SEASONALLY WEAK EARNINGS AS EXPECTED

– structural measures being planned

NOVEMBER 2016 – JANUARY 2017

- Income before tax: MSEK -697 (-309)
- Income before tax and nonrecurring items: MSEK -707 (-404)
- Revenue: MSEK 8,957 (8,275)
- EBIT margin: -6.4% (-2.2%)
- Net income for the period: MSEK -556 (-246)
- Earnings per common share: SEK -1.95 (-1.01)
- The outlook for the full year 2016/2017 is retained, see page 9.

SIGNIFICANT EVENTS DURING THE QUARTER

- Over 500,000 more passengers chose to fly with SAS during the quarter.
- SAS contracted the refinancing of two Boeing 737s and four Airbus A319s until 2018 through a MUSD 75 credit facility.
- SAS signed agreements for the financing of 18 Airbus A320neos through sale and leaseback.
- SAS sold its subsidiary Cimber to CityJet and signed an agreement for the sale of eleven CRJ900s as part of SAS's strategy to let smaller traffic streams and regional traffic be handled by partners.

-6.1% RASK VS PRECEDING YEAR[1]

-5.7% UNIT COST VS PRECEDING YEAR[2]

+9.0% PASSENGERS VS PRECEDING YEAR

> SAS is mobilizing to address the cost disadvantages that we continue to have compared with more recently established competitors.
>
> Rickard Gustafson
> *President and CEO*

INCOME AND KEY RATIOS

Key ratios (MSEK)	Q1	Q1	Rolling 12 months	Rolling 12 months
	Nov–Jan 2016–2017	Nov–Jan 2015–2016	Feb-Jan 2016–2017	Feb-Jan 2015–2016
Revenue	8,957	8,275	40,141	39,554
EBIT margin	-6.4%	-2.2%	3.7%	6.8%
Income before tax and nonrecurring items	-707	-404	636	1,599
Income before tax, EBT	-697	-309	1,043	1,944
Net income for the period	-556	-246	1,011	1,350
Cash flow from operating activities	-365	-589	3,887	2,872

	Jan 31, 2017	Oct 31, 2016	Jan 31, 2016	Jan 31, 2015
Equity/assets ratio	20%	19%	16%	14%
Financial preparedness (target >20% of fixed costs)	33%	41%	37%	35%
Return on invested capital, 12-month rolling	9%	10%	14%	-1%
Earnings per common share (SEK), 12-month rolling	2.00	2.94	3.03	-4.62
Shareholders' equity per common share, SEK	7.48	7.12	3.54	2.20

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

COMMENTS BY THE CEO

We are putting a seasonally weak quarter behind us, which, as expected, was worse than the preceding year. The inadequate profitability emphasizes the importance of SAS mobilizing to address the cost disadvantages that we have compared with more recently established competitors. Accordingly, we are working on the details of further measures to create long-term competitiveness and profitability. Overall, we foresee a large number of activities ahead, aimed at reducing the cost gap between SAS and more recently established competitors. This, combined with the establishment of new bases in London and Spain, will prepare for a strong SAS that can leverage all of the exciting growth opportunities that exist in our market.

SAS recognized income before tax for the first quarter of 2016/2017 of MSEK -697. This was down on last year, primarily as a result of higher jet-fuel costs and increased price pressure. Although earnings were in line with our own expectations, they were unsatisfactory and demonstrate the demanding nature of market conditions. However, I am pleased that our customers appreciate our offering and that this resulted in 10% more passengers choosing to travel in SAS Business and SAS Plus and that over 500,000 more passengers chose to fly with SAS during the quarter. This contributed to passenger revenue increasing 5%, adjusted for currency.

During the quarter, SAS's currency-adjusted yield declined nearly 12% and it is now at an historically low level. This is a long-term trend that we must address and continue to plan for. Consequently, during the quarter, we initiated work aimed at identifying further structural measures to strengthen our profitability, in terms of both our commercial offering and our production platform.

STRENGTHENED CUSTOMER OFFERING

SAS's strategy is to focus on those customers who travel frequently to, from and within Scandinavia. For several years, we have invested in an enhanced offering and network based on the needs of this target group, which has increased customer satisfaction and strengthened loyalty toward SAS.

Those who travel often appreciate that we are simplifying the travel experience and taking care of their time. Our comprehensive digitalization effort entails possibilities to simplify processes for the customer and offer time-saving services, as well as enhancing the efficiency of our internal processes. An important milestone in our digitilization work was achieved during the quarter with the launch of our new website in the Swedish and Danish markets, with Norway and other markets following shortly. The new website enables us, for example, to more simply and rapidly add new services and products that are in demand by our customers. Accordingly, it is also pleasing that we have a positive trend in revenue from our ancillary services, which nearly doubled during the quarter year-on-year, albeit from a relatively low level. The new IT platform also enables improvements in EuroBonus, which we intend to launch during the spring.

INCREASED FLEXIBILITY IN PRODUCTION PLATFORM

Our current efficiency program generated MSEK 145 in earnings impact during the quarter and contributed to a decline of 5.7% in our currency-adjusted unit cost, excluding jet fuel. Among other activities during the quarter, we phased in three brand new Airbus A320neos, which are considerably more fuel-efficient than the existing Airbus A320. The new aircraft, which have also been upgraded to include the new SAS cabin interior, were very positively received by our customers, which is satisfying. In January, we also sold our subsidiary, Cimber. We have thus concluded the simplification of our aircraft fleet, meaning that after the sale of eleven CRJ900s, SAS will only have the Airbus A320 and the Boeing 737 in its own fleet for operations within Europe.

As I said in conjunction with the fourth quarter report for 2015/2016, SAS must increase the flexibility of its production platform and further enhance its efficiency to be able to leverage the growth opportunities that exist in the market. We are now in a phase in which we are planning several hundred activities in detail that are aimed at addressing the structural disadvantages that result in SAS having a higher unit cost than its newly established competitors. The measures, which are partly enabled through the digitalization, will embrace the entire organization and create a long-term, sustainable SAS for the future. I expect to announce further details of these measures during the second half of 2017.

If SAS is to secure the long-term profitability of key traffic flows and actively participate in the growing leisure market, SAS must have the same preconditions as other market participants, not least due to indirect wage costs in Scandinavia being substantially higher than those in many other European countries. Otherwise, the trend toward lower yields will mean that SAS is forced to reduce its production and discontinue routes. Accordingly, we decided in January to establish a new AOC in Ireland and new bases in London and Spain. The bases will comprise a complement to our production in Scandinavia, which will continue to account for the main share of our business, and in the long term, will enable us to build an even broader network and a superior timetable to, from and within Scandinavia. Intensive efforts have thus been initiated, with the ambition of the first flight taking place in the 2017/2018 winter program.

FINANCIAL POSITION AND OUTLOOK

SAS works continuously to increase its flexibility in the operational platform and has a more stable financial position than it did only a few years ago. Nevertheless, forthcoming maturing loans and financing needs mean we have a natural reason to focus on continuing to optimize our capital structure and to thereby lower our financing costs. However, performance during the first quarter showed how rapidly changed market conditions can impact profitability. This highlights how important it is that we can quickly identlfy and implement further structural measures to create long-term profitability and shareholder value.

The outlook for the 2016/2017 fiscal year is unchanged and is presented on page 9.

Thank you for choosing SAS and engaging in our business.

Stockholm, March 8, 2017.

Rickard Gustafson
President and CEO

COMMENTS ON SAS'S FINANCIAL STATEMENTS

MARKET AND TRAFFIC TRENDS

After high capacity growth in the Scandinavian market in 2015/2016, the rate of growth is expected to be slightly lower in 2016/2017. Measured in the number of seats offered, capacity to, from and within Scandinavia increased 2.4% during the first quarter of 2016/2017. Capacity growth was largest on routes between Scandinavia and Europe and was equally divided between network airlines and low cost carriers (LCCs). At the same time, the total number of passengers rose 6.1%. In the forthcoming six-month period, the increase in the number of offered seats in the total Scandinavian market is expected to be lower than 3%.

During the first quarter of 2016/2017, SAS's scheduled traffic, RPK, increased 18.9%. The increase was mainly attributable to SAS opening new intercontinental destinations compared with the preceding year. Furthermore, SAS increased production of longer leisure routes, mainly to southern Europe, which also contributed to SAS's traffic growth.

Demand in the Swedish market was generally strong in the first quarter. The Norwegian and Danish markets also had positive growth, but the flight tax introduced in Norway eroded SAS's revenues and most was absorbed by SAS through a lower yield.

Unit revenue (PASK) declined 5.6% during the first quarter of 2016/2017. Unit revenue was heavily impacted by the increased production on SAS's long-haul routes. Further details on the traffic trend for SAS are available on page 18.

EARNINGS ANALYSIS NOVEMBER 2016 – JANUARY 2017

Net income for the period

Operating income amounted to MSEK -577 (-186). Income before tax amounted to MSEK -697 (-309) and income after tax was MSEK -556 (-246). Tax income was SEK 141 MSEK (63).

The exchange-rate trend had a positive impact on revenue of MSEK 359 (-79) and a negative effect on operating expenses of MSEK -399 (-368). Accordingly, for the quarter, the exchange-rate trend had a negative impact on operating income of MSEK -40 (-447) and including net financial items a negative impact of MSEK -37 (-426).

Revenue

Revenue totaled MSEK 8,957 (8,275), see Note 2. After adjustment for currency effects, revenue was up MSEK 323 year-on-year. Currency-adjusted passenger revenue rose 5.0% The increase was a result of scheduled capacity (ASK) which, based on the preceding year's terms, had a positive impact on revenue of MSEK 1,638 and a higher load factor, giving a positive effect of MSEK 276. Revenue was negatively impacted in an amount of MSEK -1,657 as a result of the lower yield.

The currency-adjusted revenue from charter and cargo increased by 14.0% and 7.2%, respectively. The main reason for these increases is higher volumes.

Other traffic revenue (currency-adjusted) declined by MSEK -48, mainly due to lower revenue from other airlines. However, the increased sales of ancillary services had a positive effect on other traffic revenue. Other operating revenue was in line with the preceding year.

SAS's total capacity (ASK) increased 11.3%, primarily attributable to the increase in intercontinental traffic. This contributed to a decrease of 5.7% in the unit cost (CASK), adjusted for currency and jet fuel.

Operational and financial expenses

Payroll expenses amounted to MSEK -2,421 (-2,334). After adjustment for currency and restructuring costs, payroll expenses declined 1.9% year-on-year. The main reason for the reduced payroll expenses is the outsourcing of the line stations in Norway, which occurred during the second quarter of 2015/2016, which also resulted in higher handling costs.

Other operating expenses amounted to MSEK -6,105 (-5,169), see Note 3. These expenses largely comprised jet fuel, which amounted to MSEK -1,579 (-1,228). Adjusted for currency, jet-fuel costs increased 21%. The cost was negatively impacted in an amount of MSEK -166 due to a higher oil price, while currency had a negative impact of MSEK -77. Hedge effects (including the effect of time value) had a positive impact of MSEK 52 year-on-year and volume, based on the preceding year's terms, had a negative impact on costs of MSEK -131. Handling costs (currency-adjusted) increased by 24.5%, primarily due to the outsourcing of the line stations in Norway. Technical maintenance costs (currency-adjusted) increased by 17.6%. This is primarily a result of increased volumes and changed assessments for future engine maintenance. Wet-lease costs were MSEK 40 (currency adjusted) higher for the quarter year-on-year, which in addition to negative currency effects of MSEK 42, were the main explanations for the increase under other. During the period, the implementation of the ongoing restructuring program resulted in cost reductions of about MSEK 145.

Leasing costs amounted to MSEK -733 (-700). Adjusted for currency effects, leasing costs decreased 1.6%.

Financial revenue and expenses amounted to MSEK -120 (-124), of which net interest expense was MSEK -110 (-113).

Nonrecurring items

Total nonrecurring items amounted to MSEK 10 (95) during the period. Of nonrecurring items, MSEK 84 (95) pertain to capital gains from aircraft transactions, MSEK -21 to the divestment of the subsidiary Cimber, MSEK -30 to a contractual settlement in cargo activities and MSEK -23 to restructuring costs in ground operations.

BALANCE SHEET AND FINANCIAL POSITION

Assets

Intangible and tangible fixed assets decreased by MSEK 343 during the quarter. Change for the period includes investments of MSEK 1,514, amortization and depreciation of MSEK -327, divestments of MSEK -1,463, and other and exchange-rate effects MSEK -67. The period's investments include the acquisition of three Airbus A320neos and one spare engine, which were divested during the quarter through sale and leaseback.

Financial fixed assets increased by MSEK 998. The increase is mainly due to actuarial earnings from defined-benefit pension plans, primarily because of higher discount rates.

Shareholders' equity and liabilities

Shareholders' equity increased by MSEK 117. Shareholders' equity was negatively impacted by net income for the period of MSEK -556 and translation effects for foreign subsidiaries of MSEK -102. This was offset by the positive effects of hedging reserves of MSEK 18 and actuarial earnings from defined-benefit pension plans, net after tax, of MSEK 757.

Long-term liabilities decreased by MSEK 1,580. The change includes the reclassification of long-term debt maturing in November to current liabilities and new loans for the period.

Current liabilities increased by MSEK 609. The change is due to the reclassification of long-term debt, amortization and seasonal variations in operating liabilities.

Cash and cash equivalents

Cash and cash equivalents were MSEK 7,226 (7,440) at January 31, 2017. Unutilized contracted credit facilities amounted to MSEK 3,176 (2,879). Financial preparedness was 33% (37%) of the Group's fixed costs.

Interest-bearing liabilities

Interest-bearing liabilities declined MSEK 649 compared with October 31, 2016 and amounted to MSEK 9,231 on the closing date. New loans and amortization for the period were MSEK 694 and MSEK 1,130 respectively. The change in gross debt since October 31, 2016 includes a positive trend in the market value of financial derivatives, which reduced liabilities by just over MSEK 50. A positive effect from currency revaluations reduced liabilities by just over MSEK 160.

In 2014, SAS issued a convertible bond loan, which was valued at MSEK 1,492 on the closing date.

Financial net debt/receivables

During the quarter, financial net receivables decreased MSEK 620 to MSEK 546 on the closing date. The decrease was primarily attributable to seasonal negative cash flow.

Equity/assets ratio

At January 31, 2017, the equity/assets ratio was 20% (16%) and the adjusted equity/assets ratio was 12% (10%). The adjusted debt/equity ratio amounted to 3.17 (4.09). The adjusted ratios take into account leasing costs.

For the balance sheet — refer to page 11.

CASH-FLOW STATEMENT

Cash flow for the quarter amounted to MSEK -1,142 (-758).

Cash and cash equivalents amounted to MSEK 7,226 according to the balance sheet, compared with MSEK 8,370 at October 31, 2016.

Cash flow from operating activities

Cash flow from operating activities, before changes in working capital, amounted to MSEK -308 (-95) in the first quarter of the fiscal year.

Changes in working capital, which in the first quarter were seasonally weak, were more positive than the preceding year and amounted to MSEK -57 (-494). The positive trend was primarily attributable to lower operating receivables compared with the previous year.

Investing activities

Investments totaled MSEK 1,514 (1,422) of which MSEK 1,464 (1,351) pertained to aircraft. These include delivery payments for three new Airbus A320neos that were immediately divested on the basis of sale and leaseback agreements. Other aircraft investments comprise capitalized expenditures for engine maintenance, modifications, spare parts and advance payments to Airbus.

In January, the subsidiary Cimber was divested, which had a negative impact on the Group's cash and cash equivalents of MSEK 28.

The divestment of fixed assets concerns the sale and leaseback of the three Airbus A320neos and a spare engine acquired during the quarter and the divestment of a Bombardier CRJ900.

Financing activities

Cash flow before financing activities amounted to MSEK -368 (-728).

New loans for the quarter amounted to MSEK 694 (236), while repayments totaled MSEK 1,130 (227). In addition, cash flow from financing activities was negatively impacted by financial derivatives and increased deposits for aircraft in blocked accounts.

For the cash-flow statement — refer to page 12.

SEASONAL VARIATIONS

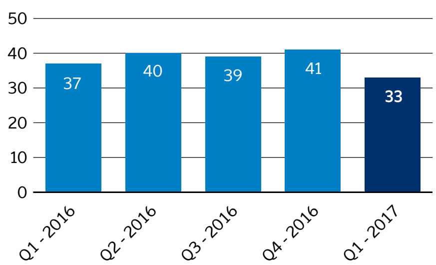
Demand, measured as revenue passenger kilometers (RPK), in SAS's markets is seasonally low from November to April and at its peak from May to October. However, the share of advance bookings is greatest from January to May, which has a positive effect on working capital.

Seasonal fluctuations in demand impact cash flow and earnings differently. Passenger revenue is recognized when customers actually travel, while cash flow is positively impacted during months in which bookings increase. This means increased revenue in the high-traffic months from May to October. Since a substantial share of an airline's costs is fixed, earnings are impacted by fluctuations in rev-

TARGET — FINANCIAL PREPAREDNESS

SAS has a target for financial preparedness, which is to exceed 20% of annual fixed costs.

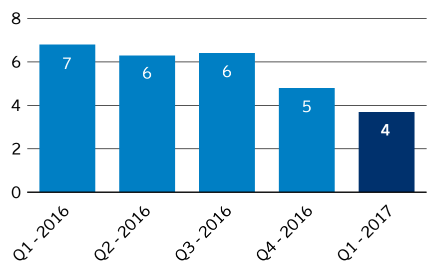
FINANCIAL PREPAREDNESS, %



PROFITABILITY

EBIT margin amounted to -6.4% during the first quarter of 2016/2017. Excluding nonrecurring items, the EBIT margin was -6.6%.

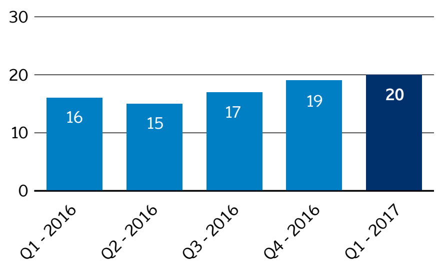
EBIT MARGIN, 12-MONTH ROLLING, %



EQUITY/ASSETS RATIO

The equity/assets ratio rose during the first quarter of 2016/2017 despite negative earnings. The increase was primarily attributable to the remeasurement of SAS defined-benefit pension plans because of higher discount rates.

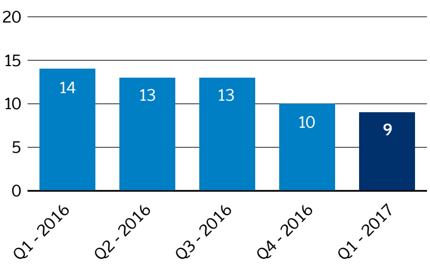
EQUITY/ASSETS RATIO, %



RETURN ON INVESTED CAPITAL (ROIC)

The 12M rolling return on invested capital amounted to 9% during the first quarter of 2016/2017, which is the lower than SAS's average cost of capi-

ROIC, 12-MONTH ROLLING, %



enue levels.

As traffic is lower in the November to April period, the first and second quarters are seasonally the weakest quarters in terms of earnings. However, cash flow from operating activities is seasonally weak in the first and third quarters.

FINANCIAL TARGETS

The SAS Group's overriding goal is to create shareholder value. To reach this goal, SAS pursues three strategic priorities to meet trends and industry developments, to ensure competitiveness and to provide the prerequisites for long-term sustainable profitability.

SAS is affected by the economic climate in Europe, the exchange-rate trend, jet-fuel prices and the extensive changes to the European airline industry with intensified competition as a result of increases in market capacity. Given the inherent uncertainty of these external factors, SAS, in line with numerous other airlines, has chosen not to specify targets for profitability or its equity/assets ratio.

However, SAS has a target for financial preparedness which is to exceed 20% of annual fixed costs.

EVENTS AFTER JANUARY 31, 2017

- SAS decided to supplement its production in Scandinavia with bases in London and Spain and to establish a new air operator certificate (AOC) in Ireland.
- The AGM resolved to pay a maximum dividend to preference shareholders over the period until the next AGM of SEK 50 per preference share. The AGM resolved not to pay a dividend to holders of common shares for the 2015/2016 fiscal year. The AGM also resolved to re-elect the Board.

STRATEGIC PRIORITIES FOR SAS

SAS focuses on people who travel frequently to, from and within Scandinavia. Focusing on this target group, we work with three strategic priority areas to strengthen competitiveness and to meet the challenges in the industry.

BE THE FIRST CHOICE FOR FREQUENT TRAVELERS

SALES VIA DIGITAL CHANNELS Q1 FY17 VS Q1 FY16	EUROBONUS MEMBERSHIP TREND Q1 FY17 VS Q1 FY16	SAS PLUS AND BUSINESS PASSENGERS Q1 FY17 VS Q1 FY16
↗ 9%	↗ 12%	↗ 10%

The most frequent travelers are also the most demanding in terms of a smooth travel experience and that we take care of their time in the best possible way. This is the driving force when we develop our customer offering in order to strengthen our position as the first choice for frequent travelers.

Digitalization entails possibilities to simplify processes for the customer, to offer time-saving services, as well as to enhance the efficiency of our internal processes. We are therefore investing in an upgrade of our IT platform. A milestone in this venture was achieved during the first quarter with the launch of our new website in the Swedish and Danish markets, with Norway and other markets following shortly. The new website is responsive and optimized for computers, tablets and mobile phones. It enables us, for example, to more simply and rapidly add new services and products that are in demand by our customers. It is therefore positive that we almost doubled revenue from ancillary services compared with the preceding year, albeit from a low level. It shows that those who travel often appreciate that we are simplifying the travel experience through the launch of new digital services. The aim is that the new IT platform will enable us in spring 2017 to launch further improvements in EuroBonus. With the new high-speed Wi-Fi on our Airbus A320s and Boeing 737s — that our customers can use from autumn 2017 — we are further strengthening our customer offering.

SAS's EuroBonus program is at the core of stronger relationships and loyalty between SAS and its customers. The loyalty program now has 4.8 million members and the number of members increased by almost 100,000 during the first quarter. Together with the new IT platform, EuroBonus provides SAS with an opportunity to tailor customer offerings and improve customer service.

As part of efforts to improve the travel experience, we are investing in our aircraft fleet. During the first quarter of 2016/2017, three Airbus A320neos were delivered, upgraded with SAS's new cabin interiors for short and medium-haul operations. Altogether, we are investing about SEK 0.5 billion in the new cabin interiors and in the new high-speed Wi-Fi.

The investments in our customer offering are appreciated by customers and attracted attention through various independent awards. For example, SAS was awarded first prize in February in the category "Best Domestic Transportation" and "Best European Airline" at the travel industry's Grand Travel Awards in Sweden, in a vote by more than 1,000 travel industry representatives. In January, SAS was named as the leading company in digitalization in the transport industry, in BearingPoint's survey "Digital leaders in Sweden."

CREATE AN EFFICIENT OPERATING PLATFORM

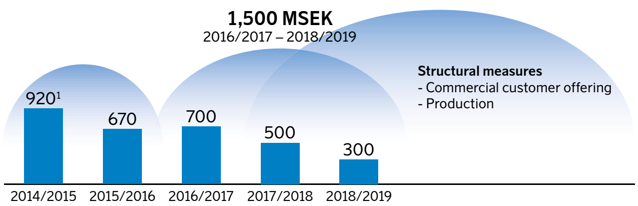
PRODUCTIVITY: AIRCRAFT Q1 FY17 VS Q1 FY16	PRODUCTIVITY: PILOTS Q1 FY17 VS Q1 FY16	PRODUCTIVITY: CABIN CREW Q1 FY17 VS Q1 FY16
↗ 5.0%	↘ -2,9%	↘ -4.9%

SAS works continuously to enhance the efficiency of the operational platform. In total, SAS has identified SEK 1.5 billion in efficiency-enhancement measures during the 2017–2019 period. In 2016/2017, the aim is to realize efficiency enhancements of about SEK 0.7 billion. A more detailed description of the content of SEK 1.5 billion in measures is set out in SAS's year-end report 2015/2016.

In the first quarter, the earnings impact from these measures amounted to MSEK 145. Aircraft productivity rose as a result of increased production on long-haul routes and European leisure routes. However, productivity declined for our pilots and cabin crew due to retraining and lower sick leave levels. In line with the strategy of streamlining the operational platform, we sold the subsidiary Cimber in January. We have thus concluded the simplification of our aircraft fleet, meaning that after the sale of eleven CRJ900s, SAS will only have Airbus A320s and Boeing 737s in its own aircraft fleet for operations within Europe.

SAS is also planning new and extensive structural measures that are described below.

IMPACT ON EARNINGS FROM SAS'S EFFICIENCY-ENHANCEMENT MEASURES, MSEK



1) Includes SEK 0.3 billion from the 4Excellence NG action plan.

Detailed planning underway for new structural measures

The airline industry continues to change rapidly in parallel with a growing Scandinavian air travel market and rising demand for more long-haul routes and leisure routes to/from Europe. With our extensive network, frequent departures and substantial customer base, SAS holds a strong market position in Scandinavia. Together with the opportunities created by our digitalization investments, we have a major potential to leverage market growth and to start additional long-haul routes as well as accelerate growth in the European leisure route market, where SAS's share of travel is relatively lower.

To leverage the market opportunities, we have to address the structural disadvantages that result in SAS having a higher unit cost than newly established competitors. The efficiency enhancements of SEK 1.5 billion in 2017–2019, which are being implemented, are not sufficient to create a long-term, sustainable SAS.

As we announced in December 2016, we are therefore planning new and extensive structural measures. We are now working on detailed planning from the bottom-up of several hundred activities that in total will reduce the cost differential to newly established competitors. When this work is complete, we will have a detailed program that encompasses the entire organization.

Administration will be streamlined and reduced. We have also begun a comprehensive review of our customer offering. Several appreciated customer investments have been implemented in recent years, but we need to ensure that we are offering that which is appreciated most in the continuously changing landscape of customer expectations. Therefore, we have to adapt the product to the prevailing willingness to pay, lower distribution costs, streamline the organization and reprioritize resources.

Furthermore, efficiency must be raised for ground handling services, technical maintenance and flight operations. After having outsourced considerable parts of our ground handling services and technical maintenance, we will continue digitalization initiatives to optimize resource utilization and planning. Moreover, we need to be more flexible and increase the productivity of flight operations. Among other measures, this will require the renegotiation of agreements with suppliers and employee groups.

When measures have been identified, the total effect on future years will be updated and all measures, including the existing measures of SEK 1.5 billion, will be integrated into a new efficiency enhancement program. SAS expects that the new structural measures will result in some restructuring costs. We expect to announce further details about these measures and their extent during the second half of 2017.

Bases outside Scandinavia

All of SAS's competitors on traffic flows to and from Europe use almost exclusively crew based in EU countries outside of Scandinavia and as result have a lower total cost for labor. Given the customers' willingness to pay, SAS must ensure that we have the same preconditions as other operators in the market. Otherwise, SAS cannot participate in the growing leisure market but will be forced to reduce its production and discontinue routes.

To secure the long-term profitability of key traffic flows, we therefore decided at the end of the first quarter to establish a new air operator certificate (AOC) in Ireland with operational bases in London and Spain. The bases will complement our production in Scandinavia, which will continue to account for the main share of our business, and in the long term, will enable us to build an even broader network and a superior timetable to, from and within Scandinavia. Intensive efforts have thus been initiated, with the ambition of the first flight taking place in the 2017/2018 winter program.

The aircraft based in London and Spain will have the same customer offering and appearance as other airline operations at SAS and with corresponding requirements in terms of safety and standards.

The bases will increase SAS's flexibility in its production platform and offer growth opportunities in partially new traffic flows to and from Scandinavia. This will also strengthen production from Scandinavia.

Minor start-up costs for the new AOC and new bases are expected to impact earnings to begin with. Initially, the financial effects from operations at these bases will be small, but will gradually increase as operations grow.

SECURE THE RIGHT CAPABILITIES

SICK LEAVE Q1 FY17 VS Q1 FY16	EMPLOYEES Q1 FY17 VS Q1 FY16	CARBON DIOXIDE/ PASSENGER KILOMETER Q1 FY17 VS Q1 FY16
↘ -11%	↘ -3.6%	↘ -6.3%

SAS's journey of change and increased digitalization raises new demands on SAS's compiled expertise. We therefore endeavor to ensure we have the right skills to develop SAS further to meet future demands and needs.

To create the right preconditions for our employees and to attract new talents, we have identified four areas to focus on:

- We strengthen employee commitment through frequent surveys and targeted measures to increase employee satisfaction.
- We develop leadership by way of training courses, internal networks and mentor programs.
- We secure talent supply through mentorship, training courses and a focus on internal mobility.
- We create an attractive workplace using improved tools, processes and strong leadership.

The extensive investment in digitalization is continuing and enables smoother internal processes and a simplification of the everyday working lives of our employees. One example of this is that all cabin crew now use their own iPads, which enables greater productivity moving forward, by simplifying processes and facilitating communication between the flight crew and their managers. Digitalization and outsourcing have also resulted in the number of employees decreasing in the quarter.

In addition to the annual employee survey, we introduced a new measurement tool — the &Frankly app — whereby SAS personnel can, on an ongoing basis, answer local questions on motivation and working environment. The app has been implemented in slightly more than half of the organization, and is expected to be fully implemented during the second quarter.

In the next quarter, SAS will also implement Benify — a new HR portal. The solution automates many HR activities but is above all a practical tool to become a more attractive employer.

In February, the SAS Awards were held, where employees and teams were showcased in accordance with our employee and leadership model. More than 1,400 nominations resulted in winners in the categories: "SAS Person", "SAS Leader", "SAS Team Achievement", "SAS Lean Achievement of the Year" and "SAS Safety."

SAS has also focused on reducing sick leave, which has produced results. The reduction has been achieved by identifying problem areas, where we have initiated measures and provided effective rehabilitation.

Work appointing personnel to the new bases in London and Spain will begin shortly. The applicant profile will be the same as for other SAS employees, and SAS will offer conditions that comply with the laws and regulations applicable in the country of employment.

We have a target as part of our sustainability focus of reducing emissions from flight operations by 20% between 2010 and 2020. Carbon dioxide emissions per passenger kilometer fell 6.3% in the first quarter.

RISKS AND UNCERTAINTIES

SAS works strategically to refine and improve its risk management. Risk management includes identifying both new risks and known risks, such as changes in jet-fuel prices or exchange rates. SAS monitors general risks centrally, while portions of risk management are conducted in the operations and include identification, action plans and policies. For further information about risk management at SAS, refer to the most recently published annual report.

CURRENCY AND JET-FUEL HEDGING

Financial risks pertaining to changes in exchange rates and fuel prices are hedged with derivatives, which aim to counter short-term negative fluctuations and provide scope for adapting operations to long-term changes in levels. Another aim of SAS's hedging strategy is to enable SAS to act quickly when changes in exchange rates and fuel prices are advantageous.

The policy for jet-fuel hedging states that jet fuel should be hedged at an interval of 40–80% of anticipated volumes for the coming 12 months. The policy also allows hedging of up to 50% of the anticipated volumes for the period, 12–18 months.

As of January 31, 2017, the hedging of SAS's future jet-fuel consumption for the remainder of the fiscal year was conducted through a combination of swaps and capped options. The hedging ratio for the next 12 months amounts to 44% and no hedges were undertaken for the next six-month period. Under current plans for flight capacity, the cost of jet fuel during the 2016/2017 fiscal year is expected to be in line with the table below, taking into account different fuel prices and USD rates and including jet-fuel hedging.

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

For foreign currency, the policy is to hedge 40–80%. At January 31, 2017, SAS had hedged 67% of its anticipated USD deficit for the next 12 months. SAS has hedged the USD deficit using forward contracts. In terms of NOK, which is SAS's largest surplus currency, 73% was hedged for the next 12 months. Based on the currency exposure for 2015/2016, a weakening of the NOK against the SEK of 1% would generate a negative earnings impact of MSEK 65, excluding hedge effects. A weakening of the USD against the SEK of 1% would generate a positive earnings impact of MSEK 100, excluding hedge effects.

Hedging of jet fuel

Hedge level (max price)	Feb–Apr 2017	May–Jul 2017	Aug–Oct 2017	Nov 2017 –Jan 2018
USD 450–510/tonne	86%	65%	20%	0%

Vulnerability matrix, jet-fuel cost November 2016 to October 2017, SEK billion[1]

	Exchange rate SEK/USD			
Market price	7.00	8.00	9.00	10.00
USD 300/tonne	5.0	5.5	6.0	6.4
USD 400/tonne	5.5	6.0	6.6	7.2
USD 600/tonne	6.3	7.0	7.6	8.3
USD 800/tonne	6.9	7.7	8.5	9.2
USD 1,000/tonne	7.6	8.4	9.3	10.2

1) SAS's current hedging contracts for jet fuel at January 31, 2017 have been taken into account.

LEGAL ISSUES

The European Commission's decision in November 2010 found SAS and many other airlines guilty of participating in a global air cargo cartel and ordered SAS to pay a fine of MEUR 70.2. SAS appealed the decision in January 2011 and in December 2015, the General Court of the European Court of Justice annulled the European Commission's decision including the MEUR 70.2 fine. The European Court of Justice's ruling has entered force and the MEUR 70.2 fine was repaid to SAS at the beginning of March 2016, and was recognized as a nonrecurring item in the second quarter of the 2015/2016 fiscal year. The European Commission could make a new decision in relation to this matter. SAS has no insight into and is unable to influence the exact timing of any new decision or its formulation.

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 initiated by cargo customers in countries including the UK, the Netherlands and Norway. In December 2016, SAS entered a settlement regarding the lawsuit in Germany. SAS is currently evaluating the impact that any new decision by the European Commission could have on the ongoing actions for damages. SAS contests its responsibility in all of these legal processes. Unfavorable outcomes in these disputes could have a significantly negative financial impact on SAS. Further lawsuits by cargo customers cannot be ruled out and no provisions have been made.

In October 2016, Jetpak Group AB (Jetpak) called for arbitration procedures at the Stockholm Chamber of Commerce with regard to a dispute with SAS pertaining to deliveries of delayed luggage to SAS's passengers. Jetpak's claim against SAS is for just over MSEK 28. The parties have differing opinions as to how Jetpak's remuneration should be calculated under the parties' agreement from November 2015. SAS contests Jetpak's claim.

The SAS pilot associations have filed a lawsuit against SAS with the Swedish Labour Court claiming damages for breach of collective agreements. No financial damages were specified in the summons application. The dispute pertains to a large group of pilots employed at the Stockholm base but who worked out of the Copenhagen base, and the calculation and coordination of the rights to Swedish and Danish pension benefits of these pilots on changing bases. SAS contests all claims. In an intermediate judgment, announced on February 3, 2016, the Swedish Labour Court rejected the pilot associations' claim regarding breached collective agreements. The pilot associations withdrew their claim, but requested that the Swedish Labour Court rule that each of the parties carry its own costs. SAS has contested this request. In February 2017, the case was heard by the Swedish Labour Court and a ruling will be announced on March 22, 2017.

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 lawsuit contains no specified demand for compensation. SAS contests the claim. SAS won the initial case, however the judgment has been appealed by the counterparty and is expected to be heard in the next instance in 2017. The financial exposure is difficult to quantify, but SAS considers the risk of a negative outcome to be limited and no provisions have been made.

A large number of former cabin crew of SAS in Denmark are pursuing a class action against SAS at a Danish court, demanding additional payments from SAS to the Pension Improvements Fund for Cabin Crew (the CAU fund) citing that the CAU fund is a defined-benefit supplementary plan. In autumn 2016, the case was heard by the City Court of Copenhagen, which, in its judgment in December 2016, rejected the cabin crew's demand for further payments into the CAU fund by SAS. The cabin crew appealed the judgment in January 2017.

On February 20, 2017, SAS has together with the International Air Transport Association (IATA) filed a complaint with the Danish Transport, Construction and Housing Authority about fees that are too high and a lack of investment in Copenhagen Airport, and demanded a reduction in fees.

OTHER DISPUTES

In addition to the above, the labor unions are pursuing some 20 claims against SAS in Denmark, Norway and Sweden for smaller amounts, which mainly pertain to interpretation of labor legislation and collective agreements. SAS contests the claims of the labor unions in all of these legal processes.

OUTLOOK FOR 2016/2017

OUTLOOK

Capacity will increase in Scandinavia in 2016/2017, but is expected to grow slightly more slowly than in the last fiscal year. The competition and yield pressure is expected to continue. At the same time, given current market prices, jet-fuel costs will increase in 2016/2017 compared with the previous fiscal year. To tackle this trend, SAS will increase the production platform's efficiency and flexibility.

Uncertainty in the macro environment is considerable, exchange rates and jet-fuel prices are volatile, and national aviation taxes are being considered. Higher jet-fuel costs and a lower yield resulted, as expected, in significantly lower earnings for the first quarter of 2016/2017 compared with the year earlier.

To sum up, this leads to the following outlook for 2016/2017:

Despite market uncertainty and a weak start to the fiscal year, SAS expects to be able to deliver a positive income before tax and nonrecurring items for the 2016/2017 fiscal year.
The outlook is based on no unexpected events occurring.

THE OUTLOOK IS BASED ON THE FOLLOWING PRECONDITIONS AT JANUARY 31, 2017

- SAS's capacity growth (ASK) in 2016/2017 will be lower year-on-year and amount to 6–8%. Growth will be greatest on the intercontinental routes and on the European leisure routes. The number of flights is expected to increase by about 2%.
- A lower PASK in 2016/2017 compared with 2015/2016 as a result of longer average flight distances and continued underlying yield pressure.
- A lower unit cost through intense focus on efficiency measures, which in 2016/2017 are expected to generate effects of about SEK 0.7 billion.
- Net investments are expected to amount to about SEK 1 billion in 2016/2017. In addition, a significant engine maintenance program will be implemented in 2016/2017 and 2017/2018 and where provisions have already been made for most of these costs.

STATEMENT OF INCOME

STATEMENT OF INCOME INCLUDING STATEMENT OF OTHER COMPREHENSIVE INCOME

MSEK	Note	Q1	Q1	Rolling 12 months	Rolling 12 months
		Nov–Jan 2016–2017	Nov–Jan 2015–2016	Feb–Jan 2016–2017	Feb–Jan 2015–2016
Revenue	2	8,957	8,275	40,141	39,554
Payroll expenses[1]		-2,421	-2,334	-9,192	-9,478
Other operating expenses[2]	3	-6,105	-5,169	-25,488	-24,059
Leasing costs for aircraft		-733	-700	-2,873	-2,692
Depreciation, amortization and impairment[3]		-327	-341	-1,353	-1,525
Share of income in affiliated companies		-11	-12	40	35
Income from the sale of shares in subsidiaries, affiliated companies and operations		-21	0	-28	-11
Income from the sale of aircraft, buildings and slot pairs		84	95	254	872
Operating income		**-577**	**-186**	**1,501**	**2,696**
Income from other securities holdings		0	1	0	-302
Financial revenue		41	22	110	124
Financial expenses		-161	-146	-568	-574
Income before tax		**-697**	**-309**	**1,043**	**1,944**
Tax		141	63	-32	-594
Net income for the period		**-556**	**-246**	**1,011**	**1,350**
Other comprehensive income					
Items that may later be reversed to net income:					
Exchange-rate differences in translation of foreign operations		-102	-23	133	-112
Cash-flow hedges — hedging reserve, net after tax		18	-1,016	1,141	-258
Items that will not be reversed to net income:					
Revaluations of defined-benefit pension plans, net after tax		757	-235	-635	-236
Total other comprehensive income, net after tax		**673**	**-1,274**	**639**	**-606**
Total comprehensive income		**117**	**-1,520**	**1,650**	**744**
Net income for the period attributable to:					
Parent Company shareholders		-556	-246	1,011	1,348
Non-controlling interests		0	0	0	2
Earnings per common share (SEK)[4]		-1.95	-1.01	2.00	3.03
Earnings per common share after dilution (SEK)[4]		-1.95	-1.01	1.78	2.64

1) Includes restructuring costs and other nonrecurring items of MSEK 23 (0) during the November–January period and MSEK 57 (130) during the February–January period.
2) Includes restructuring costs and other nonrecurring items of MSEK 30 (0) during the November–January period and MSEK -293 (83) during the February–January period.
3) Includes restructuring costs and other nonrecurring items of MSEK 0 (0) during the November–January period and MSEK 55 (0) during the February–January period.
4) Earnings per common share are calculated as net income for the period attributable to Parent Company shareholders less preference share dividends in relation to 330,082,551 (329,360,850) common shares outstanding during the November–January period and 330,082,551 (329,090,213) common shares outstanding during the February–January period.

SAS has no option or share programs. Convertible bond loans only have a dilution effect if conversion of the loans to common shares would result in lower earnings per share. At the balance-sheet date, there was one convertible bond loan of MSEK 1,574, covering 65,536,095 shares.

INCOME BEFORE TAX AND NONRECURRING ITEMS

MSEK	Q1	Q1	Rolling 12 months	Rolling 12 months
	Nov–Jan 2016–2017	Nov–Jan 2015–2016	Feb–Jan 2016–2017	Feb–Jan 2015–2016
Income before tax	-697	-309	1,043	1,944
Impairment	0	0	11	314
Restructuring costs	23	0	65	177
Capital gains/losses	-63	-95	-237	-872
Other nonrecurring items[1]	30	0	-246	36
Income before tax and nonrecurring items	**-707**	**-404**	**636**	**1,599**

1) Includes a positive earnings impact of MSEK 655 due to the repayment of fines in the second quarter of 2015/2016 relating to the annulled judgement pertaining to the global air cargo cartel.

BALANCE SHEET

CONDENSED BALANCE SHEET

MSEK	Jan 31, 2017	Oct 31, 2016	Jan 31, 2016	Jan 31, 2015
Intangible assets	1,906	1,923	1,793	1,955
Tangible fixed assets	10,870	11,195	9,465	9,052
Financial fixed assets	7,199	6,201	7,259	8,010
Total fixed assets	**19,975**	**19,319**	**18,517**	**19,017**
Other current assets	313	312	324	383
Current receivables	3,386	3,753	3,208	4,193
Cash and cash equivalents[1]	7,226	8,370	7,440	7,108
Total current assets	**10,925**	**12,435**	**10,972**	**11,684**
Total assets	**30,900**	**31,754**	**29,489**	**30,701**
Shareholders' equity[2]	6,143	6,026	4,843	4,425
Long-term liabilities	8,242	9,822	9,478	10,846
Current liabilities	16,515	15,906	15,168	15,430
Total shareholders' equity and liabilities	**30,900**	**31,754**	**29,489**	**30,701**
Shareholders' equity per common share, SEK[3]	7.48	7.12	3.54	2.20
Interest-bearing assets	13,477	13,661	13,661	14,363
Interest-bearing liabilities	9,231	9,880	10,940	12,466
Working capital	-11,254	-11,274	-9,538	-9,136

1) At January 31, 2017, including receivables from other financial institutions, MSEK 1,592 (1,377).
2) Including non-controlling interests.
3) Shareholders' equity attributable to Parent Company shareholders excluding total preference share capital in relation to the 330,082,551 (330,082,551) common shares outstanding. The SAS Group has not carried out any buyback programs.

SPECIFICATION OF FINANCIAL NET DEBT, JANUARY 31, 2017

	According to balance sheet	Of which financial net debt
Financial fixed assets	7,199	2,002
Current receivables	3,386	549
Cash and cash equivalents	7,266	7,226
Long-term liabilities	8,242	6,180
Current liabilities	16,515	3,051
Financial net debt		-546

Information relating to financial net debt in the comparative periods is available in the Financial Key Ratios section on page 12. For a specification of financial net debt for the respective periods, please refer to www.sasgroup.net where each interim report is published.

CONDENSED CHANGES IN SHAREHOLDERS' EQUITY

MSEK	Share capital[1]	Other contributed capital[2]	Hedging reserves	Translation reserve	Retained earnings[3]	Total shareholders' equity attributable to Parent Company shareholders	Non-controlling interests	Total shareholders' equity
Opening shareholders' equity in accordance with approved balance sheet, November 1, 2015	6,754	327	1,218	-286	-1,674	6,339	0	6,339
Conversion of convertible bond loan	22				2	24		24
Comprehensive income, November–January			-1,016	-23	-481	-1,520		-1,520
Closing balance, January 31, 2016	6,776	327	202	-309	-2,153	4,843	0	4,843
Preference share dividend					-350	-350		-350
Comprehensive income, February–October			1,123	235	175	1,533		1,533
Closing balance, October 31, 2016	6,776	327	1,325	-74	-2,328	6,026	0	6,026
Comprehensive income, November–January			18	-102	201	117		117
Closing balance, January 31, 2017	**6,776**	**327**	**1,343**	**-176**	**-2,127**	**6,143**	**0**	**6,143**

1) Number of shares in SAS AB: 330,082,551 (329,000,000) common shares with a quotient value of SEK 20.10 and 7,000,000 preference shares with a quotient value of SEK 20.10.
2) The amount comprises share premium reserves and the equity share of convertible loans.
3) No dividends were paid on common shares for 2015/2016.

CASH-FLOW STATEMENT

CONDENSED CASH-FLOW STATEMENT

MSEK	Q1	Q1	Rolling 12 months	Rolling 12 months
	Nov–Jan 2016–2017	Nov–Jan 2015–2016	Feb–Jan 2016–2017	Feb–Jan 2015–2016
Income before tax	-697	-309	1,043	1,944
Depreciation, amortization and impairment	327	341	1,353	1,525
Income from sale of aircraft, buildings and shares	-63	-95	-237	-872
Adjustment for other items not included in the cash flow, etc.	125	-32	434	498
Tax paid	0	0	0	-1
Cash flow from operations before change in working capital	**-308**	**-95**	**2,593**	**3,094**
Change in working capital	-57	-494	1,294	-222
Cash flow from operating activities	**-365**	**-589**	**3,887**	**2,872**
Investments including advance payments to aircraft manufacturers	-1,514	-1,422	-6,052	-5,188
Acquisition of subsidiaries	0	0	0	-60
Sale of subsidiaries and operations	-28	-11	-19	-11
Sale of fixed assets, etc.	1,539	1,294	3,592	4,575
Cash flow before financing activities	**-368**	**-728**	**1,408**	**2,188**
Dividend on preference shares	-87	-87	-350	-350
External financing, net	-687	57	-1,274	-1,502
Cash flow for the period	**-1,142**	**-758**	**-216**	**336**
Translation difference in cash and cash equivalents	-2	0	2	-4
Change in cash and cash equivalents according to the balance sheet	**-1,144**	**-758**	**-214**	**332**
Cash flow from operating activities per common share (SEK)	-1.11	-1.79	11.78	8.73

FINANCIAL KEY RATIOS

	Jan 31, 2017	Oct 31, 2016	Jan 31, 2016	Jan 31, 2015
Return on shareholders' equity after tax, 12-month rolling	19%	24%	25%	-24%
Return on invested capital, 12-month rolling	9%	10%	14%	-1%
Financial preparedness (target >20% of fixed costs)	33%	41%	37%	35%
Equity/assets ratio	20%	19%	16%	14%
Adjusted equity/assets ratio	12%	12%	10%	10%
Financial net debt, MSEK	-546	-1,166	1,454	2,135
Debt/equity ratio	-0.09	-0.19	0.30	0.48
Adjusted debt/equity ratio	3.17	3.08	4.09	3.89
Interest-coverage ratio	2.8	3.6	4.4	-0.6

The above returns are calculated using averages of the qualifying periods' balance-sheet items. The adjusted equity/assets ratio and adjusted debt/equity ratio are calculated using net capitalized leasing costs, whereby operational leasing commitments for aircraft were taken into consideration, see Definitions and concepts on page 21. The following average balance-sheet items and net capitalized leasing costs were used in the above key ratios.

	Jan 31, 2017	Oct 31, 2016	Jan 31, 2016	Jan 31, 2015
Aircraft leasing costs and revenue, 12 months	-2,858	-2,822	-2,619	-2,156
Net capitalized leasing costs, 12 months (*7)	20,006	19,754	18,333	15,092
Net capitalized leasing costs, 12 months (*7), average	19,269	18,791	16,939	13,616
Average shareholders' equity	5,452	5,434	5,398	5,291
Average financial net debt	-637	-439	306	1,866

PARENT COMPANY SAS AB

The number of common and preference shareholders in SAS AB amounted to 64,296 at January 31, 2017. The average number of employees amounted to 4 (4). An expense of MSEK 63 pertaining to a guarantee commitment was charged to earnings for the first quarter of 2015/2016. The valuation of SAS AB's shareholding is based on the assumption that the structural measures set out in the report are implemented.

CONDENSED STATEMENT OF INCOME

MSEK	Q1	Q1
	Nov–Jan 2016–2017	Nov–Jan 2015–2016
Revenue	0	0
Payroll expenses	-10	-8
Other operating expenses	-13	-73
Operating income	**-23**	**-81**
Income from participations in Group companies	0	0
Income from other securities holdings	0	1
Net financial items	-10	-10
Income before tax	**-33**	**-90**
Tax	7	16
Net income for the period	**-26**	**-74**
Net income for the period attributable to:		
Parent Company shareholders	-26	-74

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

CONDENSED BALANCE SHEET

MSEK	Jan 31, 2017	Oct 31, 2016	Jan 31, 2016
Financial fixed assets	14,787	14,790	14,790
Other current assets	680	769	1,071
Cash and cash equivalents	0	0	0
Total assets	**15,467**	**15,559**	**15,861**
Shareholders' equity	12,291	12,317	12,729
Long-term liabilities	1,521	3,010	2,989
Current liabilities	1,655	232	143
Total shareholders' equity and liabilities	**15,467**	**15,559**	**15,861**

CHANGES IN SHAREHOLDERS' EQUITY

MSEK	Share capital[1]	Restricted reserves	Unrestricted equity[2]	Total shareholders' equity
Opening balance, November 1 2016	6,776	306	5,235	12,317
Net income for the period			-26	-26
Shareholders' equity, January 31, 2017	**6,776**	**306**	**5,209**	**12,291**

1) Number of shares: 330,082,551 common shares with a quotient value of SEK 20.10 and 7,000,000 preference shares with a quotient value of SEK 20.10.
2) No dividends were paid on common shares for 2015/2016.

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, 2016 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 2015/2016.

NOTE 2 REVENUE

	Q1	Q1	Rolling 12 months	Rolling 12 months
	Nov–Jan 2016–2017	Nov–Jan 2015–2016	Feb–Jan 2016–2017	Feb–Jan 2015–2016
Passenger revenue	6,879	6,269	30,981	30,492
Charter	236	197	1,830	1,708
Freight and mail	373	333	1,293	1,270
Other traffic revenue	479	510	2,262	2,036
Other operating revenue	990	966	3,775	4,048
Total	**8,957**	**8,275**	**40,141**	**39,554**

NOTE 3 OTHER OPERATING EXPENSES

	Q1	Q1	Rolling 12 months	Rolling 12 months
	Nov–Jan 2016–2017	Nov–Jan 2015–2016	Feb–Jan 2016–2017	Feb–Jan 2015–2016
Sales and distribution costs	-558	-535	-2,395	-2,515
Jet fuel	-1,579	-1,228	-6,800	-7,635
Government user fees	-970	-911	-4,165	-4,115
Catering costs	-239	-191	-996	-849
Handling costs	-661	-507	-2,631	-2,100
Technical aircraft maintenance	-855	-697	-3,450	-2,805
Computer and telecommunication costs	-366	-329	-1,419	-1,253
Other	-877	-771	-3,632	-2,787
Total	**-6,105**	**-5,169**	**-25,488**	**-24,059**

NOTE 4 QUARTERLY BREAKDOWN

STATEMENT OF INCOME

MSEK	2014–2015					2015–2016					2016–2017
	Q1	Q2	Q3	Q4	Full-year	Q1	Q2	Q3	Q4	Full-year	Q1
	Nov–Jan	Feb–Apr	May–Jul	Aug–Oct	Nov–Oct	Nov–Jan	Feb–Apr	May–Jul	Aug–Oct	Nov–Oct	Nov–Jan
Revenue	8,371	9,403	10,973	10,903	39,650	8,275	8,916	11,133	11,135	39,459	8,957
Payroll expenses	-2,478	-2,439	-2,386	-2,319	-9,622	-2,334	-2,311	-2,275	-2,185	-9,105	-2,421
Other operating expenses	-5,668	-6,135	-6,503	-6,252	-24,558	-5,169	-5,429	-6,684	-7,270	-24,552	-6,105
Leasing costs for aircraft	-601	-662	-659	-671	-2,593	-700	-706	-737	-697	-2,840	-733
Depreciation, amortization and impairment	-282	-405	-343	-436	-1,466	-341	-312	-337	-377	-1,367	-327
Share of income in affiliated companies	-10	-2	25	24	37	-12	-2	25	28	39	-11
Income from the sale of shares in subsidiaries, affiliated companies and operations	11	0	0	-11	0	0	4	0	-11	-7	-21
Income from the sale of aircraft, buildings and slot pairs	0	698	35	44	777	95	80	33	57	265	84
Operating income	**-657**	**458**	**1,142**	**1,282**	**2,225**	**-186**	**240**	**1,158**	**680**	**1,892**	**-577**
Income from other securities holdings	3	0	0	-303	-300	1	0	0	0	1	0
Financial revenue	22	41	30	31	124	22	32	20	17	91	41
Financial expenses	-204	-144	-141	-143	-632	-146	-145	-142	-120	-553	-161
Income before tax	**-836**	**355**	**1,031**	**867**	**1,417**	**-309**	**127**	**1,036**	**577**	**1,431**	**-697**
Tax	196	-76	-231	-350	-461	63	44	-231	14	-110	141
Net income for the period	**-640**	**279**	**800**	**517**	**956**	**-246**	**171**	**805**	**591**	**1,321**	**-556**
Attributable to:											
Parent Company shareholders	-638	278	799	517	956	-246	171	805	591	1,321	-556
Non-controlling interests	-2	1	1	0	0	0	0	0	0	0	0

EARNINGS-RELATED KEY RATIOS AND AVERAGE NUMBER OF EMPLOYEES

MSEK	Q1	Q1	Q2	Q2	Q3	Q3	Q4	Q4	Rolling 12 months	Rolling 12 months
	Nov–Jan 2016–2017	Nov–Jan 2015–2016	Feb–Apr 2016	Feb–Apr 2015	May–Jul 2016	May–Jul 2015	Aug–Oct 2016	Aug–Oct 2015	Feb–Jan 2016–2017	Feb–Jan 2015–2016
Revenue	8,957	8,275	8,916	9,403	11,133	10,973	11,135	10,903	40,141	39,554
EBITDAR	431	772	1,176	829	2,174	2,084	1,680	2,332	5,461	6,017
EBITDAR margin	4.8%	9.3%	13.2%	8.8%	19.5%	19.0%	15.1%	21.4%	13.6%	15.2%
EBIT	-577	-186	240	458	1,158	1,142	680	1,282	1,501	2,696
EBIT margin	-6.4%	-2.2%	2.7%	4.9%	10.4%	10.4%	6.1%	11.8%	3.7%	6.8%
Income before tax and nonrecurring items	-707	-404	-601	-331	1,003	996	941	1,338	636	1,599
Income before tax	-697	-309	127	355	1,036	1,031	577	867	1,043	1,944
Net income for the period	-556	-246	171	279	805	800	591	517	1,011	1,350
Earnings per common share (SEK)	-1.95	-1.01	0.25	0.58	2.17	2.16	1.53	1.31	2.00	3.03
Cash flow before financing activities	-368	-728	2,247	1,328	-511	415	40	1,173	1,408	2,188
Average number of employees (FTE)	10,538	10,932	10,339	11,172	10,815	11,329	10,753	11,167	10,611	11,150

NOTE 5 FINANCIAL ASSETS AND LIABILITIES

FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES

	Jan 31, 2017		Oct 31, 2016	
MSEK	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets at fair value	493	493	651	651
Financial assets held for trading	4,917	4,917	5,801	5,801
Other assets	4,367	4,367	4,594	4,594
Total	**9,777**	**9,777**	**11,046**	**11,046**
Financial liabilities				
Financial liabilities at fair value	164	164	222	222
Financial liabilities held for trading	41	41	34	34
Financial liabilities at amortized cost	9,026	8,530	9,624	8,975
Total	**9,231**	**8,735**	**9,880**	**9,231**

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

	Jan 31, 2017			Oct 31, 2016		
MSEK	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial assets						
Financial assets at fair value	-	493	493	-	651	651
Financial assets held for trading	2,503	2,414	4,917	2,752	3,049	5,801
Total	**2,503**	**2,907**	**5,410**	**2,752**	**3,700**	**6,452**
Financial liabilities						
Financial liabilities at fair value	-	164	164	-	222	222
Financial liabilities held for trading	-	41	41	-	34	34
Total	**0**	**205**	**205**	**0**	**256**	**256**

The Board of Directors and President hereby assure that this interim-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, March 8, 2017

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

Berit Svendsen
Board member

Sanna Suvanto-Harsaae
Board member

Carsten Dilling
Board member

Jens Lippestad
Board member

Cecilia van der Meulen
Board member

Janne Wegeberg
Board member

Rickard Gustafson
President and CEO

This interim report is unaudited.

TRAFFIC DATA INFORMATION

SCHEDULED PASSENGER TRAFFIC, YIELD, PASK AND UNIT COST FOR SAS

	Nov–Jan 2016–2017	Nov–Jan 2015–2016	Year-on-year change
Number of passengers (000)	6,376	5,850	+9.0%
RPK, Revenue Passenger Kilometers (mill)	7,642	6,430	+18.9%
ASK, Available Seat Kilometers (mill)	10,657	9,575	+11.3%
Load factor	71.7%	67.2%	+4.6[1]
Passenger yield (currency-adjusted)	0.90	1.02	-11.6%
Unit revenue, PASK (currency-adjusted)	0.65	0.68	-5.6%
RASK (currency-adjusted)	0.71	0.76	-6.1%

TOTAL TRAFFIC (SCHEDULED AND CHARTER TRAFFIC) FOR SAS

	Nov–Jan 2016–2017	Nov–Jan 2015–2016	Year-on-year change
Number of passengers (000)	6,513	5,976	+9.0%
RPK, Revenue Passenger Kilometers (mill)	8,104	6,854	+18.2%
ASK, Available Seat Kilometers (mill)	11,154	10,032	+11.2%
Load factor	72.7%	68.3%	+4.3[1]
Unit cost (CASK), (currency-adjusted)	0.78	0.81	-3.4%
Unit cost (CASK) excluding jet fuel (currency-adjusted)	0.64	0.67	-5.7%

SCHEDULED TRAFFIC TREND FOR SAS BY ROUTE SECTOR

	Nov–Jan 2016–2017 vs. Nov–Jan 2015–2016	
	Traffic (RPK)	Capacity (ASK)
Intercontinental	+31.4%	+22.7%
Europe/Intra-Scandinavia	+13.6%	+5.4%
Domestic	+6.4%	+4.3%

SCHEDULED DESTINATIONS AND FREQUENCIES FOR SAS

	Nov–Jan 2016–2017	Nov–Jan 2015–2016	Year-on-year change
Number of destinations	101	100	+1.0%
Number of daily departures	758	736	+3.0%
No. of departures per destination/day	7.5	7.4	+2.0%

PRODUCTIVITY AND ENVIRONMENTAL EFFICIENCY

12-month rolling	Feb-Jan 2016–2017	Feb-Jan 2015–2016	Year-on-year change
Aircraft, block hours/day	9.4	9.0	4.6%
Cabin crew, block hours/year	749	776	-3.6%
Pilots, block hours/year	675	702	-3.9%

Environmental efficiency	Nov–Jan 2016–2017	Nov–Jan 2015–2016	Year-on-year change
CO_2 emissions per passenger kilometer, grams	103.3	110.2	-6.3%

1) Figures given in percentage points

AIRCRAFT FLEET

THE SAS AIRCRAFT FLEET AT JANUARY 31, 2017

Aircraft in service under SAS's (SK) own traffic license	Age	Owned	Leased	Total	On purchase order	On lease order
Airbus A330/A340/A350	11.6	9	7	16	8	
Airbus A319/A320/A321	10.3	8	21[1]	29	26	
Boeing 737 NG	13.9	20	60	80		
Total	**12.8**	**37**	**88**	**125**	**34**	**0**

Aircraft in service under a traffic license other than SAS's (SK)	Age	Owned	Wet-leased	Total	On wet lease order
Bombardier CRJ900	4.8	11	8	19	4
Boeing 737	11.4		1	1	
ATR-72	2.2		12	12	
Total	**4.0**	**11**	**21**	**32**	**4**

Total SAS in-service aircraft fleet	Age	Owned	Leased	Total	On purchase order	On wet lease order
Total	**11.0**	**48**	**109**	**157**	**34**	**4**

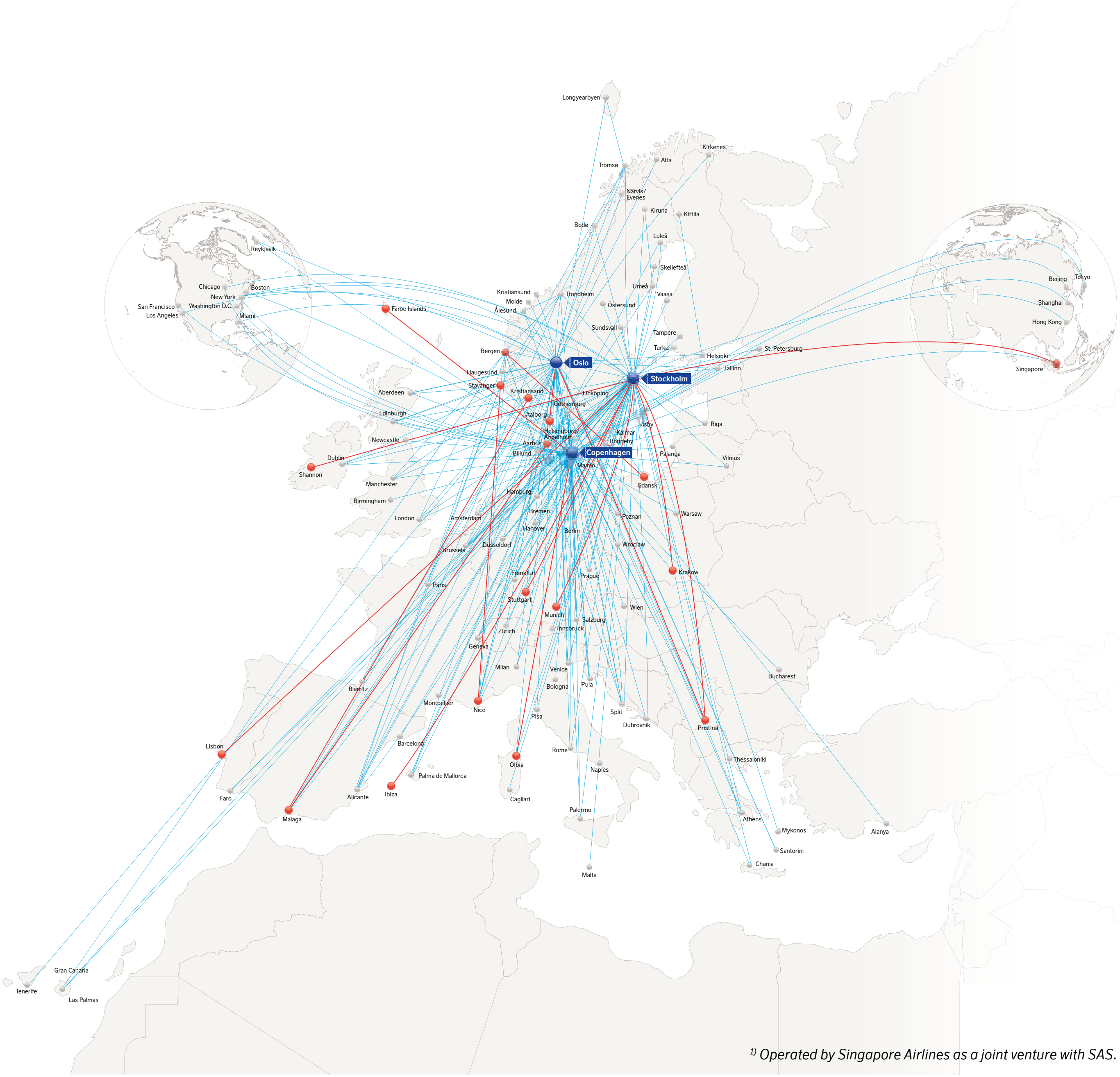
Aircraft to be phased out	Age	Owned	Leased	Total	Leased out	Parked
Bombardier Q400	9.1		1	1	1	
Total	**9.1**	**0**	**1**	**1**	**1**	**0**

Aircraft on firm order 2017–2021 at January 31, 2017	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Airbus A320neo	9	8	8	1	
Airbus A350				3	5

1) Whereof 4 Airbus A320neo.

SAS DESTINATIONS

— Existing routes — New routes for 2017



[1] *Operated by Singapore Airlines as a joint venture with SAS.*

DEFINITIONS & CONCEPTS

SAS uses various key figures, including alternative performance measures (APM), for internal analysis purposes and for external communication of the operations' results, performance and financial position.

The key figures support stakeholders in their assessment of SAS's earnings and performance. In the APMs based on capitalized leasing costs (*7), SAS's level of debt is raised to a level that would correspond to a situation where aircraft under operating leases would instead be owned or under finance leases. In the airline industry, capitalized leasing costs (*7) is an established method for estimating unrecognized liabilities pertaining to operating leases for aircraft.

The aim of the APMs is to illustrate the performance measures tailored to operations that, in addition to the other key figures, enable various stakeholders to more accurately assess and value SAS's historical, current and future performance and positions.

Adjusted debt/equity ratio — The net of financial net debt plus capitalized leasing costs (*7) in relation to equity.

Adjusted equity/assets ratio — The net of equity in relation to total assets plus capitalized leasing costs (*7).

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

Capital employed — Total capital according to the balance sheet less non-interest-bearing liabilities.

Capitalized leasing costs (*7) — The net annual operating lease costs for aircraft multiplied by seven.

Debt/equity ratio — Financial net debt in relation to equity.

Earnings per common share (EPS) — Net income for the period attributable to Parent Company shareholders less preference-share dividends in relation to the average number of common shares outstanding.

EBIT — Operating income.

EBIT margin — EBIT divided by revenue.

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

EBITDA margin — EBITDA divided by revenue.

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

EBITDAR margin — EBITDAR divided by revenue.

Equity/assets ratio — Equity in relation to total assets.

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

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

Financial preparedness — Cash and cash equivalents, excluding receivables from other financial institutions, plus unutilized credit facilities in relation to fixed costs. In this ratio, fixed costs are defined as payroll and other operating expenses, except jet-fuel costs and government user fees, as well as leasing costs for aircraft.

FTE — Full Time Equivalent.

Interest-coverage ratio — Operating income plus financial revenue in relation to financial expenses.

Load factor — RPK divided by ASK. Describes the capacity utilization of available seats.

PASK, Unit revenue — Passenger revenue/ASK (scheduled).

RASK — Total traffic revenue/total ASK (scheduled+charter).

Return on Invested Capital (ROIC) — EBIT plus the standard interest portion corresponding to 33% of net operating leasing costs minus dividends to shareholders in relation to average shareholders' equity, net financial debt and net capitalized leasing costs (*7).

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

RPK, Revenue passenger kilometers — Number of paying passengers multiplied by the distance they are flown in kilometers.

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

Unit cost, CASK — Total payroll expenses, other operating expenses, leasing costs for aircraft and depreciation adjusted for currency and nonrecurring items, less other operating revenue per ASK (scheduled and charter).

Working capital — The total of non-interest-bearing current assets and non-interest-bearing financial fixed assets excluding equity in affiliated companies and other securities holdings less non-interest-bearing liabilities.

Yield — Passenger revenue divided by RPK (scheduled).

A more detailed list of definitions & concepts is available at www.sasgroup.net under Investor relations/Financial data/Financial definitions.

SAS is Scandinavia's leading airline and has an attractive offering to frequent travelers. SAS offered 813 flights daily in 2015/2016 and more than 29 million passengers traveled with SAS to 118 destinations in Europe, the US and Asia. Membership in Star Alliance™ provides SAS's customers with access to a far-reaching network and smooth connections.

In addition to airline operations, activities at SAS include ground handling services (SAS Ground Handling), technical maintenance (SAS Technical) and air cargo services (SAS Cargo).

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

SIGNIFICANT EVENTS

FIRST QUARTER 2016/2017

- SAS sold its subsidiary Cimber to CityJet and signed an agreement for the sale of eleven CRJ900s as part of SAS's strategy to let smaller traffic streams and regional traffic be handled by partners.
- SAS signed agreements for the financing of 18 Airbus A320neos through sale and leaseback.
- SAS contracted the financing of two Boeing 737s and four Airbus A319s until 2018 through a MUSD 75 credit facility.

EVENTS AFTER JANUARY 31, 2017

- SAS decided to supplement its production in Scandinavia with bases in London and Spain and to establish a new air operator certificate (AOC) in Ireland.
- The AGM resolved to pay a maximum dividend to preference shareholders over the period until the next AGM of SEK 50 per preference share. The AGM resolved not to pay a dividend to holders of common shares for the 2015/2016 fiscal year. The AGM also resolved to re-elect the Board.

FINANCIAL CALENDAR

Q2 Interim report, 2017 (February–April)	June 21, 2017
Q3 Interim report, 2017 (May–July)	September 5, 2017
Q4 Interim report, 2017 (August–October)	December 12, 2017
Annual Report 2016/2017	January 30, 2018
Q1 Interim report, 2018 (November–January)	February 27, 2018
Q2 Interim report, 2018 (February–April)	May 30, 2018
Q3 Interim report, 2018 (May–July)	August 31, 2018
Q4 Interim report, 2018 (August–October)	December 4, 2018

All reports are available in English and Swedish and can be downloaded at www.sasgroup.net.

SAS's monthly traffic data information is normally issued on the fifth business day of the following month. A complete financial calendar can be found at: www.sasgroup.net under Investor Relations.

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

PRESS/INVESTOR RELATIONS

Telephone conference, 10:00 a.m., March 8, 2017.
Presentation in Stockholm, 8:30 a.m., March 10, 2017.

This information is information that SAS AB is obliged to disclose pursuant to the EU Market Abuse Regulation.
The information was submitted for publication, through the agency of the contact person set out above, at 8:00 a.m. CET on March 8, 2017.

Any questions about the report can be addressed to Björn Tibell, Head of Investor Relations, +46 70 997 1437 or alternatively to investor.relations@sas.se.