SEASONAL ADJUSTMENTS LIFT RESULTS

NOVEMBER 2017–JANUARY 2018

- Earnings before tax and nonrecurring items: MSEK -373 (-707)
- EBT: MSEK -273 (-697)
- Revenue: MSEK 8,978 (8,957)
- EBIT margin: -1.9% (-6.4%)
- Net income for the period: MSEK -239 (-556)
- Earnings per common share SEK -0.85 (-1.95)
- The outlook for the full year 2017/2018 is retained, see page 10.

SIGNIFICANT EVENTS AFTER JANUARY 31, 2018

- SAS redeemed just under 4.9 million preference shares for a total redemption cost of MSEK 2,579.

-0.9%
UNIT COST VS PRECEDING YEAR[2]

+2.0%
RASK VS PRECEDING YEAR[1]

-5.7%
PASSENGERS VS PRECEDING YEAR[3]

1) Currency adjusted
2) Currency adjusted and excluding jet fuel
3) Total number of passengers

> The earnings improvement, though still negative, was gratifying and shows that our long-term efforts to strengthen our offering and increase the efficiency of our operations is delivering results.

Rickard Gustafson, *President and CEO*

INCOME AND KEY RATIOS

Key ratios (MSEK)	Q1	Q1	Rolling 12 months	Rolling 12 months
	Nov–Jan 2017–2018	Nov–Jan 2016–2017	Feb–Jan 2017–2018	Feb–Jan 2016–2017
Revenue	8,978	8,957	42,675	40,141
EBIT margin	-1.9%	-6.4%	6.1%	3.7%
Earnings before tax and nonrecurring items	-373	-707	2,285	636
EBT	-273	-697	2,149	1,043
Net income for the period	-239	-556	1,466	1,011
Cash flow from operating activities	184	-365	2,992	3,887

	Jan 31, 2018	Oct 31, 2017	Jan 31, 2017	Jan 31, 2016
Equity/assets ratio	27%	25%	20%	16%
Adjusted financial net debt/EBITDAR	2.9x	3.1x	3.4x	2.9x
Financial preparedness	38%	37%	33%	37%
Return on invested capital, 12-month rolling	14%	13%	10%	16%
Earnings per common share (SEK), 12-month rolling	3.25	2.42	2.00	3.03
Shareholders' equity per common share, SEK	13.98	13.28	7.48	3.54

COMMENTS BY THE CEO

We have made a good start to the 2017/2018 fiscal year and SAS has delivered an MSEK 334 improvement in earnings before tax and nonrecurring items compared with last year. This was mainly achieved through seasonal adaptations, efficiency enhancements and advantageous currency movements. The earnings improvement shows that our long-term efforts to strengthen our offering and increase the efficiency of our operations is delivering results. This energizes continued change efforts, which are crucial ahead of future investments in new aircraft.

The first quarter is seasonally the fiscal year's weakest quarter and SAS reported earnings before tax and nonrecurring items of MSEK -373. Despite the negative figure, this was still a year-on-year improvement in earnings of MSEK 334. The improvement was driven by seasonal adaptations, increased revenue from EuroBonus partners, cargo services, positive currency movements and the effects of the streamlining program.

Our long-term strategy of increasingly adapting production to seasonal variations has delivered the desired effect. In the first quarter, the number of departures decreased 5% year-on-year. At the same time, the currency-adjusted operating expenses for personnel, ground handling services, technical maintenance and government user fees declined MSEK 273. This shows that our long-term efforts to strengthen our offering and increase the efficiency of our operations is delivering results. In parallel, our efficiency program continues to deliver and generated an earnings impact of MSEK 165 during the quarter. This contributed, despite a decline in production, to a 1% fall in the currency-adjusted unit cost, excluding jet fuel.

Abnormally poor weather conditions in Scandinavia during the quarter resulted in more delays and cancellations than usual. Naturally, I regret that many customers suffered delays, however, I believe the fact that customer satisfaction remained stable is an indication that SAS's personnel managed these challenges appropriately.

LONDON BASE STRENGTHENS COMPETITIVENESS

Today's travelers expect an attractive product at a competitive price. This requires airlines to work intensively with adapting their cost bases to customers' willingness to pay. Any airline that doesn't succeed with this risks being eliminated, we noted several examples of this in Europe in 2017.

To ensure we can compete on the same terms as other European airlines and can achieve long-term profitability, in 2017, we established an airline in Ireland as a complement to our Scandinavia-based production. December 20, 2017, comprises a milestone, as this was the date of our first commercial flight from our London base.

Operations have got off to flying start and we now have four Airbus A320neos in service, we have completed more than 800 flights and carried more than 80,000 passengers. The new operations were positively received by customers. In parallel, the unit cost for operations is tracking according to plan, which means they will shortly be below our Scandinavia-based operations.

I look forward to flight operations starting at our new base in Malaga, which is planned for the summer.

LOWER FINANCIAL EXPENSES
During the quarter, our financing expenses decreased 15% to MSEK 102. This was a direct result of the new issue for SEK 1.3 billion and the new SEK 1.5 billion bond issued in November 2017. Previously in February, this contributed to our redemption of 70% of our preference shares. Together with the new bond issue, this reduces our annual financing expense and dividends by around MSEK 300. The ambition is to redeem the remaining preference shares through profits generated by operations. Over time, we will thereby create better preconditions for increasing returns for holders of common shares and enable dividends to be paid.

RENEWAL OF THE AIRCRAFT FLEET
SAS's aircraft fleet is currently being renewed through the phase-in of 30 new Airbus A320neos up till 2019. These will replace older Boeing 737s that are being phased out, which will continue even after 2019. To maintain operations at current levels and to meet customers' needs, we require about 50 additional aircraft. We are therefore in negotiations with Airbus regarding an additional aircraft order for Airbus A320neos, which for the first time in the modern age, would also lead to SAS having a homogeneous fleet. Such an order will also create favorable preconditions for reducing our environmental impact and for creating a stronger SAS over the long term.

BUILDING BLOCKS FOR TOMORROW
SAS currently offers seats produced by our Scandinavian operations, SAS Ireland and our external wet-lease partners. We will continue working with this portfolio of production units and further optimize them to create the most efficient and flexible production possible. When combined with a homogeneous fleet based on the latest Airbus technology, this will create the preconditions for:

- Increased competitiveness — improved efficiency and products.
- Growth and flexibility — the new aircraft mean that SAS can leverage market growth, not least the leisure market, and adapt production to demand trends.
- Greener production — new aircraft have a key role in reducing climate-impacting emissions.

Moving forward, optimizing our production units in pace with new aircraft being phased in from 2020 and onward will require adjustments of future collective agreements. The change efforts that have successfully strengthened SAS in the last few years must therefore continue, to be able to provide SAS with the prerequisites to meet increasingly intense European competition and to participate in a growing leisure market.

WE TAKE SUSTAINABILITY ISSUES SERIOUSLY
The entire air travel market is facing major sustainability challenges, where customers are increasingly demanding air travel with a lower climate impact. In parallel with the above, the air travel market is growing, primarily leisure travel and the intercontinental markets, at the same time as total climate-impacting emissions must be reduced. Minimizing climate-impacting emissions requires investments in new technology, biofuel and, in the long term, even electrical power.

SAS has strived to reduce environmental impact for a long time and takes sustainability challenges very seriously. We endeavor to be at the forefront of airlines, where new aircraft and biofuel are key elements in reducing climate-impacting emissions.

In addition, we have installed new aircraft interiors, which in addition to having a more contemporary feel, are made of better material and weigh less, thus reducing fuel consumption. We have a new food concept with improved ingredients, healthier alternatives and more locally produced ingredients. In parallel, we are working on reducing our use of resources and on more efficient on board waste handling. We have introduced dry washing for aircraft, which only uses 3% of the water used by traditional washing practices. Standard practice entails using one engine for all taxiing, thus reducing climate-impacting emissions. We are also certified in accordance with the ISO 14001 environmental standard.

UNCHANGED OUTLOOK FOR 2017/2018
We move forward from a quarter where earnings were slightly less negative than expected. This was welcome and means we can retain our forecast from December despite increases in jet-fuel prices.

Intensive change efforts are ongoing throughout the organization, and I would like to take this opportunity to thank employees and partners, who continue to deliver the same high levels of service and customer value even during a period of change. The reason many customers choose to fly with SAS is SAS's skilled and competent personnel.

Ahead of the spring and the summer, I am now looking forward to welcoming more passengers on board our thousand-odd daily flights.

Stockholm, February 27, 2018

Rickard Gustafson,
President and CEO

COMMENTS ON SAS'S FINANCIAL STATEMENTS

MARKET AND TRAFFIC TRENDS

Measured in the number of seats offered, capacity to, from and within Scandinavia increased 3.3% during the first quarter of 2017/2018. This was a slightly larger increase than in previous quarters. Capacity growth was largest on routes between Scandinavia and Europe, as well as on Swedish domestic routes.
Capacity increases were driven mainly by Norwegian, Ryanair and Wizzair, which compared with last year had increased seats by almost one million. The total number of passengers in the Scandinavian market increased 2.6% in the first quarter. In the forthcoming six-month period, the number of offered seats in the Scandinavian market is expected to increase at a higher pace than in the last quarter.

SAS currency-adjusted unit revenue (PASK) was unchanged in the first quarter of 2017/2018. Unit revenue was positively impacted by the yield, though negatively by the decline in SAS's load factor. Further details on the traffic trend for SAS are available on page 19.

EARNINGS ANALYSIS NOVEMBER 2017–JANUARY 2018

Net income for the period

Operating income amounted to MSEK -171 (-577). Income before tax amounted to MSEK -273 (-697) and income after tax was MSEK -239 (-556). Tax income was MSEK 34 (141).

Compared with the corresponding year-earlier period, the exchange-rate trend had a negative impact on revenue of MSEK -225 and a positive effect on operating expenses of MSEK 426. The exchange-rate trend thus had a positive impact on operating income of MSEK 201. Net financial items were positively impacted by currency items of MSEK 4, which resulted in positive currency items totaling MSEK 205 impacting EBT.

Revenue

Revenue totaled MSEK 8,978 (8,957), see Note 2. After adjustment for currency effects, revenue was up MSEK 246 year-on-year. Currency-adjusted passenger revenue rose 0.7%. The increase was a result of higher scheduled capacity (ASK) which, based on the preceding year's circumstances, had a positive impact on revenue of MSEK 47. A lower load factor had a negative effect of MSEK -427. Revenue was positively impacted in an amount of MSEK 427 as a result of the higher yield.

The currency-adjusted revenue from cargo increased 16.3% due to the higher yield. Charter revenue (currency-adjusted) was 16.9% lower, mainly attributable to lower capacity. Other traffic revenue (currency-adjusted) rose MSEK 76, primarily due to traffic revenue from other airlines (interline revenue).

Other operating revenue (currency-adjusted) climbed MSEK 102, mainly due to increased sales of EuroBonus points, primarily to credit card partners, and due to increased revenue as a result of providing more handling services to other airlines.

Operational and financial expenses

Payroll expenses amounted to MSEK -2,268 (-2,421). After adjustment for currency and restructuring costs, payroll expenses declined 4.1% year-on-year. The main reason for the decrease was the sale of the subsidiary Cimber, which was included in expenses in the corresponding period last year, and efficiency measures.

Other operating expenses amounted to MSEK -5,859 (-6,105), see Note 3. These expenses largely comprised jet fuel, which amounted to MSEK -1,555 (-1,579). Adjusted for currency, jet-fuel costs increased 7.2%. The cost was negatively impacted in an amount of MSEK -302 due to a higher jet-fuel price, while currency had a positive impact of MSEK 129. The change in hedge effects (including the effect of time value) had a positive impact of MSEK 162 year-on-year and volume, based on the preceding year's terms, had a positive impact on costs of MSEK 53. Handling costs (currency-adjusted) decreased 6.4%. Technical maintenance costs amounted to MSEK -693 (-855). Costs in the period were lower than the corresponding period last year, which was mainly due to last year's costs being impacted by changed assessments for future engine maintenance. After adjustments for currency and nonrecurring items, technical maintenance costs decreased 13.8%. Wet-lease costs were MSEK -87 (currency-adjusted) higher for the quarter year-on-year, which was mainly due to the sale of the subsidiary Cimber and the same production now being wet-leased.

During the period, the implementation of the ongoing efficiency program resulted in cost reductions of about MSEK 165.

Leasing costs amounted to MSEK -760 (-733). Adjusted for currency effects, leasing costs increased 11.9%.

Financial revenue and expenses amounted to MSEK -102 (-120), of which net interest expense was MSEK -96 (-110). The improvement was mainly attributable to the new bond issue carrying a significantly lower interest rate than the bond issue redeemed during the period.

Nonrecurring items

Total nonrecurring items amounted to MSEK 100 (10) during the period. Of nonrecurring items, MSEK 104 (84) pertained to capital gains from aircraft transactions and MSEK -4 (-21) to the sale of the subsidiary Cimber. In the corresponding period last year, earnings were negatively impacted by restructuring costs for personnel of MSEK -23 and a contractual settlement in cargo activities of MSEK -30.

BALANCE SHEET AND FINANCIAL POSITION

Assets

Intangible and tangible fixed assets increased by MSEK 16 during the quarter. Change for the period included investments of MSEK 2,022, amortization and depreciation of MSEK -353, divestments of MSEK -1,528 and other and currency effects of MSEK -125. During the period, SAS purchased one Airbus A319 that was previously under an operating lease. Other aircraft investments comprised capitalized expenditures for engine maintenance, modifications, spare parts and advance payments to Airbus. The amounts for investments and divestments included delivery payments for four new Airbus A320neos that were immediately divested on the basis of a sale and leaseback agreement. Since these aircraft are under operating leases, they are not included in the carrying amounts for tangible fixed assets at the end of the quarter.

Financial fixed assets increased MSEK 135, mainly due to SAS's defined-benefit pension plans, which increased due to paid-in premiums and actuarial gains.

Current receivables decreased by MSEK 17. This decrease was attributable to several small changes in accounts receivable, interim receivables and other current receivables.

Cash and cash equivalents were MSEK 9,251 (7,226) at January 31, 2018. Unutilized contracted credit facilities amounted to MSEK 2,511 (3,176). Financial preparedness amounted to 38% (33) of the SAS's fixed costs.

Shareholders' equity and liabilities

Shareholders' equity increased by MSEK 966. The increase was due to: net income for the period of MSEK -239; a private placement net after transaction costs of MSEK 1,233; and the change in other comprehensive income, which comprised translation effects for foreign subsidiaries of MSEK -1, negative effects from hedging reserves of MSEK -58 and actuarial gains on defined-benefit pension plans, net of tax, of MSEK 31.

Long-term liabilities increased MSEK 1,250 and *current liabilities* decreased MSEK 1,654. The main reason for the change is that in November 2017, SAS redeemed a MSEK 1,500 bond issue that matured in parallel with a new MSEK 1,500 bond issue by SAS.

Compared with the redeemed bond issue, the new bond is reported as long-term and entails an annual reduction in interest expense of more than MSEK 55 for SAS moving forward. Over and above the bond redemption, the decrease in current liabilities was due to other repayments.

Interest-bearing liabilities
Interest-bearing liabilities declined MSEK 341 compared with October 31, 2017 and amounted to MSEK 8,234 on the closing date. New loans and amortization for the period were MSEK 1,575 and MSEK 1,875 respectively. The change in gross debt since October 31, 2017 included a negative trend in the market value of financial derivatives, which increased liabilities by MSEK 166. Currency revaluations reduced liabilities by MSEK 136.

In 2014, SAS issued a convertible bond, which was valued at MSEK 1,531 on the closing date.

Financial net debt/receivables
Net financial receivables increased MSEK 869 compared with October 31, 2017 and amounted to MSEK 3,688 on the closing date. The increase was mainly attributable to a new issue completed in November 2017.

Gearing
At January 31, 2018, the equity/assets ratio was 27%, up 2 percentage points since October 31, 2017. The improvement was mainly due to the new issue which, net after transaction costs, increased shareholders' equity by MSEK 1,233.

The adjusted financial net debt/EBITDAR ratio decreased to a multiple of 2.9. At October 31, 2017, it was a multiple of 3.1.

For the balance sheet — refer to page 12.

CASH-FLOW STATEMENT
Cash flow for the first quarter amounted to MSEK 415 (-1,142). Cash and cash equivalents amounted to MSEK 9,251 according to the balance sheet, compared with MSEK 8,836 at October 31, 2017.

Cash flow from operating activities
Cash flow from operating activities, before changes in working capital, amounted to MSEK -72 (-308) in the first quarter of the fiscal year.

Changes in working capital, which in the first quarter were seasonally weak, developed more positively than the preceding year and amounted to MSEK 256 (-57). The positive trend was primarily attributable to increased sales and thus a larger increase in the unearned transportation revenue liability compared with the previous year. Accordingly, for the first time, cash flow from operating activities was positive in the first quarter.

Investing activities
Investments totaled MSEK 2,022 (1,514) of which MSEK 1,999 (1,464) pertained to aircraft. These include delivery payments for four new Airbus A320neos that were immediately divested on the basis of sale and leaseback agreements. In addition, one Airbus A319 was purchased that was previously on an operational lease. Other aircraft investments comprised capitalized expenditures for engine maintenance, modifications, spare parts and advance payments to Airbus.

The divestment of fixed assets concerns the sale and leaseback of the four Airbus A320neos acquired during the quarter.

Financing activities
New loans for the quarter amounted to MSEK 1,575 (694), while repayments totaled MSEK 1,875 (1,130). An MSEK 1,500 bond issue was redeemed on maturity in November in parallel with the issue of a new bond for a corresponding amount but with improved terms. Furthermore, cash flow from financing activities was negatively impacted by defined-benefit pension payments and payments of deposits and blocked bank funds.

For the cash-flow statement — refer to page 13.

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 revenue 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 in SAS's fiscal year. However, cash flow from operating activities is seasonally weak in the first and third quarters.

FINANCIAL TARGETS

SAS's overriding financial 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.

We operate in a capital-intensive industry that requires optimization of the capital structure. SAS therefore introduced two financial targets in June 2017, which pertain to profitability/return and to gearing in relation to SAS's total capital. In parallel, SAS updated its financial preparedness target.

SAS's financial targets are:

- Return on invested capital (ROIC): to exceed 12% measured over a business cycle.
- Adjusted financial net debt/EBITDAR: to be a multiple of less than three (3x).
- Financial preparedness: cash and cash equivalents and available credit facilities must exceed 25% of SAS's annual fixed costs.

The ROIC target corresponds with the capital markets' and SAS's internal assessment of SAS's weighted average cost of capital (WACC). This is also linked to SAS's dividend policy for holders of common shares, which stipulates that dividends can be paid when value is created through SAS's ROIC exceeding its WACC.

Gearing target — adjusted financial net debt/EBITDAR is a key ratio used by credit rating agencies and banks for assessing creditworthiness and includes the value of leased aircraft. The aim of maintaining a ratio with a multiple of less than three (3x) is aligned with SAS's ambition of improving the financial position and credit rating, and thereby lowering financing costs.

In June 2017, SAS also raised the financial preparedness target from 20% to 25% of annual fixed costs. The reason for the above is SAS's increased production on long-haul routes and leisure routes, where the proportion of advance bookings is larger. This leads to an increase in obligations to customers for SAS, which should be reflected in the liquidity reserve.

Considerable uncertainty continues in the macro environment with regard to exchange-rate trends, jet-fuel prices and changes within the European airline industry, with intensified competition, which means that SAS is not setting a date for reaching these targets. The targets depend on the structural measures being fully implemented. In conjunction with the transition to IFRS 16 from 2019/2020, under which the lessee recognizes an asset (the right to use an asset) and a financial liability in the balance sheet, SAS will review the targets to ensure their continued relevance.

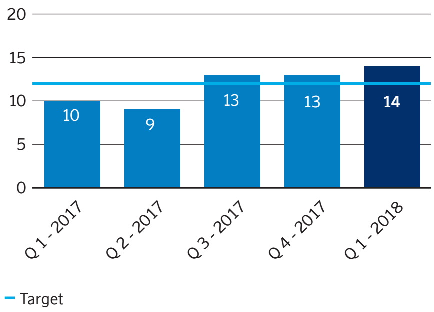
EVENTS AFTER JANUARY 31, 2018

- SAS redeemed just under 4.9 million preference shares for a total of MSEK 2,579.

RETURN ON INVESTED CAPITAL (ROIC)

SAS has a target for the return on invested capital (ROIC) to exceed 12% measured over a business cycle. Over the last 12 months up until January 31, ROIC was 14%.

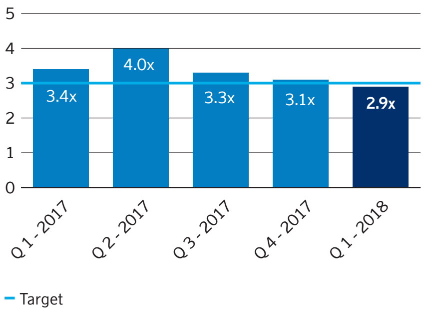
ROIC, 12-MONTH ROLLING, %



ADJUSTED FINANCIAL NET DEBT/ EBITDAR, MULTIPLE

SAS has a target for the adjusted financial net debt/EBITDAR ratio to be a multiple of less than three. At January 31, it was a multiple of 2.9.

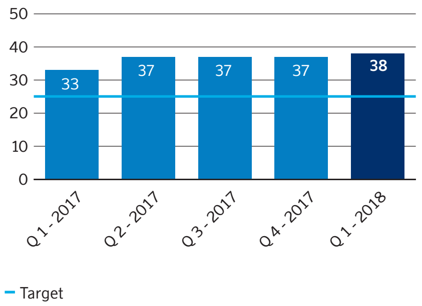
ADJUSTED FINANCIAL NET DEBT/EBITDAR, MULTIPLE



FINANCIAL PREPAREDNESS

SAS has a target for financial preparedness, which is to exceed 25% of annual fixed costs. At January 31, the financial preparedness was 38%.

FINANCIAL PREPAREDNESS, %



SAS INITIATIVES TO ENHANCE EFFICIENCY AND PROMOTE MORE SUSTAINABLE TRAVEL

The world is changing and airline industry competition is increasing at the same time as demand for more sustainable travel is rising. In light of this, SAS has to adapt its operations to remain competitive. SAS is therefore implementing a SEK 3 billion streamlining program in its core operations in Scandinavia. Moreover, we are establishing complementary bases in London and Malaga that will enable SAS to operate on the same terms as its competition. To be able to offer more sustainable travel and to reduce carbon emissions, we are investing in more efficient aircraft and purchasing biofuel.

OPERATING ENVIRONMENT

The airline industry is continually undergoing changes that set new and more stringent requirements for all participants. Today, air travel is available to many in a completely different way than before. This has been enabled through continuous efficiency improvements making today's tickets comparatively cheaper, together with increased prosperity. Growth is around 4-5% each year, and leveraging this growth requires efficient production. In their efforts to improve operational efficiency, many of SAS's competitors are currently redeploying their production to their own start-up production companies — not just in Europe — but also on intercontinental routes. Moreover, personnel are increasingly sourced from manning companies with the aim of creating more flexible production. Many network airlines are also simplifying their core offering and lowering prices even further, at the same time as customers are being offered more ancillary services. Overall, this indicates that yield pressure will continue.

Furthermore, the entire air travel market is facing major sustainability challenges, where customers are increasingly demanding air travel with a lower climate impact. The industry therefore needs to take increased responsibility for a trend toward lower environmental and climate impact. Minimizing climate-impacting emissions requires investments in new technology, biofuel and, in the long term, even electrical power.

In parallel with the above, the air travel market is growing — primarily leisure travel and the intercontinental markets — and therefore, total climate-impacting emissions must be reduced. With SAS's extensive network, frequent departures and substantial customer base, SAS holds a strong market position in Scandinavia and strives to be at the forefront for airlines in terms of sustainability.

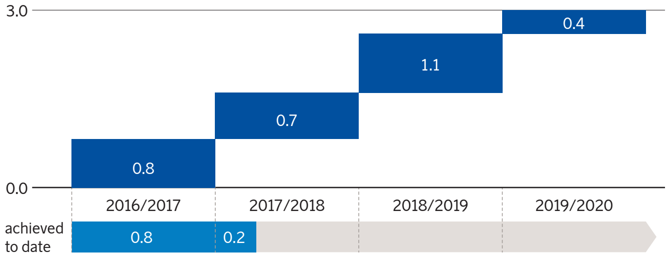
Provided SAS can improve its efficiency and that we can reduce our climate-impacting emissions, we have major possibilities for leveraging market growth, not least in terms of leisure travel in Europe, where SAS currently has a low market share.

EFFICIENCY ENHANCEMENT PROGRAM

We are working on implementing an efficiency enhancement program for our core operations based in Scandinavia to meet developments in the operating environment. We are working on more than 200 initiatives that together will generate SEK 3 billion for SAS, with an earnings impact (gross, before inflation effects) in the 2017–2020 period. Around SEK 0.7 billion of these gains require changed agreements with personnel groups. Several of the initiatives also depend on changed agreements with suppliers. These efficiency measures encompass the entire organization.

The market is changing and remains challenging. This underlines how crucial the full implementation of the adopted efficiency measures is for the future of SAS. We are therefore ensuring that the earnings impact from the remaining initiatives, which have yet to be implemented, deliver as planned in 2018–2020. Our continuation of streamlining efforts even after 2020 is a necessity, as is our optimization of our production platforms.

EARNINGS IMPACT (SEK BILLION)



Overview of efficiency enhancement program

MSEK	Target	Realized
Flight operations, incl. wet lease, government user fees and jet fuel	1,200	390
Ground Handling & technical maintenance	900	335
Commercial functions	500	120
Administration, Facility, Support and IT	400	105
Total	**3,000**	**950**

The 2016/2017 Annual Report describes the measures in the respective areas in more detail.

Examples of measures that have generated MSEK 165 in the quarter:

- Outsourcing of Cimber to CityJet.
- Wholesale credit card discontinued, lower logistics costs for catering and marketing.
- Reduced manning with cabin crew on intercontinental routes and increased use of the resource pool.
- Improved planning with fewer administration days for pilots.
- Optimization of engine maintenance, reduction in technical administration and scheduling changes at the technical bases.
- New agreement covering properties and property-related services.
- Lower costs for ticket offices and line stations.

Restructuring costs

The efficiency program is expected to result in restructuring costs and nonrecurring items of about SEK 1 billion in 2017–2019. At January 31, 2018, SEK 0.3 billion in accumulated restructuring costs and impairment of IT systems had been expensed. The restructuring costs relate to personnel, organizational changes in the administration and the termination of property agreements. Other items affecting comparability are primarily expected to bear upon development of IT systems.

Bases outside Scandinavia
SAS's competitors on traffic flows to and from Europe use almost exclusively crew based in EU countries outside of Scandinavia, and as a result have a lower total cost for labor. To secure the profitability of key destinations and to actively participate in the growing leisure market, SAS must have the same preconditions. Otherwise, SAS will be forced to reduce its production and discontinue routes.

Therefore, we established a new AOC in Ireland in 2017 with operational bases in London and Malaga. In December 2017, we received the certificate and were able to complete the first commercial flight between Copenhagen and London on December 20. We now have four new Airbus A320neos in service from our London base. The start of the new operations have progressed as planned and without any operative teething problems. Since the start and until the end of February 2018, the new organization has completed more than 800 flights and carried more than 80,000 passengers. The customer response has been positive and is in line with our other flights.

In spring 2018, more aircraft will be phased into service at the London base and, in the summer, we plan to complete the first flight from the base in Malaga, which is currently being established.

Start-up costs for the new AOC and the new bases have been very low. Initially, the financial effects from operations at these bases are small, but will gradually increase as operations grow. When the bases are fully operational, we expect them to have the same underlying unit cost as our low cost competitors.

SUSTAINABILITY

The priority for the sustainability area is the transition to lower climate-impacting emission. SAS has a long history of focus on environmental and sustainability issues and produced its first environmental report in 1997. SAS takes sustainability challenges very seriously. We endeavor to continuously decrease our climate-impacting emissions both per passenger and total. To achieve this we work with a wide range of areas that impact in various ways.

Examples of the measures taken include our installation of new aircraft interiors, which in addition to having a more contemporary feel, are made of better material and weigh less, thus reducing fuel consumption. We have a new food concept with improved ingredients, healthier alternatives and more locally produced ingredients. In parallel, we are working on reducing our use of resources and on more efficient on board waste handling. We have introduced dry washing for aircraft, which only uses 3% of the water that traditional washing practices used. Moreover, the detergents being used are biodegradable. Standard practice entails using one engine only for all taxiing, thus reducing climate-impacting emissions. We are also certified in accordance with the ISO 14001 environmental standard.

SAS has a short-term target of reducing CO_2 emissions per passenger kilometer by 20% between 2010 and 2020. In the long term, the airline industry target is to halve carbon emissions by 2050 compared with 2005. At the end of Q1 (rolling 12 months), CO_2 emissions per passenger kilometer had decreased 12% compared with 2010. The improvement can be traced to the ongoing delivery of new aircraft and active efficiency enhancement efforts in daily operations.

By January 31, 2018, SAS had put 16 Airbus A320neos into service to replace older aircraft. The Airbus 320neo has CO_2 emissions per passenger kilometer that are around 18% lower than a comparable previous generation aircraft. The aircraft also generates significantly less noise than the aircraft it is replacing.

We are currently in negotiations with Airbus regarding the placement of an order for new, more efficient aircraft for our short and medium-haul flights to replace the older Boeing 737s and Airbus A320 Classics. In addition to this creating a homogeneous fleet this would, in the short term, be one of the most significant decisions for reducing CO_2 emissions in future years.

Mixing in biofuel comprises another key initiative for reducing climate-impacting CO_2 emissions. In the past few years, SAS has purchased 100 tonnes of biofuel each year for flights from Bergen, Kalmar, Oslo and Stockholm. Supply remains very limited, but SAS continues to actively promote more rapid commercialization and to create the preconditions to allow customers to upgrade their flight from jet fuel to biofuel.

The introduction of aviation taxes in Norway in 2016 and in Sweden from April 1, 2018, is a concerning development since this undermines the transition to more sustainable air travel. The level of the fees provides the industry with no incentive to improve environmental standards. Nor will the revenue be used for actions to benefit the environment. Accordingly, these taxes do not comprise a means to a better climate — they actually threaten to undermine profitability, which worsens prerequisites for investing in new technology and biofuel. Therefore, SAS is working together with the rest of the airline industry to inform about the negative effects from the introduction of aviation taxes in the present format.

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, 2018, the hedging of SAS's future jet-fuel consumption for 2017/2018 was conducted through a combination of swaps and capped options. The hedging ratio totaled 48% and no hedges were undertaken for the next six-month period. Under current plans for flight capacity, the cost of jet fuel during the 2017/2018 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, 2018, SAS had hedged 57% of its anticipated USD deficit for the next 12 months. SAS has hedged the USD deficit using forward contracts. In terms of NOK, which is SAS's largest surplus currency, 70% was hedged for the next 12 months. Based on the currency exposure for 2016/2017, a weakening of the NOK against the SEK of 1% would generate a negative earnings impact of MSEK 60, excluding hedge effects. A weakening of the USD against the SEK of 1% would generate a positive earnings impact of MSEK 110, excluding hedge effects.

Hedging of jet fuel

Hedge level (max price)	Feb–Apr 2018	May–July 2018	Aug-Oct 2018	Nov 2017–Jan 2019
USD 500–520/tonne	80%			
USD 580–620/tonne		73%	39%	

Vulnerability matrix, jet-fuel cost November 2017 to October 2018, SEK billion[1]

	Exchange rate SEK/USD			
Market price	7	8	9	10
USD 400/tonne	5.7	6.3	6.8	7.4
USD 600/tonne	6.5	7.3	8.0	8.7
USD 800/tonne	7.1	7.9	8.7	9.5

1) SAS's current hedging contracts for jet fuel at January 31, 2018 have been taken into account.

LEGAL ISSUES

The European Commission's decision in November 2010 found SAS and many other airlines guilty of alleged participation in a global air cargo cartel in the 1999–2006 period and ordered SAS to pay a fine of MEUR 70.2. SAS appealed the decision in January 2011 and in December 2015, the Court of Justice of the European Union (CJEU) annulled the European Commission's decisionincluding the MEUR 70.2 fine. The CJEU's ruling entered intoforce and the MEUR 70.2 fine was repaid to SAS at the beginning of March 2016. The European Commission took a new decision on the same issue in March 2017 and again imposed fines on SAS and many other airlines for alleged participation in a global air cargo cartel in the 1999–2006 period. The fine of MEUR 70.2 was the same as that imposed under the 2010 decision. The fine was recognized as an item affecting comparability by SAS in its Q2 earnings for the 2016/2017 fiscal year. SAS has appealed the European Commission's decision. The appeal process could take several years.

As a consequence of the European Commission's decision in the cargo investigation in November2010 and the renewal of that decision in March 2017, 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. 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. No provisions have been made.

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 judgement has been appealed by the counterparty. The financial exposure is difficult to quantify, but SAS considers the risk of a negative outcome to be limited and no provisions have been made.

A large number of former cabin crew of SAS in Denmark are pursuing a class action against SAS at a Danish court, demanding additional payments from SAS to the Pension Improvements Fund for Cabin Crew (the CAU fund) citing that the CAU fund is a defined-benefit supplementary plan. The City Court of Copenhagen, in a 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.

OTHER DISPUTES

In addition to the above, the labor unions at SAS 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

OUTLOOK FOR 2017/2018

SAS expects the expansion of total market capacity in the 2017/2018 fiscal year to accelerate compared with 2016/2017. At the same time, SAS will consolidate the capacity growth implemented over the last few years. The planned capacity growth (ASK) for SAS in 2017/2018 is therefore only 1–3 percent year-on-year. As a consequence of the phasing-in of larger aircraft, the beginning of the fiscal year will see a year-on-year decrease in the load factor.

To meet the increase in market capacity, SAS is endeavoring to strengthen competitiveness through efficiency enhancements and greater flexibility in its production platform. In 2017/2018, efficiency measures are expected to generate an earnings impact of about SEK 0.7 billion.

Uncertainty in the macro environment remains considerable together with highly volatile exchange rates and jet-fuel prices. SAS has hedged a large share of the expected jet-fuel consumption and net deficit in USD for the next six months. Despite this, rising jet-fuel prices together with a sustained strengthening of the USD could negatively impact the earnings trend.

Earnings for Q1 2017/2018 were slightly less negative than expected. In parallel, the market prices for jet fuel are higher than those on which the outlook was based. In all, this means that the outlook for SAS for 2017/2018 remains unchanged.

SAS expects to deliver earnings before tax and nonrecurring items in the interval of SEK 1.5–2.0 billion. The outlook is based on no unexpected events occurring.

THE OUTLOOK IS BASED ON THE FOLLOWING PRECONDITIONS AT JANUARY 31, 2018:

- The scheduled capacity growth (ASK) for SAS in 2017/2018 is planned to increase 1–3% year-on-year.
- Continued stable macro trend.
- The introduction of an aviation tax in Sweden.
- Average jet-fuel prices, including hedges, of USD 580/tonne.
- Average SEK/USD rate of SEK 8.0.
- Gross investments are expected to amount to about SEK 6 billion.

STATEMENT OF INCOME

STATEMENT OF INCOME INCLUDING STATEMENT OF OTHER COMPREHENSIVE INCOME

MSEK	Note	Q1	Q1	Rolling 12 months	Rolling 12 months
		Nov–Jan 2017–2018	Nov–Jan 2016–2017	Feb–Jan 2017–2018	Feb–Jan 2016–2017
Revenue	2	8,978	8,957	42,675	40,141
Payroll expenses		-2,268	-2,421	-9,052	-9,192
Other operating expenses	3	-5,859	-6,105	-27,243	-25,488
Leasing costs for aircraft		-760	-733	-3,143	-2,873
Depreciation, amortization and impairment		-353	-327	-1,661	-1,353
Share of income in affiliated companies		-9	-11	6	40
Income from the sale of shares in subsidiaries, affiliated companies and operations		-4	-21	-4	-28
Income from the sale of aircraft, buildings and slot pairs		104	84	1,015	254
EBIT		**-171**	**-577**	**2,593**	**1,501**
Income from other securities holdings		0	0	1	0
Financial revenue		34	41	141	110
Financial expenses		-136	-161	-586	-568
EBT		**-273**	**-697**	**2,149**	**1,043**
Tax		34	141	-683	-32
Net income for the period		**-239**	**-556**	**1,466**	**1,011**
Other comprehensive income					
Items that may later be reversed to net income:					
Exchange-rate differences in translation of foreign operations		-1	-102	-23	133
Cash-flow hedges — hedging reserve, net after tax		-58	18	71	1,141
Items that will not be reversed to net income:					
Revaluations of defined-benefit pension plans, net after tax		31	757	484	-635
Total other comprehensive income, net after tax		**-28**	**673**	**532**	**639**
Total comprehensive income		**-267**	**117**	**1,998**	**1,650**
Net income for the period attributable to:					
Parent Company shareholders		-239	-556	1,466	1,011
Non-controlling interests		0	0	0	0
Earnings per common share (SEK)[1]		-0.85	-1.95	3.25	2.00
Earnings per common share after dilution (SEK)[1]		-0.85	-1.95	2.84	1.78

1) Earnings per common share are calculated as net income for the period attributable to Parent Company shareholders less preference share dividends in relation to 332,582,551 (380,082,551) common shares outstanding during the November–January period and 343,207,551 (330,082,551) common shares outstanding during the February–January period.
SAS has no option or share programs. Convertible bonds only have a dilution effect if conversion to common shares would result in lower earnings per share. At the balance-sheet date, there was one convertible bond of MSEK 1,574, comprising 66,329,543 shares.

EARNINGS BEFORE TAX AND NONRECURRING ITEMS

MSEK	Q1	Q1	Rolling 12 months	Rolling 12 months
	Nov–Jan 2017–2018	Nov–Jan 2016–2017	Feb–Jan 2017–2018	Feb–Jan 2016–2017
EBT	-273	-697	2,149	1,043
Impairment[1]	0	0	208	11
Restructuring costs[2]	0	23	87	65
Capital gains/losses[3]	-100	-63	-1,011	-237
Other nonrecurring items[4]	0	30	852	-246
Earnings before tax and nonrecurring items	**-373**	**-707**	**2,285**	**636**

1) Impairment pertains to IT systems, MSEK 208 (0), and goodwill, MSEK 0 (11).
2) Restructuring costs were recognized in profit or loss as payroll expenses of MSEK 0 (23) in the first quarter. The February–January period included payroll expenses of MSEK 51 (57), property costs of MSEK 36 (0) and other expenses of MSEK 0 (8).
3) Capital gains/losses encompassed the sale of subsidiaries for a loss of MSEK 4 (loss: 21) and aircraft sales for a gain of MSEK 104 (84) in the first quarter. The February–January period included the sale of subsidiaries for a loss of MSEK 4 (loss: 17), aircraft sales for a gain of MSEK 337 (224), property sales for a gain of MSEK 0 (30) and the sale of two slot pairs at London Heathrow for a gain of MSEK 678 (0).
4) Other nonrecurring items included a contractual settlement in cargo activities of MSEK 0 (30) in the first quarter. The February–January period included a negative earnings impact of MSEK 672 in the second quarter of 2016/2017 and a positive earnings impact of MSEK 655 in the second quarter of 2015/2016 relating to fines (MEUR 70.2) for breaches of air cargo competition rules. Moreover, costs are also included that related to aircraft of MSEK 180 (160), a provision related to indirect taxes of MSEK 0 (219) and a contractual settlement in cargo activities of MSEK 0 (30).

BALANCE SHEET

CONDENSED BALANCE SHEET

MSEK	Jan 31, 2018	Oct 31, 2017	Jan 31, 2017	Jan 31, 2016
Intangible assets	1,553	1,581	1,906	1,793
Tangible fixed assets	10,736	10,692	10,870	9,465
Financial fixed assets	8,114	7,979	7,199	7,259
Total fixed assets	**20,403**	**20,252**	**19,975**	**18,517**
Other current assets	334	321	313	324
Current receivables	3,129	3,146	3,386	3,208
Cash and cash equivalents[1]	9,251	8,836	7,226	7,440
Total current assets	**12,714**	**12,303**	**10,925**	**10,972**
Total assets	**33,117**	**32,555**	**30,900**	**29,489**
Shareholders' equity[2]	9,024	8,058	6,143	4,843
Long-term liabilities	10,613	9,363	8,242	9,478
Current liabilities	13,480	15,134	16,515	15,168
Total shareholders' equity and liabilities	**33,117**	**32,555**	**30,900**	**29,489**
Shareholders' equity per common share, (SEK)[3]	13.98	13.28	7.48	3.54
Interest-bearing assets	16,929	16,245	13,477	13,661
Interest-bearing liabilities	8,234	8,575	9,231	10,940
Working capital	-12,322	-12,263	-11,254	-9,538

1) At January 31, 2018, including receivables from other financial institutions, MSEK 1,029 (1,592).
2) Including non-controlling interests.
3) Shareholders' equity attributable to Parent Company shareholders excluding total preference share capital in relation to the 382,582,551 (330,082,551) common shares outstanding. The SAS Group has not carried out any buyback programs.

SPECIFICATION OF FINANCIAL NET DEBT, JANUARY 31, 2018

	According to balance sheet	Of which financial net debt
Financial fixed assets	8,114	1,931
Current receivables	3,129	720
Cash and cash equivalents	9,251	9,251
Long-term liabilities	10,613	6,818
Current liabilities	13,480	1,416
Financial net debt		-3,668

Information relating to financial net debt in the comparative periods is available in the Financial Key Ratios section. 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, 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
Preference share dividend					-350	-350		-350
Comprehensive income, February–October			129	-22	2,158	2,265		2,265
Closing balance, October 31, 2017	6,776	327	1,472	-198	-319	8,058	0	8,058
New issue	1,055				215	1,270		1,270
New issue costs					-37	-37		-37
Comprehensive income, November–January			-58	-1	-208	-267		-267
Closing balance, January 31, 2018	**7,831**	**327**	**1,414**	**-199**	**-349**	**9,024**	**0**	**9,024**

1) Number of shares in SAS AB: 382,582,551 (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) The amount comprises share premium reserves and the equity share of convertible loans.
3) No dividends were paid on common shares for 2016/2017.

CASH-FLOW STATEMENT

CONDENSED CASH-FLOW STATEMENT

MSEK	Q1	Q1	Rolling 12 months	Rolling 12 months
	Nov–Jan 2017–2018	Nov–Jan 2016–2017	Feb–Jan 2017–2018	Feb–Jan 2016–2017
EBT	-273	-697	2,149	1,043
Depreciation, amortization and impairment	353	327	1,661	1,353
Income from sale of aircraft, buildings and shares	-100	-63	-1,011	-237
Adjustment for other non-cash items, etc.	-10	125	206	434
Tax paid	-42	0	-68	0
Cash flow from operations before change in working capital	**-72**	**-308**	**2,937**	**2,593**
Change in working capital	256	-57	55	1,294
Cash flow from operating activities	**184**	**-365**	**2,992**	**3,887**
Investments including advance payments to aircraft manufacturers	-2,022	-1,514	-7,823	-6,052
Acquisition of subsidiaries	0	0	0	0
Sale of subsidiaries and operations	-3	-28	1	-19
Sale of fixed assets, etc.	1,628	1,539	7,341	3,592
Cash flow before financing activities	**-213**	**-368**	**2,511**	**1,408**
New issue	1,222	0	1,222	0
Dividend on preference shares	-87	-87	-350	-350
External financing, net	-507	-687	-1,357	-1,274
Cash flow for the period	**415**	**-1,142**	**2,026**	**-216**
Translation difference in cash and cash equivalents	0	-2	-1	2
Change in cash and cash equivalents according to the balance sheet	**415**	**-1,144**	**2,025**	**-214**
Cash flow from operating activities per common share (SEK)	0.48	-1.11	8.72	11.78

FINANCIAL KEY RATIOS

	Jan 31, 2018	Oct 31, 2017	Jan 31, 2017	Jan 31, 2016
Return on shareholders' equity after tax, 12-month rolling	20%	18%	19%	25%
Return on invested capital, 12-month rolling	14%	13%	10%	16%
Adjusted financial net debt/EBITDAR	2.9x	3.1x	3.4x	2.9x
Financial preparedness	38%	37%	33%	37%
Equity/assets ratio	27%	25%	20%	16%
Adjusted equity/assets ratio	17%	15%	12%	10%
Financial net debt, MSEK	-3,668	-2,799	-546	1,454
Debt/equity ratio	-0.41	-0.35	-0.09	0.30
Adjusted debt/equity ratio	1.97	2.28	3.17	4.09
Interest-coverage ratio	4.7	3.8	2.8	4.4

SAS calculates various Alternative Performance Measures (APMs) that complement the metrics defined in the applicable rules for financial reporting. The APMs facilitate comparison between different periods and are used for internal analysis of the business's performance, development and financial position, and are therefore deemed to provide valuable information to external stakeholders, such as investors, analysts, rating agencies and others. For definitions, refer to the Definitions & concepts section. A list of the APMs deemed of sufficient material importance to specify is available at www.sasgroup.net under Investor Relations.

PARENT COMPANY SAS AB

The number of common and preference shareholders in SAS AB amounted to 61,006 at January 31, 2018. The average number of employees amounted to four (four).

CONDENSED STATEMENT OF INCOME

MSEK	Q1	Q1
	Nov–Jan 2017–2018	Nov–Jan 2016–2017
Revenue	8	0
Payroll expenses	-8	-10
Other operating expenses	-4	-13
EBIT	**-4**	**-23**
Income from participations in Group companies	0	0
Income from other securities holdings	0	0
Net financial items	6	-10
EBT	**2**	**-33**
Tax	0	7
Net income for the period	**2**	**-26**
Net income for the period attributable to:		
Parent Company shareholders	2	-26

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

CONDENSED BALANCE SHEET

MSEK	Jan 31, 2018	Oct 31, 2017	Jan 31, 2017
Financial fixed assets	14,664	14,661	14,787
Other current assets	1,560	463	680
Cash and cash equivalents	0	2	0
Total assets	**16,224**	**15,126**	**15,467**
Shareholders' equity	13,055	11,820	12,291
Long-term liabilities	3,021	1,540	1,521
Current liabilities	148	1,766	1,655
Total shareholders' equity and liabilities	**16,224**	**15,126**	**15,467**

CHANGES IN SHAREHOLDERS' EQUITY

MSEK	Share capital[1]	Restricted reserves	Unrestricted equity[2]	Total shareholders' equity
Opening balance, November 1, 2017	6,776	306	4,738	11,820
New issue	1,055		215	1,270
New issue costs			-37	-37
Net income for the period			2	2
Shareholders' equity, Jan 31, 2018	**7,831**	**306**	**4,918**	**13,055**

1) Number of shares: 382,582,551 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 2016/2017.

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. The accounting policies follow those described in the 2016/2017 Annual Report. Preparations are ongoing for the implementation of the new standards *IFRS 9 — Financial Instruments* and *IFRS15 — Revenue from Contracts with Customers* which will apply for fiscal years starting from November 1, 2018, and *IFRS16 — Leases* which enters force for fiscal years starting after January 1, 2019. SAS has an ongoing project to analyze the transition to the respective standards. A more detailed description of the current accounting policies and new standards, including their estimated impact on the SAS Group, can be found in the 2016/2017 Annual Report which is available at www.sasgroup.net

NOTE 2 REVENUE

	Q1	Q1	Rolling 12 months	Rolling 12 months
	Nov–Jan 2017–2018	Nov–Jan 2016–2017	Feb–Jan 2017–2018	Feb–Jan 2016–2017
Passenger revenue	6,749	6,879	32,514	30,981
Charter	192	236	1,920	1,830
Freight and mail	420	373	1,517	1,293
Other traffic revenue	546	479	2,486	2,262
Other operating revenue	1,071	990	4,238	3,775
Total	**8,978**	**8,957**	**42,675**	**40,141**

NOTE 3 OTHER OPERATING EXPENSES

	Q1	Q1	Rolling 12 months	Rolling 12 months
	Nov–Jan 2017–2018	Nov–Jan 2016–2017	Feb–Jan 2017–2018	Feb–Jan 2016–2017
Sales and distribution costs	-565	-558	-2,424	-2,395
Jet fuel	-1,555	-1,579	-6,812	-6,800
Government user fees	-921	-970	-4,213	-4,165
Catering costs	-267	-239	-1,103	-996
Handling costs	-603	-661	-2,646	-2,631
Technical aircraft maintenance	-693	-855	-3,353	-3,450
Computer and telecommunication costs	-364	-366	-1,567	-1,419
Wet-lease costs	-261	-181	-1,203	-785
Other	-630	-696	-3,922	-2,847
Total	**-5,859**	**-6,105**	**-27,243**	**-25,488**

NOTE 4 QUARTERLY BREAKDOWN

STATEMENT OF INCOME

MSEK	2015–2016					2016–2017					2017–2018
	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	8,275	8,916	11,133	11,135	39,459	8,957	9,843	12,210	11,644	42,654	8,978
Payroll expenses	-2,334	-2,311	-2,275	-2,185	-9,105	-2,421	-2,302	-2,293	-2,189	-9,205	-2,268
Other operating expenses	-5,169	-5,429	-6,684	-7,270	-24,552	-6,105	-7,188	-6,778	-7,418	-27,489	-5,859
Leasing costs for aircraft	-700	-706	-737	-697	-2,840	-733	-801	-808	-774	-3,116	-760
Depreciation, amortization and impairment	-341	-312	-337	-377	-1,367	-327	-388	-343	-577	-1,635	-353
Share of income in affiliated companies	-12	-2	25	28	39	-11	3	-4	16	4	-9
Income from the sale of shares in subsidiaries, affiliated companies and operations	0	4	0	-11	-7	-21	0	0	0	-21	-4
Income from the sale of aircraft, buildings and slot pairs	95	80	33	57	265	84	723	110	78	995	104
EBIT	**-186**	**240**	**1,158**	**680**	**1,892**	**-577**	**-110**	**2,094**	**780**	**2,187**	**-171**
Income from other securities holdings	1	0	0	0	1	0	1	0	0	1	0
Financial revenue	22	32	20	17	91	41	43	29	35	148	34
Financial expenses	-146	-145	-142	-120	-553	-161	-142	-150	-158	-611	-136
EBT	**-309**	**127**	**1,036**	**577**	**1,431**	**-697**	**-208**	**1,973**	**657**	**1,725**	**-273**
Tax	63	44	-231	14	-110	141	-112	-438	-167	-576	34
Net income for the period	**-246**	**171**	**805**	**591**	**1,321**	**-556**	**-320**	**1,535**	**490**	**1,149**	**-239**
Attributable to:											
Parent Company shareholders	-246	171	805	591	1,321	-556	-320	1,535	490	1,149	-239
Non-controlling interests	0	0	0	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 2017–2018	Nov–Jan 2016–2017	Feb–Apr 2017	Feb–Apr 2016	May–Jul 2017	May–Jul 2016	Aug–Oct 2017	Aug–Oct 2016	Feb–Jan 2017–2018	Feb–Jan 2016–2017
Revenue	8,978	8,957	9,843	8,916	12,210	11,133	11,644	11,135	42,675	40,141
EBITDAR	851	431	353	1,176	3,139	2,174	2,037	1,680	6,380	5,461
EBITDAR margin	9.5%	4.8%	3.6%	13.2%	25.7%	19.5%	17.5%	15.1%	15.0%	13.6%
EBIT	-171	-577	-110	240	2,094	1,158	780	680	2,593	1,501
EBIT margin	-1.9%	-6.4%	-1.1%	2.7%	17.1%	10.4%	6.7%	6.1%	6.1%	3.7%
Earnings before tax and nonrecurring items	-373	-707	-259	-601	1,863	1,003	1,054	941	2,285	636
EBT	-273	-697	-208	127	1,973	1,036	657	577	2,149	1,043
Net income for the period	-239	-556	-320	171	1,535	805	490	591	1,466	1,011
Earnings per common share (SEK)	-0.85	-1.95	-1.23	0.25	4.39	2.17	1.22	1.53	3.25	2.00
Cash flow before financing activities	-213	-368	1,799	2,247	452	-511	473	40	2,511	1,408
Average number of employees (FTE)	9,929	10,538	10,155	10,339	10,404	10,815	10,199	10,753	10,172	10,611

NOTE 5 FINANCIAL ASSETS AND LIABILITIES

FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES

	Jan 31, 2018		Oct 31, 2017	
MSEK	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets at fair value	659	659	551	551
Financial assets held for trading	7,606	7,607	5,741	5,741
Other assets	5,444	5,444	6,448	6,551
Total	**13,709**	**13,710**	**12,740**	**12,843**
Financial liabilities				
Financial liabilities at fair value	219	219	52	52
Financial liabilities held for trading	65	65	55	55
Financial liabilities at amortized cost	9,574	9,115	10,091	9,813
Total	**9,858**	**9,399**	**10,198**	**9,920**

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, 2018			Oct 31, 2017		
MSEK	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial assets						
Financial assets at fair value	-	659	659	-	551	551
Financial assets held for trading	3,549	4,057	7,606	3,304	2,437	5,741
Total	**3,549**	**4,716**	**8,265**	**3,304**	**2,988**	**6,292**
Financial liabilities						
Financial liabilities at fair value	-	219	219	-	52	52
Financial liabilities held for trading	-	65	65	-	55	55
Total	**0**	**284**	**284**	**0**	**107**	**107**

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, February 27, 2018

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

Endre Røros
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 2017–2018	Nov–Jan 2016–2017	Year-on-year change
Number of passengers (000)	6,023	6,376	-5.5%
RPK, Revenue Passenger Kilometers (mill)	7,210	7,642	-5.7%
ASK, Available Seat Kilometers (mill)	10,733	10,657	+0.7%
Load factor	67.2%	71.7%	-4.5[1]
Passenger yield, currency-adjusted	0.94	0.88	+6.8%
Passenger yield, nominal	0.94	0.90	+4.0%
Unit revenue, PASK, currency-adjusted	0.63	0.63	0.0%
Unit revenue, PASK, nominal	0.63	0.65	-2.6%
RASK, currency-adjusted	0.71	0.70	2.0%
RASK, nominal	0.71	0.71	-0.6%

TOTAL TRAFFIC (SCHEDULED AND CHARTER TRAFFIC) FOR SAS

	Nov–Jan 2017–2018	Nov–Jan 2016–2017	Year-on-year change
Number of passengers (000)	6,141	6,513	-5.7%
RPK, Revenue Passenger Kilometers (mill)	7,592	8,104	-6.3%
ASK, Available Seat Kilometers (mill)	11,139	11,154	-0.1%
Load factor	68.2%	72.7%	-4.5[1]
Unit cost, CASK, currency-adjusted	0.75	0.75	+0.5%
Unit cost, CASK, nominal incl. nonrecurring items	0.73	0.77	-4.9%
Unit cost, CASK, excluding jet fuel, currency-adjusted	0.61	0.62	-0.9%
Unit cost, CASK, excluding jet fuel, nominal incl. nonrecurring items	0.59	0.63	-5.6%

SCHEDULED TRAFFIC TREND FOR SAS BY ROUTE SECTOR

	Nov–Jan 2017–2018 vs. Nov–Jan 2016–2017	
	Traffic (RPK)	Capacity (ASK)
Intercontinental	-10.0%	-1.2%
Europe/Intra-Scandinavia	-1.9%	+3.0%
Domestic	-4.2%	-0.5%

SCHEDULED DESTINATIONS AND FREQUENCIES FOR SAS

	Nov–Jan 2017–2018	Nov–Jan 2016–2017	Year-on-year change
Number of destinations	104	101	+3.0%
Number of daily departures	721	758	-5.0%
No. of departures per destination/day	6.9	7.5	-7.7%

PRODUCTIVITY AND ENVIRONMENTAL EFFICIENCY

12-month rolling	January, 2018	January, 2017	Year-on-year change
Aircraft, block hours/day	9.6	9.4	+1.5%
Cabin crew, block hours/year	782	749	+4.5%
Pilots, block hours/year	687	675	+1.8%

Environmental efficiency	Nov–Jan 2017–2018	Nov–Jan 2016–2017	Year-on-year change
CO_2 emissions per passenger kilometer, grams	104.9	103.2	+1.7%

1) Figures given in percentage points

AIRCRAFT FLEET

THE SAS AIRCRAFT FLEET AT JANUARY 31, 2018

Aircraft in service under SAS's (SK) own traffic license	Age	Owned	Leased	Total	Purchase orders	Lease orders
Airbus A330/A340/A350	12.6	10	6	16	8	
Airbus A319/A320/A321	8.5	10	25	35	14	
Boeing 737 NG	14.2	24	43	67		
Total	**12.3**	**44**	**74**	**118**	**22**	**0**

Aircraft in service under a traffic license other than SAS's (SK)	Age	Owned	Wet-leased	Total	On wet lease order
Bombardier CRJ900	2.4		24	24	2
Bombardier CRJ1000					2
ATR-72	2.9		9	9	
A320	0.1		4	4	
Total	**2.3**	**0**	**37**	**37**	**4**

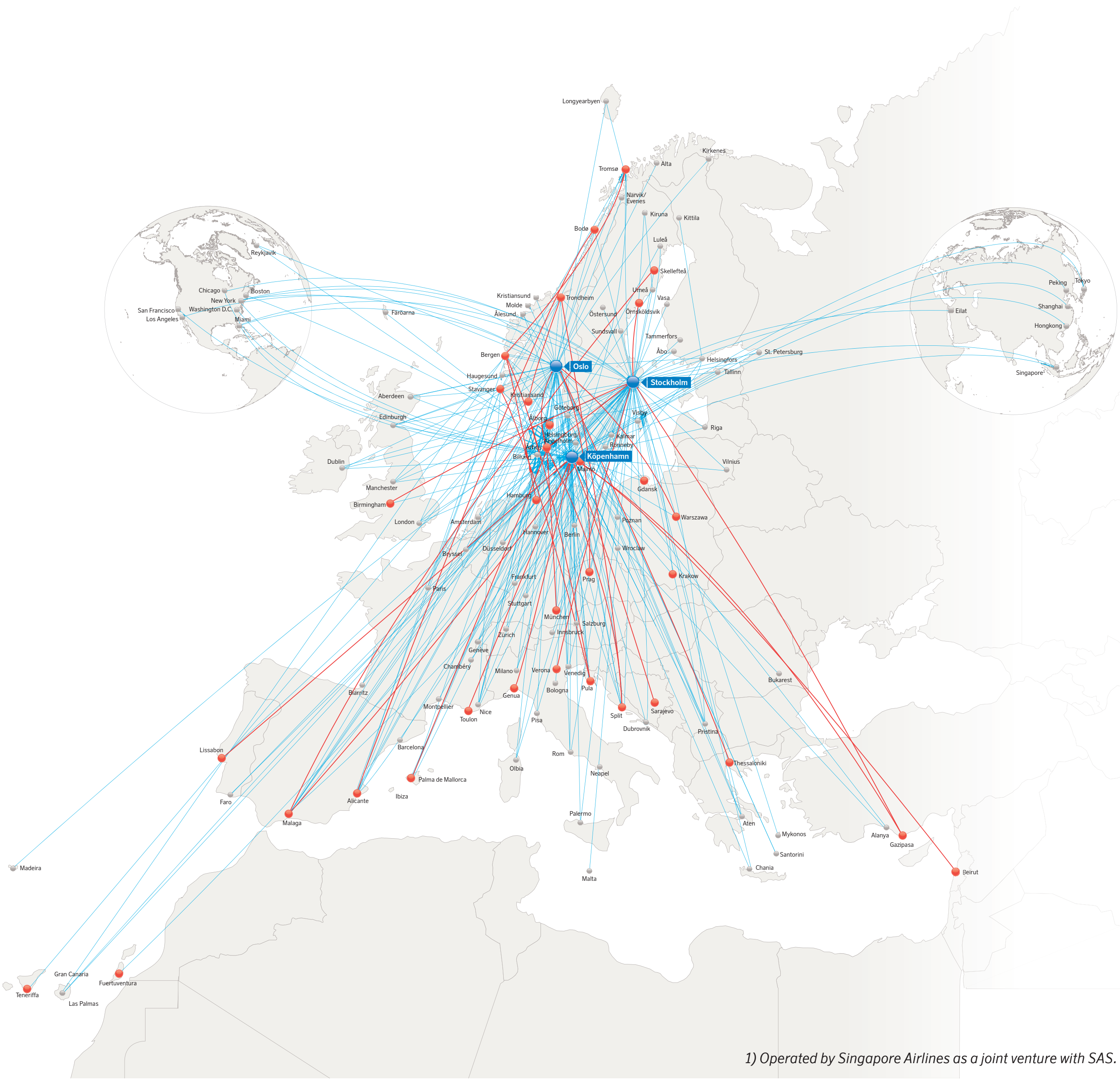
Total SAS in-service aircraft fleet	Age	Owned	Leased	Total	On purchase order	Order wet lease
Total	**9.9**	**44**	**111**	**155**	**22**	**4**

Aircraft to be phased out	Age	Owned	Leased	Total	Leased out	Parked
Bombardier Q400	10.1		1	1		1
737NG	19.3		2	2		2
A320	17.2		1	1		1
Total	**16.5**	**0**	**4**	**4**	**0**	**4**

Aircraft on firm order 2018–2021 at January 31, 2018	2017/2018	2018/2019	2019/2020	2020/2021
Airbus A320neo	7	7		
Airbus A350			3	5

SAS DESTINATIONS

— Existing routes — New routes for 2018



1) Operated by Singapore Airlines as a joint venture with SAS.

DEFINITIONS & CONCEPTS

SAS uses various key figures, including alternative performance measures (APMs), 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. A list of the APMs deemed of sufficient material importance to specify is available at www.sasgroup.net under Investor Relations.

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).

Adjusted financial net debt/EBITDAR — The sum of average net financial debt and average LTM net capitalized leasing costs in relation to EBITDAR.

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.

Cash flow from operating activities per common share — Cash flow from operating activities in relation to the average number of common shares outstanding.

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.

EBT — Earnings before tax.

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 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.

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

FTE — Full-time equivalents.

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.

Nonrecurring items – Nonrecurring items are identified to facilitate comparison of SAS's underlying results in different periods. These items consist of impairment, restructuring costs, capital gains/losses, and other nonrecurring items. They arise as a consequence of specific events, and are items that both management and external assessors take note of when analyzing SAS. By reporting earnings excluding nonrecurring items, the underlying results are shown, which facilitates comparability between different periods.

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

Preference share capital — Preference share capital, corresponding to the redemption price after the 2018 AGM for 7,000,000 preference shares at 105% of the subscription price of SEK 500, amounting to MSEK 3,675.

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 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.

Shareholders' equity per common share — Shareholders' equity attributable to Parent Company shareholders less preference share capital in relation to the total number of common shares outstanding on the balance-sheet date.

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 flies more than 30 million passengers each year and is Scandinavia's leading airline with more than 800 flights per day on 272 routes serving 123 destinations in Scandinavia, Europe, the US and Asia. SAS is a member of Star Alliance™ and together with 27 other partner airlines is able to offer over more than 18,400 daily departures to around 1,300 destinations in 191 countries. In addition to airline operations, activities at SAS include ground handling services, technical maintenance and air cargo services.

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 2017/2018

- SAS completed a private placement of MSEK 1,270. As a result of the new share issue, the conversion price for SAS's convertible bond was changed from SEK 24.0173 to SEK 23.73.
- SAS's credit rating was upgraded by Moody's and Standard & Poor's.
- SAS issued an SEK 1.5 billion unsecured bond with a tenor of five years and a fixed coupon rate of 5.375%.
- Torbjørn Wist was appointed the new Chief Financial Officer (CFO) after Göran Jansson, who will have overall responsibility for Group strategy, SAS Growth, the SAS aircraft fleet and Strategic Sourcing. In this new role, Göran Jansson will continue as Deputy President and as a member of SAS Group Management.
- Fritz H. Schur notified his intent to step down as Chairman and as a member of the Board of SAS from the 2018 AGM.
- SAS decided on the mandatory redemption of a maximum of 4.9 million preference shares.

EVENTS AFTER JANUARY 31, 2018

- SAS redeemed just under 4.9 million preference shares for a total of MSEK 2,579.

FINANCIAL CALENDAR

Annual General Shareholders' Meeting 2018	10 April 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 at 10:00 a.m., February 27, 2018.
Analyst meeting in Oslo at 10:45 a.m., March 2, 2018
Analyst meeting in London at 11:30 a.m., March 7, 2018

This information is information that SAS AB is obliged to disclose pursuant to the EU Market Abuse Regulation.
The information was submitted through the agency of the contact person set out below for publication on February 27, 2018 at 8:00 a.m. CET.

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.