



# SAS Group

Year-end report November 2012 - October 2013

## SAS reports positive earnings despite increased price pressure

### August - October 2013

- Revenue: MSEK 11,059 (11,412)
- Scandinavian Airlines traffic: up 4.0%
- Scandinavian Airlines passenger revenue adjusted for currency: down 0.3%
- Income before tax and nonrecurring items: MSEK 546 (809)
- EBIT margin: 6.4% (-2.3%)
- Income before tax: MSEK 442 (-561)
- Net income for the period: MSEK 353 (-574)
- Earnings per share: SEK 1.07 (-1.74)
- Cash flow from operating activities: MSEK 510 (1,418)
- The Board proposes that no dividend be paid for the 2012/2013 fiscal year.

### November 2012 - October 2013

- Revenue: MSEK 42,182 (42,419)
- Scandinavian Airlines traffic: up 3.8%
- Scandinavian Airlines passenger revenue adjusted for currency: down 3.4%
- Income before tax and nonrecurring items: MSEK 775 (21)
- EBIT margin: 3.3% (-1.6%)
- Income before tax: MSEK 433 (-3,255)
- Net income for the period: MSEK 179 (-3,010)
- Earnings per share: SEK 0.54 (-9.15)
- Cash flow from operating activities: MSEK 1,028 (1,717)

“SAS reports a positive EBT for the fourth quarter and accumulated for the full year. This was despite intensified competition and weak economic growth in the fourth quarter. As a result of the vigorous measures implemented under the change program, the weaker income trend could be partially offset by lower costs. For the full year, the EBIT margin was 3.3%.

The results are evidence that our established strategy has started to improve our competitiveness. We have increased productivity and the unit cost, excluding jet fuel, fell 5.9% during the year. We have made substantial progress in strengthening our financial position and divested assets with a total value of about SEK 2.8 billion during the year.

Our current focus is on completing the change program to obtain a more flexible cost structure, in parallel with our continued aggressive investment in our offering to the target group – frequent flyers – through measures including the renewal of both the short and long-haul fleets as well as the launch of 43 new routes in 2014,” says Rickard Gustafson, SAS President and CEO.

The weaker conditions are expected to continue and, as usual, due to seasonality, the first quarter of 2013/2014 (November-January), will be extremely weak. Provided that market conditions, in terms of capacity, jet fuel and exchange rates, do not decline any further and that no unexpected events occur, a positive EBT is expected, excluding the positive effect from the amendments to pension terms, in the 2013/2014 fiscal year. This positive effect from the amended pension terms will impact the results for the first quarter. SAS now expects, as an additional consequence of the weaker conditions, that the financial targets expected to be reached in 2014/2015 will not now be reached until 2015/2016.

### Income and key ratios

Key ratios (MSEK)	Aug-Oct	Aug-Oct	Nov-Oct	Nov-Oct
	2013	2012	2012-2013	2011-2012
Revenue	11,059	11,412	42,182	42,419
EBIT margin (target 8%)	6.4%	-2.3%	3.3%	-1.6%
Income before tax and nonrecurring items	546	809	775	21
Income before tax, EBT	442	-561	433	-3,255
Net income for the period	353	-574	179	-3,010
Cash flow from operating activities	510	1,418	1,028	1,717
		<b>Oct 31</b>	Oct 31	Oct 31
		<b>2013</b>	2012	2011
Equity/assets ratio (target >35%)		31%	30%	35%
Financial preparedness (target >20% of fixed costs)		26%	29%	38%
Shareholders' equity per share, SEK		33.70	33.91	43.70

## Comments by the CEO

### August – October 2013

- Income before tax totaled MSEK 442 (-561)
- Lower market growth in parallel with increased competition
- Scandinavian Airlines traffic increased 4%
- The unit cost, excluding jet fuel, fell 3.3%
- Widerøe was sold on September 30
- 10% of ground handling operations was sold on October 31, 2013
- SAS issued a SEK 1.5 billion bond loan
- 43 new routes to be launched in 2014

A weak economic trend and intensified competition in the fourth quarter increased challenges for the entire industry. Despite this, SAS reported a positive EBT for the quarter and for the full year.

We can be proud of the improvement in full-year earnings. However, developments in the fourth quarter underlined the speed at which conditions change in the airline industry. Conditions worsened dramatically in the fourth quarter with a 10% increase in capacity in the Nordic market in conjunction with a continued weak macroeconomic trend. SAS has not been left unscathed, but due to the vigorous measures implemented under the change program, the weaker income trend could be partially offset by lower costs.

For the full year, the EBIT margin was 3.3%. The results are evidence that our established strategy has substantially increased our competitiveness. One of the SAS Group's strategic objectives is to create the requisite operative preconditions, in terms of both costs and flexibility, to be able to increase productivity. During the year, Scandinavian Airlines increased capacity 6% in parallel with a decrease in operating expenses of 7.1%. Unit cost decreased 5.9% and aircraft utilization increased almost 30 minutes per day year-on-year.

In the fourth quarter, SAS took a crucial strategic step towards further increasing the Group's operational flexibility through the sale of 10% of SAS Ground Handling to Swissport. This paves the way for complete outsourcing of SAS ground handling and forwarding services in Scandinavia in the future. Centralization of administration is continuing to plan and the majority of the streamlining measures corresponding to 1,000 full-time equivalents have been completed. Work is continuing and, next year, we will realize further positive effects from the change program.

Our financial position has been strengthened. In September, the sale of Widerøe was completed, which contributed to reducing the Group's financial net debt by SEK 2 billion in parallel with bolstering liquidity. During the year, we have unlocked SEK 2.8 billion through the sale of assets and, in October, the Group's financial preparedness was 26% of our fixed costs and, accordingly, exceeded the target of 20% by a healthy margin. In September, SAS successfully issued a SEK 1.5 billion bond, which underlined the market's increased confidence in SAS.

Through these implemented measures, SAS has created the requisite conditions for aggressive development of the Group's offering to frequent flyers and those who prioritize easier and more time-efficient travel. During the year, we completed an extensive renewal of the aircraft fleet, which comprised the phasing in and out of 46 aircraft. The fourth quarter marked the end of an epoch at SAS, when we phased out our last MD-80. At the start of 2014, the SAS Group's aircraft fleet will be comprised, exclusively, of the new generation of aircraft. We are now entering a period of increased investment in the aircraft fleet on firm orders. In addition, we are modernizing and upgrading the passenger cabins and fully reclining seats will be installed on our intercontinental routes next year. In addition, the route network continues to be developed with more seasonal destinations not least among these developments. SAS plans to launch 43 new routes in 2014. This has been partly enabled through a new wet lease partnership that, primarily, expands our regional network. SAS offers more destinations and more departures than any other Scandinavian airline, which is a key part of our customer promise in the strength of our business model.

The past year has been extremely intense. Through the solid commitment and hard work of all employees, SAS has now delivered, in line with targets, positive earnings for the full year.

Despite the above, we are all aware that the journey toward a long-term profitable SAS has only just begun. In the 2013/2014 fiscal year, the earnings impact from the restructuring program is expected to amount to SEK 1.2 billion. The weaker conditions are expected to continue and, as usual, due to seasonality, the first quarter of 2013/2014 (November-January), will be extremely weak. Provided that market conditions, in terms of capacity, jet fuel and exchange rates, do not decline any further and that no unexpected events occur, a positive EBT is expected, excluding the positive effect from the amendments to pension terms, in the 2013/2014 fiscal year. This positive effect from the amended pension terms will impact the results for the first quarter. SAS now expects, as an additional consequence of the weaker conditions, that the financial targets expected to be reached in 2014/2015 will not now be reached until 2015/2016.

Stockholm, December 19, 2013

Rickard Gustafson  
President and CEO

## Commentary on earnings

### Earnings analysis August - October 2013

On September 30, 2013, the sale of 80% of the shareholding of Widerøe Flyveselskap AS (Widerøe) was completed, which means that Widerøe's earnings are included for the period August to September 2013 (two months). Accordingly, comparison of SAS Group's earnings for the period August to October with the year-earlier period was affected by the non-inclusion of Widerøe's earnings for October.

The SAS Group's operating income was MSEK 703 (-258) and income before tax and nonrecurring items totaled MSEK 546 (809). Income before tax amounted to MSEK 442 (-561) and income after tax was MSEK 353 (-574).

The exchange-rate trend had a negative impact on revenue of MSEK 179 and on operating income of MSEK 156 compared with the corresponding year-earlier period. Due to the SAS Group's weak financial position in the preceding year, exchange-rate hedging was performed to a lesser extent than normal and, accordingly, exchange-rate exposure increased over the past year.

The Group's revenue amounted to MSEK 11,059 (11,412). In October 2012, revenue adjusted for currency effects at Widerøe totaled MSEK 327. Adjusted for currency effects and Widerøe, revenue rose 1.4% year-on-year. The increase was primarily attributable to the item other traffic revenue. At Scandinavian Airlines, the number of passengers increased 0.8%, capacity (ASK) rose 6.7% and the load factor declined 1.9 p.p. year-on-year. The currency-adjusted yield declined 4.1% and the currency-adjusted unit revenue (RASK) declined 5.8% compared with the year-earlier period.

The Group's total operating expenses amounted to MSEK -10,356 (-11,670). In October 2012, operating expenses adjusted for currency effects at Widerøe totaled MSEK 307.

Payroll expenses amounted to MSEK -2,716 (-3,835), which included restructuring costs of MSEK -3 (-914). Payroll expenses after adjustment for restructuring costs and Widerøe declined about 1.5% year-on-year.

Expenses for jet fuel amounted to MSEK -2,502 (-2,465), up MSEK 37 due to reasons including hedging effects and prices of MSEK -39, increased volume of MSEK -38 and currency effects of MSEK 48 resulting from a stronger SEK/USD exchange rate compared with the year-earlier period. Expenses for jet fuel in October included purchases for Widerøe of MSEK 42 for which there is a corresponding income item.

Other operating expenses excluding fuel costs amounted to MSEK -4,182 (-4,462). Adjusted for nonrecurring items, Widerøe and currency effects, other operating expenses increased 0.9% year-on-year, which was attributable to increased capacity, higher maintenance costs for engines and phase-out costs for aircraft. The unit cost for Scandinavian Airlines (CASK), excluding jet fuel, was 3.3% lower year-on-year.

The Group's net financial items totaled MSEK -261 (-303), of which net interest expense accounted for MSEK -204 (-212).

Total nonrecurring items amounted to MSEK -104 (-1,370) and comprised restructuring costs, capital gains/losses and other nonrecurring items. Restructuring costs totaled MSEK -3 (-1,233) MSEK, of which MSEK -3 (-914) pertained to payroll expenses and MSEK 0 (-319) to other expenses. Capital losses amounted to MSEK -101 (-57) and pertained to aircraft transactions of MSEK -32 (-124), an adjusted capital loss on the disposal of Widerøe of MSEK -67 (0), a capital gain on buildings of MSEK 0 (3) and other capital losses of MSEK -2 (gain: 64).

### Earnings analysis November 2012 - October 2013

On September 30, 2013, the sale of 80% of the shareholding of Widerøe Flyveselskap AS (Widerøe) was completed, which means that Widerøe's earnings are included for the period November 2012 to September 2013 (11 months). Accordingly, comparison of SAS Group's earnings for the period November 2012 to October 2013 with the corresponding year-earlier period was affected by the non-inclusion of Widerøe's earnings for October.

The SAS Group's operating income was MSEK 1,381 (-660) and income before tax and nonrecurring items totaled MSEK 775 (21). Income before tax amounted to MSEK 433 (-3,255) and income after tax was MSEK 179 (-3,010). The tax expense totaled MSEK -254 (245), which included a tax expense due to the changed tax rate in Sweden from 26.3% to 22%, which resulted in a reduction in deferred tax assets linked to loss carryforwards. Earnings were also charged with capital losses that arose in conjunction with stock transfers, which were non-tax-deductible.

The exchange-rate trend had a negative impact on revenue of MSEK 1,027 and on operating income of MSEK 212 compared with the corresponding year-earlier period. Due to the SAS Group's weak financial position in the preceding year, exchange-rate hedging was performed to a lesser extent than normal and, accordingly, exchange-rate exposure increased over the past year.

The Group's revenue amounted to MSEK 42,182 (42,419). Adjusted for currency effects and Widerøe, revenue rose about 2.7% year-on-year. The increase was mainly attributable to passenger revenue, which adjusted for currency effects, rose 4.0%. At Scandinavian Airlines, the number of passengers increased 0.1%, capacity (ASK) rose 6.0% and the load factor declined 1.5 p.p. year-on-year. The currency-adjusted yield declined 0.4% and the currency-adjusted unit revenue (RASK) declined 3.2% compared with the year-earlier period.

The Group's total operating expenses amounted to MSEK -40,801 (-43,079).

Payroll expenses amounted to MSEK -11,451 (-13,635), which included restructuring costs of MSEK -40 (-1,021) and a positive effect of MSEK 450 (225) pertaining to pension costs, due to, among other items, changed terms for early retirement pensions. This reduced the pension liability and generated a corresponding positive effect in the statement of income. Payroll expenses adjusted for restructuring costs, Widerøe and the positive effect of pension terms, declined approximately 4.5% year-on-year.

Expenses for jet fuel amounted to MSEK -9,046 (-9,339), down MSEK 293 due to reasons including hedging effects of MSEK -133, a lower fuel price of MSEK 274, increased volume of MSEK -122 and currency effects of MSEK 289 resulting from a stronger SEK/USD exchange rate compared with the year-earlier period. Expenses for jet fuel in October included purchases for Widerøe of MSEK 42 for which there is a corresponding income item.

Other operating expenses excluding fuel costs amounted to MSEK -16,396 (-16,955). Adjusted for nonrecurring items, Widerøe and currency effects, other operating expenses increased 2.0% year-on-year, which was attributable to increased capacity, higher maintenance costs for engines and phase-out costs for aircraft. The unit cost for Scandinavian Airlines (CASK), excluding jet fuel, was 5.9% lower year-on-year.

Income from sale of shares in subsidiaries, affiliated companies and operations totaling MSEK -371 (400) was primarily attributable to a capital loss from the sale of 80% of Widerøe, which amounted to MSEK -367 (0). Income in the corresponding year-earlier period pertained to property transactions and the sale of Flybussen AS. Income from other securities holdings totaled MSEK 1 (-1,477). The corresponding year-earlier period included expenses related to the impairment of loans and leasing receivables to Spanair in the amount of MSEK -1,482, which was attributable to Spanair's bankruptcy in early 2012.

The Group's net financial items totaled MSEK -949 (-1,118), of which the net interest expense accounted for MSEK -773 (-889).

Total nonrecurring items amounted to MSEK -342 (-3,276) and comprised restructuring costs, capital gains/losses and other nonrecurring items. Impairments totaled MSEK 0 (-1,482), which in the corresponding year-earlier period related to the impairment of loans to and leasing receivables from Spanair. Restructuring costs amounted to MSEK 146 (-1,535), of which MSEK -40 (-1,021) pertained to payroll expenses, MSEK 186 (-400) the reversal of previous restructuring costs pertaining to properties and MSEK 0 (-114) to other expenses. Capital losses amounted to MSEK -488 (gain: 129) and pertained to the capital loss of MSEK -367 (0) on the divestment of the 80% holding in Widerøe, aircraft transactions of MSEK -118 (-280), property transactions of MSEK 0 (343) and other capital losses of MSEK -3 (gain: 66). Other nonrecurring items totaled MSEK 0 (-388), which in the year-earlier period pertained to a provision of MSEK -249 due to Spanair's bankruptcy in early 2012, from an out of court settlement pertaining to a legal dispute in Cargo in an amount of MSEK -59, a provision of MSEK -30 for the renegotiation of suppliers' agreements and financial expenses arising from renegotiation of the credit facility in an amount of MSEK -50.

## Earnings analysis Scandinavian Airlines

(MSEK)	Aug-Oct	Aug-Oct	Nov-Oct	Nov-Oct
	2013	2012	2012-2013	2011-2012
Passenger revenue	7,823	7,948	28,907	28,668
Other revenue	2,585	2,576	9,992	10,340
Revenue	10,407	10,524	38,899	39,007
Operating income, EBIT	711	-303	1,714	-1,037
EBIT margin	6.8%	-2.9%	4.4%	-2.7%

The improvement in earnings for Scandinavian Airlines was principally attributable to the recognition of substantial restructuring costs in conjunction with the launch of the 4XNG strategic plan in earnings for the preceding year. The unit cost for Scandinavian Airlines, excluding jet fuel, declined 3.3% in the fourth quarter compared with the year-earlier period, which was largely the result of reduced payroll expenses.

## Earnings analysis Widerøe

(MSEK)	Aug-Sep	Aug-Oct	Nov-Sep	Nov-Oct
	2013	2012	2012-2013	2011-2012
Passenger revenue	543	798	2,832	2,932
Other revenue	171	214	871	990
Revenue	715	1,012	3,703	3,922
Operating income, EBIT	82	67	214	285
EBIT margin	11.4%	6.6%	5.8%	7.3%

On September 30, 2013, the sale of 80% of the shareholding in Widerøe Flyveselskap AS (Widerøe) was completed, which means that Widerøe's earnings are included up to and including September.

Total revenue during the period August to September increased 11% year-on-year. The increase in revenue was driven by higher yields on public procurement routes due to substantial demand.

## Seasonal variations

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

Seasonal fluctuations in demand impact cash flow and earnings differently since passenger revenue is recognized when SAS or another airline carries out the actual transportation, which results in revenue generally increasing during months in which more passengers are transported. Since a substantial share of an airline's costs is fixed, earnings are impacted by fluctuations in revenue levels.

Seasonal variations indicate that the third and fourth quarters (May to July and August to October) are seasonally the strongest quarters in terms of earnings. Cash flow from operating activities is seasonally negative in the third quarter but positive in the fourth quarter.

## Financial position

– Financial preparedness of 26%

At October 31, 2013, the SAS Group's cash and cash equivalents amounted to MSEK 4,751 (2,789). The SAS Group also had unutilized credit facilities amounting to MSEK 1,986 (5,266). Financial preparedness amounted to 26% (29%) of the Group's fixed costs.

The SAS Group's interest-bearing liabilities increased MSEK 623 compared with October 31, 2012 and amounted to MSEK 11,510 on the closing date. New loans raised during the year amounted to MSEK 3,115 and repayments amounted to MSEK 1,580. In addition, the Group's interest-bearing liabilities decreased by almost MSEK 700 due to the sale of Widerøe.

In July, SAS issued a private debt placement of MEUR 35 under the EMTN bond program and, in September, a MSEK 1,500 bond loan that matures in November 2017. Other new loans pertained primarily to aircraft financing. SAS is investigating the conditions for strengthening the company's capital base through measures, such as, the issue of preference shares or convertible debentures, or through the issue of similar hybrid capital instruments.

At October 31, 2013, the value of the debt and equity share (conversion option and repurchase right) relating to the convertible bond was set at MSEK 1,536 and MSEK 64 respectively. At the date of issue, these amounts were MSEK 1,374 and MSEK 226, respectively. The value of the equity share was included in shareholders' equity, following a deduction for deferred tax.

During the year, financial net debt decreased MSEK 1,982 to MSEK 4,567 on the closing date. This was primarily due to the sale of Widerøe and funds generated from operations.

As planned, the credit facility of SEK 3.5 billion was amortized in conjunction with the sale of various assets and, at October 31, 2013, totaled SEK 1.8 billion.

At October 31, 2013, the adjusted equity/assets ratio amounted to 23% (24%). The adjusted debt/equity ratio amounted to 1.49 (1.54). The adjusted ratios take into account leasing costs.

## Description of events after October 31, 2013

- In November, the SAS Group's balance sheet and statement of income will be affected as follows by the implementation of new pension terms, the reversal of deferred tax liabilities related to pensions, the accounting for special employer's contributions as part of the Alecta and Euroben plans, and the implementation of the revised IAS 19. The above will negatively impact the Group's shareholders' equity in an amount of about SEK 7 billion:
  - ✓ Pension commitments will be reduced by about SEK 12.9 billion
  - ✓ Plan assets will be reduced by about SEK 10.7 billion
  - ✓ Actuarial gains and losses will be impaired by about SEK 10.3 billion
  - ✓ Deferred tax liabilities will be reduced by about SEK 1.2 billion
  - ✓ An improvement in the statement of income (payroll expenses) of SEK 1 billion.

*For the balance sheet - refer to page 9*

## Cash-flow statement

*– The SAS Group's cash flow from operating activities totaled MSEK 1,028 for the November 2012 – October 2013 period*

Cash flow from operations before changes in working capital was MSEK 1,806 for the fiscal year. As expected, the fourth quarter made a strong contribution of MSEK 921.

Items not included in accumulated cash flow were primarily MSEK -450 for changed terms for early retirement pensions and MSEK -186, which was a reversal of the restructuring reserve. The comparative period contained a reversal of the MSEK 1,731 provision for the bankruptcy of Spanair and a provision for restructuring costs of MSEK 1,221.

The negative change in working capital was mainly due to a decrease in operating liabilities, primarily from reduced provisions.

Cash flow from operating activities for the full year amounted to MSEK 1,028 (1,717).

Investments amounted to MSEK 1,877 (1,814), of which MSEK 711 pertained to aircraft, MSEK 189 to capitalized expenditures for engine maintenance, MSEK 158 to aircraft modifications, MSEK 257 to spare parts, MSEK 287 to other ongoing investments that are largely attributable to aircraft as well as MSEK 97 as an advance payment to Airbus, MSEK 124 for capitalized system development costs and MSEK 54 for shares. Aircraft investments comprised eight MD82s and four Boeing 717s that were previously on operational leases to Scandinavian Airlines as well as one Q300 acquired by Widerøe that was previously under an operational lease as well as two Airbus A320s.

In November, a purchase consideration of MSEK 60 was received from the sale of the Flybussen airport coach operation in Oslo. In September, 80% of the shares in Widerøe Flyveselskap were sold, which impacted Group cash and cash equivalents by MSEK 207.

In March, spare engines were sold, which generated MSEK 738 and, in July, the sale and leaseback of six Boeing 737-600s was carried out at a sale price of just over MSEK 500. In addition, nine MD82s and three Q400s were sold during the period.

Accumulated cash flow before financing activities amounted to MSEK 795 (584) and financing activities generated MSEK 1,171 (-2,604).

Cash flow was positive at MSEK 1,966 (-2,020) for the full year. The year-on-year improvement was mainly attributable to a significantly more positive net impact from new loans and amortization on the year's cash flow than in the year-earlier period.

Cash and cash equivalents amounted to MSEK 4,751 according to the balance sheet, compared with MSEK 2,789 at October 31, 2012.

*For the cash-flow statement - refer to page 10*

## 4Excellence Next Generation

In November 2012, a change program entitled 4Excellence Next Generation (4XNG) was launched with the aim of addressing the decisive structural and financial limitations in the SAS Group's operations.

The plan encompasses a number of structural streamlining measures and the divestment of assets to reduce the dependence on credit facilities. Overall, the aim is to implement cost reductions of about SEK 3 billion in the 2013/2015 period, to reduce the impact on shareholders' equity of changed reporting requirements for pensions by about SEK 3 billion, and to divest assets and implement a funding plan comprising a total of approximately SEK 3 billion.

### Streamlining measures and status of the change program:

#### **New collective agreements with salary and employment terms at market rates**

New agreements were signed in November 2012 that pave the way for significant enhancements in planning and scheduling efficiency. The new employment terms were fully implemented in the spring of 2013 and resulted in a productivity increase in excess of 7% for the full year. These new agreements allow the possibility of using wet leases to create additional flexibility and balance to counter seasonal variations in resource utilization. During the spring, a procurement was conducted and an agreement signed with JetTime for the wet lease of four ATR72-600s. The first of these aircraft was delivered in October 2013 and will be used for domestic traffic in Denmark. In total, savings generated by the new agreements are expected to amount to about MSEK 700 and reach their full effect in the 2013/2014 fiscal year.

#### **New pension terms**

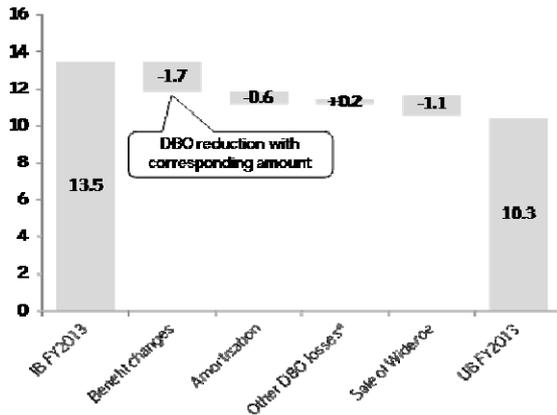
In November 2012, new collective agreements were signed with flight crew in Scandinavia. Among other things, the new agreements mean that the defined-benefit pension plans have, largely, been replaced with defined-contribution pension plans in 2013. The new pension agreements have been implemented in Sweden and Denmark, and will be implemented in Norway in December 2013. These changes were not included in pension commitments as of October 31, 2013. When the above changes are reported in the first quarter of 2013/2014, the pension commitment will be reduced by about SEK 12.9 billion. In addition, the change in terms will give rise to an improvement in earnings of SEK 1 billion.

Annual savings generated by the new pension terms are expected to amount to about MSEK 500 and reach their full effect in the 2013/2014 fiscal year.

In addition to the transition to defined-contribution pension plans, other measures include the removal of early retirement and part-time pensions, pensionable income has been lowered and the retirement age for cabin crew under the Alecta plan raised from 60 to 65. These changes have brought about an improvement earnings of MSEK 450 in the 2012/2013 fiscal year and reduced pension commitments and actuarial gains and losses by about SEK 1.7 billion. In addition, the sale of 80% of Widerøe in September 2013 further reduced pension commitments by about SEK 2.8 billion and actuarial gains and losses by about SEK 1.1 billion.

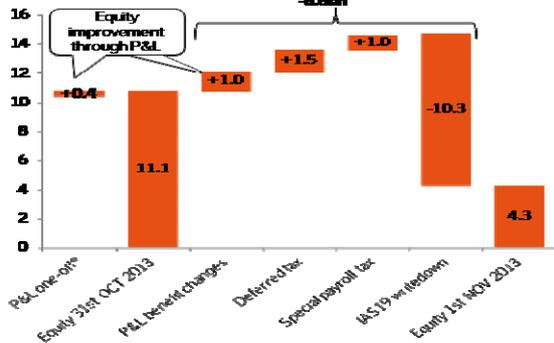
At October 31, 2012, pension commitments totaled SEK 33.5 billion. In the 2012/2013 fiscal year, pension commitments were reduced by about SEK 5 billion and following recognition of the transition to defined-contribution pension plans, the total reduction will be about SEK 18 billion. Since some employees already have early retirement and part-time pensions in place, this commitment will decrease over the next five years and, at the end of the 2017/2018 fiscal year, pension commitments are therefore expected to amount to approximately SEK 14 billion, which means a reduction of about SEK 19.5 billion, or about 60% of the original pension commitments.

### Unrecognized items – SEK billion



At October 31, 2013, the SAS Group's shareholders' equity totaled SEK 11.1 billion. Proforma, at November 1, 2013, SAS calculates that shareholders' equity amounts to SEK 4.3 billion, which means a reduction of about SEK 7 billion.

### Proforma Equity – SEK billion



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The reversal of deferred tax liabilities related to pensions will be performed in the first quarter of 2013/2014, which means that the temporary difference between the accounting and tax values will disappear. This will have a positive impact on shareholders' equity of about SEK 1.5 billion.

The remaining pension plans in Sweden (the Alecta plan and Euroben) reported a surplus of about SEK 5 billion as of October 31, 2013. This surplus may benefit SAS in the form of future reductions in premiums and, accordingly, special employer's contributions will be recognized for the surplus. This results in a net increase in pension funds of about SEK 1.2 billion, deferred tax liabilities of about SEK 0.2 billion and shareholders' equity of about SEK 1 billion.

### Centralization and enhancement of administration efficiency

The actions entail a reduction in and centralization of administration to Stockholm. In total, the number of employees will be reduced by about 1,000 full-time equivalents, the main part of this reduction was implemented in the 2012/2013 fiscal year. The process is proceeding according to plan and, as of the fourth quarter, 75% of these cutbacks were implemented. Following full implementation, the annual reduction in costs will amount to about MSEK 750.

### IT restructuring

The aim of IT restructuring is to halve the IT expenses of the SAS Group by 2016. A procurement of IT services was completed in the second quarter and a five-year agreement was signed with Tata Consultancy Services (TCS) for operational, administrative and development services. In addition, SAS signed an agreement to outsource SAS revenue management systems. Together, these measures have a combined increase in cost-efficiency of about MSEK 550. The transition from the previous IT supplier has started and is proceeding as planned.

### Commercial & Sales

The SAS sales organization is undergoing restructuring and centralization. In addition, network efficiency is being enhanced through better utilization of existing resources, including aircraft utilization and supplemented with wet-lease operations with smaller aircraft. New commercial concepts with simplified logistics have also been introduced. During the second quarter, an agreement was signed with Sykes to expand the collaboration, thus allowing Sykes to manage more parts of the call-center operation. This agreement and the internal reorganization will affect about 420 persons within the SAS Group's call-center operation. The transfer of this operation is proceeding as planned and will be completed in December 2013. Savings in Commercial & Sales will amount to a total of about MSEK 500.

In total, the 4XNG plan is expected to deliver a planned earnings effect before tax of approximately SEK 3 billion.

### Divestment of assets and funding plan:

- Widerøe – 80% of the SAS Group's shareholding in Widerøe Flyveselskap AS was sold on September 30, 2013. SAS intends to divest its entire holding in 2016. As part of the transaction, SAS sold seven Bombardier Q400 aircraft to Widerøe, which were previously leased by Widerøe from SAS. The loans related to these aircraft were transferred to Widerøe.

SAS received about SEK 2 billion in conjunction with the sale of Widerøe, including aircraft transactions. The total value of these various transactions may amount to SEK 2.3 billion with full divestment of the shares in 2016.

- Aircraft engines – A sale and leaseback agreement was entered into in February with a liquidity effect of slightly more than MSEK 700.
- Aircraft financing – Additional refinancing has been carried out for a number of aircraft, which had a combined effect on liquidity of about SEK 1 billion.
- Properties – The process of selling the remaining airport-related properties is under way.

SAS has completed the sale of assets with a corresponding effect on liquidity of about SEK 2.8 billion. In addition, SAS has issued a SEK 1.5 billion bond loan and a private debt placement of MEUR 35 under the EMTN bond program that further strengthened liquidity.

### Outsourcing of SAS Ground Handling

The outsourcing of Ground Handling is a long-term strategic measure aimed at achieving higher flexibility in the cost base and reducing the level of dependency on external revenue in parallel with providing enhanced conditions for Ground Handling's operations to grow. In March 2013, a letter of intent was signed with Swissport regarding the outsourcing of operations. As a first stage, 10% of Ground Handling was sold to Swissport in the fourth quarter of 2013. The parties have agreed to pause negotiations until Swissport has concluded the acquisition and integration of Servisair (with the prerequisite that the acquisition is approved).

It is extremely important that the transfer to Swissport is carried out with minimal impact on quality and customer service. Quality and stability are more important than rapid implementation, since the financial impact of the transaction is limited.

## Risks and uncertainties

The SAS Group works strategically to refine and improve its risk management. Risk management includes identifying both new risks and known risks, such as changes in oil 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 in the SAS Group, refer to the most recently published annual report.

### Currency and fuel hedging

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

The policy for jet-fuel hedging states that fuel should be hedged at an interval of 40-80% of anticipated volumes for the coming 12 months. At October 31, 2013, the hedging ratio was 52% for the coming 12 months. At October 31, 2013, the market value of the hedges (excluding the time value) was MUSD 5. Hedging is performed using options and swaps, with strong emphasis on the next two quarters in 2013/2014. Under current plans for available flight capacity, the cost of fuel during forthcoming fiscal years is expected to be in line with the table below, taking into account different prices and USD rates.

For foreign currencies, the policy is to hedge 40-80%. At October 31, 2013, the SAS Group had hedged 46% of its anticipated USD deficit for the next 12 months. The SAS Group has hedged its USD deficit using a combination of forward contracts and options.

#### Hedging of jet fuel

	Nov-Jan 2013-2014	Feb-Apr 2014	May-July 2014	Aug-Oct 2014
Hedging of jet fuel	100%	80%	20%	7%

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

Market price	Exchange rate SEK/USD			
	5.00	6.00	7.00	8.00
600 USD/tonne	4.8	5.7	6.7	7.6
800 USD/tonne	5.7	6.8	7.9	9.1
USD 1,000/tonne	6.6	7.9	9.2	10.5
USD 1,200/tonne	7.2	8.7	10.1	11.6
USD 1,400/tonne	7.9	9.4	11.0	12.6

The SAS Group's current hedging contracts for jet fuel at October 31, 2013 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). SAS, which appealed the European Commission's decision, contests its responsibility in all of these legal processes. Further lawsuits by cargo customers cannot be ruled out and no provisions have been made.

In June 2013, the European Commission and the EFTA Surveillance Authority decided to initiate a detailed investigation of whether or not the three State shareholders' participation in the renewal of the SAS Group's revolving credit facility (RCF) in November/December 2012 comprised a government subsidy.

## Full-year 2013/2014

Market conditions continue to be challenging with overcapacity in many of the Group's markets and, accordingly, the yield and PASK (total passenger revenue/total ASK) is expected to decline in 2013/2014. The restructuring program is gradually increasing the Group's competitiveness. In the 2013/2014 fiscal year, the earnings impact from the restructuring program is expected to amount to SEK 1.2 billion. Provided that market conditions, in terms of capacity, jet fuel and exchange rates, do not decline any further and that no unexpected events occur, potential exists to post a positive EBT, excluding the positive effect from the amendments to pension reporting, also in the 2013/2014 fiscal year. As usual, however, due to seasonality, the first quarter of 2014 (November-January), will be extremely weak, but will be positively impacted by the changes to pension reporting.

### Financial targets

In conjunction with the launch of the change program in November 2012, SAS decided to set new financial targets. These targets should reflect an operation that has cut its fixed costs and improved its profitability and cash flow. In the fourth quarter of 2012/2013, the market was characterized by reduced growth and significantly increased capacity in parallel with a decline in the NOK against the SEK. These conditions are expected to continue and, accordingly, SAS expects that the financial targets that were originally intended to be reached in 2014/2015 will now not be reached until 2015/2016.

SAS Group's financial targets:

*Profitability:* Operating margin, (EBIT) >8%.

*Equity/assets ratio:* >35%.

*Financial preparedness:* Cash and cash equivalents and unutilized credit facilities/fixed costs to exceed 20%.

# SAS Group

## Statement of income including statement of other comprehensive income

(MSEK)	Aug-Oct 2013	Aug-Oct 2012	Nov-Oct 2012-2013	Nov-Oct 2011-2012
Revenue	11,059	11,412	42,182	42,419
Payroll expenses <sup>1</sup>	-2,716	-3,835	-11,451	-13,635
Other operating expenses <sup>2</sup>	-6,684	-6,927	-25,442	-26,294
Leasing costs for aircraft <sup>3</sup>	-486	-436	-1,786	-1,618
Depreciation and impairment	-388	-432	-1,658	-1,689
Share of income of affiliated companies	19	17	25	28
Income from sale of shares in subsidiaries, affiliated companies and operations	-69	64	-371	400
Income from the sale of aircraft and buildings	-32	-121	-118	-271
<b>Operating income</b>	<b>703</b>	<b>-258</b>	<b>1,381</b>	<b>-660</b>
Income from other securities holdings	0	0	1	-1,477
Financial revenue	18	7	50	132
Financial expenses	-279	-310	-999	-1,250
<b>Income before tax</b>	<b>442</b>	<b>-561</b>	<b>433</b>	<b>-3,255</b>
Tax	-89	-13	-254	245
<b>Net income for the period</b>	<b>353</b>	<b>-574</b>	<b>179</b>	<b>-3,010</b>
Other comprehensive income:				
Items that may be reversed to the income statement later:				
Exchange-rate differences in translation of foreign operations	-58	108	-262	-64
Cash-flow hedging – hedging reserve	-102	-175	-23	-139
Change in holdings in subsidiaries	1	-	1	-
Net investment hedge	13	-89	38	7
Total other comprehensive income for the year, net after tax	-146	-156	-246	-196
Total comprehensive income	207	-730	-67	-3,206
Net income for the period attributable to:				
Parent Company shareholders	352	-574	178	-3,010
Non-controlling interests	1	0	1	0
Earnings per share (SEK) <sup>4</sup>	1.07	-1.74	0.54	-9.15
Earnings per share after dilution	1.03	-1.74	0.54	-9.15

1 Includes restructuring costs of MSEK 3 (914) during the period August-October and MSEK 40 (1,021) during the period November-October.

2 Includes restructuring costs of MSEK - (280) during the period August-October and MSEK -186 (468) during the period November-October.

3 Includes restructuring costs of MSEK - (39) during the period August-October and MSEK - (46) during the period November-October.

4 Earnings per share is based on 329,000,000 (329,000,000) shares outstanding.

The SAS Group has no option or share programs. The convertible bond totaling MSEK 1,600 comprising 34,408,602 shares only entails a dilution effect in the period August-October 2013. During other periods, the interest per ordinary share that can be obtained on conversion exceeds the earnings per share before the dilution effect.

## Income before tax and nonrecurring items

(MSEK)	Aug-Oct 2013	Aug-Oct 2012	Nov-Oct 2012-2013	Nov-Oct 2011-2012
Income before tax	442	-561	433	-3,255
Impairment losses <sup>1</sup>	0	0	0	1,482
Restructuring costs	3	1,233	-146	1,535
Capital gains/losses	101	57	488	-129
Other nonrecurring items <sup>2</sup>	0	80	0	388
<b>Income before tax and nonrecurring items</b>	<b>546</b>	<b>809</b>	<b>775</b>	<b>21</b>

1 Includes an impairment of receivables to Spanair of MSEK -1,482 for the first quarter of 2011-2012.

2 Includes a provision pertaining to Spanair of MSEK -249, a legal settlement relating to Cargo of MSEK -51 for the first quarter of 2011-2012, a legal settlement relating to Cargo of MSEK -8 for the second quarter of 2012, a provision for renegotiation of suppliers' agreements of MSEK -30 and financial expenses from the renegotiation of the credit facility of MSEK -50 in the fourth quarter of 2012.

## Condensed balance sheet

(MSEK)	Oct 31 2013	Oct 31 2012	Oct 31 2011
Intangible assets	1,802	1,922	1,653
Tangible fixed assets	9,677	13,343	14,086
Financial fixed assets	15,936	14,427	15,032
<b>Total fixed assets</b>	<b>27,415</b>	<b>29,692</b>	<b>30,771</b>
Other current assets	361	687	634
Current receivables	3,101	3,586	4,695
Cash and cash equivalents <sup>3</sup>	4,751	2,789	4,811
<b>Total current assets</b>	<b>8,213</b>	<b>7,062</b>	<b>10,140</b>
<b>Total assets</b>	<b>35,628</b>	<b>36,754</b>	<b>40,911</b>
Shareholders' equity <sup>1</sup>	11,103	11,156	14,376
Long-term liabilities	11,111	12,111	13,363
Current liabilities	13,414	13,487	13,172
<b>Total shareholders' equity and liabilities</b>	<b>35,628</b>	<b>36,754</b>	<b>40,911</b>
Shareholders' equity per share <sup>2</sup>	33.70	33.91	43.70
Interest-bearing assets	19,450	16,570	19,317
Interest-bearing liabilities	11,510	10,887	12,438

1 Including non-controlling interests.

2 Calculated on 329,000,000 shares outstanding.

The SAS Group has not carried out any buyback programs.

3 At October 31, 2013, including receivables from other financial institutes, MSEK 766 (118).

## Specification of financial net debt, October 31, 2013

	According to balance sheet	Of which financial net debt
Financial fixed assets	15,936	1,917
Current receivables	3,101	275
Cash and cash equivalents	4,751	4,751
Long-term liabilities	11,111	8,762
Current liabilities	13,414	2,748
Financial net debt		4,567

## 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 shareholders' equity attributable to Parent Company shareholders	Non- controlling interests	Total shareholders' equity
Opening shareholders' equity in accordance with approved balance sheet, November 1, 2011	6,613	337	127	100	7,199	14,376	-	14,376
Comprehensive income			-139	-71	-3,010	-3,220		-3,220
Closing balance, October 31, 2012	6,613	337	-12	29	4,189	11,156	-	11,156
Change in holdings in subsidiaries					-15	-15	15	-
Comprehensive income			-23	-209	178	-54	1	-53
<b>Closing balance, October 31, 2013</b>	<b>6,613</b>	<b>337</b>	<b>-35</b>	<b>-180</b>	<b>4,352</b>	<b>11,087</b>	<b>16</b>	<b>11,103</b>

1 Number of shares in SAS AB: 329,000,000, with a quotient value of 20.1.

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

3 No dividends were paid in 2011 and 2012.

## Financial key ratios

	Oct 31 2013	Oct 31 2012	Oct 31 2012
CFROI, 12-month rolling	19%	9%	17%
Financial preparedness (target >20% of fixed costs)	26%	29%	38%
Equity/assets ratio (target >35%)	31%	30%	35%
Adjusted equity/assets ratio	23%	24%	29%
Financial net debt, MSEK	4,567	6,549	4,143
Debt/equity ratio	0.41	0.59	0.29
Adjusted debt/equity ratio	1.49	1.54	0.93
Interest coverage ratio	1.4	-1.6	0.5

## Condensed cash-flow statement

(MSEK)	Aug-Oct 2013	Aug-Oct 2012	Nov-Oct 2012-2013	Nov-Oct 2011-2012
Income before tax	442	-561	433	-3,255
Depreciation and impairment	388	432	1,658	1,689
Income from sale of aircraft, buildings and shares	101	57	488	-129
Adjustment for other items not included in the cash flow, etc.	-10	1,242	-772	2,926
Tax paid	0	0	-1	2
<b>Cash flow from operations before change in working capital</b>	<b>921</b>	<b>1,170</b>	<b>1,806</b>	<b>1,233</b>
Change in working capital	-411	248	-778	484
<b>Cash flow from operating activities</b>	<b>510</b>	<b>1,418</b>	<b>1,028</b>	<b>1,717</b>
Investments including advance payments to aircraft manufacturers	-690	-388	-1,877	-1,814
Acquisition of subsidiaries	0	0	0	-1,322
Sales of subsidiaries and operations	207	-2	267	1,761
Sales of fixed assets, etc.	102	258	1,377	242
<b>Cash flow before financing activities</b>	<b>129</b>	<b>1,286</b>	<b>795</b>	<b>584</b>
External financing, net	1,384	-792	1,171	-2,604
<b>Cash flow for the period</b>	<b>1,513</b>	<b>494</b>	<b>1,966</b>	<b>-2,020</b>
Translation difference in cash and cash equivalents	-2	2	-4	-2
Cash and cash equivalents transferred from assets held for sale	214	0	0	0
<b>Change in cash and cash equivalents according to the balance sheet</b>	<b>1,725</b>	<b>496</b>	<b>1,962</b>	<b>-2,022</b>

## SAS Group's investments

(MSEK)	Aug-Oct 2013	Aug-Oct 2012	Nov-Oct 2012-2013	Nov-Oct 2011-2012
Scandinavian Airlines	522	313	1,449	1,448
Other operations and eliminations	168	75	428	366
<b>SAS Group</b>	<b>690</b>	<b>388</b>	<b>1,877</b>	<b>1,814</b>

## Parent Company SAS AB

Income before appropriations and tax for the full year amounted to MSEK -1,117 (-2,634). During the year, the sale of 80% of the shareholding in Widerøe was completed with a negative impact on earnings of MSEK -909. The corresponding year-earlier period included impairments of MSEK 894 for participations in OY Nordair Ab and an impairment of MSEK 1,395 for loans to Spanair.

The number of shareholders in SAS AB amounted to 61,383 at October 31, 2013. The average number of employees in SAS AB amounted to 35 (44).

## Condensed statement of income

(MSEK)	Nov-Oct 2012-2013	Nov-Oct 2011-2012
Revenue	20	20
Payroll expenses	-90	-119
Other operating expenses	-85	-269
<b>Operating income before depreciation</b>	<b>-155</b>	<b>-368</b>
Depreciation	0	0
<b>Operating income</b>	<b>-155</b>	<b>-368</b>
Income from participations in Group companies	-938	-867
Income from other securities holdings	0	-1,390
Net financial items	-24	-9
<b>Income before appropriations and tax</b>	<b>-1,117</b>	<b>-2,634</b>
Appropriations	3	20
Tax	-42	82
<b>Net income for the period</b>	<b>-1,156</b>	<b>-2,532</b>
Net income for the period attributable to: Parent Company shareholders	-1,156	-2,532

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

## Condensed balance sheet

(MSEK)	Oct 31 2013	Oct 31 2012	Oct 31 2011
Financial fixed assets	5,984	6,351	7,702
Other current assets	7,099	7,079	9,829
Cash and cash equivalents	1	0	0
<b>Total assets</b>	<b>13,084</b>	<b>13,430</b>	<b>17,531</b>
Shareholders' equity	9,475	10,631	13,212
Long-term liabilities	3,478	2,577	4,289
Current liabilities	131	222	30
<b>Total shareholders' equity and liabilities</b>	<b>13,084</b>	<b>13,430</b>	<b>17,531</b>

## Changes in shareholders' equity

(MSEK)	Share capital	Restricted reserves	Unrestricted equity	Total equity
Opening balance, Nov 1, 2012	6,613	473	3,545	10,631
Net income for the period			-1,156	-1,156
Shareholders' equity, October 31, 2013	6,613	473	2,389	9,475

## 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.

A number of amendments of standards, new interpretations and new standards took effect for fiscal years beginning November 1, 2012 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 2012.

SAS signed an agreement in early May pertaining to the sale of 80% of Widerøe Flyveselskap AS and, accordingly, the company's balance sheet was reclassified to fixed assets held for sale in the interim report for the period May-July. On September 30, the transaction was completed and the remaining 20% recognized in the balance sheet under other securities holdings.

On January 1, 2013, the revised IAS 19 – Employee Benefits was introduced and will be applied at SAS for fiscal years starting November 1, 2013 and onwards. The consequences of the revised IAS 19 include that it is no longer permitted to defer recognition of certain deviations in estimates (the “corridor” approach has now been eliminated) and all estimates are to be immediately recognized in other comprehensive income. Pursuant to the amended standard, accumulated unrecognized deviations (Unrecognized actuarial gains and losses and plan amendments) will be recognized in their entirety in shareholders' equity, which will have a material negative impact on the Group's shareholders' equity. The Parent Company SAS AB's recognized shareholders' equity will not be affected by this amendment.

For further information, see the 4Excellence Next Generation section

### Note 2 – Segment information

The Group's operations are governed and reported in two business segments: Scandinavian Airlines and Widerøe. Scandinavian Airlines includes operations in the consortium of Scandinavian Airlines System, SAS Cargo and Blue1. Widerøe is an independent airline based in Norway and is included in the Group's statement of income until September 30, 2013, when 80% of the company was divested.

Other operations include the Parent Company SAS AB (Group functions) and other non-reportable segments.

November-October (MSEK)	Scandinavian Airlines		Widerøe		Reconciliation				SAS Group	
	2012-2013	2011-2012	2012-2013	2011-2012	Other		Eliminations		2012-2013	2011-2012
External revenue	38,493	38,539	3,688	3,878	1	2	0	0	42,182	42,419
Sales between segments	406	468	15	44	0	8	-421	-520	0	0
<b>Revenue</b>	<b>38,899</b>	<b>39,007</b>	<b>3,703</b>	<b>3,922</b>	<b>1</b>	<b>10</b>	<b>-421</b>	<b>-520</b>	<b>42,182</b>	<b>42,419</b>
Payroll expenses	-10,011	-12,216	-1,357	-1,461	-83	42	0	0	-11,451	-13,635
Other operating expenses	-23,821	-24,442	-1,850	-1,886	-119	-382	348	416	-25,442	-26,294
<b>Operating income before depreciation and leasing costs</b>	<b>5,067</b>	<b>2,349</b>	<b>496</b>	<b>575</b>	<b>-201</b>	<b>-330</b>	<b>-73</b>	<b>-104</b>	<b>5,289</b>	<b>2,490</b>
Leasing costs for aircraft	-1,744	-1,581	-115	-141	0	0	73	104	-1,786	-1,618
Depreciation and impairment	-1,491	-1,530	-167	-157	0	-2	0	0	-1,658	-1,689
Share of income of affiliated companies	2	4	0	0	23	24	0	0	25	28
Capital gains/losses	-120	-279	0	8	-369	400	0	0	-489	129
<b>Operating income</b>	<b>1,714</b>	<b>-1,037</b>	<b>214</b>	<b>285</b>	<b>-547</b>	<b>92</b>	<b>0</b>	<b>0</b>	<b>1,381</b>	<b>-660</b>
Unallocated income items:										
Income from other securities holdings									1	-1,477
Net financial items									-949	-1,118
Tax									-254	245
<b>Net income for the period</b>									<b>179</b>	<b>-3,010</b>
<b>Income before tax and nonrecurring items</b>	<b>1,138</b>	<b>42</b>	<b>206</b>	<b>279</b>	<b>-569</b>	<b>-300</b>	<b>0</b>	<b>0</b>	<b>775</b>	<b>21</b>

A detailed statement of income for the Scandinavian Airlines and Widerøe segments is available on the SAS Group's website [www.sasgroup.net](http://www.sasgroup.net) under Investor Relations.

### Note 3 – Quarterly breakdown Statement of income

(MSEK)	Aug- Oct 2011	Full- year Nov- Oct 2010- 2011	Nov- Jan 2011- 2012	Feb- Apr 2012	May- July 2012	Aug- Oct 2012	Full- year Nov- Oct 2011- 2012	Nov- Jan 2012- 2013	Feb- Apr 2013	May- July 2013	Aug- Oct 2013	Full- year Nov- Oct 2012- 2013
Revenue	11,071	41,712	9,299	10,070	11,638	11,412	42,419	9,597	9,933	11,593	11,059	42,182
Payroll expenses	-3,276	-13,318	-3,213	-3,391	-3,196	-3,835	-13,635	6	-2,576	-2,943	-2,716	-11,451
Other operating expenses	-6,460	-23,740	-6,206	-6,316	-6,845	-6,927	-26,294	-6,119	-6,260	-6,379	-6,684	-25,442
Leasing costs for aircraft	-390	-1,571	-407	-364	-411	-436	-1,618	-397	-423	-480	-486	-1,786
Depreciation and impairment	-443	-2,622	-400	-425	-432	-432	-1,689	-426	-418	-426	-388	-1,658
Share of income of affiliated companies	26	28	-11	-4	26	17	28	-13	0	19	19	25
Income from sale of shares in subsidiaries, affiliated companies and operations	0	-33	0	0	336	64	400	0	-302	0	-69	-371
Income from sale of aircraft and buildings	21	-203	-26	-52	-72	-121	-271	-7	-40	-39	-32	-118
<b>Operating income</b>	<b>549</b>	<b>253</b>	<b>-964</b>	<b>-482</b>	<b>1,044</b>	<b>-258</b>	<b>-660</b>	<b>-581</b>	<b>-86</b>	<b>1,345</b>	<b>703</b>	<b>1,381</b>
Income from other securities holdings	0	14	-1,477	0	0	0	-1,477	1	0	0	0	1
Financial revenue	56	231	53	45	27	7	132	8	13	11	18	50
Financial expenses	-291	-985	-298	-297	-345	-310	-1,250	-251	-233	-236	-279	-999
<b>Income before tax</b>	<b>314</b>	<b>-487</b>	<b>-2,686</b>	<b>-734</b>	<b>726</b>	<b>-561</b>	<b>-3,255</b>	<b>-823</b>	<b>-306</b>	<b>1,120</b>	<b>442</b>	<b>433</b>
Tax	-126	340	145	305	-192	-13	245	193	-82	-276	-89	-254
<b>Net income for the period</b>	<b>188</b>	<b>-147</b>	<b>-2,541</b>	<b>-429</b>	<b>534</b>	<b>-574</b>	<b>-3,010</b>	<b>-630</b>	<b>-388</b>	<b>844</b>	<b>353</b>	<b>179</b>
Attributable to:												
Parent Company shareholders	188	-147	-2,541	-429	534	-574	-3,010	-630	-388	844	352	178
Non-controlling interests	0	0	0	0	0	0	0	0	0	0	1	1

### Earnings-related key ratios

(MSEK)	Nov-Jan 2012-2013	Nov-Jan 2011-2012	Feb-Apr 2013	Feb-Apr 2012	May-July 2013	May-July 2012	Aug-Oct 2013	Aug-Oct 2012	Nov-Oct 2012-2013	Nov-Oct 2011-2012
Revenue	9,597	9,299	9,933	10,070	11,593	11,638	11,059	11,412	42,182	42,419
EBITDAR	262	-120	1,097	363	2,271	1,597	1,659	650	5,289	2,490
EBITDAR margin	2.7%	-1.3%	11.0%	3.6%	19.6%	13.7%	15.0%	5.7%	12.5%	5.9%
EBIT	-581	-964	-86	-482	1,345	1,044	703	-258	1,381	-660
EBIT margin	-6.1%	-10.4%	-0.9%	-4.8%	11.6%	9.0%	6.4%	-2.3%	3.3%	-1.6%
Income before tax and nonrecurring items	-801	-656	57	-629	973	497	546	809	775	21
Income before tax	-823	-2,686	-306	-734	1,120	726	442	-561	433	-3,255
Net income for the period	-630	-2,541	-388	-429	844	534	353	-574	179	-3,010
Earnings per share (SEK)	-1.91	-7.72	-1.18	-1.30	2.57	1.62	1.07	-1.74	0.54	-9.15
Cash flow before financing activities	-1,054	-1,293	1,712	747	8	-156	129	1,286	795	584

**Note 4 - SAS Group's average number of employees**

(FTE)	Aug-Oct 2013	Aug-Oct 2012	Nov-Oct 2012-2013	Nov-Oct 2011-2012
Scandinavian Airlines	12,722	13,467	12,884	13,604
Widerøe	890	1,280	1,208	1,255
Other operations	31	43	35	44
<b>SAS Group</b>	<b>13,643</b>	<b>14,790</b>	<b>14,127</b>	14,903

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 19, 2013

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*

Sanna Suvanto-Harsaae  
*Board member*

Birger Magnus  
*Board member*

Ulla Grøntvedt  
*Board member*

Asbjörn Wikestad  
*Board member*

Anna-Lena Gustafsson  
*Board member*

Rickard Gustafson  
*President and CEO*

This full-year report is unaudited.

## Traffic data information

### SAS Group's scheduled passenger traffic\*

	Aug-Oct	Aug-Oct	Year-on-year	Nov-Oct	Nov-Oct	Year-on-year
	2013	2012	change	2012-2013	2011-2012	change
Number of passengers (000)	7,503	7,680	-2.3%	28,057	28,189	-0.5%
RPK, Revenue Passenger Kilometers (mill)	8,287	8,034	3.1%	29,650	28,621	3.6%
ASK, Available Seat Kilometers (mill)	11,100	10,521	5.5%	40,583	38,406	5.7%
Load factor	74.7%	76.4%	-1.7 p.p.	73.1%	74.5%	-1.5 p.p.

### SAS Group's traffic trend by route sector\*

	Aug-Oct 2013 vs. Aug-Oct 2012		Nov 2012-Oct 2013 vs. Nov 2011-Oct 2012	
	Traffic (RPK)	Capacity (ASK)	Traffic (RPK)	Capacity (ASK)
Intercontinental	5.5%	4.8%	5.7%	5.2%
Europe/Intra-Scandinavia	3.8%	8.6%	4.6%	8.7%
Domestic	-2.7%	-0.5%	-1.9%	-0.2%

\* Passenger traffic for Scandinavian Airlines and Widerøe (until September 30, 2013)

### Scandinavian Airlines scheduled passenger traffic, yield, RASK and unit cost\*

	Aug-Oct	Year-on-year	Nov-Oct	Year-on-year
	2013	change	2012-2013	change
Number of passengers (000)	6,983	+0.8%	25,446	-0.1%
RPK, Revenue Passenger Kilometers (mill)	8,123	+4.0%	28,854	+3.8%
ASK, Available Seat Kilometers (mill)	10,821	+6.7%	39,202	+6.0%
Load factor	75.1%	-1.9 p.p.	73.6%	-1.5 p.p.
Yield (currency-adjusted)	0.96	-4.1%	1.00	-0.4%
Total unit revenue, RASK (currency-adjusted)	0.77	-5.8%	0.80	-3.2%
Unit revenue, PASK (currency-adjusted)	0.72	-6.5%	0.74	-2.4%
Total unit cost CASK, (currency-adjusted)	0.71	-3.4% <sup>1)</sup>	0.76	-6.0% <sup>2)</sup>

1) Excluding jet-fuel costs, the total unit cost declined 3.3%.

2) Excluding jet-fuel costs, the total unit cost declined 5.9%. Excluding jet-fuel costs and amended pension terms totaling MSEK 450 (in the second quarter), the unit cost declined 4.1%.

\* Key ratios also include Blue1

### Scandinavian Airlines destinations and frequencies

	Aug-Oct	Aug-Oct	Year-on-year	Nov-Oct	Nov-Oct	Year-on-year
	2013	2012	Change	2012-2013	2011-2012	Change
Number of destinations	110	103	6.8%	120	113	6.2%
Number of daily departures	847	832	1.8%	791	773	2.4%
No. of departures per destination/day	7.7	8.1	-4.6%	6.6	6.8	-3.6%

### Widerøe's scheduled traffic, yield and unit cost

	Aug-Sep	Year-on-year	Nov-Sep	Year-on-year
	2013	Change <sup>1)</sup>	2012-2013	Change <sup>2)</sup>
Number of passengers (000)	520	-30.6%	2,611	-4.1%
RPK, Revenue Passenger Kilometers (mill)	164	-27.5%	796	-3.3%
ASK, Available Seat Kilometers (mill)	279	-26.8%	1,381	-2.0%
Load factor	58.6%	-0.6 p.p.	57.7%	-0.7 p.p.
Yield (NOK)	3.04	2.1%	3.14	3.8%
RASK, incl. charter (NOK)	1.89	7.8%	1.88	2.1%
Total unit cost, incl. charter (NOK)	1.63	-0.7%	1.76	4.6%

1) Pertains to the August - October 2012 period

2) Pertains to the November 2011 - October 2012 period.

## Aircraft fleet

SAS Group's aircraft fleet, October 31, 2013\*

	Age	Owned	Leased	Total	In service	Parked	On purchase order	On lease order
Airbus A330/A340/350	11.4	5	6	11	11	0	12	1
Airbus A319/A320/A321	8.8	6	18	24	24	0	30	1
Boeing 737 NG	11.5	17	64	81	80	1	0	7
Boeing 737 Classic	22.4	0	7	7	3	4	0	0
Boeing 717	13.2	4	5	9	9	0	0	0
McDonnell Douglas MD 80 series	0.0	12	0	12	0	12	0	0
Bombardier CRJ900NG	4.2	12	0	12	12	0	0	0
<b>Total</b>	<b>10.9</b>	<b>56</b>	<b>100</b>	<b>156</b>	<b>139</b>	<b>17</b>	<b>42</b>	<b>9</b>

### Aircraft leased

	Age	Owned	Leased	Total	In service
McDonnell Douglas MD 90 series	16.8	8	0	8	8
Bombardier Q400	5.8	0	1	1	1
Avro RJ-85	11.9	0	1	1	1
<b>Total</b>	<b>15.2</b>	<b>8</b>	<b>2</b>	<b>10</b>	<b>10</b>

\* In addition, the following aircraft are wet leased: four CRJ200s, two ATRs for SAS in Denmark, and two ATRs and four S2000s for SAS in Sweden.

For further information on each model of aircraft, refer to [www.sasgroup.net](http://www.sasgroup.net)



## Important events

### Events after October 31, 2013

- SAS announced the launch of 43 new routes in 2014
- In November, the SAS Group's balance sheet and statement of income will be affected as follows by the implementation of new pension terms, the reversal of deferred tax liabilities related to pensions, the accounting for special employer's contributions as part of the Alecta and Euroben plans, and the implementation of the revised IAS 19. The above will negatively impact the Group's shareholders' equity in an amount of about SEK 7 billion:
  - ✓ Pension commitments will be reduced by about SEK 12.9 billion
  - ✓ Plan assets will be reduced by about SEK 10.7 billion
  - ✓ Actuarial gains and losses will be impaired by about SEK 10.3 billion
  - ✓ Deferred tax liabilities will be reduced by about SEK 1.2 billion
  - ✓ An improvement in the statement of income (payroll expenses) of SEK 1 billion

### Fourth quarter 2012/2013

- SAS contracted with Swissport for the sale of 10% of SAS Ground Handling on October 31, 2013
- SAS and Airbus signed the final agreement as part of the order for long-haul aircraft
- SAS completed the sale of Widerøe
- SAS issued an unsecured SEK 1.5 billion bond loan
- Standard & Poor's changed the credit rating for SAS from CCC- to B- and retained a stable outlook

### Third quarter 2012/2013

- SAS issued a private debt placement of MEUR 35 under the EMTN bond program.
- SAS carried out the sale and leaseback of six Boeing 737-600s at a value of MSEK 500
- SAS initiated a plan for the renewal of the long-haul fleet by signing a letter of intent with Airbus for the order of four A330 enhanced aircraft, eight Airbus A350s and an upgrade of the passenger cabins in the A330/A340s
- SAS signed an agreement for the sale of 80% of its holding in the Widerøe airline and aircraft to an investment group led by Torghatten for approximately SEK 2 billion.
- SAS simplifies travel with the launch of the service concept SAS Go and SAS Plus
- The EuroBonus ban was lifted by the Norwegian authorities for Norwegian domestic flights
- SAS signed an outsourcing agreement for IT, with Tata Consultancy Services (TCS)

### Second quarter 2012/2013

- Standard & Poor's upgraded its rating for SAS from negative outlook to stable outlook
- SAS entered into a sale and leaseback agreement in February regarding spare engines with a liquidity effect of about MSEK 700. This will help the Group fulfill its financial obligations and reduce the need for external funding
- Agreement signed concerning the outsourcing of call centers to a third party
- Letter of intent with Swissport regarding Ground Handling
- Widerøe won the procurement of the tender routes in Finnmark through March 2016 and the agreement pertaining to new pension terms was signed
- SAS introduced an option allowing business travelers to earn EuroBonus points on domestic Norwegian flights. SAS is contemplating appealing the decision on banning bonus points for domestic Norwegian flights for other passengers

### First quarter 2012/2013

- The Board of SAS reduced the Board fees by 30% as of November 5, 2012
- The Board decided that the preconditions for the implementation of the 4XNG plan were in place. A credit facility of SEK 3.5 billion was placed at the Board's disposal until March 2015
  - ✓ Measures resulting in an annual positive impact on earnings of about SEK 3 billion; new collective agreements with the updated pension terms in place
  - ✓ New pension terms reduce the negative impact on shareholders' equity stemming from the changed accounting policies for pensions
  - ✓ The divestment of assets with a liquidity effect of about SEK 3 billion

## Financial calendar

Annual Report 2013	January 27, 2014
Annual General Shareholders' Meeting	February 18, 2014
Interim report 1, 2014 (November-January)	March 14, 2014
Interim report 2, 2014 (February-April)	June 18, 2014
Interim report 3, 2014 (May-July)	September 10, 2014
Interim report 4, 2014 (August-October)	December 18, 2014

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)

The SAS Group'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/Reports and Presentations.

## Press/Investor Relations

Telephone conference

10:00 a.m., December 19, 2013

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 19, at 8:00 a.m.