SAS Year-end Report November 2014 – October 2015

SAS delivers substantial earnings improvement

August 2015 – October 2015

- **Income before tax: MSEK 867 (-450)**
- **Income before tax and nonrecurring items: MSEK 1,338 (789)**
- **Revenue: MSEK 10,903 (10,966)**
- **Unit revenue (PASK) declined 0.5%[1]**
- **Unit cost (CASK) increased 3.5%[2]**
- **EBIT margin: 11.8% (-2.3%)**
- **Net income for the period: MSEK 517 (-303)**
- **Earnings per common share: SEK 1.31 (-1.21)**
- **The outlook for the full year 2015/2016 is presented on page 8**
- **The Board of Directors proposes that no dividends be paid to holders of SAS AB's common shares**
- **The Board proposes a dividend of SEK 50 on each preference share**

1) Currency adjusted.
2) Currency adjusted and excluding jet fuel.

November 2014 – October 2015

- **Income before tax: MSEK 1,417 (-918)**
- **Income before tax and nonrecurring items: MSEK 1,174 (-697)**
- **Revenue: MSEK 39,650 (38,006)**
- **Unit revenue (PASK) increased 3.8%[1]**
- **Unit cost (CASK) increased 3.3%[2]**
- **EBIT margin: 5.6% (0.4%)**
- **Net income for the period: MSEK 956 (-719)**
- **Earnings per common share: SEK 1.84 (-3.03)**

Comments by the President and CEO of SAS:

"SAS reported positive income before tax and nonrecurring items of MSEK 1,174 for the 2014/2015 fiscal year. This was a significant year-on-year improvement, primarily driven by our commercial successes, cost measures and, in the fourth quarter, by lower jet-fuel costs. During the year, we have implemented extensive improvements aimed at frequent travelers and these have delivered clear results. However, the unit cost after adjustments for currency and jet fuel increased during the year, which is unsatisfactory. We now need to work even more intensively with implementation of the continued cost measures to improve our long-term competitiveness.

Altogether, the product enhancements and the implemented cost measures have created new preconditions enabling us to open new long-haul routes to Los Angeles, Miami and Boston next year. We know that competition will intensify moving forward, but given our improved financial position, our focused enhancement initiatives and our customers' positive response, we have an excellent starting position. We are continuing our dedicated efforts to make life easier for our frequent travelers with time-saving and smooth journeys to sought-after destinations," says Rickard Gustafson, SAS President and CEO.

Income and key ratios

Key ratios (MSEK)	Q 4 Aug–Oct 2015	Q 4 Aug–Oct 2014	Q 1–4 Nov–Oct 2014–2015	Q 1–4 Nov–Oct 2013–2014
Revenue	10,903	10,966	39,650	38,006
EBIT margin	11.8%	-2,3%	5.6%	0,4%
Income before tax and nonrecurring items	1,338	789	1,174	-697
Income before tax, EBT	867	-450	1,417	-918
Net income for the period	517	-303	956	-719
Cash flow from operating activities	1,433	776	3,036	1,096

	Oct 31, 2015	Oct 31, 2014	Oct 31, 2013
Equity/assets ratio	21%	17%	12%
Financial preparedness (target >20% of fixed costs)	40%	37%	26%
Shareholders' equity per common share, SEK	8.10	3.66	9.76

Comments by the CEO

- **Income before tax and nonrecurring items for the fiscal year was MSEK 1,174 (-697)**
- **Income before tax and nonrecurring items for the fourth quarter was MSEK 1,338 (789)**
- **Agreement is in place for the outsourcing of ground handling services at line stations in Norway**
- **140,000 new EuroBonus members in the fourth quarter**
- **Strengthened intercontinental offering in 2015/2016**

SAS delivered a positive income before tax and nonrecurring items of MSEK 1,174 (-697) for the 2014/2015 fiscal year. In the fourth quarter, income before tax and nonrecurring items was up almost 70% year-on-year at MSEK 1,338. The improvement was primarily driven by our commercial successes, cost measures and, in the fourth quarter, by lower jet-fuel costs.

Altogether, we have made substantial progress during the year toward a more attractive SAS. However, the unit cost after adjustments for currency and jet fuel increased during the year, which is unsatisfactory. We now need to work intensively with implementation of the continuing cost measures to improve our long-term competitiveness.

During the year, the industry was marked by a temporary stabilization of capacity growth in Scandinavia. However, we expect more intense competition in 2016 with increased capacity growth. We are meeting the increasing market challenges with continued intensive enhancement initiatives and adjustments to the size of the aircraft fleet in parallel with strengthening our intercontinental offering.

Frequent travelers prefer SAS

SAS's commercial investments and focus on frequent travelers that travel from, to and within Scandinavia have delivered clear results. The number of EuroBonus members rose 14% during the year and we now have 4.2 million members that contributed almost half of SAS's passenger revenue. Customers appreciate the product improvements, such as the new cabins in the long-haul fleet and the investments in our lounges and Fast Track. This is reflected in customer satisfaction surveys and a stronger preference throughout Scandinavia.

Together with the implemented cost measures, product enhancements have created the preconditions for the expansion of our long-haul routes. Our new Hong Kong route has got off to a good start and we look forward to starting flights to Los Angeles, Miami and Boston next year.

To further strengthen the offering, we have added eight new European routes to the winter program. We have noted a concurrent increase in leisure destinations and increased our capacity in this segment in the winter. We thus reinforced our position as the airline in Scandinavia with the broadest network and the most optimal schedule for frequent travelers.

In the fourth quarter, we also continued improvements to our ground-based products. We opened a new Fast Track in Bodø and an expanded lounge in Oslo. We have also introduced Self Service Bag Drops at more airports. We are investing in our digital services and in November, the SAS app received the top ranking for European airlines. Altogether, the commercial investments contributed to a 3.8% increase in SAS's unit revenue during the year.

Efficiency enhancements continue

The cost measures of SEK 2.1 billion, with full effect in 2017, generated an earnings impact of slightly less than SEK 1 billion in 2014/2015. As part of these measures, we have simplified the fleet by engaging business partners for frequencies that require smaller aircraft, thus adapting the fleet size and maintaining the network with the frequent departures sought after by our passengers. In line with this strategy, the last five Boeing 717s were phased out in the autumn and SAS's subsidiary Blue1 was sold to CityJet. We now look forward to CityJet operating regional jet traffic for SAS from spring 2016, with eight brand new Bombardier CRJ900s. Accordingly, the simplification of SAS's short-haul aircraft fleet has essentially been completed and we now operate only two types of aircraft under SAS's (SK) traffic license in Europe.

Another strategic advance we achieved in the fourth quarter was an agreement for the outsourcing of ground handling services at all line stations in Norway to Widerøe from February 1, 2016. We have also signed a letter of intent with Aviator for the outsourcing of ground handling services at our primary Scandinavian airports as well as Gothenburg and Malmö. The outsourcing of ground handling services increases our cost-base flexibility and, in parallel, we work together with our partners to develop the business.

Our intercontinental venture and the restructuring of the pilot corps to balance demographics has resulted in us commencing with flight crew recruitment.

Develop, engage and secure the right capabilities

Over the last few years, both the airline industry as a whole and SAS in particular have undergone major structural changes, which set new requirements for our organization and our compiled competence. For example, we have gone from conducting the majority of our operations ourselves to an increased degree of sourcing and developing services together with business partners where this is relevant. At the same time, we expect increasing digitalization to change our industry and, in this area, we are at the forefront to ensure we remain relevant for frequent travelers. We have integrated Lean principles in our management processes to manage this transition. We are working toward shared targets that are categorized under *SQDEC*, which stands for Safety, Quality, Delivery, Employees and Cost. The targets are followed up through clear action plans across all operations. We are strengthening leadership and increasing professionalism through a number of forums, including the *SAS Forum 50*, Learning lunch and a mentor program. At the same time, we are highlighting team and individual performances in our annual SAS Awards. The introduction of these processes and activities are crucial to SAS securing the right skills and, thereby, SAS's future.

Improved financial position and outlook for 2015/2016

The positive earnings and cash flow from operating activities in 2014/2015 of SEK 3 billion has improved SAS's financial position. During the year, the equity/assets ratio rose from 17% to 21% and financial preparedness was also strengthened.

We know that competition will intensify moving forward, but given our improved financial position, our ability to drive improvement efforts and our customers' positive response, we have a good starting position. Furthermore, we are strengthening the intercontinental offering, which we are able to do due to cost-efficient investments, lower jet-fuel costs and increased productivity. As a consequence, the aim ahead of 2016 is to grow, strengthen competiveness and substantially reduce unit cost.

Stockholm, December 16, 2015

Rickard Gustafson
President and CEO

Comments on SAS's financial statements

Market and traffic trends

Compared with the year earlier, the balance between supply and demand was more stable in the 2014/2015 fiscal year. Measured in the number of seats offered, capacity in Scandinavia increased 0.3% during the fiscal year and increased 1.5% in the fourth quarter. The number of passengers in Scandinavia increased by about 2.3% during the fiscal year and by 3.9% in the fourth quarter.

During the quarter, SAS increased scheduled traffic by 1.1% as a result of its investment in long-haul routes. The traffic increase for SAS was slightly lower than market growth, primarily due to SAS, in line with plans, only increasing capacity by 0.1%. However, SAS noted a positive traffic trend for the quarter and in October, the load factor was the highest ever for the month of October (76.9%). The largest increase in traffic was on the intercontinental routes due to the opening of the Stockholm-Hong Kong route in September. The trend for SAS's leisure routes was also positive during the quarter, primarily to and from Sweden. Competition remained intense for certain regions and traffic flows, primarily within Europe. Demand has declined somewhat in regions with high oil-sector exposure, principally Norway.

The unit revenue (PASK) declined 0.5% in the fourth quarter as a consequence of a longer average flying distance. However, unit revenue was positively impacted by a load factor that was 0.8 percentage points higher for the quarter. Further details of the traffic trend for SAS are available on page 17.

Earnings analysis August – October 2015

SAS's operating income was MSEK 1,282 (-250) and income before tax and nonrecurring items totaled MSEK 1,338 (789). Income before tax amounted to MSEK 867 (-450) and income after tax was MSEK 517 (-303). The tax expense was MSEK -350 (147) and included impairment of deferred tax assets in Blue1 of MSEK -83 following the sale of the company in November 2015. The tax expense was also impacted by non-deductible expenses pertaining to the impairment of share options.

The exchange-rate trend had a positive impact on revenue of MSEK 22 and a negative effect on operating expenses of MSEK -504, which included positive effects from currency derivatives of MSEK 51. Accordingly, the exchange-rate trend had a negative impact on operating income of MSEK -482 for the quarter.

Revenue for SAS amounted to MSEK 10,903 (10,966). After adjustment for currency effects, revenue was MSEK 85 lower year-on-year. Currency-adjusted passenger revenue decreased 0.4%, primarily due to a lower yield, which was however offset by a higher load factor. Charter revenue was 4.0% lower, which was attributable to lower volumes. Freight revenue also declined in the quarter and posted a year-on-year decline of 12.4%, which corresponded to a currency-adjusted decline of MSEK 45. The decline was attributable to overcapacity in the freight market.

SAS's total capacity (ASK) declined 0.3%, which was partly attributable to the year-on-year increase in unit cost (CASK), after adjustments for currency and jet fuel, of 3.5%.

Payroll expenses amounted to MSEK -2,319 (-2,756), which included nonrecurring items of MSEK -118 (-375). After adjustment for currency and nonrecurring items, payroll expenses declined 5.3% year-on-year.

Leasing costs totaled MSEK -671 (-617). However, after adjustment for currency effects, leasing costs were in line with the year-earlier period.

During the period, the implementation of the ongoing restructuring program resulted in cost reductions of about MSEK 180. The measures are being implemented as planned, but the effect was less than expected due to a weaker NOK and a lower than expected earnings impact in IT.

Jet-fuel costs amounted to MSEK -1,764 (-2,533). Adjusted for currency, the cost declined by 42.2%. 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 -517, hedging effects (including the effect of time value) were a negative amount of MSEK -59 and the positive price effect amounted to MSEK 1,301 compared with the year-earlier period.

Net financial items for SAS amounted to MSEK -112 (-151), of which net interest expense was MSEK -99 (-144). 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 -471 (-1,239) and comprised restructuring costs, capital gains/losses, impairment and other nonrecurring items. Restructuring costs of MSEK -165 (-1,113) were charged to the quarter, of which MSEK -165 (-375) pertained to payroll expenses, MSEK 0 (-67) pertained to leasing costs, MSEK 0 (-96) pertained to amortization and depreciation and MSEK 0 (-575) pertained to other operating expenses. Impairment losses totaled MSEK -314 (-52) and pertained to the impairment of receivables in an amount of MSEK -33, goodwill of MSEK -11 and impairment of shares in Widerøe totaling MSEK -270 in the fourth quarter. Capital gains amounted to MSEK 44 (0) and pertained to aircraft transactions. In the fourth quarter of 2014/2015, other nonrecurring items amounted to MSEK -36 (-74) and were attributable to expenses related to technical maintenance and payroll expenses.

Earnings analysis November 2014 – October 2015

SAS's operating income was MSEK 2,225 (153) and income before tax and nonrecurring items totaled MSEK 1,174 (-697). Income before tax amounted to MSEK 1,417 (-918) and income after tax was MSEK 956 (-719). The tax expense was MSEK -461 (199) and included impairment of deferred tax assets in Blue1 of MSEK -83 following the sale of the company in November 2015. The tax expense was also impacted by non-deductible expenses pertaining to the impairment of shares.

The exchange-rate trend had a positive impact on revenue of MSEK 963 and a negative effect on operating expenses of MSEK -2,456, which included positive effects from currency derivatives of MSEK 809. Accordingly, the exchange-rate trend had a negative impact on operating income of MSEK -1,493 for the period.

Revenue for SAS amounted to MSEK 39,650 (38,006). Adjusted for currency effects, revenue rose 1.7% year-on-year. Currency-adjusted passenger revenue increased 3.5%, primarily due to a higher yield. However, charter revenue was 16.8% lower year-on-year, which was attributable to lower volumes.

SAS's total capacity (ASK) declined 1.9%, 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 -9,622 (-9,181), which included nonrecurring items of MSEK -130 (650). After adjustment for currency and nonrecurring items, payroll expenses declined 4.0% year-on-year.

Wet lease costs increased year-on-year due to increased external production.

The implementation of the ongoing restructuring program continued as planned, with the exception of a lower than expected earnings impact in IT and a weaker NOK that resulted in a lower effect from measures when measured in SEK. During the period, cost reductions resulted in an earnings impact of about MSEK 920.

Jet-fuel costs amounted to MSEK -8,430 (-8,806). Adjusted for currency, the cost declined by 22.0%. 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 -1,996, hedging effects (including the effect of time value) were a negative amount of MSEK -1,620 and the positive price effect amounted to MSEK 3,912 year-on-year.

Net financial items for SAS amounted to MSEK -508 (-1,028), of which net interest expense was MSEK -478 (-732). 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 243 (-221) and comprised restructuring costs, capital gains/losses, impairment and other nonrecurring items.

Restructuring costs of MSEK -177 (-1,132) were charged to the quarter, of which MSEK -177 (-394) pertained to payroll expenses, MSEK 0 (-67) pertained to leasing costs, MSEK 0 (-96) pertained to amortization and depreciation and MSEK 0 (-575) pertained to other operating expenses.

Impairment losses totaled MSEK -314 (-52) and pertained to the impairment of receivables in an amount of MSEK -33, goodwill of MSEK -11 and impairment of shares in Widerøe totaling MSEK -270 during the fiscal year 2014/2015. Capital gains amounted to MSEK 789 (-7) and pertained to aircraft transactions of MSEK 97 (-14), the transfer of slot pairs of MSEK 678 (0), buildings of MSEK 2 (-2) as well as the sale of shares in subsidiaries and affiliated companies, and operations totaling MSEK 12 (9). Other nonrecurring items amounted to MSEK -55 (970) and were attributable to expenses related to cargo activities, technical maintenance and payroll expenses. In the preceding year, other nonrecurring items primarily pertained to a positive effect from amended pension terms of MSEK 1,044.

Financial position

Cash and cash equivalents were MSEK 8,198 (7,417) at October 31, 2015. At the same date, SAS also had unutilized contracted credit facilities of MSEK 2,712 (2,382) and financial preparedness amounted to 40% (37%) of the Group's fixed costs.

SAS's interest-bearing liabilities declined MSEK 1,060 compared with October 31, 2014 and amounted to MSEK 9,745 on the closing date. New loans amounted to MSEK 489 and repayments amounted to MSEK 2,304, which included repayment of a convertible bond loan of MSEK 1,600. Other changes were mainly attributable to remeasurement of liabilities denominated in foreign currencies.

In 2014, SAS issued a convertible bond loan, which was valued at MSEK 1,466 on October 31, 2015.

During the year, financial net debt decreased MSEK 1,828 thus resulting in SAS having a positive balance for financial net receivables of MSEK 726 on the closing date. The reduction was primarily due to positive cash flow from operating activities and from financing activities.

At October 31, 2015, the equity/assets ratio was 21% (17%) and the adjusted equity/assets ratio was 13% (11%). The adjusted debt/equity ratio amounted to 2.65 (3.14). 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 2,634 (486) for the full year.

Other non-cash items primarily comprised impairment and provisions for restructuring costs.

The change in working capital for the year was about MSEK 200 down on last year, which was attributable to items including increased utilization of the restructuring reserves.

Investments totaled MSEK 4,246 (1,426) of which MSEK 3,931 (1,153) pertained to aircraft. This included the purchase of three Boeing 717s, two Boeing 737s and two Airbus A340s that were previously under operating leases as well as two new Airbus A330s for a total of MSEK 2,047 (aircraft were purchased to a value of MSEK 300 in the preceding year), MSEK 747 (106) pertained to ongoing aircraft investments and modifications, MSEK 998 (506) as advance payments to Airbus, MSEK 124 (209) to capitalized expenditures for engine maintenance and MSEK 15 (32) to spare parts. In addition, MSEK 168 (189) pertained to capitalized systems development costs and MSEK 147 (84) to other investments.

Acquisitions included Cimber A/S in February and two property companies comprising airport properties in Norway in June.

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 remaining portion of the purchase consideration, MSEK 105, was received November. The sale of four Boeing 717s, one spare engine and one Boeing 737 as well as the sale and leaseback of two Boeing 737s and two Airbus A330s generated MSEK 2,430.

Cash flow before financing activities was MSEK 1,923 (615).

New loans for the year amounted to MSEK 489 (1,679), while repayments totaled MSEK 2,304 (3,122). In addition, cash flow was positively impacted by financing activities through liquidity effects from the remeasurement of financial derivatives.

Cash flow for the full year was MSEK 786 (2,665).

Cash and cash equivalents amounted to MSEK 8,198 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 provide the prerequisites for long-term sustainable profitability.

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.

Events after October 31, 2015

SAS sold Blue1 to Cityjet. From spring 2016, Cityjet will operate regional jet services on behalf of SAS using eight brand new Bombardier CRJ900s.

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 priority areas:

1. Streamline operations

2. Win over Scandinavia's frequent travelers

3. Secure the right skills

Streamline operations

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 price pressure and the expected growth in capacity. During the fiscal year 2014/2015, the measures contributed MSEK 920 in efficiency enhancements. The implementation of the cost measures is continuing as planned, with the exception of a lower than expected earnings impact in IT. In addition, a weaker NOK resulted in a lower effect from implemented measures when measured in SEK. The earnings impact of measures implemented in 2014/2015 breaks down as follows:

- ***Production including wet leases, charges and jet fuel:*** SAS has transferred CRJ900 production to Cimber, increased scheduling efficiency and granted early retirement to a limited number of employees. The measures also included lowering government user fees and the introduction of more efficient procedures that have reduced jet-fuel consumption. In total, measures resulted in efficiency enhancements of MSEK 210.
- ***Technical maintenance:*** SAS has renegotiated agreements with external suppliers pertaining to spare parts, engines and aircraft maintenance. Within its own technical operations, new procedures have been introduced for light technical maintenance. Base maintenance operations in Stockholm and Oslo have also been closed. In total, these measures resulted in efficiency enhancements of MSEK 290.
- ***Ground handling services:*** SAS introduced new shift schedules and systems support for scheduling, which will lead to improved matching of resources to needs over a 24-hour period. In addition, automation has been expanded through more self-service options. The efficiency enhancements totaled MSEK 160.
- ***Administration, sales, distribution and supply chain:*** A total of 285 employees in the administration and sales organizations have left SAS. These measures resulted in efficiency enhancements of MSEK 180.
- ***Facilities:*** Efficiency enhancements have been implemented pertaining to properties comprising about 140,000 square meters in Copenhagen, Oslo, Bergen and Stockholm-Arlanda. The earnings impact from all of the measures pertaining to facilities is MSEK 80.

However, despite the implementation of the above measures, the unit cost after adjustments for currency and jet fuel increased during 2014/2015, which is unsatisfactory. To improve long-term competitiveness, SAS now needs to work even more intensively with implementation of the continuing cost measures and is expected to generate about SEK 1 billion in earnings effects from efficiency enhancements in 2015/2016.

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 a more homogeneous aircraft fleet, while smaller flows and regional traffic are managed via business partners.

Therefore, SAS has, to an increasing degree, entered into wet-lease partnerships with specialized operators that can serve smaller traffic flows more efficiently while, concurrently, 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 network with the frequent departures demanded by our frequent travelers. In 2015, SAS established a structure that means that SAS has two regional jet traffic suppliers in the form of Cimber and CityJet as well as two turboprop traffic suppliers in the form of Jet Time and, from the 2015/2016 winter program, Flybe.

In the fourth quarter, SAS concluded an agreement for the sale of Blue1 to CityJet and, in connection with this, a wet lease agreement was also entered into with CityJet for eight Bombardier CRJ900s with options on six further aircraft. In spring 2016, these will replace the five Boeing 717s that SAS phased out of service in autumn 2015 to simplify the aircraft fleet. A more homogeneous aircraft fleet increases cost-efficiency and regional production supplements SAS's own production.

SAS is also investing in the aircraft fleet to increase customer comfort and more efficient operations. In autumn 2015, the first two long-haul Airbus A330E aircraft were delivered and another two aircraft will be delivered in the first half of 2016. SAS has another order for 30 Airbus A320neos and eight Airbus A350s, which will further modernize and enhance the efficiency of SAS's aircraft fleet.

Efficiency enhancement of administration, sales/distribution, and purchasing and logistics

Further efficiency enhancements and simplification of administration, the sales organization and distribution will continue to be implemented. An efficiency enhancement process made possible by increased digitalization is ongoing in the global sales organization. In parallel, a major review of SAS's distribution model and marketing activities is being conducted.

SAS procures external goods and services to a value of about SEK 24 billion each year. In addition, SAS is working with the systematic renegotiation and consolidation of agreements with its 8,000-odd suppliers. A procurement covering all catering services was concluded in the fourth quarter and is expected to result in significant efficiency enhancements of about MSEK 75. The efficiency gains will be attained by measures including consolidating the two existing inventories into one and the coordination of transportation to aircraft pertaining to frozen and chilled goods and the onboard product range.

Outsourcing and efficiency enhancement of ground handling services

To ensure increased cost-base flexibility, SAS has focused on reducing fixed costs in line with the long-term industry trend. As part of these efforts, SAS had already decided to outsource ground handling services to subcontractors and, from 2010, has outsourced about one quarter of ground handling services, including cleaning services, all international ground handling and line stations in Denmark and Sweden.

In the fourth quarter, SAS signed an agreement with Widerøe Ground Handling for the outsourcing of ground handling services at all 14 line stations in Norway. The transfer will take place on February 1, 2016 and impacts about 850 FTEs. Following the transfer, SAS will buy ground handling services from Widerøe Ground Handling and the parties have signed a five-year agreement to this effect. The cost of these services will be variable.

SAS has also signed a letter of intent with Aviator Airport Alliance Europe AB regarding the transfer of ground handling services at SAS Ground Handling in the three Scandinavian countries. SAS aims to reach a solution that is positive for both customers and employees of SAS, and Aviator is a leading operator in Scandinavia with a focus on efficiency, safety and innovation.

Work will continue in parallel with enhancing the efficiency of and automating ground handling services.

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 fourth quarter, an agreement was signed for the sale of Blue1's hangar in Helsinki effective December 1, 2015. The sale of 13 smaller buildings and one hangar in Bergen was agreed as part of Widerøe's takeover of the line stations in Norway.

Restructuring of the pilot corps
SAS has initiated a restructuring process aimed at increasing staff turnover in the pilot corps and, thereby, securing competitive crew costs in the long-term. By offering selected pilots part-time solutions, early retirement, severance pay and leaves of absence, agreements have been reached with pilots who will be leaving SAS from the fourth quarter of 2014/2015. These measures resulted in a restructuring cost of MSEK 210. This reconstruction in combination with the expanded intercontinental offering means that SAS is recruiting new pilots. The intention of these measures is to reduce the average annual cost per pilot.

Restructuring costs
The cost measures for 2015–2017 resulted in restructuring costs of a total of SEK 1.5 billion being charged to the 2013/2014 fiscal year. In the fourth quarter 2014/2015, restructuring costs for the pilot corps was MSEK 210. Additional restructuring costs for the pilot corps could be charged to the 2015/2016 fiscal year.

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 service concept was supplemented with SAS Go Light, which is targeted at travelers who travel without baggage, as a test on selected European routes.

SAS is further developing EuroBonus to build closer relationships with customers and to increase customer loyalty. In the fourth quarter, the number of members grew by 140,000 and exceeded 4.2 million members at the end of October 2015. The number of members has risen 30% since the upgrade of EuroBonus in February 2014. In total, about half of passenger revenue is generated from EuroBonus members.

SAS offers more destinations and departures to, from and within Scandinavia than any other airline. In the fourth quarter, the Stockholm – Hong Kong route was opened and, in response to frequent travelers' demands for more routes, SAS is launching four new intercontinental routes in 2016: Stockholm – Los Angeles, Copenhagen – Miami, Copenhagen – Boston and Oslo – Miami. In addition, SAS has increased the frequency of flights to San Francisco, Shanghai, Chicago and New York in winter 2015/2016. The strong offering can be cost-effectively implemented due to limited investment in aircraft and increased productivity.

As an airline, SAS must be relevant for Scandinavia's frequent travelers and, accordingly, has increased adaptation of the route network to their travel patterns. In summer 2015, 47 seasonal routes were opened to leisure destinations, mainly to Southern Europe, and in the winter the offering is being expanded to destinations such as the Alps. In addition, eight new sought-after routes within Europe have been launched ahead of 2016.

The upgrade of all long-haul aircraft will be completed by summer 2016. The response from SAS customers has been extremely favorable to the new cabin interiors with enhanced comfort, 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 was introduced in Bodø during the fourth quarter. The SAS lounges in Gothenburg, Oslo and Stockholm have been expanded. 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 shortly at more airports in Scandinavia.

SAS is also investing SEK 0.5 billion in a new digital platform to enable 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. In November, the SAS app received the top ranking for European airlines.

For an extended period, SAS has worked with improving the product and its offering. The product investments have been favorably received and, since 2012, have contributed to a significantly strengthening preference for SAS among frequent travelers by 11 percentage points compared with the closest competitor.

Secure the right capabilities

Over the last few years, both the airline industry as a whole and SAS in particular have undergone major structural changes. SAS has gone from conducting the majority of its operations itself to an increased degree of outsourcing services where this is relevant. In addition, SAS is strengthening digital services with a focus on making life easier for our customers. To manage this transition, SAS has to ensure that employees have the right skills in areas including procurement, project management and digital development.

Therefore, SAS's compiled skills and future needs have mapped in a people review process comprising more than 600 leaders and specialists to be able to manage talent supply and to ensure SAS possesses the right skills. SAS has also integrated Lean principles in the management processes. All employees are working toward shared targets that are categorized under *SQDEC*, which stands for Safety, Quality, Delivery, Employees and Cost. The targets are followed up through clear action plans across all operations.

SAS is also strengthening leadership and increasing professionalism through a number of forums, including the *SAS Forum 50, Learning lunch* and a mentor program for leaders.

Furthermore, a number of extensive training programs are carried out each year in the form of leadership programs, web-based courses and practical training. SAS pilots and cabin crew receive continuous training. Including retraining, pilots undergo an average of two weeks training each year and cabin crew about three days. SAS has introduced iPads for pilots and, in the fourth quarter, a decision was also made to equip cabin crew with iPads. This tool will create enhanced conditions for employees to carry out their duties and concurrently contribute to a more individual-based customer service through providing cabin crew with real-time information about customers' travel and associated services.

SAS works actively to promote a culture that strengthens SAS's competitiveness, commitment and development. Traditionally, SAS measures employee motivation and commitment on an annual basis, but from 2016, will follow up more frequently to obtain a more continuous indication of the measures that should be initiated. SAS's marketing message: "We are travelers," builds on the joint passion for travel that our employees share with the frequent travelers. SAS often uses employees in its marketing to build pride and involvement. SAS has many committed employees who make considerable efforts for the company and, each year, outstanding performance is showcased in the *SAS Awards*. In addition, all employees undergo a web course on the SAS Code of Conduct.

Altogether, the introduction of these processes and activities are crucial to SAS securing the right skills in both the short and the long-term.

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 aims to control the management of 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.

SAS has recently implemented changes in the jet-fuel hedging portfolio and, as of November 30, 2015, the hedging of SAS's future jet-fuel consumption was primarily conducted through swaps. At November 30, 2015, the hedging ratio was 80% for the 2015/2016 fiscal year and 9% for the next six-month period.

Under current plans for flight capacity, the cost of jet fuel during the 2015/2016 fiscal year is expected to be in line with the table below, taking into account different prices and USD rates and including jet-fuel hedging.

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 October 31, 2015, SAS had hedged 67% 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, 70% was hedged for the next 12 months. Based on the currency exposure for 2014/2015, a weakening of the NOK against the SEK of 1% would generate a negative earnings impact of MSEK 65, excluding hedge effects. A weakening of the USD against the SEK of 1% would generate a positive earnings impact of MSEK 108, excluding hedge effects.

Hedging of jet fuel

Hedge level (max price)	Nov 15–Jan 16	Feb–Apr 2016	May–July 2016	Aug–Oct 2016	Nov 16–Jan 17	Feb–Apr 2017
USD 450-600/tonne	68%	80%	80%	93%	–	–
USD 600-700/tonne	–	–	–	–	17%	–

Vulnerability matrix, jet-fuel cost November 2015 to October 2016, SEK billion[1]

	Exchange rate SEK/USD				
Market price	**6.00**	**7.00**	**8.00**	**9.00**	**10.00**
USD 300/tonne	4.2	4.9	5.6	6.3	7.0
USD 400/tonne	4.4	5.2	5.9	6.7	7.4
USD 600/tonne	4.9	5.8	6.6	7.4	8.2
USD 800/tonne	5.3	6.2	7.1	7.9	8.8
USD 1,000/tonne	5.6	6.5	7.4	8.4	9.3

1) SAS's current hedging contracts for jet fuel at November 30, 2015 have been taken into account.

Legal issues

As a consequence of the European Commission's decision in the cargo investigation in November 2010, SAS and other airlines fined by the Commission are involved in various civil lawsuits in Europe. 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. The Swedish Labour Court held the main hearing for the case in November 2015 and will pronounce an intermediate judgement regarding any breach of collective agreements in January 2016. 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 April 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.

Outlook for 2015/2016

Outlook

Following low capacity growth in Scandinavia in 2014/2015, capacity is expected to increase in 2015/2016 and lead to more intense competition in some areas. At the same time, SAS is continuing its focused efforts on strengthening competitiveness through product investments and efficiency measures. In 2015/2016, SAS plans to increase capacity on the intercontinental routes by 25%. Growth will be through expansion of the long-haul aircraft fleet and increase resource utilization which, from a purely mathematical perspective, is expected to result in a lower unit cost during the fiscal year. In parallel, jet-fuel costs are expected to be lower in 2015/2016 and SAS has hedged 80% of planned jet fuel consumption in 2015/2016.

In total, SAS expects to be able to deliver a positive income before tax and nonrecurring items for the 2015/2016 fiscal year. The outlook is based on no unexpected events occurring.

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

- SAS plans to increase scheduled capacity (ASK) by about 10% in 2015/2016 with the largest increase in the winter. Excluding intercontinental expansion, capacity growth is about 1%.
- A significantly lower PASK and unit cost in 2015/2016 compared with 2014/2015 as a result of the above capacity increase.
- Earnings effects from efficiency-enhancement measures amounting to about SEK 1 billion in 2015/2016.
- Net investments are expected to amount to slightly more than SEK 1.5 billion in 2015/2016.

Statement of income

Statement of income including statement of other comprehensive income

MSEK	Note	Q 4 Aug–Oct 2015	Q 4 Aug–Oct 2014	Q 1–4 Nov–Oct 2014–2015	Q 1–4 Nov–Oct 2013–2014
Revenue	2	10,903	10,966	39,650	38,006
Payroll expenses[1]		-2,319	-2,756	-9,622	-9,181
Other operating expenses[2]	3	-6,252	-7,435	-24,558	-25,122
Leasing costs for aircraft[3]		-671	-617	-2,593	-2,127
Depreciation, amortization and impairment[4]		-436	-422	-1,466	-1,443
Share of income in affiliated companies		24	17	37	30
Income from sale of shares in subsidiaries, affiliated companies and operations		-11	1	0	6
Income from the sale of aircraft, buildings and slot pairs		44	-4	777	-16
Operating income		**1,282**	**-250**	**2,225**	**153**
Income from other securities holdings		-303	-49	-300	-43
Financial revenue		31	24	124	102
Financial expenses		-143	-175	-632	-1,130
Income before tax		**867**	**-450**	**1,417**	**-918**
Tax		-350	147	-461	199
Net income for the period		**517**	**-303**	**956**	**-719**
Other comprehensive income					
Items that may later be reversed to net income:					
Exchange-rate differences in translation of foreign operations, net after tax		-104	-12	-177	86
Cash-flow hedges – hedging reserve, net after tax		-56	116	928	325
Items that will not be reversed to net income:					
Revaluations of defined-benefit pension plans, net after tax		-309	-951	75	-1,222
Total other comprehensive income, net after tax		**-469**	**-847**	**826**	**-811**
Total comprehensive income		**48**	**-1,150**	**1,782**	**-1,530**
Net income for the period attributable to:					
Parent Company shareholders		517	-309	956	-736
Non-controlling interests		0	6	0	17
Earnings per common share (SEK)[5]		1.31	-1.21	1.84	-3.03
Earnings per common share after dilution (SEK)[5]		1.11	-1.21	1.65	-3.03

1) Includes restructuring costs and other nonrecurring items of MSEK 118 (375) during the period August–October and MSEK 130 (-650) during the period November–October.
2) Includes restructuring costs and other nonrecurring items of MSEK 83 (622) during the period August–October and MSEK 102 (622) during the period November–October.
3) Includes restructuring costs of MSEK 0 (67) during the period August–October and MSEK 0 (67) during the period November–October.
4) Includes restructuring costs and other nonrecurring items of MSEK 0 (123) during the period August–October and MSEK 0 (123) during the period November–October.
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	Q 4 Aug–Oct 2015	Q 4 Aug–Oct 2014	Q 1–4 Nov–Oct 2014–2015	Q 1–4 Nov–Oct 2013–2014
Income before tax	867	-450	1,417	-918
Impairment[2]	314	52	314	52
Restructuring costs	165	1,113	177	1,132
Capital gains/losses	-44	0	-789	7
Other nonrecurring items[1]	36	74	55	-970
Income before tax and nonrecurring items	**1,338**	**789**	**1,174**	**-697**

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.
2) Includes impairment of shares in Widerøe in an amount of MSEK -270 for the fourth quarter of 2014/2105.

Balance sheet

Condensed balance sheet

MSEK	Oct 31, 2015	Oct 31, 2014	Oct 31, 2013
Intangible assets	1,798	1,905	1,802
Tangible fixed assets	9,596	8,901	9,677
Financial fixed assets	7,118	7,485	7,121
Total fixed assets	**18,512**	**18,291**	**18,600**
Other current assets	345	350	361
Current receivables	3,211	3,267	3,101
Cash and cash equivalents[1]	8,198	7,417	4,751
Total current assets	**11,754**	**11,034**	**8,213**
Total assets	**30,266**	**29,325**	**26,813**
Shareholders' equity[2]	6,339	4,907	3,226
Long-term liabilities	10,275	10,384	10,173
Current liabilities	13,652	14,034	13,414
Total shareholders' equity and liabilities	**30,266**	**29,325**	**26,813**
Shareholders' equity per common share (SEK)[3]	8.10	3.66	9,76
Interest-bearing assets	14,839	13,481	10,371
Interest-bearing liabilities	9,745	10,805	11,510

1) At October 31, 2015, including receivables from other financial institutions, MSEK 1,163 (997).
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 October 31, 2015

	According to balance sheet	Of which, financial net debt
Financial fixed assets	7,118	1,720
Current receivables	3,211	553
Cash and cash equivalents	8,198	8,198
Long-term liabilities	10,275	8,252
Current liabilities	13,652	1,493
Financial net debt		-726

Condensed changes in shareholders' equity

MSEK	Share capital[1]	Other contributed capital[2]	Hedging reserves	Translation reserve	Retained earnings[3]	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
Non-controlling interests					6	6	-6	0
Comprehensive income, November–October			325	86	-1,958	-1,547	17	-1,530
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–October			928	-177	1,031	1,782		1,782
Closing balance, October 31, 2015	**6,754**	**327**	**1,218**	**-286**	**-1,674**	**6,339**	**0**	**6,339**

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.

Cash-flow statement

Condensed cash-flow statement

MSEK	Q 4	Q 4	Q 1–4	Q 1–4
	Aug–Oct 2015	Aug–Oct 2014	Nov–Oct 2014–2015	Nov–Oct 2013–2014
Income before tax	867	-450	1,417	-918
Depreciation, amortization and impairment	436	422	1,466	1,443
Income from sale of aircraft, buildings and shares	-44	0	-789	7
Adjustment for other items not included in the cash flow, etc.	374	1,179	539	-45
Tax paid	-1	-2	1	-1
Cash flow from operations before change in working capital	**1,632**	**1,149**	**2,634**	**486**
Change in working capital	-199	-373	402	610
Cash flow from operating activities	**1,433**	**776**	**3,036**	**1,096**
Investments including advance payments to aircraft manufacturers	-2,309	-716	-4,246	-1,426
Acquisition of shares	0	-687	0	-687
Acquisition of subsidiaries	0	0	-60	0
Sale of shares	0	688	0	688
Sale of subsidiaries and operations	0	0	10	4
Sale of fixed assets, etc.	2,049	763	3,183	940
Cash flow before financing activities	**1,173**	**824**	**1,923**	**615**
Preference share issue	0	0	0	3,500
Dividend on preference shares	-87	-87	-350	-175
External financing, net	-337	-249	-787	-1,275
Cash flow for the period	**749**	**488**	**786**	**2,665**
Translation difference in cash and cash equivalents	-4	-1	-5	1
Change in cash and cash equivalents according to the balance sheet	**745**	**487**	**781**	**2,666**
Cash flow from operating activities per common share (SEK)	4.36	2.36	9.23	3.33

Financial key ratios

	Oct 31, 2015	Oct 31, 2014	Oct 31, 2013
Return on shareholder's equity after tax, 12-month rolling	18%	-15%	457%
Financial preparedness (target >20% of fixed costs)	40%	37%	26%
Equity/assets ratio	21%	17%	12%
Adjusted equity/assets ratio	13%	11%	8%
Financial net debt, MSEK	-726	1,102	4,567
Debt/equity ratio	-0.11	0.22	1.42
Adjusted debt/equity ratio	2.65	3.14	5.13
Interest-coverage ratio	3.2	0.2	2.6

Parent Company SAS AB

The number of common and preference shareholders in SAS AB amounted to 58,626 at October 31, 2015. The average number of employees amounted to five (six). 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. Earnings from participations in Group companies comprised a MSEK 1,121 capital gain on the intra-Group divestment of the subsidiary, SAS Tech AB, and impairment of holdings in subsidiaries.

Condensed statement of income

MSEK	Q 1–4	Q 1–4
	Nov–Oct 2014–2015	Nov–Oct 2013–2014
Revenue	0	0
Payroll expenses	-30	-34
Other operating expenses	-19	-65
Operating income before amortization and depreciation	**-49**	**-99**
Amortization and depreciation	0	0
Operating income	**-49**	**-99**
Income from participations in Group companies	864	4
Income from other securities holdings	-268	-3
Net financial items	-85	-51
Income before tax	**462**	**-149**
Appropriations	31	82
Tax	5	12
Net income for the period	**498**	**-55**
Net income for the period attributable to:		
Parent Company shareholders	498	-55

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

Condensed balance sheet

MSEK	Oct 31, 2015	Oct 31, 2014
Financial fixed assets	14,828	5,373
Other current assets	1,174	12,501
Cash and cash equivalents	1	1
Total assets	**16,003**	**17,875**
Shareholders' equity	12,779	12,631
Long-term liabilities	3,003	3,395
Current liabilities	221	1,849
Total shareholders' equity and liabilities	**16,003**	**17,875**

Changes in shareholders' equity

MSEK	Share capital[1]	Restricted reserves	Unrestricted equity[2]	Total equity
Opening balance, November 1, 2014	6,754	306	5,571	12,631
Preference share dividend			-350	-350
Net income for the period			498	498
Shareholders' equity, October 31, 2015	**6,754**	**306**	**5,719**	**12,779**

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.

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, under Investor Relations/Financial reports/Interim reports.

Note 2 Revenue

	Q 4	Q 4	Q 1–4	Q 1–4
	Aug–Oct 2015	Aug–Oct 2014	Nov–Oct 2014–2015	Nov–Oct 2013–2014
Passenger revenue	8,400	8,416	30,496	28,710
Charter	621	664	1,742	2,108
Mail and freight	318	340	1,265	1,279
Other traffic revenue	509	490	2,066	1,803
Other operating revenue	1,055	1,056	4,081	4,106
Total	**10,903**	**10,966**	**39,650**	**38,006**

Note 3 Other operating expenses

	Q 4	Q 4	Q 1–4	Q 1–4
	Aug–Oct 2015	Aug–Oct 2014	Nov–Oct 2014–2015	Nov–Oct 2013–2014
Selling and distribution costs	-705	-631	-2,518	-2,228
Jet fuel	-1,764	-2,533	-8,430	-8,806
Government user fees	-1,118	-1,111	-4,087	-3,962
Catering costs	-228	-205	-836	-756
Handling costs	-556	-482	-1,998	-1,703
Technical aircraft maintenance	-896	-657	-2,757	-2,468
Computer and telecommunications costs	-337	-304	-1,159	-1,067
Other	-648	-1,512	-2,773	-4,132
Total	**-6,252**	**-7,435**	**-24,558**	**-25,122**

Note 4 Quarterly breakdown

Statement of income

	2012–2013		2013–2014					2014–2015				
	Q 4	**Full year**	**Q 1**	**Q 2**	**Q 3**	**Q 4**	**Full year**	**Q 1**	**Q 2**	**Q 3**	**Q 4**	**Full year**
MSEK	**Aug–Oct**	**Nov–Oct**	**Nov–Jan**	**Feb–Apr**	**May–Jul**	**Aug–Oct**	**Nov–Oct**	**Nov–Jan**	**Feb–Apr**	**May–Jul**	**Aug–Oct**	**Nov–Oct**
Revenue	11,059	42,182	7,871	8,472	10,697	10,966	38,006	8,371	9,403	10,973	10,903	39,650
Payroll expenses	-2,661	-11,307	-1,446	-2,484	-2,495	-2,756	-9,181	-2,478	-2,439	-2,386	-2,319	-9,622
Other operating expenses	-6,684	-25,442	-5,446	-5,828	-6,413	-7,435	-25,122	-5,668	-6,135	-6,503	-6,252	-24,558
Leasing costs for aircraft	-486	-1,786	-485	-500	-525	-617	-2,127	-601	-662	-659	-671	-2,593
Depreciation, amortization and impairment	-388	-1,658	-329	-338	-354	-422	-1,443	-282	-405	-343	-436	-1,466
Share of income in affiliated companies	19	25	-12	1	24	17	30	-10	-2	25	24	37
Income from sale of shares in subsidiaries, affiliated companies and operations	1,002	700	1	4	0	1	6	11	0	0	-11	0
Income from the sale of aircraft, buildings and slot pairs	-32	-118	-22	12	-2	-4	-16	0	698	35	44	777
Operating income	**1,829**	**2,596**	**132**	**-661**	**932**	**-250**	**153**	**-657**	**458**	**1,142**	**1,282**	**2,225**
Income from other securities holdings	0	1	5	0	1	-49	-43	3	0	0	-303	-300
Financial revenue	18	50	25	25	28	24	102	22	41	30	31	124
Financial expenses	-279	-999	-308	-442	-205	-175	-1,130	-204	-144	-141	-143	-632
Income before tax	**1,568**	**1,648**	**-146**	**-1,078**	**756**	**-450**	**-918**	**-836**	**355**	**1,031**	**867**	**1,417**
Tax	-103	-290	34	278	-260	147	199	196	-76	-231	-350	-461
Net income for the period	**1,465**	**1,358**	**-112**	**-800**	**496**	**-303**	**-719**	**-640**	**279**	**800**	**517**	**956**
Attributable to:												
Parent Company shareholders	1,464	1,357	-115	-806	494	-309	-736	-638	278	799	517	956
Non-controlling interests	1	1	3	6	2	6	17	-2	1	1	0	0

Earnings-related key ratios and average number of employees

MSEK	**Q 1**	**Q 1**	**Q 2**	**Q 2**	**Q 3**	**Q 3**	**Q 4**	**Q 4**	**Q 1–4**	**Q 1–4**
	Nov–Jan 2014–2015	**Nov–Jan 2013–2014**	**Feb–Apr 2015**	**Feb–Apr 2014**	**May–Jul 2015**	**May–Jul 2014**	**Aug–Oct 2015**	**Aug–Oct 2014**	**Nov–Oct 2014–2015**	**Nov–Oct 2013–2014**
Revenue	8,371	7,871	9,403	8,472	10,973	10,697	10,903	10,966	39,650	38,006
EBITDAR	225	979	829	160	2,084	1,789	2,332	775	5,470	3,703
EBITDAR margin	2.7%	12.4%	8.8%	1.9%	19.0%	16.7%	21.4%	7.1%	13.8%	9.7%
EBIT	-657	132	458	-661	1,142	932	1,282	-250	2,225	153
EBIT margin	-7.8%	1.7%	4.9%	-7.8%	10.4%	8.7%	11.8%	-2.3%	5.6%	0.4%
Income before tax and nonrecurring items	-829	-1,169	-331	-1,076	996	759	1,338	789	1,174	-697
Income before tax	-836	-146	355	-1,078	1,031	756	867	-450	1,417	-918
Net income for the period	-640	-112	279	-800	800	496	517	-303	956	-719
Earnings per common share (SEK)	-2.21	-0.35	0.58	-2.72	2.16	1.24	1.31	-1.21	1.84	-3.03
Cash flow before financing activities	-993	-1,177	1,328	733	415	235	1,173	824	1,923	615
Average number of employees (FTEs)	11,484	12,290	11,172	12,217	11,329	12,548	11,167	12,262	11,288	12,329

Note 5 Financial assets and liabilities

Fair values and carrying amounts of financial assets and liabilities

	Oct 31, 2015		Oct 31, 2014	
MSEK	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets at fair value	444	444	472	472
Financial assets held for trading	6,629	6,629	5,179	5,179
Other assets	3,398	3,398	4,052	4,052
Total	**10,471**	**10,471**	**9,703**	**9,703**
Financial liabilities				
Financial liabilities at fair value	136	136	346	346
Financial liabilities held for trading	19	19	59	59
Financial liabilities at amortized cost	9.590	8,820	10,400	9,461
Total	**9,745**	**8,975**	**10,805**	**9,866**

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

	Oct 31, 2015			Oct 31, 2014		
MSEK	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial assets						
Financial assets at fair value	-	444	444	-	472	472
Financial assets held for trading	3,480	3,149	6,629	3,025	2,154	5,179
Total	**3,480**	**3,593**	**7,073**	**3,025**	**2,626**	**5,651**
Financial liabilities						
Financial liabilities at fair value	-	136	136	-	346	346
Financial liabilities held for trading	-	19	19	-	59	59
Total	**0**	**155**	**155**	**0**	**405**	**405**

The Board of Directors and President hereby assure that this full-year 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, December 16, 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

This full-year report is unaudited.

Traffic data information

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

	Aug–Oct 2015	Aug–Oct 2014	Year-on-year change	Nov–Oct 2014–2015	Nov–Oct 2013–2014	Year-on-year change
Number of passengers (000)	7,535	7,571	-0.5%	26,941	27,061	-0.4%
RPK, Revenue Passenger Kilometers (mill)	8,786	8,688	+1.1%	30,561	30,686	-0.4%
ASK, Available Seat Kilometers (mill)	11,241	11,227	+0.1%	40,877	40,971	-0.2%
Load factor	78.2%	77.4%	+0.8 p.p.	74.8%	74.9%	-0.1 p.p.
Passenger yield (currency-adjusted)	0.96	0.97	-1.5%	1.00	0.96	+4.0%
Unit revenue, PASK (currency-adjusted)	0.75	0.75	-0.5%	0.75	0.72	+3.8%

(p.p.) Percentage point

Total traffic (scheduled and charter traffic) for SAS

	Aug–Oct 2015	Aug–Oct 2014	Year-on-year change	Nov–Oct 2014–2015	Nov–Oct 2013–2014	Year-on-year change
Number of passengers (000)	7,949	7,997	-0.6%	28,094	28,418	-1.1%
RPK, Revenue Passenger Kilometers (mill)	9,911	9,845	+0.7%	33,780	34,594	-2.4%
ASK, Available Seat Kilometers (mill)	12,427	12,465	-0.3%	44,288	45,158	-1.9%
Load factor	79.8%	79.0%	+0.8 p.p	76.3%	76.6%	-0.3 p.p
Unit cost (CASK), total (currency-adjusted)	0.70	0.78	-10.7%	0.79	0.82	-3.6%
Unit cost (CASK) excluding jet fuel (currency-adjusted)	0.56	0.54	+3.5%	0.60	0.58	+3.3%

(p.p.) Percentage point

Scheduled traffic trend for SAS by route sector

	Aug–Oct 2015 vs. Aug–Oct 2014		Nov–Oct 2014–2015 vs. Nov–Oct 2013–2014	
	Traffic (RPK)	Capacity (ASK)	Traffic (RPK)	Capacity (ASK)
Intercontinental	+2.9%	+3.6%	-1.8%	-0.3%
Europe/Intra-Scandinavia	+0.7%	-2.0%	-0.2%	-0.5%
Domestic	-1.1%	+0.1%	+1.5%	+0.5%

Scheduled destinations and frequencies for SAS

	Aug–Oct 2015	Aug–Oct 2014	Year-on-year change	Nov–Oct 2014–2015	Nov–Oct 2013–2014	Year-on-year change
Number of destinations	113	125	-9.6%	119	125	-4.8%
Number of daily departures	867	875	-0.9%	805	807	-0.3%
No. of departures per destination/day	7.7	7.0	+9.6%	6.8	6.5	+4.8%

Productivity

Block hours, average	Aug–Oct 2015	Aug–Oct 2014	Year-on-year change	Nov–Oct 2014–2015	Nov–Oct 2013–2014	Year-on-year change
Aircraft	9.7	9.6	1.3%	8.8	9.0	-1.6%
Cabin crew	833	837	-0.5%	762	762	0.0%
Pilots	773	738	4.7%	688	685	0.4%

Aircraft fleet

The SAS aircraft fleet at October 31, 2015

Aircraft in service under SAS's (SK) own traffic license	Age	Owned	Leased	Total	On purchase order	On lease order
Airbus A330/A340/A350	11.9	7	7	14	10	
Airbus A319/A320/A321	10.7	6	19	25	30	
Boeing 737 NG	12.8	15	69	84		
Total	**12.3**	**28**	**95**	**123**	**40**	**0**

Aircraft in service under a traffic license other than SAS's (SK)	Age	Owned	Wet leasad	Total	On wet lease order
Bombardier CRJ900	6.4	12		12	8
Boeing 737 NG	10.2		1	1	
ATR-72	3.7		13	13	3
SAAB 2000	18.6		3	3	
Total	**6.6**	**12**	**17**	**29**	**11**

Total SAS in-service aircraft fleet	Age	Owned	Leased	Total	Order
Total	**11.2**	**40**	**112**	**152**	**51**

Aircraft to be phased out	Age	Owned	Leased	Total	Leased out	Parked
McDonnell Douglas MD-90 family	18.8	8		8	8	
Bombardier Q400	7.8		1	1	1	
Boeing 717	15.2	3	2	5		5
Total	**16.7**	**11**	**3**	**14**	**9**	**5**

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.

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

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 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 119 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 October 31, 2015

- SAS sold Blue1 to Cityjet. From spring 2016, Cityjet will operate regional jet services on behalf of SAS using eight brand new Bombardier CRJ900s.

Fourth quarter 2014/2015

- SAS signed an agreement with Widerøe for the outsourcing of all line stations in Norway.
- 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 with responsibility for flight operations at SAS.
- Joakim Landholm left his position at SAS as Executive Vice President of Transformation effective August 31, 2015.
- SAS launched three new intercontinental routes: Copenhagen/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 at 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 about 147 flights due to a limited pilot strike in Norway and notice of a conflict in Sweden.
- SAS 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.

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

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 or from: 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 under Investor Relations

For further definitions, refer to the Annual Report, or www.sasgroup.net, under Investor Relations/Financial data/Financial definitions.

Press/Investor Relations

Telephone conference 10.00 a.m., December 16, 2015
Presentation in Copenhagen at 8:30 a.m., December 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 December 16, 2015, at 8:00 a.m.