

# Q3 2018

## STRONG EARNINGS IN PEAK SEASON

### MAY 2018–JULY 2018

- Revenue: MSEK 13,146 (12,210)
- Earnings before tax and nonrecurring items: MSEK 1,978 (1,863)
- EBT: MSEK 2,004 (1,973)
- Net income for the period: MSEK 1,546 (1,535)
- Return on invested capital (ROIC), LTM: 13% (13%)
- Earnings per common share SEK 3.97 (4.39)
- Outlook for 2017/2018 is upgraded to around SEK 2 billion (page 10)

### SIGNIFICANT EVENTS

- SAS completed MSEK 750 tap-issue of unsecured bonds with a yield of 4.73%.
- The Norwegian government divested its 9.9% shareholding in SAS.
- SAS and Preem signed a letter of intent to secure future production of biofuel. SAS' ambition is to only use bio jet-fuel on domestic routes by 2030.
- Operational challenges in July resulted in lower regularity and punctuality levels than SAS normal standards.

” This is one of the strongest results in SAS' history, despite increasing jet fuel costs and operational challenges. I apologize to affected passengers for any inconveniences and would like to thank our employees for their dedication to our customers.

Rickard Gustafson, *President and CEO*

### NOVEMBER 2017–JULY 2018

- Revenue: MSEK 32,040 (31,010)
- Earnings before tax and nonrecurring items: MSEK 1,285 (897)
- EBT: MSEK 1,232 (1,068)
- Net income for the period: MSEK 949 (659)
- Earnings per common share SEK 2.09 (1.20)

### KEY FIGURES MAY 2018–JULY 2018



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

### INCOME AND KEY RATIOS

Key ratios (MSEK)	Q3	Q3	Q1–3	Q1–3	Rolling 12 months	Rolling 12 months
	May–Jul 2018	May–Jul 2017	Nov–Jul 2017–2018	Nov–Jul 2016–2017	Aug–Jul 2017–2018	Aug–Jul 2016–2017
Revenue	13,146	12,210	32,040	31,010	43,684	42,145
EBIT margin	16.3%	17.1%	4.9%	4.5%	5.4%	5.0%
Earnings before tax and nonrecurring items	1,978	1,863	1,285	897	2,339	1,838
EBT	2,004	1,973	1,232	1,068	1,889	1,645
Net income for the period	1,546	1,535	949	659	1,439	1,250
Cash flow from operating activities	1,164	-27	3,714	1,560	4,597	2,847

	Jul 31, 2018	Oct 31, 2017	Jul 31, 2017	Jul 31, 2016
Equity/assets ratio	20%	25%	21%	17%
Adjusted financial net debt/EBITDAR	2.7x	3.1x	3.3x	2.8x
Financial preparedness	36%	37%	37%	39%
Return on invested capital, 12-month rolling	13%	13%	13%	14%
Earnings per common share (SEK), 12-month rolling	3.26	2.42	2.73	2.72
Shareholders' equity per common share, SEK	14.84	13.28	9.21	4.48

# COMMENTS BY THE CEO

I am pleased that a record number of passengers chose to fly with SAS resulting in one of the strongest quarterly results in the company's history. I would like to thank all our customers for their loyalty, and apologise to those who were negatively affected by traffic disturbances this summer. Earnings before tax reached SEK 2 billion in the quarter, clearly demonstrating that our strategy has strengthened our competitive position. This is important given headwinds such as the increasing jet fuel price and the weak Swedish krona.

SAS delivered one of the strongest results in SAS' history, with earnings before tax of SEK 2 billion. The underlying earnings were more than SEK 0.1 billion higher than last year despite an increase of SEK 0.5 billion in jet fuel costs as well as SEK 0.1 billion in unforeseen costs in connection with operational challenges during the summer. The positive trend in earnings is a result of successful seasonal adjustments in the network, improvements in the customer offering and further enhanced efficiency.

The customer demand peaks in the third quarter meaning that we are operating at very high capacity. Unfortunately, we have delivered lower regularity and punctuality than our normal standards, due to unforeseen operational challenges in the quarter. The operational challenges were primarily due to crew and staff shortages, technical issues, delays within European Air Traffic Control and late aircraft deliveries from Airbus. I sincerely apologize to our affected customers for any interruptions and inconveniences. We have taken a number of actions, for both the short and long term, to rectify the situation. It is encouraging that we have returned to our normal standards since the beginning of August. Despite the operational challenges, we completed more than 75,000 departures during the quarter. This would not have been possible without our professional and dedicated colleagues and partners, to whom I would like to express my sincere gratitude.

Quarterly revenue increased by 7.7% versus last year to MSEK 13,146. This was driven by MSEK 719 higher passenger revenue, as well as a continued positive trend in cargo revenue and sales of Euro-Bonus points. It is particularly satisfying that a record number of passengers chose to fly with SAS combined with an increased yield. This confirms that customers value our product and services.

We have also continued to work on our efficiency measures, that contributed to a 1.2% improvement of our year-on-year unit cost, excluding jet fuel.

However, going forward we will be challenged by a weak SEK versus the USD, higher jet fuel prices and intense competition. In order to counter these factors, SAS will continue to (i) improve the customer offering and increase seasonal adjustments, (ii) further enhance the operating model, and (iii) work toward a more environmentally-friendly and sustainable operation.

## IMPROVED CUSTOMER OFFERING AND INCREASED SEASONAL ADJUSTMENTS

We continue to develop our customer offering. In the third quarter, which is our peak season, we deployed more production than ever before. This is in contrast to the winter program when we reduced the capacity versus last year. During the third quarter the capacity



increased on both business and leisure routes. This summer, we operated about 50 seasonal routes that contributed to more than 200,000 more passengers choosing to fly with SAS compared to the same period last year.

Investments in digitalization is key to secure the best possible customer experience with SAS. In line with this strategy, we have recently completed the roll-out of our new website in all markets improving the digital customer experience. In May, we became the first Nordic airline to launch high-speed WiFi on our routes within Scandinavia and Europe. This new service has been very well received by our customers. Going forward, we will use this investment to further develop new services that will make life easier for our customers. Currently, the new high-speed WiFi has been installed on 33 aircraft and we aim to have completed installation on all Airbus A320 and Boeing 737 aircraft by this time next year.

EuroBonus is essential for developing our customer relationships. With a new digital platform in place, and following the implementation of GDPR, we are looking forward to launching new services to our EuroBonus members. For example, during the fall our members will be able to book award flights with our Star Alliance partners online. In addition, we are also working on increasing the number of partners connected to the program. This makes the program more attractive for our members as well as our partners.

Frequent travelers value smooth and efficient services on the ground. During the last years we have therefore invested in enhancing the ground experience. As a next step, we will improve the customer experience at Copenhagen airport, including upgrading our lounge as well as our service point at check-in centers.

Last but not least, we have received deliveries of 19 Airbus A320neo aircraft by the end of July 2018. These aircraft, as well as the new cabin interiors, are popular and appreciated by our customers.

#### ENHANCED OPERATING MODEL

In light of the growing demand for leisure travel and intensified competition, the continued improvement of our efficiency is necessary. We are therefore in the midst of implementing measures that will generate efficiency improvements of SEK 3 billion during 2017-2020. In the third quarter, the efficiency program generated MSEK 195 in positive earnings impact and we are on track to deliver SEK 0.7 billion during fiscal year 2017/2018. At the same time as we are implementing these measures, we must look at additional initiatives beyond 2020 when the current program will be completed. The order of 50 new Airbus A320neo aircraft will take SAS to a single-type fleet. This, combined with further digitalization, will be central to our efficiency efforts beyond 2020.

In June, SAS Ireland commenced operations at its second base in Malaga. I would like to welcome this base to the SAS family. We have created a flexible operating model by complementing SAS Scandinavia with SAS Ireland and our regional production. This model enables SAS to offer a more attractive network and timetable adapted to seasonal variations in demand. SAS Ireland also gives us the possibility to compete on highly competitive and price sensitive routes. Our regional production partners are important as we increase our seasonal adjustments and they also feed traffic into our network, allowing us to use the appropriate size of aircraft for each flight. This production strategy has been important for SAS' increased competitiveness during the past few years. For example, SAS has been able to grow its network and increase frequencies in Scandinavia and Europe. Furthermore, after struggling with profitability on European routes, this segment is now providing a positive return. Going forward, SAS will continue to develop all three platforms.

However, the operational challenges during the summer also show that complexity in our planning has increased. Although our operation is currently performing in line with our normal standards, we are evaluating our planning and processes to ensure a robust future delivery of our production.

#### CREATING A MORE ENVIRONMENTALLY-FRIENDLY AND SUSTAINABLE OPERATION

SAS has for a long time taken sustainability seriously and been at the forefront in relation to investing in a more sustainable operation. In order to make sure that SAS is prepared for the future, we will accelerate our sustainability efforts.

In April 2018, we placed an order of 50 Airbus 320neo aircraft. In addition to improving our competitiveness, these aircraft have 15-20% lower carbon emission per available seat kilometer than the Airbus A320 and Boeing 737 aircraft being replaced. These aircraft will contribute to SAS using less jet fuel in the future. In addition, nitrogen oxide emissions and noise levels will also be significantly reduced. As a result of SAS' aircraft investment and sustainability focus, it is encouraging that SAS recently was recognized as the most environmentally friendly airline among all worldwide airlines operating out of London Heathrow airport.

Biofuel can be another very important contributor to more sustainable aviation, but supply is limited. To address this, SAS is stimulating increased production by purchasing biofuel. I welcome that SAS and Preem, which runs Sweden's largest fuel refinery, in July 2018 signed a letter of intent to co-operate in securing increased production of biofuel. This will be part of Preem's plan to build a new refinery in Gothenburg with a preliminary start in 2022. This will be an important step in our efforts to reach our target of using biofuel on all domestic flights by 2030. In order to reach this target, the aviation industry will need political support to successfully make the transition into a sustainable future. As an example, competition neutral incentive schemes must be developed to stimulate production and use of biofuel. I hope to see some progress in this area soon.

#### CHANGES IN THE OWNERSHIP OF SAS

The three Scandinavian governments have been main shareholders in SAS since 1946. In June 2018, the Norwegian government sold out its remaining 9.9% holding of SAS. I would like to thank the Norwegian government for their co-operation and support over the years. In addition, I would like to make it clear that this does not in any way change SAS' strategy and focus on the Scandinavian market, including Norway.

#### FINANCIAL POSITION AND OUTLOOK

SAS' earnings during the last few years and the private placement of common shares in November has improved our financial position. This was further evidenced in June when SAS completed a tap-issue of MSEK 750 at a yield of 4.73%, the lowest yield in many years.

With the closure of the third quarter, we put behind us a nine month period that has generated a stronger result than last year. This is despite higher jet fuel prices and a weaker SEK than anticipated. However, the weaker SEK and higher jet fuel prices will add challenges in the fourth quarter and the next fiscal year. Going forward, it will be critical to offset these unfavourable trends with higher revenue and the implementation of our efficiency measures.

Nevertheless, in the light of the positive trend until July 2018, the outlook for the fiscal year 2017/2018 has been upwardly adjusted as set out on page 10.

I thank you for your interest in SAS and look forward to welcoming you aboard one of our 800 daily flights.

Rickard Gustafson,  
President and CEO  
Stockholm, 31 August 2018

# COMMENTS ON SAS' FINANCIAL STATEMENTS

## MARKET AND TRAFFIC TRENDS

Capacity in the Scandinavian market, measured in the number of seats offered, increased 3.8% in the third quarter of 2017/2018. Capacity growth was largest on routes between Scandinavia and Europe, as well as on Swedish domestic routes.

Capacity increases were driven mainly by Norwegian, Ryanair and Wizzair, which, compared with last year, increased seats by approximately 0.9 million in the third quarter. The total number of passengers in the Scandinavian market increased 4.6% in the third quarter. In the forthcoming six-month period, the number of offered seats in the Scandinavian market is expected to increase around 6%.

SAS' currency adjusted unit revenue (PASK) rose 1.2% during the third quarter of 2017/2018, positively impacted by stronger yield. Further details on the traffic trend for SAS are available on page 19.

## EARNINGS ANALYSIS MAY 2018–JULY 2018

### Net income for the period

*Operating income* amounted to MSEK 2,137 (2,094). EBT amounted to MSEK 2,004 (1,973) and income after tax was MSEK 1,546 (1,535). Tax expense was MSEK -458 (-438).

Year-on-year, the foreign exchange rates had a positive impact on revenue of MSEK 497 and a negative effect on operating expenses of MSEK 268. The foreign exchange rates thus had a positive impact on operating income of MSEK 229. Net financial items were negatively impacted by currency items amounting to MSEK 42. In total, EBT was impacted by currency effects with a net positive amount of MSEK 187.

### Revenue

*Revenue* totaled MSEK 13,146 (12,210), see Note 2. After adjustment for currency effects, revenue was up MSEK 439 year-on-year. Currency adjusted passenger revenue rose 3.3%. The increase was a result of higher scheduled capacity (ASK) which, based on the preceding year's circumstances, had a positive impact on revenue of MSEK 199. A higher load factor had a positive effect of MSEK 5. Revenue was positively impacted by an amount of MSEK 114 as a result of the higher yield.

Currency adjusted cargo revenue increased 7.9% due to higher yield. Charter revenue (currency adjusted) was 2.1% higher, mainly attributable to high capacity during the summer. Other traffic revenue (currency adjusted) rose MSEK 47, mainly as a result of higher ancillary sales and adjustments of assumptions relating to unused tickets.

Other operating revenue (currency adjusted) rose MSEK 27, primarily due to increased sales of EuroBonus points to credit card partners, and due to increased volume of handling services to other airlines.

### Operational and financial expenses

*Payroll expenses* amounted to MSEK -2,385 (-2,293). After adjustment for currency, payroll expenses declined 0.4% year-on-year. The decrease was mainly due to efficiency measures.

*Other operating expenses* amounted to MSEK -7,461 (-6,778), see Note 3. These expenses largely comprised jet fuel, which amounted to MSEK -2,348 (-1,824). Adjusted for currency, jet-fuel costs increased 26.4%. The cost was negatively impacted by an amount of MSEK 782 due to a higher jet-fuel price. Hedge effects (including the effect of time value) had a positive impact of MSEK 305 year-on-year and volume had a positive impact on costs of MSEK 10.

Handling costs (currency adjusted) decreased 3.9%. Technical maintenance costs amounted to MSEK -726 (-760). Costs in the period were lower than in the corresponding period last year, which was mainly due to changed assessments for return requirements and future engine maintenance on leased aircraft. After adjustments for currency, technical maintenance costs decreased 6.8%. Adjusted for currency effects, wet-lease costs decreased 1.4% year-on-year, mainly due to operational challenges during the summer peak sea-

son. Other operating expenses were negatively impacted by operational challenges during the summer peak season.

During the period, the ongoing efficiency program resulted in cost reductions of about MSEK 195.

*Leasing costs* amounted to MSEK -814 (-808). Adjusted for currency effects, leasing costs decreased 1.5% due to reduced payments to CityJet.

*Financial revenue and expenses* amounted to MSEK -133 (-121), of which net interest expense was MSEK -103 (-129). The new bond issued in November 2017 positively impacted net interest compared with last year, since the new bond carries a lower interest rate than the repaid loan. Interest expense was negatively affected by a tap issue in the existing bond that matures in 2022, and a weaker SEK in combination with higher USD interest rates.

### Nonrecurring items

Total nonrecurring items amounted to MSEK 26 (110) during the period, all pertaining to capital gains from aircraft transactions.

## EARNINGS ANALYSIS NOVEMBER 2017–JULY 2018

### Net income for the period

*Operating income* amounted to MSEK 1,581 (1,407). EBT amounted to MSEK 1,232 (1,068) and income after tax was MSEK 949 (659). Tax expense was MSEK -283 (-409).

Year-on-year, the exchange-rate trend had a positive impact on revenue of MSEK 278 and a positive effect on operating expenses of MSEK 7. The exchange-rate trend thus had a positive impact on operating income of MSEK 285. Net financial items were negatively impacted by currency items amounting to MSEK 37. In total EBT was impacted by currency effects with a net positive amount of MSEK 248.

### Revenue

*Revenue* totaled MSEK 32,040 (31,010), see Note 2. After adjustment for currency effects, revenue was up MSEK 752 year-on-year. Currency adjusted passenger revenue rose 1.8%. The increase was a result of higher scheduled capacity (ASK) which, based on the preceding year's circumstances, had a positive impact on revenue of MSEK 291. A lower load factor had a negative effect of MSEK 456. Revenue was positively impacted by an amount of MSEK 589 as a result of the higher yield.

Currency adjusted cargo revenue increased 10.5% primarily due to a higher yield. Charter revenue (currency adjusted) was 5.0% lower, mainly attributable to lower capacity. Other traffic revenue (currency adjusted) rose MSEK 124, primarily due to traffic revenue from other airlines (interline revenue).

Other operating revenue (currency adjusted) rose MSEK 152, mainly due to increased sales of EuroBonus points, primarily to credit card partners, and due to increased volume of handling services to other airlines.

### Operational and financial expenses

*Payroll expenses* amounted to MSEK -7,008 (-7,016). After adjustment for currency and restructuring costs, payroll expenses declined 2.2% year-on-year. The main reason for the decrease was the sale of the subsidiary Cimber, which was included in expenses in the first quarter last year, and efficiency measures.

*Other operating expenses* amounted to MSEK -20,166 (-20,071), see Note 3. These expenses largely comprised jet fuel, which amounted to MSEK -5,553 (-5,062). Adjusted for currency, jet-fuel costs increased 14.9%. The cost was negatively impacted by an amount of MSEK 1,450 due to a higher jet-fuel price. Hedge effects (including the effect of time value) had a positive impact of MSEK 642 year-on-year and volume had a positive impact on costs of MSEK 105. Handling costs (currency adjusted) decreased 4.8%. Technical main-

tenance costs amounted to MSEK -2,054 (-2,446), a decrease of 16.0%. The reduced technical maintenance costs were mainly due to changed assessments for return requirements and future engine maintenance on leased aircraft. After adjustments for currency, the decrease was 13.4%. Year-on-year, wet-lease costs were MSEK 136 (currency adjusted) higher, which was mainly due to higher volumes and the sale of the subsidiary Cimber, which was divested in the first quarter last year resulting in the corresponding production now being wet-leased. Other operating expenses were negatively impacted by currency revaluations and operational challenges during the summer peak season. In the corresponding period last year, other operating expenses were impacted negatively by MSEK 672 due to the European Commission's decision to once again fine SAS and ten other airlines for alleged breaches of air cargo competition rules in the 1999–2006 period.

During the period, implementation of the ongoing efficiency program resulted in cost reductions of about MSEK 530.

*Leasing costs* amounted to MSEK -2,339 (-2,342). Adjusted for currency effects, leasing costs increased 4.0%.

*Financial revenue and expenses* amounted to MSEK -349 (-340), of which net interest expense was MSEK -305 (-335). The new bond issued in November 2017 had a positive year-on-year impact on net interest, since the new bond carries a lower interest rate than the repaid loan. Net interest was negatively affected by a tap issue in the existing bond that matures in 2022, and a weaker SEK in combination with higher USD interest rates.

#### Nonrecurring items

Total nonrecurring items amounted to MSEK -53 (171) during the period. Of nonrecurring items, MSEK 177 (239) pertained to capital gains from aircraft transactions, MSEK -4 (-21) to the sale of the subsidiary Cimber and MSEK -226 to the restructuring of properties and personnel. In the corresponding period last year, earnings were negatively impacted by restructuring costs for personnel of MSEK 23 and a contractual settlement in cargo activities of MSEK 30. In the corresponding period last year, earnings were positively impacted by MSEK 678 pertaining to the transfer of two slot pairs at London Heathrow, and negatively by MSEK 672 due to the European Commission's decision to once again fine SAS and ten other airlines for alleged breaches of air cargo competition rules in the 1999–2006 period.

### BALANCE SHEET AND FINANCIAL POSITION JULY 2018

#### Assets

*Intangible and tangible fixed assets* increased MSEK 1,554 during the first nine months. Changes for the period included investments of MSEK 5,422, amortization and depreciation of MSEK -1,131, divestments of MSEK -2,704 and other currency effects of MSEK -34. During the period, SAS purchased one Bombardier Q400, one Airbus A319 and five Boeing 737s that were previously under operating leases. Other aircraft investments comprised capitalized expenditures for engine maintenance, modifications, spare parts and advance payments to Airbus. The amounts for investments and divestments included delivery payments for seven new Airbus A320neos that were immediately divested through sale and leaseback agreements. Since these aircraft are under operating leases, they are not included in the carrying amounts for tangible fixed assets at the end of the quarter.

*Financial fixed assets* decreased MSEK -552, mainly due to a decrease in SAS' defined-benefit pension plans.

*Current receivables* increased MSEK 53. This increase was mainly attributable to interim receivables and derivatives, partly offset by lower accounts receivable.

*Cash and cash equivalents* were MSEK 8,525 (8,620) at July 31, 2018. Unutilized contracted credit facilities amounted to MSEK 2,709 (2,833). Financial preparedness amounted to 36% (37%) of SAS' fixed costs.

#### Shareholders' equity and liabilities

*Shareholders' equity* decreased MSEK 1,279. The change includes a private placement net after transactions costs of MSEK 1,233, expected preference share dividends of MSEK -105, redemption of preference shares of MSEK -2,579 and total comprehensive income

of MSEK 172.

*Long-term liabilities* increased MSEK 1,376 and *current liabilities* increased MSEK 647. The increase in long-term liabilities was mainly due to the issue of an unsecured bond that matures in November 2022, partly offset by decrease in other long-term liabilities. The increase in current liabilities was mainly due to a higher unearned transportation revenue liability, partly offset by a decrease in other short-term liabilities.

#### Interest-bearing liabilities

Interest-bearing liabilities increased MSEK 632 compared with October 31, 2017, and amounted to MSEK 9,207 on the closing date. New loans and amortization for the period were MSEK 3,050 and MSEK 2,765 respectively. The change in gross debt since October 31, 2017 included a negative trend in the market value of financial derivatives, which increased liabilities by MSEK 70. Currency revaluations increased liabilities by MSEK 277.

In 2014, SAS issued a convertible bond, which was valued at MSEK 1,548 on the closing date.

#### Financial net debt/receivables

Net financial receivables decreased MSEK 664 compared with October 31, 2017 and amounted to MSEK 2,135 on the closing date. The decline was primarily due to the redemption of preference shares for MSEK -2,579. The decrease was partly offset by the new issue in November 2017 and positive cash flow from operating activities.

#### Gearing

At July 31, 2018, the equity/assets ratio was 20%, down 5 percentage points on October 31, 2017. The decline was primarily due to the redemption of preference shares for MSEK -2,579. The decline was partly offset by net income for the period of MSEK 949 and the new issue which, net after transaction costs, increased shareholders' equity by MSEK 1,233.

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

For the balance sheet — refer to page 12.

### CASH-FLOW STATEMENT NOVEMBER 2017–JULY 2018

Cash flow for the first nine months amounted to MSEK -313 (252).

Cash and cash equivalents amounted to MSEK 8,525 according to the balance sheet, compared with MSEK 8,836 at October 31, 2017.

#### 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 2,223 (1,269).

The change in working capital was more positive than the previous year and amounted to MSEK 1,491 (291). The positive trend was primarily attributable to increased sales and thus a larger increase in the unearned transportation revenue liability compared with the previous year.

#### Investing activities

Investments totaled MSEK 5,422 (5,560), of which MSEK 5,364 (5,467) pertained to aircraft. These include delivery payments for seven new Airbus A320neos that were immediately divested on the basis of sale and leaseback agreements. In addition, one Bombardier Q400, one Airbus A319 and five Boeing 737s were purchased that were previously on operational leases. Other aircraft investments comprised capitalized expenditures for aircraft maintenance, modifications, spare parts and advance payments to Airbus.

The divestment of fixed assets concerns the sale and leaseback of the seven Airbus A320neos acquired during the period.

#### Financing activities

New loans amounted to MSEK 3,050 (1,915), while repayments totaled MSEK 2,765 (2,744). A MSEK 1,500 bond issue was redeemed on maturity in November in parallel with the issue of a new bond for a corresponding amount but with improved terms and a maturity date in November 2022. The new bond was increased in

June with a tap issue of MSEK 750. Furthermore, cash flow from financing activities was negatively impacted by defined-benefit pension payments and payments of deposits and blocked bank funds.

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

**SEASONAL VARIATIONS**

Demand in SAS' markets, measured as revenue passenger kilometers (RPK), 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' fiscal year. However, cash flow from operating activities is seasonally weak in the first and third quarters.

**FINANCIAL TARGETS**

SAS' overriding financial goal is to create shareholder value. To reach this goal, SAS works with its customer offering, efficiency enhancements and sustainability to provide the prerequisites for long-term sustainable profitability.

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

- Return on invested capital (ROIC): exceed 12% measured over a business cycle.
- Adjusted financial net debt/EBITDAR: multiple of less than three (3x).
- Financial preparedness: cash and cash equivalents and available

credit facilities to exceed 25% of SAS' annual fixed costs.

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

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

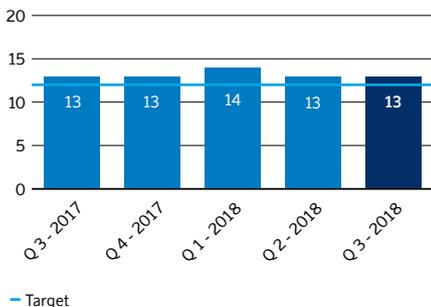
The financial preparedness target is 25% of annual fixed costs. Normally, this covers SAS' unearned transportation revenue liability and also meets regulatory requirements regarding liquidity.

Considerable uncertainty continues in the macro environment with regard to foreign exchange-rates, jet-fuel prices and changes within the European airline industry, with intensified competition. In conjunction with the transition to IFRS 16 from 2019/2020, under which the lessee recognizes an asset (the right to use an asset) and a financial liability in the balance sheet, SAS will review the targets to ensure their continued relevance.

**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 July 31, ROIC was 13%.

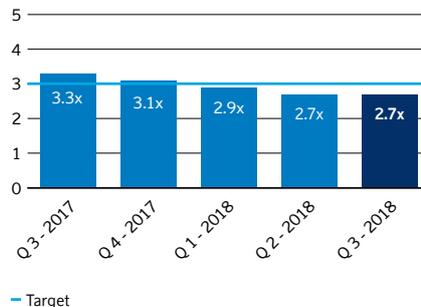
ROIC, 12-MONTH ROLLING, %



**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 a multiple of 2.7x.

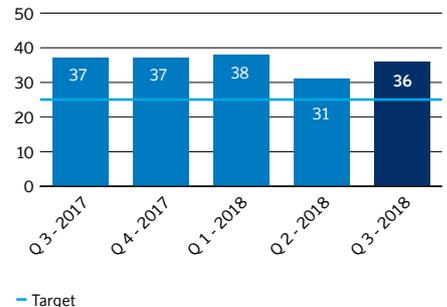
ADJUSTED FINANCIAL NET DEBT/EBITDAR, MULTIPLE



**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 36%.

FINANCIAL PREPAREDNESS, %



# SAS' STRATEGIC PRIORITIES

Competition is intensifying in the airline industry. At the same time, the operating environment is evolving and the demand for sustainable travel is increasing. To secure its long-term competitiveness, SAS is continuously developing its customer offering and streamlining its operations. SAS' investments in new and more efficient aircraft, taking the company towards a single-type fleet, is a very important step in this regard. The investments also demonstrate our efforts in reducing the environmental impact and making travel more sustainable.

## OPERATING ENVIRONMENT

The industry has been undergoing changes for a long time. Air travel is now open to most people thanks to lower prices and increased prosperity. Efficient production is a precondition for leveraging an annual traffic growth of 4–5% in Scandinavia. A common way of enhancing operational efficiency is to deploy production to subsidiary start-up companies, on both European and intercontinental routes. In addition, staff are increasingly being outsourced, to achieve more flexible production. Airlines are also simplifying their core offering and lowering prices even further, at the same time as more ancillary services are being offered. Overall, this indicates that yield pressure will continue.

At the same time as customers are increasingly demanding more environmentally-friendly air travel, the leisure and intercontinental market segments are growing. This is a substantial sustainability challenge for the entire aviation industry that calls for increased responsibility to reduce greenhouse gas emissions. This will require investments in both new technology and fuels with less environmental impact. SAS strives to be at the forefront among airlines regarding sustainability and new technology that enables lower climate-impacting emissions.

Provided SAS continues to maintain an attractive customer offering, improves its efficiency and reduces the climate-impacting emissions, there are major opportunities for leveraging market growth. This applies especially to leisure travel in Europe, where SAS currently has a low market share.

## INVESTMENTS IN THE CUSTOMER OFFERING

SAS focuses on people who travel frequently to, from and within Scandinavia. Frequent travelers are also the most demanding of a smooth travel experience and are generally very time-conscious. This is the driving force when developing our customer offering. By focusing on the most demanding customers, all customers benefit from the improved services.

With this in mind, SAS is working on the following improvements to the customer offering:

*Seasonal adjustments* – SAS is increasingly adapting the network and the timetable according to the seasonal variations in demand. As an outcome of this strategy, capacity was increased and destinations added during the summer program when demand is high. For example, SAS operated about 50 seasonal routes in the summer program 2018. When the summer season ends, SAS will adapt its network to more business oriented travel with more frequencies within Scandinavia.

*Fleet investment* – As of July, we have phased in 19 new Airbus A320neo aircraft. In April an order was placed for an additional 50 Airbus A320neo to be delivered during 2019–2023. On top of these investments, SAS is upgrading the cabin interior on existing aircraft and as of July more than 50% of the fleet has been upgraded.

*EuroBonus* – EuroBonus is essential for developing our customer relationships. Following the investment in a new digital platform and adaptation to GDPR, we now focus on developing new services that will

benefit the members of our loyalty program. We will for example make it easier to search and book EuroBonus flights with other Star Alliance members. With a new management team in place, EuroBonus will also seek to add more partners to the program.

*Fast track and lounges* – We have opened eleven fast tracks over the last five years and invested in our lounges. We are now upgrading our lounge at Copenhagen airport as well as our service point at check-in, investments that are valuable for our customers.

*Digitalization* – In May, SAS became the first airline to launch high speed WiFi in the Nordic region. The service is now available on 33 aircraft and will be installed on more aircraft every month going forward. The high-speed WiFi will allow customers on SAS' Airbus A320 and Boeing 737 flights to have access to a stable and fast internet connection, which facilitates both content streaming and work on board. The new WiFi is built on a satellite communications system and is ten times faster than the previous onboard WiFi service. The customer feedback has been overwhelmingly positive.

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

The investments in the customer offering have been met with a positive response and SAS has recently been placed at the top in several surveys. For example, SAS Plus on long-haul routes was also awarded the best Premium Economy by Global Traveler in 2018.

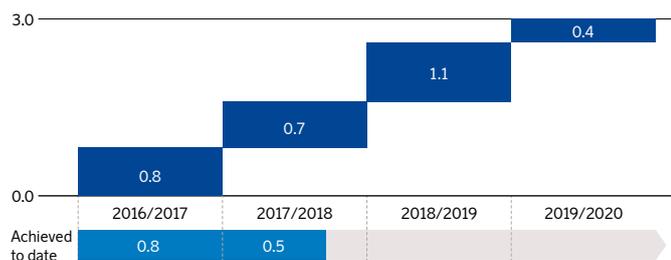
## CREATING AN EFFICIENT PRODUCTION PLATFORM

To improve SAS competitiveness, we are implementing measures to improve our efficiency. The primary focus is on our core operations based in Scandinavia. In total, this includes more than 200 initiatives that, when fully implemented by 2020, will generate SEK 3 billion in annual earnings impact (gross, before restructuring costs and inflation effects). Approximately SEK 0.7 billion of these gains require changed agreements with personnel groups. Several of the initiatives also depend on changed agreements with suppliers. The air travel market continues to change and remains challenging. This leaves no doubt as to how important a full implementation of the adopted efficiency measures is for the future of SAS. We are therefore ensuring that the earnings impact from the remaining initiatives, which have yet to be implemented, deliver as planned in 2018–2020.

During the third quarter of 2017/2018, the positive earnings impact from the efficiency measures were MSEK 195 and after the first nine months of the fiscal year the effect has been MSEK 530. This shows that SAS is on track to deliver the fiscal year's target of MSEK 700.

The market dynamics will require SAS to constantly adapt and improve the efficiency going forward and relentlessly pursuing all opportunities to increase efficiency. With the order for 50 new Airbus A320neos, we are on a path toward operating a single-type fleet by 2023. This will enable the realization of further efficiency enhancements throughout SAS.

## EARNINGS IMPACT (SEK BILLION)



### Overview of efficiency enhancement program

MSEK	Target	Realized
Flight operations, incl. wet lease, government user fees and jet fuel	1,200	525
Ground Handling & technical maintenance	900	425
Commercial functions	500	200
Administration, Facility, Support and IT	400	165
<b>Total</b>	<b>3,000</b>	<b>1,315</b>

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

Examples of measures that have generated MSEK 195 in the quarter:

- Lower airport fees especially at Copenhagen airport.
- Increased productivity and flexibility amongst flying crew.
- Reduced cost of sale.
- Optimization of engine maintenance, improved base maintenance and component agreements for Airbus A320 and A330.
- Increased digitalization of ground handling.
- Renegotiated ground handling agreements at line stations.
- New agreement covering properties and property-related services.

### Restructuring costs

The efficiency program is expected to result in restructuring costs and nonrecurring items of about SEK 1 billion in 2017–2019. As of July 31, 2018 SEK 0.5 billion in accumulated restructuring costs and impairment of IT systems has been expensed. The restructuring costs relate to personnel, organizational changes in the administration and the renegotiation and termination of property agreements.

### The operating model

SAS has during the past few years established an operating model consisting of three production platforms with SAS Scandinavia as the main platform operating out of the region, complemented by SAS Ireland and our regional production partners. Together, the three platforms enable SAS to offer a more attractive network and timetable in accordance to the seasonal variations in demand.

SAS Ireland enables SAS to compete on highly competitive price sensitive routes. On traffic flows to and from Europe, SAS' competitors almost exclusively use crew based in EU countries outside of Scandinavia, and as a result have a lower total cost for labor. To achieve profitability on key routes and to actively participate in the growing leisure market, SAS must have the same preconditions. Otherwise, SAS will be forced to reduce its production and close down routes. Therefore, in 2017 SAS Ireland was established, with its first base in London, consisting of six Airbus A320neo aircraft. A second base in Malaga will become fully operational early 2019 and use three Airbus A320neo. When the bases are fully operational, SAS Ireland is expected to have the same underlying unit cost as the closest low-cost competitors.

The regional production partners enable SAS to make greater sea-

sonal adjustments in its network through re-allocating of the regional jet aircraft in different markets. They also allow us to use the rightly sized aircraft for each departure and are important in feeding traffic into our network.

This strategy has been a critical part for SAS increased competitiveness during the past few years. For example, SAS has been able to grow its network and increase frequencies in Scandinavia and Europe. Furthermore, after struggling with profitability on European routes, this segment is now providing a positive return. Going forward, SAS will continue to develop all three platforms.

### SUSTAINABILITY

The transition to lower climate-impacting emissions is a priority in the area of sustainability. SAS has for a long time shown that it takes environmental issues seriously. Already in 1996, SAS published its first Environmental report and we have continued to disclose data in a transparent way since then. SAS endeavors to continuously decrease the climate-impacting emissions both per passenger and in total. We want to do more to make aviation more sustainable and to be able to fly with a good environmental conscience. SAS has a target to reduce its total climate impact by 25% by 2030 and all fuel consumption corresponding to all domestic production shall be flown using bio-fuel in 2030.

To achieve this, SAS is investing in new technology and aircraft. The order of an additional 50 Airbus 320neo will contribute to this target as they are 15-20% more efficient per seat kilometer than the previous generation of Airbus A320. Nitrogen oxide emissions and noise will also be significantly reduced. Due to a previously placed order, SAS has already taken deliveries of 19 Airbus A320neo.

Technological developments are crucial for reducing emissions from flights. To faster achieve a lower negative climate impact, SAS is committed to using biofuel. To stimulate production, SAS purchases about 100 tonnes of biofuel annually. However, the supply of biofuel remains severely limited. In July 2018, SAS signed a letter of intent with Preem, which runs Sweden's largest fuel refinery, to co-operate to secure increased production of biofuel. The intention is that this will result in increased supply of biofuel from 2022. However, more is needed and SAS will continue to stimulate the development of more biofuel production and further technological development toward new energy sources for aviation. The aviation industry will also need political support to successfully make the transition into a sustainable future. As an example, competition neutral incentive schemes must be developed to stimulate production and use of biofuel.

Since April 2018, SAS carbon offsets all youth tickets to secure the next generation of frequent travelers. SAS also offers passengers the possibility to voluntarily offset their flight's carbon emissions through Natural Capital Partners, which invests in energy projects that generate a compensation equal to the journey made. Other measures taken to reduce the environmental impact include the installation of new aircraft interiors, which in addition to having a more contemporary feel, are made of better material and weigh less, thus reducing fuel consumption. In parallel, SAS is working on reducing the use of resources and on more efficient on board waste handling. SAS has introduced dry washing for aircraft, which only uses 3% of the water that traditional washing practices used. Moreover, the detergents being used are biodegradable. SAS is also certified in accordance with the ISO 14001 environmental standard.

SAS efforts in relation to its sustainability has been noticed. For example, SAS has been awarded as Industry leader in the Nordics' Largest Brand Study on Sustainability. Based on more than 40,000 consumer interviews, the study maps out and analyses brands on sustainability from the consumer perspective. In addition, SAS has been recognized as the most environmentally-friendly airline among all worldwide airlines operating out of Heathrow Airport London during first quarter of 2018. This was achieved through the introduction of new aircraft with low emission and noise levels as well as SAS' work with London Heathrow to ensure a high compliance with procedures.

# 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' hedging strategy is to enable SAS to quickly leverage advantageous changes in exchange rates and fuel prices.

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

As of 31 July 2018, the hedging of SAS' future jet-fuel consumption was conducted through a combination of swaps and options. The hedging ratio for the 12-month period from August 2018 to July 2019 totaled 51% and no hedges were undertaken for the next six-month period. Under current plans for flight capacity, the cost of jet fuel during the 2017/2018 fiscal year is expected to be in line with the table below, taking into account different fuel prices and USD rates as well as including jet-fuel hedging.

For foreign currency, the policy is to hedge 40–80%. At July 31, 2018, SAS had hedged 49% 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' largest surplus currency, 70% was hedged for the next 12 months. Based on the currency exposure for 2016/2017, a weakening of the NOK against the SEK of 1% would generate a negative earnings impact of MSEK 60, excluding hedge effects. A weakening of the USD against the SEK of 1% would generate a positive earnings impact of MSEK 110, excluding hedge effects.

### Hedging of jet fuel

Hedge level (max price)	Aug–Oct 2018	Nov 2018– Jan 2019	Feb–Apr 2019	May–July 2019
USD 625/tonne	91%	-	-	-
USD 720-730/tonne	-	68%	52%	-

### Vulnerability matrix, jet-fuel cost November 2017 to October 2018, SEK billion<sup>1</sup>

Market price	Exchange rate SEK/USD			
	7	8	9	10
USD 400/tonne	7.1	7.3	7.5	7.7
USD 600/tonne	7.3	7.6	7.8	8.0
USD 800/tonne	7.4	7.7	7.9	8.2

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

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

## LEGAL ISSUES

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

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

A group of former Braathens cabin crew have, through the Parat trade union, initiated a legal process against SAS at a general court in Norway with a claim for correction of a work time factor (part-time percentage) in the calculation of pension rights in the occupational pension plan in accordance with the Norwegian Occupational Pensions Act. The lawsuit contains no specified demand for compensation. SAS contests the claim. SAS won the initial case. However, the judgement has been appealed by the counterparty. In May 2018, the parties entered into a settlement and further court proceedings were suspended.

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

# OUTLOOK

## OUTLOOK FOR 2017/2018

The total market capacity in the 2017/2018 fiscal year has accelerated compared with 2016/2017. To meet the increase in market capacity, SAS is strengthening competitiveness through efficiency enhancements and greater flexibility in its production model. In 2017/2018, efficiency measures are expected to generate an earnings impact of about SEK 0.7 billion.

Uncertainty in the macro environment remains considerable alongside a weaker SEK and rising jet-fuel prices. SAS has hedged a large share of the expected jet-fuel consumption and net deficit in USD, but despite this jet-fuel costs in 2017/2018 will be substantially higher than in the preceding year. Also, the weaker SEK in relation to the USD will result in higher operating expenditure. At the current SEK/USD exchange rate of SEK 9.1, the revaluation of the maintenance liability will have a negative impact of about SEK 0.1 billion in the fourth quarter 2017/2018. The jet fuel cost will also be SEK 0.6-0.7 billion higher than last year in the fourth quarter.

Due to a better yield/PASK development than expected, earnings for the first nine months of 2017/2018 were somewhat stronger than anticipated. As a result of the stronger earnings, and despite the negative impact from the weak SEK and higher jet fuel prices in the fourth quarter, assuming a continued positive demand during the last three months of 2017/2018, SAS is raising its forecasts in the outlook for 2017/2018 as follows:

*SAS expects to deliver earnings before tax and nonrecurring items around SEK 2 billion. The outlook is based on no unexpected events occurring.*

In the interim report November 2017-April 2018, SAS stated:  
*SAS expects to deliver earnings before tax and nonrecurring items in the interval of SEK 1.5–2.0 billion. The outlook is based on no unexpected events occurring.*

## CAPACITY AND JET FUEL COST AND OUTLOOK STATEMENT FOR 2018/2019

During the winter program from November 2018 - March 2019, the competition is expected to intensify in Scandinavia with number of seats offered expected to increase by approximately 6%.

SAS has an indicative plan to increase capacity (ASK) in 2018/2019 by around 1-3%, primarily as a result of that the Airbus A320neo has more seats than the aircraft it will be replacing.

Since the beginning of the fiscal year 2017/2018 until the end of August 2018, jet fuel prices, measured in SEK, have increased by about 25%. Due to positive hedging effects in 2017/2018 the full effect from the higher jet fuel prices have been mitigated. Based on the current capacity plan, a SEK/USD exchange rate of SEK 9 and jet fuel prices of USD 700/MT, SAS' jet fuel costs will increase in 2018/2019 to about SEK 9.5 to 10 billion. To offset this development, the implementation of SAS' efficiency measures combined with higher revenue from a higher PASK will be critical for 2018/2019.

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

- The scheduled capacity growth (ASK) for SAS in 2017/2018 is planned to increase 1–2% year-on-year.
- Continued stable macro trend and demand.
- The flight tax introduced in Sweden in April 2018.
- Average jet-fuel price, including hedging, of USD 580/tonne.
- Average SEK/USD rate, including hedging, of SEK 8.3.
- Gross investments are expected to amount to about SEK 7 billion.
- Efficiency enhancement measures are expected to generate an earnings impact of about SEK 0.7 billion.

# STATEMENT OF INCOME

## STATEMENT OF INCOME INCLUDING STATEMENT OF OTHER COMPREHENSIVE INCOME

MSEK	Note	Q3	Q3	Q1–3	Q1–3	Rolling 12 months	Rolling 12 months
		May–Jul 2018	May–Jul 2017	Nov–Jul 2017–2018	Nov–Jul 2016–2017	Aug–Jul 2017–2018	Aug–Jul 2016–2017
Revenue	2	13,146	12,210	32,040	31,010	43,684	42,145
Payroll expenses		-2,385	-2,293	-7,008	-7,016	-9,197	-9,201
Other operating expenses	3	-7,461	-6,778	-20,166	-20,071	-27,584	-27,341
Leasing costs for aircraft		-814	-808	-2,339	-2,342	-3,113	-3,039
Depreciation, amortization and impairment		-404	-343	-1,131	-1,058	-1,708	-1,435
Share of income in affiliated companies		29	-4	12	-12	28	16
Income from the sale of shares in subsidiaries, affiliated companies and operations		0	0	-4	-21	-4	-32
Income from the sale of aircraft, buildings and slot pairs		26	110	177	917	255	974
<b>EBIT</b>		<b>2,137</b>	<b>2,094</b>	<b>1,581</b>	<b>1,407</b>	<b>2,361</b>	<b>2,087</b>
Income from other securities holdings		0	0	0	1	0	1
Financial revenue		34	29	98	113	133	130
Financial expenses		-167	-150	-447	-453	-605	-573
<b>EBT</b>		<b>2,004</b>	<b>1,973</b>	<b>1,232</b>	<b>1,068</b>	<b>1,889</b>	<b>1,645</b>
Tax		-458	-438	-283	-409	-450	-395
<b>Net income for the period</b>		<b>1,546</b>	<b>1,535</b>	<b>949</b>	<b>659</b>	<b>1,439</b>	<b>1,250</b>
<b>Other comprehensive income</b>							
<i>Items that may later be reversed to net income:</i>							
Exchange-rate differences in translation of foreign operations		-32	-18	114	-145	135	22
Cash-flow hedges — hedging reserve, net after tax		-353	-102	-110	-301	338	99
<i>Items that will not be reversed to net income:</i>							
Revaluations of defined-benefit pension plans, net after tax		-385	-4	-781	827	-398	541
<b>Total other comprehensive income, net after tax</b>		<b>-770</b>	<b>-124</b>	<b>-777</b>	<b>381</b>	<b>75</b>	<b>662</b>
<b>Total comprehensive income</b>		<b>776</b>	<b>1,411</b>	<b>172</b>	<b>1,040</b>	<b>1,514</b>	<b>1,912</b>
<i>Net income for the period attributable to:</i>							
Parent Company shareholders		1,546	1,535	949	659	1,439	1,250
Non-controlling interests		0	0	0	0	0	0
Earnings per common share (SEK) <sup>1</sup>		3.97	4.39	2.09	1.20	3.26	2.73
Earnings per common share after dilution (SEK) <sup>1</sup>		3.41	3.69	1.86	1.09	2.87	2.39

1) Earnings per common share are calculated as net income for the period attributable to Parent Company shareholders less preference-share dividends in relation to 382,582,551 (330,082,551) common shares outstanding during the May–July period, 382,582,551 (330,082,551) common shares outstanding during the November–July period and 369,457,551 (330,082,551) common shares outstanding during the August–July period.

SAS has no option or share programs. Convertible bonds only have a dilution effect if conversion to common shares would result in lower earnings per share. At the balance-sheet date, there was one convertible bond of MSEK 1,574, covering 66,329,543 shares.

## EARNINGS BEFORE TAX AND NONRECURRING ITEMS

MSEK	Q3	Q3	Q1–3	Q1–3	Rolling 12 months	Rolling 12 months
	May–Jul 2018	May–Jul 2017	Nov–Jul 2017–2018	Nov–Jul 2016–2017	Aug–Jul 2017–2018	Aug–Jul 2016–2017
EBT	2,004	1,973	1,232	1,068	1,889	1,645
Impairment <sup>1</sup>	0	0	0	0	208	11
Restructuring costs <sup>2</sup>	0	0	226	23	313	54
Capital gains/losses <sup>3</sup>	-26	-110	-173	-896	-251	-953
Other nonrecurring items <sup>4</sup>	0	0	0	702	180	1,081
<b>Earnings before tax and nonrecurring items</b>	<b>1,978</b>	<b>1,863</b>	<b>1,285</b>	<b>897</b>	<b>2,339</b>	<b>1,838</b>

1) Impairment pertains to IT systems, MSEK 208 (0), and goodwill, MSEK 0 (11).

2) Restructuring costs were charged to earnings as payroll expenses of MSEK 76 (23) and property costs of MSEK 150 (0) in the November–July period. The 12-month period included payroll expenses of MSEK 127 (54) and property costs of MSEK 186 (0).

3) The capital gains include aircraft sales amounting to MSEK 26 (110) in the third quarter. The November–July period included aircraft sales amounting to MSEK 177 (239), slot pairs for MSEK 0 (678) and the sale of subsidiaries for MSEK -4 (-21). The 12-month period included aircraft sales amounting to MSEK 255 (266), property sales for MSEK 0 (30), slot pairs for MSEK 0 (678) and the sale of subsidiaries for MSEK -4 (-21).

4) Other nonrecurring items included a negative earnings impact of MSEK 672 from fines in the third quarter of 2016/2017 for breaches of air cargo competition rules. Moreover, the November–July period also included an air cargo contractual settlement of MSEK 0 (30). In addition to fines of MSEK 0 (672) and a contractual settlement of MSEK 0 (30), the 12-month period included costs related to aircraft of MSEK 180 (160) and a provision related to indirect taxes of MSEK 0 (219).

# BALANCE SHEET

## CONDENSED BALANCE SHEET

MSEK	Jul 31, 2018	Oct 31, 2017	Jul 31, 2017	Jul 31, 2016
Intangible assets	1,528	1,581	1,804	1,880
Tangible fixed assets	12,299	10,692	10,453	10,160
Financial fixed assets	7,427	7,979	7,416	6,130
<b>Total fixed assets</b>	<b>21,254</b>	<b>20,252</b>	<b>19,673</b>	<b>18,170</b>
Other current assets	395	321	327	304
Current receivables	3,125	3,146	2,942	3,126
Cash and cash equivalents <sup>1</sup>	8,525	8,836	8,620	8,449
<b>Total current assets</b>	<b>12,045</b>	<b>12,303</b>	<b>11,889</b>	<b>11,879</b>
<b>Total assets</b>	<b>33,299</b>	<b>32,555</b>	<b>31,562</b>	<b>30,049</b>
Shareholders' equity <sup>2</sup>	6,779	8,058	6,716	5,154
Long-term liabilities	10,739	9,363	9,441	9,388
Current liabilities	15,781	15,134	15,405	15,507
<b>Total shareholders' equity and liabilities</b>	<b>33,299</b>	<b>32,555</b>	<b>31,562</b>	<b>30,049</b>
Shareholders' equity per common share, (SEK) <sup>3</sup>	14.84	13.28	9.21	4.48
Interest-bearing assets	15,477	16,245	15,075	13,659
Interest-bearing liabilities	9,207	8,575	8,823	9,921
Working capital	-13,711	-12,263	-12,146	-10,985

1) At July 31, 2018, including receivables from other financial institutions, MSEK 918 (948).

2) Including non-controlling interests.

3) Shareholders' equity attributable to Parent Company shareholders excluding total preference share capital in relation to the 382,582,551 (330,082,551) common shares outstanding. The SAS Group has not carried out any buyback programs.

## SPECIFICATION OF FINANCIAL NET DEBT, JULY 31, 2018

	According to balance sheet	Of which financial net debt
Financial fixed assets	7,427	2,117
Current receivables	3,125	700
Cash and cash equivalents	8,525	8,525
Long-term liabilities	10,739	6,683
Current liabilities	15,781	2,524
Financial net debt		-2,135

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](http://www.sasgroup.net) where each interim report is published.

## CONDENSED CHANGES IN SHAREHOLDERS' EQUITY

MSEK	Share capital <sup>1</sup>	Other contributed capital <sup>2</sup>	Hedging reserves	Transla- tion reserve	Retained earnings <sup>3</sup>	Total shareholders' equity attributable to Parent Company shareholders	Non-controlling interests	Total share- holders' equity
Opening shareholders' equity in accordance with approved balance sheet, November 1, 2016	6,776	327	1,325	-74	-2,328	6,026	-	6,026
Preference share dividend					-350	-350		-350
Comprehensive income November–July			-301	-145	1,486	1,040		1,040
Closing balance, July 31, 2017	6,776	327	1,024	-219	-1,192	6,716	-	6,716
Comprehensive income, August–October			448	21	873	1,342		1,342
Closing balance, October 31, 2017	6,776	327	1,472	-198	-319	8,058	-	8,058
New issue	1,055				178	1,233		1,233
Preference share dividend					-105	-105		-105
Redemption of preference shares	-98				-2,481	-2,579		-2,579
Comprehensive income November–July			-110	114	168	172		172
<b>Closing balance, July 31, 2018</b>	<b>7,733</b>	<b>327</b>	<b>1,362</b>	<b>-84</b>	<b>-2,559</b>	<b>6,779</b>	<b>-</b>	<b>6,779</b>

1) Number of shares in SAS AB: 382,582,551 (330,082,551) common shares with a quotient value of SEK 20.10 and 2,101,552 (7,000,000) preference shares with a quotient value of SEK 20.10.

2) The amount comprises share premium reserves and the equity share of convertible loans.

3) No dividends were paid on common shares for 2016/2017.

# CASH-FLOW STATEMENT

## CONDENSED CASH-FLOW STATEMENT

MSEK	Q3	Q3	Q1-3	Q1-3	Rolling	Rolling
	May-Jul 2018	May-Jul 2017	Nov-Jul 2017-2018	Nov-Jul 2016-2017	Aug-Jul 2017-2018	Aug-Jul 2016-2017
EBT	2,004	1,973	1,232	1,068	1,889	1,645
Depreciation, amortization and impairment	404	343	1,131	1,058	1,708	1,435
Income from sale of aircraft, buildings and shares	-26	-110	-173	-896	-251	-953
Adjustment for other non-cash items, etc.	-141	-692	77	61	357	308
Tax paid	-2	-22	-44	-22	-48	-22
<b>Cash flow from operations before change in working capital</b>	<b>2,239</b>	<b>1,492</b>	<b>2,223</b>	<b>1,269</b>	<b>3,655</b>	<b>2,413</b>
Change in working capital	-1,075	-1,519	1,491	291	942	434
<b>Cash flow from operating activities</b>	<b>1,164</b>	<b>-27</b>	<b>3,714</b>	<b>1,560</b>	<b>4,597</b>	<b>2,847</b>
Investments including advance payments to aircraft manufacturers	-1,397	-2,128	-5,422	-5,560	-7,177	-7,331
Acquisition of subsidiaries	0	0	0	0	0	0
Sale of subsidiaries and operations	0	0	-3	-24	-3	-24
Sale of fixed assets, etc.	430	2,607	2,933	5,907	4,278	6,431
<b>Cash flow before financing activities</b>	<b>197</b>	<b>452</b>	<b>1,222</b>	<b>1,883</b>	<b>1,695</b>	<b>1,923</b>
New issue	0	0	1,223	0	1,223	0
Dividend on preference shares	-26	-88	-201	-263	-288	-350
Redemption of preference shares	0	0	-2,579	0	-2,579	0
External financing, net	934	-821	22	-1,368	-147	-1,403
<b>Cash flow for the period</b>	<b>1,105</b>	<b>-457</b>	<b>-313</b>	<b>252</b>	<b>-96</b>	<b>170</b>
Translation difference in cash and cash equivalents	-1	0	2	-2	1	1
<b>Change in cash and cash equivalents according to the balance sheet</b>	<b>1,104</b>	<b>-457</b>	<b>-311</b>	<b>250</b>	<b>-95</b>	<b>171</b>
Cash flow from operating activities per common share (SEK)	3.04	-0.08	9.71	4.73	12.44	8.63

## FINANCIAL KEY RATIOS

	Jul 31, 2018	Oct 31, 2017	Jul 31, 2017	Jul 31, 2016
Return on shareholders' equity, 12-month rolling	20%	18%	22%	22%
Return on invested capital (ROIC), 12-month rolling	13%	13%	13%	14%
Adjusted financial net debt/EBITDAR	2.7x	3.1x	3.3x	2.8x
Financial preparedness	36%	37%	37%	39%
Equity/assets ratio	20%	25%	21%	17%
Adjusted equity/assets ratio	13%	15%	13%	10%
Financial net debt, MSEK	-2,135	-2,799	-2,225	-810
Debt/equity ratio	-0.31	-0.35	-0.33	-0.16
Adjusted debt/equity ratio	2.75	2.28	2.75	3.61
Interest-coverage ratio	4.1	3.8	3.9	4.0

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

# PARENT COMPANY SAS AB

The number of common and preference shareholders in SAS AB amounted to 64,018 at July 31, 2018. The average number of employees amounted to four (four). A private placement of 52,500,000 common shares was completed in November 2017. In February 2018, 4,898,448 preference shares were redeemed.

## CONDENSED STATEMENT OF INCOME

MSEK	Q1-3	
	Nov-Jul 2017-2018	Nov-Jul 2016-2017
Revenue	40	3
Payroll expenses	-24	-26
Other operating expenses	-22	-54
<b>EBIT</b>	<b>-6</b>	<b>-77</b>
Income from participations in Group companies	0	-122
Income from other securities holdings	0	1
Net financial items	-11	-27
<b>EBT</b>	<b>-17</b>	<b>-225</b>
Tax	3	23
<b>Net income for the period</b>	<b>-14</b>	<b>-202</b>
Net income for the period attributable to:		
Parent Company shareholders	-14	-202

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

## CONDENSED BALANCE SHEET

MSEK	Jul 31, 2018	Oct 31, 2017	Jul 31, 2017
Financial fixed assets	14,663	14,661	14,661
Other current assets	94	463	465
Cash and cash equivalents	1	2	2
<b>Total assets</b>	<b>14,758</b>	<b>15,126</b>	<b>15,128</b>
Shareholders' equity	10,355	11,820	11,765
Long-term liabilities	2,658	1,540	1,532
Current liabilities	1,745	1,766	1,831
<b>Total shareholders' equity and liabilities</b>	<b>14,758</b>	<b>15,126</b>	<b>15,128</b>

## CHANGES IN SHAREHOLDERS' EQUITY

MSEK	Share capital <sup>1</sup>	Restricted reserves	Unrestricted equity <sup>2</sup>	Total shareholders' equity
Opening balance, November 1, 2017	6,776	306	4,738	11,820
New issue	1,055		215	1,270
New issue costs			-37	-37
Redemption of preference shares	-98	98	-2,579	-2,579
Preference share dividend			-105	-105
Net income for the period			-14	-14
<b>Shareholders' equity, July 31, 2018</b>	<b>7,733</b>	<b>404</b>	<b>2,218</b>	<b>10,355</b>

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

2) No dividends were paid on common shares for 2016/2017.

# NOTES

## NOTE 1 ACCOUNTING POLICIES AND FINANCIAL STATEMENTS

This interim report for the SAS Group was prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The interim report for the Parent Company was prepared in accordance with the Swedish Annual Accounts Act and RFR 2. The accounting policies follow those described in the 2016/2017 Annual Report. Preparations are ongoing for the implementation of the new standards *IFRS 9 — Financial Instruments* and *IFRS 15 —*

*Revenue from Contracts with Customers* which will apply for fiscal years starting from November 1, 2018, and *IFRS 16 — Leases* which enters force for fiscal years starting after January 1, 2019. SAS has an ongoing project to analyze the transition to the respective standards. A more detailed description of the current accounting policies and new standards, including their estimated impact on the SAS Group, can be found in the 2016/2017 Annual Report which is available at [www.sasgroup.net](http://www.sasgroup.net)

## NOTE 2 REVENUE

	Q3	Q3	Q1-3	Q1-3	Rolling 12 months	Rolling 12 months
	May-Jul 2017-2018	May-Jul 2016-2017	Nov-Jul 2017-2018	Nov-Jul 2016-2017	Aug-Jul 2017-2018	Aug-Jul 2016-2017
Passenger revenue	10,094	9,375	24,444	23,782	33,306	32,312
Charter	839	789	1,248	1,283	1,929	1,934
Freight and mail	397	353	1,214	1,099	1,585	1,426
Other traffic revenue	739	671	1,911	1,775	2,555	2,409
Other operating revenue	1,077	1,022	3,223	3,071	4,309	4,064
<b>Total</b>	<b>13,146</b>	<b>12,210</b>	<b>32,040</b>	<b>31,010</b>	<b>43,684</b>	<b>42,145</b>

## NOTE 3 OTHER OPERATING EXPENSES

	Q3	Q3	Q1-3	Q1-3	Rolling 12 months	Rolling 12 months
	May-Jul 2017-2018	May-Jul 2016-2017	Nov-Jul 2017-2018	Nov-Jul 2016-2017	Aug-Jul 2017-2018	Aug-Jul 2016-2017
Sales and distribution costs	-667	-608	-1,855	-1,762	-2,510	-2,390
Jet fuel	-2,348	-1,824	-5,553	-5,062	-7,327	-7,021
Government user fees	-1,149	-1,148	-3,042	-3,159	-4,145	-4,287
Catering costs	-362	-308	-914	-796	-1,193	-1,075
Handling costs	-685	-681	-1,958	-2,041	-2,621	-2,723
Technical aircraft maintenance	-726	-760	-2,054	-2,446	-3,123	-3,316
Computer and telecommunication costs	-408	-418	-1,107	-1,167	-1,509	-1,544
Wet-lease costs	-343	-333	-943	-805	-1,261	-1,018
Other	-773	-698	-2,740	-2,833	-3,895	-3,967
<b>Total</b>	<b>-7,461</b>	<b>-6,778</b>	<b>-20,166</b>	<b>-20,071</b>	<b>-27,584</b>	<b>-27,341</b>

## NOTE 4 QUARTERLY BREAKDOWN

### STATEMENT OF INCOME

MSEK	2015–2016			2016–2017			2017–2018				
	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	11,133	11,135	39,459	8,957	9,843	12,210	11,644	42,654	8,978	9,916	13,146
Payroll expenses	-2,275	-2,185	-9,105	-2,421	-2,302	-2,293	-2,189	-9,205	-2,268	-2,355	-2,385
Other operating expenses	-6,684	-7,270	-24,552	-6,105	-7,188	-6,778	-7,418	-27,489	-5,859	-6,846	-7,461
Leasing costs for aircraft	-737	-697	-2,840	-733	-801	-808	-774	-3,116	-760	-765	-814
Depreciation, amortization and impairment	-337	-377	-1,367	-327	-388	-343	-577	-1,635	-353	-374	-404
Share of income in affiliated companies	25	28	39	-11	3	-4	16	4	-9	-8	29
Income from the sale of shares in subsidiaries, affiliated companies and operations	0	-11	-7	-21	0	0	0	-21	-4	0	0
Income from the sale of aircraft, buildings and slot pairs	33	57	265	84	723	110	78	995	104	47	26
<b>EBIT</b>	<b>1,158</b>	<b>680</b>	<b>1,892</b>	<b>-577</b>	<b>-110</b>	<b>2,094</b>	<b>780</b>	<b>2,187</b>	<b>-171</b>	<b>-385</b>	<b>2,137</b>
Income from other securities holdings	0	0	1	0	1	0	0	1	0	0	0
Financial revenue	20	17	91	41	43	29	35	148	34	30	34
Financial expenses	-142	-120	-553	-161	-142	-150	-158	-611	-136	-144	-167
<b>EBT</b>	<b>1,036</b>	<b>577</b>	<b>1,431</b>	<b>-697</b>	<b>-208</b>	<b>1,973</b>	<b>657</b>	<b>1,725</b>	<b>-273</b>	<b>-499</b>	<b>2,004</b>
Tax	-231	14	-110	141	-112	-438	-167	-576	34	141	-458
<b>Net income for the period</b>	<b>805</b>	<b>591</b>	<b>1,321</b>	<b>-556</b>	<b>-320</b>	<b>1,535</b>	<b>490</b>	<b>1,149</b>	<b>-239</b>	<b>-358</b>	<b>1,546</b>
<i>Attributable to:</i>											
Parent Company shareholders	805	591	1,321	-556	-320	1,535	490	1,149	-239	-358	1,546
Non-controlling interests	0	0	0	0	0	0	0	0	0	0	0

### EARNINGS-RELATED KEY RATIOS AND AVERAGE NUMBER OF EMPLOYEES

MSEK	Q1	Q1	Q2	Q2	Q3	Q3	Q4	Q4	Rolling 12 months	Rolling 12 months
	Nov–Jan 2017–2018	Nov–Jan 2016–2017	Feb–Apr 2018	Feb–Apr 2017	May–Jul 2018	May–Jul 2017	Aug–Oct 2017	Aug–Oct 2016	Aug–Jul 2017–2018	Aug–Jul 2016–2017
	Revenue	8,978	8,957	9,916	9,843	13,146	12,210	11,644	11,135	43,684
EBITDAR	851	431	715	353	3,300	3,139	2,037	1,680	6,903	5,603
EBITDAR margin	9.5%	4.8%	7.2%	3.6%	25.1%	25.7%	17.5%	15.1%	15.8%	13.3%
EBIT	-171	-577	-385	-110	2,137	2,094	780	680	2,361	2,087
EBIT margin	-1.9%	-6.4%	-3.9%	-1.1%	16.3%	17.1%	6.7%	6.1%	5.4%	5.0%
Earnings before tax and nonrecurring items	-373	-707	-320	-259	1,978	1,863	1,054	941	2,339	1,838
EBT	-273	-697	-499	-208	2,004	1,973	657	577	1,889	1,645
Net income for the period	-239	-556	-358	-320	1,546	1,535	490	591	1,439	1,250
Earnings per common share (SEK)	-0.85	-1.95	-1.02	-1.23	3.97	4.39	1.22	1.53	3.26	2.73
Cash flow before financing activities	-213	-368	1,238	1,799	197	452	473	40	1,695	1,923
Average number of employees (FTE)	9,929	10,538	9,990	10,155	10,332	10,404	10,199	10,753	10,112	10,462

**NOTE 5 FINANCIAL ASSETS AND LIABILITIES****FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES**

MSEK	July 31, 2018		Oct 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Financial assets at fair value	706	706	551	551
Financial assets held for trading	6,397	6,397	5,741	5,741
Other assets	6,031	6,030	6,448	6,551
<b>Total</b>	<b>13,134</b>	<b>13,133</b>	<b>12,740</b>	<b>12,843</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value	166	166	52	52
Financial liabilities held for trading	12	12	55	55
Financial liabilities at amortized cost	10,689	10,048	10,091	9,813
<b>Total</b>	<b>10,867</b>	<b>10,226</b>	<b>10,198</b>	<b>9,920</b>

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**

MSEK	July 31, 2018			Oct 31, 2017		
	Level 1	Level 2	Total	Level 1	Level 2	Total
<b>Financial assets</b>						
Financial assets at fair value	-	706	706	-	551	551
Financial assets held for trading	3,909	2,488	6,397	3,304	2,437	5,741
<b>Total</b>	<b>3,909</b>	<b>3,194</b>	<b>7,103</b>	<b>3,304</b>	<b>2,988</b>	<b>6,292</b>
<b>Financial liabilities</b>						
Financial liabilities at fair value	-	166	166	-	52	52
Financial liabilities held for trading	-	12	12	-	55	55
<b>Total</b>	<b>0</b>	<b>178</b>	<b>178</b>	<b>0</b>	<b>107</b>	<b>107</b>

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

Stockholm, August 31, 2018

Carsten Dilling  
*Chairman of the Board*

Dag Mejdell  
Vice Chairman

Monica Caneman  
Board member

Lars-Johan Jarnheimer  
Board member

Oscar Stege Unger  
Board member

Liv Fiksdahl  
Board member

Sanna Suvanto-Harsaae  
Board member

Endre Røros  
Board member

Cecilia van der Meulen  
Board member

Janne Wegeberg  
Board member

Rickard Gustafson  
*President and CEO*

*This interim report is unaudited*

# TRAFFIC DATA INFORMATION

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

	May-Jul 2018	May-Jul 2017	Year-on-year change	Nov-Jul 2017-2018	Nov-Jul 2016-2017	Year-on-year change
Number of passengers (000)	7,995	7,773	+2.9%	20,898	21,004	-0.5%
RPK, Revenue Passenger Kilometers (mill)	10,822	10,600	+2.1%	26,425	26,622	-0.7%
ASK, Available Seat Kilometers (mill)	13,418	13,149	+2.0%	35,967	35,553	+1.2%
Load factor	80.7%	80.6%	+0.1 <sup>1</sup>	73.5%	74.9%	-1.4 <sup>1</sup>
Passenger yield, currency-adjusted	0.93	0.92	+1.1%	0.93	0.90	+2.5%
Passenger yield, nominal	0.93	0.88	+5.5%	0.93	0.89	+3.6%
Unit revenue, PASK, currency-adjusted	0.75	0.74	+1.2%	0.68	0.68	+0.6%
Unit revenue, PASK, nominal	0.75	0.71	+5.5%	0.68	0.67	+1.6%
RASK, currency adjusted	0.80	0.79	+1.6%	0.75	0.74	+1.5%
RASK, nominal	0.80	0.76	+5.8%	0.75	0.73	+2.5%

## TOTAL TRAFFIC (SCHEDULED AND CHARTER TRAFFIC) FOR SAS

	May-Jul 2018	May-Jul 2017	Year-on-year change	Nov-Jul 2017-2018	Nov-Jul 2016-2017	Year-on-year change
Number of passengers (000)	8,573	8,361	+2.5%	21,737	21,890	-0.7%
RPK, Revenue Passenger Kilometers (mill)	12,311	12,113	+1.6%	28,687	29,078	-1.3%
ASK, Available Seat Kilometers (mill)	15,020	14,733	+1.9%	38,396	38,147	+0.7%
Load factor	82.0%	82.2%	-0.2 <sup>1</sup>	74.7%	76.2%	-1.5 <sup>1</sup>
Unit cost, CASK, currency-adjusted	0.68	0.66	+3.7%	0.71	0.70	+1.2%
Unit cost, CASK, nominal incl. nonrecurring items	0.66	0.62	+6.5%	0.71	0.72	-0.6%
Unit cost, CASK, excluding jet fuel, currency-adjusted	0.52	0.53	-1.2%	0.57	0.58	-1.6%
Unit cost, CASK, excluding jet fuel, nominal incl. nonrecurring items	0.51	0.50	+1.6%	0.57	0.59	-2.8%

## SCHEDULED TRAFFIC TREND FOR SAS BY ROUTE SECTOR

	May-Jul 2018 vs. May-Jul 2017		Nov-Jul 2017-2018 vs. Nov-Jul 2016-2017	
	Traffic (RPK)	Capacity (ASK)	Traffic (RPK)	Capacity (ASK)
Intercontinental	-0.6%	-2.9%	-4.0%	-2.3%
Europe/Intra-Scandinavia	+4.7%	+5.9%	+2.2%	+4.2%
Domestic	+0.3%	+0.8%	-1.2%	+0.4%

## SCHEDULED DESTINATIONS AND FREQUENCIES FOR SAS

	May-Jul 2018	May-Jul 2017	Year-on-year change	Nov-Jul 2017-2018	Nov-Jul 2016-2017	Year-on-year change
Number of destinations	114	112	+1.8%	126	119	+5.9%
Number of daily departures	814	816	-0.3%	782	802	-2.5%
No. of departures per destination/day	7.1	7.3	-2.0%	6.2	6.7	-7.9%

## PRODUCTIVITY AND ENVIRONMENTAL EFFICIENCY

	July 2018	July 2017	Year-on-year change	Oct 2017	Oct 2016	Year-on-year change
<b>12-month rolling</b>						
Aircraft, block hours/day	9.6	9.6	-0.8%	9.6	9.3	+3.0%
Cabin crew, block hours/year	779	765	+1.8%	777	759	+2.4%
Pilots, block hours/year	690	682	+1.1%	686	681	+0.8%
	May-Jul 2018	May-Jul 2017	Year-on-year change	Nov-Jul 2017-2018	Nov-Jul 2016-2017	Year-on-year change
<b>Environmental efficiency</b>						
CO <sub>2</sub> emissions per passenger kilometer, grams	87.3	89.1	-2.0%	95.8	97.0	-1.2%

1) Figures given in percentage points

# AIRCRAFT FLEET

## THE SAS AIRCRAFT FLEET AT JULY 31, 2018

Aircraft in service under SAS' (SK) own traffic license	Age	Owned	Leased	Total	Purchase orders	Lease orders
Airbus A330/A340/A350	13,1	10	6	16	9	
Airbus A319/A320/A321	9,0	10	25	35	46	15
Boeing 737 NG	14,5	29	36	65		
<b>Total</b>	<b>12,7</b>	<b>49</b>	<b>67</b>	<b>116</b>	<b>55</b>	<b>15</b>

Aircraft in service under a traffic license other than SAS' (SK)	Age	Owned	Leased	Total	On wet lease order
Bombardier CRJ900	1,5		22	22	
Bombardier CRJ1000	2,0		2	2	
ATR-72	3,1		9	9	
Airbus A320 neo	0,5		7	7	
<b>Total</b>	<b>1,7</b>	<b>0</b>	<b>40</b>	<b>40</b>	<b>0</b>

Total SAS in-service aircraft fleet	Age	Owned	Leased	Total	Purchase orders	On wet lease order
<b>Total</b>	<b>9,9</b>	<b>49</b>	<b>107</b>	<b>156</b>	<b>55</b>	<b>15</b>

Aircraft to be phased out	Age	Owned	Leased	Total	Leased out	Parked
Bombardier Q400	10,6	1		1		1

Aircraft on firm order 2018–2023 at July 31, 2018	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Airbus A320neo	4	12	10	3	17	15
Airbus A350			4	4		
Airbus A330		1				

# SAS DESTINATIONS

— Existing routes — New routes for 2018



# DEFINITIONS & CONCEPTS

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

The key figures support stakeholders in their assessment of SAS' earnings and performance. In the APMs based on capitalized leasing costs (x7), SAS' 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 (x7) 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' historical, current and future performance and positions. A list of the APMs deemed of sufficient material importance to specify is available at [www.sasgroup.net](http://www.sasgroup.net) under Investor Relations.

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

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

**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 (x7)** — The net annual operating lease costs for aircraft multiplied by seven.

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

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

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

**EBIT** — Operating income.

**EBIT margin** — EBIT divided by revenue.

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

**EBITDA margin** — EBITDA divided by revenue.

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

**EBITDAR margin** — EBITDAR divided by revenue.

**EBT** — Earnings before tax.

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

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

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

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

**FTE** — Full-time equivalents.

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

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

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

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

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

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

**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 (x7).

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

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

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

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

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

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

**Yield** — Passenger revenue divided by RPK (scheduled).

*A more detailed list of definitions & concepts is available at [www.sasgroup.net](http://www.sasgroup.net) under Investor Relations/Financial data/Financial definitions.*

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

services, technical maintenance and air cargo services.

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

# SIGNIFICANT EVENTS

## FIRST QUARTER 2017/2018

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

## SECOND QUARTER 2017/2018

- SAS redeemed just under 4.9 million preference shares for a total redemption cost of MSEK 2,579.
- SAS ordered a further 50 new Airbus A320neo aircraft, thus creating a single-type fleet.
- The AGM resolved to pay a maximum dividend to preference shareholders over the period until the next AGM of SEK 50 per preference share. The AGM resolved not to pay a dividend to holders of common shares for the 2016/2017 fiscal year. Liv Fiksdahl and Oscar Stege Unger were elected as new members of the Board. Carsten Dilling was elected Chairman of the Board.
- SAS ordered one Airbus A330E as replacement for an Airbus A340.

## THIRD QUARTER 2017/2018

- As the first Nordic airline, SAS launched high speed WiFi on its short and medium haul routes in Europe.
- SAS appointed a new head for SAS Growth Initiatives to strengthen SAS' platform for growth in new areas.
- SAS increased its unsecured bond with MSEK 750 at an effective interest rate of 4.73%.
- SAS and Preem signed a letter of intent pledging to co-operate on securing increased production of biofuel from 2022.

## FINANCIAL CALENDAR

Q4 Interim report, 2018 (Aug–Oct)	December 4, 2018
Annual report 2017/2018	January, 29, 2019
Q1 Interim report, 2019 (Nov 2018– Jan 2019)	February 27, 2019
Annual General Meeting 2019	March 13, 2019
Q2 Interim report, 2019 (Feb–Apr)	May 28, 2019
Q3 Interim report, 2019 (May–July)	August 27, 2019
Q4 Interim report, 2019 (Aug–Oct)	December 5, 2019

All reports are available in English and Swedish and can be downloaded at [www.sasgroup.net](http://www.sasgroup.net).

SAS' 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](http://www.sasgroup.net) under Investor Relations.

For further definitions, refer to the Annual Report or

[www.sasgroup.net](http://www.sasgroup.net), under Investor Relations/Financial data/Financial definitions.

## PRESS/INVESTOR RELATIONS

Telephone conference at 10:00 a.m., August 31, 2018.  
Analyst meeting at 13.15 p.m. in Oslo, August 31, 2018.

This information is information that SAS AB is obliged to disclose pursuant to the EU Market Abuse Regulation.

The information was submitted through the agency of the contact person set out below for publication on August 31, 2018 at 8:00 a.m. CET.

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