



# SAS takes decisive action in a challenging market

## February–April 2014<sup>1</sup>

- Revenue: MSEK 8,472 (9,933)
- Unit revenue (PASK) declined 8.9%
- Unit cost (CASK) decreased 5.3%<sup>2</sup>
- EBIT margin: -7.8% (-1.1%)
- Income before tax: MSEK -1,078 (-329)
- Net income for the period: MSEK -800 (-405)
- Earnings per common share: SEK -2.72 (-1.23)
- Additional revenue and cost measures have been initiated. The cost measures are expected to have an earnings impact of SEK 1 billion in the 2014/2015 fiscal year. In addition, longer-term initiatives will be finalized in autumn 2014
- The outlook for the full year 2013/2014 is presented on page 7

## November 2013–April 2014<sup>1</sup>

- Revenue: MSEK 16,343 (19,530)
- Unit revenue (PASK) declined 8.5%
- Unit cost (CASK) decreased 4.3%<sup>2</sup>
- EBIT margin: -3.2% (-3.2%)
- Income before tax: MSEK -1,224 (-1,096)
- Net income for the period: MSEK -912 (-993)
- Earnings per common share: SEK -3.07 (-3.02)

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

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

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

## Comments by the President and CEO of SAS:

“Continued intense competition and pressure on prices in the Scandinavian air travel market reduced margins more than expected and SAS posted an EBT of MSEK -1,078 for the second quarter. We are deeply disappointed with the results, which were substantially below our own expectations. However, it is worth noting that, in April, we posted a record high load factor and the number of passengers flying with SAS increased slightly more than 300,000 during the quarter. We are also continuing to reduce the unit cost, which decreased 5.3% over the quarter. Member numbers have increased substantially since the introduction of our revamped EuroBonus program and we are continuing to develop the program for our customers’ benefit.

However, the market trend shows that it is crucial for SAS to act more aggressively and, accordingly, we are now intensifying revenue and cost measures. The additional cost measures will enhance operational efficiency and a further improvement in earnings of SEK 1 billion is expected in the 2014/2015 fiscal year.

With the cost measures being implemented, we see an opportunity to further strengthen the offering to Scandinavia’s frequent travelers through initiatives including expanding the SAS intercontinental offering. We are planning new direct routes from Oslo and Stockholm to North America and Asia, starting in autumn 2015,” says Rickard Gustafson, SAS President and CEO.

## Income and key ratios

Key ratios (MSEK)	Feb–Apr 2014	Feb–Apr 2013	Nov–Apr 2013–2014	Nov–Apr 2012–2013
Revenue	8,472	9,933	16,343	19,530
EBIT margin (target >8%)	-7.8%	-1.1%	-3.2%	-3.2%
Income before tax and nonrecurring items	-1,076	34	-2,245	-711
Income before tax, EBT	-1,078	-329	-1,224	-1,096
Net income for the period	-800	-405	-912	-993
Cash flow from operating activities	935	1,235	27	794

	Apr30, 2014	Oct31, 2013	Apr30, 2013
Equity/assets ratio (target >35%)	17%	12%	-8%
Financial preparedness (target >20% of fixed costs)	44%	26%	18%
Shareholders’ equity per common share, SEK	5.22	9.76	-5.93

# Comments by the CEO

- Income before tax totaled MSEK -1,078
- SAS's scheduled traffic increased 6.2%
- Record high load factor in April
- The unit cost decreased 5.3%<sup>2</sup>
- Additional streamlining measures launched
- Substantial increase in the number of EuroBonus members
- New, direct intercontinental routes planned from Stockholm and Oslo
- SAS recapitalized through the issue of preference shares, convertibles and a new credit facility.

2) Adjusted for jet fuel and amended pension terms totaling MSEK 450 in the Feb–Apr 2013 period.

SAS posted a weak second quarter, with an EBT of MSEK -1,078, which we are deeply disappointed with and which was substantially below expectations. However, it is worth noting that we increased the load factor in parallel with our continued lowering of the unit cost. During the quarter, SAS has continued to deliver in line with the restructuring plan launched in November 2012, but is now intensifying measures in response to harsher market conditions.

During the quarter, intensive competition and greater than expected price pressure in the Scandinavian air travel market reduced margins and increased market uncertainty. Essentially, all European airlines reported decreased earnings in January-March 2014, which underscores the absolute necessity for SAS to continue to act aggressively. SAS applies this based on three strategic priorities – to establish an efficient production platform, to win the battle for Scandinavia's frequent travelers and to invest in the future.

## Increased productivity and continued streamlining

Our production platform's efficiency has been steadily increased and, since the launch of the restructuring program in November 2012, we have lowered unit cost excluding jet fuel by about 9%. Unit cost declined 5.3% in the second quarter.

Over the full fiscal year, the expected impact on earnings from the previously announced restructuring program is SEK 1.2 billion. In the first six months, the impact on earnings totaled MSEK 700.

Given the market trend, we are initiating additional measures to continue enhancing the efficiency of our cost structure. This means further personnel cutbacks of about 300 FTEs in support, administration, management and commercial functions – primarily in Scandinavia. Furthermore, we are enhancing the efficiency of ground operations in Scandinavia and will optimize the base structure for flight crew in Norway.

We are also investing MSEK 500 in a new digital platform, which means higher service levels and automation, and enables increased revenue. Taken together, we are initiating improvements that will have an additional earnings impact of SEK 1 billion in the 2014/2015 fiscal year. In addition, more significant measures in the billion range will be finalized in the autumn.

## Record high load factor and rapid growth for EuroBonus

The intensifying competition means that SAS must act more aggressively in the battle for customers. We have polished the offering to Scandinavia's frequent travelers and intensified our marketing activities, which have started to have an impact. Despite intense competition, the number of passengers flying with SAS increased slightly more than 300,000 during the quarter and, in April, we posted a record high load factor. The positive passenger trend also continued in May.

Since the launch of the revamped EuroBonus program in February, the number of members has increased at an unprecedented rate. A further 200,000 customers have joined the program and we now have more than 3.4 million members. A larger membership base also increases our possibilities for tying in more advantageous partnerships that add value for our customers and create new revenue streams.

## New investment in direct intercontinental routes

With the cost measures being implemented, SAS also sees an opportunity to expand the offering with new long-haul routes. Demand for intercontinental travel continues to grow and we are currently planning new direct routes from primarily Oslo and Stockholm to North America and Asia. The new routes will take off in autumn 2015, which means the fleet will increase by three aircraft. Our offering is further strengthened by a cabin upgrade on long-haul aircraft including new seats, a new entertainment system and wireless internet.

## Outlook

Earnings were below expectations for the quarter. The recapitalization carried out in February and March has strengthened financial preparedness. SAS will continue to enhance operational efficiency as well as develop the customer offering to strengthen competitiveness. In the 2013/2014 fiscal year, the earnings impact from the existing restructuring program is expected to amount to about SEK 1.2 billion. The new streamlining measures currently being initiated will result in restructuring costs, which are expected to impact earnings in the current fiscal year. At present, the extent of these restructuring costs has yet to be fully estimated.

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

Stockholm, June 18, 2014

Rickard Gustafson  
*President and CEO*

# Comments on SAS's financial statements

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

## Earnings analysis February–April 2014

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

SAS's operating income was MSEK -661 (-109) and income before tax and nonrecurring items totaled MSEK -1,076 (34). Income before tax amounted to MSEK -1,078 (-329) and income after tax was MSEK -800 (-405).

The exchange-rate trend had a negative impact on revenue of MSEK -79 and on operating income of MSEK -181 compared with the corresponding year-earlier period.

SAS's revenue amounted to MSEK 8,472 (9,933). Adjusted for currency effects and Widerøe, revenue declined MSEK 568, or 6.3% year-on-year, primarily due to a lower yield and lower other traffic revenue. The number of passengers increased 5.3%, capacity (ASK) rose 4.2% and the load factor increased 1.3 p.p. year-on-year. The currency-adjusted yield declined 10.6%, the currency-adjusted unit revenue (PASK<sup>1</sup>) declined 8.9% and, after adjustments for currency, jet fuel and nonrecurring items, the unit cost (CASK) decreased 5.3% compared with the year-earlier period.

Total operating expenses for SAS amounted to MSEK -9,133 (-10,042). Adjusted for currency effects, Widerøe and nonrecurring items, operating expenses declined MSEK 261, or 2.8% year-on-year, primarily due to lower payroll expenses.

Payroll expenses amounted to MSEK -2,484 (-2,599), which included restructuring costs of MSEK -18 (-22). Payroll expenses, after adjustment for currency, Widerøe and nonrecurring items, declined 6.3% year-on-year.

Jet-fuel costs amounted to MSEK -1,985 (-2,152). Adjusted for currency effects and Widerøe, fuel costs declined 4.3%, which was mainly attributable to hedging effects and lower prices.

Other operating expenses excluding fuel costs amounted to MSEK -3,843 (-4,108). Adjusted for currency effects, Widerøe and nonrecurring items, other operating expenses decreased 1.3% year-on-year, which was mainly attributable to lower catering costs and government user fees, but higher maintenance costs for engines.

Net financial items for SAS amounted to MSEK -417 (-220), of which net interest expense was MSEK -210 (-186) and costs linked to the cancelled credit facility were MSEK -175 (0).

Total nonrecurring items amounted to MSEK -2 (-363) and comprised restructuring costs, capital gains/losses and other nonrecurring items. Restructuring costs totaled MSEK -18 (-21), of which MSEK -18 (-22) pertained to payroll expenses. Capital gains amounted to MSEK 16 (loss: -342) and pertained to aircraft transactions of MSEK 12 (-40) as well as the sale of shares in subsidiaries and affiliated companies of MSEK 4 (-302).

## Earnings analysis November 2013–April 2014

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

SAS's operating income was MSEK -529 (-634) and income before tax and nonrecurring items totaled MSEK -2,245 (-711). Income before tax amounted to MSEK -1,224 (-1,096) and income after tax was MSEK -912 (-993).

Due to the weak financial position of SAS in the preceding year, exchange-rate hedging was performed to a lesser extent than normal and, accordingly, exchange-rate exposure has increased during the current six-month period. The exchange-rate trend had a negative impact on revenue of MSEK -348 and on operating income of MSEK -199 compared with the corresponding year-earlier period.

Revenue for SAS amounted to MSEK 16,343 (19,530). Adjusted for currency effects and Widerøe, revenue declined MSEK 1,212, or 6.9% year-on-year, primarily due to a lower yield and lower other traffic revenue. The number of passengers increased 2.7%, capacity (ASK) rose 3.8% and the load factor declined 0.1 p.p. The currency-adjusted yield declined 8.4%, the currency-adjusted unit revenue (PASK) declined 8.5% and, after adjustments for currency, jet fuel and nonrecurring items, the unit cost (CASK) decreased 4.3% compared with the year-earlier period.

Total operating expenses for SAS amounted to MSEK -16,872 (-20,164). Adjusted for currency effects, Widerøe and nonrecurring items, operating expenses declined MSEK 501, or 2.7% year-on-year, primarily due to lower payroll expenses.

Payroll expenses amounted to MSEK -3,930 (-5,759), which included restructuring costs of MSEK -18 (-37) and nonrecurring items of MSEK 1,044 (0) pertaining to changed pension terms. Payroll expenses, after adjustment for currency, Widerøe and nonrecurring items, declined 7.1% year-on-year.

Jet-fuel costs amounted to MSEK -3,815 (-4,190). Adjusted for Widerøe and currency effects, fuel costs declined 3.9%, which was mainly attributable to hedging effects and lower prices.

Other operating expenses excluding fuel costs amounted to MSEK -7,459 (-8,189). Adjusted for currency effects, Widerøe and nonrecurring items, other operating expenses decreased 0.8% year-on-year, which was mainly attributable to lower selling costs and government user fees, but higher handling and maintenance costs for engines.

Net financial items for SAS amounted to MSEK -700 (-463), of which net interest expense was MSEK -414 (-381) and costs linked to the cancelled credit facility were MSEK -175 (0).

Total nonrecurring items amounted to MSEK 1,021 (-385) and comprised restructuring costs, capital gains/losses and other nonrecurring items. Restructuring costs totaled MSEK -18 (-37) and pertained to payroll expenses.

Capital losses amounted to MSEK -5 (loss: -348) and pertained to aircraft transactions of MSEK -10 (-47) as well as the sale of shares in subsidiaries and affiliated companies of MSEK 5 (-301). Other nonrecurring items amounted to MSEK 1,044 (0), attributable to the positive effect from changed pension terms.

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

## Financial position

Cash and cash equivalents were MSEK 8,881 (3,061) at April 30, 2014. SAS also had unutilized credit facilities amounting to MSEK 2,148 (3,021) at April 30, 2014. Financial preparedness amounted to 44% (18%) of the Group's fixed costs at the end of April 2014.

In February 2014, a preference share issue was carried out that strengthened shareholders' equity by SEK 3.5 billion before issue costs, which partly offsets the effect of the amended standard for pension reporting. A dividend of SEK 50 per preference share and year is payable on a quarterly basis, amounting to a total annual dividend of MSEK 350. By issuing a convertible bond loan of SEK 1.6 billion in March, SAS also secured the refinancing of the existing convertible bond that matures in 2015. In connection with these issues, the credit facility amounting to SEK 1.8 billion on January 31, 2014 was terminated in February. A new credit facility of MEUR 150 was entered into with UBS.

The SAS Group's interest-bearing liabilities increased MSEK 741 compared with October 31, 2013 and amounted to MSEK 12,251 on the closing date. New loans raised during the year amounted to MSEK 1,485 and repayments amounted to MSEK 967. New loans raised principally comprised a bond of SEK 1.6 billion taking into account the equity portion.

At April 30, 2014, the value of the debt and equity shares (conversion option and repurchase right) relating to the convertible bond loan issued in 2010 were set at MSEK 1,559 and MSEK 41, respectively. On the date of issue, these values were MSEK 1,374 and MSEK 226 respectively. At April 30, 2014, the debt and equity shares of the newly issued convertible bond loan were set at MSEK 1,406 for the debt portion and MSEK 194 for the equity share. At the date of issue, these amounts were MSEK 1,399 and MSEK 201, respectively. The value of the equity share was included in shareholders' equity, following a deduction for deferred tax.

During the year, financial net debt decreased MSEK 3,018 to MSEK 1,549 on the closing date.

At April 30, the equity/assets ratio was 17% (-8%) and the adjusted equity/assets ratio was 12% (-6%). The adjusted debt/equity ratio amounted to 2.70 (-8.75). The adjusted ratios take into account leasing costs.

*For the balance sheet – refer to page 9*

## Cash-flow statement

Cash flow from operations before changes in working capital was MSEK -1,630 (-419) for the first six months of the fiscal year.

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

Working capital improved by slightly less than MSEK 450 year-on-year, which was attributable to several separate working capital items.

Investments amounted to MSEK 485 (952), of which MSEK 0 (327) pertained to aircraft, MSEK 110 (118) to capitalized expenditures for engine maintenance, MSEK 0 (84) to aircraft modifications, MSEK 0 (129) to spare parts, MSEK 61 (220) to other investments that are largely attributable to ongoing aircraft investments as well as MSEK 212 (0) as advance payments to Airbus. In addition, MSEK 102 (74) pertained to capitalized system development costs.

Five MD-82s were divested during the period.

Accordingly, cash flow before financing activities amounted to MSEK -444 (658).

In February, a preference share issue was carried out that raised SEK 3.5 billion and, in March, a convertible bond loan totaling SEK 1.6 billion was issued.

Cash flow for the period was MSEK 4,129 (274).

Cash and cash equivalents amounted to MSEK 8,881 according to the balance sheet, compared with MSEK 4,751 at October 31, 2013.

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

## Seasonal variations

Demand, measured as the number of transported passengers, in SAS's markets is seasonally low from December to February and at its peak from April to June and September to October. However, the share of advance bookings is greatest from January to May, which has a 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 seasonally the weakest quarters in terms of earnings. In the second quarter, cash flow from operating activities was seasonally positive as a consequence of a higher proportion of advance bookings ahead of the summer period.

## Financial targets

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

### SAS's financial targets are:

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

## Description of events after April 30, 2014

- SAS made a downward adjustment of the forecast for the 2013/2014 fiscal year.
- SAS launched further cost measures with an expected earnings impact of SEK 1 billion in the 2014/2015 fiscal year. In addition, longer-term initiatives will be finalized in autumn 2014.

# Strategic priorities for SAS

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

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

## Establish an efficient production platform

### *SEK 3 billion in cost measures in 2013–2015*

When the restructuring program was launched in November 2012, the aim was to implement cost reductions of about SEK 3 billion in the 2013–2015 period. At April 30, 2014, SAS had implemented all measures regarding new collective agreements and pension terms, and all measures in Commercial & Sales pertaining to restructuring the organization and enhancing the efficiency of the network. The process is progressing according to plan regarding the administration and approximately 80% of the reductions had been achieved by April 30. The aim of the IT restructure is to halve IT expenses at SAS by 2016 through standardization, fewer systems and applications, and outsourcing. Preparations are under way for relocation of the system and infrastructure, which is scheduled for autumn 2014.

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

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

### *Additional cost measures 2014–2017*

SAS must continuously improve its efficiency to achieve its long-term profitability targets. Since the measures introduced in November 2012 have essentially been implemented, SAS is entering a new phase of implementing continuous cost improvements to offset the revenue pressure in the market. Further enhancement of personnel efficiency will be implemented and involves a reduction of 300 FTEs in support, commercial functions, administration and management. In addition, ground handling operations in Scandinavia will be streamlined and the base structure for air crew in Norway will be optimized.

The cost measures are expected to generate a positive earnings impact in the 2014/2015 fiscal year. Additional significant measures in the billion range are being planned in detail and will be communicated in autumn 2014. These additional cost measures that will now be initiated will result in restructuring costs, which are expected to impact earnings in the current fiscal year. At present, the extent of these restructuring costs has yet to be fully estimated.

In addition to the measures described above, SAS is working continuously on optimizing production platforms by introducing LEAN to its work processes and by increasing the degree of utilization of the aircraft fleet and flight crew by continuously optimizing the network.

## Win the battle for Scandinavia's frequent travelers

SAS's primary customer group are the frequent flyers to, from and within Scandinavia who value easier and more time-efficient travel. The improved cost position has meant that extensive commercial ventures, which strengthen SAS's offering to frequent travelers, can be initiated. SAS plans to open 53 new routes in 2014. In addition, an extensive upgrade of EuroBonus has been launched. SAS is investing SEK 0.5 billion in a new digital platform, which means higher service levels and automation, and enables increased revenue. A larger membership base also increases possibilities for tying in more advantageous partnerships that add value for SAS customers and create new revenue streams.

New direct routes are being planned from Oslo and Stockholm to North America and Asia, starting in autumn 2015, which also means that the fleet will be expanded by three aircraft.

## Invest in our future

SAS is introducing extensive changes to the aircraft fleet as part of the investments in the future. Since the end of 2013, the SAS in-service aircraft fleet has consisted solely of Next Generation aircraft – with greater comfort and higher fuel efficiency. In addition, SAS has ordered 30 Airbus A320 NEOs, four Airbus A330Es and eight Airbus A350s, which combined with the upgrades of the cabin interiors further modernizes the aircraft fleet for the future. SAS is also investing in the organization's leadership by introducing a new leadership and employee model linked to the LEAN processes.

# Risks and uncertainties

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

SAS's financial policy is aimed at managing 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 April 30, 2014, the hedging ratio was 45% for the coming 12 months. The market value of the hedges (excluding time value) was marginally negative at the end of the second quarter. Hedging is performed using options and swaps, with strong emphasis on the next two quarters. Under current plans for available flight capacity, the cost of 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 currency, the policy is to hedge 40–80%. At April 30, 2014, SAS had hedged 43% of its anticipated USD deficit for the next 12 months. SAS has covered its USD deficit using a combination of forward contracts and options. In terms of NOK, which is SAS's largest surplus currency, 63% of the anticipated surplus for the next 12 months was hedged.

### Hedging of jet fuel

	May-Jul 2014	Aug-Oct 2014	Nov-Jan 2014-2015	Feb-Apr 2015
Hedging of jet fuel	88%	60%	18%	2%

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

Market price	Exchange rate SEK/USD			
	5.00	6.00	7.00	8.00
600 USD/tonne	6.4	6.9	7.4	7.9
800 USD/tonne	6.8	7.4	8.0	8.6
1,000 USD/tonne	7.2	7.8	8.5	9.2
1,200 USD/tonne	7.4	8.1	8.8	9.6
1,400 USD/tonne	7.6	8.4	9.2	9.9

1) The SAS Group's current hedging contracts for jet fuel at April 30, 2014 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. An unfavorable outcome could have a significantly negative financial impact on SAS. 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 SAS's credit facility in November/December 2012 comprised a government subsidy. SAS terminated this credit facility in March 2014. It is unclear what the effects will be if the States' participation is considered to comprise a government subsidy and no provisions have been made.

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

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

A larger 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. It is difficult to quantify the financial exposure but SAS, which disputes the claim, considers the risk of a negative outcome to be limited and no provisions have been made.



# Full-year 2013/2014

Earnings were below expectations for the quarter. The recapitalization carried out in February and March has strengthened financial preparedness. SAS will continue to streamline operations as well as develop the customer offering to strengthen competitiveness. In the 2013/2014 fiscal year, the earnings impact from the existing restructuring program is expected to amount to about SEK 1.2 billion. The new streamlining measures currently being initiated will result in restructuring costs, which are expected to impact earnings in the current fiscal year. At present, the extent of these restructuring costs has yet to be fully estimated.

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

In its previous forecast, which was updated on May 8, SAS wrote the following:

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

# Statement of income

## Statement of income including statement of other comprehensive income

(MSEK)	Feb–Apr 2014	Feb–Apr 2013	Nov–Apr 2013–2014	Nov–Apr 2012–2013
Revenue	8,472	9,933	16,343	19,530
Payroll expenses <sup>1</sup>	-2,484	-2,599	-3,930	-5,759
Other operating expenses <sup>2</sup>	-5,828	-6,260	-11,274	-12,379
Leasing costs for aircraft	-500	-423	-985	-820
Depreciation, amortization and impairment	-338	-418	-667	-844
Share of income in affiliated companies	1	0	-11	-13
Income from sale of shares in subsidiaries, affiliated companies and operations	4	-302	5	-302
Income from the sale of aircraft and buildings	12	-40	-10	-47
<b>Operating income</b>	<b>-661</b>	<b>-109</b>	<b>-529</b>	<b>-634</b>
Income from other securities holdings	0	0	5	1
Financial revenue	25	13	50	21
Financial expenses	-442	-233	-750	-484
<b>Income before tax</b>	<b>-1,078</b>	<b>-329</b>	<b>-1,224</b>	<b>-1,096</b>
Tax	278	-76	312	103
<b>Net income for the period</b>	<b>-800</b>	<b>-405</b>	<b>-912</b>	<b>-993</b>
<b>Other comprehensive income</b>				
<i>Items that may later be reversed to net income:</i>				
Exchange-rate differences in translation of foreign operations, net after tax	110	-115	6	-110
Cash-flow hedges – hedging reserve, net after tax	-113	33	32	-12
<i>Items that will not be reversed to net income:</i>				
Revaluations of defined-benefit pension plans	-83	-983	-143	-949
<b>Total other comprehensive income, net after tax</b>	<b>-86</b>	<b>-1,065</b>	<b>-105</b>	<b>-1,071</b>
<b>Total comprehensive income</b>	<b>-886</b>	<b>-1,470</b>	<b>-1,017</b>	<b>-2,064</b>
Net income for the period attributable to:				
Parent Company shareholders	-806	-405	-921	-993
Non-controlling interests	6	0	9	0
Earnings per common share (SEK) <sup>3</sup>	-2.72	-1.23	-3.07	-3.02

1) Includes restructuring costs of MSEK 18 (22) during the period February-April and MSEK 18 (37) during the period November-April.

2) Includes restructuring costs of MSEK - (-1) during the period February-April and MSEK - (-) during the period November-April.

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

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

## Income before tax and nonrecurring items

(MSEK)	Feb–Apr 2014	Feb–Apr 2013	Nov–Apr 2013–2014	Nov–Apr 2012–2013
Income before tax	-1,078	-329	-1,224	-1,096
Restructuring costs	18	21	18	37
Capital gains/losses	-16	342	5	348
Other nonrecurring items <sup>1</sup>	0	0	-1,044	0
<b>Income before tax and nonrecurring items</b>	<b>-1,076</b>	<b>34</b>	<b>-2,245</b>	<b>-711</b>

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



# Balance sheet

## Condensed balance sheet

(MSEK)	Apr 30, 2014	Oct 31, 2013	Apr 30, 2013
Intangible assets	1,863	1,802	1,801
Tangible fixed assets	9,374	9,677	11,254
Financial fixed assets	7,913	7,121	2,141
<b>Total fixed assets</b>	<b>19,150</b>	<b>18,600</b>	<b>15,196</b>
Other current assets	361	361	361
Current receivables	3,400	3,101	3,227
Cash and cash equivalents <sup>3</sup>	8,881	4,751	3,000
Assets held for sale	-	-	2,513
<b>Total current assets</b>	<b>12,642</b>	<b>8,213</b>	<b>9,101</b>
<b>Total assets</b>	<b>31,792</b>	<b>26,813</b>	<b>24,297</b>
Shareholders' equity <sup>1</sup>	5,416	3,226	-1,952
Long-term liabilities	9,572	10,173	11,699
Current liabilities	16,804	13,414	12,740
Liabilities attributable to assets held for sale	-	-	1,810
<b>Total shareholders' equity and liabilities</b>	<b>31,792</b>	<b>26,813</b>	<b>24,297</b>
Shareholders' equity per common share <sup>2</sup>	5.22	9.76	-5.93
Interest-bearing assets	15,166	10,371	4,577
Interest-bearing liabilities	12,251	11,510	10,943

1) Including non-controlling interests.

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

3) At April 30, 2014, including receivables from other financial institutions, MSEK 1,458 (1,219).

## Specification of financial net debt April 30, 2014

	According to balance sheet	Of which, financial net debt
Financial fixed assets	7,913	1,500
Current receivables	3,400	321
Cash and cash equivalents	8,881	8,881
Long-term liabilities	9,572	8,089
Current liabilities	16,804	4,162
Financial net debt		1,549

## Condensed changes in shareholders' equity

(MSEK)	Share capital <sup>1</sup>	Other contributed capital <sup>2</sup>	Hedge reserves	Translation reserve	Retained earnings <sup>3</sup>	Total share- holders' equity attributable to Parent Company shareholders	Non- controlling interests	Total share- holders' capital
Opening shareholders' equity in accordance with approved balance sheet, November 1, 2012	6,613	337	-12	29	4,189	11,156	-	11,156
Effect of new accounting policy					-11,044	-11,044	-	-11,044
Opening balance shareholders' equity adjusted in accordance with new policy, November 1, 2012	6,613	337	-12	29	-6,855	112	-	112
Comprehensive income, November–April			-12	-110	-1,942	-2,064	-	-2,064
Closing balance, April 30, 2013	6,613	337	-24	-81	-8,797	-1,952	-	-1,952
Change in holdings in subsidiaries						-	15	15
Comprehensive income, May–October			-11	-114	5,287	5,162	1	5,163
Closing balance, October 31, 2013	6,613	337	-35	-195	-3,510	3,210	16	3,226
New issue of preference shares	141				3,359	3,500		3,500
New issue costs					-100	-100		-100
Preference share dividend					-350	-350		-350
Other contributed capital		157				157		157
Comprehensive income, November–April			32	6	-1,064	-1,026	9	-1,017
<b>Closing balance, April 30, 2014</b>	<b>6,754</b>	<b>494</b>	<b>-3</b>	<b>-189</b>	<b>-1,665</b>	<b>5,391</b>	<b>25</b>	<b>5,416</b>

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

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

3) No dividends were paid for 2012 and 2012/13. The preference share dividend for the year was entered as a liability as of April 30, 2014.

# Cash-flow statement

## Condensed cash-flow statement

(MSEK)	Feb–Apr 2014	Feb–Apr 2013	Nov–Apr 2013–2014	Nov–Apr 2012–2013
Income before tax	-1,078	-329	-1,224	-1,096
Depreciation, amortization and impairment	338	418	667	844
Income from sale of aircraft, buildings and shares	-16	342	5	348
Adjustment for other items not included in the cash flow, etc.	5	-489	-1,079	-515
Tax paid	0	0	1	0
<b>Cash flow from operations before change in working capital</b>	<b>-751</b>	<b>-58</b>	<b>-1,630</b>	<b>-419</b>
Change in working capital	1,686	1,293	1,657	1,213
<b>Cash flow from operating activities</b>	<b>935</b>	<b>1,235</b>	<b>27</b>	<b>794</b>
Investments including advance payments to aircraft manufacturers	-259	-264	-485	-952
Sales of subsidiaries and operations	4	0	4	60
Sales of fixed assets, etc.	53	741	10	756
<b>Cash flow before financing activities</b>	<b>733</b>	<b>1,712</b>	<b>-444</b>	<b>658</b>
Preference share issue	3,500	0	3,500	0
External financing, net	1,302	-370	1,073	-384
<b>Cash flow for the period</b>	<b>5,535</b>	<b>1,342</b>	<b>4,129</b>	<b>274</b>
Translation difference in cash and cash equivalents	3	-2	1	-2
Cash and cash equivalents transferred to assets held for sale	0	-61	0	-61
<b>Change in cash and cash equivalents according to the balance sheet</b>	<b>5,538</b>	<b>1,279</b>	<b>4,130</b>	<b>211</b>

## Financial key ratios

	Apr 30, 2014	Oct 31, 2013	Apr 30, 2013
CFROI, 12-month rolling	27%	31%	21%
Financial preparedness (target >20% of fixed costs)	44%	26%	18%
Equity/assets ratio (target >35%)	17%	12%	-8%
Adjusted equity/assets ratio	12%	8%	-6%
Financial net debt, MSEK	1,549	4,567	5,957
Debt/equity ratio	0.29	1.42	-3.05
Adjusted debt/equity ratio	2.70	5.13	-8.75
Interest-coverage ratio	2.2	2.6	0.2

# Financial assets and liabilities

## Fair value and carrying amount of financial assets and liabilities

(MSEK)	Apr 30, 2014		Oct 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Financial assets at fair value	152	152	137	137
Financial assets held for trading	7,194	7,194	3,662	3,662
Other assets	3,356	3,356	3,144	3,144
<b>Total</b>	<b>10,702</b>	<b>10,702</b>	<b>6,943</b>	<b>6,943</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value	155	155	141	141
Financial liabilities held for trading	21	21	21	21
Financial liabilities at amortized cost	12,075	11,599	11,348	11,105
<b>Total</b>	<b>12,251</b>	<b>11,775</b>	<b>11,510</b>	<b>11,267</b>

Fair value is generally determined by using official market quotes. When market quotes are not available, the fair value is determined using generally accepted valuation methods such as discounted future cash flows based on observable market inputs.

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

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

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

Level 2: Financial instruments for which fair value is based on valuation models that utilize other observable data for the asset or liability other than the quoted prices included within level 1, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

## Fair value hierarchy

(MSEK)	Apr 30, 2014			Oct 31, 2013		
	Level 1	Level 2	Total	Level 1	Level 2	Total
<b>Financial assets</b>						
Financial assets at fair value	-	152	152	-	137	137
Financial assets held for trading	2,943	4,251	7,194	3,270	392	3,662
<b>Total</b>	<b>2,943</b>	<b>4,403</b>	<b>7,346</b>	<b>3,270</b>	<b>529</b>	<b>3,799</b>
<b>Financial liabilities</b>						
Financial liabilities at fair value	-	155	155	-	141	141
Financial liabilities held for trading	-	21	21	-	21	21
<b>Total</b>	<b>0</b>	<b>176</b>	<b>176</b>	<b>0</b>	<b>162</b>	<b>162</b>

# Parent Company SAS AB

Income before tax for the period amounted to MSEK -41 (-978). At November 1, 2013, personnel from SAS AB were transferred to the SAS Consortium. The year earlier included an impairment of shares in Widerøe totaling MSEK 765. In the second quarter of 2014, 7 million preference shares corresponding to SEK 3.5 billion and a convertible bond loan of SEK 1.6 billion were issued.

The number of shareholders in SAS AB amounted to 61,289 at April 30, 2014.

The average number of employees in SAS AB amounted to 6 (37).

## Condensed statement of income

(MSEK)	Nov–Apr 2013–2014	Nov–Apr 2012–2013
Revenue	0	3
Payroll expenses	-18	-42
Other operating expenses	-21	-51
<b>Operating income before depreciation</b>	<b>-39</b>	<b>-90</b>
Amortization and depreciation	0	0
<b>Operating income</b>	<b>-39</b>	<b>-90</b>
Income from participations in Group companies	5	-860
Income from other securities holdings	5	0
Net financial items	-12	-28
<b>Income before tax</b>	<b>-41</b>	<b>-978</b>
Tax	11	-93
<b>Net income for the period</b>	<b>-30</b>	<b>-1,071</b>
Net income for the period attributable to: Parent Company shareholders	-30	-1,071

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

## Condensed balance sheet

(MSEK)	Apr 30, 2014	Oct 31, 2013	Apr 30, 2013
Financial fixed assets	5,406	5,984	5,493
Other current assets	12,688	7,099	6,376
Cash and cash equivalents	1	1	0
<b>Total assets</b>	<b>18,095</b>	<b>13,084</b>	<b>11,869</b>
Shareholders' equity	12,652	9,475	9,560
Long-term liabilities	3,390	3,478	1,999
Current liabilities	2,053	131	310
<b>Total shareholders' equity and liabilities</b>	<b>18,095</b>	<b>13,084</b>	<b>11,869</b>

## Changes in shareholders' equity

(MSEK)	Share capital <sup>1</sup>	Restricted reserves	Unrestricted reserves <sup>2</sup>	Total equity
Opening balance, Nov 1, 2013	6,613	473	2,389	9,475
Reclassification		-167	167	-
New issue of preference shares	141		3,359	3,500
New issue costs			-100	-100
Preference share dividend			-350	-350
Other contributed capital			157	157
Net income for the period			-30	-30
<b>Shareholders' equity, Apr 30, 2014</b>	<b>6,754</b>	<b>306</b>	<b>5,592</b>	<b>12,652</b>

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

2) No dividends were paid for 2012 and 2012/13. The preference share dividend for the year was entered as a liability as of April 30, 2014.

# Notes

## Note 1 Accounting policies and financial statements

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

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

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

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

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

At October 31, 2013, pension commitments amounted to SEK 28.5 billion and at April 30, 2014 to SEK 15.8 billion.

## Note 2 Quarterly breakdown

### Statement of income

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

## Note 2 Quarterly breakdown – continued

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

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

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

Stockholm, June 18, 2014

Fritz H. Schur  
*Chairman of the Board*

Jacob Wallenberg  
*First Vice Chairman*

Dag Mejdell  
*Second Vice Chairman*

Monica Caneman  
*Board member*

Lars-Johan Jarnheimer  
*Board member*

Birger Magnus  
*Board member*

Sanna Suvanto-Harsaae  
*Board member*

Carsten Dilling  
*Board member*

Jens Lippestad  
*Board member*

Sven Cahier  
*Board member*

Bo Nielsen  
*Board member*

Rickard Gustafson  
*President and CEO*

# Auditors' review report

## Introduction

We have conducted a review of the financial information in the condensed (interim report) for SAS AB (publ) at April 30, 2014, and the six-month period ending on that date. The Board of Directors and the President are responsible for preparing and presenting this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express an opinion on this interim report based on our review.

## Approach and scope of the review

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

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

## Opinion

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

Stockholm, June 18, 2014  
PricewaterhouseCoopers AB

Bo Hjalmarsson  
*Authorized Public Accountant and Principal Auditor*

Christine Rankin  
*Authorized Public Accountant*



# Traffic data information

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

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

	Feb–Apr 2014	Feb–Apr 2013	Year-on-year change	Nov–Apr 2013–2014	Nov–Apr 2012–2013	Year-on-year change
Number of passengers (000)	6,425	6,101	+5.3%	11,851	11,538	+2.7%
RPK, Revenue Passenger Kilometers (mill)	6,963	6,555	+6.2%	12,649	12,204	+3.7%
ASK, Available Seat Kilometers (mill)	9,746	9,355	+4.2%	18,326	17,650	+3.8%
Load factor	71.4%	70.1%	+1.4 p.u.	69.0%	69.1%	-0.1 p.e
Passenger yield (currency-adjusted)	0.93	1.04	-10.6%	0.97	1.06	-8.4%
Unit revenue, PASK (currency-adjusted)	0.67	0.73	-8.9%	0.67	0.73	-8.5%
Unit cost (CASK), total (currency-adjusted)	0.77	0.78	-0.5% <sup>1</sup>	0.80	0.82	-2.3% <sup>2</sup>

1) Excluding jet fuel, the total unit cost rose 2.1%. Excluding jet fuel and amended pension terms totaling MSEK 450 in the Feb–Apr 2013 period, the total unit cost declined 5.3%.

2) Excluding jet fuel, the total unit cost declined 0.6%. Excluding jet fuel and amended pension terms totaling MSEK 450 in the Feb–Apr 2013 period, the total unit cost declined 4.3%.

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

	Feb–Apr 2014	Feb–Apr 2013	Year-on-year change	Nov–Apr 2013–2014	Nov–Apr 2012–2013	Year-on-year change
Number of passengers (000)	6,631	6,301	+5.2%	12,240	11,931	+2.6%
RPK, Revenue Passenger Kilometers (mill)	7,618	7,211	+5.7%	13,953	13,556	+2.9%
ASK, Available Seat Kilometers (mill)	10,447	10,057	+3.9%	19,737	19,094	+3.4%
Load factor	72.9%	71.7%	+1.2 p.u.	70.7%	71.0%	-0.3 p.u.

## Scheduled traffic trend for SAS by route sector

	Feb–Apr 2014 vs. Feb–Apr 2013		Nov–Apr 2013–2014 vs. Nov–Apr 2012–2013	
	Traffic (RPK)	Capacity (ASK)	Traffic (RPK)	Capacity (ASK)
Intercontinental	+3.8%	+3.4%	+3.3%	+4.3%
Europe/Intra–Scandinavia	+10.2%	+4.5%	+5.3%	+3.6%
Domestic	+1.0%	+4.6%	+0.5%	+3.9%

## Scheduled destinations and frequencies for SAS

	Feb–Apr 2014	Feb–Apr 2013	Year-on-year change	Nov–Apr 2013–2014	Nov–Apr 2012–2013	Year-on-year change
Number of destinations	106	106	0.0%	107	111	-3.6%
Number of daily departures	823	810	+1.5%	770	766	+0.5%
No. of departures per destination/day	7.8	7.6	+1.5%	7.2	6.9	+4.3%

# Aircraft fleet

## The SAS aircraft fleet at April 30, 2014<sup>1</sup>

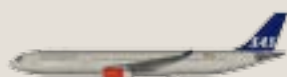
Aircraft in service	Age	Owned	Leased	Total	On purchase order	On lease order
Airbus A330/A340/A350	12.4	5	7	12	12	0
Airbus A319/A320/A321	9.2	6	19	25	30	0
Boeing 737 NG	11.6	17	66	83	0	4
Boeing 717	13.7	4	5	9	0	0
Bombardier CRJ900	4.9	12	0	12	0	0
<b>Total</b>	<b>10.8</b>	<b>44</b>	<b>97</b>	<b>141</b>	<b>42</b>	<b>4</b>

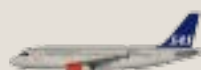
Leased out and phased out aircraft	Owned	Leased	Total	In service	Parked
Douglas MD-90 series	8	0	8	8	0
Bombardier Q400	0	1	1	1	0
Avro RJ-85	0	1	1	1	0
Boeing 737 Classic	0	4	4	0	4
McDonnell Douglas MD-80	7	0	7	0	7
<b>Total</b>	<b>15</b>	<b>6</b>	<b>21</b>	<b>10</b>	<b>11</b>

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

### Main



Airbus A330/A340-300

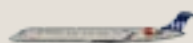


Airbus A319/A320/A321



Boeing 737-600/700/800

### Regional



Bombardier CRJ900



Boeing 717

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

# Important events

## Events after April 30, 2014

- SAS made a downward adjustment of the forecast for the 2013/2014 fiscal year.
- SAS launched further cost measures with an expected earnings impact of SEK 1 billion in the 2014/2015 fiscal year. Longer-term measures will also be finalized in autumn 2014.

## Second quarter 2013/2014

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

## First quarter 2013/2014

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

## Financial calendar

Interim report 3, 2014 (May–July)	September 10, 2014
Interim report 4, 2014 (August–October)	December 18, 2014
Annual Report 2013/2014	January 19, 2015
Annual General Shareholders' Meeting 2015	February 19, 2015
Interim report 1, 2015 (November–January)	March 5, 2015
Interim report 2, 2015 (February–April)	June 18, 2015
Interim report 3, 2015 (May–July)	September 8, 2015
Interim report 4, 2015 (August–October)	December 16, 2015

All reports are available in English and Swedish and can be ordered over the Internet at: [www.sasgroup.net](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., June 18, 2014

SAS discloses this information pursuant to the Swedish Securities Market Act and/or the Swedish Financial Instruments Trading Act. The information was provided for publication on June 18, 2014, at 8:00 a.m.