SAS

STRONG SUMMER LIFTS EARNINGS

MAY 2017–JULY 2017

- Income before tax: MSEK 1,973 (1,036)
- Income before tax and nonrecurring items: MSEK 1,863 (1,003)
- Revenue: MSEK 12,210 (11,133)
- EBIT margin: 17.1% (10.4)
- Net income for the period: MSEK 1,535 (805)
- Earnings per common share: SEK 4.39 (2.17)
- The outlook for the full year 2016/2017 has been revised, see page 10.

NOVEMBER 2016–JULY 2017

- Income before tax: MSEK 1,068 (854)
- Income before tax and nonrecurring items: MSEK 897 (-2)
- Revenue: MSEK 31,010 (28,324)
- EBIT margin: 4.5% (4.3)
- Net income for the period: MSEK 659 (730)
- Earnings per common share: SEK 1.20 (1.42)

SIGNIFICANT EVENTS IN MAY–SEPTEMBER 2017

- SAS decided to double its target for efficiency measures to SEK 3 billion, with effect in the 2017–2020 period.
- Establishment of a new organization at SAS from July 1, 2017.
- SAS has received notice of industrial action from September 11, 2017 from the pilot associations in Norway and from September 16, 2017 in Denmark.

KEY FIGURES MAY–JULY 2017

-5.9% UNIT COST VS PRECEDING YEAR[2]

-0.4% 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

> Higher revenue resulted in a significant boost to earnings in the quarter. This is an encouraging trend that motivates our continued change efforts to meet global competition and a volatile macro environment, and to create scope for the necessary future operational investments.

Rickard Gustafson, *President and CEO*

INCOME AND KEY RATIOS

Key ratios (MSEK)	Q3	Q3	Q1–3	Q1–3	Rolling 12 months	Rolling 12 months
	May–Jul 2017	May–Jul 2016	Nov–Jul 2016–2017	Nov–Jul 2015–2016	Aug–Jul 2016–2017	Aug–Jul 2015–2016
Revenue	12,210	11,133	31,010	28,324	42,145	39,227
EBIT margin	17.1%	10.4%	4.5%	4.3%	5.0%	6.4%
Income before tax and nonrecurring items	1,863	1,003	897	-2	1,838	1,336
Income before tax, EBT	1,973	1,036	1,068	854	1,645	1,721
Net income for the period	1,535	805	659	730	1,250	1,247
Cash flow from operating activities	-27	430	1,560	2,376	2,847	3,809

	Jul 31, 2017	Oct 31, 2016	Jul 31, 2016	Jul 31, 2015
Equity/assets ratio	21%	19%	17%	21%
Adjusted financial net debt/EBITDAR, multiple	3.3x	3.2x	2.8x	4.1x
Financial preparedness	37%	41%	39%	35%
Return on invested capital, 12-month rolling	13%	12%	14%	7%
Earnings per common share (SEK), 12-month rolling	2.73	2.94	2.72	-0.67
Shareholders' equity per common share, SEK	9.21	7.12	4.48	7.95

COMMENTS BY THE CEO

SAS delivers a significant year-on-year improvement in earnings in Q3. The improvement was driven by a stronger revenue trend, positive currency effects and implemented efficiency measures. This positive trend motivates our continued extensive transformation efforts to meet global competition and a volatile macro environment, and to create scope for the necessary future operational investments.

SAS operates in a market where airline ticket demand varies substantially over the year and where the summer months play an increasingly key role in the full-year results as a result of our expanded exposure to the leisure market and long-haul routes. It is therefore crucial and satisfying that SAS can look back on a very strong summer. I would like to express my gratitude to all of SAS's employees and partners, who through their dedication, know-how and service, have helped us to conduct more than 75,000 departures, carry almost 30,000 tons of freight and welcome more than 8 million passengers on board.

Income before tax and nonrecurring items amounted to MSEK 1,863 for SAS in Q3. The year-on-year boost in earnings of 85% was driven by increased revenue as a result of more passengers and raised sales of ancillary services. Moreover, earnings were positively impacted by a weaker USD and implemented efficiency measures.

It is gratifying that our investments in continuously developing and expanding our product offering are meeting a favorable response from customers and helped to boost revenue in the quarter. In addition, freight revenue increased by more than 20%. A strong economy and cold summer weather, together with modest capacity growth in Scandinavia also aided the positive earnings trend.

However, capacity will again increase in Scandinavia and, moving forward, many of our competitors are expecting large aircraft deliveries and, in parallel, are redeploying their production to their own recently started production companies to meet market price pressure. Moreover, I view the proposed Swedish aviation tax with some concern with its attendant risk of undermining profitability and reducing the availability of travel to Sweden — for negligible environmental effects. To meet this development, in June, SAS presented three focus areas which we are now driving forward:

1) Further efficiency enhancements to core operations — SEK 3 billion in efficiency gains by 2020
2) Establish complementary bases in London and Malaga — starting at the beginning of the next fiscal year
3) Capitalize on the strong SAS brand and 5 million EuroBonus members — establish a new company to broaden the revenue base.

COMMERCIAL SUCCESSES

SAS continuously develops its offering with a focus on frequent travelers to, from and within Scandinavia. Over the last year, we have gradually adjusted our network to better adapt frequencies and destinations to customers' changing year-round demand. In the third quarter of the year, we operated more than 60 seasonal routes and are now offering many new, interesting destinations. This was very positively received by our customers. Leisure route traffic rose more than 15% and, year-on-year, almost 300,000 more passengers traveled with SAS during the quarter. The network changes have positively impacted the underlying increase in profitability.

The EuroBonus program is a key component of how we develop and strengthen our customer relationships and provides us with unique knowledge about Scandinavia's most frequent travelers. During the quarter, the number of members increased by more than 130,000. We have thus passed the five million members milestone — up more than 40% compared with three years ago. On this foundation, we are now taking the next step by establishing a new company to create innovative services for our customers aimed at further strengthening loyalty to SAS, broadening the revenue base and increasing financial transparency. Work on establishing the new operations started in the summer and I expect all the pieces to click into place within one year.

We are also continuing to develop our digital sales channels. We are however aware that the user-friendliness of our new website is less than satisfactory and we are working intensively to rectify this. The issue has also led to major challenges for our customer service with, in some cases, unacceptable response times as a consequence. We expect to shortly return to normal service levels and I would like to apologize to those customers afflicted for any inconvenience caused.

EFFICIENCY ENHANCEMENT PROGRAM

To strengthen core operations in Scandinavia and to meet increasing competition and capacity in the market, in June, SAS presented a doubling of the efficiency-enhancement measures to SEK 3 billion with effect in the 2017–2020 period. Around SEK 0.7 billion of these efficiency gains require new agreements with personnel groups. The measures aim to increase productivity and resource utilization across the organization.

The work is being driven at an intensive pace and, during the quarter, the efficiency measures generated a total earnings impact of MSEK 225. Accordingly, we are well on our way toward delivering the SEK 0.7 billion earnings impact planned for the 2016/2017 fiscal year.

In addition to streamlining core operations in Scandinavia, work is ongoing with establishing the complementary bases in London and Malaga. This is to secure the profitability of key traffic flows and actively participate in the growing market with the same preconditions as our competitors. The majority of the administration has been recruited as has some of the flight crew. Preparations are progressing as planned and the first flight is planned for the start of the next fiscal year.

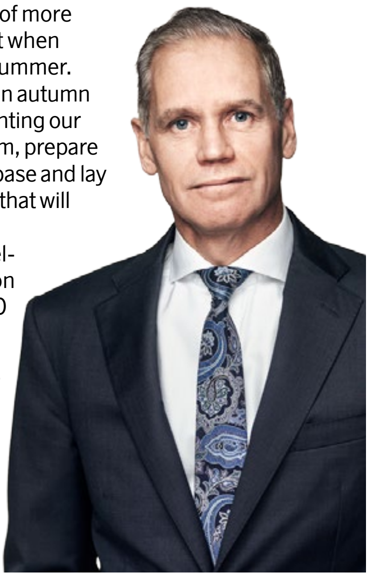
FINANCIAL POSITION AND OUTLOOK

SAS's financial position has improved over the last few years. This remains a prerequisite given ongoing and future aircraft investments, maturing loans and to enable the redemption of the preference shares. Refinancing will create the preconditions to reduce financing costs and various alternatives are actively being evaluated.

As a result of the positive third quarter trend, we are raising our forecast for the 2016/2017 fiscal year, as set out on page 10. In parallel, we are entering a period where we will see a lower cabin factor than last year. This is because we are phasing in new Airbus A320neo aircraft with up to 180 seats to replace aircraft with around 120 seats. Initially, we do not expect to fill all of these seats. However, the availability of more seats will have a positive impact when demand increases again next summer.

I am now looking forward to an autumn where we will focus on implementing our efficiency enhancement program, prepare our first flight from the London base and lay the foundation for the company that will broaden our revenue base.

Thank you for following developments at SAS and welcome on board one of our more than 800 daily flights!



Stockholm, September 5, 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% from November 2016 to July 2017.

Capacity growth was largest on routes between Scandinavia and Europe and was equally divided between network airlines and low cost carriers (LCCs). At the same time, the total number of passengers rose almost 5%. In the third quarter, the number of passengers rose slightly more than 4.5% and capacity increased around 3.5%. In the forthcoming six-month period, the number of offered seats in the Scandinavian market is expected to increase at a higher pace.

In Q3 2016/2017, SAS's scheduled traffic, RPK, increased 6.9%. The increase was mainly attributable to SAS opening a new intercontinental destination (Miami) compared with last year. Furthermore, SAS increased production of routes to southern Europe, which also contributed to SAS's traffic growth. Demand in the Swedish market was generally strong. The Norwegian and Danish markets also posted positive growth.

Year-on-year, the currency-adjusted unit revenue (PASK) declined 3.2% in the November 2016 to July 2017 period, and 1.3% in Q3. 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 MAY 2017–JULY 2017

Net income for the period

Operating income was MSEK 2,094 (1,158). Income before tax amounted to MSEK 1,973 (1,036) and income after tax was MSEK 1,535 (805). The tax expense totaled MSEK -438 (-231).

The exchange-rate trend had a positive impact on revenue of MSEK 247 and a negative effect on operating expenses of MSEK -37. Accordingly, the exchange-rate trend had a positive impact on operating income of MSEK 210 and, including net financial items, an impact of MSEK 231.

Revenue

Revenue totaled MSEK 12,210 (11,133), see Note 2. After adjustment for currency effects, revenue was up MSEK 830 year-on-year. Currency-adjusted passenger revenue rose 6.4%. 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 680. A lower load factor had a negative effect of MSEK -71. Revenue was negatively impacted in an amount of MSEK -48 as a result of the lower yield.

The currency-adjusted revenue from charter and cargo increased 6.6% and 19.3%, respectively. The main reason for these increases was higher volumes. Other traffic revenue (currency-adjusted) rose MSEK 76, mainly due to increased sales of ancillary services.

Other operating revenue (currency-adjusted) climbed MSEK 86, mainly due to increased sales of EuroBonus points and short-term letting of CRJ900s to CityJet.

Operational and financial expenses

Payroll expenses amounted to MSEK -2,293 (-2,275) After adjustment for currency, payroll expenses declined 1.6% year-on-year. The main reason for the reduction in payroll expenses was the sale of the subsidiary Cimber and the results of efficiency measures.

Other operating expenses amounted to MSEK -6,778 (-6,684), see Note 3. These expenses largely comprised jet fuel, which amounted to MSEK -1,824 (-1,765). Adjusted for currency, jet-fuel costs declined 1.3%. The cost was negatively impacted in an amount of MSEK -105 due to a higher oil price, while currency had a negative impact of MSEK -84. Hedge effects (including the effect of time value) had a positive impact of MSEK 233 year-on-year and volume, based on the preceding year's terms, had a negative impact on costs of MSEK -95. Handling costs (currency-adjusted) rose 2.3%. Technical maintenance costs (currency-adjusted) decreased 8.0%. This decrease was mainly attributable to SAS having high costs in the corresponding year-earlier quarter due to more extensive maintenance, provisions for return requirements on leased aircraft and changed assessments for future engine maintenance. Wet-lease costs were MSEK 98 (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 225.

Leasing costs amounted to MSEK -808 (-737). Adjusted for currency effects, leasing costs increased 4.7%.

Financial revenue and expenses amounted to MSEK -121 (-122), of which net interest expense was MSEK -129 (-113).

SAS's total capacity (ASK) increased 7.5%, primarily attributable to the increase in intercontinental traffic and leisure routes in Europe. This was the main reason for the decrease of 5.9% in the unit cost (CASK), adjusted for currency and jet fuel.

Nonrecurring items

Total nonrecurring items amounted to MSEK 110 (33) during the period. Of nonrecurring items, MSEK 110 (33) pertained to capital gains from aircraft transactions.

EARNINGS ANALYSIS NOVEMBER 2016–JULY 2017

Net income for the period

Operating income was MSEK 1,407 (1,212). Income before tax amounted to MSEK 1,068 (854) and income after tax was MSEK 659 (730). The tax expense totaled MSEK -409 (-124) 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 922 and a negative effect on operating expenses of MSEK -778. Accordingly, the exchange-rate trend had a positive impact on operating income of MSEK 144 and, including net financial items, an impact of MSEK 177.

Revenue

Revenue totaled MSEK 31,020 (28,324), see Note 2. After adjustment for currency effects, revenue was up MSEK 1,764 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 3,756. A higher load factor had a positive impact of MSEK 338. Revenue was negatively impacted in an amount of MSEK -2,958 as a result of the lower yield.

The currency-adjusted revenue from charter and cargo increased 9.6% and 14.4%, respectively. The main reason for these increases was higher volumes.

Other traffic revenue (currency-adjusted) rose MSEK 74. The increased sales of ancillary services had a positive effect on other traffic revenue.

Other operating revenue (currency-adjusted) climbed MSEK 231, mainly due to increased sales of EuroBonus points and short-term letting of CRJ900s to CityJet.

Operational and financial expenses

Payroll expenses amounted to MSEK -7,016 (-6,920) After adjustment for currency and restructuring costs, payroll expenses declined 2.3% 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 -20,071 (-17,282), 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 -5,062 (-4,490). Adjusted for currency, jet-fuel costs increased 6.7%. The cost was negatively impacted in an amount of MSEK -703 due to a higher oil price, while currency had a negative impact of MSEK -257. Hedge effects (including the effect of time value) had a positive impact of MSEK 730 year-on-year and volume, based on the preceding year's terms, had a negative impact on costs of MSEK -311. Handling costs (currency-adjusted) increased 9.6%, primarily due to the outsourcing of the line stations in Norway last year. Technical maintenance costs (currency-adjusted) decreased 2.9%. Wet-lease costs were MSEK 253 (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 545.

Leasing costs amounted to MSEK -2,342 (-2,143). Adjusted for currency effects, leasing costs increased 3.4%.

Financial revenue and expenses amounted to MSEK -340 (-359), of which net interest expense was MSEK -335 (-327).

SAS's total capacity (ASK) increased 8.9%, primarily attributable to the increase in intercontinental traffic. This contributed to a decrease of 6.2% in the unit cost (CASK) adjusted for currency and jet fuel.

Nonrecurring items

Total nonrecurring items amounted to MSEK 171 (856) during the period. Of nonrecurring items, MSEK 239 (208) 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 -23 (-11) to restructuring costs in ground operations.

BALANCE SHEET AND FINANCIAL POSITION

Assets

Intangible and tangible fixed assets decreased MSEK 861 during the first nine months of the fiscal year. Change for the period included investments of MSEK 5,560, amortization and depreciation of MSEK -1,058, divestments of MSEK -5,010, and other and currency effects of MSEK -353. Investments during the period included delivery payments for nine new Airbus A320neos that were immediately divested on the basis of sale and leaseback agreements and the acquisition of six Boeing 737s and one Airbus A340 that were previously under operating leases. Other aircraft investments comprise capitalized expenditures for engine maintenance, modifications, spare parts and advance payments to Airbus. Aside from the sale and leaseback of the nine Airbus A320neos delivered during the year, divestments also included the sale and leaseback of one Boeing 737 and a spare engine as well as the sale of nine Bombardier CRJ900s.

Financial fixed assets increased MSEK 1,215. The increase was mainly due to actuarial earnings from defined-benefit pension plans, primarily because of higher discount rates.

Current receivables decreased MSEK 811, which was mainly attributable to a decline in the value of derivatives.

Cash and cash equivalents were MSEK 8,620 (8,449) at July 31, 2017. Unutilized contracted credit facilities amounted to MSEK 2,833 (2,821). Financial preparedness was 37% (39%) of the Group's fixed costs.

Shareholders' equity and liabilities

Shareholders' equity increased by MSEK 690. The increase was due to: net income for the period of MSEK 659; dividends of MSEK -350; and the change in other comprehensive income, which comprised translation effects for foreign subsidiaries of MSEK -145, negative effects from hedging reserves of MSEK -301 and actuarial gains on defined-benefit pension plans, net of tax, of MSEK 827.

Long-term liabilities decreased MSEK 381. The change included reclassifications from and to current liabilities.

Current liabilities decreased MSEK 501. The change was due to the reclassification of long-term debt, amortization and seasonal variations in operating liabilities.

Interest-bearing liabilities

Interest-bearing liabilities declined MSEK 1,057 compared with October 31, 2016 and amounted to MSEK 8,823 on the closing date. New loans and amortization for the period were MSEK 1,915 and MSEK 2,744 respectively. The change in gross debt since October 31, 2016 included a negative trend in the market value of financial derivatives, which increased liabilities by MSEK 226. A positive effect from currency revaluations reduced liabilities by MSEK 471.

In 2014, SAS issued a convertible bond loan, which was valued at MSEK 1,511 on the closing date.

Financial net debt/receivables

Net financial receivables increased MSEK 1,059 compared with October 31, 2016 and amounted to MSEK 2,225 on the closing date. The increase was mainly due to positive cash flow from operating activities.

Gearing

At July 31, 2017, the equity/assets ratio was 21%, up 2 percentage points since December 31, 2016. The improvement was attributable to the increase in shareholders' equity from positive earnings and other comprehensive income.

The adjusted financial net debt/EBITDAR ratio rose marginally to a multiple of 3.3. At October 31, it was a multiple of 3.2.

For the balance sheet — refer to page 12.

CASH-FLOW STATEMENT

Cash flow for the first nine months of the year was MSEK 252 (250). Cash and cash equivalents amounted to MSEK 8,620 according to the balance sheet, compared with MSEK 8,370 at October 31, 2016.

Cash flow from operating activities

For the first nine months of the fiscal year, cash flow from operating activities before changes in working capital amounted to MSEK 1,269 (1,662). The third quarter adjustment for other items primarily pertained to the MSEK 672 fine for breaches of air cargo competition rules that the European Commission has once again imposed on SAS and which was paid in June.

The accumulated change in working capital was MSEK 291 (714), down slightly more than MSEK 400 year-on-year. This was mainly attributable to the seasonal decline in the unearned transportation revenue liability in the summer months as a result of the greater share of leisure travel, which was larger this year than last year.

Investing activities
Investments totaled MSEK 5,560 (4,189) of which MSEK 5,467 (3,987) pertained to aircraft. These included delivery payments for nine new Airbus A320neos that were immediately divested on the basis of sale and leaseback agreements and the purchase of six Boeing 737s and one Airbus A340 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 nine Airbus A320neos and one spare engine acquired during the period and one Boeing 737. Moreover, nine 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
Cash flow before financing activities was MSEK 1,883 (1,008).

New loans for the period amounted to MSEK 1,915 (635), while repayments totaled MSEK 2,744 (903). In addition, cash flow from financing activities was negatively impacted by financial derivatives and increased deposits for aircraft and pensions in blocked accounts.

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 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. We 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, we updated the 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.

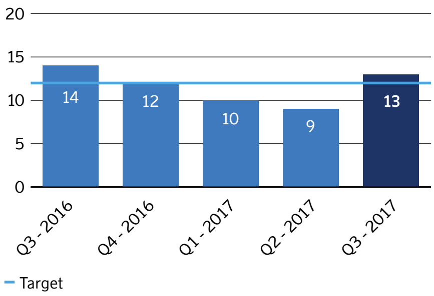
In June 2017, SAS also raised the financial preparedness target from 20% to 25% of annual fixed costs. The reason for the above is SAS's increased production on long-haul routes and leisure routes, where the proportion of advance bookings is larger. This leads to an increase in obligations to customers 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. However, the aim is to reach the targets in a medium-term horizon. The targets depend on the structural measures being fully implemented. In conjunction with the transition to IFRS 16 from 2019, 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 JULY 31, 2017
- SAS has received notice of industrial action from September 11, 2017 from the pilot associations in Norway and from September 16, 2017 in Denmark.

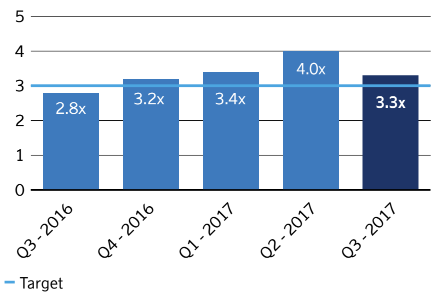
RETURN ON INVESTED CAPITAL (ROIC)
SAS has a target for the return on invested capital (ROIC) to exceed 12% measured over a business cycle. Over the last 12 months up until the third quarter, ROIC was 13%.

ROIC, 12-MONTH ROLLING, %



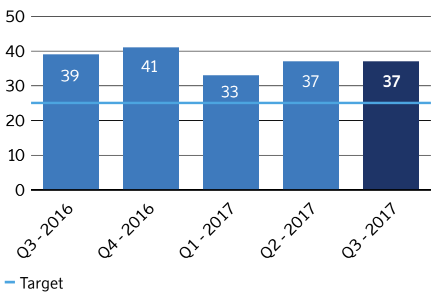
ADJUSTED FINANCIAL NET DEBT/EBITDAR, MULTIPLE
SAS has a target for the adjusted financial net debt/EBITDAR ratio to be a multiple of less than three. At July 31, the ratio was 3.3x.

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 July 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 Q3 FY17 VS Q3 FY16	EUROBONUS MEMBERSHIP TREND Q3 FY17 VS Q3 FY16	SAS PLUS AND BUSINESS REVENUE Q3 FY17 VS Q3 FY16
+4%	+11%	+7%

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.

Digitalization is a key element of the strategy and entails possibilities to simplify processes for the customer, to offer time-saving services as well as to enhance the efficiency of our internal processes. We are therefore investing in an upgrade of our IT platform, which aims to enhance the customer experience and manage the lower unit revenue trend. By developing new ancillary services, we can offer a more clearly differentiated product and a more tailored offering. SAS's new website and app will continue to be developed and will comprise key sales channels for the above.

At the start of 2016/2017, SAS launched the new website in the Scandinavian market. It is based on a modern IT platform, which is a precondition for the development of new services and customer enhancements. However, the user-friendliness of the new website is as yet less than satisfactory and we are working intensively to rectify this based on customer feedback. The new platform enables us, for example, to more simply and rapidly add new services and products that are in demand by our customers. In late spring, we also changed the IT platform for our EuroBonus program, which will allow us to further expand the program and launch improvements for our customers.

EuroBonus, which celebrated 25 years in spring 2017, is at the core of strengthening relationships and loyalty between SAS and its customers. The loyalty program now has more than 5 million members and the number of members increased by more than 130,000 in the third quarter. EuroBonus provides us with unique knowledge about our customers' travel patterns and their wishes — areas we intend to become even better at meeting.

Over the last few years, we have increasingly made seasonal adaptations to our network in line with customers' changed travel patterns. This was illustrated during the quarter by our substantial production increase in leisure routes, primarily to Southern Europe. The capacity of our leisure routes was almost twice as high in July than for an average month in the second quarter. This is appreciated by our customers and in the third quarter, there was a 15% year-on-year increase in passenger numbers on our seasonal routes. We achieved this through increased productivity and redeployment of the larger aircraft, from Scandinavia to leisure destinations, where demand was greatest. Our wet-lease production means we were also able to maintain our frequencies in Scandinavia.

As part of efforts to improve the travel experience, we are investing in our aircraft fleet. In Q3 2016/2017, four Airbus A320neos were delivered. We will also upgrade our existing aircraft with new cabin interiors and the first aircraft with high-speed Wi-Fi will enter service in the autumn.

In May 2017, to meet the wishes of our primary target group, we launched New Nordic by SAS, a new innovative concept for food and drink where we focus on functionality and locally produced high quality ingredients as well as on more and improved choices. The concept has been created in consultation with SAS's customers and cabin crew, and was well received.

We have also invested over the last few years in SAS lounges in Stockholm, Gothenburg and Oslo to further adapt the customer offering and increase its relevance for our passengers. As a continuation of the above, we are now focusing on international lounges and, in summer 2017, expanded and improved the SAS lounge in New York. The lounges in Chicago and Paris will also be enhanced.

Investments in the customer offering are appreciated by customers and SAS has also 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."

New growth initiatives

EuroBonus provides us with unique knowledge about Scandinavia's most frequent travelers and their preferences. The last few years' investments in our customer offering and EuroBonus improvements have contributed to the 1.5 million increase in the number of program members over the last two years and we now have five million members.

In the third quarter, we initiated work on establishing a new company, which will develop new services and create new growth initiatives and shareholder value. Work started in the summer and we expect all the pieces to click into place within one year. The aim of the new company is to:

- *Strengthen core operations:* Based on the five million members of EuroBonus, we will use CRM and big data analyses to create offerings that, together with new partners, broaden and strengthen loyalty to SAS.
- *Create new growth initiatives:* We will increase revenue by continuing the development of existing business models, including more credit cards linked to EuroBonus and other partnerships. Through new business models based on the sale of EuroBonus points and differing forms of commission, we can broaden our offering to include package holidays, conferences and other types of experience.
- *Increase financial transparency:* The new independent company will demonstrate the value of the loyalty program and our customer data.

Moving forward, we aim to considerably increase our other customer revenue.

CREATE AN EFFICIENT OPERATING PLATFORM

PRODUCTIVITY: AIRCRAFT Q3 FY17 VS Q3 FY16	PRODUCTIVITY: PILOTS Q3 FY17 VS Q3 FY16	PRODUCTIVITY: CABIN CREW Q3 FY17 VS Q3 FY16
+4%	+4%	+8%

SAS works continuously to enhance the efficiency of the operational platform and in the 2013–2016 period improved operational efficiency by SEK 4.3 billion. In the third quarter of 2016/2017, the earnings impact from efficiency enhancements was MSEK 225 and contributed to a 5.9% fall in the currency-adjusted unit cost, excluding jet fuel. Aircraft productivity continued to rise as a result of increased production on long-haul routes and European leisure routes. Following a decline in flight crew productivity in winter 2016/2017, as planned, pilot and cabin crew productivity improved year-on-year in Q3, mainly due to flying longer distances.

Operating environment

The airline industry is undergoing changes that continuously 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 airlines redeploying their production to their own start-up production companies — not just in Europe — but also on intercontinental routes. Moreover, personnel are increasingly sourced from manning companies with the aim of creating more flexible production. Many network airlines are also simplifying their core offering and lowering prices even further, at the same time as customers are being offered more ancillary services. Together, this indicates that pressure on yield will continue.

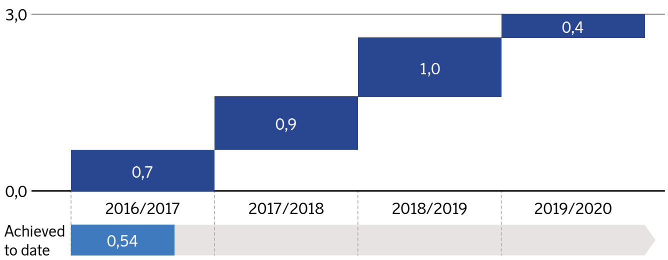
In addition, Norway introduced a national aviation tax in 2016 and the introduction of a similar tax has been proposed in Sweden. These will generate marginal environmental effects but threaten to undermine profitability, since the intense competition in the industry means the airlines will have to absorb 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 our operating environment. We have identified a total of more than 200 new initiatives that together mean we can realize efficiency gains of SEK 3 billion for SAS, with effect in the 2017–2020 period. The actions are measured in gross amounts and before inflation effects. Around SEK 0.7 billion of these gains require changed agreements with personnel groups. Several of the initiatives also depend on changed agreements with suppliers. These 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	190
Ground Handling & technical maintenance	900	180
Commercial functions	500	35
Administration, Facility, Support and IT	400	140

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 and by reducing staffing on our charter and long-haul flights. 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. The rollout of iPads to flight crew 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. We will achieve efficiency enhancements in technical maintenance by implementing Lean across the technical areas, which will generate productivity and quality improvements. In addition, we will change scheduling and renegotiate sub-contractor agreements for heavy maintenance, including engine maintenance. A changed and centralized organization will enable us to achieve synergies between countries and thereby reduce administrative technical resources.

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. SAS Go Light will also be expanded to more markets to strengthen competitiveness in the lower price segment. 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. We will also streamline the back office and customer center functions.

Administration, Facility, Support and IT. We will 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 225 in the quarter:

- Outsourcing of Cimber to CityJet.
- 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.
- New agreement covering property-related services.
- Improved planning at Ground Handling, whereby individual employees perform more duties.
- Optimization of engine maintenance.

Restructuring costs

The efficiency program is expected to result in restructuring costs and non-recurring items amounting to about SEK 1 billion in the 2017–2019 period. The restructuring costs relate to personnel, organizational changes in the administration and the termination of property agreements. Other non-recurring expenses mainly relate to the 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 a 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 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, in January 2017, SAS decided to establish a new air operator certificate (AOC) in Ireland. We have decided to establish bases in London and Malaga, where a total of nine Airbus A320neos will be deployed, starting in the 2017–2018 period.

The bases will complement our production in Scandinavia, which will continue to account for the main share of our business. We have now established a structure for SAS Ireland, applied for a new AOC in Ireland and recruited the management team for the airline. In Q3, we also recruited most of the administrative staff and some of the flight crew. The first flight is planned for the start of the next fiscal year.

Start-up costs for the new AOC and the new bases are expected to impact earnings to begin with and have been very low to date. Initially, the financial effects from operations at these bases will be 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 Q3 FY17 VS Q3 FY16	EMPLOYEES Q3 FY17 VS Q3 FY16	CARBON DIOXIDE/ PASSENGER KILOMETER Q3 FY17 VS Q3 FY16
-6%	-4%	-1%

New organization

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;
- to increase internal transparency and ownership; and
- to create the preconditions for identifying new growth initiatives and broadening the revenue base.

In the new organization, the commercial organization will be split into two parts: Product, Network & Revenue will develop and maintain our products and network, while Sales & Marketing will optimize sales. In Operations, which delivers SAS's products, a clearer division will be made between the various production platforms to ensure that production units are measured in an equivalent manner. IT and digital development will be merged into one unit with overall responsibility for SAS to secure the necessary preconditions for initiatives/projects that depend on IT and digitalization. We are also establishing a new independent company, currently named SAS Growth Initiatives, with a focus on strengthening loyalty to SAS and creating new growth initiatives based on the strong SAS brand and EuroBonus.

As a result of the new organization, changes have been made in SAS Group Management. On July 1, 2017, Annelie Nässén took up her position as the new Executive Vice President for Sales & Marketing and Karl Sandlund started as Executive Vice President for Product, Network & Revenue. As Executive Vice President & CEO, Eivind Roald is leading efforts to establish SAS Growth Initiatives and is tasked with creating new revenue streams and new partnerships that will strengthen SAS's core operations. The intent is to establish operations in a separate company to create financial transparency.

Change management and leadership

SAS is now in the implementation phase of the efficiency enhancement program, which requires considerable effort across the entire organization. Success will require structured change management and a leadership that targets the full range of stakeholders, including employees, trade unions and suppliers.

To ensure the implementation of the structural measures and to build the right foundation for the future, in a continuously changing world, we will focus on the following:

- *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*. Establish the new organization structure and 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 performance management culture that helps increase employee motivation and commitment.

The annual SAS People Review process was completed in the quarter and presented to the Board.

Sustainability

The priority for the sustainability area is the transition to lower greenhouse gas emissions. In the November 2016–July 2017 period, CO_2 emissions per passenger kilometer were reduced by 3.9% year-on-year. The improvement can be traced to the ongoing renewal of the aircraft fleet, active efficiency enhancement efforts in daily operations within the ISO14001 framework for the certified environmental management system and a higher load factor.

By July 31, 2017, SAS put ten Airbus A320neos into service to replace older aircraft. The Airbus 320neo has CO_2 emissions per passenger kilometer that are around 18% lower than a comparable previous generation aircraft. The aircraft also generates significantly less noise than the aircraft it is replacing. An analysis of SAS Airbus 320neo CO_2 emissions per passenger kilometer noted that emissions amounted to 60 gram in July 2017. This was the lowest monthly result ever for SAS from a single aircraft type.

During the period, SAS has also added biofuel to fuel for flights from Oslo and Arlanda. At present the offering is limited. SAS actively promotes more rapid commercialization and creating the preconditions to allow upgrading one's flight from jet fuel to biofuel.

SAS has a long-term target of reducing CO_2 emissions per passenger kilometer by 20% between 2010 and 2020. At the end of Q3 (rolling 12 months), CO_2 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 July 31, 2017, the hedging of SAS's future jet-fuel consumption for the remainder of the fiscal year was conducted through a combination of swaps and capped options. The hedging ratio for the next 12 months amounts to 52% and no hedges were undertaken for the next six-month period. Under current plans for flight capacity, the cost of jet fuel during the 2016/2017 fiscal year is expected to be in line with the table below, taking into account different fuel prices and USD rates and including jet-fuel hedging.

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

For foreign currency, the policy is to hedge 40–80%. At July 31, 2017, SAS had hedged 59% 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, 60% was hedged for the next 12 months. Based on the currency exposure for 2015/2016, a weakening of the NOK against the SEK of 1% would generate a negative earnings impact of MSEK 65, excluding hedge effects. A weakening of the USD against the SEK of 1% would generate a positive earnings impact of MSEK 100, excluding hedge effects.

Hedging of jet fuel at July 31, 2017

Hedge level (max price)	Aug-Oct 2017	Nov 2017 –Jan 2018	Feb–Apr 2018	May–July 2018
USD 480-510/tonne	95%	67%	45%	0%

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

	Exchange rate SEK/USD			
Market price	7.00	8.00	9.00	10.00
USD 300/tonne	6.4	6.6	6.7	6.9
USD 400/tonne	6.4	6.6	6.8	7.0
USD 600/tonne	6.6	6.8	7.0	7.2
USD 800/tonne	6.6	6.8	7.1	7.3
USD 1,000/tonne	6.6	6.9	7.1	7.3

1) SAS's current hedging contracts for jet fuel at July 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 force and the MEUR 70.2 fine was repaid to SAS at the beginning of March 2016, and was recognized as a nonrecurring item in Q2 of the 2015/2016 fiscal year. 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 from 1999–2006. The fine of MEUR 70.2 was the same as that imposed under the 2010 decision. The fine was recognized as a nonrecurring item by SAS in its Q2 earnings for the 2016/2017 fiscal year. SAS has appealed the European Commission's decision. The appeal process could take several years.

As a consequence of the European Commission's decision in the cargo investigation in November 2010 and the renewal of that decision in March 2017, SAS and other airlines fined by the Commission are involved in various civil lawsuits initiated by cargo customers in countries including the UK, the Netherlands and Norway. SAS contests its responsibility in all of these legal processes. Unfavorable outcomes in these disputes could have a significantly negative financial impact on SAS. Further lawsuits by cargo customers cannot be ruled out. No provisions have been made.

A group of former Braathens cabin crew have, through the Parat trade union, initiated a legal process against SAS at a general court in Norway with a claim for correction of a work time factor (part-time percentage) in the calculation of pension rights in the occupational pension plan in accordance with the Norwegian Occupational Pensions Act. The lawsuit contains no specified demand for compensation. SAS contests the claim. SAS won the initial case, however the judgment has been appealed by the counterparty and is expected to be heard in the next instance in 2017. The financial exposure is difficult to quantify, but SAS considers the risk of a negative outcome to be limited and no provisions have been made.

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

On February 20, 2017, SAS has together with the International Air Transport Association (IATA) filed a complaint with the Danish Transport, Construction and Housing Authority about excessively high fees at Copenhagen Airport, and demanded a reduction in fees. The position taken by SAS and the IATA is supported by the Danish government's aviation strategy, which was presented in summer 2017. The parties have corresponded through spring and summer 2017 and the case is expected to be decided in March 2018.

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 2016/2017

Uncertainty in the macro environment remains considerable with volatile exchange rates and jet-fuel prices, and national aviation taxes are being considered. A strong economy together with modest capacity growth in Scandinavia over the spring and summer also aided the positive earnings trend and the underlying positive trend in unit revenue in Q3.

The increase in market capacity is once again expected to accelerate in autumn and winter 2017. In parallel, SAS is entering a period where we will see a lower load factor than last year. This is partly because we are phasing in Airbus A320neo aircraft with up to 180 seats to replace aircraft with around 120 seats. Initially, we do not expect to fill all of these new seats. However, the availability of more seats will have a positive impact when demand increases again next summer.

To meet the increase in market capacity and the market's long-term yield pressure trend, SAS is endeavoring to strengthen competitiveness by further increasing the production platform's efficiency and flexibility.

To sum up, SAS is raising its forecasts in the outlook for 2016/2017 as follows:

SAS expects income before tax and nonrecurring items for the 2016/2017 fiscal year to be higher than for the last fiscal year. The outlook is based on no unexpected events occurring.

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

CAPACITY OUTLOOK FOR 2017/2018

SAS has an indicative plan to increase capacity (ASK) in 2017/2018 by around 1–3%, primarily as a result of increased capacity on longer, European routes and the fact that the Airbus A320neo has more seats than the aircraft it will be replacing. The increase in the number of seats offered is expected to be 0–2%.

THE OUTLOOK IS BASED ON THE FOLLOWING PRECONDITIONS AT JULY 31, 2017:

- SAS's scheduled capacity growth (ASK) in 2016/2017 will be lower year-on-year and amount to around 8%. Growth will be greatest on the intercontinental routes and on the European leisure routes. The number of flights is expected to increase by about 1%.
- A lower PASK in 2016/2017 compared with 2015/2016 as a result of longer average flight distances and continued underlying yield pressure.
- A lower unit cost through intense focus on efficiency measures, which in 2016/2017 are expected to generate effects of about SEK 0.7 billion.
- Net investment is expected to be almost zero in 2016/2017. The downward adjustment compared with the previous outlook was mainly attributable to the transfer of two slot pairs at London Heathrow. In addition, a major engine maintenance program will be implemented in 2016/2017 and 2017/2018 and a provision has already been made for most of these costs.
- No industrial action by the pilot associations with material financial effects.

STATEMENT OF INCOME

STATEMENT OF INCOME INCLUDING STATEMENT OF OTHER COMPREHENSIVE INCOME

MSEK	Note	Q3	Q3	Q1–3	Q1–3	Rolling 12 months	Rolling 12 months
		May–Jul 2017	May–Jul 2016	Nov–Jul 2016–2017	Nov–Jul 2015–2016	Aug–Jul 2016–2017	Aug–Jul 2015–2016
Revenue	2	12,210	11,133	31,010	28,324	42,145	39,227
Payroll expenses[1]		-2,293	-2,275	-7,016	-6,920	-9,201	-9,239
Other operating expenses[2]	3	-6,778	-6,684	-20,071	-17,282	-27,341	-23,534
Leasing costs for aircraft		-808	-737	-2,342	-2,143	-3,039	-2,814
Depreciation, amortization and impairment[3]		-343	-337	-1,058	-990	-1,435	-1,426
Share of income in affiliated companies		-4	25	-12	11	16	35
Income from the sale of shares in subsidiaries, affiliated companies and operations		0	0	-21	4	-32	-7
Income from the sale of aircraft, buildings and slot pairs		110	33	917	208	974	252
Operating income		**2,094**	**1,158**	**1,407**	**1,212**	**2,087**	**2,494**
Income from other securities holdings		0	0	1	1	1	-302
Financial revenue		29	20	113	74	130	105
Financial expenses		-150	-142	-453	-433	-573	-576
Income before tax		**1,973**	**1,036**	**1,068**	**854**	**1,645**	**1,721**
Tax		-438	-231	-409	-124	-395	-474
Net income for the period		**1,535**	**805**	**659**	**730**	**1,250**	**1,247**
Other comprehensive income							
Items that may later be reversed to net income:							
Exchange-rate differences in translation of foreign operations		-18	70	-145	45	22	-59
Cash-flow hedges — hedging reserve, net after tax		-102	226	-301	-293	99	-349
Items that will not be reversed to net income:							
Revaluations of defined-benefit pension plans, net after tax		-4	-626	827	-1,341	541	-1,650
Total other comprehensive income, net after tax		**-124**	**-330**	**381**	**- 1,589**	**662**	**-2,058**
Total comprehensive income		**1,411**	**475**	**1,040**	**-859**	**1,912**	**-811**
Net income for the period attributable to:							
Parent Company shareholders		1,535	805	659	730	1,250	1,247
Non-controlling interests		0	0	0	0	0	0
Earnings per common share (SEK)[4]		4.39	2.17	1.20	1.42	2.73	2.72
Earnings per common share after dilution (SEK)[4]		3.69	1.84	1.09	1.27	2.39	2.38

1) Includes restructuring costs and other nonrecurring items of MSEK 0 (0) during the May–July period, MSEK 23 (3) during the November–July period and MSEK 54 (121) during the August–July period.
2) Includes restructuring costs and other nonrecurring items of MSEK 0 (0) during the May–July period, MSEK 702 (-647) during the November–July period and MSEK 1,026 (-564) during the August–July period.
3) Includes other nonrecurring items of MSEK 0 (0) during the May–July period, MSEK 0 (0) during the November–July period and MSEK 55 (0) during the August–July 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 May–July period, 330,082,551 (329,841,984) common shares outstanding during the November–July period and 330,082,551 (329,631,488) common shares outstanding during the August–July 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	Q3	Q3	Q1–3	Q1–3	Rolling 12 months	Rolling 12 months
	May–Jul 2017	May–Jul 2016	Nov–Jul 2016–2017	Nov–Jul 2015–2016	Aug–Jul 2016–2017	Aug–Jul 2015–2016
Income before tax	1,973	1,036	1,068	854	1,645	1,721
Impairment	0	0	0	0	11	314
Restructuring costs	0	0	23	11	54	176
Capital gains/losses[1]	-110	-33	-896	-212	-953	-256
Other nonrecurring items[2]	0	0	702	-655	1,081	-619
Income before tax and nonrecurring items	**1,863**	**1,003**	**897**	**-2**	**1,838**	**1,336**

1) Includes the sale of two slot pairs at London Heathrow for MSEK 672 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.

BALANCE SHEET

CONDENSED BALANCE SHEET

MSEK	Jul 31, 2017	Oct 31, 2016	Jul 31, 2016	Jul 31, 2015
Intangible assets	1,804	1,923	1,880	1,867
Tangible fixed assets	10,453	11,195	10,160	9,482
Financial fixed assets	7,416	6,201	6,130	7,905
Total fixed assets	**19,673**	**19,319**	**18,170**	**19,254**
Other current assets	327	312	304	360
Current receivables	2,942	3,753	3,126	3,380
Cash and cash equivalents[1]	8,620	8,370	8,449	7,453
Total current assets	**11,889**	**12,435**	**11,879**	**11,193**
Total assets	**31,562**	**31,754**	**30,049**	**30,447**
Shareholders' equity[2]	6,716	6,026	5,154	6,291
Long-term liabilities	9,441	9,822	9,388	10,495
Current liabilities	15,405	15,906	15,507	13,661
Total shareholders' equity and liabilities	**31,562**	**31,754**	**30,049**	**30,447**
Shareholders' equity per common share, (SEK)[3]	9.21	7.12	4.48	7.95
Interest-bearing assets	15,075	13,661	13,659	14,475
Interest-bearing liabilities	8,823	9,880	9,921	9,763
Working capital	-12,146	-11,274	-10,985	-10,444

1) At July 31, 2017, including receivables from other financial institutions, MSEK 948 (1,436).
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, JULY 31, 2017

	According to balance sheet	Of which financial net debt
Financial fixed assets	7,416	2,027
Current receivables	2,942	401
Cash and cash equivalents	8,620	8,620
Long-term liabilities	9,441	5,368
Current liabilities	15,405	3,455
Financial net debt		-2,225

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	0	6,339
Conversion of convertible bond loan	22				2	24		24
Preference share dividend					-350	-350		-350
Comprehensive income, November–July			-293	45	-611	-859		-859
Closing balance, July 31, 2016	6,776	327	925	-241	-2,633	5,154	0	5,154
Comprehensive income, August–October			400	167	305	872		872
Closing balance, October 31, 2016	6,776	327	1,325	-74	-2,328	6,026	0	6,026
Preference share dividend					-350	-350		-350
Comprehensive income, November–July			-301	-145	1,486	1,040		1,040
Closing balance, July 31, 2017	**6,776**	**327**	**1,024**	**-219**	**-1,192**	**6,716**	**0**	**6,716**

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 loans.
3) No dividends were paid on common shares for 2015/2016.

CASH-FLOW STATEMENT

CONDENSED CASH-FLOW STATEMENT

MSEK	Q3	Q3	Q1–3	Q1–3	Rolling 12 months	Rolling 12 months
	May–Jul 2017	May–Jul 2016	Nov–Jul 2016–2017	Nov–Jul 2015–2016	Aug–Jul 2016–2017	Aug–Jul 2015–2016
Income before tax	1,973	1,036	1,068	854	1,645	1,721
Depreciation, amortization and impairment	343	337	1,058	990	1,435	1,426
Income from sale of aircraft, buildings and shares	-110	-33	-896	-212	-953	-256
Adjustment for other items not included in the cash flow, etc.	-692	16	61	30	308	404
Tax paid	-22	0	-22	0	-22	-1
Cash flow from operations before change in working capital	**1,492**	**1,356**	**1,269**	**1,662**	**2,413**	**3,294**
Change in working capital	-1,519	-926	291	714	434	515
Cash flow from operating activities	**-27**	**430**	**1,560**	**2,376**	**2,847**	**3,809**
Investments including advance payments to aircraft manufacturers	-2,128	-1,094	-5,560	-4,189	-7,331	-6,498
Acquisition of subsidiaries	0	0	0	0	0	0
Sale of subsidiaries and operations	0	0	-24	-2	-24	-2
Sale of fixed assets, etc.	2,607	153	5,907	2,823	6,431	4,872
Cash flow before financing activities	**452**	**-511**	**1,883**	**1,008**	**1,923**	**2,181**
Dividend on preference shares	-88	-88	-263	-263	-350	-350
External financing, net	-821	-75	-1,368	-495	-1,403	-832
Cash flow for the period	**-457**	**-674**	**252**	**250**	**170**	**999**
Translation difference in cash and cash equivalents	0	2	-2	1	1	-3
Change in cash and cash equivalents according to the balance sheet	**-457**	**-672**	**250**	**251**	**171**	**996**
Cash flow from operating activities per common share (SEK)	-0.08	1.30	4.73	7.20	8.63	11.56

FINANCIAL KEY RATIOS

	Jul 31, 2017	Oct 31, 2016	Jul 31, 2016	Jul 31, 2015
Return on shareholders' equity after tax, 12-month rolling	22%	24%	22%	3%
Return on invested capital, 12-month rolling	13%	12%	14%	7%
Adjusted financial net debt/EBITDAR, multiple	3.3x	3.2x	2.8x	4.1x
Financial preparedness	37%	41%	39%	35%
Equity/assets ratio	21%	19%	17%	21%
Adjusted equity/assets ratio	13%	12%	10%	13%
Financial net debt, MSEK	-2,225	-1,166	-810	-183
Debt/equity ratio	-0.33	-0.19	-0.16	-0.03
Adjusted debt/equity ratio	2.75	3.08	3.61	2.70
Interest-coverage ratio	3.9	3.6	4.0	1.2

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

	Jul 31, 2017	Oct 31, 2016	Jul 31, 2016	Jul 31, 2015
Aircraft leasing costs and revenue, 12 months	-2,960	-2,822	-2,777	-2,451
Net capitalized leasing costs, 12 months (*7)	20,720	19,754	19,439	17,157
Net capitalized leasing costs, 12 months (*7), average	20,035	18,791	18,294	15,161
Average shareholders' equity	5,791	5,434	5,551	5,208
Average financial net debt	-1,377	-439	-259	919

PARENT COMPANY SAS AB

The number of common and preference shareholders in SAS AB amounted to 60,165 at July 31, 2017. The average number of employees amounted to 4 (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	Q1–3	Q1–3
	Nov–Jul 2016–2017	Nov–Jul 2015–2016
Revenue	3	6
Payroll expenses	-26	-21
Other operating expenses	-54	-104
Operating income	**-77**	**-119**
Income from participations in Group companies	-122	0
Income from other securities holdings	1	1
Net financial items	-27	-28
Income before tax	**-225**	**-146**
Tax	23	28
Net income for the period	**-202**	**-118**
Net income for the period attributable to:		
Parent Company shareholders	-202	-118

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

CONDENSED BALANCE SHEET

MSEK	Jul 31, 2017	Oct 31, 2016	Jul 31, 2016
Financial fixed assets	14,661	14,790	14,789
Other current assets	465	769	874
Cash and cash equivalents	2	0	0
Total assets	**15,128**	**15,559**	**15,663**
Shareholders' equity	11,765	12,317	12,335
Long-term liabilities	1,532	3,010	3,002
Current liabilities	1,831	232	326
Total shareholders' equity and liabilities	**15,128**	**15,559**	**15,663**

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			-202	-202
Shareholders' equity, July 31, 2017	**6,776**	**306**	**4,683**	**11,765**

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

	Q3	Q3	Q1–3	Q1–3	Rolling 12 months	Rolling 12 months
	May–Jul 2016–2017	May–Jul 2015–2016	Nov–Jul 2016–2017	Nov–Jul 2015–2016	Aug–Jul 2016–2017	Aug–Jul 2015–2016
Passenger revenue	9,375	8,616	23,782	21,841	32,312	30,241
Charter	789	727	1,283	1,140	1,934	1,761
Freight and mail	353	288	1,099	926	1,426	1,244
Other traffic revenue	671	585	1,775	1,659	2,409	2,168
Other operating revenue	1,022	917	3,071	2,758	4,064	3,813
Total	**12,210**	**11,133**	**31,010**	**28,324**	**42,145**	**39,227**

NOTE 3 OTHER OPERATING EXPENSES

	Q3	Q3	Q1–3	Q1–3	Rolling 12 months	Rolling 12 months
	May–Jul 2016–2017	May–Jul 2015–2016	Nov–Jul 2016–2017	Nov–Jul 2015–2016	Aug–Jul 2016–2017	Aug–Jul 2015–2016
Sales and distribution costs	-608	-591	-1,762	-1,744	-2,390	-2,449
Jet fuel	-1,824	-1,765	-5,062	-4,490	-7,021	-6,254
Government user fees	-1,148	-1,090	-3,159	-2,978	-4,287	-4,096
Catering costs	-308	-274	-796	-669	-1,075	-897
Handling costs	-681	-647	-2,041	-1,795	-2,723	-2,351
Technical aircraft maintenance	-760	-799	-2,446	-2,422	-3,316	-3,318
Computer and telecommunication costs	-418	-344	-1,167	-1,005	-1,544	-1,342
Wet-lease costs	-333	-224	-805	-524	-1,018	-677
Other	-698	-950	-2,833	-1,655	-3,967	-2,150
Total	**-6,778**	**-6,684**	**-20,071**	**-17,282**	**-27,341**	**-23,534**

NOTE 4 QUARTERLY BREAKDOWN

STATEMENT OF INCOME

MSEK	2014–2015			2015–2016					2016–2017		
	Q3	Q4	Full-year	Q1	Q2	Q3	Q4	Full-year	Q1	Q2	Q3
	May–Jul	Aug–Oct	Nov–Oct	Nov–Jan	Feb–Apr	May–Jul	Aug–Oct	Nov–Oct	Nov–Jan	Feb–Apr	May–Jul
Revenue	10,973	10,903	39,650	8,275	8,916	11,133	11,135	39,459	8,957	9,843	12,210
Payroll expenses	-2,386	-2,319	-9,622	-2,334	-2,311	-2,275	-2,185	-9,105	-2,421	-2,302	-2,293
Other operating expenses	-6,503	-6,252	-24,558	-5,169	-5,429	-6,684	-7,270	-24,552	-6,105	-7,188	-6,778
Leasing costs for aircraft	-659	-671	-2,593	-700	-706	-737	-697	-2,840	-733	-801	-808
Depreciation, amortization and impairment	-343	-436	-1,466	-341	-312	-337	-377	-1,367	-327	-388	-343
Share of income in affiliated companies	25	24	37	-12	-2	25	28	39	-11	3	-4
Income from the sale of shares in subsidiaries, affiliated companies and operations	0	-11	0	0	4	0	-11	-7	-21	0	0
Income from the sale of aircraft, buildings and slot pairs	35	44	777	95	80	33	57	265	84	723	110
Operating income	**1,142**	**1,282**	**2,225**	**-186**	**240**	**1,158**	**680**	**1,892**	**-577**	**-110**	**2,094**
Income from other securities holdings	0	-303	-300	1	0	0	0	1	0	1	0
Financial revenue	30	31	124	22	32	20	17	91	41	43	29
Financial expenses	-141	-143	-632	-146	-145	-142	-120	-553	-161	-142	-150
Income before tax	**1,031**	**867**	**1,417**	**-309**	**127**	**1,036**	**577**	**1,431**	**-697**	**-208**	**1,973**
Tax	-231	-350	-461	63	44	-231	14	-110	141	-112	-438
Net income for the period	**800**	**517**	**956**	**-246**	**171**	**805**	**591**	**1,321**	**-556**	**-320**	**1,535**
Attributable to:											
Parent Company shareholders	799	517	956	-246	171	805	591	1,321	-556	-320	1,535
Non-controlling interests	1	0	0	0	0	0	0	0	0	0	0

EARNINGS-RELATED KEY RATIOS AND AVERAGE NUMBER OF EMPLOYEES

MSEK	Q1	Q1	Q2	Q2	Q3	Q3	Q4	Q4	Rolling 12 months	Rolling 12 months
	Nov–Jan 2016–2017	Nov–Jan 2015–2016	Feb–Apr 2017	Feb–Apr 2016	May–Jul 2017	May–Jul 2016	Aug–Oct 2016	Aug–Oct 2015	Aug–Jul 2016–2017	Aug–Jul 2015–2016
Revenue	8,957	8,275	9,843	8,916	12,210	11,133	11,135	10,903	42,145	39,227
EBITDAR	431	772	353	1,176	3,139	2,174	1,680	2,332	5,603	6,454
EBITDAR margin	4.8%	9.3%	3.6%	13.2%	25.7%	19.5%	15.1%	21.4%	13.3%	16.5%
EBIT	-577	-186	-110	240	2,094	1,158	680	1,282	2,087	2,494
EBIT margin	-6.4%	-2.2%	-1.1%	2.7%	17.1%	10.4%	6.1%	11.8%	5.0%	6.4%
Income before tax and nonrecurring items	-707	-404	-259	-601	1,863	1,003	941	1,338	1,838	1,336
Income before tax	-697	-309	-208	127	1,973	1,036	577	867	1,645	1,721
Net income for the period	-556	-246	-320	171	1,535	805	591	517	1,250	1,247
Earnings per common share (SEK)	-1.95	-1.01	-1.23	0.25	4.39	2.17	1.53	1.31	2.73	2.72
Cash flow before financing activities	-368	-728	1,799	2,247	452	-511	40	1,173	1,923	2,181
Average number of employees (FTE)	10,538	10,932	10,155	10,339	10,404	10,815	10,753	11,167	10,462	10,813

NOTE 5 FINANCIAL ASSETS AND LIABILITIES

FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES

	Jul 31, 2017		Oct 31, 2016	
MSEK	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets at fair value	318	318	651	651
Financial assets held for trading	6,172	6,172	5,801	5,801
Other assets	4,558	4,558	4,594	4,594
Total	**11,048**	**11,048**	**11,046**	**11,046**
Financial liabilities				
Financial liabilities at fair value	382	382	222	222
Financial liabilities held for trading	70	70	34	34
Financial liabilities at amortized cost	8,371	7,914	9,624	8,975
Total	**8,823**	**8,366**	**9,880**	**9,231**

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

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

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

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

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

FAIR VALUE HIERARCHY

	Jul 31, 2017			Oct 31, 2016		
MSEK	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial assets						
Financial assets at fair value	-	318	318	-	651	651
Financial assets held for trading	3,322	2,850	6,172	2,752	3,049	5,801
Total	**3,322**	**3,168**	**6,490**	**2,752**	**3,700**	**6,452**
Financial liabilities						
Financial liabilities at fair value	-	382	382	-	222	222
Financial liabilities held for trading	-	70	70	-	34	34
Total	**0**	**452**	**452**	**0**	**256**	**256**

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

Stockholm, September 5, 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

TRAFFIC DATA INFORMATION

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

	May–Jul 2017	May–Jul 2016	Year-on-year change	Nov–Jul 2016–2017	Nov–Jul 2015–2016	Year-on-year change
Number of passengers (000)	7,773	7,549	+3.0%	21,004	19,946	+5.3%
RPK, Revenue Passenger Kilometers (mill)	10,600	9,913	+6.9%	26,622	23,767	+12.0%
ASK, Available Seat Kilometers (mill)	13,149	12,206	+7.7%	35,553	32,656	+8.9%
Load factor	80.6%	81.2%	-0.6[1]	74.9%	72.8%	+2.1[1]
Passenger yield (currency-adjusted)	0.88	0.89	-0.5%	0.89	0.95	-5.9%
Unit revenue, PASK (currency-adjusted)	0.71	0.72	-1.3%	0.67	0.69	-3.2%

1) Figures given in percentage points

TOTAL TRAFFIC (SCHEDULED AND CHARTER TRAFFIC) FOR SAS

	May–Jul 2017	May–Jul 2016	Year-on-year change	Nov–Jul 2016–2017	Nov–Jul 2015–2016	Year-on-year change
Number of passengers (000)	8,361	8,090	+3.4%	21,890	20,754	+5.5%
RPK, Revenue Passenger Kilometers (mill)	12,113	11,315	+7.1%	29,078	25,989	+11.9%
ASK, Available Seat Kilometers (mill)	14,733	13,707	+7.5%	38,147	35,041	+8.9%
Load factor	82.2%	82.5%	-0.3[1]	76.2%	74.2%	+2.1[1]
RASK (currency-adjusted)	0.76	0.76	-0.4%	0.73	0.75	-2.8%
Unit cost (CASK), (currency-adjusted)	0.63	0.67	-6.4%	0.71	0.75	-5.5%
Unit cost (CASK) excluding jet fuel (currency-adjusted)	0.51	0.54	-5.9%	0.57	0.61	-6.2%

1) Figures given in percentage points

SCHEDULED TRAFFIC TREND FOR SAS BY ROUTE SECTOR

	May-Jul 2017 vs. May-Jul 2016		Nov–Jul 2016–2017 vs. Nov–Jul 2015–2016	
	Traffic (RPK)	Capacity (ASK)	Traffic (RPK)	Capacity (ASK)
Intercontinental	+6.5%	+8.5%	+16.7%	14.6%
Europe/Intra-Scandinavia	+7.9%	+7.9%	+11.0%	+6.6%
Domestic	+4.8%	+5.2%	+4.7%	+3.6%

SCHEDULED DESTINATIONS AND FREQUENCIES FOR SAS

	May–Jul 2017	May–Jul 2016	Year-on-year change	Nov–Jul 2016–2017	Nov–Jul 2015–2016	Year-on-year change
Number of destinations	112	113	-0.9%	119	117	+1.7%
Number of daily departures	816	808	+1.1%	802	790	+1.5%
No. of departures per destination/day	7.3	7.1	+2.0%	6.7	6.8	-0.2%

PRODUCTIVITY AND ENVIRONMENTAL EFFICIENCY

12-month rolling	July 2017	July 2016	Year-on-year change	Oct 2016	Oct 2015	Year-on-year change
Aircraft, block hours/day	9.6	9.2	+4.4%	9.3	8.8	+5.9%
Cabin crew, block hours/year	765	771	-0.7%	759	762	-0.4%
Pilots, block hours/year	682	691	-1.3%	681	688	-1.0%

Environmental efficiency	May–Jul 2017	May–Jul 2016	Year-on-year change	Nov–Jul 2016–2017	Nov–Jul 2015–2016	Year-on-year change
CO_2 emissions per passenger kilometer, grams	89.1	90.5	-1.5%	97.0	100.9	-3.9%

AIRCRAFT FLEET

THE SAS AIRCRAFT FLEET AT JULY 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	12.1	10	6	16	8	
Airbus A319/A320/A321	8.8	8	26	34	20	
Boeing 737 NG	14.0	25	51	76		
Total	**12.5**	**43**	**83**	**126**	**28**	**0**

Aircraft in service under a traffic license other than SAS's (SK)	Age	Owned	Wet-leased	Total	On wet lease order
Bombardier CRJ900	3.7	3	20	23	8
Boeing 737	11.9		1	1	
ATR-72	2.7		10	10	
Total	**3.7**	**3**	**31**	**34**	**8**

Total SAS in-service aircraft fleet	Age	Owned	Leased	Total	On purchase order	On wet lease order
Total	**10.5**	**46**	**114**	**160**	**28**	**8**

Aircraft to be phased out	Age	Owned	Leased	Total	Leased out	Parked
Bombardier Q400	9.6		1	1	1	
Total	**9.6**	**0**	**1**	**1**	**1**	**0**

Aircraft on firm order 2017–2021 at July 31, 2017	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Airbus A320neo	3	10	7		
Airbus A350				3	5

SAS DESTINATIONS

— Existing routes — New routes for 2017–2018

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

DEFINITIONS & CONCEPTS

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

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

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

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

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

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

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

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

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

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

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

EBIT — Operating income.

EBIT margin — EBIT divided by revenue.

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

EBITDA margin — EBITDA divided by revenue.

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

EBITDAR margin — EBITDAR divided by revenue.

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

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

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

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

FTE — Full-time 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.

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

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

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

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

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

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

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

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

Yield — Passenger revenue divided by RPK (scheduled).

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

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

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

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

SIGNIFICANT EVENTS

FIRST QUARTER 2016/2017

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

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 revenue streams.
- A new internal organization was established on July 1, 2017 and Annelie Nässén joined SAS Group Management as the new Sales and Marketing Director.

EVENTS AFTER JULY 31, 2017

- SAS has received notice of industrial action from September 11, 2017 from the pilot associations in Norway and from September 16, 2017 in Denmark.

FINANCIAL CALENDAR

Q4 Interim report, 2017 (August–October)	December 12, 2017
Annual Report 2016/2017	January 30, 2018
Q1 Interim report, 2018 (November–January)	February 27, 2018
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., September 5, 2017.
Investor presentation in Oslo at 12:00 noon, September 5, 2017.
Analyst meeting in Oslo at 1:15 p.m., September 5, 2017
Investor presentation in Stockholm at 8:00 a.m., September 6, 2017
Analyst meeting in London at 8:00 a.m., September 11, 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 for publication, through the agency of the contact person set out above, at 8.00 a.m. CEST on September 5, 2017.

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