QUARTERLY EARNINGS AS EXPECTED DESPITE NEGATIVE CURRENCY EFFECTS

FEBRUARY 2018–APRIL 2018
- Revenue: MSEK 9,916 (9,843)
- Earnings before tax and nonrecurring items: MSEK -320 (-259)
- EBT: MSEK -499 (-208)
- Net negative currency effects: MSEK 145
- Net income for the period: MSEK -358 (-320)
- Return on invested capital (ROIC), LTM: 13% (9%)
- Earnings per common share SEK -1.02 (-1.23)
- The outlook for the full year 2017/2018 is retained, see page 10.

NOVEMBER 2017–APRIL 2018
- Revenue: MSEK 18,894 (18,800)
- Earnings before tax and nonrecurring items: MSEK -693 (-966)
- EBT: MSEK -772 (-905)
- Net income for the period: MSEK -597 (-876)
- Earnings per common share SEK -1.88 (-3.18)

SIGNIFICANT EVENTS
- 70% of the preference shares were redeemed.
- SAS ordered 50 Airbus A320neos and one Airbus A330E.
- At the AGM, Carsten Dilling was elected as Chairman of the Board of SAS.
- SAS is considering expanding the issue size of an unsecured bond by up to SEK 1 billion at the start of June.

> The order of 50 new Airbus A320neo aircraft enables SAS to create a single-type fleet consisting of the most efficient aircraft in the market, in terms of both cost and environmental performance.
>
> Rickard Gustafson, *President and CEO*

KEY FIGURES FEBRUARY 2018–APRIL 2018

-2.5%
UNIT COST VS PRECEDING YEAR[2]

+0.7%
RASK VS PRECEDING YEAR[1]

+0.4%
PASSENGERS VS PRECEDING YEAR

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

INCOME AND KEY RATIOS

Key ratios (MSEK)	Q2	Q2	Q1–2	Q1–2	Rolling 12 months	Rolling 12 months
	Feb–Apr 2018	Feb–Apr 2017	Nov–Apr 2017–2018	Nov–Apr 2016–2017	May–Apr 2017–2018	May–Apr 2016–2017
Revenue	9,916	9,843	18,894	18,800	42,748	41,068
EBIT margin	-3.9%	-1.1%	-2.9%	-3.7%	5.4%	2.8%
Earnings before tax and nonrecurring items	-320	-259	-693	-966	2,224	978
EBT	-499	-208	-772	-905	1,858	708
Net income for the period	-358	-320	-597	-876	1,428	520
Cash flow from operating activities	2,366	1,952	2,550	1,587	3,406	3,304

	Apr 30, 2018	Oct 31, 2017	Apr 30, 2017	Apr 30, 2016
Equity/assets ratio	18%	25%	16%	15%
Adjusted financial net debt/EBITDAR	2.7x	3.1x	4.0x	2.8x
Financial preparedness	31%	37%	37%	40%
Return on invested capital, 12-month rolling	13%	13%	9%	15%
Earnings per common share (SEK), 12-month rolling	3.18	2.42	0.52	2.71
Shareholders' equity per common share, SEK	12.81	13.28	4.94	3.04

COMMENTS BY THE CEO

The quarterly earnings tracked our expectations, despite considerable negative currency effects. For the first six months, the improvement was SEK 0.3 billion before tax and nonrecurring items. During the quarter, we placed an order for 50 new Airbus A320neo aircraft, which will play a decisive role in strengthening our competitiveness going forward. The order means that, for the first time in the modern age, SAS will be able to create a single-type fleet consisting of the most efficient aircraft in the market, in terms of both cost and environmental performance.

As expected, the second quarter is seasonally weak and SAS reported earnings before tax and nonrecurring items of MSEK -320. Compared with last year, this amounts to a smaller decline of MSEK 61, driven by net negative currency effects of MSEK 145, which pertained mainly to currency revaluations for maintenance liabilities for leased aircraft.

Accordingly, the underlying earnings trend for the quarter was positive compared with last year. This was due to successful seasonal adjustments, which together with sales campaigns and efficient pricing policies led to higher passenger numbers and a slightly more positive than expected yield trend. Revenue continues to rise in EuroBonus and from our cargo services. Finally, the implementation of efficiency measures continues and contributed to a year-on-year decrease of 2.5% in the currency-adjusted unit cost, excluding jet fuel.

At the same time as we have noted a positive underlying trend, reported EBT is significantly lower than last year. This was because, last year, we had special conditions with substantial nonrecurring items that had net positive impacts on earnings and that, this year, we have incurred restructuring costs related to personnel and property of MSEK 226 as part of our change efforts. On an accumulated basis, restructuring costs related to efficiency measures amounted to MSEK 521 of the total of SEK 1 billion planned for in 2017–2019. Through these changes, we are further strengthening our competitiveness going forward.

INVESTMENTS IN THE CUSTOMER OFFERING

We are continuing to develop our customer offering with a focus on frequent travelers. In May for example, we were the first Nordic airline to launch a new high-speed WiFi for flights in Europe. We have already equipped some 30 aircraft with additional aircraft being added each month. In the short time the service has been available, the response has been very positive from our customers.

Moreover, the upgrade of the aircraft fleet is continuing and, by May, around half of our aircraft in Europe had been upgraded with new cabin interiors. A new management team has been established for SAS Growth Initiatives, which will continue to work on strengthening the EuroBonus loyalty program. In addition to our planned customer improvements in the autumn, we have noted increased interest from new partners with whom we have entered final negotiations. The combination of these changes will further strengthen our customer offering.

I am pleased that the product improvements are being appreciated and that SAS is in the lead for customer service, both in the air and on the ground. The customer commitment of our fantastic employees means we can offer the level of service that distinguishes SAS. This gives us inspiration to continue developing services that make life easier for our customers. For example, SAS Plus on long-haul routes was declared the best Premium Economy by Global Traveler in 2018, and at the Grand Travel Awards, SAS received awards for Best Airline in Europe and Best Domestic Transportation.

DEMANDING OPERATING CONDITIONS

On the weather front, operating conditions were very demanding during the winter and in spring 2018, and impacted regularity, punctuality and costs for winter production. Moreover, aircraft deliveries from Airbus were delayed in parallel with our production partner CityJet having regularity issues. Unfortunately, these events had a negative impact for many customers, for which I apologize.

At the same time, given this background, it is particularly positive that second quarter earnings developed in line with our expectations. This confirms that the SAS production model has become more robust and more adaptable. We have increased operational flexibility through our three production platforms: SAS Scandinavia (SK); SAS Ireland and our regional production partners. The interaction between the platforms means we can give our customers the best possible availability. This means that despite the challenges, we could increase regional capacity by 0.6% during the quarter while retaining customer satisfaction levels.

EFFICIENCY ENHANCEMENTS CONTINUE

Our customers expect an attractive product at a competitive price. This requires that we work intensively with adapting our cost base to customers' willingness to pay. Accordingly, SAS is now implementing SEK 3 billion in efficiency gains by 2020. The impact of these measures amounted to MSEK 170 in the second quarter. Developments are going to plan and we are now working on key initiatives that will deliver effects in 2019. As we announced previously, some SEK 0.7 billion of the total effect depends on changes to collective agreements that are being prepared together with the labor unions. Therefore, it is pleasing to have made agreements with the technical unions and the Swedish cabin crew union that strengthen our future competitiveness. In that spirit, we are continuing to work on achieving corresponding changes with the remaining unions.

If SAS is to continue to successfully meet increasingly intense competition and to participate in the growing leisure market, it is critical that all units at SAS fully implement already identified efficiency measures in 2019–2020. However, more remains to be done and we have to use longer horizons and start to visualize how we can continue to enhance operational efficiency at SAS after 2020, to ensure we can continue to strengthen competitiveness. New aircraft and a single-type fleet will help with these efforts.

We have now phased in the sixth and last aircraft at the London base. In terms of operations, the London base has performed as we expected and it is particularly gratifying to note the positive customer response. In parallel, final preparations are ongoing ahead of the start of services from our Malaga base.

EN ROUTE TO A MORE ENVIRONMENTALLY FRIENDLY SINGLE-TYPE FLEET

During the quarter, we took the key decision to invest in a further 50 new Airbus A320neo aircraft with delivery in 2019–2023. Together with the previous order for 30 identical aircraft, the new order means that we will have at least 80 Airbus A320neos in service in 2023. We will thereby create a new platform that will enable SAS, for the first time in the modern age, to have a single-type fleet. This is also an investment in the future and a very significant component in improving the customer offering, further enhancing efficiency and reducing the environmental impact.

SAS takes sustainability challenges very seriously. Aviation's environmental impact is a subject that has received increased attention in public debate in recent times. I understand the concern regarding aviation's climate impact. At the same time, I think there is a need for a more nuanced discussion. Air travel has a vital role in Scandinavian infrastructure and society. Given our long distances and challenging topography, having no air travel would make it much more difficult to live and work in Scandinavia. It is also relevant to note that, according to the Swedish Environmental Protection Agency, Swedish domestic and international flights currently respectively account for around 1% and 4% of carbon emissions in Sweden, whereas domestic road traffic accounts for about 25% of Sweden's carbon emissions.

With that said, naturally, we want to take responsibility for developing more sustainable air travel. The investment in the new Airbus A320neo aircraft is a key element, since these aircraft have around 18% lower jet-fuel consumption per seat kilometer compared with the aircraft being phased out. Nitrogen oxide emissions and noise will also be significantly reduced.

In addition to investment in new aircraft, we are also investing in biofuel that further reduces the climate-impacting emissions. We also promote increased biofuel production through involvement in numerous projects and working groups at global and national levels. For example, the Swedish airline industry's roadmap for fossil-free aviation was submitted to the Swedish Government's Fossil-free Sweden initiative during the quarter. I hope that the roadmap will lead to improved conditions for the Swedish airline industry that will enable quick adaptation so that the ambition of biofuel use equivalent to all Swedish domestic flights is reached by 2030.

Passengers should be able to fly with a clear conscience. For this reason, SAS has carbon offset all tickets for young people with an average of SEK 10 per ticket, since April 2018. We also offer passengers the possibility to voluntarily offset their flight's carbon emissions through Natural Capital Partners, which invests in energy projects that generate a compensation equal to the journey made. This is a way of managing today's emissions while waiting for the transition to a lower carbon footprint and new technology that we are actively working on.

UNCHANGED OUTLOOK FOR 2017/2018

We move forward from a quarter where earnings were slightly less negative than expected. With today's significantly higher jet-fuel prices in combination with increased capacity, our jet-fuel costs will rise in the second half of the year. In parallel, the SEK has weakened against the USD. With considerable purchases in USD, SAS is one of few Scandinavian companies that is penalized by a weak Swedish krona. Despite these negative market effects, given the improved performance in the first six months and assuming stable demand during the summer, we can retain the outlook 2017/2018 with no changes. At the same time, the weakness of the SEK versus the USD together with rising jet-fuel prices concern me. It is clear that these two factors can lead to increased challenges for SAS and the airline industry going forward.

Finally, I would like to conclude by thanking all my colleagues at SAS for their excellent service to customers and for having contributed to the necessary changes. We are not done yet, and I believe strongly in our shared future going forward.

I would like to thank you for getting to know our operations and look forward to welcoming you on board one of our around 300 different routes this summer.

Stockholm, May 30, 2018

Rickard Gustafson,
President and CEO

COMMENTS ON SAS'S FINANCIAL STATEMENTS

MARKET AND TRAFFIC TRENDS

Measured in the number of seats offered, capacity in the Scandinavian market increased 5.5% in the second quarter of 2017/2018, which was up on 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, increased seats by slightly more than 1.3 million in the second quarter. The total number of passengers in the Scandinavian market increased 4.5% in the second quarter. In the forthcoming six-month period, the number of offered seats in the Scandinavian market is expected to increase around 5%.

SAS currency-adjusted unit revenue (PASK) rose 0.2% during the second 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 20.

EARNINGS ANALYSIS FEBRUARY 2018–APRIL 2018

Net income for the period

Operating income amounted to MSEK -385 (-110). EBT amounted to MSEK -499 (-208) and income after tax was MSEK -358 (-320). Tax income was MSEK 141 (-112). Last year, tax was impacted by the European Commission's fine, which had no impact on tax.

Year-on-year, the exchange-rate trend had a positive impact on revenue of MSEK 6 and a negative effect on operating expenses of MSEK 152. The exchange-rate trend thus had a negative impact on operating income of MSEK 146. Net financial items were positively impacted by currency items of MSEK 1, which resulted in negative currency items totaling MSEK 145 impacting EBT. The negative currency effects were driven by revaluation of USD denominated maintenance liabilities for aircraft under operating leases as a result of a weaker SEK against the USD from January 2018 to April 2018 of MSEK 244. Year-on-year however, the SEK was up on the USD, but this positive currency effect was of lower significance.

Revenue

Revenue totaled MSEK 9,916 (9,843), see Note 2. After adjustment for currency effects, revenue was up MSEK 67 year-on-year. Currency-adjusted passenger revenue rose 0.8%. 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 45. A lower load factor had a negative effect of MSEK -34. Revenue was positively impacted in an amount of MSEK 48 as a result of the higher yield.

Currency-adjusted cargo revenue increased 7.3% due to the higher yield. Charter revenue (currency-adjusted) was 16.2% lower, mainly attributable to lower capacity. Other traffic revenue (currency-adjusted) rose MSEK 1.

Other operating revenue (currency-adjusted) climbed MSEK 22, 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. Year-on-year, other operating revenue was negatively impacted by MSEK -50 as a result of revenue last year from short-term leases of CRJ900s to CityJet.

Operational and financial expenses

Payroll expenses amounted to MSEK -2,355 (-2,302). After adjustment for currency and restructuring costs, payroll expenses declined 2.3% year-on-year. The decrease was mainly due to efficiency measures.

Other operating expenses amounted to MSEK -6,846 (-7,188), see Note 3. These expenses largely comprised jet fuel, which amounted to MSEK -1,650 (-1,659). Adjusted for currency, jet-fuel costs increased 8.3%. The cost was negatively impacted in an amount of MSEK -365 due to a higher jet-fuel price, while currency had a positive impact of MSEK 135. The change in hedge effects (including the effect of time value) had a positive impact of MSEK 174 year-on-year and volume, based on the preceding year's terms, had a positive impact on costs of MSEK 43.

Handling costs (currency-adjusted) decreased 4.3%. Technical maintenance costs amounted to MSEK -635 (-831). Costs in the period were lower than the corresponding period last year, which was mainly due to changed assessments for return requirements and future engine maintenance on leased aircraft. After adjustments for currency, technical maintenance costs decreased 19.3%. Adjusted for currency effects, wet-lease costs increased 18.5% year-on-year, primarily due to higher volumes. Other operating expenses were negatively impacted by currency revaluations for maintenance liabilities for aircraft under operating leases of MSEK 244.

During the period, the ongoing efficiency program resulted in cost reductions of about MSEK 170.

Leasing costs amounted to MSEK -765 (-801). Adjusted for currency effects, leasing costs increased 2.7%.

Financial revenue and expenses amounted to MSEK -114 (-99), of which net interest expense was MSEK -106 (-96). The new bond issued in November 2017 positively impacted net interest compared with last year, since the new bond carries a lower interest rate than the repaid loan. However, net interest was negatively affected by higher USD interest rates.

Nonrecurring items

Total nonrecurring items amounted to MSEK -179 (51) during the period. Of nonrecurring items, MSEK 47 (45) pertained to capital gains from aircraft transactions and MSEK -226 to restructuring of properties and personnel. In the corresponding period last year, earnings were positively impacted by MSEK 678 pertaining to the transfer of two slot pairs at London Heathrow, and negatively by MSEK -672 due to the European Commission's decision to once again fine SAS and ten other airlines for alleged breaches of air cargo competition rules in the 1999–2006 period.

EARNINGS ANALYSIS NOVEMBER 2017–APRIL 2018

Net income for the period

Operating income amounted to MSEK -556 (-687). EBT amounted to MSEK -772 (-905) and income after tax was MSEK -597 (-876). Tax income was SEK 175 M (29).

Year-on-year, the exchange-rate trend had a negative impact on revenue of MSEK -219 and a positive effect on operating expenses of MSEK 274. The exchange-rate trend thus had a positive impact on operating income of MSEK 55. Net financial items were positively impacted by currency items of MSEK 5, which resulted in a positive currency impact on earnings before tax totaling MSEK 60.

Revenue

Revenue totaled MSEK 18,894 (18,800), see Note 2. After adjustment for currency effects, revenue was up MSEK 313 year-on-year. Currency-adjusted passenger revenue rose 0.8%. 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 92. A lower load factor had a negative effect of MSEK -461. Revenue was positively impacted in an amount of MSEK 475 as a result of the higher yield.

Currency-adjusted cargo revenue increased 11.8% due primarily to the higher yield. Charter revenue (currency-adjusted) was 16.5% lower, mainly attributable to lower capacity. Other traffic revenue (currency-adjusted) rose MSEK 77, primarily due to traffic revenue from other airlines (interline revenue).

Other operating revenue (currency-adjusted) climbed MSEK 124, 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 -4,623 (-4,723). After adjustment for currency and restructuring costs, payroll expenses declined 3.2% year-on-year. The main reason for the decrease was the sale of the subsidiary Cimber, which was included in expenses in the first quarter last year, and efficiency measures.

Other operating expenses amounted to MSEK -12,705 (-13,293), see Note 3. These expenses largely comprised jet fuel, which amounted to MSEK -3,205 (-3,238). Adjusted for currency, jet-fuel costs increased 7.8%. The cost was negatively impacted in an amount of MSEK -667 due to a higher jet-fuel price, while currency had a positive impact of MSEK 264. The change in hedge effects (including the effect of time value) had a positive impact of MSEK 336 year-on-year and volume, based on the preceding year's terms, had a positive impact on costs of MSEK 95. Handling costs (currency-adjusted) decreased 5.3%. Technical maintenance costs amounted to MSEK -1,328 (-1,686). Costs in the period were lower than the corresponding period last year, which was mainly due to changed assessments for return requirements and future engine maintenance on leased aircraft. After adjustments for currency, technical maintenance costs decreased 16.6%. Year-on-year, wet-lease costs were MSEK -141 (currency-adjusted) higher, which was mainly due to higher volumes and the sale of the subsidiary Cimber, which was divested in the first quarter last year resulting in the corresponding production now being wet-leased. Other operating expenses were negatively impacted by currency revaluations for maintenance liabilities for aircraft under operating leases of MSEK 90.

During the period, implementation of the ongoing efficiency program resulted in cost reductions of about MSEK 335.

Leasing costs amounted to MSEK -1,525 (-1,534). Adjusted for currency effects, leasing costs increased 7.1%.

Financial revenue and expenses amounted to MSEK -216 (-219), of which net interest expense was MSEK -202 (-206). The new bond issued in November 2017 had a positive year-on-year impact on net interest, since the new bond carries a lower interest rate than the repaid loan. Net interest was negatively affected by higher USD interest rates.

Nonrecurring items
Total nonrecurring items amounted to MSEK -79 (61) during the period. Of nonrecurring items, MSEK 151 (129) pertained to capital gains from aircraft transactions, MSEK -4 (-21) to the sale of the subsidiary Cimber and MSEK -226 to the restructuring of properties and personnel. 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. In the corresponding period last year, earnings were positively impacted by MSEK 678 pertaining to the transfer of two slot pairs at London Heathrow, and negatively by MSEK -672 due to the European Commission's decision to once again fine SAS and ten other airlines for alleged breaches of air cargo competition rules in the 1999–2006 period.

BALANCE SHEET AND FINANCIAL POSITION APRIL 2018

Assets
Intangible and tangible fixed assets increased MSEK 1,042 during the first six months. Change for the period included investments of MSEK 4,025, amortization and depreciation of MSEK -727, divestments of MSEK -2,276 and other and currency effects of MSEK 20. During the period, SAS purchased one Airbus A319 and three Boeing 737s that were previously under operating leases. 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 six new Airbus A320neos that were immediately divested on the basis of sale and leaseback agreements. 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 19, mainly due to increased tax assets and deposits. The increase was offset by a decrease in SAS's defined-benefit pension plans.

Current receivables increased MSEK 989. This increase was mainly attributable to accounts receivable, interim receivables and derivatives.

Cash and cash equivalents were MSEK 7,421 (9,077) at April 30, 2018. Unutilized contracted credit facilities amounted to MSEK 2,736 (3,174). Financial preparedness amounted to 31% (37) of SAS's fixed costs.

Shareholders' equity and liabilities
Shareholders' equity decreased MSEK 2,055. The decrease was due to: net income for the period of MSEK -597; a private placement net after transaction costs of MSEK 1,233; the redemption of preference shares for MSEK -2,579; the expensed dividend of MSEK -105 and the change in other comprehensive income, which comprised translation effects for foreign subsidiaries of MSEK 146, negative effects from hedging reserves of MSEK 243 and actuarial effects on defined-benefit pension plans, net of tax, of MSEK -396.

Long-term liabilities decreased MSEK -559 and *current liabilities* increased MSEK 3,279. The decrease in long-term liabilities was mainly due to changes in interest-bearing liabilities and deferred tax liabilities. The increase in current liabilities was mainly due to a higher unearned transportation revenue liability.

Interest-bearing liabilities
Interest-bearing liabilities declined MSEK 301 compared with October 31, 2017 and amounted to MSEK 8,274 on the closing date. New loans and amortization for the period were MSEK 1,575 and MSEK 2,245 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 increased liabilities by MSEK 242.

In 2014, SAS issued a convertible bond, which was valued at MSEK 1,538 on the closing date.

Financial net debt/receivables
Net financial receivables decreased MSEK 400 compared with October 31, 2017 and amounted to MSEK 2,399 on the closing date. The decline was primarily due to the redemption of preference shares for MSEK -2,579. The decrease was offset partly by the new issue in November 2017 and positive cash flow from operating activities.

Gearing
At April 30, 2018, the equity/assets ratio was 18%, down 7 percentage points on October 31, 2017. The decline was primarily due to net income for the period of MSEK -597 and the redemption of preference shares for MSEK -2,579. The decline was offset partly by the new issue which, net after transaction costs, increased shareholders' equity by MSEK 1,233.

The adjusted financial net debt/EBITDAR ratio improved to a multiple of 2.7. The improvement was attributable to a positive change in EBITDAR. At October 31, 2017, it was a multiple of 3.1.

For the balance sheet — refer to page 12.

CASH-FLOW STATEMENT NOVEMBER 2017–APRIL 2018

Cash flow for the first six months amounted to MSEK -1,418 (709). Cash and cash equivalents amounted to MSEK 7,421 according to the balance sheet, compared with MSEK 8,836 at October 31, 2017.

Cash flow from operating activities
For the first six months of the fiscal year, cash flow from operating activities before changes in working capital amounted to MSEK -16 (-223) and where the adjustment for other non-cash items primarily pertained to the provision for restructuring costs.

The change in working capital was more positive than the year earlier and amounted to MSEK 2,566 (1,810). 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.

Investing activities
Investments totaled MSEK 4,025 (3,432) of which MSEK 3,982 (3,357) pertained to aircraft. These include delivery payments for six new Airbus A320neos that were immediately divested on the basis of sale and leaseback agreements. In addition, one Airbus A319 and three Boeing 737s were purchased that were previously on operational leases. 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 six Airbus A320neos acquired during the period.

Financing activities

New loans amounted to MSEK 1,575 (1,632), while repayments totaled MSEK 2,245 (1,945). 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 works with its customer offering, efficiency enhancements and sustainability to provide the prerequisites for long-term sustainable profitability.

We operate in a capital-intensive industry that requires optimization of the capital structure. For this reason, SAS has three financial targets:

- 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.

The financial preparedness target is 25% of annual fixed costs. Normally, this covers SAS's unearned transportation revenue liability and also meets regulatory requirements regarding liquidity.

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.

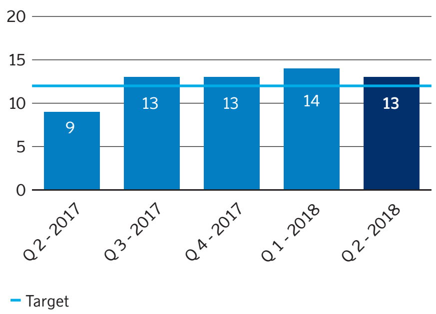
EVENTS AFTER APRIL 30, 2018

- SAS is considering expanding the issue size of an unsecured bond with maturity in 2022 by up to SEK 1 billion at the start of June.
- SAS has appointed a new head for SAS Growth Initiatives to strengthen SAS's platform for growth in new areas.

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 April 30, ROIC was 13%.

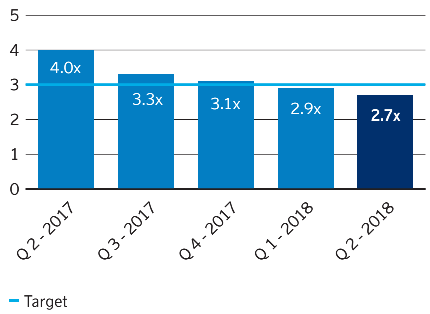
ROIC, 12-MONTH ROLLING, %



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 April 30, the ratio was a multiple of 2.7.

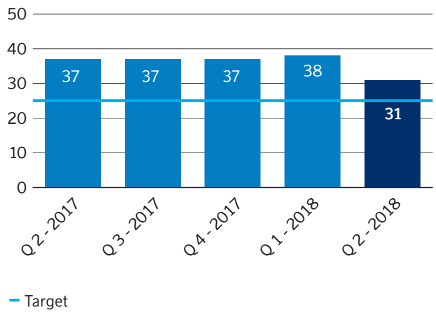
ADJUSTED FINANCIAL NET DEBT/EBITDAR, MULTIPLE



FINANCIAL PREPAREDNESS

SAS has a target for financial preparedness, which is to exceed 25% of annual fixed costs. At April 30, the financial preparedness was 31%.

FINANCIAL PREPAREDNESS, %



SAS'S CUSTOMER OFFERING, EFFICIENCY ENHANCEMENT AND SUSTAINABILITY INITIATIVES

Competition is intensifying in the airline industry in parallel with continuous changes in the operating environment, and at the same time as demand for more sustainable travel is rising. To secure its long-term competitiveness, SAS continuously develops its customer offering, and streamlines and invests in its operations — all of which are improvements aimed at reducing environmental impact and making travel more sustainable. The investment in new and more efficient aircraft in combination with SAS's established plan to create a single-type fleet are key common denominators for these efforts.

OPERATING ENVIRONMENT

The industry finds itself undergoing strong changes with new and stricter requirements from its operating environment, which affects all operators. Air travel is now open to most people thanks to lower prices and increased prosperity. Efficient production is a precondition for leveraging annual traffic growth of 4–5%. In the airline industry, a common way of enhancing operational efficiency is to redeploy production to own start-up production companies, on both European and intercontinental routes. In addition, staff are increasingly being outsourced, in order to achieve more flexible production. Airlines are also simplifying their core offering and lowering prices even further, at the same time as more ancillary services are being offered. Overall, this indicates that yield pressure will continue.

Operators in the air travel market are facing major sustainability challenges, where customers are increasingly demanding air travel with a lower climate impact. At the same time, the air travel market — primarily leisure travel and the intercontinental markets — is growing. The entire industry therefore needs to take increased responsibility for reducing total climate-impacting emissions. This requires investments in both new technology and fuels with less climate impact. SAS strives to be at the forefront among airlines as regards sustainability and new technology that enables lower climate-impacting emissions.

Provided SAS continues to have an attractive customer offering and to improve its efficiency, and that we can reduce our climate-impacting emissions, we have major possibilities for leveraging market growth. This applies especially to leisure travel in Europe, where SAS currently has a low market share.

INVESTMENTS IN THE CUSTOMER OFFERING

SAS focuses on people who travel frequently to, from and within Scandinavia. The most frequent travelers are also the most demanding in terms of a smooth travel experience and in terms of taking optimal care of their time. This is the driving force when we develop our customer offering, and at the same time it benefits all of our customers.

During the quarter and going forward, we will be working on the following improvements to the customer offering:

Seasonal adjustments — SAS has increased seasonal adjustments to its network by decreasing production in the winter program during the low season while increasing the number of seasonal routes, for example during major holidays. The summer program, in which SAS continues to increase its offering to and from Scandinavia, began in March. During the spring and summer of 2018, we will be opening 27 new direct routes and begin flying to six new destinations: Verona, Sarajevo, Genoa, Toulon, Beirut and Örnsköldsvik. The continuing initiative for destinations in southern Europe included expansions in Portugal, Span, Croatia and Italy. Malaga is also gaining direct routes from Malmö and Skellefteå.

Fleet upgrades — In April, we placed an order for an additional 50 Airbus A320neos. To improve the travel experience, we have also upgraded approximately 50% of our existing aircraft with the new cabin interiors.

Food concept on board — The prize-winning "New Nordic by SAS" has been refreshed and adapted to customer responses. The changes included a new breakfast box launched during the second quarter. Seasonally adjusted and locally produced quality ingredients from small producers are in focus on the menu, which will be served starting in May.

EuroBonus — SAS travelers can now bid on an upgrade to SAS Plus or SAS Business, even for trips booked with EuroBonus points. We are working on a new website for EuroBonus, which is now being tested, and we look forward to the autumn, when we will be offering functions that, for example, will make it easier to search for and book EuroBonus flights with other Star Alliance companies. We have recruited Thomas Engelhart as a new director, and have established a new management group for SAS Growth Initiatives that will continue to develop EuroBonus and deepen our partnerships. Interest from existing partners has increased in EuroBonus and we are also in the final phase of a process with new, exciting partners that will lead to an even stronger offering.

Digitalization — In mid-May, SAS launched high-speed WiFi — the first airline in the Nordic region to do so. Customers on SAS's short- and medium-haul flights now have access to a stable, powerful and fast internet connection, which facilitates both streaming and work on board. SAS's new WiFi is built on a satellite communications system that is ten times faster than the previous traditional WiFi on board. High-speed WiFi has been installed on approximately 30 aircraft, and additional aircraft will be added every month going forward. In the brief period of time since its launch, the service has received a fantastic response from our customers, and we are proud to now be able to offer what is presumably the market's fastest WiFi.

SAS For Business — On June 1, 2018, SAS will launch a new program for corporate customers: SAS For Business, which will make it easier for small and medium-size businesses to book tickets and get discounts immediately when the ticket is purchased. The program replaces SAS Credits.

The investments in the customer offering have met with a positive reception and SAS recently placed at the top in several surveys for customer service in the air and on the ground. For example, Swedish travelers once again named SAS the airline that provides the best service in the annual ServiceScore, and in the Grand Travel Awards SAS was named Best Airline in Europe and Best Domestic Transportation. SAS Plus on long-haul routes was also declared the best Premium Economy by Global Traveler in 2018.

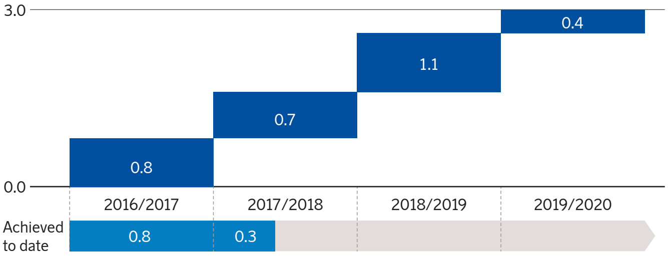
EFFICIENCY ENHANCEMENT PROGRAM

As a result of developments in our operating environment, we are working on efficiency enhancement measures primarily for our core operations based in Scandinavia. In total, this concerns more than 200 initiatives that together will generate SEK 3 billion for SAS, with an earnings impact (gross, before restructuring costs and 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.

The air travel market continues to change and remain challenging. This makes it even clearer how important a 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. During the second quarter of 2017/2018, negotiations with the Swedish cabin crew and with the technical crews were concluded, which strengthens our future competitiveness. In that spirit, we are continuing to work on achieving corresponding changes with the remaining unions.

Our continuation of streamlining efforts even after 2020 is also a necessity, as is making the best use of our supplementary production platforms. With the order for 50 new Airbus A320neos, SAS has a plan for having a single-type fleet in 2023. This will enable the realization of further efficiency enhancements throughout SAS.

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	460
Ground Handling & technical maintenance	900	385
Commercial functions	500	155
Administration, Facility, Support and IT	400	120
Total	**3,000**	**1,120**

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

Examples of measures that have generated SEK 170 M in the quarter:

- Reduced manning with cabin crew on intercontinental routes, increased productivity and use of the resource pool.
- Lower government user fees, especially at Copenhagen Airport and Swedavia's airports.
- Optimization of engine maintenance, improved base maintenance agreements, reduction in technical administration and scheduling changes at the technical bases.
- New agreement covering properties and property-related services.
- Lower costs for ticket offices.
- Renegotiated agreements at 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 April 30, 2018, SEK 0.5 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 renegotiation and termination of property agreements.

Bases outside Scandinavia

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

Therefore, we established operations Ireland in 2017 for bases in London and Malaga. In December 2017, we received the new air operator certificate (AOC) and were able to complete the first commercial flight between Copenhagen and London on December 20. We now have six 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. Up through the end of May 2018, the new organization has completed more than 3,000 flights and flown more than 300,000 passengers. The customer response has been positive and is in line with our other flights. We are now working on the startup of the Malaga base.

Start-up costs for the new AOC and the new bases have been very low. Initially, the financial effects from operations at these bases have been 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 closest low cost competitors.

SUSTAINABILITY

The conversion to lower climate-impacting emissions is a priority in the area of sustainability. SAS takes climate and environmental issues very seriously. We have 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 Q2 (rolling 12 months), CO_2 emissions per passenger kilometer had decreased 12.4% compared with 2010. The improvement can be traced to the ongoing delivery of new aircraft and active efficiency enhancement efforts in daily operations.

SAS endeavors to continuously decrease our climate-impacting emissions both per passenger and in total. We want to do more to make aviation more sustainable and to be able to fly with a clear conscience. For this reason, SAS carbon offsets all tickets for young people with an average of SEK 10 per journey, since April 2018. We also offer passengers the possibility to voluntarily offset their flight's carbon emissions through Natural Capital Partners, which invests in energy projects that generate a compensation equal to the journey made. We are also working on providing opportunities to upgrade all or part of the fuel a journey consumes to biofuel. This is a way of managing today's emissions while waiting for the transition to a lower carbon footprint that we are actively working on.

Technological developments are crucial for reducing emissions from flights. With the order for 50 new Airbus A320neos, SAS gains access to the most environmentally efficient aircraft, which reduce carbon dioxide emissions per passenger kilometer by approximately 18% compared with similar aircraft from the preceding generation. Nitrogen oxide emissions and noise will also be significantly reduced.

In addition to investment in new aircraft, we are also investing in biofuel that further reduces climate-impacting emissions. Over the past few years, SAS has therefore purchased 100 tonnes of biofuel each year to stimulate increased production. The offering of biofuel, however, remains severely limited and too expensive compared with traditional jet fuel. This is why we are working to stimulate increased biofuel production through involvement in numerous projects and working groups at global and national levels. For example, the Swedish airline industry's roadmap for fossil-free aviation was submitted to the Swedish Government's Fossil-free Sweden initiative during the second quarter. This is aimed at producing improved conditions for the Swedish airline industry to adapt quickly and achieve the ambition of biofuel use equivalent to all Swedish domestic flights by 2030.

The introduction of aviation taxes in Norway in 2016 and in Sweden from April 1, 2018, is a concerning development that could undermine the transition to more sustainable air travel, since the tax provides no incentives to the industry to improve environmental performance. Nor will the revenue be used for actions to benefit the environment. On the contrary, the tax risks undermining 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.

Other 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.

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 quickly leverage advantageous changes in exchange rates and fuel prices.

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 April 30, 2018, the hedging of SAS's future jet-fuel consumption was conducted through a combination of swaps and capped options. The hedging ratio for the 12-month period from May 2018 to April 2019 totaled 47% 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.

For foreign currency, the policy is to hedge 40–80%. At April 30, 2018, SAS had hedged 63% 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)	May–July 2018	Aug–Oct 2018	Nov 2018–Jan 2019	Feb–Apr 2019
USD 590–630/tonne	83%	91%	–	–

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	6.3	6.7	7.1	7.6
USD 600/tonne	6.8	7.3	7.8	8.3
USD 800/tonne	7.0	7.5	8.0	8.6

1) SAS's current hedging contracts for jet fuel at April 30, 2018 have been taken into account.

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.

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 decision including the MEUR 70.2 fine. The CJEU's ruling entered into force 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 a nonrecurring item 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 November 2010 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. After having increased capacity (ASK) significantly over the past two years, SAS plans to increase capacity in 2017/2018 only by 1–3% compared with the preceding year.

To meet the increase in market capacity, SAS is endeavoring to strengthen competitiveness through efficiency enhancements and greater flexibility in its production model. 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 alongside a weaker SEK and rising jet-fuel prices. SAS has hedged a large share of the expected jet-fuel consumption and net deficit in USD, but despite this jet-fuel costs in 2017/2018 will be higher than the preceding year. Even the weaker SEK in relation to USD will result in higher costs.

Earnings for the first half of 2017/2018 were slightly less negative than expected. At the same time, the USD is higher than SAS's previous assumptions on which the outlook was based. Owing to the better earnings trend in the first half of 2017/2018, and with the assumption of stable demand through the summer, SAS can maintain its outlook despite the assumption for the SEK/USD rate increasing from SEK 8.0 to 8.3:

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 APRIL 30, 2018:

- The scheduled capacity growth (ASK) for SAS in 2017/2018 is planned to increase 1–3% year-on-year.
- Continued stable macro trend and demand.
- The flight tax introduced in Sweden in April 2018.
- Average jet-fuel price, including hedging, of USD 580/tonne.
- Average SEK/USD rate, including hedging, of SEK 8.3.
- Gross investments are expected to amount to about SEK 7 billion.
- Efficiency enhancement measures are expected to generate an earnings impact of about SEK 0.7 billion.

STATEMENT OF INCOME

STATEMENT OF INCOME INCLUDING STATEMENT OF OTHER COMPREHENSIVE INCOME

MSEK	Note	Q2	Q2	Q1–2	Q1–2	Rolling 12 months	Rolling 12 months
		Feb–Apr 2018	Feb–Apr 2017	Nov–Apr 2017–2018	Nov–Apr 2016–2017	May–Apr 2017–2018	May–Apr 2016–2017
Revenue	2	9,916	9,843	18,894	18,800	42,748	41,068
Payroll expenses		-2,355	-2,302	-4,623	-4,723	-9,105	-9,183
Other operating expenses	3	-6,846	-7,188	-12,705	-13,293	-26,901	-27,247
Leasing costs for aircraft		-765	-801	-1,525	-1,534	-3,107	-2,968
Depreciation, amortization and impairment		-374	-388	-727	-715	-1,647	-1,429
Share of income in affiliated companies		-8	3	-17	-8	-5	45
Income from the sale of shares in subsidiaries, affiliated companies and operations		0	0	-4	-21	-4	-32
Income from the sale of aircraft, buildings and slot pairs		47	723	151	807	339	897
EBIT		**-385**	**-110**	**-556**	**-687**	**2,318**	**1,151**
Income from other securities holdings		0	1	0	1	0	1
Financial revenue		30	43	64	84	128	121
Financial expenses		-144	-142	-280	-303	-588	-565
EBT		**-499**	**-208**	**-772**	**-905**	**1,858**	**708**
Tax		141	-112	175	29	-430	-188
Net income for the period		**-358**	**-320**	**-597**	**-876**	**1,428**	**520**
Other comprehensive income							
Items that may later be reversed to net income:							
Exchange-rate differences in translation of foreign operations		147	-25	146	-127	149	110
Cash-flow hedges — hedging reserve, net after tax		301	-217	243	-199	589	427
Items that will not be reversed to net income:							
Revaluations of defined-benefit pension plans, net after tax		-427	74	-396	831	-17	-81
Total other comprehensive income, net after tax		**21**	**-168**	**-7**	**505**	**721**	**456**
Total comprehensive income		**337**	**-488**	**-604**	**-371**	**2,149**	**976**
Net income for the period attributable to:							
Parent Company shareholders		-358	-320	-597	-876	1,428	520
Non-controlling interests		0	0	0	0	0	0
Earnings per common share (SEK)[1]		-1.02	-1.23	-1.88	-3.18	3.18	0.52
Earnings per common share after dilution (SEK)[1]		-1.02	-1.23	-1.88	-3.18	2.79	0.52

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 382,582,551 (330,082,551) common shares outstanding during the February–April period, 382,582,551 (330,082,551) common shares outstanding during the November–April period and 356,332,551 (330,082,551) common shares outstanding during the May–April 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, covering 66,329,543 shares.

EARNINGS BEFORE TAX AND NONRECURRING ITEMS

MSEK	Q2	Q2	Q1–2	Q1–2	Rolling 12 months	Rolling 12 months
	Feb–Apr 2018	Feb–Apr 2017	Nov–Apr 2017–2018	Nov–Apr 2016–2017	May–Apr 2017–2018	May–Apr 2016–2017
EBT	-499	-208	-772	-905	1,858	708
Impairment[1]	0	0	0	0	208	11
Restructuring costs[2]	226	0	226	23	313	54
Capital gains/losses[3]	-47	-723	-147	-786	-335	-876
Other nonrecurring items[4]	0	672	0	702	180	1,081
Earnings before tax and nonrecurring items	**-320**	**-259**	**-693**	**-966**	**2,224**	**978**

1) Impairment pertains to IT systems, MSEK 208 (0), and goodwill, MSEK 0 (11).
2) Restructuring costs were charged to earnings as payroll expenses of MSEK 76 (0) and property costs of MSEK 150 (0) in the second quarter. The November–April period included payroll expenses of MSEK 76 (23) and property costs of MSEK 150 (0). The 12-month period included payroll expenses of MSEK 127 (54) and property costs of MSEK 186 (0).
3) The capital loss includes aircraft sales amounting to MSEK 47 (45) and the sale of two slot pairs at London Heathrow for MSEK 0 (678) in the second quarter. The November–April period includes aircraft sales amounting to MSEK 151 (129), slot pairs for MSEK 0 (678) and the sale of subsidiaries for MSEK -4 (-21). The 12-month period includes aircraft sales amounting to MSEK 339 (189), property sales for MSEK 0 (30), slot pairs for MSEK 0 (678) and the sale of subsidiaries for MSEK -4 (-21).
4) Other nonrecurring items include a negative earnings impact of MSEK 672 from fines in the second quarter of 2016/2017 for breaches of air cargo competition rules. Moreover, the November–April period also included an air cargo contractual settlement of MSEK 0 (30). In addition to fines of MSEK 0 (672) and a contractual settlement of MSEK 0 (30), the 12-month period includes costs related to aircraft of MSEK 180 (160) and a provision related to indirect taxes of MSEK 0 (219).

BALANCE SHEET

CONDENSED BALANCE SHEET

MSEK	Apr 30, 2018	Oct 31, 2017	Apr 30, 2017	Apr 30, 2016
Intangible assets	1,564	1,581	1,850	1,853
Tangible fixed assets	11,751	10,692	11,014	9,497
Financial fixed assets	7,998	7,979	7,471	6,839
Total fixed assets	**21,313**	**20,252**	**20,335**	**18,189**
Other current assets	351	321	311	285
Current receivables	4,135	3,146	3,639	3,370
Cash and cash equivalents[1]	7,421	8,836	9,077	9,121
Total current assets	**11,907**	**12,303**	**13,027**	**12,776**
Total assets	**33,220**	**32,555**	**33,362**	**30,965**
Shareholders' equity[2]	6,003	8,058	5,305	4,679
Long-term liabilities	8,804	9,363	10,408	9,355
Current liabilities	18,413	15,134	17,649	16,931
Total shareholders' equity and liabilities	**33,220**	**32,555**	**33,362**	**30,965**
Shareholders' equity per common share, (SEK)[3]	12.81	13.28	4.94	3.04
Interest-bearing assets	15,207	16,245	15,245	14,833
Interest-bearing liabilities	8,274	8,575	9,426	9,993
Working capital	-14,623	-12,263	-13,749	-11,906

1) At April 30, 2018, including receivables from other financial institutions, MSEK 1,285 (1,678).
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, APRIL 30, 2018

	According to balance sheet	Of which financial net debt
Financial fixed assets	7,998	2,126
Current receivables	4,339	1,126
Cash and cash equivalents	7,421	7,421
Long-term liabilities	9,081	5,416
Current liabilities	18,340	2,858
Financial net debt		-2,399

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	–	6,026
Preference share dividend					-350	-350	–	-350
Comprehensive income November–April			-199	-127	-45	-371	–	-371
Closing balance, April 30, 2017	6,776	327	1,126	-201	-2,723	5,305	–	5,305
Comprehensive income, May–October			346	3	2,404	2,753	–	2,753
Closing balance, October 31, 2017	6,776	327	1,472	-198	-319	8,058	–	8,058
New issue	1,055				178	1,233	–	1,233
Preference share dividend					-105	-105	–	-105
Redemption of preference shares	-98				-2,481	-2,579	–	-2,579
Comprehensive income November–April			243	146	-993	-604	–	-604
Closing balance, April 30, 2018	**7,733**	**327**	**1,715**	**-52**	**-3,720**	**6,003**	**–**	**6,003**

1) Number of shares in SAS AB: 382,582,551 (330,082,551) common shares with a quotient value of SEK 20.10 and 2,101,552 (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	Q2	Q2	Q1–2	Q1–2	Rolling 12 months	Rolling 12 months
	Feb–Apr 2018	Feb–Apr 2017	Nov–Apr 2017–2018	Nov–Apr 2016–2017	May–Apr 2017–2018	May–Apr 2016–2017
EBT	-499	-208	-772	-905	1,858	708
Depreciation, amortization and impairment	374	388	727	715	1,647	1,429
Income from sale of aircraft, buildings and shares	-47	-723	-147	-786	-335	-876
Adjustment for other non-cash items, etc.	228	628	218	753	-194	1,016
Tax paid	0	0	-42	0	-68	0
Cash flow from operations before change in working capital	**56**	**85**	**-16**	**-223**	**2,908**	**2,277**
Change in working capital	2,310	1,867	2,566	1,810	498	1,027
Cash flow from operating activities	**2,366**	**1,952**	**2,550**	**1,587**	**3,406**	**3,304**
Investments including advance payments to aircraft manufacturers	-2,003	-1,918	-4,025	-3,432	-7,908	-6,297
Acquisition of subsidiaries	0	0	0	0	0	0
Sale of subsidiaries and operations	0	4	-3	-24	-3	-24
Sale of fixed assets, etc.	875	1,761	2,503	3,300	6,455	3,977
Cash flow before financing activities	**1,238**	**1,799**	**1,025**	**1,431**	**1,950**	**960**
New issue	1	0	1,223	0	1,223	0
Dividend on preference shares	-88	-88	-175	-175	-350	-350
Redemption of preference shares	-2,579	0	-2,579	0	-2,579	0
External financing, net	-405	140	-912	-547	-1,902	-657
Cash flow for the period	**-1,833**	**1,851**	**-1,418**	**709**	**-1,658**	**-47**
Translation difference in cash and cash equivalents	3	0	3	-2	2	3
Change in cash and cash equivalents according to the balance sheet	**-1,830**	**1,851**	**-1,415**	**707**	**-1,656**	**-44**
Cash flow from operating activities per common share (SEK)	6.18	5.91	6.67	4.81	9.56	10.01

FINANCIAL KEY RATIOS

	Apr 30, 2018	Oct 31, 2017	Apr 30, 2017	Apr 30, 2016
Return on shareholders' equity after tax, 12-month rolling	20%	18%	9%	23%
Return on invested capital (ROIC), 12-month rolling	13%	13%	9%	15%
Adjusted financial net debt/EBITDAR	2.7x	3.1x	4.0x	2.8x
Financial preparedness	31%	37%	37%	40%
Equity/assets ratio	18%	25%	16%	15%
Adjusted equity/assets ratio	11%	15%	10%	9%
Financial net debt, MSEK	-2,399	-2,799	-1,949	-1,182
Debt/equity ratio	-0.40	-0.35	-0.37	-0.25
Adjusted debt/equity ratio	3.18	2.28	3.47	3.76
Interest-coverage ratio	4.2	3.8	2.3	4.0

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 61,342 at April 30, 2018. The average number of employees amounted to four (four). A private placement of 52,500,000 common shares was completed in November 2017. In February 2018, 4,898,448 preference shares were redeemed.

CONDENSED STATEMENT OF INCOME

MSEK	Q1–2 Nov–Apr 2017–2018	Q1–2 Nov–Apr 2016–2017
Revenue	27	2
Payroll expenses	-16	-18
Other operating expenses	-17	-33
EBIT	**-6**	**-49**
Income from participations in Group companies	0	-125
Income from other securities holdings	0	1
Net financial items	-2	-17
EBT	**-8**	**-190**
Tax	2	14
Net income for the period	**-6**	**-176**
Net income for the period attributable to:		
Parent Company shareholders	-6	-176

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

CONDENSED BALANCE SHEET

MSEK	Apr 30, 2018	Oct 31, 2017	Apr 30, 2017
Financial fixed assets	14,664	14,661	14,666
Other current assets	44	463	580
Cash and cash equivalents	0	2	0
Total assets	**14,708**	**15,126**	**15,246**
Shareholders' equity	10,363	11,820	11,791
Long-term liabilities	2,642	1,540	1,524
Current liabilities	1,703	1,766	1,931
Total shareholders' equity and liabilities	**14,708**	**15,126**	**15,246**

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
Redemption of preference shares	-98	98	-2,579	-2,579
Preference share dividend			-105	-105
Net income for the period			-6	-6
Shareholders' equity, Apr 30, 2018	**7,733**	**404**	**2,226**	**10,363**

1) Number of shares: 382,582,551 common shares with a quotient value of SEK 20.10 and 2,101,552 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

	Q2	Q2	Q1–2	Q1–2	Rolling 12 months	Rolling 12 months
	Feb–Apr 2017–2018	Feb–Apr 2016–2017	Nov–Apr 2017–2018	Nov–Apr 2016–2017	May–Apr 2017–2018	May–Apr 2016–2017
Passenger revenue	7,601	7,528	14,350	14,407	32,587	31,553
Charter	217	258	409	494	1,879	1,872
Freight and mail	397	373	817	746	1,541	1,361
Other traffic revenue	626	625	1,172	1,104	2,487	2,323
Other operating revenue	1,075	1,059	2,146	2,049	4,254	3,959
Total	**9,916**	**9,843**	**18,894**	**18,800**	**42,748**	**41,068**

NOTE 3 OTHER OPERATING EXPENSES

	Q2	Q2	Q1–2	Q1–2	Rolling 12 months	Rolling 12 months
	Feb–Apr 2017–2018	Feb–Apr 2016–2017	Nov–Apr 2017–2018	Nov–Apr 2016–2017	May–Apr 2017–2018	May–Apr 2016–2017
Sales and distribution costs	-623	-596	-1,188	-1,154	-2,451	-2,373
Jet fuel	-1,650	-1,659	-3,205	-3,238	-6,803	-6,962
Government user fees	-972	-1,041	-1,893	-2,011	-4,144	-4,229
Catering costs	-285	-249	-552	-488	-1,139	-1,041
Handling costs	-670	-699	-1,273	-1,360	-2,617	-2,689
Technical aircraft maintenance	-635	-831	-1,328	-1,686	-3,157	-3,355
Computer and telecommunication costs	-335	-383	-699	-749	-1,519	-1,470
Wet-lease costs	-339	-291	-600	-472	-1,251	-909
Other	-1,337	-1,439	-1,967	-2,135	-3,820	-4,219
Total	**-6,846**	**-7,188**	**-12,705**	**-13,293**	**-26,901**	**-27,247**

NOTE 4 QUARTERLY BREAKDOWN

STATEMENT OF INCOME

MSEK	2015–2016				2016–2017					2017–2018	
	Q2	Q3	Q4	Full-year	Q1	Q2	Q3	Q4	Full-year	Q1	Q2
	Feb–Apr	May–Jul	Aug–Oct	Nov–Oct	Nov–Jan	Feb–Apr	May–Jul	Aug–Oct	Nov–Oct	Nov–Jan	Feb–Apr
Revenue	8,916	11,133	11,135	39,459	8,957	9,843	12,210	11,644	42,654	8,978	9,916
Payroll expenses	-2,311	-2,275	-2,185	-9,105	-2,421	-2,302	-2,293	-2,189	-9,205	-2,268	-2,355
Other operating expenses	-5,429	-6,684	-7,270	-24,552	-6,105	-7,188	-6,778	-7,418	-27,489	-5,859	-6,846
Leasing costs for aircraft	-706	-737	-697	-2,840	-733	-801	-808	-774	-3,116	-760	-765
Depreciation, amortization and impairment	-312	-337	-377	-1,367	-327	-388	-343	-577	-1,635	-353	-374
Share of income in affiliated companies	-2	25	28	39	-11	3	-4	16	4	-9	-8
Income from the sale of shares in subsidiaries, affiliated companies and operations	4	0	-11	-7	-21	0	0	0	-21	-4	0
Income from the sale of aircraft, buildings and slot pairs	80	33	57	265	84	723	110	78	995	104	47
EBIT	**240**	**1,158**	**680**	**1,892**	**-577**	**-110**	**2,094**	**780**	**2,187**	**-171**	**-385**
Income from other securities holdings	0	0	0	1	0	1	0	0	1	0	0
Financial revenue	32	20	17	91	41	43	29	35	148	34	30
Financial expenses	-145	-142	-120	-553	-161	-142	-150	-158	-611	-136	-144
EBT	**127**	**1,036**	**577**	**1,431**	**-697**	**-208**	**1,973**	**657**	**1,725**	**-273**	**-499**
Tax	44	-231	14	-110	141	-112	-438	-167	-576	34	141
Net income for the period	**171**	**805**	**591**	**1,321**	**-556**	**-320**	**1,535**	**490**	**1,149**	**-239**	**-358**
Attributable to:											
Parent Company shareholders	171	805	591	1,321	-556	-320	1,535	490	1,149	-239	-358
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 2018	Feb–Apr 2017	May–Jul 2017	May–Jul 2016	Aug–Oct 2017	Aug–Oct 2016	May–Apr 2017–2018	May–Apr 2016–2017
Revenue	8,978	8,957	9,916	9,843	12,210	11,133	11,644	11,135	42,748	41,068
EBITDAR	851	431	715	353	3,139	2,174	2,037	1,680	6,742	4,638
EBITDAR margin	9.5%	4.8%	7.2%	3.6%	25.7%	19.5%	17.5%	15.1%	15.8%	11.3%
EBIT	-171	-577	-385	-110	2,094	1,158	780	680	2,318	1,151
EBIT margin	-1.9%	-6.4%	-3.9%	-1.1%	17.1%	10.4%	6.7%	6.1%	5.4%	2.8%
Earnings before tax and nonrecurring items	-373	-707	-320	-259	1,863	1,003	1,054	941	2,224	978
EBT	-273	-697	-499	-208	1,973	1,036	657	577	1,858	708
Net income for the period	-239	-556	-358	-320	1,535	805	490	591	1,428	520
Earnings per common share (SEK)	-0.85	-1.95	-1.02	-1.23	4.39	2.17	1.22	1.53	3.18	0.52
Cash flow before financing activities	-213	-368	1,238	1,799	452	-511	473	40	1,950	960
Average number of employees (FTE)	9,929	10,538	9,990	10,155	10,404	10,815	10,199	10,753	10,130	10,565

NOTE 5 FINANCIAL ASSETS AND LIABILITIES

FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES

	Apr 30, 2018		Oct 31, 2017	
MSEK	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets at fair value	1,111	1,111	551	551
Financial assets held for trading	5,686	5,686	5,741	5,741
Other assets	6,215	6 215	6,448	6,551
Total	**13,012**	**13,012**	**12,740**	**12,843**
Financial liabilities				
Financial liabilities at fair value	229	229	52	52
Financial liabilities held for trading	44	44	55	55
Financial liabilities at amortized cost	9,471	9,010	10,091	9,813
Total	**9,744**	**9,283**	**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

	Apr 30, 2018			Oct 31, 2017		
MSEK	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial assets						
Financial assets at fair value	–	1,111	1,111	–	551	551
Financial assets held for trading	3,959	1,727	5,686	3,304	2,437	5,741
Total	**3,959**	**2,838**	**6,797**	**3,304**	**2,988**	**6,292**
Financial liabilities						
Financial liabilities at fair value	–	229	229	–	52	52
Financial liabilities held for trading	–	44	44	–	55	55
Total	**0**	**273**	**273**	**0**	**107**	**107**

The Board of Directors and President hereby assure that this interim report provides a true and fair overview 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, May 30, 2018

Carsten Dilling
Chairman of the Board

Dag Mejdell
Vice Chairman

Monica Caneman
Board member

Lars-Johan Jarnheimer
Board member

Oscar Stege Unger
Board member

Liv Fiksdahl
Board member

Sanna Suvanto-Harsaae
Board member

Endre Røros
Board member

Cecilia van der Meulen
Board member

Janne Wegeberg
Board member

Rickard Gustafson
President and CEO

AUDITORS' REVIEW REPORT

INTRODUCTION

We have conducted a review of the financial information in the condensed (interim report) for SAS AB (publ) at April 30, 2018, and the six-month period ending on that date. The Board of Directors and the President are responsible for preparing and presenting this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express an opinion on this interim report based on our review.

APPROACH AND SCOPE OF THE REVIEW

We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA) and Generally Accepted Auditing Standards. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant circumstances that might have been identified in an audit. The opinion is based on a review and, accordingly, does not have the same level of assurance as an opinion based on an audit.

OPINION

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

Stockholm, May 30, 2018
PricewaterhouseCoopers AB

Bo Hjalmarsson
Authorized Public Accountant
Auditor in Charge

Eva Medbrant
Authorized Public Accountant

TRAFFIC DATA INFORMATION

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

	Feb–Apr 2018	Feb–Apr 2017	Year-on-year change	Nov–Apr 2017–2018	Nov–Apr 2016–2017	Year-on-year change
Number of passengers (000)	6,880	6,855	+0.4%	12,903	13,231	-2.5%
RPK, Revenue Passenger Kilometers (mill)	8,393	8,381	+0.2%	15,603	16,023	-2.6%
ASK, Available Seat Kilometers (mill)	11,817	11,746	+0.6%	22,549	22,403	+0.7%
Load factor	71.0%	71.3%	-0.3[1]	69.2%	71.5%	-2.3[1]
Passenger yield, currency-adjusted	0.91	0.90	+0.6%	0.92	0.89	+3.5%
Passenger yield, nominal	0.91	0.90	+0.8%	0.92	0.90	+2.3%
Unit revenue, PASK, currency-adjusted	0.64	0.64	+0.2%	0.64	0.64	+0.1%
Unit revenue, PASK, nominal	0.64	0.64	+0.4%	0.64	0.64	-1.0%
RASK, currency adjusted	0.72	0.72	+0.7%	0.72	0.71	+1.3%
RASK, nominal	0.72	0.72	+0.8%	0.72	0.72	+0.1%

TOTAL TRAFFIC (SCHEDULED AND CHARTER TRAFFIC) FOR SAS

	Feb–Apr 2017	Feb–Apr 2016	Year-on-year change	Nov–Apr 2016–2017	Nov–Apr 2015–2016	Year-on-year change
Number of passengers (000)	7,022	7,016	+0.1%	13,163	13,529	-2.7%
RPK, Revenue Passenger Kilometers (mill)	8,784	8,861	-0.9%	16,376	16,965	-3.5%
ASK, Available Seat Kilometers (mill)	12,237	12,260	-0.2%	23,376	23,413	-0.2%
Load factor	71.8%	72.3%	-0.5[1]	70.1%	72.5%	-2.4[1]
Unit cost, CASK, currency-adjusted	0.71	0.72	-0.6%	0.73	0.73	-0.1%
Unit cost, CASK, nominal incl. nonrecurring items	0.76	0.78	-3.5%	0.75	0.78	-4.1%
Unit cost, CASK, excluding jet fuel, currency-adjusted	0.58	0.59	-2.5%	0.60	0.61	-1.7%
Unit cost, CASK, excluding jet fuel, nominal incl. nonrecurring items	0.62	0.65	-4.2%	0.61	0.64	-4.8%

SCHEDULED TRAFFIC TREND FOR SAS BY ROUTE SECTOR

	Feb–Apr 2017–2018 vs. Feb–Apr 2016–2017		Nov–Apr 2017–2018 vs. Nov–Apr 2016–2017	
	Traffic (RPK)	Capacity (ASK)	Traffic (RPK)	Capacity (ASK)
Intercontinental	-2.2%	-2.8%	-6.1%	-2.0%
Europe/Intra-Scandinavia	+2.1%	+3.2%	+0.3%	+3.1%
Domestic	+0.3%	+1.2%	-2.0%	+0.2%

SCHEDULED DESTINATIONS AND FREQUENCIES FOR SAS

	Feb–Apr 2018	Feb–Apr 2017	Year-on-year change	Nov–Apr 2017–2018	Nov–Apr 2016–2017	Year-on-year change
Number of destinations	113	104	8.7%	115	107	7.5%
Number of daily departures	812	831	-2.3%	766	794	-3.6%
No. of departures per destination/day	7.2	8.0	-10.1%	6.7	7.4	-10.3%

PRODUCTIVITY AND ENVIRONMENTAL EFFICIENCY

12-month rolling	Apr 2018	Apr 2017	Year-on-year change	Oct 2017	Oct 2016	Year-on-year change
Aircraft, block hours/day	9.5	9.5	-0.0%	9.6	9.3	+3.0%
Cabin crew, block hours/year	778	751	+3.6%	777	759	+2.4%
Pilots, block hours/year	687	675	+1.7%	686	681	+0.8%

Environmental efficiency	Feb–Apr 2018	Feb–Apr 2017	Year-on-year change	Nov–Apr 2017–2018	Nov–Apr 2016–2017	Year-on-year change
CO_2 emissions per passenger kilometer, grams	99.8	102.2	-2.3%	102.2	102.8	-0.5%

1) Figures given in percentage points

AIRCRAFT FLEET

THE SAS AIRCRAFT FLEET AT APRIL 30, 2018

Aircraft in service under SAS's (SK) own traffic license	Age	Owned	Leased	Total	Purchase orders	Lease orders
Airbus A330/A340/A350	12.9	10	6	16	9	
Airbus A319/A320/A321	8.8	10	25	35	47	15
Boeing 737 NG	14.4	27	40	67		
Total	**12.6**	**47**	**71**	**118**	**56**	**15**

Aircraft in service under a traffic license other than SAS's (SK)	Age	Owned	Leased	Total		On wet lease order
Bombardier CRJ900	1.2		22	22		
Bombardier CRJ1000	2.0		2	2		
ATR-72	3.1		9	9		
Airbus A320 neo	0.3		6	6		
Total	**1.5**	**0**	**39**	**39**	**0**	**0**

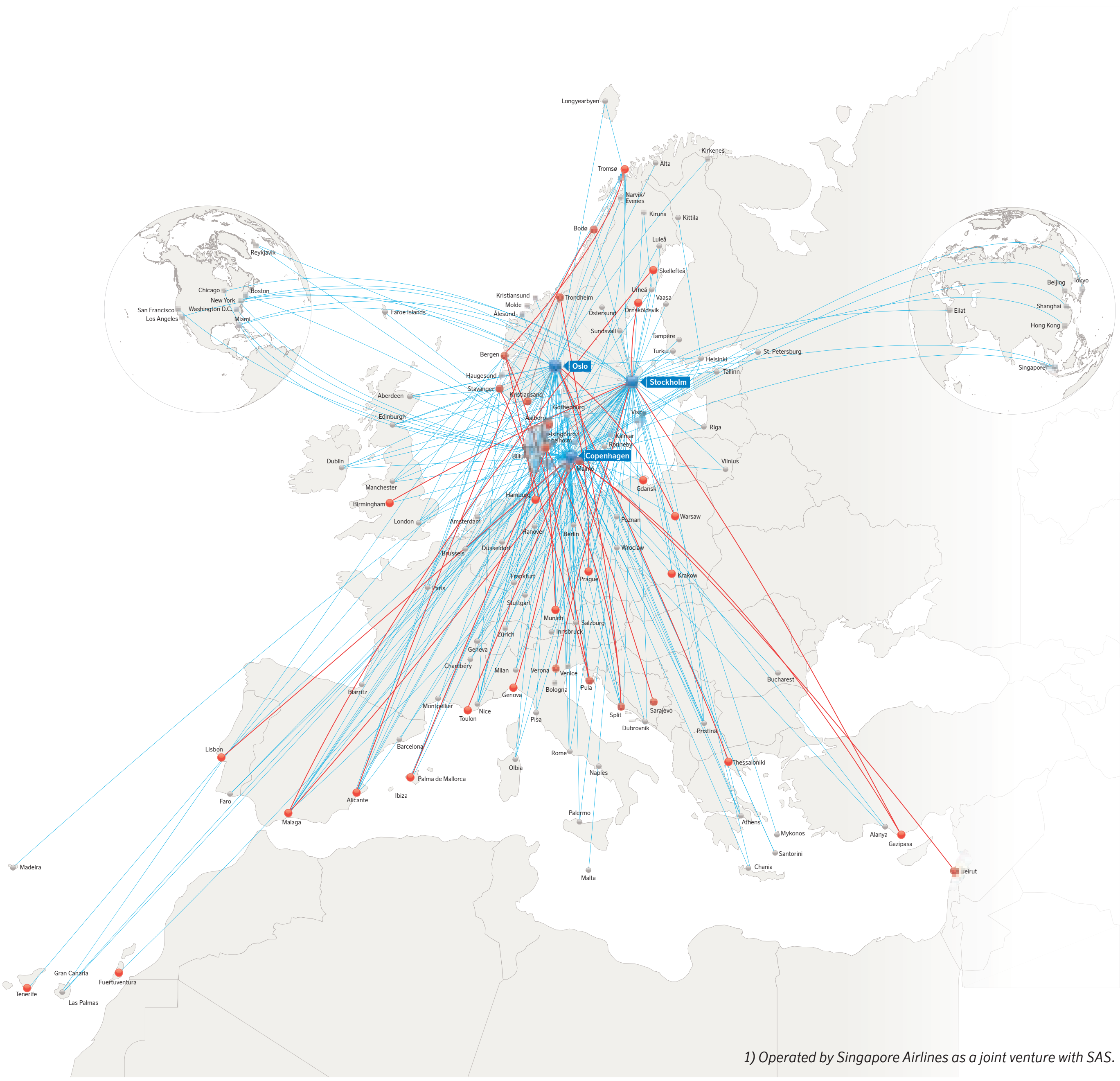
Total SAS in-service aircraft fleet	Age	Owned	Leased	Total	Purchase orders	On wet lease order
Total	**9.8**	**47**	**110**	**157**	**56**	**15**

Aircraft to be phased out	Age	Owned	Leased	Total	Leased out	Parked
Bombardier Q400	10.3		1	1		1

Aircraft on firm order 2018–2023 at April 30, 2018	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Airbus A320neo	5	12	10	3	17	15
Airbus A350			4	4		
Airbus A330		1				

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.

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

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.

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).

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.

EBT — Earnings before tax.

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).

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.

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

Adjusted debt/equity ratio — The net of financial net debt plus capitalized leasing costs (x7) in relation to equity.

Adjusted equity/assets ratio — The net of equity in relation to total assets plus capitalized leasing costs (x7).

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.

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

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

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.

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

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

Preference share capital — Preference share capital, corresponding to the redemption price for 2,101,552 preference shares at 105% of the subscription price of SEK 500, amounting to MSEK 1,103.

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

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.

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

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

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.

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

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

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

Capital employed — Total capital according to the balance sheet 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.

SECOND QUARTER 2017/2018

- SAS redeemed just under 4.9 million preference shares for a total redemption cost of MSEK 2,579.
- SAS ordered a further 50 new Airbus A320neo aircraft, thus creating a single-type fleet.
- 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 2016/2017 fiscal year. Liv Fiksdahl and Oscar Stege Unger were elected as new members of the Board. Carsten Dilling was elected Chairman of the Board.
- SAS ordered one Airbus A330E as replacement for an Airbus A340.

EVENTS AFTER APRIL 30, 2018

- SAS is considering expanding the issue size of an unsecured bond with maturity in 2022 by up to SEK 1 billion.
- SAS has appointed a new head for SAS Growth Initiatives to strengthen SAS's platform for growth in new areas.

FINANCIAL CALENDAR

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., May 30, 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 May 30, 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.