EARNINGS INCREASE IN LINE WITH SAS'S MOST RECENT FORECAST

AUGUST 2017–OCTOBER 2017
- Income before tax and non-recurring items: MSEK 1,054 (941)
- Income before tax: MSEK 657 (577)
- Revenue: MSEK 11,644 (11,135)
- EBIT margin: 6.7% (6.1)
- Net income for the period: MSEK 490 (591)
- Earnings per common share: SEK 1.22 (1.53)
- The outlook for the full year 2017/2018 is retained, see page 10.
- SAS concluded a three-year collective agreement with the unions representing the pilots and ground personnel.

SIGNIFICANT EVENTS AFTER 31 OCTOBER 2017
- SAS completed a private placement of MSEK 1,270 in November. From February 2018, SAS intends to start redeeming preference shares by using the proceeds of the new issue and profits generated by operations.
- Moody's and Standard & Poor's upgraded SAS's credit rating.
- SAS issued an MSEK 1,500 unsecured bond with a tenor of five years and a fixed coupon rate of 5.375%.

> The increased confidence in SAS shown by both customers and the capital markets is gratifying and is confirmed by the successful investment in the leisure market and the recently completed new issue.

Rickard Gustafson, *President and CEO*

NOVEMBER 2016–OCTOBER 2017
- Income before tax and non-recurring items: MSEK 1,951 (939)
- Income before tax: MSEK 1,725 (1,431)
- Revenue: MSEK 42,654 (39,459)
- EBIT margin: 5.1% (4.8)
- Net income for the period: MSEK 1,149 (1,321)
- Earnings per common share: SEK 2.42 (2.94)

KEY FIGURES NOVEMBER 2016–OCTOBER 2017

-3.6% UNIT COST VS PRECEDING YEAR[2]

-1.5% RASK VS PRECEDING YEAR[1]

+3.4% PASSENGERS VS PRECEDING YEAR[3]

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

INCOME AND KEY RATIOS

Key ratios (MSEK)	Q4 Aug–Oct 2017	Q4 Aug–Oct 2016	Q1–4 Nov–Oct 2016–2017	Q1–4 Nov–Oct 2015–2016
Revenue	11,644	11,135	42,654	39,459
EBIT margin	6.7%	6.1%	5.1%	4.8%
Income before tax and non-recurring items	1,054	941	1,951	939
Income before tax, EBT	657	577	1,725	1,431
Net income for the period	490	591	1,149	1,321
Cash flow from operating activities	883	1,287	2,443	3,663

	Oct 31, 2017	Oct 31, 2016	Oct 31, 2015
Equity/assets ratio	25%	19%	21%
Adjusted financial net debt/EBITDAR	3.1x	3.2x	3.0x
Financial preparedness	37%	41%	40%
Return on invested capital, 12-month rolling	13%	12%	14%
Earnings per common share (SEK), 12-month rolling	2.42	2.94	1.84
Shareholders' equity per common share, SEK	13.28	7.12	8.10

COMMENTS BY THE CEO

In line with the forecast, SAS posted earnings before tax and non-recurring items in 2016/2017 of MSEK 1,951. The improved earnings were driven by a positive revenue trend and implemented efficiency measures, thereby confirming that the strategy is leading us in the right direction. Additionally, it is positive that improved profitability has made it possible for us to start SAS's recapitalization, which means that moving forward, we will be able to reduce total financing costs.

We close the page on an eventful year. The positive earnings trend from the spring and summer continued in the fourth quarter, when SAS's earnings before tax and non-recurring items improved 12% to MSEK 1,054. The trend was driven by a higher unit revenue, which demonstrates that customers appreciate our offering. In parallel, the efficiency enhancement program continued to deliver, which unfortunately was not reflected in a lower unit cost for the quarter. This was due to a higher provision for engine maintenance and positive accrual effects last year, which instead means the underlying unit cost for the quarter was in line with last year.

Even if the earnings lift is gratifying, we cannot rest on our laurels. Our operating environment never stands idle and, during the winter, we expect the increase in total market capacity to accelerate again. Moreover, a new aviation tax is expected to be introduced in Sweden from April 1, 2018. To meet these developments, we are continuing to pursue our three focus areas: (i) SEK 3 billion in efficiency gains in core operations by 2020, (ii) establish complementary bases in London and Malaga, and (iii) capitalize on SAS's strong brand and more than 5 million EuroBonus members.

INVESTMENTS IN THE OFFERING

SAS focuses on people who travel frequently to, from and within Scandinavia and we develop our offering to meet these customers' needs. After having adjusted our network in the summer and flown more than 60 seasonal routes, we refocused production in the autumn on more business-oriented routes. These network changes considerably boosted profitability and also result from the flexibility provided by increased wet-lease production.

In parallel with network adjustments we also invested in our customer offering. In the summer and autumn, we upgraded our international lounges in Chicago, New York and Paris as well as opened a completely new lounge in Oslo. We also opened a Café lounge in Bergen.

The fourth quarter noted an additional 130,000 members joining the EuroBonus program, which means we now have 5.1 million members. The program is a cornerstone of the development of our customer relationship. It also creates additional possibilities for strengthening loyalty to SAS and broadening the revenue base. For example, fourth quarter sales of EuroBonus points to our credit card partners increased by MSEK 83. The trend shows both substantial potential and that the development of EuroBonus together with partners can create growth and value. As I related earlier this year, we will continue to develop the potential provided by our membership base. Accordingly, a new dedicated organization was recently established with the task of developing this business.

Altogether, developments in 2016/2017 show that our strategy has delivered results. During the fiscal year, around 30 million passengers traveled with SAS, which is more than in any earlier fiscal year. It is also gratifying to note that our most loyal EuroBonus program customers increased their travel by around 3% and that revenue from SAS Business and SAS Plus rose about 4%.

Ahead of 2018, I am looking forward to continuing to upgrade the cabin interiors of our Airbus A320s and Boeing 737s as well as installing high-speed Wi-Fi and taking delivery of more Airbus A320neos.

EFFICIENCY ENHANCEMENT PROGRAM DELIVERS

Since June, we have been implementing a SEK 3 billion efficiency enhancement program, with effect from 2017 to 2020, to meet market competition and the market's rising capacity trend. In 2016/2017, efficiency gains had a earnings impact of SEK 0.8 billion, which is slightly higher than previously indicated.

However, the market is constantly changing and remains challenging. This underlines how crucial the full implementation of the efficiency measures is to strengthen the financial position and SAS moving forward. Given the above, an expected earnings impact of SEK 0.7 billion in 2017/2018 is not satisfactory. For SAS to continue to develop as a competitive airline, the implementation pace of the efficiency program must be raised moving forward.

Within days, the first flight will depart from our new London base. It marks the end of a very intense year of preparations and we are now looking forward to phasing in a total of nine Airbus A320neos next year at our London and Malaga bases. Establishing operations has proceeded as planned and I look forward to SAS being able to compete on equal terms with other airlines on these important and highly competitive routes.

STRONGER FINANCIAL POSITION

Given SAS's need for financing and loan maturities, for just over a year, we have signaled that we are considering alternatives for reducing SAS's financing costs. As a result of the targeted actions to raise profitability, it was pleasing to be able to put a financing plan into action in November. In the first step, SAS completed a private placement of almost SEK 1.3 billion. The new issue, together with strengthened profitability led to Moody's and Standard & Poor's upgrading SAS's credit rating. In conjunction with this, we were finally able to issue a SEK 1.5 billion unsecured bond that immediately lowered the annual interest expense by slightly more than MSEK 50 moving forward. At the same time, it is gratifying that the plan was implemented successfully and we are grateful for the confidence shown by the capital markets in SAS, and we are also aware that this also requires us to deliver on the restructuring program. I can affirm that we take this very seriously.

In the nest phase of the recapitalization, we will use the proceeds of the new issue and profits generated by operations to start redeeming preference shares from February 2018. We will thus create better preconditions for increasing returns for holders of common shares. In parallel with the above, I would however like to underline that we need to continue to strengthen our financial position and profitability, since we have large loan maturities continuing until 2019 and need to make considerable investments in new aircraft.

Finally, I would like to thank the employees at SAS as well as our partners for an intense year of work that has delivered results. This inspires us to continue the work with change to further strengthen competitiveness through a combination of product investments and efficiency measures.

The outlook ahead of 2017/2018, which we presented at the start of November, remains unchanged and I look forward with confidence to a new year.

Welcome on board one of our more than 800 daily flights in 2018!

Stockholm, December 12, 2017

Rickard Gustafson,
President and CEO

COMMENTS ON SAS'S FINANCIAL STATEMENTS

MARKET AND TRAFFIC TRENDS

Following high capacity growth in the Scandinavian market in 2015/2016, growth has slowed in 2016/2017. Measured in the number of seats offered, capacity to, from and within Scandinavia increased 2.3% during 2016/2017. Capacity growth was largest on routes between Scandinavia and Europe and in the Swedish domestic market, and was equally divided between network airlines and low cost carriers (LCCs). At the same time, the total number of passengers rose 4.5%. In Q4 specifically, the number of passengers rose 3.9% and capacity increased 4%. In the forthcoming six-month period, the number of offered seats in the Scandinavian market is expected to increase at a higher pace.

Year-on-year, SAS's currency-adjusted unit revenue (PASK) declined 1.9% in 2016/2017 but rose 1.7% in Q4. During the fiscal year, unit revenue was negatively impacted by the increased production on SAS's long-haul routes and on longer, seasonal routes in Europe. The aviation tax introduced in Norway also eroded SAS's revenues and most was absorbed by SAS through a lower yield. Further details on the traffic trend for SAS are available on page 19.

EARNINGS ANALYSIS AUGUST 2017–OCTOBER 2017

Net income for the period

Operating income amounted to MSEK 780 (680). Income before tax totaled MSEK 657 (577) and income after tax was MSEK 490 (591). The tax expense totaled MSEK -167 (14).

The exchange-rate trend had a negative impact on revenue of MSEK -154 and a positive effect on operating expenses of MSEK 165. Accordingly, the exchange-rate trend had a positive impact on operating income of MSEK 11. The final effect on income before tax was MSEK -10.

Revenue

Revenue totaled MSEK 11,644 (11,135), see Note 2. After adjustment for currency effects, revenue was up MSEK 663 year-on-year. Currency-adjusted passenger revenue rose 5.4%. The increase was a result of higher scheduled capacity (ASK) which, based on the preceding year's terms, had a positive impact on revenue of MSEK 324. A lower load factor had a negative effect of MSEK -327. Revenue was positively impacted in an amount of MSEK 459 as a result of the higher yield.

The currency-adjusted revenue from charter and cargo increased 4.9% and 17.0%, respectively. The main reason for these increases was higher volumes. Cargo revenue was also positively impacted by a higher yield. Other traffic revenue (currency-adjusted) rose MSEK 17, mainly due to increased sales of ancillary services.

Other operating revenue (currency-adjusted) climbed MSEK 104, mainly due to increased sales of EuroBonus points, primarily to credit card partners.

Operational and financial expenses

Payroll expenses amounted to MSEK -2,189 (-2,185). After adjustment for currency and restructuring costs, payroll expenses decreased 0.2% year-on-year.

Other operating expenses amounted to MSEK -7,418 (-7,270), see Note 3. These expenses largely comprised jet fuel, which amounted to MSEK -1,774 (-1,959). Adjusted for currency, jet-fuel costs declined 3.7%. The cost was negatively impacted in an amount of MSEK -263 due to a higher jet-fuel price, while currency had a positive impact of MSEK 116. The change in hedge effects (including the effect of time value) had a positive impact of MSEK 330 year-on-year and volume, based on the preceding year's terms, had a negative impact on costs of MSEK -19. Handling costs (currency-adjusted) decreased 1.2%. Technical maintenance costs amounted to MSEK -1,069 (-870). Costs for the period were negatively affected by a provision of MSEK 140 for future engine maintenance and negatively in an amount of MSEK 180 as a result of changed assessments for return requirements and future maintenance of landing gear, air frames and APUs for leased aircraft. After adjustments for currency and non-recurring items, technical maintenance costs increased 13.1% Wet-lease costs were MSEK -114 (currency adjusted) higher for the quarter year-on-year, and were mainly due to increased production.

During the period, the implementation of the ongoing restructuring program resulted in cost reductions of about MSEK 240.

Leasing costs amounted to MSEK -774 (-697). Adjusted for currency effects, leasing costs increased 17.8%.

Financial revenue and expenses amounted to MSEK -123 (-103), of which net interest expense was MSEK -116 (-124).

SAS's total capacity (ASK) increased 3.6%, primarily attributable to the increase in intercontinental traffic and leisure routes in Europe. Unit cost (CASK) adjusted for currency and jet fuel increased 4.5% The unit cost was impacted by an MSEK 140 provision for engine maintenance and diverse positive effects from the corresponding year-earlier period, which were not repeated this year. This means that the decrease in costs from the efficiency program resulted in no corresponding decrease in unit cost during the quarter. The underlying change in unit cost was in line with the year-earlier period.

Non-recurring items

Total non-recurring items for the period amounted to MSEK -397 (-364). Of non-recurring items, MSEK 78 (27) pertained to capital gains from aircraft transactions and MSEK -87 (-31) to restructuring. The impairment of intangible assets pertaining to system development costs amounted to MSEK -208 and changed assessments for return requirements and future maintenance of landing gear, air frames and APUs for leased aircraft totaled MSEK -180. In the corresponding year-earlier period, provisions were made of MSEK -160 that related to aircraft, MSEK -219 for indirect taxes and MSEK 30 pertained to a capital gain on property. The corresponding year-earlier period was also impacted by impairment of MSEK -11.

EARNINGS ANALYSIS NOVEMBER 2016–OCTOBER 2017

Net income for the period

Operating income was MSEK 2,187 (1,892). Income before tax amounted to MSEK 1,725 (1,431) and income after tax was MSEK 1,149 (1,321). The tax expense totaled MSEK -576 (-110) and the relatively high cost for the period was primarily attributable to the European Commission's fine not being tax deductible.

The exchange-rate trend had a positive impact on revenue of MSEK 768 and a negative effect on operating expenses of MSEK -613. Accordingly, the exchange-rate trend had a positive impact on operating income of MSEK 155 and, including net financial items, an impact of MSEK 167 on income before tax.

Revenue

Revenue totaled MSEK 42,654 (39,459), see Note 2. After adjustment for currency effects, revenue was up MSEK 2,427 year-on-year. Currency-adjusted passenger revenue rose 5.4%. The increase was a result of higher scheduled capacity (ASK) which, based on the preceding year's terms, had a positive impact on revenue of MSEK 2,323. A higher load factor had a positive impact of MSEK 321. Revenue was negatively impacted in an amount of MSEK -977 as a result of the lower yield.

The currency-adjusted revenue from charter and cargo increased 7.9% and 15.0%, respectively. The main reason for these increases was higher volumes.

Other traffic revenue (currency-adjusted) rose MSEK 90. The increased sales of ancillary services had a positive effect on other traffic revenue.

Other operating revenue (currency-adjusted) climbed MSEK 336, mainly due to increased sales of EuroBonus points, primarily to credit card partners, and short-term letting of CRJ900s to CityJet.

Operational and financial expenses
Payroll expenses amounted to MSEK -9,205 (-9,105). After adjustment for currency and restructuring costs, payroll expenses declined 1.9% year-on-year. The main reasons for the reduced payroll expenses were the outsourcing of the line stations in Norway last year, the sale of the subsidiary Cimber and the efficiency measures.

Other operating expenses amounted to MSEK -27,489 (-24,552), see Note 3. The main reason for the increase was the European Commission's decision to fine SAS MEUR 70.2 for alleged breaches of competition rules. In the corresponding year-earlier period, the fine was repaid and recognized as a decrease in expenses.

Jet-fuel costs amounted to MSEK -6,836 (-6,449). Adjusted for currency, jet-fuel costs increased 3.7%. The cost was negatively impacted in an amount of MSEK -967 due to a higher oil price, while currency had a negative impact of MSEK -140. Changes in hedge effects (including the effect of time value) had a positive impact of MSEK 1,061 year-on-year and volume, based on the preceding year's terms, had a negative impact on costs of MSEK -330. Handling costs (currency-adjusted) increased 6.8%, primarily due to the outsourcing of the line stations in Norway last year. Technical maintenance costs amounted to MSEK -3,515 (-3,292).

After adjustments for currency and non-recurring items, technical maintenance costs increased 0.9%. Wet-lease costs were MSEK -367 (currency adjusted) higher year-on-year, and were mainly due to increased production.

During the period, the implementation of the ongoing restructuring program resulted in cost reductions of about MSEK 785.

Leasing costs amounted to MSEK -3,116 (-2,840). Adjusted for currency effects, leasing costs increased 6.6%.

Financial revenue and expenses amounted to MSEK -463 (-462), of which net interest expense was MSEK -451 (-451).

SAS's total capacity (ASK) increased 7.4%, primarily attributable to the increase in intercontinental traffic. This contributed to a decrease of 3.6% in the unit cost (CASK) adjusted for currency and jet fuel.

Non-recurring items
Total non-recurring items for the period amounted to MSEK -226 (492). Of non-recurring items, MSEK 317 (235) pertained to capital gains from aircraft transactions, MSEK 678 pertained to the transfer of two slot pairs at London Heathrow, MSEK -672 (655) to the fine for alleged breaches of air cargo competition rules from 1999 through 2006, MSEK -21 (4) to the divestment of subsidiaries, MSEK -30 to a contractual settlement in cargo activities and MSEK -110 (-42) to restructuring costs. The impairment of intangible assets pertaining to system development costs amounted to MSEK -208 and changed assessments for return requirements and future maintenance of landing gear, air frames and APUs for leased aircraft totaled MSEK -180. In the corresponding year-earlier period, provisions were made of MSEK -160 that related to aircraft, MSEK -219 for indirect taxes and MSEK 30 pertained to a capital gain on property. The corresponding year-earlier period was also impacted by impairment of MSEK -11.

BALANCE SHEET AND FINANCIAL POSITION

Assets
Intangible and tangible fixed assets decreased MSEK 845 during the fiscal year. Change for the period included investments of MSEK 7,315, amortization and depreciation of MSEK -1,635, divestments of MSEK -6,292, and other and currency effects of MSEK -233.

Investments during the period included delivery payments for 11 new Airbus A320neos that were immediately divested on the basis of a sale and leaseback agreement and the acquisition of eight Boeing 737s, one Airbus A340 and one Airbus A319 that were previously under operating leases. Other aircraft investments comprised capitalized expenditures for engine maintenance, modifications, spare parts and advance payments to Airbus. Aside from the sale and leaseback of the 11 Airbus A320neos, divestments also included a spare engine acquired during the year as well four Boeing 737s. Moreover, 12 Bombardier CRJ900s were sold.

Financial fixed assets increased MSEK 1,778. The increase was mainly due to actuarial gains from defined-benefit pension plans.

Current receivables decreased MSEK 607, which was mainly attributable to interim receivables and other current receivables.

Cash and cash equivalents were MSEK 8,836 (8,370) at October 31, 2017. Unutilized contracted credit facilities amounted to MSEK 2,700 (3,567). Financial preparedness was 37% (41) of SAS's fixed costs.

Shareholders' equity and liabilities
Shareholders' equity increased MSEK 2,032. The increase was due to the net of: income for the period of MSEK 1,149; dividends of MSEK -350; and the change in other comprehensive income, which comprised translation effects for foreign subsidiaries of MSEK -124, positive effects from hedging reserves of MSEK 147 and actuarial gains on defined-benefit pension plans, net of tax, of MSEK 1,210.

Long-term liabilities increased MSEK 382. The change included reclassifications from and to current liabilities.

Current liabilities decreased by MSEK 1,613. The change was due to reclassification to and from long-term debt, amortization, lower values on derivatives and normal variations in operating liabilities.

Interest-bearing liabilities
Interest-bearing liabilities declined MSEK 1,305 compared with October 31, 2016 and amounted to MSEK 8,575 on the closing date. New loans and amortization for the period were MSEK 2,385 and MSEK 3,183 respectively. The change in gross debt from October 31, 2016 included a positive trend in the market value of financial derivatives, which reduced liabilities by MSEK 149. A positive effect from currency revaluations reduced liabilities by MSEK 411.

In 2014, SAS issued a convertible bond loan, which was valued at MSEK 1,521 on the closing date.

Financial net debt/receivables
Net financial receivables increased MSEK 1,633 compared with October 31, 2016 and amounted to MSEK 2,799 on the closing date. The increase was mainly due to positive cash flow from operating activities. However, dividends on preference shares and pension payments on defined-benefit pension plans had a negative impact on net financial receivables.

Gearing
At October 31, 2017, the equity/assets ratio was 25%, up 6 percentage points since October 31, 2016. The improvement was mainly attributable to positive earnings during the period and revaluations of defined-benefit pension plans.

The adjusted financial net debt/EBITDAR ratio rose marginally to a multiple of 3.1. At October 31, 2016, it was a multiple of 3.2.

For the balance sheet — refer to page 12.

CASH-FLOW STATEMENT

Cash flow for the fiscal year amounted to MSEK 469 (168). Cash and cash equivalents amounted to MSEK 8,836 according to the balance sheet, compared with MSEK 8,370 at October 31, 2016.

Cash flow from operating activities
Cash flow from operating activities, before changes in working capital, amounted to MSEK 2,701 (2,806) for the full year. Adjustment for other items not included in the cash flow, etc., primarily pertained to provisions for restructuring costs and other non-recurring items.

The accumulated change in working capital amounted to MSEK -258 (857). Operating liabilities decreased during the year, while in the preceding year, it was mainly the unearned transportation revenue liability that increased significantly.

Investing activities

Investments totaled MSEK 7,315 (5,960) of which MSEK 7,129 (5,674) pertained to aircraft. These included delivery payments for 11 new Airbus A320neos that were immediately divested on the basis of sale and leaseback agreements and the acquisition of eight Boeing 737s, one Airbus A340 and one Airbus A319 that were previously under operating leases. Other aircraft investments comprised capitalized expenditures for engine maintenance, modifications, spare parts and advance payments to Airbus.

In January, the subsidiary Cimber was divested, which had a negative impact on the Group's cash and cash equivalents of MSEK 24.

The divestment of fixed assets concerns the sale and leaseback of the 11 Airbus A320neos and one spare engine acquired during the year as well as four Boeing 737s. Moreover, 12 Bombardier CRJ900s were sold. In addition, MSEK 678 was received for the slot pairs at London Heathrow that were divested by SAS in March.

Financing activities

New loans for the year amounted to MSEK 2,385 (1,093), while repayments totaled MSEK 3,183 (1,371). In addition, cash flow from financing activities was negatively impacted by financial derivatives and pension payments.

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

SEASONAL VARIATIONS

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

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

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

FINANCIAL TARGETS

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

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

SAS's financial targets are:

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

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

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

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

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

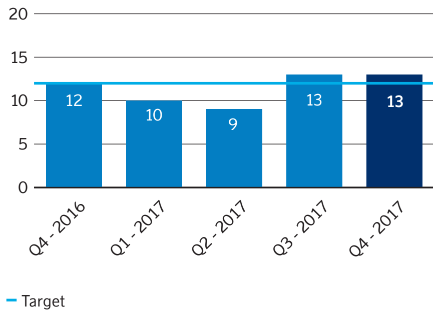
EVENTS AFTER OCTOBER 31, 2017

- SAS completed a private placement of MSEK 1,270. From February 2018, SAS intends to start redeeming preference shares by using the proceeds of the new issue and profits generated by operations.
- Moody's and Standard & Poor's upgraded SAS's credit rating.
- SAS issued an MSEK 1,500 unsecured bond with a tenor of five years and a fixed coupon rate of 5.375%.

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 October 31, 2017, ROIC was 13%.

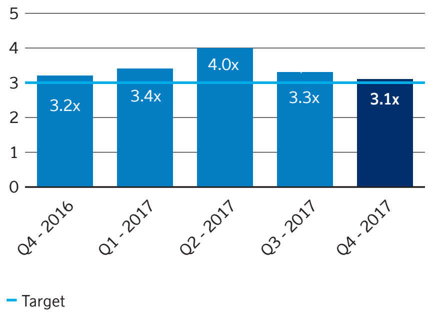
ROIC, 12-MONTH ROLLING, %



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 October 31, it was a multiple of 3.1.

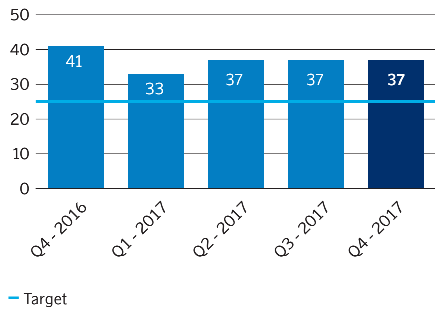
ADJUSTED FINANCIAL NET DEBT/EBITDAR, MULTIPLE



FINANCIAL PREPAREDNESS

SAS has a target for financial preparedness, which is to exceed 25% of annual fixed costs. At October 31, the financial preparedness was 37%.

FINANCIAL PREPAREDNESS, %



STRATEGIC PRIORITIES FOR SAS

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

WIN SCANDINAVIA'S FREQUENT TRAVELERS

SALES VIA DIGITAL CHANNELS Q4 FY17 VS Q4 FY16	EUROBONUS MEMBERSHIP TREND Q4 FY17 VS Q4 FY16	SAS PLUS AND BUSINESS REVENUE Q4 FY17 VS Q4 FY16
+3%	+10%	+1%

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

In line with this strategy, we have increasingly made seasonal adaptations to our network over the last few years in line with customers' changed travel patterns. During the quarter, this meant that after the considerable increase in production of leisure routes in the summer, above all to Southern Europe, we moved production back to more business-oriented routes. These customer-adapted network changes considerably boosted profitability and also result from the flexibility provided by increased wet-lease production.

Digitalization is also a key element of the strategy, allowing us to simplify processes for customers and offer time-saving services, as well as to streamline our internal processes. Through digitalization, we can develop new ancillary services, as well as offer a more clearly differentiated product and a more tailored offering.

At the start of 2016/2017, SAS launched a new website in the Scandinavian market. After responses from our customers, we made improvements in November that increased user friendliness. The new web site is based on a modern IT platform, which is a precondition for the development of new services and customer enhancements. This enables us in future to more simply and rapidly add new services and products that are in demand by our customers.

We have also invested over the last few years in SAS lounges in Stockholm, Gothenburg and Oslo to further strengthen our customer offering. In addition, during the summer and autumn of 2017 we upgraded our international lounges in Chicago, New York and Paris. In September, we also opened a completely new lounge at Oslo Airport, which was positively received.

As part of efforts to improve the travel experience, we are continuing to invest in our aircraft fleet. Twelve Airbus A320neos have been delivered since October 2016. We have also started upgrading our existing aircraft with the new cabin interiors, and next year we look forward to installing high-speed Wi-Fi on our Airbus 320s and Boeing 737s.

Investments in the customer offering are appreciated by customers, and SAS has received a number of independent awards including first place in the categories: "Best airline in Europe" and "Best Domestic Transportation" at the Grand Travel Awards in Sweden. SAS has also been crowned the business traveler's choice with wins at the Business Travel Awards: "Best Domestic Transportation" and "Best International Airline." Travellers also gave SAS high marks at the APEX Awards, where we were given four stars out of a possible five.

New growth initiatives

EuroBonus, which celebrated 25 years in spring 2017, continues to be at the core of strengthening relationships and loyalty between SAS and its customers. The loyalty program now has almost 5.1 million members and the number of members increased by more than 130,000 in the fourth quarter. The investments of the last few years in our customer offering and improvements to EuroBonus have contributed to the increase in the number of members.

EuroBonus provides us with unique knowledge about Scandinavia's most frequent travelers and their preferences. The broadened member base and increasing number of partners has strengthened the EuroBonus program and made it more attractive as well. For example, collaboration with credit card partners has led to a year-on-year increase in revenues from EuroBonus points sales of MSEK 83. The trend shows both substantial potential and that the development of EuroBonus and partners together can create growth and value. Based on the over five million members of EuroBonus, we will use big data analyses to create offerings that, together with new partners, broaden and strengthen loyalty to SAS. By further developing existing business models — including through more credit cards linked to EuroBonus — and through new business models based on the sale of bonus points for collaborating partners and differing forms of commission, we can broaden our offering to include package holidays, conferences and other types of experience. Moving forward, we aim to considerably increase our other customer revenue.

A new unit has recently been established with the task of utilizing business opportunities through strengthened entrepreneurship.

CREATE AN EFFICIENT OPERATING PLATFORM

PRODUCTIVITY: AIRCRAFT Q4 FY17 VS Q4 FY16	PRODUCTIVITY: PILOTS Q4 FY17 VS Q4 FY16	PRODUCTIVITY: CABIN CREW Q4 FY17 VS Q4 FY16
-0.4%	+2.3%	+6.4%

SAS works continuously to enhance the efficiency of the operational platform and in the 2013–2017 period improved operational efficiency by SEK 5.1 billion. In the fourth quarter of 2016/2017, the earnings impact of efficiency enhancements was MSEK 240. Aircraft productivity decreased marginally in the quarter as the result of changes in the network, but remains high. Following a decline in flight crew productivity during winter 2016/2017, productivity increased as expected in the fourth quarter as a consequence of less retraining, a lower average flight distance, and lower standby levels.

Operating environment

The airline industry is continually undergoing changes that set new requirements for all participants. One major challenge for the industry and for SAS is the trend of declining unit revenue and willingness to pay for air travel. Many of SAS's competitors are receiving large aircraft deliveries in the coming years, in parallel with an increasing number of established airlines redeploying their production to their own start-up production companies — not just in Europe, but also on intercontinental routes. Moreover, personnel are sourced from manning companies to a greater extent than previously with the aim of creating more flexible production. Many network airlines are also simplifying their core offering and lowering prices even further, at the same time as customers are being offered more ancillary services.

Together, this indicates that pressure on yield will continue. In addition, Norway introduced a national aviation tax in 2016 and a similar tax will be introduced in Sweden in April 2018. These will generate marginal positive environmental effects but threaten to undermine profitability, since the intense competition in the industry means the airlines will have to absorb the tax and will be unable to correspondingly raise ticket prices. This could therefore have a considerable negative impact on Scandinavian airlines that already suffer from inadequate profitability and face intense international pressure.

In parallel with the above, the air travel market is growing — primarily leisure travel and the intercontinental markets. With SAS's extensive network, frequent departures and substantial customer base, SAS holds a strong market position in Scandinavia. Provided SAS can improve its efficiency, we have major possibilities for leveraging market growth, not least in terms of leisure travel in Europe, where SAS currently has a low market share.

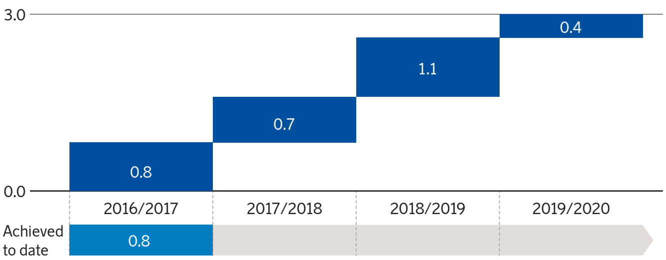
Efficiency enhancement program

We are working on implementing an efficiency enhancement program for our core operations based in Scandinavia to meet developments in the operating environment. We have identified a total of more than 200 new initiatives that together will generate SEK 3 billion for SAS, with an earnings impact in the 2017–2020 period. In 2016/2017, the earnings impact totaled SEK 0.8 billion, which is slightly higher than indicated at the start of the year. However, the market is constantly changing and remains challenging. This calls attention to the fact of how crucial the full implementation of the efficiency measures is for the future of SAS. Given the above, an expected earnings impact of SEK 0.7 billion in 2017/2018 is not satisfactory. For SAS to continue to develop as a competitive airline, the implementation pace of the efficiency program must be raised moving forward.

The total effect of SEK 3 billion is measured in gross amounts and before inflation effects. Around SEK 0.7 billion of these gains require changed agreements with personnel groups. During the fiscal year, we concluded a three-year collective agreement through 2020 with all pilots and cabin crew unions in Denmark and Sweden, and the personnel groups in ground handling services. This will give us the opportunity to focus on the implementation of efficiency enhancement measures.

Several of the initiatives also depend on changed agreements with suppliers. These measures encompass the entire organization.

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	310
Ground Handling & technical maintenance	900	280
Commercial functions	500	80
Administration, Facility, Support and IT	400	115

A few examples of the efficiency enhancement measures we are working on in the program:

Flight operations, incl. wet lease, government user fees and jet fuel. The aim is to increase productivity by measures including better adaptation of resources to seasonal variations. We can achieve this through more flexible planning and new scheduling, by adjusting our network and through increased use of a resource pool for cabin crew. Flight crews now using iPads means we can raise productivity through strong internal communication and simplified check-in procedures. In addition, in the short and long terms, we will work on balancing the age demographics among staff.

Ground handling operations and technical maintenance. In Ground Handling, we are working on improving planning and broadening work duties as well as renegotiating agreements with our sub-contractors. Moreover, we will streamline processes and raise quality in terms of irregularity management, which is also a key parameter for customer satisfaction. In technical maintenance, we have initiated a Lean project that aims at standardizing and enhancing the efficiency of our processes and work methods in order to further increase the productivity and quality in our internal technical operations. In addition, we will change scheduling and renegotiate sub-contractor agreements for heavy maintenance, including engine maintenance.

Commercial functions. To ensure that we offer what customers want most, we will simplify the base offering and expand options by adding more ancillary services. These will help us partially compensate for the pressure on unit revenue. We will also continue efforts to lower SAS's distribution and credit card expenses as well as further decrease logistics costs for our on-board service and in the lounges. In addition, we will also streamline the back office and customer center functions.

Administration, Facility, Support and IT. We will further streamline internal processes, through measures including enhancing systems support for network planning, general staffing reductions and reducing the number of consulting hours. At the same time as we are developing and investing in IT in terms of our digitalization, we will simplify our infrastructure, optimize the use of our licenses and transform legacy platforms into modern cloud services.

Examples of measures that have generated MSEK 240 in the quarter:

- Outsourcing of Cimber to CityJet.
- Discontinuance of the wholesale card.
- Reduced manning with cabin crew on intercontinental routes and increased use of the resource pool.
- Improved planning with fewer administration days for pilots.
- Continued implementation of Lean in technical maintenance in Copenhagen and Stockholm, and optimization of engine maintenance.
- New agreement covering properties and property-related services.
- Improved planning at Ground Handling, whereby individual employees perform more duties.
- General efficiency enhancements in SAS Cargo.

Restructuring costs

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

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

In parallel with the implementation of the efficiency enhancements in our core operations earlier in 2017, SAS decided to establish a new air operator certificate (AOC) in Ireland with operational bases in London and Malaga. Since the spring of 2017, we have established a structure for SAS Ireland including appointing the management group, applied for an air operator certificate (AOC), and recruited flight crews. In all, nine Airbus A320neos will be allocated to the two bases. The first flight is expected to be made shortly from the base in London. The first flight from the base in Malaga is planned for the first half of 2018.

The bases will complement production in Scandinavia, which will continue to account for the main share of our business. Production occurs primarily on the routes between Scandinavia and the UK, and between Scandinavia and Spain. To optimize resources, marginal production from the bases will also be run on other routes.

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

SECURE THE RIGHT CAPABILITIES

SICK LEAVE Q4 FY17 VS Q4 FY16	EMPLOYEES Q4 FY17 VS Q4 FY16	CARBON DIOXIDE/ PASSENGER KILOMETER Q4 FY17 VS Q4 FY16
-0.8%	-5.1%	-0%

A CHANGING ORGANIZATION
SAS is now in the implementation phase of our extensive efficiency enhancement program, which requires a great deal from the entire organization. Success will require a shared, structured manner of carrying on change management and in that, taking into account the full range of stakeholders, including employees, trade unions and suppliers. In implementing this, we will focus on:

- *Communicative leadership*. Delegated responsibility and a mandate for communication and change, and taking decisions at the appropriate level of the organization.
- *Clearer structures and processes* to secure a solid reporting structure with clear objectives.
- *Competence and ability to implement.* Secure the skills supply in the identified focus areas, for example, project management, digitalization, automation and business control, and improve succession and career planning. Moreover, we will promote a culture of accomplishment that helps increase employee motivation and commitment.

On July 1, 2017, we established a new organization with the following objectives to create the right preconditions for implementing the structural measures:
- to ensure delivery of the efficiency measures until 2020; and
- to increase internal transparency and ownership.

In addition, we have established a new organization — SAS Growth Initiatives — to strengthen loyalty to SAS and to create new growth initiatives based on the strong SAS brand and EuroBonus.

SAS AS AN ATTRACTIVE WORKPLACE
Among its many distinctions in 2017, SAS was named one of Norway's most attractive employers among business students. We work proactively on becoming a better employer, which includes ensuring that we have a sound, sustainable workplace and also gradually introducing new digital tools and processes.

As a part of improving and supporting internal efficiency, this year we began work on the Make Work Easier project. Through new tools and applications, we are improving flexibility and communication as well as simplifying the workplace with increased automation. In addition, at present we are developing individual development plans for all our salaried employees.

We are continuing our long-range work on reducing long-term sick leave. The goal of 4% was reached during the fiscal year, and long-term sick leave over the year totaled 4.0%. Total sick leave has decreased over the last couple of years; this year it was relatively stable, totaling 6.2%.

SAS has a zero-tolerance policy regarding alcohol and drugs, and during the year we started work on upgrading and coordinating our alcohol and drug policy at the Scandinavian level. We also have a zero-tolerance policy towards all forms of harassment, and we work continually to counteract this. It is regulated in our Code of Conduct, and web-based training in the code is mandatory for all employees.

NEW COLLECTIVE AGREEMENTS
New three-year collective agreements — with the possibility of cancellation after two years — were concluded during the fiscal year with all cabin crew unions in Denmark and Sweden and all pilot associations. In the autumn of 2017, we also signed three-year collective agreements with ground personnel at SAS bases in Scandinavia.

SUSTAINABILITY
The priority for the sustainability area is the transition to lower greenhouse gas emissions. In the November 2016–October 2017 period, CO2 emissions per passenger kilometer were reduced by 2.7% year-on-year. The improvement can be traced to the ongoing renewal of the aircraft fleet, active efficiency enhancement efforts in daily operations, and a higher load factor.

By October 31, 2017, SAS put twelve Airbus A320neos into service to replace older aircraft. The Airbus 320neo has CO2 emissions per passenger kilometer that are around 18% lower than a comparable previous generation aircraft. The aircraft also generates significantly less noise than the aircraft it is replacing.

During the period, apart from the airports in Oslo and Stockholm, SAS has also added biofuel to fuel for flights from Bergen and Kalmar. This means that SAS regularly flew using biofuel from four airports. The supply continues to be limited, and SAS continues to actively promote more rapid commercialization and create the preconditions to allow customers to upgrade their flight from jet fuel to biofuel.

SAS has a long-term target of reducing CO2 emissions per passenger kilometer by 20% between 2010 and 2020. At the end of Q4 (rolling 12 months), CO2 emissions per passenger kilometer had decreased 12.1% compared with 2010.

RISKS AND UNCERTAINTIES

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

CURRENCY AND JET-FUEL HEDGING

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

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

As of October 31, 2017, the hedging of SAS's future jet-fuel consumption for 2017/2018 was conducted through a combination of swaps and capped options. The hedging ratio totaled 43% and no hedges were undertaken for the next six-month period. Under current plans for flight capacity, the cost of jet fuel during the 2017/2018 fiscal year is expected to be in line with the table below, taking into account different fuel prices and USD rates and including jet-fuel hedging.

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

For foreign currency, the policy is to hedge 40–80%. At October 31, 2017, SAS had hedged 54% 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, 65% 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 at October 31, 2017

Hedge level (max price)	Nov 2017 Jan 2018	Feb–Apr2018	May–July 2018	Aug-Oct 2018
USD 480–500/tonne	69%	69%	-	-
USD 501–550/tonne	-	-	33%	-

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	4.9	5.6	6.2	6.9
USD 600/tonne	6.2	7.1	8.0	8.9
USD 800/tonne	7.3	8.4	9.4	10.5
USD 1,000/tonne	8.5	9.7	10.9	12.1

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

LEGAL ISSUES

The European Commission's decision in November 2010 found SAS and many other airlines guilty of 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 an 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.

In February 2017, SAS together with the International Air Transport Association (IATA) filed a complaint with the Danish Transport, Construction and Housing Authority (DTCHA) about excessively high fees at Copenhagen Airport, and demanded a reduction in fees. Throughout 2017, the parties have been in correspondence, and in December 2017, the parties entered into an agreement which entails, inter alia, lower airport charges at Copenhagen Airport for the period until March 31, 2019. Due to this agreement, SAS and IATA have withdrawn the complaint with the DTCHA.

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

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

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

Following a seasonally weak first six months in 2017/2018, the potential exists for a strong summer in 2018.

To sum up, this leads to the following outlook for 2017/2018:

SAS expects to deliver income 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 OCTOBER 31, 2017:

- The scheduled capacity growth (ASK) for SAS in 2017/2018 is planned to increase 1–3% year-on-year.
- Continued stable macro trend.
- The introduction of an aviation tax in Sweden.
- Jet-fuel prices on average 550 USD/tonne.
- Average SEK/USD of SEK 8.0.
- Gross investments are expected to amount to about SEK 6 billion.

STATEMENT OF INCOME

STATEMENT OF INCOME INCLUDING STATEMENT OF OTHER COMPREHENSIVE INCOME

MSEK	Note	Q4 Aug–Oct 2017	Q4 Aug–Oct 2016	Q1–4 Nov–Oct 2016–2017	Q1–4 Nov–Oct 2015–2016
Revenue	2	11,644	11,135	42,654	39,459
Payroll expenses[1]		-2,189	-2,185	-9,205	-9,105
Other operating expenses[2]	3	-7,418	-7,270	-27,489	-24,552
Leasing costs for aircraft		-774	-697	-3,116	-2,840
Depreciation, amortization and impairment[3]		-577	-377	-1,635	-1,367
Share of income in affiliated companies		16	28	4	39
Income from the sale of shares in subsidiaries, affiliated companies and operations		0	-11	-21	-7
Income from the sale of aircraft, buildings and slot pairs		78	57	995	265
Operating income		**780**	**680**	**2,187**	**1,892**
Income from other securities holdings		0	0	1	1
Financial revenue		35	17	148	91
Financial expenses		-158	-120	-611	-553
Income before tax		**657**	**577**	**1,725**	**1,431**
Tax		-167	14	-576	-110
Net income for the period		**490**	**591**	**1,149**	**1 321**
Other comprehensive income					
Items that may later be reversed to net income:					
Exchange-rate differences in translation of foreign operations		21	167	-124	212
Cash-flow hedges — hedging reserve, net after tax		448	400	147	107
Items that will not be reversed to net income:					
Revaluations of defined-benefit pension plans, net after tax		383	-286	1,210	-1,627
Total other comprehensive income, net after tax		**852**	**281**	**1,233**	**-1,308**
Total comprehensive income		**1,342**	**872**	**2,382**	**13**
Net income for the period attributable to:					
Parent Company shareholders		490	591	1,149	1,321
Non-controlling interests		0	0	0	0
Earnings per common share (SEK)[4]		1.22	1.53	2.42	2.94
Earnings per common share after dilution (SEK)[4]		1.05	1.30	2.13	2.57

1) Includes restructuring costs of MSEK 51 (31) during the August–October period and MSEK 74 (34) during the November–October period.
2) Includes restructuring costs and other nonrecurring items of MSEK 216 (324) during the August–October period and MSEK 918 (-323) during the November–October period.
3) Includes nonrecurring items of MSEK 208 (55) during the August–October period and MSEK 208 (55) during the November–October period.
4) Earnings per common share are calculated as net income for the period attributable to Parent Company shareholders less preference share dividends in relation to 330,082,551 (330,082,551) common shares outstanding during the August–October period, 330,082,551 (329,902,126) common shares outstanding during the November–October period.

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

INCOME BEFORE TAX AND NONRECURRING ITEMS

MSEK	Q4 Aug–Oct 2017	Q4 Aug–Oct 2016	Q1–4 Nov–Oct 2016–2017	Q1–4 Nov–Oct 2015–2016
Income before tax	657	577	1,725	1,431
Impairment	208	11	208	11
Restructuring costs	87	31	110	42
Capital gains/losses[1]	-78	-57	-974	-269
Other nonrecurring items[2]	180	379	882	-276
Income before tax and nonrecurring items	**1,054**	**941**	**1,951**	**939**

1) Includes the sale of two slot pairs at London Heathrow for MSEK 678 in the second quarter of 2016/2017.
2) Includes a negative earnings impact of MSEK 672 in the second quarter of 2016/2017 and a positive earnings impact of MSEK 655 in the second quarter of 2015/2016 relating to fines (MEUR 70.2) for breaches of air cargo competition rules. The fourth quarter includes costs related to aircraft of MSEK 180 (160) and a provision related to indirect taxes of MSEK 0 (219). The first quarter 2016/2017 was charged with an expense of MSEK 30 pertaining to a contractual settlement regarding cargo activities.

BALANCE SHEET

CONDENSED BALANCE SHEET

MSEK	Oct 31, 2017	Oct 31, 2016	Oct 31, 2015
Intangible assets	1,581	1,923	1,798
Tangible fixed assets	10,692	11,195	9,596
Financial fixed assets	7,979	6,201	7,118
Total fixed assets	**20,252**	**19,319**	**18,512**
Other current assets	321	312	345
Current receivables	3,146	3,753	3,211
Cash and cash equivalents[1]	8,836	8,370	8,198
Total current assets	**12,303**	**12,435**	**11,754**
Total assets	**32,555**	**31,754**	**30,266**
Shareholders' equity[2]	8,058	6,026	6,339
Long-term liabilities	10,204	9,822	10,275
Current liabilities	14,293	15,906	13,652
Total shareholders' equity and liabilities	**32,555**	**31,754**	**30,266**
Shareholders' equity per common share, (SEK)[3]	13.28	7.12	8.10
Interest-bearing assets	16,245	13,661	14,839
Interest-bearing liabilities	8,575	9,880	9,745
Working capital	-12,263	-11,274	-10,574

1) At October 31, 2017, including receivables from other financial institutions, MSEK 846 (1,356).
2) Including non-controlling interests.
3) Shareholders' equity attributable to Parent Company shareholders excluding total preference share capital in relation to the 330,082,551 (330,082,551) common shares outstanding. The SAS Group has not carried out any buyback programs.

SPECIFICATION OF FINANCIAL NET DEBT, OCTOBER 31, 2017

	According to balance sheet	Of which financial net debt
Financial fixed assets	7,979	1,933
Current receivables	3,146	605
Cash and cash equivalents	8,836	8,836
Long-term liabilities	10,204	5,542
Current liabilities	14,293	3,033
Financial net debt		-2,799

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, 2015	6,754	327	1,218	-286	-1,674	6,339		6,339
Conversion of convertible bond loan	22				2	24		24
Preference share dividend					-350	-350		-350
Comprehensive income, November–October			107	212	-306	13		13
Closing balance, October 31, 2016	6,776	327	1,325	-74	-2,328	6,026		6,026
Preference share dividend					-350	-350		-350
Comprehensive income, November–October			147	-124	2,359	2,382		2,382
Closing balance, October 31, 2017	**6,776**	**327**	**1,472**	**-198**	**-319**	**8,058**		**8,058**

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

CASH-FLOW STATEMENT

CONDENSED CASH-FLOW STATEMENT

MSEK	Q4 Aug–Oct 2017	Q4 Aug–Oct 2016	Q1–4 Nov–Oct 2016–2017	Q1–4 Nov–Oct 2015–2016
Income before tax	657	577	1,725	1,431
Depreciation, amortization and impairment	577	377	1,635	1,367
Income from sale of aircraft, buildings and shares	-78	-57	-974	-269
Adjustment for other items not included in the cash flow, etc.	280	247	341	277
Tax paid	-4	0	-26	0
Cash flow from operations before change in working capital	**1,432**	**1,144**	**2,701**	**2,806**
Change in working capital	-549	143	-258	857
Cash flow from operating activities	**883**	**1,287**	**2,443**	**3,663**
Investments including advance payments to aircraft manufacturers	-1,755	-1,771	-7,315	-5,960
Sale of subsidiaries	0	0	-24	-2
Sale of fixed assets, etc.	1,345	524	7,252	3,347
Cash flow before financing activities	**473**	**40**	**2,356**	**1,048**
Dividend on preference shares	-87	-87	-350	-350
External financing, net	-169	-35	-1,537	-530
Cash flow for the period	**217**	**-82**	**469**	**168**
Translation difference in cash and cash equivalents	-1	3	-3	4
Change in cash and cash equivalents according to the balance sheet	**216**	**-79**	**466**	**172**
Cash flow from operating activities per common share (SEK)	2.68	3.90	7.40	11.10

FINANCIAL KEY RATIOS

	Oct 31, 2017	Oct 31, 2016	Oct 31, 2015
Return on shareholders' equity	18%	24%	18%
Return on invested capital	13%	12%	14%
Adjusted financial net debt/EBITDAR	3.1x	3.2x	3.0x
Financial preparedness	37%	41%	40%
Equity/assets ratio	25%	19%	21%
Adjusted equity/assets ratio	15%	12%	13%
Financial net debt, MSEK	-2,799	-1,166	-726
Debt/equity ratio	-0.35	-0.19	-0.11
Adjusted debt/equity ratio	2.28	3.08	2.65
Interest-coverage ratio	3.8	3.6	3.2

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 58,865 at October 31, 2017. The average number of employees amounted to four (4). In the second quarter of 2016/2017, an impairment charge of MSEK 125 was recognized against shares in subsidiaries. An expense of MSEK 63 pertaining to a guarantee commitment was charged to earnings for the first quarter of 2015/2016. The valuation of SAS AB's shareholding is based on the assumption that the structural measures set out in the report are implemented.

CONDENSED STATEMENT OF INCOME

MSEK	Q1–4	Q1–4
	Nov–Oct 2016–2017	Nov–Oct 2015–2016
Revenue	92	10
Payroll expenses	-34	-33
Other operating expenses	-73	-111
Operating income	**-15**	**-134**
Income from participations in Group companies	-122	0
Income from other securities holdings	1	1
Net financial items	-35	-36
Income before tax	**-171**	**-169**
Appropriations	18	0
Tax	6	33
Net income for the period	**-147**	**-136**
Net income for the period attributable to:		
Parent Company shareholders	-147	-136

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

CONDENSED BALANCE SHEET

MSEK	Oct 31, 2017	Oct 31, 2016	Oct 31, 2015
Financial fixed assets	14,661	14,790	14,828
Other current assets	463	769	1,174
Cash and cash equivalents	2	0	1
Total assets	**15,126**	**15,559**	**16,003**
Shareholders' equity	11,820	12,317	12,779
Long-term liabilities	1,540	3,010	3,003
Current liabilities	1,766	232	221
Total shareholders' equity and liabilities	**15,126**	**15,559**	**16,003**

CHANGES IN SHAREHOLDERS' EQUITY

MSEK	Share capital[1]	Restricted reserves	Unrestricted equity[2]	Total shareholders' equity
Opening balance, November 1, 2016	6,776	306	5,235	12,317
Preference share dividend			-350	-350
Net income for the period			-147	-147
Shareholders' equity, Oct 31, 2017	**6,776**	**306**	**4,738**	**11,820**

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

NOTES

NOTE 1 ACCOUNTING POLICIES AND FINANCIAL STATEMENTS

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

A number of amendments of standards, new interpretations and new standards took effect for fiscal years beginning November 1, 2016 that are not deemed to have material relevance in the preparation of this financial report. This means that the SAS Group has continued to apply the same accounting policies as in its Annual Report for 2015/2016.

NOTE 2 REVENUE

	Q4 Aug–Oct 2016–2017	Q4 Aug–Oct 2015–2016	Q1–4 Nov–Oct 2016–2017	Q1–4 Nov–Oct 2015–2016
Passenger revenue	8,862	8,530	32,644	30,371
Charter	681	651	1,964	1,791
Freight and mail	371	327	1,470	1,253
Other traffic revenue	644	634	2,419	2,293
Other operating revenue	1,086	993	4,157	3,751
Total	**11,644**	**11,135**	**42,654**	**39,459**

NOTE 3 OTHER OPERATING EXPENSES

	Q4 Aug–Oct 2016–2017	Q4 Aug–Oct 2015–2016	Q1–4 Nov–Oct 2016–2017	Q1–4 Nov–Oct 2015–2016
Sales and distribution costs	-655	-628	-2,417	-2,372
Jet fuel	-1,774	-1,959	-6,836	-6,449
Government user fees	-1,103	-1,128	-4,262	-4,106
Catering costs	-279	-279	-1,075	-948
Handling costs	-663	-682	-2,704	-2,477
Technical aircraft maintenance	-1,069	-870	-3,515	-3,292
Computer and telecommunication costs	-402	-377	-1,569	-1,382
Wet-lease costs	-318	-213	-1,123	-737
Other	-1,155	-1,134	-3,988	-2,789
Total	**-7,418**	**-7,270**	**-27,489**	**-24,552**

NOTE 4 QUARTERLY BREAKDOWN

STATEMENT OF INCOME

MSEK	2014–2015		2015–2016					2016–2017				
	Q4	Full-year	Q1	Q2	Q3	Q4	Full-year	Q1	Q2	Q3	Q4	Full-year
	Aug–Oct	Nov–Oct	Nov–Jan	Feb–Apr	May–Jul	Aug–Oct	Nov–Oct	Nov–Jan	Feb–Apr	May–Jul	Aug–Oct	Nov–Oct
Revenue	10,903	39,650	8,275	8,916	11,133	11,135	39,459	8,957	9,843	12,210	11,644	42,654
Payroll expenses	-2,319	-9,622	-2,334	-2,311	-2,275	-2,185	-9,105	-2,421	-2,302	-2,293	-2,189	-9,205
Other operating expenses	-6,252	-24,558	-5,169	-5,429	-6,684	-7,270	-24,552	-6,105	-7,188	-6,778	-7,418	-27,489
Leasing costs for aircraft	-671	-2,593	-700	-706	-737	-697	-2,840	-733	-801	-808	-774	-3,116
Depreciation, amortization and impairment	-436	-1,466	-341	-312	-337	-377	-1,367	-327	-388	-343	-577	-1,635
Share of income in affiliated companies	24	37	-12	-2	25	28	39	-11	3	-4	16	4
Income from the sale of shares in subsidiaries, affiliated companies and operations	-11	0	0	4	0	-11	-7	-21	0	0	0	-21
Income from the sale of aircraft, buildings and slot pairs	44	777	95	80	33	57	265	84	723	110	78	995
Operating income	**1,282**	**2,225**	**-186**	**240**	**1,158**	**680**	**1,892**	**-577**	**-110**	**2,094**	**780**	**2,187**
Income from other securities holdings	-303	-300	1	0	0	0	1	0	1	0	0	1
Financial revenue	31	124	22	32	20	17	91	41	43	29	35	148
Financial expenses	-143	-632	-146	-145	-142	-120	-553	-161	-142	-150	-158	-611
Income before tax	**867**	**1,417**	**-309**	**127**	**1,036**	**577**	**1,431**	**-697**	**-208**	**1,973**	**657**	**1,725**
Tax	-350	-461	63	44	-231	14	-110	141	-112	-438	-167	-576
Net income for the period	**517**	**956**	**-246**	**171**	**805**	**591**	**1,321**	**-556**	**-320**	**1,535**	**490**	**1,149**
Attributable to:												
Parent Company shareholders	517	956	-246	171	805	591	1,321	-556	-320	1,535	490	1,149
Non-controlling interests	0	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	Q1–4	Q1–4
	Nov–Jan 2016–2017	Nov–Jan 2015–2016	Feb–Apr 2017	Feb–Apr 2016	May–Jul 2017	May–Jul 2016	Aug–Oct 2017	Aug–Oct 2016	Nov–Oct 2016–2017	Nov–Oct 2015–2016
Revenue	8,957	8,275	9,843	8,916	12,210	11,133	11,644	11,135	42,654	39,459
EBITDAR	431	772	353	1,176	3,139	2,174	2,037	1,680	5,960	5,802
EBITDAR margin	4.8%	9.3%	3.6%	13.2%	25.7%	19.5%	17.5%	15.1%	14.0%	14.7%
EBIT	-577	-186	-110	240	2,094	1,158	780	680	2,187	1,892
EBIT margin	-6.4%	-2.2%	-1.1%	2.7%	17.1%	10.4%	6.7%	6.1%	5.1%	4.8%
Income before tax and nonrecurring items	-707	-404	-259	-601	1,863	1,003	1,054	941	1,951	939
Income before tax	-697	-309	-208	127	1,973	1,036	657	577	1,725	1,431
Net income for the period	-556	-246	-320	171	1,535	805	490	591	1,149	1,321
Earnings per common share (SEK)	-1.95	-1.01	-1.23	0.25	4.39	2.17	1.22	1.53	2.42	2.94
Cash flow before financing activities	-368	-728	1,799	2,247	452	-511	473	40	2,356	1,048
Average number of employees (FTE)	10,538	10,932	10,155	10,339	10,404	10,815	10,199	10,753	10,324	10,710

NOTE 5 FINANCIAL ASSETS AND LIABILITIES

FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES

	Oct 31, 2017		Oct 31, 2016	
MSEK	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets at fair value	551	551	651	651
Financial assets held for trading	5,741	5,741	5,804	5,804
Other assets	6,448	6,551	6,000	6,000
Total	**12,740**	**12,843**	**12,455**	**12,455**
Financial liabilities				
Financial liabilities at fair value	52	52	222	222
Financial liabilities held for trading	55	55	34	34
Financial liabilities at amortized cost	10,091	9,813	11 554	10,905
Total	**10,198**	**9,920**	**11,810**	**11,161**

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

	Oct 31, 2017			Oct 31, 2016		
MSEK	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial assets						
Financial assets at fair value	-	551	551	-	651	651
Financial assets held for trading	3,304	2,437	5,741	2,752	3,052	5,804
Total	**3,304**	**2,988**	**6,292**	**2,752**	**3,703**	**6,455**
Financial liabilities						
Financial liabilities at fair value	-	52	52	-	222	222
Financial liabilities held for trading	-	55	55	-	34	34
Total	**0**	**107**	**107**	**0**	**256**	**256**

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

Stockholm, December 12, 2017

Fritz H. Schur
Chairman of the Board

Jacob Wallenberg
First Vice Chairman

Dag Mejdell
Second Vice Chairman

Monica Caneman
Board member

Lars-Johan Jarnheimer
Board member

Berit Svendsen
Board member

Sanna Suvanto-Harsaae
Board member

Carsten Dilling
Board member

Jens Lippestad
Board member

Cecilia van der Meulen
Board member

Janne Wegeberg
Board member

Rickard Gustafson
President and CEO

This full-year report is unaudited.

TRAFFIC DATA INFORMATION

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

	Aug–Oct 2017	Aug–Oct 2016	Year-on-year change	Nov–Oct 2016–2017	Nov–Oct 2015–2016	Year-on-year change
Number of passengers (000)	7,621	7,793	-2.2%	28,625	27,738	+3.2%
RPK, Revenue Passenger Kilometers (mill)	9,738	9,741	-0.0%	36,360	33,508	+8.5%
ASK, Available Seat Kilometers (mill)	12,750	12,300	+3.7%	48,303	44,956	+7.4%
Load factor	76.4%	79.2%	-2.8[1]	75.3%	74.5%	+0.7[1]
Passenger yield (currency-adjusted)	0.91	0.86	+5.5%	0.90	0.92	-2.9%
Unit revenue, PASK (currency-adjusted)	0.70	0.68	+1.7%	0.68	0.69	-1.9%

TOTAL TRAFFIC (SCHEDULED AND CHARTER TRAFFIC) FOR SAS

	Aug–Oct 2017	Aug–Oct 2016	Year-on-year change	Nov–Oct 2016–2017	Nov–Oct 2015–2016	Year-on-year change
Number of passengers (000)	8,107	8,255	-1.8%	29,998	29,009	+3.4%
RPK, Revenue Passenger Kilometers (mill)	11,001	10,951	+0.5%	40,078	36,940	+8.5%
ASK, Available Seat Kilometers (mill)	14,070	13,579	+3.6%	52,217	48,620	+7.4%
Load factor	78.2%	80.6%	-2.5[1]	76.8%	76.0%	+0.8[1]
RASK (currency-adjusted)	0.75	0.74	+1.9%	0.74	0.75	-1.5%
Unit cost (CASK), (currency-adjusted)	0.65	0.64	+2.1%	0.69	0.72	-3.5%
Unit cost (CASK) excluding jet fuel (currency-adjusted)	0.53	0.50	+4.5%	0.56	0.58	-3.6%

SCHEDULED TRAFFIC TREND FOR SAS BY ROUTE SECTOR

	Aug–Oct 2017 vs. Aug–Oct 2016		Nov–Oct 2016–2017 vs. Nov–Oct 2015–2016	
	Traffic (RPK)	Capacity (ASK)	Traffic (RPK)	Capacity (ASK)
Intercontinental	-2.6%	+1.5%	+10.8%	+10.9%
Europe/Intra-Scandinavia	+2.5%	+5.8%	+8.6%	+6.4%
Domestic	-0.8%	+2.3%	+3.2%	+3.2%

SCHEDULED DESTINATIONS AND FREQUENCIES FOR SAS

	Aug–Oct 2017	Aug–Oct 2016	Year-on-year change	Nov–Oct 2016–2017	Nov–Oct 2015–2016	Year-on-year change
Number of destinations	115	113	+1.8%	123	118	+4.2%
Number of daily departures	862	881	-2.2%	817	813	+0.5%
No. of departures per destination/day	7.5	7.7	-2,7%	6.6	6.9	-3.6%

PRODUCTIVITY AND ENVIRONMENTAL EFFICIENCY

12-month rolling	Oct 2017	Oct 2016	Year-on-year change
Aircraft, block hours/day	9.6	9.3	+3.0%
Cabin crew, block hours/year	777	759	+2.4%
Pilots, block hours/year	686	681	+0.8%

Environmental efficiency	Aug–Oct 2016–2017	Aug–Oct 2015–2016	Year-on-year change	Nov–Oct 2016–2017	Nov–Oct 2015–2016	Year-on-year change
CO_2 emissions per passenger kilometer, grams	94.8	94.9	-0.1%	96.4	99.1	-2.7%

1) Figures given in percentage points

AIRCRAFT FLEET

THE SAS AIRCRAFT FLEET AT OCTOBER 31, 2017

Aircraft in service under SAS's (SK) own traffic license	Age	Owned	Leased	Total	On purchase order	On lease order
Airbus A330/A340/A350	12.4	10	6	16	8	
Airbus A319/A320/A321	8.5	9	27	36	18	
Boeing 737 NG	14.3	24	49	73		
Total	**12.4**	**43**	**82**	**125**	**26**	

Aircraft in service under a traffic license other than SAS's (SK)	Age	Owned	Wet-leased	Total		On wet lease order
Bombardier CRJ900	2.8		24	24		5
ATR-72	2.6		9	9		
Total	**2.7**	**0**	**33**	**33**		**5**

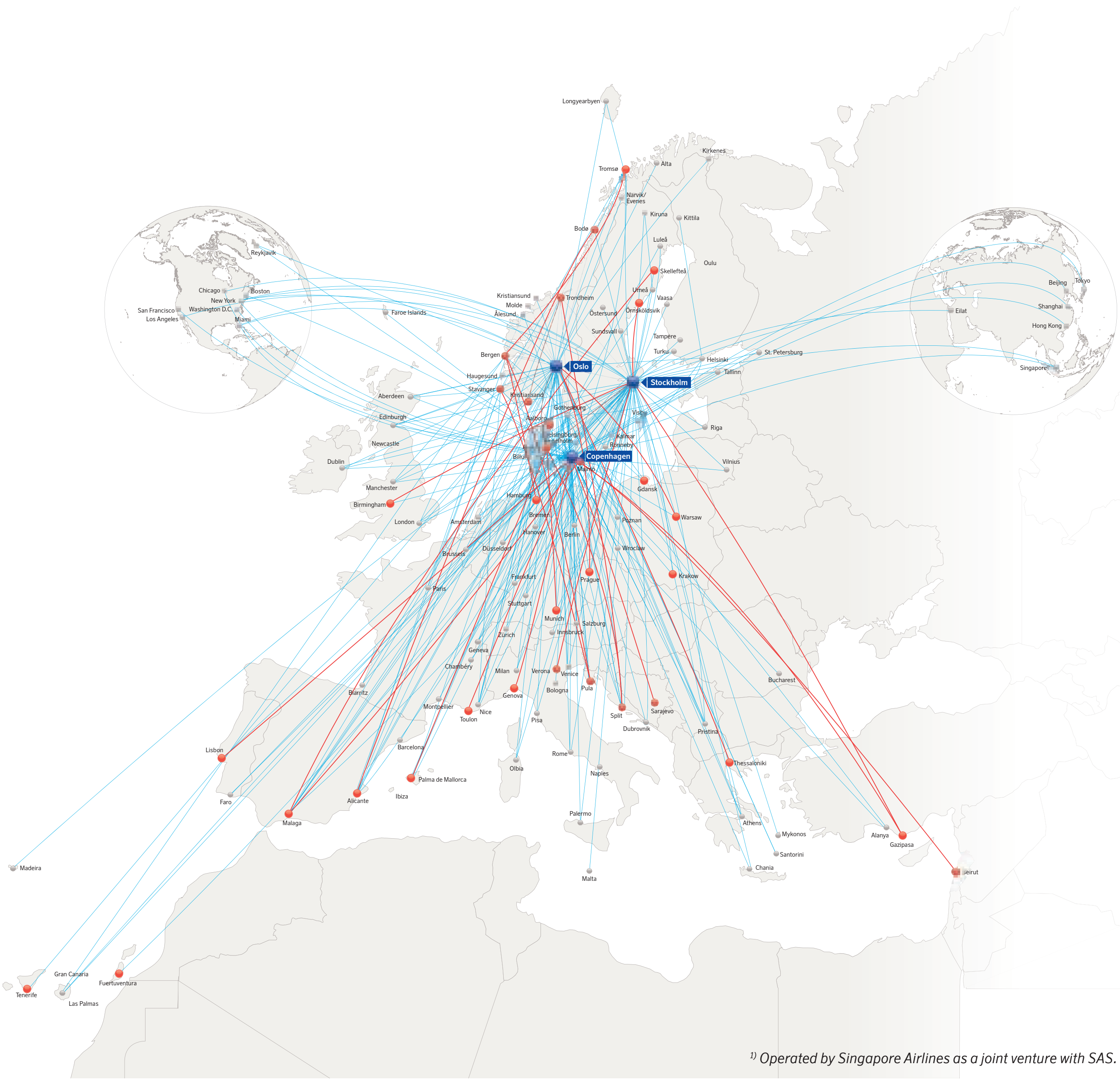
Total SAS in-service aircraft fleet	Age	Owned	Leased	Total	On purchase order	On wet lease order
Total	**10.4**	**43**	**115**	**158**	**26**	**5**

Aircraft to be phased out	Age	Owned	Leased	Total	Leased out	Parked
Bombardier Q400	9.8		1	1	1	
Total	**9.8**	**0**	**1**	**1**	**1**	**0**

Aircraft on firm order 2017–2021 at October 31, 2017	2017/2018	2018/2019	2019/2020	2020/2021
Airbus A320neo	11	7		
Airbus A350			3	5

SAS DESTINATIONS

— Existing routes — New routes for 2018



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

DEFINITIONS & CONCEPTS

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

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

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

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

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

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

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

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

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

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

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

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

EBIT — Operating income.

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.

EBIT margin — EBIT divided by revenue.

EBITDA margin — EBITDA divided by revenue.

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

EBITDAR margin — EBITDAR divided by revenue.

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

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

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

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

FTE — Full-time equivalents.

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

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

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

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

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

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

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

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

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

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

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

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

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

Yield — Passenger revenue divided by RPK (scheduled).

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

SAS is Scandinavia's leading airline and has an attractive offering to frequent travelers. SAS offered 817 flights daily in 2016/2017 and more than 30 million passengers traveled with SAS to 123 destinations in Europe, the US and Asia. Membership in Star Alliance™ provides SAS's customers with access to a far-reaching network and smooth connections.

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

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

SIGNIFICANT EVENTS

FIRST QUARTER 2016/2017
- SAS sold its subsidiary Cimber to CityJet and signed an agreement for the sale of eleven CRJ900s as part of SAS's strategy to let smaller traffic streams and regional traffic be handled by partners.
- SAS signed agreements for the financing of 18 Airbus A320neos through sale and leaseback.
- SAS contracted the financing of two Boeing 737s and four Airbus A319s until 2018 through a MUSD 75 credit facility.

SECOND QUARTER 2016/2017
- SAS decided to supplement its production in Scandinavia with bases in London and Spain and to establish a new air operator certificate (AOC) in Ireland.
- The AGM resolved to pay a maximum dividend to preference shareholders over the period until the next AGM of SEK 50 per preference share. The AGM resolved not to pay a dividend to holders of common shares for the 2015/2016 fiscal year. The AGM also resolved to re-elect the Board.
- The European Commission revised its earlier decision and once again fined ten airlines for alleged breaches of competition rules during the 1999–2006 period. SAS was ordered to pay a fine of MEUR 70.2, the same amount that was repaid by the European Commission in 2016.
- SAS sold two slot pairs at London Heathrow, which resulted in a positive earnings impact of MUSD 75.
- SAS completed the financing of seven Boeing 737s valued at MUSD 101. The transaction had no earnings impact.

THIRD QUARTER 2016/2017
- SAS decided to double its target for efficiency measures to SEK 3 billion, with effect in the 2017–2020 period, and to focus on new growth initiatives.
- A new internal organization was established on July 1, 2017 and Annelie Nässén joined SAS Group Management as the new Sales and Marketing Director.

FOURTH QUARTER 2016/2017
- In connection with negotiations over new collective agreements for the pilots, traffic was affected to a limited extent by the associations in Norway putting a small number of pilots on strike in mid-September.
- SAS signed three-year collective agreements with all pilot associations.
- SAS and Apollo extended their collaboration regarding charter flights in Europe. The agreement, which has a value of SEK 1 billion, is valid for the 2017/2018 winter and summer seasons.

EVENTS AFTER OCTOBER 31, 2017
- SAS completed a private placement of MSEK 1,270. From February 2018, SAS intends to start redeeming preference shares by using the capital raised by the new issue and profits generated by operations.
- SAS's credit rating was upgraded by Moody's and Standard & Poor's.
- SAS issued an MSEK 1,500 unsecured bond with a tenor of five years and a fixed coupon rate of 5.375%.

FINANCIAL CALENDAR

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

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

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

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

PRESS/INVESTOR RELATIONS
Telephone conference at 10:00 a.m., December 12, 2017.

This information is information that SAS AB is obliged to disclose pursuant to the EU Market Abuse Regulation and the Securities Market Act. The information was submitted through the agency of the contact person set out below for publication on December 12, 2017 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.

In the event of any differences between the English and the Swedish version of the Quarterly report, the Swedish version shall prevail.