travelers**

In line with SAS's vision, the customer offering has been strengthened and market activities have intensified. SAS has gradually built up its customer offering and implemented a new service concept, SAS Go and SAS Plus, focused on the most frequent travelers. The concept was well received by SAS's customers and resulted in a considerable increase in the number of Plus travelers. During the second quarter of 2014/2015, the number of Plus travelers increased 15% year-on-year.

The next step in reaching the vision comprised the upgrade of EuroBonus in February 2014. Since the launch, the number of members in EuroBonus has increased by 20% and, at the end of April, totaled almost 3.9 million. During the second quarter, the number of members increased by slightly more than 40,000 per month. Membership growth has contributed to increasing revenue from EuroBonus members by 21% in the second quarter compared with the year-earlier period.

In 2015, SAS upgraded the cabin interiors of all Airbus A330s and, in autumn 2015, will upgrade three more Airbus A340s. The upgraded cabins, service concept and in-flight entertainment systems were very well-received by SAS's customers and have strengthened SAS's position in Scandinavia.

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

SAS has a strong offering with more destinations and more departures than any other Scandinavian airline. In 2015, 13 new routes are planned including, from September, SAS's new intercontinental route between Stockholm and Hong Kong.

SAS has utilized the possibility to realize substantial value by transferring two slot pairs at London Heathrow in February. After the transactions, SAS was still the fifth largest carrier in terms of the number of departures on a weekly basis at London Heathrow. The transactions resulted in a capital gain of MSEK 678.

### **Invest in our future**

SAS is introducing extensive changes to the aircraft fleet as part of the investments in the future. In September 2015, the first long-haul Airbus A330E aircraft will be delivered and another three aircraft will be delivered later in 2015 and 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 A320 NEOs, 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 performed using options and swaps. As a consequence of lower market prices, SAS significantly increased hedging of the planned jet-fuel consumption and hedged up to 18 months ahead. From the third quarter of the 2014/2015 fiscal year, hedging is primarily performed using capped-style options. At April 30, 2015, the hedging ratio was 74% for the coming 12-month period and 39% for the next six-month period.

Under current plans for flight capacity, the cost of jet fuel during current 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 does not include the effects from SAS's currency hedging of USDs. 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 April 30, 2015, the SAS Group 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, 80% is 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)	May–July 2015	Aug–Oct 2015	Nov 15–Jan 16	Feb–Apr 2016	May–July 2016	Aug–Oct 2016
USD 701-800/tonne	72%	83%				
USD 600-700/tonne			81%	60%	50%	28%

### 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	6.5	6.9	7.3	7.7	8.1
USD 600/tonne	7.2	7.7	8.2	8.7	9.2
USD 800/tonne	7.7	8.2	8.8	9.4	9.9
USD 1,000/tonne	8.1	8.7	9.4	10.0	10.6

1) SAS's hedging of jet fuel at April 30, 2015 and actual jet-fuel costs for November 2014 to April 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 (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 by a large number of cargo customers 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 yet to enter force since the deadline for making an appeal does not expire until the end of June 2015. 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 the intensive efforts to strengthen competitiveness. As a consequence of a stronger yield, the earnings improvement outperformed expectations and has led to SAS now expecting income 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 is maintained, that exchange rates are not subject to further deterioration and that no unexpected events occur.

In the interim report for November 2014 – January 2015, SAS stated: *The potential exists for SAS to post a positive EBT before tax and non-recurring items in the 2014/2015 fiscal year.*

The outlook is based on the following preconditions at April 30, 2015:

- SAS plans to reduce total capacity (ASK) by about 1–2% in 2014/2015.
- In the 2014/2015 fiscal year, the earnings impact from the cost measures is expected to amount to about SEK 1.3 billion.
- SAS has hedged 77% of the remaining jet-fuel consumption for the 2014/2015 fiscal year.
- SAS has hedged USD and NOK at 69% and 80%, respectively, for the next 12 months' currency exposure.
- Net investments are expected to amount to about SEK 1 billion in 2014/2015.



# Statement of income

## Statement of income including statement of other comprehensive income

MSEK	Note	Q2	Q2	Q1–Q2	Q1–Q2	Rolling 12 months	Rolling 12 months
		Feb–Apr 2015	Feb–Apr 2014	Nov–Apr 2014–2015	Nov–Apr 2013–2014	May–Apr 2014–2015	May–Apr 2013–2014
Revenue	2	9,403	8,472	17,774	16,343	39,437	38,995
Payroll expenses <sup>1</sup>		-2,439	-2,484	-4,917	-3,930	-10,168	-9,478
Other operating expenses <sup>2</sup>	3	-6,135	-5,828	-11,803	-11,274	-25,651	-24,337
Leasing costs for aircraft <sup>3</sup>		-662	-500	-1,263	-985	-2,405	-1,951
Depreciation, amortization and impairment <sup>4</sup>		-405	-338	-687	-667	-1,463	-1,481
Share of income in affiliated companies		-2	1	-12	-11	29	27
Income from sale of shares in subsidiaries, affiliated companies and operations		0	4	11	5	12	1,007
Income from the sale of aircraft, buildings and slot pairs		698	12	698	-10	692	-81
<b>Operating income</b>		<b>458</b>	<b>-661</b>	<b>-199</b>	<b>-529</b>	<b>483</b>	<b>2,701</b>
Income from other securities holdings		0	0	3	5	-45	5
Financial revenue		41	25	63	50	115	79
Financial expenses		-144	-442	-348	-750	-728	-1,265
<b>Income before tax</b>		<b>355</b>	<b>-1,078</b>	<b>-481</b>	<b>-1,224</b>	<b>-175</b>	<b>1,520</b>
Tax		-76	278	120	312	7	-81
<b>Net income for the period</b>		<b>279</b>	<b>-800</b>	<b>-361</b>	<b>-912</b>	<b>-168</b>	<b>1,439</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		191	110	105	6	185	-108
Cash-flow hedges – hedging reserve, net after tax		420	-113	590	32	883	21
<i>Items that will not be reversed to net income:</i>							
Revaluations of defined-benefit pension plans, net after tax		-559	-83	-483	-143	-1,562	2,794
<b>Total other comprehensive income, net after tax</b>		<b>52</b>	<b>-86</b>	<b>212</b>	<b>-105</b>	<b>-494</b>	<b>2,707</b>
<b>Total comprehensive income</b>		<b>331</b>	<b>-886</b>	<b>-149</b>	<b>-1,017</b>	<b>-662</b>	<b>4,146</b>
Net income for the period attributable to:							
Parent Company shareholders		278	-806	-360	-921	-175	1,429
Non-controlling interests		1	6	-1	9	7	10
Earnings per common share (SEK) <sup>5</sup>		0.58	-2.72	1.63	-3.07	-1.60	4.08
Earnings per common share after dilution (SEK) <sup>5</sup>		0.51	-2.72	1.63	-3.07	-1.60	3.85

1) Includes restructuring costs of MSEK 12 (18) during the period February–April, MSEK 12 (18) during the period November–April and MSEK 388 (21) during the period May–April.

2) Includes restructuring costs of MSEK - (-) during the period February–April, MSEK - (-) during the period November–April and MSEK 575 (-186) during the period May–April.

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

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

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	Q2	Q2	Q1–Q2	Q1–Q2	Rolling 12 months	Rolling 12 months
	Feb–Apr 2015	Feb–Apr 2014	Nov–Apr 2014–2015	Nov–Apr 2013–2014	May–Apr 2014–2015	May–Apr 2013–2014
Income before tax	355	-1,078	-481	-1,224	-175	1,520
Impairment	0	0	0	0	52	0
Restructuring costs	12	18	12	18	1,126	-165
Capital gains/losses	-698	-16	-710	5	-708	-926
Other nonrecurring items <sup>1</sup>	0	0	19	-1,044	93	-1,044
<b>Income before tax and nonrecurring items</b>	<b>-331</b>	<b>-1,076</b>	<b>-1,160</b>	<b>-2,245</b>	<b>388</b>	<b>-615</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	Apr 30, 2015	Oct 31, 2014	Apr 30, 2014	Apr 30, 2013
Intangible assets	1,897	1,905	1,863	1,801
Tangible fixed assets	9,362	8,901	9,374	11,254
Financial fixed assets	7,314	7,485	7,913	2,141
<b>Total fixed assets</b>	<b>18,573</b>	<b>18,291</b>	<b>19,150</b>	<b>15,196</b>
Other current assets	344	350	361	361
Current receivables	4,260	3,267	3,400	3,227
Cash and cash equivalents <sup>1</sup>	7,362	7,417	8,881	3,000
Assets held for sale	-	-	-	2,513
<b>Total current assets</b>	<b>11,966</b>	<b>11,034</b>	<b>12,642</b>	<b>9,101</b>
<b>Total assets</b>	<b>30,539</b>	<b>29,325</b>	<b>31,792</b>	<b>24,297</b>
Shareholders' equity <sup>2</sup>	4,408	4,907	5,416	-1,952
Long-term liabilities	10,634	10,384	9,572	11,699
Current liabilities	15,497	14,034	16,804	12,740
Liabilities attributable to assets held for sale	-	-	-	1,810
<b>Total shareholders' equity and liabilities</b>	<b>30,539</b>	<b>29,325</b>	<b>31,792</b>	<b>24,297</b>
Shareholders' equity per common share <sup>3</sup>	2.15	3.66	5.22	-5.93
Interest-bearing assets	13,275	13,481	15,166	4,577
Interest-bearing liabilities	10,259	10,805	12,251	10,943

1) At April 30, 2015, including receivables from other financial institutions, MSEK 1,724 (1,458).

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 April 30, 2015

	According to balance sheet	Of which, financial net debt
Financial fixed assets	7,314	1,807
Current receivables	4,260	787
Cash and cash equivalents	7,362	7,362
Long-term liabilities	10,634	8,457
Current liabilities	15,497	1,802
Financial net debt		303

## Condensed changes in shareholders' equity

MSEK	Share capital <sup>1</sup>	Other contributed capital <sup>2</sup>	Hedge reserves	Translation reserve	Retained earnings <sup>3</sup>	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, 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					-100	-100		-100
Preference share dividend					-350	-350		-350
Equity share of convertible loans		157				157		157
Comprehensive income, November–April			32	6	-1,064	-1,026	9	-1,017
Closing balance April 30, 2014	6,754	494	-3	-189	-1,665	5,391	25	5,416
New issue costs					4	4		4
Comprehensive income, May–October			293	80	-888	-515	2	-513
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
Comprehensive income, November–April			591	31	-770	-148	-1	-149
<b>Closing balance, April 30, 2015</b>	<b>6,754</b>	<b>327</b>	<b>881</b>	<b>-78</b>	<b>-3,502</b>	<b>4,382</b>	<b>26</b>	<b>4,408</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. The preference share dividend for the year was entered as a liability as of April 30, 2015.

# Cash-flow statement

## Condensed cash-flow statement

MSEK	Q2	Q2	Q1-Q2	Q1-Q2	Rolling 12 months	Rolling 12 months
	Feb-Apr 2015	Feb-Apr 2014	Nov-Apr 2014-2015	Nov-Apr 2013-2014	May-Apr 2014-2015	May-Apr 2013-2014
Income before tax	355	-1,078	-481	-1,224	-175	1,520
Depreciation, amortization and impairment	405	338	687	667	1,463	1,481
Income from sale of aircraft, buildings and shares	-698	-16	-710	5	-708	-926
Adjustment for other items not included in the cash flow, etc.	-78	5	-69	-1,079	965	-1,480
Tax paid	0	0	2	1	0	0
<b>Cash flow from operations before change in working capital</b>	<b>-16</b>	<b>-751</b>	<b>-571</b>	<b>-1,630</b>	<b>1,545</b>	<b>595</b>
Change in working capital	1,551	1,686	1,681	1,657	634	-334
<b>Cash flow from operating activities</b>	<b>1,535</b>	<b>935</b>	<b>1,110</b>	<b>27</b>	<b>2,179</b>	<b>261</b>
Investments including advance payments to aircraft manufacturers	-727	-259	-1,207	-485	-2,148	-1,410
Acquisition of shares	0	0	0	0	-687	0
Acquisition of subsidiaries	-5	0	-5	0	-5	0
Sale of shares	0	0	0	0	688	0
Sale of subsidiaries and operations	0	4	10	4	10	211
Sale of fixed assets, etc.	525	53	427	10	1,357	631
<b>Cash flow before financing activities</b>	<b>1,328</b>	<b>733</b>	<b>335</b>	<b>-444</b>	<b>1,394</b>	<b>-307</b>
Preference share issue	0	3,500	0	3,500	0	3,500
Dividend on preference shares	-88	0	-175	0	-350	0
External financing, net	-987	1,302	-215	1,073	-2,563	2,628
<b>Cash flow for the period</b>	<b>253</b>	<b>5,535</b>	<b>-55</b>	<b>4,129</b>	<b>-1,519</b>	<b>5,821</b>
Translation difference in cash and cash equivalents	1	3	0	1	0	-1
Cash and cash equivalents transferred from assets held for sale	0	0	0	0	0	61
<b>Change in cash and cash equivalents according to the balance sheet</b>	<b>254</b>	<b>5,538</b>	<b>-55</b>	<b>4,130</b>	<b>-1,519</b>	<b>5,881</b>

## Financial key ratios

	Apr 30, 2015	Oct 31, 2014	Apr 30, 2014	Apr 30, 2013
CFROI, 12-month rolling	17%	18%	27%	21%
Financial preparedness (target >20% of fixed costs)	34%	37%	44%	18%
Equity/assets ratio	14%	17%	17%	-8%
Adjusted equity/assets ratio	9%	11%	12%	-6%
Financial net debt, MSEK	303	1,102	1,549	5,957
Debt/equity ratio	0.07	0.22	0.29	-3.05
Adjusted debt/equity ratio	3.75	3.14	2.70	-8.75
Interest-coverage ratio	0.8	0.2	2.2	0.2

# Parent Company SAS AB

The number of common and preference shareholders in SAS AB amounted to 60,243 at April 30, 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–Apr 2014–2015	Nov–Apr 2013–2014
Revenue	0	0
Payroll expenses	-17	-18
Other operating expenses	-19	-21
<b>Operating income before amortization and depreciation</b>	<b>-36</b>	<b>-39</b>
Amortization and depreciation	0	0
<b>Operating income</b>	<b>-36</b>	<b>-39</b>
Income from participations in Group companies	0	5
Income from other securities holdings	2	5
Net financial items	-41	-12
<b>Income before tax</b>	<b>-75</b>	<b>-41</b>
Tax	34	11
<b>Net income for the period</b>	<b>-41</b>	<b>-30</b>
Net income for the period attributable to:		
Parent Company shareholders	-41	-30

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

## Condensed balance sheet

MSEK	Apr 30, 2015	Oct 31, 2014	Apr 30, 2014
Financial fixed assets	12,392	5,373	5,406
Other current assets	4,483	12,501	12,688
Cash and cash equivalents	0	1	1
<b>Total assets</b>	<b>16,875</b>	<b>17,875</b>	<b>18,095</b>
Shareholders' equity	12,240	12,631	12,652
Long-term liabilities	3,405	3,395	3,390
Current liabilities	1,230	1,849	2,053
<b>Total shareholders' equity and liabilities</b>	<b>16,875</b>	<b>17,875</b>	<b>18,095</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			-41	-41
<b>Shareholders' equity, April 30, 2015</b>	<b>6,754</b>	<b>306</b>	<b>5,180</b>	<b>12,240</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 2012/2013 and 2013/2014. The preference share dividend for the year was entered as a liability as of April 30, 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

	Q2	Q2	Q1–Q2	Q1–Q2	Rolling 12 months	Rolling 12 months
	Feb–Apr 2015	Feb–Apr 2014	Nov–Apr 2014–2015	Nov–Apr 2013–2014	May–Apr 2014–2015	May–Apr 2013–2014
Passenger revenue	7,339	6,495	13,612	12,232	30,090	29,382
Charter	217	332	448	649	1,907	2,025
Mail and freight	326	323	654	635	1,298	1,259
Other traffic revenue	489	324	1,029	810	2,022	1,981
Other operating revenue	1,032	998	2,031	2,017	4,120	4,348
<b>Total</b>	<b>9,403</b>	<b>8,472</b>	<b>17,774</b>	<b>16,343</b>	<b>39,437</b>	<b>38,995</b>

## Note 3 Other operating expenses

	Q2	Q2	Q1–Q2	Q1–Q2	Rolling 12 months	Rolling 12 months
	Feb–Apr 2015	Feb–Apr 2014	Nov–Apr 2014–2015	Nov–Apr 2013–2014	May–Apr 2014–2015	May–Apr 2013–2014
Selling and distribution costs	-632	-554	-1,170	-1,044	-2,354	-2,274
Jet fuel	-2,299	-1,985	-4,322	-3,815	-9,313	-8,671
Government user fees	-993	-940	-1,876	-1,783	-4,055	-3,971
Catering costs	-189	-153	-367	-324	-799	-874
Handling costs	-507	-398	-912	-780	-1,835	-1,629
Technical aircraft maintenance	-609	-591	-1,258	-1,234	-2,492	-2,530
Computer and tele-communications costs	-313	-243	-548	-497	-1,118	-975
Other	-593	-964	-1,350	-1,797	-3,685	-3,413
<b>Total</b>	<b>-6,135</b>	<b>-5,828</b>	<b>-11,803</b>	<b>-11,274</b>	<b>-25,651</b>	<b>-24,337</b>



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

MSEK	2012–2013				2013–2014				2014–2015		
	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Q4	Full year	Q1	Q2
	Feb–Apr	May–Jul	Aug–Oct	Nov–Oct	Nov–Jan	Feb–Apr	May–Jul	Aug–Oct	Nov–Oct	Nov–Jan	Feb–Apr
Revenue	9,933	11,593	11,059	42,182	7,871	8,472	10,697	10,966	38,006	8,371	9,403
Payroll expenses	-2,599	-2,887	-2,661	-11,307	-1,446	-2,484	-2,495	-2,756	-9,181	-2,478	-2,439
Other operating expenses	-6,260	-6,379	-6,684	-25,442	-5,446	-5,828	-6,413	-7,435	-25,122	-5,668	-6,135
Leasing costs for aircraft	-423	-480	-486	-1,786	-485	-500	-525	-617	-2,127	-601	-662
Depreciation, amortization and impairment	-418	-426	-388	-1,658	-329	-338	-354	-422	-1,443	-282	-405
Share of income in affiliated companies	0	19	19	25	-12	1	24	17	30	-10	-2
Income from sale of shares in subsidiaries, affiliated companies and operations	-302	0	1,002	700	1	4	0	1	6	11	0
Income from the sale of aircraft, buildings and slot pairs	-40	-39	-32	-118	-22	12	-2	-4	-16	0	698
<b>Operating income</b>	<b>-109</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>
Income from other securities holdings	0	0	0	1	5	0	1	-49	-43	3	0
Financial revenue	13	11	18	50	25	25	28	24	102	22	41
Financial expenses	-233	-236	-279	-999	-308	-442	-205	-175	-1,130	-204	-144
<b>Income before tax</b>	<b>-329</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>
Tax	-76	-290	-103	-290	34	278	-260	147	199	196	-76
<b>Net income for the period</b>	<b>-405</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>
Attributable to:											
Parent Company shareholders	-405	886	1,464	1,357	-115	-806	494	-309	-736	-638	278
Non-controlling interests	0	0	1	1	3	6	2	6	17	-2	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 2014	May–Jul 2013	Aug–Oct 2014	Aug–Oct 2013	May–Apr 2014–2015	May–Apr 2013–2014
Revenue	8,371	7,871	9,403	8,472	10,697	11,593	10,966	11,059	39,437	38,995
EBITDAR	225	979	829	160	1,789	2,327	775	1,714	3,618	5,180
EBITDAR margin	2.7%	12.4%	8.8%	1.9%	16.7%	20.1%	7.1%	15.5%	9.2%	13.3%
EBIT	-657	132	458	-661	932	1,401	-250	1,829	483	2,701
EBIT margin	-7.8%	1.7%	4.9%	-7.8%	8.7%	12.1%	-2.3%	16.5%	1.2%	6.9%
Income before tax and nonrecurring items	-829	-1,169	-331	-1,076	759	1,029	789	601	388	-615
Income before tax	-836	-146	355	-1,078	756	1,176	-450	1,568	-175	1,520
Net income for the period	-640	-112	279	-800	496	886	-303	1,465	-168	1,439
Earnings per common share (SEK)	-2.21	-0.35	0.58	-2.72	1.24	2.69	-1.21	4.45	-1.60	4.08
Cash flow before financing activities	-993	-1,177	1,328	733	235	8	824	129	1,394	-307
Average number of employees (FTE)	11,484	12,290	11,172	12,217	12,548	14,432	12,262	13,643	11,866	13,145

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

MSEK	Apr 30, 2015		Oct 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Financial assets at fair value	775	775	472	472
Financial assets held for trading	4,920	4,920	5,179	5,179
Other assets	4,261	4,261	4,052	4,052
<b>Total</b>	<b>9,956</b>	<b>9,956</b>	<b>9,703</b>	<b>9,703</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value	737	737	346	346
Financial liabilities held for trading	88	88	59	59
Financial liabilities at amortized cost	9,434	8,646	10,400	9,461
<b>Total</b>	<b>10,259</b>	<b>9,471</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	Apr 30, 2015			Oct 31, 2014		
	Level 1	Level 2	Total	Level 1	Level 2	Total
<b>Financial assets</b>						
Financial assets at fair value	-	775	775	-	472	472
Financial assets held for trading	2,389	2,531	4,920	3,024	2,155	5,179
<b>Total</b>	<b>2,389</b>	<b>3,306</b>	<b>5,695</b>	<b>3,024</b>	<b>2,627</b>	<b>5,651</b>
<b>Financial liabilities</b>						
Financial liabilities at fair value	-	737	737	-	346	346
Financial liabilities held for trading	-	88	88	-	59	59
<b>Total</b>	<b>0</b>	<b>825</b>	<b>825</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, June 18, 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*

# Auditors' review report

## Introduction

We have conducted a review of the financial information in the condensed (interim report) for SAS AB (publ) at April 30, 2015, and the six-month period ending on that date. The Board of Directors and the President are responsible for preparing and presenting this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express an opinion on this interim report based on our review.

## Approach and scope of the review

We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially

less in scope than an audit conducted in accordance with International Standards on Auditing (ISA) and Generally Accepted Auditing Standards. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant circumstances that might have been identified in an audit. The opinion is based on a review and, accordingly, does not have the same level of assurance as an opinion based on an audit.

## Opinion

Based on our review, no circumstances have come to our attention that cause us to believe that the interim report is not prepared, in all material aspects, in accordance with IAS 34 and the Swedish Annual Accounts Act for the Group, and in accordance with the Swedish Annual Accounts Act for the Parent Company.

Stockholm, June 18, 2015  
PricewaterhouseCoopers AB

Bo Hjalmarsson  
*Authorized Public Accountant and Principal Auditor*

Eva Medbrant  
*Authorized Public Accountant*

# Traffic data information

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

	Feb–Apr 2015	Feb–Apr 2014	Year-on-year change	Nov–Apr 2014–2015	Nov–Apr 2013–2014	Year-on-year change
Number of passengers (000)	6,438	6,425	+0.2%	12,083	11,851	+2.0%
RPK, Revenue Passenger Kilometers (mill)	6,882	6,963	-1.2%	12,750	12,649	+0.8%
ASK, Available Seat Kilometers (mill)	9,818	9,746	+0.7%	18,345	18,326	+0.1%
Load factor	70.1%	71.4%	-1.4 p.p.	69.5%	69.0%	+0.5 p.p.
Passenger yield (currency-adjusted)	1.07	0.98	+8.8%	1.07	1.01	+6.0%
Unit revenue, PASK (currency-adjusted)	0.75	0.70	+6.8%	0.74	0.70	+6.7%
Unit cost (CASK), total (currency-adjusted)	0.87	0.87	+0.0% <sup>1</sup>	0.89	0.88	+0.8% <sup>2</sup>

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

2) Excluding jet fuel, the total unit cost increased 3.1% .

p.p.) Percentage point

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

	Feb–Apr 2015	Feb–Apr 2014	Year-on-year change	Nov–Apr 2014–2015	Nov–Apr 2013–2014	Year-on-year change
Number of passengers (000)	6,574	6,631	-0.9%	12,355	12,240	+0.9%
RPK, Revenue Passenger Kilometers (mill)	7,286	7,618	-4.4%	13,604	13,953	-2.5%
ASK, Available Seat Kilometers (mill)	10,257	10,447	-1.8%	19,276	19,737	-2.3%
Load factor	71.0%	72.9%	-1.9 p.p.	70.6%	70.7%	-0.1 p.p.

p.p.) Percentage point

## Scheduled traffic trend for SAS by route sector

	Feb–Apr 2015 vs. Feb–Apr 2014		Nov–Apr 2014–2015 vs. Nov–Apr 2013–2014	
	Traffic (RPK)	Capacity (ASK)	Traffic (RPK)	Capacity (ASK)
Intercontinental	-4.3%	-1.9%	-2.6%	-0.4%
Europe/Intra-Scandinavia	-2.0%	+2.0%	+1.5%	+0.2%
Domestic	+6.3%	+1.6%	+5.0%	+0.6%

## Scheduled destinations and frequencies for SAS

	Feb–Apr 2015	Feb–Apr 2014	Year-on-year change	Nov–Apr 2014–2015	Nov–Apr 2013–2014	Year-on-year change
Number of destinations	104	106	-1.9%	104	107	-2.8%
Number of daily departures	830	823	+0.9%	771	770	+0.1%
No. of departures per destination/day	8.0	7.8	+2.9%	7.4	7.2	+3.0%

## Productivity

Block hours, average	Feb–Apr 2015	Feb–Apr 2014	Year-on-year change	Nov–Apr 2014–2015	Nov–Apr 2013–2014	Year-on-year change
Aircraft	8.65	8.68	-0.3%	8.03	8.26	-2.8%
Cabin crew	726	724	+0.3%	697	699	-0.2%
Pilots	656	652	+0.6%	614	625	-1.7%



# Aircraft fleet

## The SAS aircraft fleet at April 30, 2015<sup>1</sup>

Aircraft in service	Age	Owned	Leased	Total	On purchase order	On lease order
Airbus A330/A340/A350	13.4	5	7	12	12	0
Airbus A319/A320/A321	10.2	6	19	25	30	0
Boeing 737 NG	12.4	16	68	84	0	1
Boeing 717	14.7	3	2	5	0	0
Bombardier CRJ900	5.9	12	0	12	0	0
<b>Total</b>	<b>11.6</b>	<b>42</b>	<b>96</b>	<b>138</b>	<b>42</b>	<b>1</b>

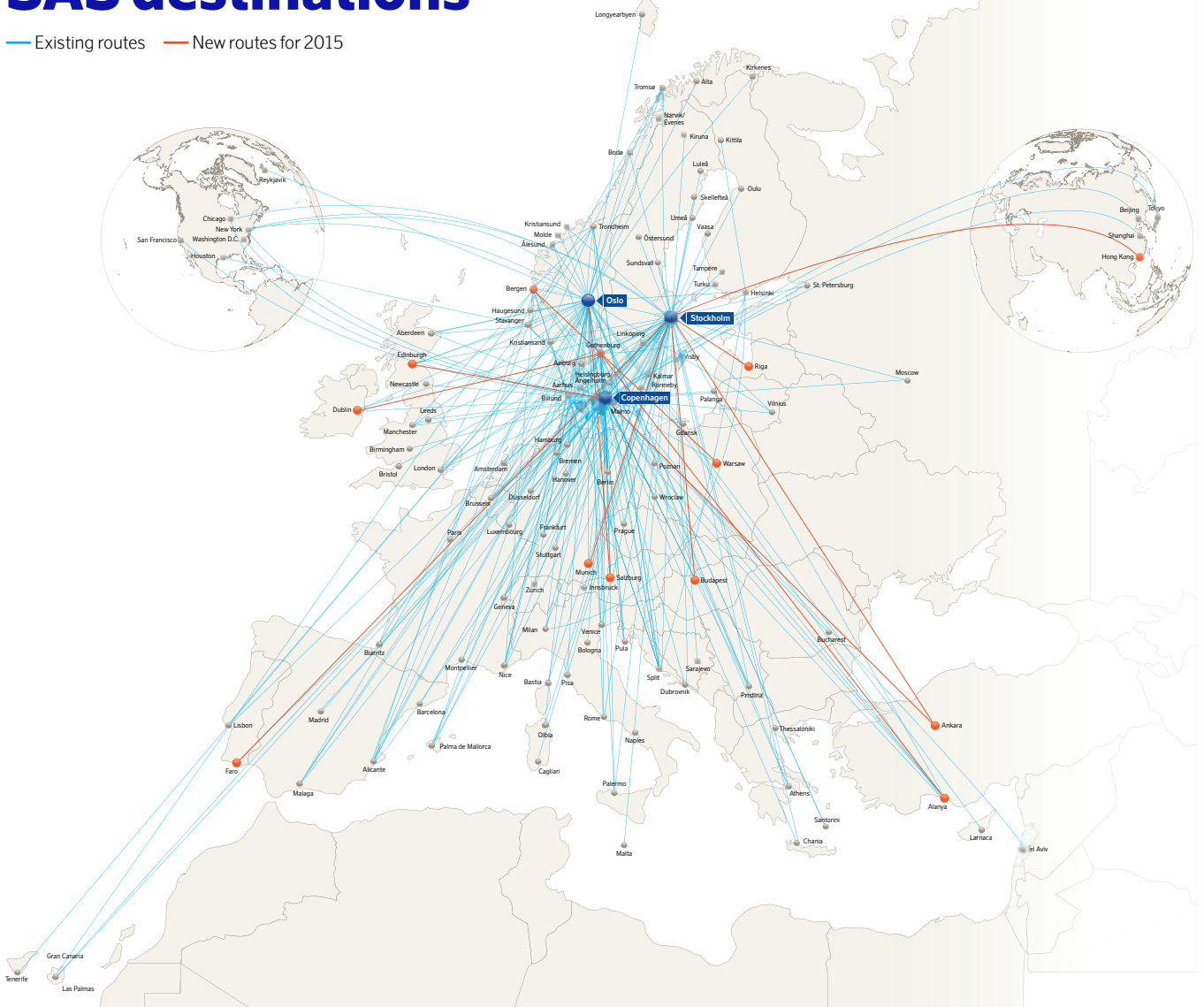
  

Leased out and parked aircraft	Owned	Leased	Total	Leased out	Parked
Douglas MD-90	8	0	8	8	0
Bombardier Q400	0	1	1	1	0
Boeing 717	2	0	2	0	2
Boeing 737 NG	0	2	2	0	2
<b>Total</b>	<b>10</b>	<b>3</b>	<b>13</b>	<b>9</b>	<b>4</b>

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



# Important events

## Events after April 30, 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.
- Joakim Landholm will be leaving SAS and his position as Executive Vice President of Transformation on August 31, 2015.
- 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 3, 2015 (May–July)	September 8, 2015
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)

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

## Press/Investor Relations

Telephone conference 10.00 a.m., June 18, 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 June 18, 2015, at 8:00 a.m.