SAS ANNUAL AND SUSTAINABILITY REPORT FISCAL YEAR 2020

TRAVELERS FOR THE FUTURE

SAS

DEAR READER,

The COVID-19 pandemic is having a dramatic impact on businesses, people, societies and the world as we know it. The magnitude of the pandemic became evident in mid-March when countries started to close their borders and impose strict travel restrictions, making it virtually impossible for the global aviation industry to continue operations and secure vital connectivity. Of all impacted industries, aviation is probably the most exposed, being severely hit from day one and will most likely be the last industry to fully recover from the crisis.

We're still in the middle of the pandemic with the majority of our normal destinations closed or under strict travel restrictions. The COVID-19 crisis has of course significantly impacted our operations, people and figures in FY 2020. It has been an unprecedented year, but the people of SAS have demonstrated strong resilience, an ability to support the broader Scandinavian society and a determination to adapt to a new reality. I'm convinced that SAS will continue to be an important part of Scandinavian infrastructure beyond the pandemic crisis and pave the way towards a more sustainable future for our industry.

Rickard Gustafson
President and CEO
Stockholm, January 2021

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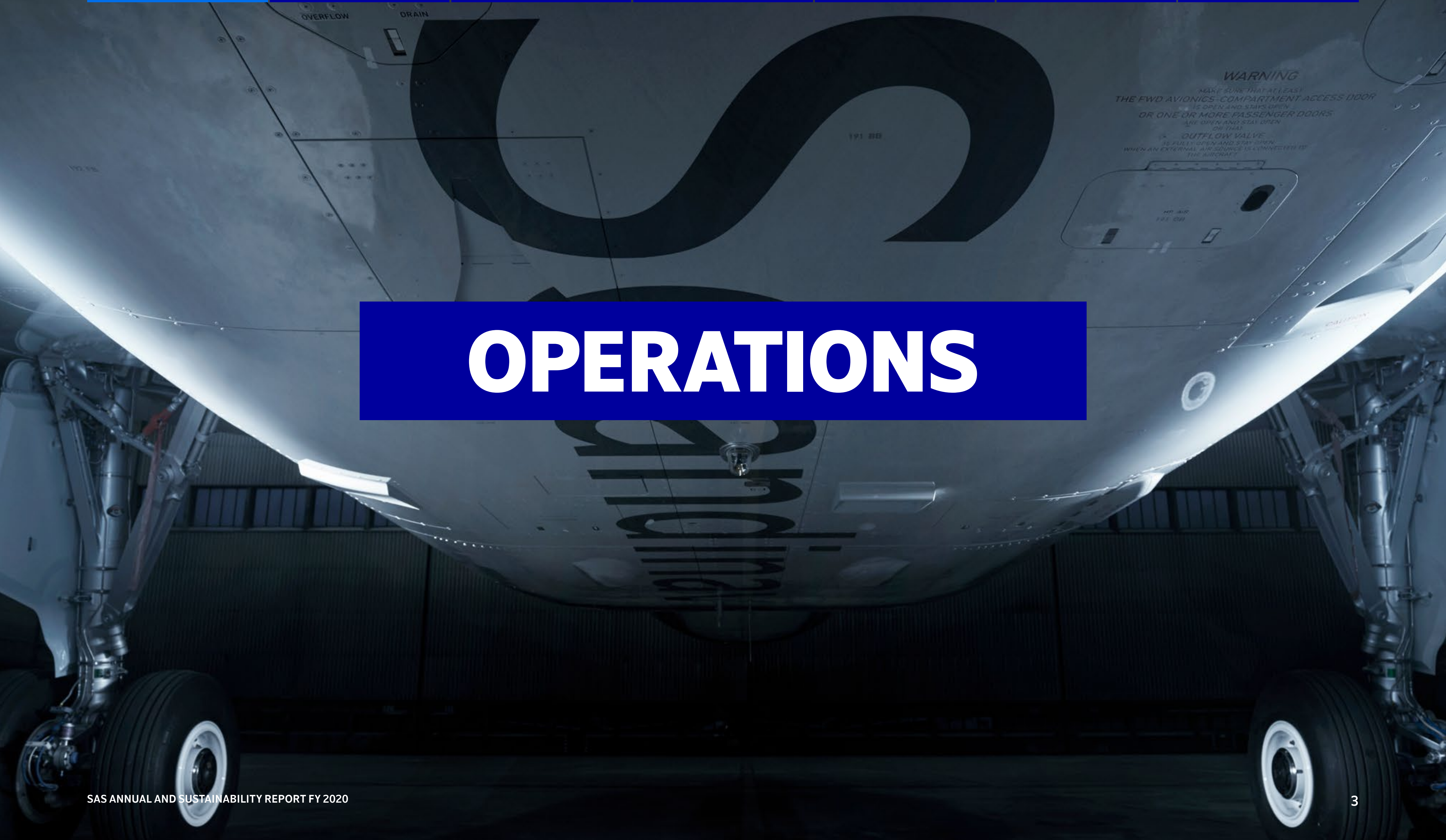
SAS ANNUAL AND SUSTAINABILITY REPORT FISCAL YEAR 2020

SAS reports financial and sustainability information in a joint report: SAS Annual and Sustainability Report Fiscal Year 2020 (FY 2020). The SAS statutory annual report includes the report by the Board of Directors on pages 29–62 and the financial statements pages 63–109. The sustainability reporting has been prepared in accordance with the GRI Standards: Core option and comprises pages 116–137. The sustainability reporting also includes the statutory sustainability report in accordance with the Swedish Annual Accounts Act. The auditor’s opinion on the annual report is included on pages 110–115 and the auditor’s limited assurance report on the sustainability report and statement regarding the statutory sustainability report is included on pages 138–139.

SAS, Scandinavia’s leading airline, with main hubs in Copenhagen, Oslo and Stockholm, flies to destinations in Europe, USA and Asia. Spurred by a Scandinavian heritage and sustainability values, SAS aims to be the global leader in sustainable aviation. We will reduce total carbon emissions 25 percent by 2025, by using more sustainable aviation fuel and our modern fleet with fuel-efficient aircraft. In addition to flight operations, SAS offers ground handling services, technical maintenance and air cargo services. SAS is a founding member of the Star Alliance™, and together with its partner airlines offers a wide network worldwide.

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, SAS Ground Handling and SAS EuroBonus, which are directly owned by SAS AB.



OPERATIONS

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SCANDINAVIA'S LEADING AIRLINE

At SAS we believe that going places takes us places. Great ideas that lead to positive change come from those who travel and experience the world. We make this possible by providing smooth and safe travel to the world. With our determined and accelerated work toward more sustainable air travel, we also want to give future generations the opportunity to continue to experience the personal growth that travel brings. We are travelers. For the future.

AIRLINE OPERATIONS

SAS is Scandinavia's leading airline for smooth flights to, from and within Scandinavia. Airline operations are our primary business, carried out by SAS Scandinavia, SAS Ireland and our regional production partners.

CARGO SERVICES

SAS Cargo is the leading provider of air freight solutions to, from and within Scandinavia, focusing on world class quality and customer care. SAS Cargo's services are based on the cargo capacity of the SAS network, supplemented by dedicated truck operations.

GROUND HANDLING SERVICES

SAS Ground Handling is the leading ground handling provider at airports in Copenhagen, Oslo and Stockholm. Our operations provide passenger, cargo and ramp services for SAS and other airlines.

TECHNICAL MAINTENANCE

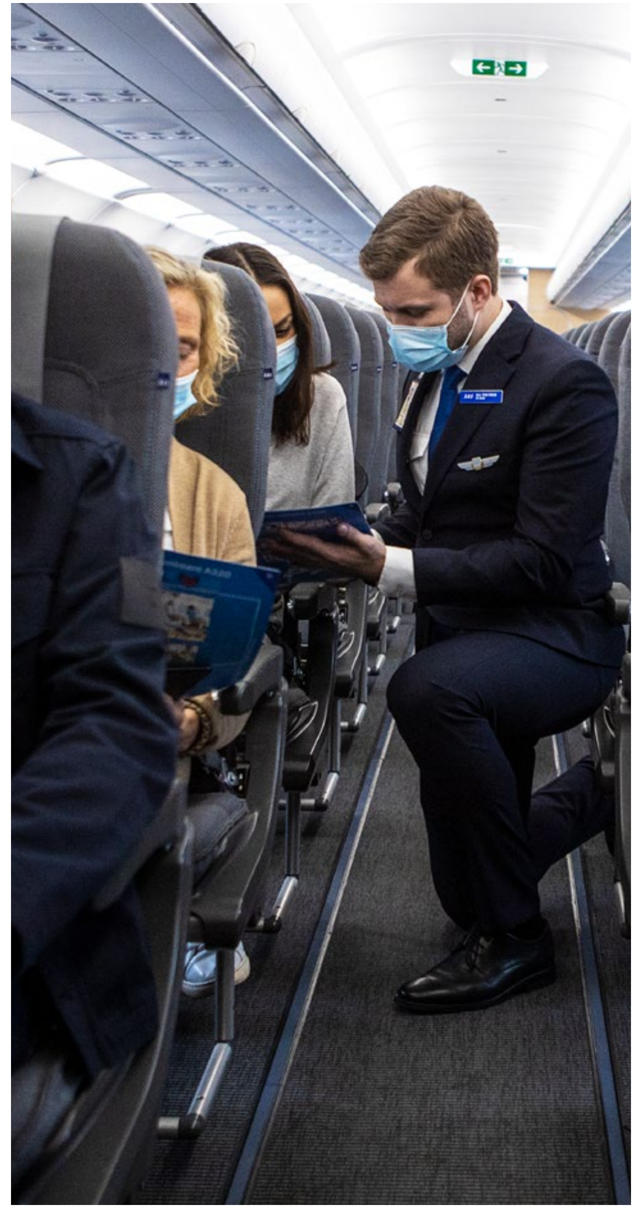
SAS Maintenance Production offers technical maintenance of aircraft and engines at six airports in Scandinavia for SAS and other airlines.

EUROBONUS

EuroBonus is Scandinavia's largest travel-related loyalty program and enables closer relationships with our customers. EuroBonus has over 6 million members and more than 100 partners. The members represent a valuable customer database that sets us apart from the competition.

OUR VISION:

Make life easier for Scandinavia's frequent travelers.



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SAS IN FIGURES

At the start of the year, SAS experienced high demand for its services. We delivered a robust operational performance and reported increased number of passengers, revenues as well as overall market share. As a direct consequence of the COVID-19 pandemic and imposed travel restrictions, the demand for air travel collapsed and the revenue loss during fiscal year 2020 amounted to SEK -25.6 billion. Despite immediate measures to reduce costs to adapt to the new market environment, a cost reduction of 33% did not offset the sharp decline in revenue and resulted in a SEK 9.4 billion lower earnings before tax and items affecting comparability.

12.6
Million passengers

20.5
Total revenue, SEK billion

-8.6
Earnings before tax and items affecting comparability, SEK billion

87.9
Punctuality, %

-57.2
Reduction of CO_2, %

-33.1
Change in total operating expenses, %

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FINANCIAL AND ENVIRONMENTAL TARGETS

Our overall long-term goal is to create value for our shareholders and to deliver sustainable and profitable growth throughout the business cycle. During the year, our targets were adjusted in accordance with the revised business plan and the IFRS 16 accounting standard – for definitions please see page 145.

RETURN ON INVESTED CAPITAL (ROIC)*

Our target for ROIC is to exceed the post-tax Weighted Average Cost of Capital (WACC) over a business cycle, and is a prerequisite for us to create shareholder value. The target is also linked to our dividend policy, which stipulates that dividend can be paid when value is created through ROIC exceeding WACC, see page 36.

FINANCIAL NET DEBT/EBITDA*

The target financial net debt/EBITDA is a key ratio used by credit rating agencies and banks for assessing creditworthiness. The aim with maintaining a ratio with a multiple of less than three and a half (3.5x) is aligned with the SAS ambition to improve its financial position and credit rating, and thereby lowering financing costs.

FINANCIAL PREPAREDNESS*

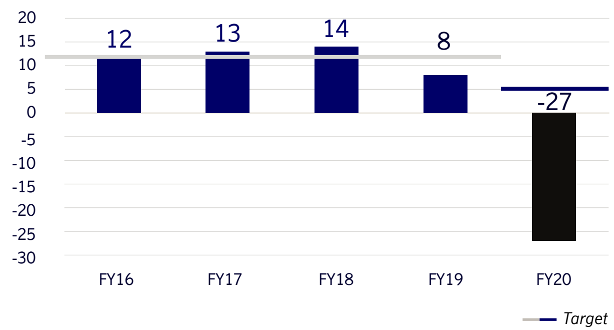
Our target for financial preparedness is for cash, cash equivalents and available credit facilities to exceed 25% of annual fixed costs. The target is set to ensure a sound level of cash and cash equivalents to mitigate risks related to internal and external events and to fulfill regulatory requirements.

TOTAL CO_2 EMISSIONS

SAS has set an ambitious target to reduce its total CO_2 emissions 25% compared with 2005. During the year, the pace toward the target was accelerated to 2025, from 2030. This is in line with SAS' strive for global leadership in sustainable aviation.

The outcome during FY15–FY19 is shown under the old definition and target, whereas FY20 is shown under the new definition and target.

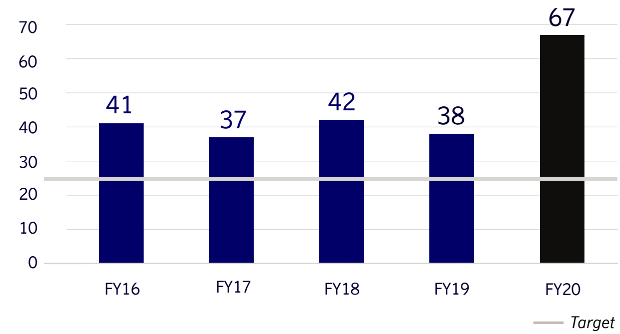
RETURN ON INVESTED CAPITAL, %



OUTCOME

The sharp decline in earnings before tax due to the COVID-19 pandemic led to a ROIC of -27%, well below target.

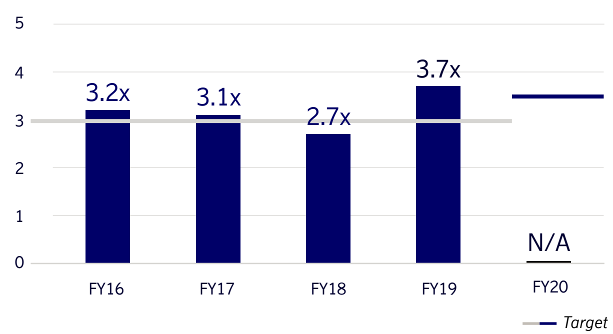
FINANCIAL PREPAREDNESS, %



OUTCOME

A high cash position following the recapitalization as well as lower fixed costs led to an increase in financial preparedness to 67%.

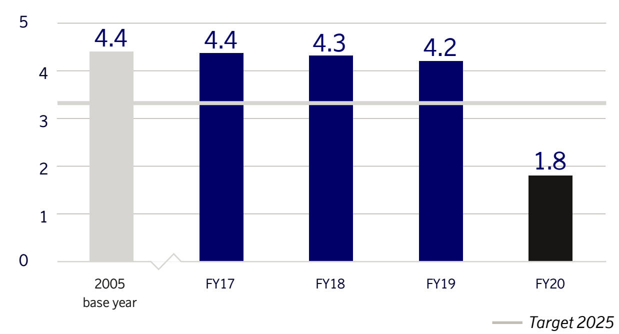
FINANCIAL NET DEBT/EBITDA



OUTCOME

The financial net debt/EBITDA ended at a negative multiple of 9.2. The change is related to increased financial net debt and negative EBITDA.

TOTAL CO_2 EMISSIONS, M TONNES



OUTCOME

The sharp decline in emissions is to the vast majority due to the COVID-19 pandemic. CO_2 emissions per ASK improved by 5.3% in the same period.

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SIGNIFICANT EVENTS DURING THE YEAR

The COVID-19 pandemic is an unprecedented global event. Strict travel restrictions and a collapse in the demand for air travel had a significant impact on the aviation industry in 2020. For SAS, this year has been characterized by adapting our operations to this new situation and securing critical Scandinavian connectivity when it was needed the most.

OPERATIONAL

DRAMATICALLY REDUCED TRAFFIC

Because of the outbreak of COVID-19 and subsequent travel restrictions, SAS halted most of its traffic from mid-March, with a certain degree of increase of limited operations during the summer months.

OUTSOURCING

In July, SAS signed an agreement to outsource ground handling operations in Gothenburg and Malmö, concentrating the operations to the three main hubs in Copenhagen, Oslo and Stockholm.

NEW AIRCRAFT

During the year, SAS took delivery of 13 A320neo, one A321LR and four A350 aircraft. After the outbreak of the pandemic, deliveries of Airbus A320neo and A350-900 aircraft were postponed, to better align with the expected return in demand. Meanwhile, older and less fuel-efficient aircraft were phased out at a faster rate, to continue the fleet renewal in line with our strategic priority to have one of Europe's most modern and fuel-efficient fleets. As a large part of our fleet has been grounded due to the pandemic, we have prioritized utilizing our newest and most energy-efficient aircraft in operations.

FINANCIAL

RECAPITALIZATION

Despite significant efforts to reduce costs, the COVID-19 pandemic resulted in a need to remedy the liquidity situation and the negative equity caused by the outbreak. In response, a recapitalization plan was implemented and entailed the following components:

- A directed issue of common shares of SEK 2 billion to the governments of Denmark and Sweden
- A rights issue of common shares amounting to SEK 4 billion
- An issue of new hybrid notes of SEK 5 billion split equally between the governments of Denmark and Sweden
- An issue of new hybrid notes of SEK 1 billion to the Government of Denmark
- A conversion of existing SEK 1.5 billion hybrid notes into common shares at 90% of nominal value
- A conversion of existing SEK 2.25 billion senior bond to SEK 0.6 billion into common shares and SEK 1.6 billion into a new commercial hybrid note

In total, the recapitalization increased liquidity by SEK 12 billion, decreased liabilities by SEK 2.25 billion and strengthened equity by SEK 14.25 billion.

COST REDUCTIONS

We carried out a number of measures to adapt our cost structure to a market defined by lower demand. The short- and long-term measures to reduce costs resulted in 33% lower total operating expenditure.

NEW SHAREHOLDER PROGRAM

In October, SAS launched a new shareholder program with favorable discounts to individual shareholders holding 4,000 shares or more and tier level benefits for larger owners.

PRODUCT AND OFFERING

SAFE TRAVEL

We always work hard to ensure the safety and well-being of our passengers. Following the COVID-19 outbreak, we added additional safety precautions including face mask requirements, new boarding procedures, and limited access to lounges and meal services onboard to better facilitate social distancing.

REFUNDS

Because of the pandemic, SAS had to cancel most of its flights from mid-March. This unprecedented situation led to an extreme number of requests for customer refunds and unfortunately long lead times. Multiple initiatives have been introduced to improve the process, including self-service options for agents and customers, robots for automation where possible, additional staff to handle more complex cases and new voucher solutions.

EXTENDED EUROBONUS MEMBERSHIP LEVEL

SAS decided to extend EuroBonus membership levels by 12 months on their current membership level.

Since the outbreak of COVID-19, SAS has taken additional measures to ensure the safety and well-being of passengers.

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ORGANIZATION

TEMPORARY LAYOFFS

As of mid-March, approximately 90% of SAS' employees were temporarily laid off. The layoff schemes have been crucial for optimizing manning and to scale up and down according to demand.

REDUNDANCIES

SAS reduced the workforce by 5,000 full-time positions to adapt the organization to a market with lower demand. This affected approximately 1,900 positions in Sweden, 1,300 in Norway, 1,700 in Denmark and 100 in other countries.

NEW MEMBERS OF GROUP MANAGEMENT

Charlotte Svensson was appointed new Chief Information Officer as of February 1, 2020.

Magnus Örnberg was appointed new CFO of SAS as of September 1, 2020.

COMMUNITY SUPPORT

SECURING CRITICAL INFRASTRUCTURE

SAS continues to be Scandinavia's leading airline, maintaining Scandinavian connectivity especially domestic destinations and securing critical infrastructure for travelers and cargo.

REPATRIATION FLIGHTS

SAS operated five special flights for the repatriation of citizens from countries such as Peru, Brazil and Pakistan, on behalf of the Scandinavian authorities.

AIR BRIDGES FOR MEDICAL SUPPLIES

SAS contributed with transport via air freight to bring important medicines and medical equipment to Scandinavia during the pandemic.

SUPPORTING SOCIETY

During temporary layoffs, committed employees engaged in relieving the strained healthcare sector, assisting in carrying out public COVID-19 tests and volunteering as substitute teachers in elementary schools.

During the pandemic, SAS contributed with transport via air freight to bring important medicines and medical equipment to Scandinavia.

SUSTAINABILITY

CO_2 EMISSIONS

During the year, we decided to accelerate our efforts to reduce emissions and our goal to reduce total CO_2 emissions by 25% (compared to 2005 levels) is now to be reached in 2025, five years earlier than planned.

CO_2 emissions decreased 57.2% year-on-year. The main reason was the reduced traffic due to COVID-19, but deliveries of new aircraft, with 15–30% lower fuel consumption than the aircraft they replace also had an effect.

SUSTAINABLE AVIATION FUELS

SAS consumed about 670 tonnes of biofuel during the year. This covers the biofuel sold to customers as well as the blend-in mandate introduced in Norway on January 1, 2020.

SAS has continued the work with multiple stakeholders to accelerate the commercialization of Sustainable Aviation Fuels, such as biofuel.

EMERGING TECHNOLOGIES

We continued to work with Airbus on the development of next generation aircraft with low or zero emissions. SAS also worked together with Airbus on an innovative concept where the aerodynamic benefits of formation flying will be evaluated in 2021.

FUEL EFFICIENCY

SAS continued its work on fuel efficiency with big data and innovative systems to support efficiency efforts.

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2020 – AN UNPRECEDENTED YEAR

The year was significantly impacted by the pandemic, with a dramatic drop in both passengers and revenue, which resulted in the worst loss in modern times for SAS. As a direct response to the pandemic crisis, SAS embarked on a massive transformational journey, to ensure a more sustainable future for our business – both financially and environmentally.

How has this dramatic year impacted SAS?
We began our fiscal year in November 2019 with a strong tailwind, with high demand, strong passenger numbers, increased revenue and improved market shares. But in March the situation changed overnight, when the full effects of the COVID-19 pandemic became evident, and quickly resulted in lockdowns, closed borders and strict travel restrictions. The entire aviation industry was heavily impacted, and SAS was no exception. Almost our entire fleet was grounded from the end of March and throughout April. Demand for air travel started to recover somewhat during the summer season, unfortunately to be abruptly halted again by a second wave of reported COVID-19 cases in September and October. This led to reintroduced travel restrictions, and dramatically reduced demand.

The temporary layoff schemes available from the Scandinavian governments have been helpful in retaining as many of our employees as possible. The schemes also enabled us to better scale up and down traffic according to the volatility in demand. However, we unfortunately had to carry out 5,000 redundancies during the year, which were necessary to safeguard our business for the future.

The successful recapitalization, that was finalized in the last quarter of the year, was essential to get us through these difficult times. The support from our major owners – the Danish and Swedish governments, the Knut and Alice Wallenberg foundation – together with our other investors, has been vital for us. A large portion of the governmental support increased our debt that naturally needs to be repaid in the coming years. Therefore, it's important that we deliver on our transformational plan and adapt to a new market environment, characterized by high uncertainty and lower demand.

What have you learned from the COVID-19 pandemic so far?
This crisis has put people, societies and enterprises in a situation not experienced in modern times. SAS reacted immediately and started to transform its entire business. As demand disappeared, we quickly reduced our capacity and launched an extensive cost savings program. We grounded a large part of our fleet and temporarily laid off approximately 90% of our staff. Despite this, we ended the year with an annual loss exceeding SEK 10 billion.


Rickard Gustafson, President and CEO.

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The safety and well-being of travelers and employees is always our highest priority. During the year, we reviewed the entire customer journey and implemented changes to ensure the safest travel experience possible given the circumstances. Our aircraft were already designed with safe air circulation systems and equipped with effective HEPA filters that significantly reduce the risk of airborne contamination. In addition, we adapted our procedures on the ground and in the air to facilitate social distancing, introduced more frequent disinfection of touch points and made sure that all crew and passengers use face masks during travel.

Another major challenge for us this year, has been the enormous amount of refunds caused by this unprecedented situation. When the pandemic hit, our refund capacity was not designed for such an exceptionally large number of customer refunds for canceled flights. During the year, we have worked hard to scale up our capacity to manage the backlog, and toward the end of the year, we were able to process customer refunds at a much faster rate due to enhanced digital solutions and increased staffing. I want to offer a sincere apology to our customers who've been affected by excessively long lead times. I also want to stress that we will not rest until all rightful claims have been settled.

What other significant events for SAS would you like to highlight during the year?

Despite closed borders, SAS continued to play a vital role in society. Early on during the outbreak, SAS also operated special flights to repatriate Scandinavian citizens from countries such as Peru, Brazil and Pakistan, as well as ensuring air bridges for essential medical supplies.

I'm proud of our committed employees for their incredible efforts during this turbulent year. We have collectively worked hard with the required transformational initiatives, and we have seen exceptional examples of how SAS colleagues quickly adapted to difficult situations. One of many examples, was when our temporarily laid off staff, actively helped to relieve the strained healthcare sector.

The successful recapitalization process was an important milestone, that required significant efforts to finalize. It has resulted in a strengthened cash position that is important in these uncertain times. We now have to honor the trust demonstrated by our investors by delivering on our efficiency targets, as well as by exploring additional improvements to safeguard our business for the future. We continue to strive for greater flexibility, higher productivity and increased cost-efficiency to adapt to a new market environment.

"Our determined work toward a more sustainable aviation industry, is more important now than ever."

In the light of COVID-19, how is the work with sustainability progressing?

Our determined work toward a more sustainable aviation industry, is more important now than ever. The entire airline industry has a responsibility to find a path toward a sustainable future. This is just as essential now as it was before the pandemic.

At SAS, we want to lead the way. We have found a way to significantly increase the speed of our transition, and announced the most ambitious emission goal in the aviation industry – to reduce our total CO_2 emissions by 25% by 2025. One important part of achieving this goal, is the ongoing fleet renewal, where new Airbus aircraft reduce carbon emissions by 15–30% compared to the aircraft they replace. During the pandemic, we have phased out older and less fuel-efficient aircraft at a higher pace and thereby significantly shortened our path to a fully modernized fleet.

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Increased usage of sustainable aviation fuel (SAF), such as biofuel, is another important part of our ambitions to reduce CO_2 emissions. The challenge is that supply is still limited, and prices are high. Therefore, SAS has engaged with existing and future suppliers of SAF to discuss offtake agreements and other ways to incentivize large-scale production of the desired fuels.

“Air travel fulfils an extremely important function in society – connecting businesses, people and cultures in a time-efficient way.”

But our work toward zero emissions doesn’t stop there. We are also involved in different partnerships to find opportunities with promising emerging technologies and collaborations, for example within emerging carbon capture technologies and with train operators, to make sure that SAS will be the first choice for travelers of the future.

Given the new market conditions for the industry, how do you see the future of aviation?

The pandemic has changed the fundamentals for the aviation industry through restrictions and general travel concerns. But air travel fulfils an extremely important function in society – connecting businesses, people and cultures in a time-efficient way. Aviation is also a foundation for value creation, job security, innovation and development.

SAS ensures Scandinavian connectivity, even in these troubled times, and access to air travel means that Scandinavian companies can prosper and continue to have access to global customers, without having to move their business to other countries.

Travel also enriches our lives. It’s fantastic to discover new places, experience other cultures and to be exposed to new ideas. I think that many, like myself, really look forward to being able to travel freely once again.

What opportunities do you see when looking ahead?

We’re encouraged by the progress on the development and distribution of COVID-19 vaccines. However, we expect that the ramp-up phase for the airline industry will last until 2022 before demand can reach more normalized levels, with a return to pre-COVID-19 levels a few years thereafter.

I would like to thank all colleagues at SAS for their fighting spirit and dedication in these challenging times. I also would like to thank customers, investors and partners for their patience and vital support during the years.

Aviation plays, and will continue to play, an important role in society and SAS remains an important part of the Scandinavian infrastructure. From all of us at SAS, we are looking forward to welcoming you onboard again soon!

MARKET AND STRATEGY

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Strategies to adapt to a new reality

Preferred airline for Scandinavia's frequent travelers

Modern single-type Airbus fleet

Fully competitive operating model

Global leadership in sustainable aviation

How we create value

THE AIRLINE OPERATING ENVIRONMENT

The aviation industry was heavily impacted by COVID-19 and associated travel restrictions during a substantial part of the fiscal year 2020. The uncertainties regarding changing travel restrictions, digitalization and a general concern regarding travel, will affect the airline industry for years to come.

THE COVID-19 EFFECT ON THE AIRLINE INDUSTRY

The COVID-19 pandemic is having a significant negative impact on the global economy. The travel industry is one of the most affected sectors and the pandemic has created a global crisis for the aviation industry. What started with travel restrictions to mainland China quickly led to global health-concerns, travel restrictions, quarantines and strict advice against non-essential travel.

When the full effects of the pandemic became evident, counter measures such as social distancing, travel restrictions, quarantines and lockdowns, resulted in a sharp decline in passenger numbers and consequently revenue for all airlines. As a consequence of the measures taken by the authorities to prevent the spread, the demand for international air travel has been dramatically reduced from mid-March 2020.

UNCERTAINTY DEFINING THE MARKET

During the summer months, customer demand slowly increased. But during the fall, with an increase in the spread of COVID-19, new travel restrictions were introduced, limiting operations.

The pace and prerequisites of countries re-opening will not be the same in all geographies and regions, and uncertainty remains high. Travel restrictions are introduced, removed and reintroduced, often with short notice and without coordination between countries, which leads to uncertainty for customers. As a consequence, bookings and cancellations are being made closer to the date of travel, which makes predictability and planning difficult for airlines.

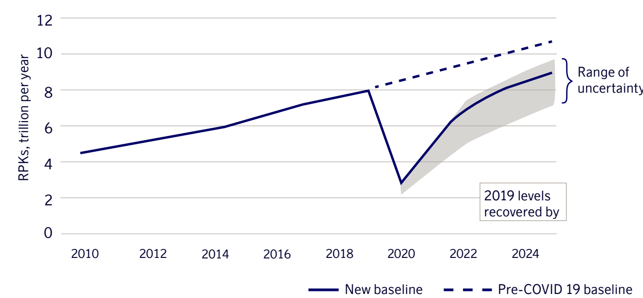
Demand going forward is heavily dependent on the global development of the COVID-19 pandemic and travel restrictions. The global economic downturn is continuing to affect demand negatively. Business travel is expected to be reduced as corporate travel budgets are constrained when companies continue to be under financial pressure. The demand for business travel can also be negatively affected as digital meetings replace some in-person meetings. The demand for leisure travel continues to be weak in the face of travel restrictions to limit the spread and concerns of being infected by COVID-19 at different destinations. Also concerns over job security and rising unemployment can have a negative effect on leisure travel.

As a result of these uncertainties, the prevailing market conditions will affect the airline industry for years to come. According to forecasts from the International Air Transport Association (IATA), passenger demand will not return to 2019 levels until 2024.

LOOKING AHEAD

Our view is that the ramp-up phase for the airline industry will last until 2022 before demand can reach more normalized levels, with a return to pre COVID-19 levels a few years thereafter. A view which is also shared by IATA.

GLOBAL RPK, TRILLION PER YEAR



Source: IATA, IATA Economics' Chart of the Week – Five years to return to the pre-pandemic level of passenger demand, 30 July 2020.

DECREASE IN THE NUMBER OF PASSENGERS FROM SCANDINAVIAN AIRPORTS IN 2020

-59.9%

DECREASE IN THE NUMBER OF SEATS OFFERED IN SCANDINAVIA IN 2020

-45.5%

MARKET AND STRATEGY

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STRATEGIES TO ADAPT TO A NEW REALITY

Given the situation that arose from the COVID-19 pandemic, SAS aligned its strategic priorities to adopt to a new reality and to further strengthen its future development.

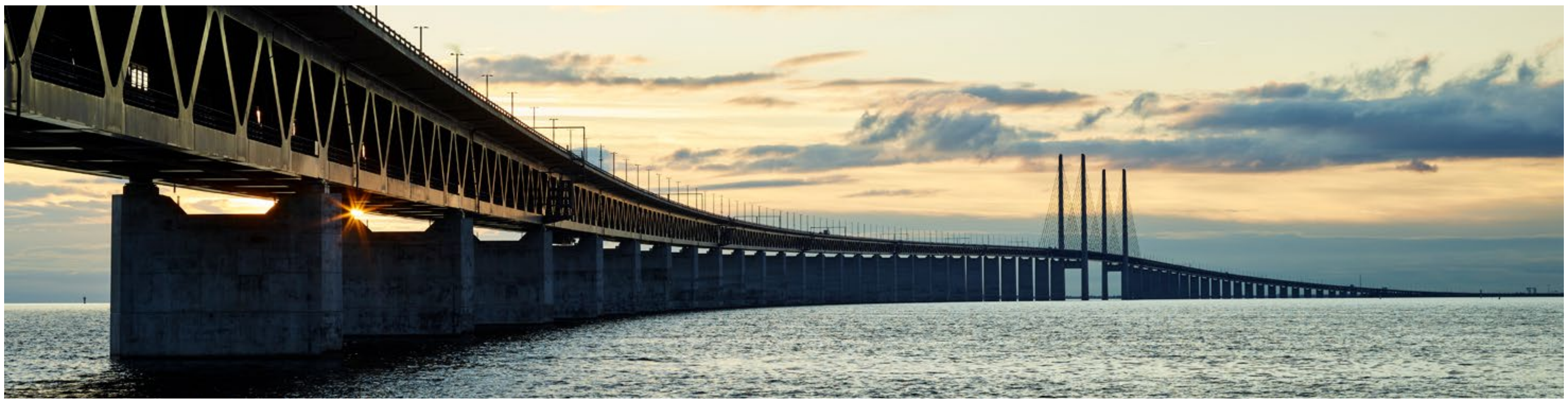
The strategies are aimed at continuing to be the first choice for Scandinavia's frequent travelers, ensuring full competitiveness in our operating model, securing a modern single-type fleet and demonstrating global leadership in sustainable aviation.

PREFERRED AIRLINE FOR SCANDINAVIA'S FREQUENT TRAVELERS

MODERN SINGLE-TYPE AIRBUS FLEET

FULLY COMPETITIVE OPERATING MODEL

GLOBAL LEADERSHIP IN SUSTAINABLE AVIATION



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PREFERRED AIRLINE FOR SCANDINAVIA'S FREQUENT TRAVELERS

SAS remains focused on Scandinavia's frequent travelers and on maintaining its strong market position in Scandinavia. To be the first choice of airline, we offer the most comprehensive network in Scandinavia as well as attractive products and services. Our customers can also enjoy our new and energy efficient aircraft, providing a more pleasant, comfortable and sustainable way of traveling.

As Scandinavia's leading airline, SAS prioritizes main traffic flows to, from and within Scandinavia. Even during the current pandemic, Scandinavian connectivity has been maintained by SAS, which is able to quickly and effectively scale up and down capacity according to demand.

We constantly monitor customer preferences and satisfaction to see what our business and leisure travelers appreciate. Our passengers rate their interaction with SAS employees highly, as well as the flexibility we offer when booking tickets and our safe travel experience. The safety of passengers and employees is always our highest priority and because of the COVID-19 outbreak, additional measures were introduced to ensure safety and well-being throughout the customer journey.

We also provide opportunities for passengers to add travel extras, such as booking an extra seat or adding biofuel to reduce the environmental impact of their flight.

To further strengthen the relationship with our customers, we continuously develop Scandinavia's largest loyalty program, EuroBonus. One of the benefits is that all SAS tickets for EuroBonus members, are automatically carbon offset, free of charge.

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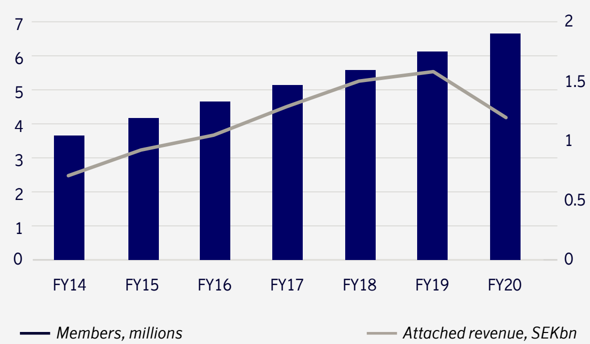
STRONG MARKET POSITION IN SCANDINAVIA

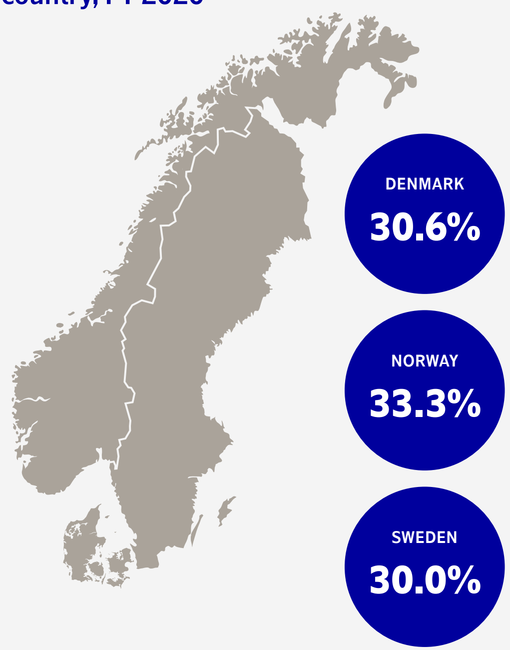
SAS continues to focus on Scandinavia's frequent travelers to maintain its strong position in Scandinavia. We are determined to create the best offering for our customers, develop our network, and to offer more sustainable products and services.

Scandinavia's largest loyalty program within travel and experiences – EuroBonus

- SAS EuroBonus is vital for us to have a close relationship with our customers. Since FY14 the number of members has grown with over 80% and attached revenue by over 70%.
- To illustrate the value of EuroBonus, we transferred it to a separate entity in which we will continue to further strengthen the relationship with our customers.



Proportion of seat capacity to/from/within country, FY 2020



KEY PROGRESS DURING THE YEAR

Secured Scandinavian connectivity by maintaining critical domestic infrastructure in Denmark, Norway and Sweden and access to the rest of the world

Introduced new routines and procedures to ensure safe travel during the COVID-19 pandemic. Updated boarding procedures to better facilitate social distancing, extended cleaning procedures, introduced face mask requirements onboard and improved disembarking procedures

EuroBonus members were offered a 12-month extension on their current tier level

Introduced increased flexibility for customers to rebook their tickets or cancel bookings and receive a voucher

Launched new sustainable packaging – the award-winning New Nordic by SAS food concept. This is one of many important steps toward achieving our goal of ensuring 100 percent sustainable materials in our customer offering no later than 2030

Refined planning to ensure the efficient ramp-up of operations and adaptability to demand

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MODERN SINGLE-TYPE AIRBUS FLEET

SAS continues to renew its aircraft fleet and by 2025 plans to have one of Europe's most modern and efficient aircraft fleets, with 15–30% lower fuel consumption, compared with the aircraft they replace. The new state-of-the-art aircraft will give our customers a more pleasant, comfortable and sustainable way of traveling.

Our single-type Airbus fleet will increase crew productivity through less need for training, lower stand-by levels and the possibility to combine shorter and longer flights in the planning. Additionally, it will reduce maintenance costs and overall complexity in the organization.

We are evaluating a replacement for the ageing Boeing 737 fleet in the mid-size segment (120–150 seats) to potentially be replaced during the next few years.

"By 2025, we will have one of Europe's most modern fleets serving our customers traveling to, from and within Scandinavia"

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SAS IS EXPECTED TO HAVE ONE OF EUROPE'S MOST MODERN FLEETS BY 2025

A single-type fleet operation in each aircraft segment, based on new Airbus aircraft, will provide lower fuel consumption and reduced maintenance costs, and will also represent attractive assets to finance. We increase the pace toward reduced CO_2 emissions by accelerating the phase-out of older and less fuel-efficient aircraft.

New aircraft		Deliveries / Orders
A320NEO 	• Backbone of the short-haul network • 15–18% lower emissions than previous generations	**41 / 80** Aircraft
A330E & A350XWB 	• Backbone of the long-haul network • 30% lower emissions and 40% less noise than previous generations	**9 / 13** Aircraft
A321LR 	• Complement long-haul fleet • 18–20% lower emissions than previous generations	**1 / 3** Aircraft
MID-SIZE 	• Next-generation mid-size • Investment to be decided dependent on future demand	**Order to be decided**

KEY PROGRESS DURING THE YEAR

Received deliveries of 18 brand new Airbus aircraft, including 13 A320neo, one A321LR and four A350

Decided on the accelerated phase-out of older and less fuel-efficient aircraft

Deferred eight A320neo and two A350-900 aircraft deliveries to reduce capital expenditure for 2021–2024 and better align deliveries of new aircraft with the expected return in demand

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FULLY COMPETITIVE OPERATING MODEL

SAS will once again need to demonstrate its ability to adapt to an airline industry in transition. Our operating model has been refined to increase flexibility and productivity and is based on three production platforms – SAS Scandinavia, SAS Ireland and regional production partners.

Our operating model allows us to serve different types of destinations and customer segments according to season, with single-type aircraft operations and full cost competitiveness in each platform.

To increase our competitiveness we are continuing to implement our efficiency and productivity initiatives across the entire organization. We have renegotiated contracts with our largest suppliers, outsourced part of the ground handling operations and resized the administration. To adjust to a period of expected lower demand, we will continue to pursue additional efficiency improvements. These include a broad range of measures to deliver SEK 4 billion in efficiency improvements by 2022 to adapt our cost structure and organization to the new market environment.

"To adjust to a very different market with lower expected demand over the coming years, it is necessary to increase efficiency, decrease costs and adapt our organization"

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AN AMBITIOUS SEK 4 BILLION TRANSFORMATION PLAN

As part of adapting our operations to a new market environment with lower demand, SAS launched an ambitious and necessary transformation plan. The efficiency improvements are focused on four areas: Employees, Fleet, Productivity and Suppliers. The components of the revised business plan are expected to deliver efficiency improvements of SEK 4 billion by 2022.

Efficiency improvements areas

EMPLOYEES
- Workforce reduction of up to 5,000 full-time positions
- Zero based re-sizing of administration

FLEET
- Airbus deliveries postponed and increased flexibility negotiated with regional production partners
- Accelerated phase-out of older aircraft

PRODUCTIVITY
- Increased productivity of 15–25% in all areas of the business, requiring new CBA agreements and enhanced planning
- Increased digitalization, structural measures and outsourcing

SUPPLIERS
- Discounts negotiated with large suppliers
- Cost saving program implemented throughout the company including brand, marketing, IT, product cost and facilities

KEY PROGRESS DURING THE YEAR

The work force has been adjusted and redundancies of 5,000 full-time positions were carried out to match the anticipated future demand

Introduced a cost saving program, reduced our sales and marketing spend, and postponed IT projects and investments

Renegotiated contracts with our 200 largest suppliers, resulting in lower costs and increased flexibility through a higher share of variable costs

Outsourced ground handling operations in Gothenburg and Malmö, concentrating operations to the SAS main hubs of Copenhagen, Oslo and Stockholm

Local collective agreements have been terminated for renegotiation in Norway and Denmark for employees at the technical department, and for SAS ground handling in Denmark

Reduced capital expenditures, including deferral of aircraft deliveries and other initiatives

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GLOBAL LEADERSHIP IN SUSTAINABLE AVIATION

SAS is fully committed to ambitious initiatives to reduce the climate and environmental impacts of its operations through innovation and investment in new technology and new ways of working. Our initiatives are primarily focused on reducing CO_2 emissions from our aircraft operations as they account for over 99% of our total CO_2 emissions.

During the year, we decided to accelerate efforts to reduce our emissions and our target to decrease total CO_2 emissions by 25% (compared to 2005 levels) is now to be reached in 2025, five years earlier than planned. The reduction corresponds to the amount of CO_2 emissions from our flights within Scandinavia during 2019 and it ensures that SAS contributes positively to the targets set out in the Paris Agreement.

A cornerstone to reach the target is our ongoing fleet renewal. In 2025, we expect to operate one of the most modern aircraft fleets in Europe, with the most fuel-efficient aircraft type in each segment and at the same time work with multiple initiatives to minimize fuel consumption during flights.

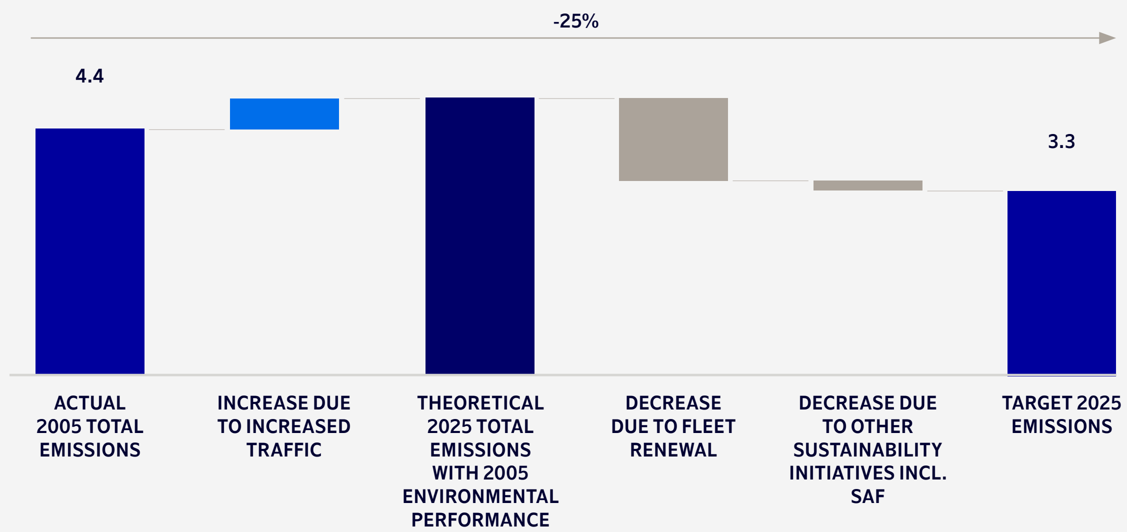
Additionally, we aim to take a world-leading position in the usage of Sustainable Aviation Fuels (SAF), which are renewable fuels that reduce climate-impacting CO_2 emissions by up to 80% compared to fossil fuel. To reach our target by 2025, one condition is that the availability increases, so that up to 10% of our fuel consumption can consist of SAF. In close collaboration with stakeholders across multiple industries, we are working to introduce sustainable aviation fuel production in Scandinavia and to create a supportive regulatory framework. In combination with efficiency measures, such as a fully implemented Single European Sky, this could enable SAS to achieve a reduction of up to 50% in total CO_2 emissions by 2030 (compared to 2005).

> "SAS aims to be the global leader in sustainable aviation, and we are accelerating the pace toward reduced total CO_2 emissions"

A ROADMAP TO REDUCE TOTAL CO_2 EMISSIONS 25% BY 2025

Sustainability is an existential topic for SAS and the aviation industry. By taking a global leadership position in sustainable aviation, we want to be at the forefront of the transition to a more sustainable future. We have been working to reduce the environmental impact of our operations for many years and we believe that sustainability will be growing as a long-term competitive advantage for SAS. During the year, we have accelerated our efforts and identified a roadmap to reduce our total CO_2 emissions 25% by 2025.

Reduction of total CO_2 emissions, M tonnes



Estimated effect on the CO_2 emissions by 2025, per area. To illustrate the full contribution, the emission level for 2025 has been calculated according to the planned traffic volume, based on 2005 environmental performance. The target for 2025 is fixed, but future traffic volume is subject to change.

KEY PROGRESS DURING THE YEAR

- We doubled the pace toward reaching our goal to reduce CO_2 emissions 25%, which we now aim to reach by 2025 instead of 2030
- Introduced 13 A320neo, one A321LR and 4 A350 aircraft, the most fuel-efficient aircraft in the market
- Phased out 15 older, less fuel-efficient aircraft
- -57.2% reduction in CO_2 emissions
- Continued to work with multiple stakeholders to accelerate the commercialization of sustainable aviation fuels, and with Airbus to facilitate and support the development of next generation low or zero emission aircraft

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HOW WE CREATE VALUE

OUR RESOURCES

SOCIETAL AND RELATIONSHIP CAPITAL

12.6 million passengers and relationships with customers, suppliers, partners and decision makers.

INTANGIBLE CAPITAL

Over six million members within the EuroBonus program and a strong SAS brand.

HUMAN CAPITAL

7,568 FTEs, with extensive experience and highly developed skills.

MANUFACTURED CAPITAL

161 aircraft with a market value of about SEK 39 billion, and a number of properties, vehicles, machines, tools and equipment, such as lounges and self-service terminals.

FINANCIAL CAPITAL

SEK 27 billion in capital invested by shareholders, lenders and lessors.

NATURAL CAPITAL

572 Ktonnes of jet fuel and 673 tonnes of biofuel consumed by flight operations, as well as other raw materials and energy consumption.

OUR BUSINESS MODEL

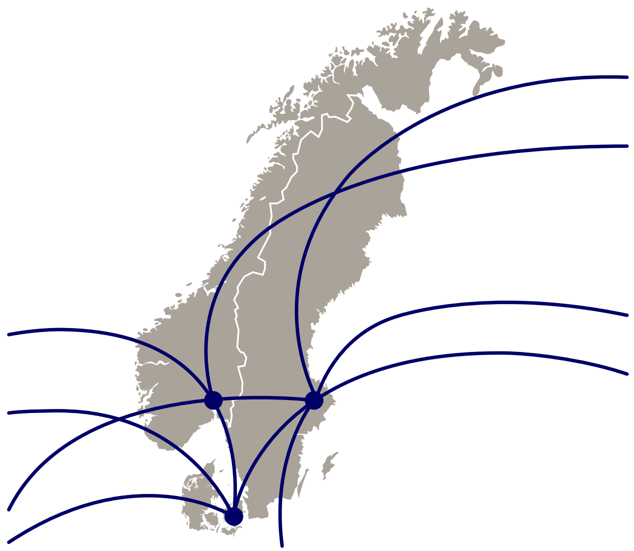
WHAT WE DO

SAS makes life easier for people who travel frequently to, from, and within Scandinavia by offering smooth flights for business and leisure travel. We offer the most destinations and departures within Scandinavia, and reward customer loyalty through our EuroBonus program.

HOW WE DO IT

Our travel and freight services are built on SAS Scandinavia, supplemented by SAS Ireland flying larger traffic flows with a uniform aircraft fleet, and smaller regional traffic flows flown via regional partners. Flight operations are supported by ground handling services, technical maintenance and a sales organization.

As air travel plays an important role in society, connecting communities, cultures and people in a time-efficient way, SAS works continuously to reduce the climate and environmental impacts of its operations through innovation and investments in new technology.



WHAT WE CREATE

2019 figures in brackets

13 (30)
MILLION JOURNEYS

243 (299)
ROUTES

50 (111)
MILLION KG OF TRANSPORTED GOODS

121 (127)
DESTINATIONS

405 (800)
DAILY DEPARTURES

OUTPUT

FOR SHAREHOLDERS

- Net loss for the year of MSEK -9,275 (Net income MSEK 621)
- Common share market capitalization of SEK 11.4 billion per 30 October 2020 (SEK 5.8 billion)

FOR SOCIETY

- Carried out repatriation flights and established airbridges for medical supplies
- Up to 17 infrastructure critical routes operated in Norway
- Infrastructure that enables trade, new companies, import/export, tourism, cultural exchange and regional development
- Scandinavian community
- Tax income & job opportunities

FOR ENVIRONMENT

- Production with more fuel-efficient aircraft resulting in lower climate impact and reduced noise

FOR CUSTOMERS

- Smooth & attractively priced travel that makes life simpler
- New experiences, relationships and personal development

FOR EMPLOYEES

- Job opportunities
- Personal & professional development
- Salary and benefits

FOR FINANCIAL BACKERS AND SUPPLIERS

- Interest expenses and supplier payments

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SAS AS AN INVESTMENT

REASONS TO INVEST IN SAS

LEADING MARKET POSITION IN THE SCANDINAVIAN MARKET TARGETING FREQUENT TRAVELERS

2020 was challenging for the Scandinavian air travel market due to the COVID-19 pandemic. But as demand returns, air travel will continue to be an important part of the Scandinavian transport infrastructure as it connects communities, cultures and people in a time-efficient way. Given Scandinavia's economic prosperity and that the region is characterized by relatively long distances and mountainous topography, the air travel market is very large in relation to its population under normal circumstances.

For flights to, from, and within Scandinavia, SAS has held a leading market position with a market share of over 30% in a normal year and operates the region's most comprehensive network. Together with Star Alliance and partners, we are in a position to offer a broad network with frequent departures. This means that SAS is often the first choice for frequent travelers. No other airline in Scandinavia has such a high level of preference among frequent travelers.

STRONG TRACK RECORD OF TRANSFORMATIONAL CAPABILITIES

SAS has a proven ability to adapt to an airline industry in transition and has shown profitability during the past five years. To mitigate increased competitive pressure from other airlines as well as negative macro-economic events, SAS has continuously focused on improving efficiency through the years and has delivered significant efficiency improvements since 2013. During the ongoing COVID-19 pandemic, SAS has taken decisive steps to reduce costs to adapt to a market with lower demand. SAS continues to pursue additional efficiency improvements to retake its place as a profitable and sustainable airline.

AIMING FOR GLOBAL LEADERSHIP IN SUSTAINABLE AVIATION

Society and our customers are increasingly demanding more sustainable solutions. This trend is expected to continue in the airline industry, with a focus on reducing emissions and the more efficient use of resources. We work hard to continuously reduce the climate and environmental impact from our flight operations. This is done through a vast number of initiatives in our daily operations and large investments in new fuel-efficient aircraft. SAS also collaborates with Airbus to make low or even zero emission aircraft a reality in the future. Meanwhile, we intend to increase our use of sustainable aviation fuels (SAF) significantly. SAS is pushing for the large-scale commercial production of SAF in Scandinavia. By 2025, our goal is to reduce our total CO_2 emissions 25%.

OPERATING MODEL ADAPTED TO SCANDINAVIAN TRAVEL PATTERNS

Airlines are capital-intensive due to major investments in aircraft and engines, and this requires efficient capital management. SAS has developed an operating model that allows it to serve all types of destinations and customer segments. The SAS operating model is based on its three production platforms – SAS Scandinavia, SAS Ireland and regional production partners. Additionally, SAS is also evaluating a replacement for its ageing 737 fleet to offer a fuel-efficient alternative in its mid-size segment.

The production platforms allow SAS to maintain its strong Scandinavian footprint, secure its presence on highly competitive routes and participate in new leisure markets as well as rightsize aircraft during the off-peak season.

LEVERAGING OUR STRONG LOYALTY PROGRAM AND BRAND TO INCREASE ANCILLARY REVENUE

SAS is one of Scandinavia's strongest and best-known brands and has been regularly ranked as the strongest brand within the travel category in Scandinavia and Europe.

SAS EuroBonus is Scandinavia's largest loyalty program within travel and experiences, and forms the core of our efforts to establish a closer relationship with our customers. EuroBonus has over 6 million members and more than 100 partners, which represents a valuable customer database and sets us apart from the competition. During the year EuroBonus was transferred it to a separate entity to illustrate its value and to continue to further strengthen the relationship with customers. SAS also offers a program to reinforce loyalty among corporate customers — SAS for Business. Corporate-agreement customers account for just over a third of our passenger revenue.

NEW SHAREHOLDER PROGRAM

Our shareholders are an important part of our future as a vital part of Scandinavian infrastructure as well as in supporting our journey to become the global leader in sustainable aviation.

During the year, we launched a new and improved shareholder program where shareholders with 4,000 shares or more can benefit from special campaigns with discounted prices on selected domestic and international tickets. Shareholders with 100,000 shares or more can also enjoy EuroBonus tier level benefits.

Read more on:
https://www.sasgroup.net/investor-relations/shareholder-program/

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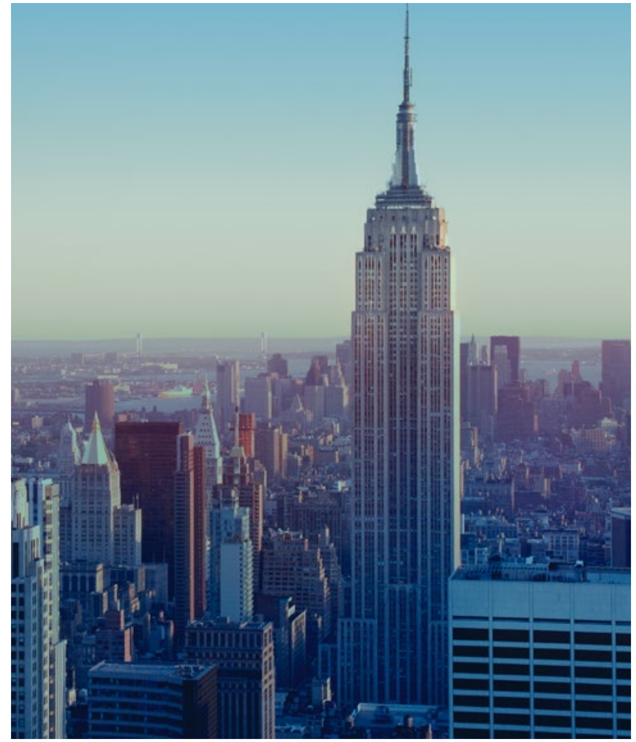
FINANCIAL INSTRUMENTS AND CAPITAL MARKETS

SAS strives to provide transparent and relevant information to the capital market so that efficient trade can be conducted in our financial instruments. These include the common shares listed on Nasdaq Stockholm with secondary listings in Copenhagen and Oslo.



RECAPITALIZATION

SAS concluded a recapitalization plan during the year to counteract the effects of the COVID-19 pandemic. The recapitalization plan consisted of:

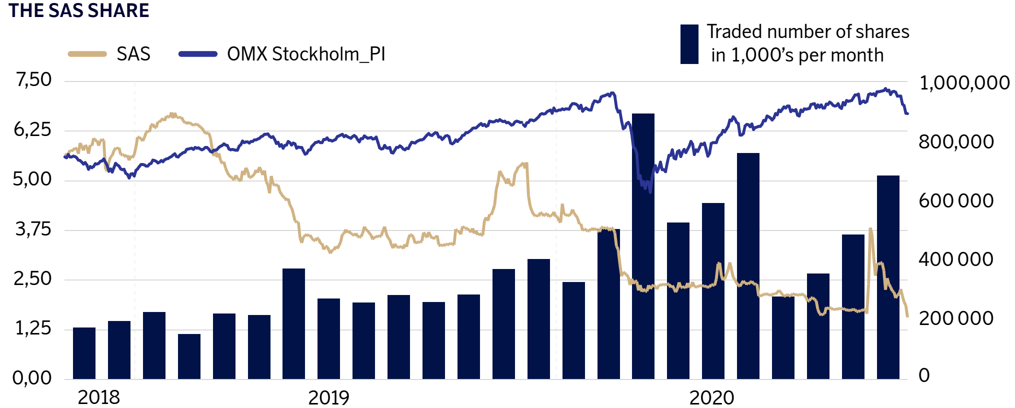
- A directed issue of common shares of SEK 2 billion to the governments of Denmark and Sweden
- A rights issue of common shares amounting to SEK 4 billion
- An issue of new hybrid notes of SEK 5 billion split equally between the governments of Denmark and Sweden
- An issue of new hybrid notes of SEK 1 billion to the Government of Denmark
- A conversion of existing SEK 1.5 billion hybrid notes into common shares at 90% of nominal value
- A conversion of existing SEK 2.25 billion senior bond to SEK 0.6 billion in common shares and SEK 1.6 billion into a new commercial hybrid note

In total, the recapitalization increased liquidity by SEK 12 billion, decreased liabilities by SEK 2.25 billion and strengthened equity by SEK 14.25 billion.

SHARE PRICE PERFORMANCE FY 2020

In total, the price per common share decreased 62% to SEK 1.57 during the fiscal year. Over the same period, the Nasdaq Stockholm OMX30 index decreased 1%.

THE SAS SHARE



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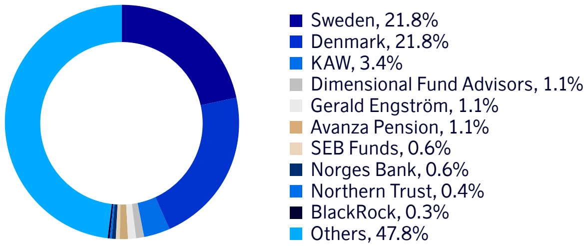
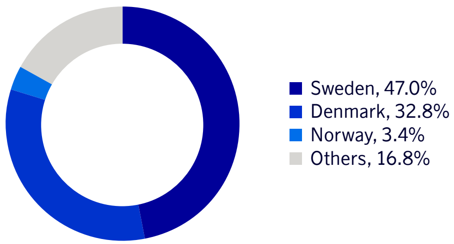
DISTRIBUTION OF SHAREHOLDERS AND CHANGES

As of November 10, 2020, SAS had 125,897 holders of common shares. Holdings in Scandinavia were in total about 83.2%, with Sweden accounting for 47%, Denmark 32.8% and Norway 3.4%. Of the remaining holdings outside Scandinavia, totaling 16.8%, 1.5% were registered in Finland followed by 0.8% in the U.S.

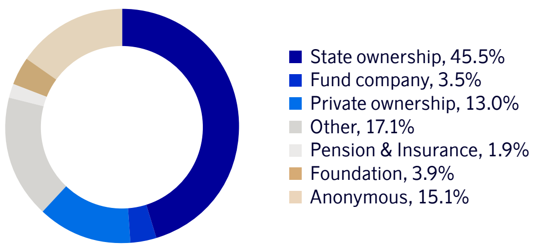
TEN LARGEST SHAREHOLDERS, NOVEMBER 10, 2020



VOTING RIGHTS IN SAS, BY COUNTRY, NOVEMBER 10, 2020



BREAKDOWN OF THE SAS SHARE CAPITAL, BY VOTES, NOVEMBER 1O, 2020



DISTRIBUTION OF COMMON SHARES

Owner distribution by holdings	Number of shares	% of capital	Number of votes	Number of owners	% of all shareholders
1–1,000	17,296,773	0.2%	0.2%	57,270	49.8%
1,001–10,000	157,258,231	2.2%	2.2%	37,676	32.7%
10,001–100,000	560,721,833	7.8%	7.8%	17,364	15.1%
100,001–1,000,000	693,515,034	9.9%	9.9%	2,553	2.2%
1,000,001–	4,700,125,184	62.8%	62.8%	210	0,2%
Anonymous ownership	1,137,122,237	17.1%	17.1%	N/A	N/A
Total	**7,266,039,292**	**100%**	**100%**		

CHANGE IN SHARE CAPITAL[1]

	Event	No. of new shares	Total no. of shares	Nominal value/share, SEK	Nominal share capital
May 2001	Company registration	50,000	50,000	10	500,000
July 2001	Non-cash issue	155,272,395	155,322,395	10	1,553,223,950
August 2001	Non-cash issue	6,494,001	161,816,396	10	1,618,163,960
May 2002[2]	New share issue, common shares	2,683,604	164,500,000	10	1,645,000,000
April 2009	New share issue, common shares	2,303,000,000	2,467,500,000	2.5	6,168,750,000
April 2010	New share issue, common shares	7,402,500,000	9,870,000,000	0.67	6,612,900,000
June 2010	Reverse split, common shares	-	329,000,000	20.1	6,612,900,000
February 2014	New issue of preference shares	7,000,000	336,000,000	20.1	6,753,600,000
January 2016	Conversion of convertible bond	1,082,551	337,082,551	20.1	6,775,359,275
November 2017	New share issue, common shares	52,500,000	389,582,551	20.1	7,830,609,275
February 2018	Redemption, preference shares	-4,898,448	384,684,103	20.1	7,732,150,470
November 2018	Redemption, preference shares	-2,101,552	382,582,551	20.1	7,689,909,275
September–November 2020 Recapitalization	*Reduction of share capital*			*-19.35*	*-7,402,972,362*
	Bonus issue				*+3,200,000,000*
	Conversion of bond	*+547,413,777*		*0.75*	*+410,560,333*
	Conversion of hybrid bond	*+1,163,793,087*		*0.75*	*+872,844,815*
	Directed issue	*+1,729,170,833*		*0.75*	*+1,296,878,125*
	Rights issue	*+3,437,102,162*		*0.75*	*+2,577,826,622*
	Shares registered in November	*+5,976,882*		*0.75*	*+4,482,662*
	Total		**7,266,039,292**	**1.19**	**8,649,529,469**

1) Before SAS AB was formed in May 2001, SAS was listed through SAS Danmark A/S, SAS Norge ASA and SAS Sverige AB.
2) Technical change in connection with consolidation to one common share.

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SUMMARY OF FISCAL YEAR 2020

- Revenue for the year: MSEK 20,513 (46,112)
- The total number of passengers decreased 57.6% and amounted to 12.6 million.
- Unit revenue (PASK) declined 12.8%[1]
- Unit cost (CASK) rose 46.6%[2]
- Income before tax was MSEK -10,151 (794)
- Income before tax and items affecting comparability: MSEK -8,619 (786)
- Net income for the year was MSEK -9,275 (621)

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

The Board of Directors and the President of the Parent Company, SAS AB, hereby submit the annual and sustainability report for SAS AB and the SAS Group for fiscal year 2020 (1 November 2019–31 October 2020). SAS AB is registered in Stockholm and the address of its head office is Frösundaviks allé 1, Solna, Stockholm, Sweden, and its Corporate Registration Number is 556606-8499. The company conducts airline operations, including ground handling, technical maintenance and cargo, in a Scandinavian and international network.

MARKET PERFORMANCE FISCAL YEAR 2020

Market capacity contracted drastically over the year in the wake of the COVID-19 pandemic. Measured in the number of seats offered, capacity to, from and within Scandinavia declined 45.5% during FY 2020. The total number of passengers to, from, and within Scandinavia decreased 59.9% during the fiscal year.

The number of passengers who traveled on SAS' scheduled routes declined 56.7% and totaled 12.3 million.

SAS scheduled traffic on intercontinental routes fell 69.6%, on European and intra-Scandinavia routes traffic declined 64.8% and domestic routes noted a 42.3% decrease in traffic. SAS' charter capacity shrank 74.1% and traffic decreased 75.6% in the fiscal year.

During the fiscal year, the currency-adjusted yield increased 8.6% and currency-adjusted unit revenue (PASK) decreased 12.8% compared with last year. At the same time, SAS' currency-adjusted unit cost excluding jet fuel increased 46.6%.

TRAFFIC TRENDS FOR SAS

SAS' scheduled traffic	FY20	FY19	Change
Number of passengers (000)	12,315	28,451	-56.7%
RPK, Revenue Passenger Kilometers (mill)	13,259	35,825	-63.0%
ASK, Available Seat Kilometers (mill)	22,357	48,471	-53.9%
Load factor	59.3%	73.9%	-14.6
Passenger yield (currency-adjusted), SEK	1.05	0.97	8.6%
Currency-adjusted unit revenue, PASK, SEK	0.62	0.73	-12.8%

	FY20 vs. FY19	
Geographic trends, scheduled traffic	RPK	ASK
Intercontinental	-69.6%	-59.8%
Europe/Intra-Scandinavia	-64.8%	-57.6%
Domestic	-42.3%	-31.4%

SAS' charter traffic	FY20	FY19	Change
Number of passengers (000)	295	1,310	-77.5%
RPK, Revenue Passenger Kilometers (mill)	867	3,550	-75.6%
ASK, Available Seat Kilometers (mill)	1,008	3,900	-74.1%
Load factor	86.0%	91.0%	-5.0

SAS Total traffic (scheduled and charter traffic) for SAS	FY20	FY19	Change
Number of passengers (000)	12,610	29,761	-57.6%
RPK, Revenue Passenger Kilometers (mill)	14,127	39,375	-64.1%
ASK, Available Seat Kilometers (mill)	23,365	52,371	-55.4%
Load factor	60.5%	75.2%	-14.7
Currency-adjusted unit cost, CASK, excl. jet fuel	0.87	0.60	+46.6%

1) Figures given in percentage points

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Punctuality and regularity

In FY 2020, SAS increased its arrival punctuality to 87.9% (80.3) together with a slight improvement in regularity to 97.7% (97.5) as a result of improvement initiatives implemented last year and fewer flights.

IMPACT OF THE COVID-19 PANDEMIC

The COVID-19 pandemic and the actions taken in response to its spread, including various government measures and travel restrictions, have resulted in significant disruption to SAS' operations. For the year, capacity (ASK) was down 55.4% and revenue passenger kilometers (RPK) were 64.1% lower compared with same period last year. The reduction of the network and number of passengers resulted in a significant revenue decrease for SAS of 55.5% compared with FY 2019. The estimated negative revenue impact from the COVID-19 pandemic was MSEK -25,913 for the full fiscal year.

Despite measures taken by SAS to reduce costs, the significant decrease in revenue cannot be outweighed by cost reductions. Therefore, the company concluded a recapitalization plan during the fourth quarter aimed at counteracting the effects from COVID-19 and to remedy the liquidity shortage and the negative effects on equity caused by the pandemic.

In total, liquidity was strengthened by SEK 12 billion and equity improved with SEK 14.25 billion.

The demand and the financial performance for the coming year will continue to be uncertain—affecting revenue, and lowering ticket sales and cash flows to an extent and for a duration that are currently unknown.

Following the concluded recapitalization, SAS's assessment is that the liquidity position is sufficient for at least the next twelve-month period.

ESTIMATED COVID-19 EFFECTS, FY 2020[1]

MSEK	
Revenue	-25,913
Personnel expenses	2,047
Fuel expenses – volume	4,968
Fuel expenses – discontinued hedges	-1,370
Air traffic charges	2,244
Other external expenses	6,864
Amortization and depreciation	73
EBIT	**-11,087**

1) The revenue effects are estimated and comprise the difference in revenue between FY19 and FY20 after adjustment for the pilot strike last year. The effects on expenses comprise the implemented cost reduction program including the decrease in variable production costs (adjusted for strike-related costs last year) and support for temporary lay-offs, etc.

INCOME NOVEMBER 2019–OCTOBER 2020

SAS generated an EBIT of MSEK -9,549 (1,166). Income before tax amounted to MSEK -10,151 (794) and income after tax was MSEK -9,275 (621). Tax for the year amounted to MSEK 876 (-173). Year-on-year, the exchange-rate trend had a negative impact on revenue of MSEK 1,008 and a positive effect on operating expenses of MSEK 935. Foreign exchange rates thus had a negative impact on operating income of MSEK 73. Net financial items were positively impacted by currency items amounting to MSEK 737. In total, currency effects had a net positive impact of MSEK 664 on EBT. The effect mainly related to a stronger SEK against the USD.

CURRENCY EFFECT BETWEEN YEARS

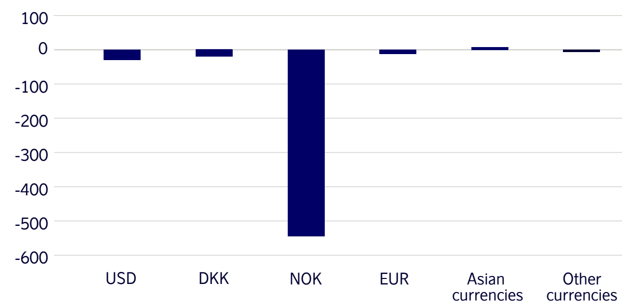
MSEK	FY20 versus FY19	FY19 versus FY18
Revenue	-1,008	1,180
Personnel expenses	192	-177
Other expenses	212	-1,782
Translation of working capital	708	206
Income from hedging of commercial flows	-177	-10
Operating income	**-73**	**-583**
Net financial items	737	-10
Income before tax	**664**	**-593**

CURRENCY EFFECTS ON NET INCOME FOR THE YEAR

MSEK	FY20	FY19
Translation of working capital	690	-20
Income from hedging of commercial flows	106	283
Operating income	**796**	**263**
Currency effect on the Group's financial net debt/receivables	730	-6
Income before tax	**1,526**	**257**

CURRENCY EFFECT ON REVENUE AND OPERATING EXPENSES, NET

MSEK



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Revenue

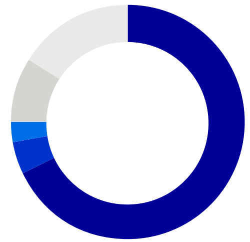
Revenue totaled MSEK 20,513 (46,112), see Note 2. Currency-adjusted revenue was down MSEK 24,591 year-on-year. The decrease in revenue mainly related to lower overall demand following the COVID-19 pandemic and the travel restrictions introduced.

Currency-adjusted passenger revenue decreased 59.8%. The decrease was a result of lower scheduled capacity (ASK) which, based on the preceding year's circumstances, had a negative impact on revenue of MSEK 18,410. The lower load factor had a negative effect of MSEK 3,433. The higher yield had a positive impact of MSEK 1,107 on passenger revenue.

Currency-adjusted cargo revenue decreased MSEK 625 and currency-adjusted charter revenue was MSEK 1,463 lower. Other traffic revenue (currency-adjusted) was down MSEK 1,077. The decrease in revenue mainly related to lower traffic volumes.

Other operating revenue (currency-adjusted) was MSEK 689 lower year-on-year, mainly as a consequence of lower revenue from ground handling operations, sale of EuroBonus points, ticket fees and other volume related revenues.

REVENUE BREAKDOWN FISCAL YEAR 2020



1) Ground handling services, technical maintenance, terminal and forwarding services, sales commissions and charges, in-flight sales and other operating revenue.

Operational and financial expenses

Personnel expenses amounted to MSEK -7,969 (-9,934). After adjustment for currency and items affecting comparability, personnel expenses decreased MSEK 1,937 year-on-year. The decrease mainly related to COVID-19 effects of MSEK 2,047, which included MSEK 788 of support received from the governments of Denmark and Sweden for temporary lay-offs. The decrease was also attributable to direct salary compensation paid by the Norwegian government to furloughed employees in Norway and to reduced personnel expenses due to lower production volume.

Fuel expenses amounted to MSEK -5,626 (-9,672). Adjusted for currency, jet-fuel costs decreased 41.6%. Volume effects had a positive impact on costs of MSEK 4,814. Lower jet-fuel prices had a positive cost impact of MSEK 686. Hedge effects had a negative impact of MSEK 1,456 year-on-year, of which MSEK 1,370 related to hedge relationships that have been discontinued as they have ceased to meet the qualification criteria. The effect on accruals was MSEK 2.

Air traffic charges amounted to MSEK -1,872 (-4,194). Adjusted for currency, air traffic charges decreased 54.6%. The decrease pertained mainly to lower traffic volumes and reduced traffic charges during the COVID-19 pandemic.

Other external expenses amounted to MSEK -7,782 (-19,324), see Note 4. As a result of IFRS 16 being implemented on 1 November 2019, lease expenses for aircraft are included in other external expenses. Fuel expenses and air traffic charges are no longer included and are instead presented as separate line items in the income statement. The comparative year has also been reclassified. For detailed information on the changes, see Note 1.

Year-on-year, other external expenses (currency-adjusted) decreased MSEK 10,914. The decrease pertained mainly to lease expenses for aircraft, properties and ground handling equipment that, following the adoption of IFRS 16, are no longer recognized as other external expenses, with the exception of short-term leases. Other year-on-year changes pertained mainly to a decrease in costs for handling, selling and distribution, and technical maintenance. Currency-adjusted handling costs, and selling and distribution costs decreased MSEK 1,376 and MSEK 1,378 respectively, mainly related to lower volumes. Technical maintenance costs (currency-adjusted) decreased MSEK 1,037, relating to the COVID-19 pandemic and the introduction and delivery of new aircraft which require less maintenance. Wet-lease expenses decreased MSEK 568 (currency-adjusted) primarily due to lower demand due to COVID-19.

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Depreciation, amortization and impairment amounted to MSEK -6,822 (-1,924), an increase of MSEK 4,898 year-on-year. The increase mainly related to impairment of aircraft (owned and RoU assets) of MSEK 1,210 and the adoption of IFRS 16, where depreciation of right-of-use assets had a negative impact of MSEK 3,647, see notes 1 and 5.

Financial income and expenses amounted to net MSEK -602 (-372), representing an increase in net expenses of MSEK 230 year-on-year. The increase pertained mainly to a higher net interest expense. The impact of the adoption of IFRS 16 was net MSEK 39, where currency revaluations on lease liabilities had a positive impact of MSEK 730. Interest expenses on lease liabilities had a negative impact of MSEK 691, see Note 8.

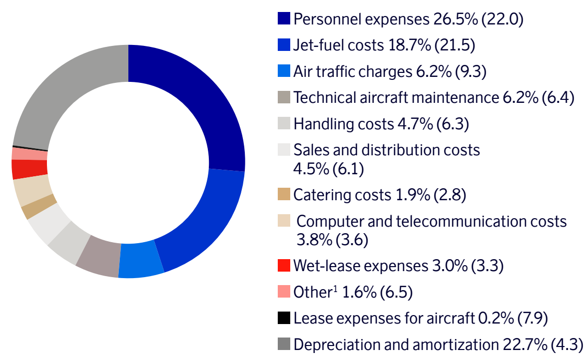
Net income for the year was MSEK -9,275 (621) and income tax amounted to MSEK 876 (-173). Income tax for the year was largely attributable to temporary differences in fixed assets and capitalized loss carryforwards that primarily arose in the first quarter.

Impact from IFRS 16

The adoption of IFRS 16 had a positive impact of MSEK 261 on income before tax (EBT) in the fiscal year. The expenses impacted in the income statement are operating expenses, depreciation and the financial net.

Operating expenses were positively impacted by an amount of MSEK 4,039, since lease expenses for aircraft, properties and ground handling equipment are no longer recognized in profit or loss. Depreciation and impairment of right-of-use assets had a negative impact of MSEK 3,817 and the financial net was positively impacted by a net amount of MSEK 39, relating to positive currency revaluations of MSEK 730 and interest expenses of MSEK 691. For more information regarding the impact of IFRS 16, see Note 1.

COST BREAKDOWN FOR SAS, FISCAL YEAR 2020



1) Property costs, cost of handling passengers on the ground, freight and administration costs, etc.

Items affecting comparability

Total items affecting comparability amounted to MSEK -1,532 (8). Of total items affecting comparability MSEK -1,040 (-93) related to impairment of specific aircraft, A330/A340/A319 and 737NG, and MSEK -170 (0) related to impairment of right-of-use aircraft. MSEK -324 (-230) related to restructuring costs for personnel and MSEK 2 (112) pertained to a capital loss from aircraft sales of MSEK -1 (112) and a gain from facility sales of MSEK 3 (0). The other items affecting comparability last year related to a contractual settlement, a release of a fiscal-related provision for indirect taxes and a release of a provision for a one-time award to our employees.

BALANCE SHEET AND FINANCIAL POSITION

Assets

Intangible and tangible fixed assets increased MSEK 3,149 since 31 October 2019. Changes included investments of MSEK 7,618, amortization, depreciation and impairment of MSEK -3,005 and other effects of MSEK -1,464. The amount for investments included three new Airbus A320neo and four new Airbus A350 aircraft. Other aircraft investments comprised capitalized expenditures for engine maintenance, modifications and advance payments to Airbus. Other effects included capitalized interest on prepayments and translation differences.

Right-of-use assets increased MSEK 546 during the year. The transition impact on 1 November 2019 was MSEK 16,718. The increase of MSEK 546 did not include the transition impact. Investments amounted to MSEK 3,742, mainly related to new aircraft lease agreements. Changes in indexation and modification in underlying agreements increased the asset by MSEK 649, and depreciation and impairment was MSEK -3,817. Currency effects amounted to MSEK -28. For more information, see Note 1.

Financial assets increased MSEK 1,517, mainly due to an increase in restricted accounts and a net increase in SAS' defined-benefit pension plans.

Deferred tax assets increased MSEK 890, mainly related to temporary differences in fixed assets and capitalized loss carryforwards that primarily arose in the first quarter.

Current receivables decreased MSEK 1,031. This decrease was mainly attributable to lower accounts receivable.

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Cash and cash equivalents were MSEK 10,231 (8,763) at 31 October 2020. Unutilized contracted credit facilities amounted to MSEK 2,751 (2,899). Financial preparedness amounted to 67% (38) of SAS' fixed costs.

Shareholders' equity and liabilities

Shareholders' equity increased MSEK 5,118 to MSEK 10,490. The increase pertained mainly to the recapitalization of MSEK 14,250, net income for the year of MSEK -9,275, changes in cash-flow hedges of MSEK -168 and the positive actuarial effect on defined-benefit pension plans of MSEK 752.

New hybrid bonds were issued in October 2020 to the governments of Denmark and Sweden for a total amount of MSEK 6,000. Through the recapitalization plan, SAS converted MSEK 1,500 in hybrid bonds to shares and MSEK 2,250 in bonds to equity, of which MSEK 1,615 was converted to a hybrid bond and the remaining debt to shares.

Non-current liabilities increased MSEK 14,795 and current liabilities increased MSEK 3,508 including the impact of IFRS 16. The total increase in liabilities excluding the transition effect of IFRS 16 was MSEK 1,623 and was mainly due to higher interest-bearing liabilities. Non-interest-bearing liabilities decreased MSEK 2,010 mainly due to a lower unearned transportation liability. For more information regarding the impact of IFRS 16, see Note 1.

Interest-bearing liabilities

On 31 October 2020, interest-bearing liabilities amounted to MSEK 31,596, up MSEK 20,313 since 31 October 2019, of which the transition effect of IFRS 16 was MSEK 16,503.

New loans and amortization were MSEK 11,210 and MSEK 4,520 respectively. New loans and amortization of lease liabilities were MSEK 4,385 and MSEK 3,082 respectively. The change in gross debt since 31 October 2019 included the bond conversion of MSEK 2,250 and a negative change in the fair value of derivatives, which increased liabilities MSEK 33. Currency revaluations decreased liabilities MSEK 2,207, and accrued interest and other items increased liabilities MSEK 241.

Current interest-bearing liabilities excluding lease liabilities amounted to MSEK 3,773 (1,833) of the interest-bearing liabilities and comprised borrowings that mature within one year of MSEK 2,708 and accrued interest and financial derivatives of MSEK 1,065. Non-current liabilities excluding lease liabilities totaled MSEK 11,219 (9,450) and consisted of subordinated loans, bonds and other loans.

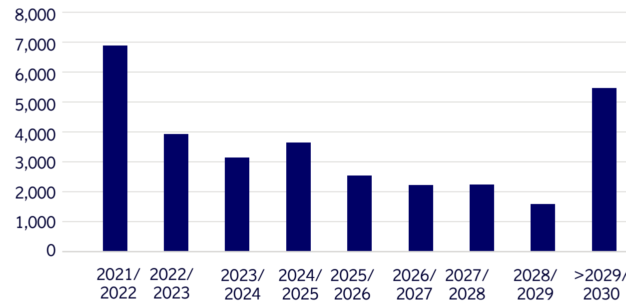
The average fixed-interest period for gross financial debt is governed by SAS' financial policy and has a target tenor of 3 years. The average fixed-interest period including the hybrid bonds was 2.9 years as of October 2020.

BREAKDOWN OF SAS' INTEREST-BEARING LIABILITIES, 31 OCTOBER 2020

Liability	Note	MSEK
Subordinated loans	23	1,237
Bonds	23	104
Aircraft financing liabilities	23	9,771
Other loans	23	107
Lease liabilities	24	16,604
Current liabilities	28	3,773
Total		**31,596**

REPAYMENTS OF INTEREST-BEARING LIABILITIES, 31 OCTOBER 2020

MSEK

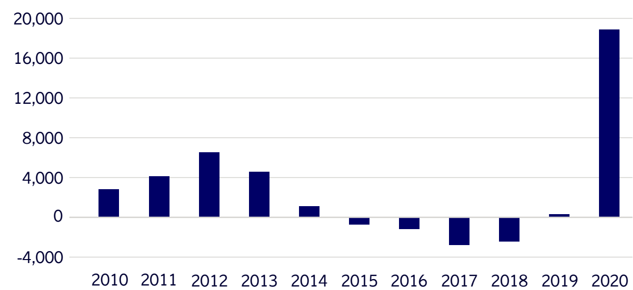


Financial net debt/receivables

At 31 October 2020, the financial net debt amounted to MSEK 18,899, an increase of MSEK 18,571 since 31 October 2019. Excluding the MSEK 16,503 transition effect of IFRS 16, the increase was MSEK 2,068. The recapitalization of MSEK 14,250 in October 2020 reduced the negative effects of the negative cash flow before financing activities of MSEK 12,363, new lease liabilities of MSEK 4,385 and negative value of financial derivatives of MSEK 193, which were offset by a positive currency revaluation MSEK 2,056.

FINANCIAL NET DEBT

MSEK



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Key ratios

IFRS 16 has a significant impact on the income statement and balance sheet. Following SAS' transition approach, financial reporting published by SAS during FY 2020 does not include restated comparative information for FY 2019.

At 31 October 2020, the return on invested capital (ROIC) was -27%, down 35 percentage points since 31 October 2019. The decrease was mainly due to a lower EBIT.

Financial preparedness was 67% at the end of this year. A high cash position and lower fixed costs were the underlying factors behind the increased key ratio.

The financial net debt/EBITDA ratio changed to a multiple of -9.2 at 31 October 2020. On 31 October 2019, the multiple was 3.7. The decrease related both to increased average financial net debt and lower EBITDA.

At 31 October 2020, the equity/assets ratio was 18%, up from 16% at 31 October 2019. The increase in Equity and the adoption of IFRS 16 had a significant impact on the key ratio.

Credit rating

SAS is rated by three credit-rating agencies: Moody's, Standard and Poor's and the Japanese agency, Rating and Investment Information Inc. (R&I).

SAS CREDIT RATING

	Rating	Outlook
Moody's	B3	Stable
Rating and Investment information	CCC+	Negative
Standard & Poor's	B-	Stable

The COVID-19 pandemic and its spread have adversely impacted many airlines' credit ratings, SAS included. The rating agencies, Moody's and Standard & Poor's needed to gradually downgrade their respective ratings for SAS to Caa2 and SD respectively before raising these ratings to B3 and B- respectively following the completed recapitalization.

FINANCIAL TARGETS AND DIVIDEND POLICY

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

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

The SAS financial targets are:

- Return on invested capital (ROIC) to exceed the post-tax Weighted Average Cost of Capital (WACC) over a business cycle
- Financial net debt/EBITDA to be a multiple of less than three and a half (3.5x)
- Financial preparedness: cash and cash equivalents and available credit facilities must 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 first be paid when value is created through SAS' ROIC exceeding its WACC.

Leverage target – Financial net debt/EBITDA is a key ratio used by credit rating agencies and banks for assessing creditworthiness and includes the value of leased aircraft. The aim of maintaining a ratio with a multiple of less than three and a half (3.5x) 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 liability and also meets regulatory requirements regarding liquidity.

CALCULATION OF ROIC

MSEK	October 2020
EBIT, 12 months	-9,549
Theoretical tax	2,043
Total	**-7,506**
Average shareholders' equity	2,171
Average financial net debt	25,257
Invested capital	**27,428**
ROIC	**-27%**

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CALCULATION OF FINANCIAL NET DEBT/EBITDA

MSEK	
Average financial net debt	25,257
EBITDA, 12 months	-2,736
Financial net debt/EBITDA	**-9.2**

CALCULATION OF FINANCIAL PREPAREDNESS

MSEK	
Cash and cash equivalents	10,231
Unutilized credit facilities	1,190
Total	**11,421**
Total other external expenses	15,751
Net financial items excluding exchange-rate effects on lease liabilities	1,332
Total	**17,083**
Financial preparedness	**67%**

Dividend policy

SAS' overriding goal is to create shareholder value. Dividends require a resolution by a shareholders' meeting, and that SAS AB has distributable earnings. Dividends to holders of common shares can only be distributed when value is created through SAS' ROIC exceeding its WACC. The Group's financial position, earnings, expected performance, investment requirements and relevant economic conditions should also be taken into account. The dividend should take into account any restrictions applying to the Group's right to distribute dividends to shareholders[1]. The dividend policy endeavors to achieve long-term sustainable dividends.

Parent Company

The Parent Company SAS AB conducts extremely limited intra-Group services. Revenue totaled MSEK 49 (58) and operating expenses MSEK -73 (-80). Net financial items amounted to MSEK -1,070 (-55) and net income for the year was MSEK -1,099 (-56). Net financial items comprised a write down of shares in subsidiaries of MSEK 1,017. The risks described in the Report by the Board of Directors also encompass the Parent Company.

FINANCING AND CAPITAL MANAGEMENT

Financing

SAS can use bank loans, capital market products, export credits and leasing as sources of financing. New loans raised during the fiscal year amounted to MSEK 11,210 (2,364) and comprised aircraft financing of MSEK 7,848, a revolving credit facility of MSEK 3,333 and other borrowings of MSEK 29. In connection with aircraft transactions, the financing method is a very important factor that is taken into account together with residual value risks and financing costs.

Aircraft fleet

SAS has simplified its aircraft fleet considerably over the last few years; today, it has three aircraft families under SAS' own traffic license. The aircraft fleet consists of Boeing 737 NG, the Airbus A320 family and Airbus A330/350 aircraft. In addition, SAS wet-leases 32 aircraft through strategic business partners. In 2013, SAS ordered eight Airbus A350 aircraft for delivery in the 2019–2021 period. In June 2011, SAS placed an order for 30 Airbus A320neo aircraft with delivery from 2016 to 2019. In April 2018, SAS ordered 50 additional Airbus A320neo aircraft with delivery from spring 2019 through 2023. The order means that for the first time, SAS will have a single-type fleet for short- and medium-haul routes by 2023 that consists of the market's most efficient short- and medium-haul aircraft in terms of cost and fuel economy.

The aircraft fleet is SAS' largest tangible asset. SAS depreciates directly-owned aircraft over 20 years utilizing a residual value of 10%, excluding aircraft engines. Aircraft engines are depreciated over around eight years. Maintenance of leased aircraft is set off on an ongoing basis related to use, whereas maintenance of owned aircraft is capitalized and depreciated. Passenger aircraft are generally used for 20 to 25 years in commercial passenger traffic but aircraft that are well maintained can operate for substantially longer periods. There are still items of value in an aircraft after it has been taken out of service, for example engines and spare parts.

Financing of aircraft orders

Due to COVID-19, SAS has agreed with Airbus to postpone some of the deliveries. Delivery of eight A320neo aircraft has been postponed from 2024 to 2025 and delivery of two A350-900 aircraft has been postponed from 2021 to 2022. At 31 October 2020, SAS had aircraft orders for 39 Airbus A320neo, two A321LR and four Airbus A350-900 aircraft for delivery up through 2025. In financing aircraft, SAS uses a combination of leases and secured bank loans and credit facilities. SAS aims to maintain a balance between owned and leased aircraft based on a cost, risk and flexibility perspective. The overall intention is to over time have about half of the fleet on operating leases. SAS intends to utilize a mix of bank loans, leases and bank facilities to finance owned aircraft. When leasing, which can be conducted via sale and leaseback agreements, aircraft are sold on delivery and leased back over an eight- to 12-year period.

Of the remaining order for 39 Airbus A320neo aircraft, SAS has financed six aircraft through operating leases. A further two A321LR aircraft will be delivered under leases in 2021. In addition, SAS has begun arranging finance for the two A350 aircraft with delivery in 2021.

1) Over the fiscal year, SAS has received various forms of COVID-19 pandemic-related state aid, which are conditional on SAS not distributing funds to shareholders. The European Commission's approval of the aid encompassed by SAS' recapitalization plan includes, inter alia, such a prohibition on distributing dividends to shareholders, which ceases to apply once the instruments signed by the states under SAS' recapitalization plan have been fully redeemed or sold.

THE SAS AIRCRAFT FLEET AT 31 OCTOBER 2020

SAS Group's Aircraft Fleet	Age	Owned	Leased	Wet Lease	Total	SAS Scandinavia	SAS Ireland	Wet Lease	In service for SAS Group	Firm order purchase	Firm order lease
Airbus A330/A350	6.1	7	5		12	12			12	4	
Airbus A320 family	6.8	19	46		65	59	6		65	35	6
Boeing 737 NG	15.5	20	10		30	30			30		
Bombardier CRJ	6.6			25	25			25	25		
ATR-72	7.1			7	7			7	7		
Total	**8.6**	**46**	**61**	**32**	**139**	**101**	**6**	**32**	**139**	**39**	**6**
Aircraft undergoing phase out											
Airbus A330/A340	18.7	5	1		6						
Boeing 737 NG	14.7	5	10		15						
Bombardier Q400	12.8	1			1						
Total		**57**	**72**	**32**	**161**						

AIRCRAFT ON FIRM ORDER 2020–2025 AT 31 OCTOBER 2020

	FY21	FY22	FY23	FY24	FY25
Airbus A320neo	4	13	12	6	4
Airbus A321LR	2				
Airbus A350	2	1	1		

At 31 October 2020, SAS' contracted future purchase commitments for aircraft orders with delivery in the 2020–2025 period totaled MUSD 2,140.

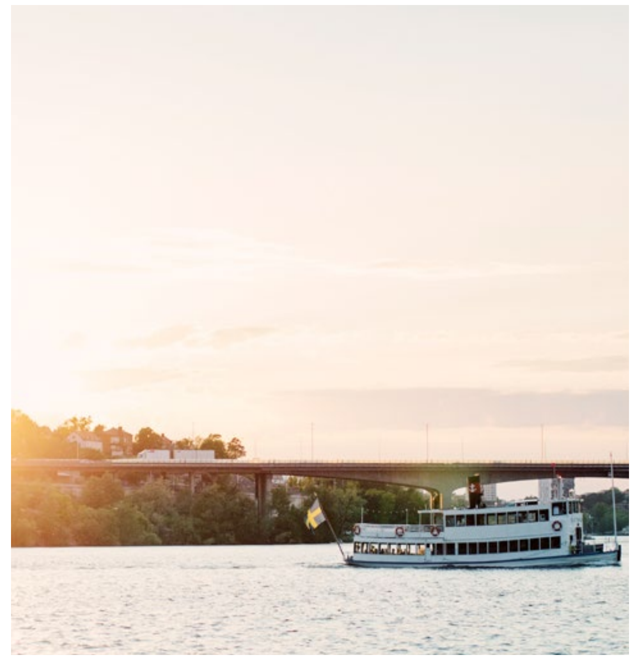
LEASED AIRCRAFT CONTRACTED

	FY21	FY22	FY23	FY24	FY25>
Maturing operational leases, aircraft	14	5	2	3	48
Wet-leased aircraft, maturity	6	5	10	8	3

Financing of pre-delivery payments for aircraft
Airlines make prepayments before delivery. In addition to payment in conjunction with placing the order, pre-delivery payments (PDPs) normally commence when production of the aircraft starts about two years prior to delivery. SAS continuously evaluates possibilities for external financing of PDPs.

Through a combination of ownership, and operational and wet-leased aircraft, the aim is to have high flexibility regarding the return of aircraft. This is important, as the airline industry is exposed to several macro-economic events that could rapidly have a negative effect on demand. SAS has 19 aircraft on operating leases that could be returned to the owners over the next two years.

Seasonal effects and cash-flow optimization
SAS analyzes balance-sheet items and operating trends to optimize cash flow with the aim of attaining the lowest possible funding cost within the framework of



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SAS' financial policy. As a result of operating liabilities exceeding current assets, working capital amounted to MSEK -11,208 (-13,313) at 31 October 2020, representing a year-on-year decline of MSEK 2,105.

Cash flow from operating activities in FY20 amounted to MSEK -5,111 (3,318). The substantial year-on-year deterioration was due to the extensive negative effects of COVID-19. Cash flow from operating activities follows clear seasonal trends. Cash flow is strongest in the second and fourth quarters, which coincides with high passenger volumes and a higher proportion of advance bookings. The share of advance bookings is highest in the January to May period ahead of the holiday period and in the September to October period. Since passenger revenue is recognized when SAS or another airline provides the transportation, this means that seasonal variations impact cash flow and earnings differently. Accordingly, earnings are strongest in the third and fourth quarters (May to July and August to October), which is when traffic volumes are highest.

SUSTAINABILITY REPORT

In accordance with the Swedish Annual Accounts Act, SAS has prepared a statutory Sustainability Report, which has been incorporated into the Annual and Sustainability Report 2020, separate from the Report by the Board of Directors, on pages 116–137. The auditor's opinion regarding the statutory sustainability report is included on pages 138–139.

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 and a hearing was held in CJEU in July 2019. Judgement is expected in 2020 or 2021.

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 Netherlands and Norway. SAS contests its responsibility in all 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 large number of former cabin crew of SAS in Denmark are pursuing a class action against SAS at a Danish court, demanding additional payments from SAS to the Pension Improvements Fund for Cabin Crew (the CAU fund) citing that the CAU fund is a defined-benefit supplementary plan. The City Court of Copenhagen, in a judgment in December 2016, rejected the cabin crew's demand for further payments into the CAU fund by SAS. The cabin crew appealed the judgment in January 2017 and court proceedingstook place in early November 2020.

Following the SAS pilot strike in April–May 2019, affected passengers turned to SAS for standardized compensation under the Flight Compensation Regulation (EU 261/2004). SAS disputed its liability to compensate the passengers with reference to the strike being an extraordinary circumstance. In August 2019, the Swedish National Board for Consumer Disputes (Allmänna reklamationsnämnden) ruled in favor of SAS. The same assessment was made by the Norwegian Travel Complaint Handling Body (Transportklagenemnda) in October 2019. This notwithstanding, a number of passengers and claim firms have brought claims against SAS in national courts in several EU member states. In August 2019, a claim firm representing a large number of affected passengers initiated court proceedings in Denmark and Sweden against SAS, asking the courts to request a preliminary ruling from the CJEU on whether the strike was an extraordinary circumstance. The district court in Sweden referred the question to the CJEU in January 2020. The hearing in the CJEU took place in December 2020. The proceedings in the CJEU could take several years and if the CJEU rules against SAS, SAS could be liable to pay compensation to passengers affected by the strike.

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RISK MANAGEMENT

	Risk area	Risk	Risk level	Risk control measures fiscal year 2020
1	Market risks	1.1 Macro-economic trend	🔴	Continuous monitoring of demand, projected revenue and adaptation of SAS' capacity offering and production.
		1.2 Market and competition trends	🔴	Revised strategy encompassing SEK 4 billion in further efficiency enhancements to meet lower demand and increased competition.
2	Employee risks	2.1 Right skills	🟠	Annual people reviews and successor identification.
		2.2 Engagement	🟠	Strengthened leadership increased internal communication and transparency.
		2.3 Processes and systems	🟢	Follow up low- and high-performing individuals. Documentation of internal processes.
		2.4 Conflicts	🟠	Strengthen dialogue and relationships to increase consensus with the unions.
3	Operating risks	3.1 Incidents and accidents	🟢	Continuous internal monitoring and reporting to the Board.
		3.2 Suppliers	🔴	Focus on renegotiating agreements with strategic suppliers as well as follow up quality levels and efficiency.
		3.3 Competitive costs and efficiency	🔴	Additional efficiency enhancements to meet lower demand and to align cost levels with those of the operating environment and competitors.
4	Sustainability risks	4.1 Environmental directives and requirements	🟠	Continued efforts with measures to improve climate and environmental performance, and to ensure compliance with applicable laws and regulations.
		4.2 Anticorruption	🟠	Completed training programs for employee groups.
		4.3 Human rights	🟢	Ongoing requirements updates and monitoring of subcontractors.
5	Legal and political risks	5.1 Political and regulatory risks	🟠	Active dialogues with the political systems and industry organizations (IATA) to obtain early information about regulatory changes and to influence decisions. Together with the industry, SAS promotes air travel's importance for business and society.
		5.2 Fraud and other crime	🟢	Continuous improvement of SAS' capabilities for proactive identification and prevention of potential criminal and fraudulent activity.
		5.3 Legal and insurance risks	🟠	Development of policies and training to ensure compliance with various rules and laws. Continual monitoring of laws and policies. Legal counsel and participation in contract processes for minimizing contractual risk. Securing complete insurance protection of operations and employees.
6	Financial risks	6.1 Liquidity risk and refinancing	🔴	Ongoing follow-up and projections of financial preparedness.
		6.2 Exchange rates	🟠	Currency hedging in line with SAS' financial policy and monitoring the currency market.
		6.3 Interest rates	🟢	Fixing rates in line with SAS' financial policy and monitoring the interest-rate market.
		6.4 Jet-fuel price and emission rights	🟠	Jet-fuel hedging in line with SAS' financial policy and monitoring the jet-fuel price trend.
		6.5 Counterparty losses	🟢	SAS' counterparty risks are managed in line with SAS' financial policy.
7	IT	7.1 Operational reliability and dependability	🟢	Continual improvement of incident- and problem-handling procedures.
		7.2 Cybercrime	🟠	Expansion and improvement of processes and tools to prevent negative impacts on operations.
8	Other events	8.1 Extraordinary events	🔴	Recapitalization of SAS and adaption of operations to current demand during the coronavirus pandemic as well as the introduction of new procedures for safe travel.
		8.2 Brand and reputation	🟢	Monitoring information about SAS.

🟢 Low risk 🟠 Medium risk 🔴 High risk

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The underlying objective of risk management is to create the optimal preconditions for growing value for shareholders and other stakeholders. All organizations are exposed to risks and uncertainties, which entail both risks and opportunities. SAS is exposed to a large number of general and more company-specific risks that can impact operations both negatively and positively.

Risk management at SAS is about positioning SAS in relation to, known and unknown, possible events with the aim of minimizing the potential negative effects should an unexpected event occur. Overall risks are monitored and identified centrally and followed-up through policies that aim to control the risks. Flight safety is always top priority at SAS.

Value is maximized for shareholders and other stakeholders in SAS, when strategies, goals and their strategic priorities are set to ensure an optimal balance is reached in terms of growth, profitability and their related risks, as well as that resources are used efficiently and sustainably. Accordingly, risk management and risk assessment are of fundamental importance for ensuring SAS' long-term sustainable profitability.

1. MARKET RISKS

1.1 Macro-economic trend

Demand in the airline industry is correlated to trends for economic growth and exports. SAS' primary operations are located in Scandinavia and about 70% of passenger revenue stems from Scandinavia. No single country accounts for more than 30% of SAS' passenger revenue, which limits SAS' exposure to individual countries. As a region, however, demand in Scandinavia is crucial for SAS. According to the OECD, the coronavirus pandemic is expected to lead led to substantial declines in real GDP, 3.2% in Norway, 3.9% in Denmark and 3.2% in Sweden during 2020. The negative trend, in combination with travel restrictions, leads to a substantial negative impact on demand for flights.

To meet this risk, SAS is adapting its operations as far as possible to align with current demand, in terms of staffing, aircraft in service and other operations.

1.2 Market and competition trends

The airline industry is subject to intense competition from new companies that enter the market and existing airlines that can easily reprioritize capacity to Scandinavia. Changed customer behavior, and increasing numbers of low cost carriers and existing airlines moving capacity to SAS' home market, may lead to intensifying competition.

To meet, and prepare itself in relation to changed competition, SAS is streamlining its production platforms and differentiating the product offering with the aim of strengthening competitiveness.

OPERATIONAL AND FINANCIAL SENSITIVITY ANALYSIS BASED ON OUTCOME FOR FISCAL YEAR 2020

Airline operations	Operating income, MSEK
RPK, ±1%	±119
Load factor, ±1%	±200
Passenger revenue per RPK or ASK (yield & PASK), ±1%	±140
Unit cost (CASK), ±1%	±268
Jet-fuel price, ±1%	±59

2. EMPLOYEE RISKS

2.1 Right skills

The COVID-19 pandemic has placed the airline industry in a vulnerable position. Like other airlines, SAS has been forced to make extensive use of temporary layoffs and substantially reduce its workforce during the year. Despite the uncertain times, the challenge moving forward is to maintain high engagement internally and to retain competent employees that are critical to the successful operation of the business.

Given the prevailing conditions for the company and the airline industry, there is a risk that SAS will be unable to retain key personnel or recruit new employees with appropriate skills at a reasonable or competitive cost.

Furthermore, the airline industry as a whole and SAS in particular are undergoing major structural changes, which set new requirements and challenges for SAS and its compiled competence. To manage the above, SAS runs regular employee and leadership programs based on its own employee and manager models, and works continuously with the succession order.

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2.2 Engagement
SAS' operates in a highly competitive market where it is essential to have the right capabilities throughout the business, and every individual at SAS has an important role to play. It is also essential that SAS provides opportunities for employees to grow and develop together with SAS.

SAS' employee culture is distinguished by strong engagement in and loyalty to SAS and its customers. SAS wants to create a company with an even stronger culture that focuses on customer experience, cost efficiency and cross functional collaboration. SAS achieves this through involvement and dialogue to ensure that all employees know how they contribute to SAS' goals and the shared successes.

SAS continuously measures employee engagement and motivation. The system enables SAS to check employee engagement on an ongoing basis. SAS can clearly see how business-strategic decisions and operational challenges affect employees differently, and can thus implement the correct improvement measures more quickly.

SAS also uses clear targets and employee influence in performance development, which aims to develop employee engagement and future leaders, and to boost SAS' continued attractiveness as an employer.

2.3 Processes and systems
SAS uses systems and processes for efficient personnel management and to support securing skills needs and the succession order. SAS is gradually implementing Lean principles in its processes with clear action plans based on shared targets, which are categorized under SQDEC (Safety, Quality, Delivery, Employees and Cost), and which can be followed up across the entire operations. SAS conducts a yearly analysis of internal skills with the aim of leveraging the greatest talents and making adjustments where improvements are needed. During the year, a new People platform was launched to support leaders with the task of developing and securing the company's skills needs moving forward.

2.4 Conflicts
Historically, the airline industry has been severely affected by labor market disputes. Through transparent and open dialogue with all labor unions and groups of employees, SAS endeavors to increase understanding of the shared challenges and the need to secure more efficient operations and, thereby, a safe and stimulating work environment.

3. OPERATING RISKS

3.1 Incidents and accidents
Safety work at SAS has top priority. SAS' safety culture builds on the foundation comprised by the values, skills and experience of all employees throughout the organization.

The safety culture entails continuously striving to increase or improve safety by encouraging SAS employees to actively learn, adapt and modify individual and organizational behavior to reduce exposure to risk.

SAS' management is well versed in the safety efforts at SAS and is involved in daily safety activities.

SAS has a safety policy that is documented, communicated and implemented in its operations.

SAS has a longstanding and well-implemented Safety Management System (SMS), which has received regulatory approval. SAS also meets IATA's safety standard, IOSA – IATA Operational Safety Audit, which certifies that operations meet the most stringent flight safety regulations in the market.

Flight safety continues to be extremely high on a global basis and, statistically, the risk of an accident is very low. However, the aim of flight safety efforts is not to remain at these low percentages; it is to keep the total number of accidents at the same level despite an expected doubling in air travel until 2035.

Historically, safety efforts have been based on minimizing the risk of a previous event recurring, by learning from previous incidents and accidents, and through conducting diligent investigations and analyses of incidents and accidents to minimize the risk of recurrence.

In addition to more traditional methods of preventing accidents and incidents through reactive measures to prevent recurrence, SAS also has a modern safety management system (SMS) that is also based on analyzing trends to thereby identify safety issues before they result in an incident or accident. The identification of potential incidents and accidents is one method of working proactively with flight safety. The work also entails learning from the risks at other departments, other airlines, etc., and implementing processes and procedures to ensure that serious accidents and incidents do not occur.

The SMS provides SAS with the possibility of acting more proactively with its safety efforts, prioritizing effectively and ensuring the entire organization

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promotes passengers', employees' and the company's safety.

All of the operating platforms used by SAS are required to be IOSA certified and hold a European traffic license. To ensure corresponding safety levels at the wet-lease companies that together with our own flight operations comprise the operational platforms, SAS has set the following requirements:
• Prior to contract, the operator's safety efforts are analyzed;
• Monthly safety summaries and continuous deviation reports are sent regularly to SAS management;
• Safety follow-up meetings are held quarterly;
• SAS conducts inspection flights and performs observations in simulator training sessions;
• Annual audits are carried out by SAS; and
• Together with our business partners, seminars are conducted that showcase separate areas and share SAS' experience.

SAS only initiates code-share collaboration with other airlines that have IOSA certification or that have submitted to a comparable audit.

Safety activities and risk levels in fiscal year 2020
In fiscal year 2020, SAS has continuously monitored and measured daily risk levels in flight operations, ground operations, technical maintenance and aviation security in a hierarchical system of objective safety performance indicators.

To aid follow-up of flight safety on a departmental basis and for the various operational platforms, SAS uses an operational flight safety tool known as Enplore. This tool has improved the capacity for identifying trends and correlations, which in turn leads to SAS dealing more proactively with safety-related risks.

The trend was stable during FY 2020, and the number of medium-level events in relation to the number of flights was on a par with preceding years.

RISK INDEX

Operations	Low	Medium	High
Flight Operations, %	2.65	0.003	0
Ground Operations, %	1.31	0.0009	0
Technical Operations, %	0.35	0.007	0
Security, %	0.48	0	0
Total for FY 2020 as a % of the No. of flights	**4.80**	0.01	**0**
Total for FY 2019 as a % of the No. of flights	**4.94**	0.006	0

Low: Events that occurred where the remaining safety margin was extremely effective. Normal monitoring is the only action required.

Medium: Events that occurred where the remaining safety margin was limited. Risk evaluation plus appropriate actions were adopted for continued operations.

High: Events that occurred where the safety margins were minimal or ineffective. This group includes more serious events (such as engine failure during takeoff). Such incidents must be investigated immediately to identify whether they are isolated incidents and do not affect continued airline operations.

3.2 Suppliers
Dependence on external suppliers across all operations is increasing in pace with changes in the airline industry and development of the operating model at SAS. This applies equally to operations such as ground handling and wet-leasing, and to administrative functions such as customer service and accounting. SAS conducts continual reviews of its supplier base, identifying the most operation-critical suppliers. SAS has an established steering model that clarifies responsibilities, risks and areas for improvement, as well as how any deviations should be managed. Responsibility for ongoing follow-up of critical suppliers has been centralized and standardized. All suppliers to SAS must meet requirements for sustainability and social responsibility in line with SAS' Supplier Code of Conduct. This is checked during procurement.

3.3 Competitive costs and efficiency
For profitable long-term operations, SAS must have a competitive cost structure and be highly efficient. SAS therefore implemented major structural cost-reducing measures and realized efficiency enhancements of SEK 6.7 billion between 2013 and 2019. In fiscal year 2020, SAS launched a new efficiency program of SEK 4.0 billion to be implemented during 2020–2022 to thereby adapt costs in line with the expected lower demand in the wake of the COVID-19 pandemic. Once the measures have been implemented, SAS will be a more flexible and productive airline. However, SAS will continue to implement further efficiency measures beyond 2022 and the aircraft order that will create a single-type fleet by 2023 will provide further opportunities for SAS to enhance its operational efficiency.

4. SUSTAINABILITY RISKS
SAS has integrated its sustainability work into its management system, which has structured processes for mitigating and managing all risks and possibilities in the field of sustainability.

4.1 Environmental directives and requirements
Different laws and regulations impose requirements for reduced climate and environmental impact, including through restrictions on noise levels and greenhouse gas emissions. All laws and regulations in the field of the environment and the climate are handled by SAS' management system which, as regards the environment, is ISO 14001:2015 certified.

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SAS works continuously on sustainability issues to ensure compliance with national and international requirements. SAS measures factors such as its eco-efficiency by measuring total and relative carbon emissions. The long-term reduction in emissions is based on the renewal of the aircraft fleet, ongoing efficiency efforts and the increased blend-in of biofuel.

4.2 Anticorruption

During the year, SAS conducted a number of activities to prevent potential risks that may exist. This includes, for example, training programs for prioritized employee groups and control measures aimed at addressing the requirement that all employees observe the SAS Code of Conduct as well as applicable laws.

4.3 Human rights

SAS is a major purchaser of products and services from a large number of subcontractors. SAS affiliates itself with the UN Global Compact, placing a number of requirements that all subcontractors share SAS' perception and requirements regarding human rights, for example. SAS requires that employees at subcontractors have proper market-based employment terms and the right to organize into unions. SAS prioritizes subcontractors that share the basic principles of the UN Global Compact.

5. LEGAL AND POLITICAL RISKS

5.1 Political and regulatory risks

SAS and the airline industry in general are exposed to various types of political and regulatory decisions, in our home markets and abroad, that can significantly impact operations and SAS' economy both positively and negatively. SAS monitors developments in the political arena and, through active dialogue and negotiations with public agencies and organizations, strives to influence development both individually and through national and international industry bodies.

Aviation taxes and infrastructure fees

Some countries have introduced national excise taxes on air travel. While the taxes are often called environmental taxes, they have no connection with any climate-impacting emissions and provide no channeling effect. SAS has exacting climate ambitions and goals, and acts at an international level to promote a global emissions cost that does not distort competition, or adversely impact the economy or defer real solutions to some future time.

Increased charges linked to airport infrastructure, air traffic control and safety negatively impact profitability. The capacity of our suppliers to adapt in the short term to lower production in combination with financial support from the owners is critical if airlines and the aviation industry as a whole are to avoid further impact.

Brexit

On 24 December 2020, the European Commission and the UK government signed a new trade and cooperation agreement. The agreement applies from 1 January 2021. The new conditions affect companies with operations and interests in the UK market.

The new agreement also includes an air traffic agreement that ensures that air transport between the EU and the UK will continue as before. The agreement will undergo legal review and translation into the languages of the member states during the first months of 2021. Minor details will be adjusted during this process and SAS is monitoring developments and adapting its procedures and administration to fit.

5.2 Fraud and other crime

SAS may be exposed to crimes that can have both an economic and intangible impact. A substantial portion of SAS' ticket sales are conducted online using credit cards, which entails a risk of credit card fraud and other cybercrimes. If credit card details and other personal information pertaining to SAS' customers should fall into the wrong hands as a result of, for example, hacking in conjunction with ticket sales, there is a risk that this could harm customer confidence in SAS. Moreover, there is a risk that payments are made for SAS tickets with credit cards that have been acquired through fraud or other criminal means, which entail that SAS is held liable to repay such payments to the cardholder or credit card company.

SAS analyzes these risks on an ongoing basis and ensures that internal controls and procedures are in place to identify and prevent potential crime and fraud.

5.3 Legal and insurance risks

SAS flies and operates in many different countries, which means that SAS has to comply with a large number of laws and regulations. The breadth of SAS' operations and the large number of contractual relations mean that SAS is, and may be in the future, involved in legal processes and arbitration procedures as either plaintiff or defendant. SAS may also be exposed to crimes that can have both an economic and intangible impact. At 31 October 2020, SAS was involved in a number of legal processes, the most important of which are described in more detail on page 38.

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SAS' legal division ensures compliance with relevant laws and rules, conducts training and establishes internal policies, processes and rules including the SAS Code of Conduct, which establishes what ethical rules and guidelines all employees in SAS are to observe. SAS continuously monitors how changes in laws and regulations impact operations at SAS and implements new or updated procedures, guidelines, etc. Contractual risks in relation to external parties are minimized through legal counseling and participation in contractual processes. SAS has insurance cover for its operations and personnel to protect the company financially from unforeseen events and risks.

6. FINANCIAL RISKS

SAS is exposed to various types of financial risks. All risk management is performed centrally pursuant to the financial policy adopted by the Board.

Financial risks pertaining to changes in exchange rates, interest rates and fuel prices, are hedged with derivatives, which aim to counter short-term negative fluctuations and provide scope for adapting operations to longer-term changes in levels. Another aim of SAS' hedging strategy is to enable SAS to act quickly when changes in exchange rates, interest rates and fuel prices are advantageous. More information is available in Note 26.

6.1 Liquidity risk and refinancing

The cash flow from SAS' airline operations follows clear seasonal trends. Since passenger revenue is recognized when SAS or another airline provides the transportation, this means that seasonal variations impact cash flow and earnings differently. SAS also has several different financial instruments issued, as well as 72 aircraft on operating leases and 32 aircraft on wet lease contracts that are continually maturing.

The target is a financial preparedness of at least 25% of fixed costs. SAS prepares a rolling liquidity forecast that is used as a basis to ensure that financial preparedness is maintained and to identify refinancing needs. SAS uses bank loans, bonds, subordinated loans, hybrid bonds and leasing as sources of funding.

SAS is in continual discussion with banks and financiers regarding refinancing of SAS' loan and leasing maturities. As a result of COVID-19, financial preparedness was negatively impacted in the fiscal year. However, despite the above, the recapitalization initiative completed at the end of the fiscal year contributed to a positive development for the key ratio during the year. At 31 October 2020, financial preparedness amounted to 67% (38).

6.2 Exchange rates

Transaction risk arises from exchange-rate changes that impact the size of commercial revenue and costs and thus SAS' operating income. As a consequence of aircraft and jet fuel being priced in USD and of international operations, SAS is considerably exposed to price changes in several currencies. The USD is SAS' greatest deficit currency, and NOK is SAS' greatest surplus currency.

In fiscal year 2020, the SEK strengthened 7% against the USD, which was largely attributable to the shrinking difference between the FED's and the Riksbank's key interest rates. However, the exchange rate fluctuated widely over the year and had a net negative impact on SAS' revenue and costs of MSEK -30 (-1,060), excluding the revaluation effects of lease liabilities. Norges bank, the central bank of Norway, has also lowered the interest rate, thereby narrowing the rate gap to the Riksbank's policy rate, which largely explains the 11% strengthening in the SEK against the NOK. Over the year, the SEK/NOK exchange rate had a net negative effect on SAS' revenue and costs of MSEK -545 (81).

Currency exposure is managed through continuously hedging 40–80% of SAS' surplus and deficit currencies based on a 12-month rolling liquidity forecast. By hedging the USD and NOK, SAS has postponed the negative effects of the exchange-rate changes.

The exchange-rate trend had a negative impact on SAS' revenue of MSEK 1,008 as well as a positive effect on operating expenses of MSEK 404 in FY 2020. The change from translation of working capital and currency hedges amounted to MSEK 531. The restatement of financial items amounted to MSEK 737. The net effect on SAS' income before tax from the changes in the exchange rates and the effects from hedging were positive, with MSEK 664 (-593).

At 31 October 2020, SAS' hedging ratio totaled 40% of its anticipated USD deficit for FY 2021. In terms of the NOK, 45% of the anticipated surplus for the next 12 months was hedged. Hedging is mainly performed through currency forward contracts to prevent earnings-related revaluation effects pertaining to financial assets and liabilities. SAS' USD denominated loans are hedged against the SEK to reduce currency risk in the loan portfolio.

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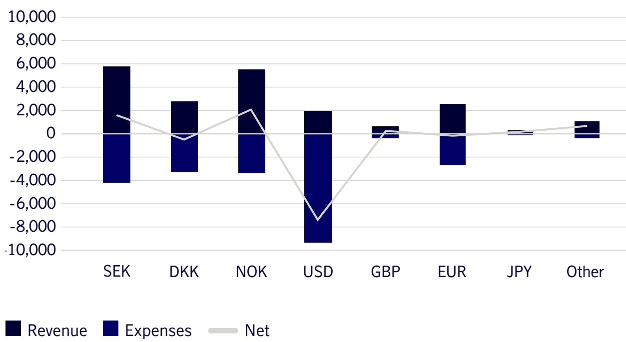
CURRENCY BREAKDOWN SAS FISCAL YEAR 2020

MSEK



NET EARNINGS EFFECT OF EXCHANGE-RATE CHANGES, FISCAL YEAR 2020

SAS total	MSEK
1% weakening of SEK against USD	-129
1% weakening of SEK against NOK	63
1% weakening of SEK against DKK	3
1% weakening of SEK against EUR	8
1% weakening of SEK against JPY	5
1% weakening of SEK against GBP	7

Currency risk for aircraft investments

SAS uses currency forwards to hedge part of the order value for aircraft it has on order to limit the currency risk. Any currency forwards outstanding are terminated on delivery under leases, both operating leases and JOLCO (Japanese leases with purchasing options). SAS has currency hedged a portion (four) of its remaining aircraft order for eight Airbus A350 aircraft.

6.3 Interest rates

The airline industry is capital-intensive and on the closing date, SAS had MSEK 14,992 (11,283) in interest-bearing liabilities, excluding lease liabilities, which exposes SAS to interest-rate changes.

Financial policy at SAS regulates the proportion between floating and fixed-interest rates with the objective that gross financial debt has a tenor of three years with a permitted interval of 1–5 years. The average fixed-interest period for gross financial debt, including the hybrid bonds, was 2.9 years (3.2) as of October 2020.

6.4 Jet-fuel price and emission rights

Jet-fuel price

Jet-fuel costs comprise the single largest expense item for SAS and in fiscal year 2020 amounted to around 19% (21) of SAS' operating expenses (including leases, depreciation and amortization). SAS hedges jet-fuel costs to counter short-term negative fluctuations.

SAS' 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, 13–18 months. Under the current uncertain and volatile market conditions SAS may come to deviate from the policy.

In FY 2020, market prices for jet fuel were on average 34% lower than the preceding fiscal year. At the start of the fiscal year, the jet-fuel price was about USD 620/tonne but fell drastically in March down to USD 180/tonne in May, as a result of COVID-19. At the end of fiscal year, the jet-fuel price closed at USD 320/tonne. The lower jet-fuel price meant that jet-fuel costs, adjusted for currency and volume effects, decreased MSEK 686 or by 7% of the total jet-fuel costs year-on-year. Hedge effects had a negative impact of MSEK 1,456 year-on-year, of which MSEK 1,370 related to hedge relationships that have been discontinued as they have ceased to meet the qualification criteria.

Ahead of fiscal year 2021, SAS has hedged 48% of expected jet-fuel consumption.

VULNERABILITY MATRIX, JET-FUEL COST FY 2021, SEK BILLION[1]

	Exchange rate SEK/USD				
Market price	8.0	8.5	9.0	9.5	10.0
USD 300/tonne	2.7	2.8	3.0	3.2	3.3
USD 400/tonne	2.9	3.1	3.3	3.5	3.7
USD 500/tonne	3.2	3.4	3.6	3.8	4.0
USD 600/tonne	3.5	3.8	4.0	4.2	4.4

1) SAS' current hedging contracts for jet fuel at the end of the fiscal year have been taken into account.

The jet-fuel cost in the statement of income does not include USD currency hedging effects. These effects are recognized under "Other" in Other operating expenses, Note 4, since currency hedging is performed separately and is not linked specifically to its jet-fuel purchases.

Emission rights

In fiscal year 2020, SAS' emission rights expenses in the European EU-ETS emissions trading scheme totaled MSEK 4 (247). The relatively low expense resulted from significantly lower production and emissions.

SAS hedges emission rights for the expected shortfall to reduce financial exposure. Ahead of FY 2021, SAS has fully hedged the expense for the forecast need for emission rights.

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6.5 Counterparty losses

SAS is exposed to counterparty losses through credits, lease agreements and guarantees to external parties. This exposure is governed by SAS' financial policy. No counterparty loss of any significance had any impact on SAS in the fiscal year. Net impairment of accounts receivable and recovered accounts receivable, as well as the impairment of other current receivables, had an earnings impact of MSEK -35 (-22) in fiscal year 2020.

Financial policy at SAS regulates how and in what manner SAS should act to reduce the risk of counterparty losses. SAS invests cash and cash equivalents in instruments with good liquidity or short maturity with credit ratings not lower than A3/P1 according to Moody's, or A- according to Standard & Poor's.

7. IT

7.1 Operational reliability and dependability

SAS is increasingly dependent on its own and its suppliers' IT systems and procedures for efficient and secure operation of its website, reservation system, departure control, online bookings and revenue system, among other items. Such systems are often vulnerable to and can be disrupted or harmed by, for example, internal faults, sabotage, cyber-related fraud, computer viruses, software errors, physical damage or other events outside of SAS' and its suppliers' control. Disruptions could stem from configuration errors during upgrades or maintenance operations, and by the operational disruption of systems following the upgrade of applications.

SAS is also dependent on IT and secure information flows in all parts of its operations, and through transparent processes and continual updates, SAS secures the confidentiality, correctness, accessibility and traceability of the information. This is also governed by a number of policies and safety solutions.

7.2 Cybercrime

Like numerous other companies, SAS is exposed to various types of attacks on its IT system on a daily basis. Moreover, all of SAS' services and products are available online and are therefore subject to ongoing attempts at cyber-related fraud. Cybercrime organizations also target SAS' IT systems, which contain critical information about SAS' transport operations, planning and passengers. There is always a risk that SAS' cyber security measures might prove inadequate or inappropriate for the purpose of preventing all attempts to attack its IT system. The degree to which any extended or serious disruption to SAS' IT system could impact SAS is uncertain and comprises a significant risk for SAS' operations and financial performance.

Continuous improvement of SAS' capabilities for proactive identification and prevention of potential cybercrime through training, processes and automated tools has, however, enabled SAS to prevent any serious negative impact to operations.

8. OTHER EVENTS

8.1 Extraordinary events

Airline companies are impacted by extraordinary events around the world, such as natural disasters, terror attacks, conflicts and epidemics.

The COVID-19 pandemic hit the airline industry and SAS resulting in a considerable negative impact on passenger numbers and revenue for the company. As part of efforts to meet the negative consequences, SAS completed a recapitalization to restore equity and strengthen liquidity. SAS also revised its business plan to align the company with a lower demand market and launched a transformation program of SEK 4 billion in further efficiency enhancements.

8.2 Brand and reputation

In fiscal year 2020, SAS carried approximately 12.6 million travelers. Demand for SAS' services could be negatively affected if confidence in SAS and/or the airline industry should decrease.

SAS continuously monitors the confidence trend for SAS and the industry and works strategically to strengthen the SAS brand and reputation. SAS has established media and information policies aimed at ensuring that all information pertaining to SAS is correct and accurate. If inaccurate rumors are spread about SAS or if information is provided incorrectly, SAS endeavors to follow up and correct errors to minimize any negative impact on SAS' general rating and position in the market.

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DIVIDENDS, DISPOSITION OF EARNINGS AND OUTLOOK

DIVIDEND

The Board of Directors proposes to the 2021 AGM that no dividends be paid to holders of SAS AB's common shares for fiscal year 2020.

PROPOSED DISPOSITION OF EARNINGS

The following Parent Company earnings are available for disposition by the AGM:

	SEK
Hybrid bonds	7,615,000,000
Share premium reserve / Retained earnings	7,921,712,306
Net income for the year	-1,099,511,870
Unrestricted equity, 31 October 2020	**14,437,200,455**

The Board of Directors proposes that the earnings be allocated as follows:

	SEK
To be carried forward[1]	14,437,200,455
Total	**14,437,200,455**

1) Of which SEK 7,615,000,000 pertains to hybrid bonds.

SIGNIFICANT EVENTS AFTER 31 OCTOBER 2020

- SAS contracted a new NOK 1.5 billion credit facility with a three-year tenor that is guaranteed in full by the Norwegian Export Credit Guarantee Agency.
- SAS announced the decision by its President and CEO Rickard Gustafson to leave SAS after ten years. He will leave the company by 1 July 2021.

OUTLOOK FOR FISCAL YEAR 2021

The ongoing COVID-19 pandemic, with its accompany-ing uncertainties, makes it impossible to provide any guidance on the financial performance for the coming fiscal year.

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CORPORATE GOVERNANCE REPORT

This Corporate Governance Report for fiscal year 2020 has been prepared pursuant to the Swedish Annual Accounts Act and the Swedish Corporate Governance Code (the Code).

PARENT COMPANY

SAS AB, which is the Parent Company for operations at SAS, is a Swedish public limited company headquartered in Stockholm, Sweden. Since July 2001, SAS AB has been listed on Nasdaq Nordic in Stockholm with secondary listings in Copenhagen and Oslo.

IMPORTANT REGULATIONS ADHERED TO BY SAS

External rules:
- Swedish legislation, EU regulations and laws set by other countries in which SAS operates
- The Swedish Corporate Governance Code (the Code)
- Nasdaq Nordic in Stockholm and Copenhagen and the Oslo Børs's rule book for issuers
- The Market Abuse Regulation
- The recommendations issued by relevant Swedish and international organizations
  – Flight safety regulations and certifications
  – Accounting rules

Internal rules:
- The Articles of Association[1]
- The Information Policy
- The Board's work plan
- The Board's instructions to the President
- The Code of Conduct[1]
- The Insider Policy

No breaches of the relevant stock exchange rules or of good stock market practices have been reported by Nasdaq's Disciplinary Committee, the Oslo Børs or the Swedish Securities Council during fiscal year 2020.

1) Available for download at www.sasgroup.net

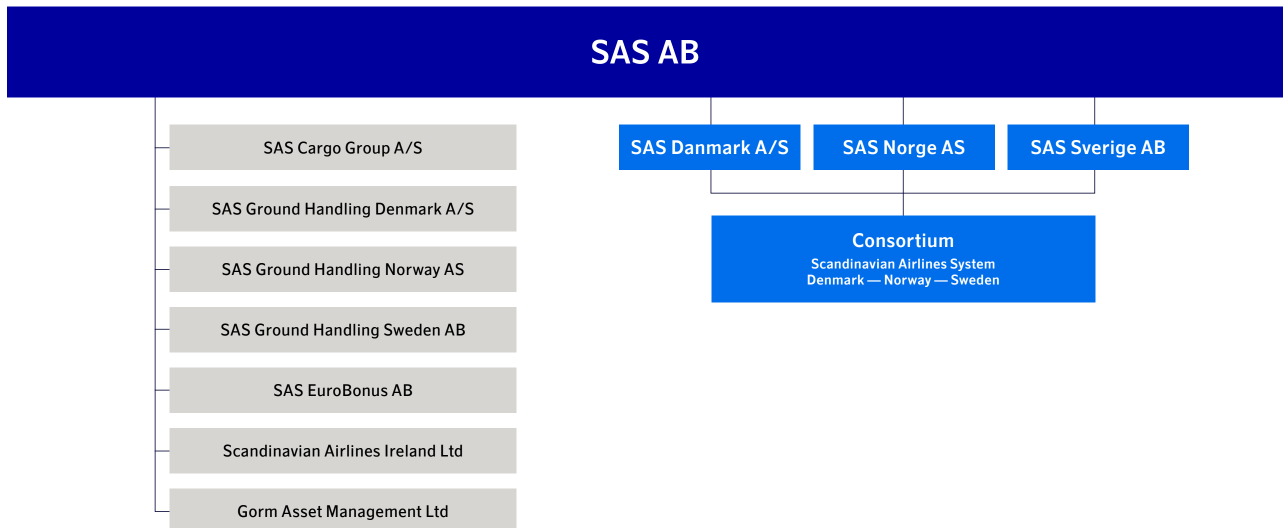
SAS' SHAREHOLDERS AND SHARE

SAS maintains ongoing dialogues with capital markets on questions regarding the SAS Group's performance, strategic position and growth possibilities. No major changes were implemented in the corporate governance principles in FY 2020. During the year, most listed airlines noted significant decreases in their share prices. SAS' common share also followed a negative trend and declined 58% over the fiscal year.

OWNERSHIP, CONTROL AND SHARE CLASSES

SAS AB has three classes of shares: common shares, subordinated shares and class C shares. Following the implementation of SAS' recapitalization plan, at 31 October 2020, there were 7,260 million common shares issued with a quotient value of SEK 1.19, representing a registered share capital of MSEK 8,645.

SAS' LEGAL STRUCTURE, 31 OCTOBER 2020 (COMPANIES WITH OPERATIONS)



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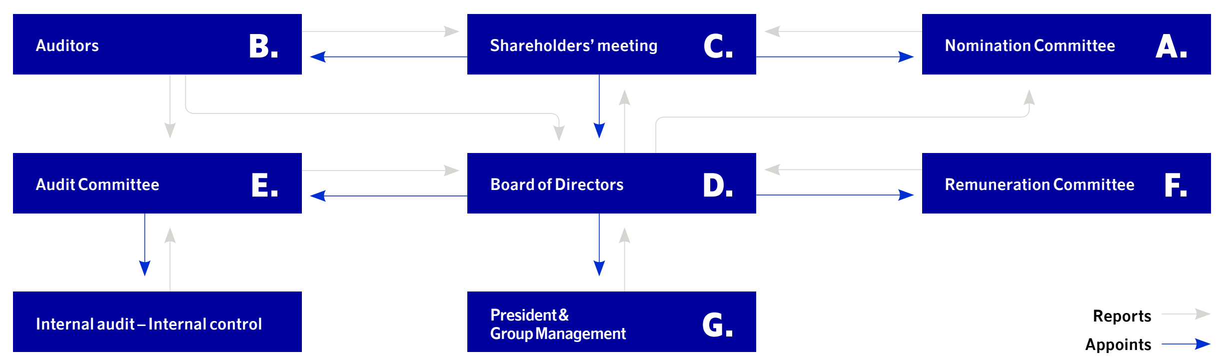
There are no subordinated shares or class C shares issued or outstanding. Common shares and subordinated shares entitle the holders to one vote each. Each class C share entitles the holder to one-tenth of a vote.

The maximum number of common shares and subordinated shares that may be issued is limited to a number that corresponds with 100% of the company's share capital. The maximum number of class C shares that may be issued is limited to 5% of the share capital. The common shares provide shareholders the rights set out in the Swedish Companies Act and the Articles of Association.

Subordinated shares provide shareholders the right to participate in and vote at the company's shareholders' meetings. Subordinated shares do not entitle shareholders to dividends or participation in bonus issues. If subordinated shares are redeemed or the company is dissolved and its assets distributed, holders of subordinated shares are treated as holders of common shares and receive an equal share in the company's assets, although not at an amount higher than the quotient value of the subordinated shares index-adjusted from the first date of registration of the subordinated shares until the date of the payment of the redemption amount or the date of the distribution with an interest-rate factor corresponding to STIBOR 90 days plus two percentage points. For more information on subordinated shares, see Note 22. The share price performance of the common share is presented on page 27.

Class C shares do not entitle the holder to dividends. If the company is dissolved, class C shares entitle the holder to equal parts of the company's assets as the company's common shares, however not for an amount that exceeds the share's quotient value. The company's Board has the right to reduce the share capital by redeeming all class C shares. If such a decision is taken, class C shareholders are obligated to redeem all of their class C shares for an amount corresponding to the quotient value. The redemption amount is to be paid immediately. Class C shares held as treasury shares by the company will, on demand by the Board, be eligible for conversion to common shares. Thereafter, the conversion is to be registered with the Swedish Companies Registration Office without delay and is effective when it has been registered with the Register of Companies and noted in the Central Securities Depository Register.

SAS' CORPORATE GOVERNANCE STRUCTURE



PROTECTION OF SAS' AIR TRAFFIC RIGHTS IN THE ARTICLES OF ASSOCIATION

For aviation policy reasons, SAS' Articles of Association authorize, in part, the mandatory redemption of common shares by means of a reduction of share capital and, in part, should redemption not be possible or be adjudged inadequate, an option to issue subordinated shares for subscription with the support of previously issued warrants.

IF TRAFFIC RIGHTS ARE THREATENED SAS CAN:
- Mandatorily redeem common shares
- Issue subordinated shares

A precondition for these actions is an assessment by the company's Board that a direct threat exists against the air traffic rights of the company or any of its subsidiaries when the company or its subsidiaries infringe or risk infringing provisions on ownership and control in bilateral aviation agreements or in laws or regulations pertaining to permits for air traffic in the EU/EEA. Furthermore, for aviation policy reasons, the Articles of Association contain certain suitability and qualification requirements for Board members to ensure that the Board will at all times have the composition it needs to ensure that the company and its subsidiaries are able to retain their air traffic rights. These requirements

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include citizenship, domicile and knowledge and experience of the social, business and cultural conditions prevailing in the Scandinavian countries.

Beyond these requirements and the regulations contained in the Articles of Association, there are no restrictions or voting rules pertaining to the appointment or removal of Board members.

Mandatory redemption
If the Board assesses that there is a direct threat to the company's traffic rights, it may decide to mandatorily redeem a sufficient number of common shares not owned by shareholders domiciled in Denmark, Norway or Sweden along with common shares that are controlled, directly or indirectly, by a person or company outside of these three countries, so as to ensure continued Scandinavian ownership and control. Primarily, such mandatory redemption of common shares is performed on shares owned or controlled by a person or company outside the EU/EEA. Prior to redemption, the shareholders are given an opportunity to sell their common shares voluntarily within a prescribed period. Redemptions are made subsequently without refund to the shareholder since the reduction is to be transferred to the company's statutory reserve.

Subordinated shares
Should the Board deem the action of redeeming common shares not possible or inadequate, the issued warrants may be used to issue subordinated shares in such number so as to safeguard continued Scandinavian ownership and control. However, any such issue of subordinated shares may only take place following a resolution by the general shareholders' meeting approved by at least half of the votes cast at the meeting. Subscription for subordinated shares through the issued warrants may only be performed to the extent necessary, as assessed by the Board, to eliminate the aforementioned threat. As soon as the aforementioned threat ceases to exist, the Board shall ensure that the subordinated shares thus issued are redeemed.

OWNERSHIP AND CONTROL

On 10 November 2020, SAS AB had a total of 125,897 shareholders. The major shareholders are the Swedish and Danish governments, who together represent 43.6% of the votes. More information about the share and the ownership structure is available on pages 27 and 28 in the SAS Annual Report Fiscal Year 2020.

No restrictions exist in the Articles of Association concerning the voting rights of shareholders at shareholders' meetings and, pursuant to the Swedish Companies Act, shareholders may vote for the entire number of shares they own or represent by proxy. Nor are there any special plans, such as employee-benefit plans or the like, through which company or Group employees own shares with restricted voting rights. SAS AB has no knowledge of any agreements between shareholders that would restrict the capacity of shareholders to vote at a shareholders' meeting or their right to freely transfer such shares.

IMPACT OF THE RECAPITALIZATION PLAN ON CORPORATE GOVERNANCE

The SAS recapitalization plan has been implemented based on the approval of the European Commission pursuant to the applicable rules for state aid. The approval includes the requirements contained in the Commission Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak which include, inter alia, a ban on dividends, restriction of SAS' ability to carry out acquisitions and a requirement for unchanged remuneration to senior executives. These requirements will be eased when the aid has been repaid.[1]

Effects of a public takeover bid
SAS is currently party to a number of agreements in which the counterparties are entitled to terminate the agreement, in the event of changes in the majority stake or control of the company.

A. NOMINATION COMMITTEE

The Nomination Committee represents shareholders of SAS and is appointed by the AGM and tasked with preparing the meeting's resolutions on nomination and remuneration issues, as well as matters of procedure for the next nomination committee. An instruction for the Nomination Committee was adopted in conjunction with the 2020 AGM.

The Nomination Committee is tasked with making proposals for the election of the Chairman of the AGM, the number of Board members and Directors' fees, broken down among the Chairman, Vice Chairman, other Board members and any remuneration for work on Board committees, election of Board members and Chairman of the Board, election of the company's auditors, auditors' fees and the Nomination Committee ahead of the next AGM.

1) The requirements pursuant to the approval by the European Commission are described in more detail on pages 63–64 of the prospectus published by SAS pertaining to the recapitalization plan on 30 September 2020.

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NOMINATION COMMITTEE, FIVE MINUTED MEETINGS (REFERS TO THE PERIOD 12 MARCH 2020 TO 31 JANUARY 2021)

Member	Representative of Votes, %	Votes, % 10 November 2020
Åsa Mitsell, Chairman	Swedish Ministry of Finance, for the Swedish government	21.8
Adrian Lübbert	Danish Ministry of Finance, for the Danish government	21.8
Jacob Wallenberg	Knut and Alice Wallenberg Foundation	3.4
Gerald Engström	Gerald Engström and Färna Invest AB	1.5
Carsten Dilling	Chairman of the Board	0

Issues discussed in the Nomination Committee
Since the AGM 2020, the Nomination Committee has evaluated the Board's work, qualifications and composition. Diversity, breadth and the gender balance have also been discussed. Since the 2018 AGM, the Chairman of the Board has participated on the Committee, and the result of the evaluation of the Board is made available to the Committee.

At least one meeting with the Board and the Group CEO must be held before the Committee submits its recommendations to the AGM.

The Committee's recommendations are published in the notice calling the AGM, on the company's website and at the AGM. Committee members received no fees or other remuneration from SAS for their work on the Nomination Committee.

When required for carrying out its assignment, the Committee utilizes recruitment consultants and other outside consultants, with SAS defraying the cost.

B. AUDITORS

The auditors are elected by the AGM and tasked with scrutinizing the company's financial reporting and the administration of the company by the Board and the President. An election was conducted to appoint an auditor at the 2020 AGM, whereby KPMG was elected for the period until the end of the 2021 AGM. The auditor in charge is Tomas Gerhardsson.

On three occasions during fiscal year 2020, the auditor in charge met with the Board, presenting the program for auditing work and reporting observations from the audit.

The auditor also met with the Audit Committee on six occasions. On one occasion during the fiscal year, the Board met with the company's auditor without the presence of the President or any other representative of the company management.

KPMG submits an auditors' report for SAS AB, the Group and an overwhelming majority of the subsidiaries. Over the past year, in addition to its auditing work, KPMG has performed advisory services for SAS Group companies in auditing-related areas as outlined in the table below. For more information about the auditors' fees in FY 2020, see Note 37.

Auditors' fees	MSEK
Auditing services	6
Other statutory assignments	0
Tax consultancy services	–
Other	3
Total	**9**

C. SHAREHOLDERS' MEETING

The shareholders' meeting is the highest decision-making body at SAS. At shareholders' meetings of SAS AB, one common share is equal to one vote with no restrictions on the number of votes any one shareholder is entitled to cast at such a meeting.

The shareholders' meeting may be held in Stockholm, Solna or in Sigtuna. Notice convening the AGM is issued no earlier than six and no later than four weeks prior to the meeting. Notice is published in daily newspapers and in Post- och Inrikes Tidningar in Sweden, and announced in press releases as well as published on the company's website. SAS also e-mails notices to shareholders who have requested this service via the company's website: www.sasgroup.net.

In fiscal year 2020, the Board convened the AGM on 12 March 2020 and the Extraordinary General Meeting on 22 September 2020.

The Articles of Association contain no special provisions regarding the election and discharge of Board members or regarding changes to the Articles of Association. The Extraordinary General Meeting held on 22 September 2020 authorized the Board to, on one or more occasions and up until the next AGM, decide to increase SAS' share capital through the new issue of common shares, with or without disapplication of the preferential rights of shareholders, to be paid for in cash or by offset. The authorization was exercised by the Board on 23 September 2020 as part of the implementation of SAS' recapitalization plan and will not be exercised for any other purpose. As per 31 October 2020, no other authority has been provided by the

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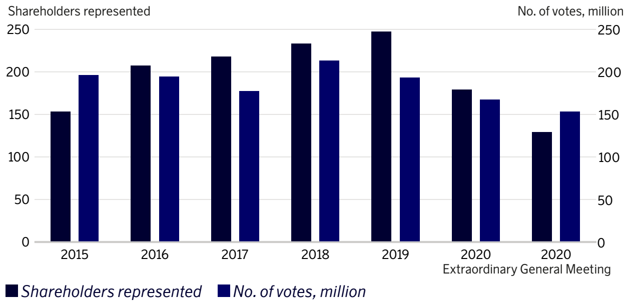
shareholders' meeting to the Board empowering the Board to issue new shares or to buy back the company's own shares.

NUMBER OF PARTICIPANTS AT AGMS 2015–2020



RESOLUTIONS BY THE AGM ON 12 MARCH 2020

- Adoption of statement of income and balance sheet, and the appropriation of earnings.
- Discharge from liability for Board members and President.
- Appointment of Board members, Chairman of the Board, auditors and Nomination Committee as well as resolution on the Instruction for the Nomination Committee.
- Updated guidelines for remuneration of senior executives.
- The AGM resolved to approve payment of fees for the period until the end of the next AGM of SEK 630,000 to the Chairman of the Board and, when applicable, SEK 420,000 to the Board's Vice Chairman and SEK 320,000 to each member elected by the shareholders' meeting and to ordinary employee representatives. It was also decided that each deputy employee representative be remunerated with a study fee of SEK 1,000 per Board meeting and a meeting fee of SEK 3,500 for each Board meeting they attend. In addition to this remuneration, a decision was taken to pay a fee of SEK 80,000 to the Chairman of the Remuneration Committee and SEK 27,000 to each of the other committee members, as well as SEK 100,000 to the Chairman of the Audit Committee and SEK 50,000 to each of the other committee members.
- Resolution to establish a long-term incentive plan.

RESOLUTIONS FROM THE EGM ON 22 SEPTEMBER 2020 PERTAINING TO THE RECAPITALIZATION PLAN

- Amendment of the Articles of Association.
- Reduction of the share capital.
- Additional amendments of the Articles of Association.
- Authorization for the Board to resolve on new issues of common shares.
- Bonus issue.

D. BOARD OF DIRECTORS

The Board's work is governed by the Swedish Companies Act, the Articles of Association, the Code and the formal work plan adopted by the Board each year. The Board is ultimately responsible for SAS' operations. This also includes risk management, regulatory compliance and internal control at SAS. The Board members are elected by the AGM for the period until the next AGM has been held. The Articles of Association stipulate that the Board of Directors should consist of six to eight members elected by the shareholders' meeting. Following the 2020 AGM, the Board comprised eight elected members. In addition, the Board consisted of three employee representatives, each with two personal deputies.

The employee representatives are appointed by the SAS employee groups in Denmark, Norway and Sweden in line with governing legislation and special agreements. Deputies attend Board meetings only in the absence of an ordinary member. Except for employee representatives, no Board member is employed by SAS AB or any other company in the SAS Group. The elected Board members are appointed for the period until the end of the next AGM. No regulation exists that limits the period of time a Board member can serve in that capacity. The experience of the Board members and their independence in relation the owners of the company are disclosed on pages 59–60.

The President and other senior executives in the company attended Board meetings to make presentations and the company's General Counsel served as the Board's secretary.

The average age of members is 57 and three of the eight members elected by the 2020 AGM are women. All members elected by the shareholders' meeting are regarded by the Nomination Committee as being independent of the company and company management. Moreover, all Board members are deemed to be independent in relation to major shareholders at 31 October 2020.

SAS AB meets the requirements of the Code regarding Board independence vis-à-vis the company, company management and the company's major shareholders. The Nomination Committee applies Rule 4.1 of the Code and believes that the Code's requirements for diversity, breadth and an even gender balance improved in accordance with the Committee's ambition of achieving an equal gender balance on the Board of Directors.

To streamline and enhance the work of the Board, there are two committees:
- The Remuneration Committee
- The Audit Committee

The members of these Committees are appointed by the Board. The main duty of the committees is to prepare issues for decision by the Board. These committees do not imply any delegation of the Board's legal responsibilities. Reports to the Board on issues discussed at committee meetings are either in writing or given verbally at the following Board meeting.

The work on each committee follows written instructions and a formal work plan stipulated by the Board. The General Counsel of SAS serves as the secretary to the Audit Committee. Minutes of Committee meetings are provided to all Board members. Remuneration for work on Board committees is determined by the AGM.

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ATTENDANCE AT BOARD MEETINGS, NOVEMBER 2019–OCTOBER 2020

Name	4/12	29/1	25/2	12/3[1]	16/3[2]	1/4[2]	15/4	22/4[2]	28/4[2]	7/5[2]	18/5[2]	27/5	8/6	14/6[2]	29/6[2]	9/7[2]	16/7[2]	6/8[2]	24/8	23/9[2]	30/9[3]	21/10[4]	23/10[3]	26/10[3]
Carsten Dilling, Chairman	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Dag Mejdell, Vice Chairman	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Lars-Johan Jarnheimer, member	●	●	●	○	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Monica Caneman, member	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Kay Kratky, member	○	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Sanna Suvanto-Harsaae, member	●	●	●	●	○	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Oscar Stege Unger, member	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Liv Fiksdahl, member	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Tommy Nilsson, employee representative from March 2020	○	○	○	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Cecilia van der Meulen, employee representative, until March 2020	●	●	●	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
Christa Cerè	○	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Jens Lippestad, employee representative, from March 2020	○	○	○	●	○	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Endre Røros, employee representative, until March 2020	●	●	●	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○

● Present ○ Absent

1) Two meetings, of which one was the statutory meeting following the AGM. 2) Extra Board meeting. 3) Extra Board meeting by correspondence. 4) Two minuted Board meetings, of which one extra by correspondence.

THE BOARD'S WORK FISCAL YEAR 2020

The Board's work follows a yearly agenda with regular business items as well as special topics. The formal work plan regulates the division of the Board's work between the Board and its committees and among the Board, its Chairman and the President. Working closely with the President, the Chairman of the Board monitors the company's performance, plans Board meetings, takes responsibility for ensuring that the other members of the Board always receive high-quality information about the Group's finances and performance, and ensures that the Board evaluates its work and that of the President each year.

The formal work plan also contains provisions for meeting the Board's needs for information and financial reporting on an ongoing basis as well as instructions for the President and the company's Board committees. This process is evaluated each year, including the work of the Board. Evaluation of the Board is carried out by way of an annual survey that is compiled and then discussed by the Board.

The Board appoints from among its own members the members of the Board's two committees: the Remuneration Committee and the Audit Committee. Between November 2019 and October 2020, the Board held 26 minuted Board meetings, including a statutory meeting and four by correspondence in addition to several informal meetings.

The President and other senior executives in the company attended Board meetings to make presentations and the company's General Counsel served as the Board's secretary.

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MAIN ISSUES ADDRESSED AT BOARD MEETINGS

Q1 November–January	Q2 February–April	Q3 May–July	Q4 August–October
4 December Year-end report for fiscal year 2019 with the proposed appropriation of earnings, the report from the external auditors, the budget for FY 2020 and the outlook for 2021–2022, as well as revisions to the SAS Financial Policy and Information Policy. Decision taken regarding partial payment of a one-time award for employees. Authorization of management to enter into an updated partnership agreement with United Airlines, sign a component supply contract and extend leases for four ATR72 aircraft with Regional Jet. **29 January** Adoption of the Annual and Sustainability Report for FY 2019 and the appropriation of earnings. Adoption of the audit plan for FY 2020.Decision to approve and present to the AGM the proposed share-based incentive program for employees. Adoption and evaluation of compliance with the guidelines for the remuneration of senior executives. Review of flight safety and sustainability work, including occupational injuries and sick leave. Decision on notification of the AGM on 12 March 2020. Decision to initiate the pre-application phase of SAS Bank.	**25 February** Adoption of the first interim report for FY 2020. COVID-19 status update for China. **12 March** COVID-19 status update. The Board decided to waive 20% of the Directors' fees established by the AGM. Decision on the update of the SAS Financial Policy. The Statutory Board meeting was held at the second Board meeting following the AGM. **16 March** COVID-19 status update and information regarding the management's decision to furlough 10,000 employees. **1 April** Status updates regarding COVID-19, production capacity and the financial position. Decision on the financing of A320neo aircraft engines. Decision to issue capital adequacy guarantees to subsidiaries. **15 April** Status updates regarding COVID-19, production capacity and the financial position. Discussion of the revised business plan. Review of the need for impairment, auditors' observations and Board responsibility. **22 April** Establishment of the revised business plan. Status update regarding the financial position and decision to enter state-guaranteed credit facilities of SEK 3.33 billion. Decision on shareholders' contribution to SAS Ground Handling Sweden AB. **28 April** Status update regarding the financial position and the recapitalization plan. Information about the management's decision to make 5,000 redundancies.	**7 May** Status update regarding production capacity, the financial position and the recapitalization plan. Decision to utilize state-guaranteed credit facilities of SEK 3.33 billion. Update of the revised business plan. **18 May** Status update regarding production capacity, the financial position and the recapitalization plan. **27 May** Status update regarding the financial position, the recapitalization plan and repayments for canceled flights. The auditors presented their review and adoption of the interim report for the second quarter of FY 2020. Adoption of the Board's work plan for FY 2021. Decision to finance one A350-900 and three A320neo aircraft. Decision to issue capital adequacy guarantees and to make shareholder's contributions to subsidiaries. **8 June** Status update regarding the financial position and the recapitalization plan as well as furloughs and redundancies. **14 June** Status update regarding the financial position and the recapitalization plan. Decision on the press release regarding the Swedish and Danish governments' political support for the recapitalization of SAS. **29 June** Decision on the structure and conditions of the recapitalization plan as well as content in the press release dated 30 June 2020. Decision on revised financial targets. Authorization of the management to extend the distribution agreement with Sabre. **9 July** Status update regarding the financial position and the recapitalization plan. Decision on the press release about canceling the meeting with creditors on 17 July 2020. Decision to cease the company's own ground handling operations in Gothenburg and Malmö, and to sign agreements for these services with Aviator. **16 July** Status update regarding the financial position and the recapitalization plan, incl. discussions with creditors. Status update regarding repayments for canceled flights. Authorization of the management to enter into ground handling agreements for Norwegian line stations.	**6 August** Status update regarding the financial position and the recapitalization plan, incl. discussions with creditors. Decision on revised recapitalization plan, incl. the relevant press release, and decision to call an extraordinary general meeting. **24 August** Status update regarding the recapitalization plan and revised business plan. Review of the Board's formal work plan, instructions to the President and insider policy as well as follow-up of risk management, regulatory compliance, internal control and corporate governance. Adoption of the third interim report for FY 2020. Authorization of the management to extend the call-center-services agreement. Decision on the selection of engines and engine maintenance agreements for the A320neo. **23 September** Decision to issue new hybrid bonds and shares pursuant to the recapitalization plan. incl. the relevant press release. Decision on intent to unbundle EuroBonus operations into a separate company. Decision on the shareholder program. Authorization of the management to sell three Boeing 737-800 aircraft and decision to utilize the Göta credit facility. **30 September** Decision to approve the prospectus for the rights issue and the offer to bondholders. **21 October** Status update regarding repayments for canceled flights. Decision to unbundle EuroBonus operations into a separate company. Presentation of the forecast for the first quarter of FY 2021. Decision to approve the Policy Framework and temporary deviation from the Fuel Policy. Decision on shareholders' contribution to subsidiaries. Evaluation of the Board's and the President's work. A decision was taken at the second meeting on the allocation of new shares as part of the rights issue. **23 October** Decision on the allocation of new shares as part of the private placement and in offset issues. **26 October** Decision to approve the prospectus regarding the offer to holders of hybrid bonds.

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E. AUDIT COMMITTEE

Area of responsibility

The Audit Committee monitors the company's financial reporting as well as the effectiveness of its internal control, internal audit and risk management. The Committee keeps itself informed about the audit. The Audit Committee is responsible for preparing the Board's quality assurance work regarding financial reporting. The Committee performs quality assurance through the discussion of critical auditing issues and the financial statements that the company submits. Issues discussed by the Committee include internal control, compliance, uncertainty in reported values, events after the closing date, changes in estimates and assessments, financial and legal risks, suspected irregularities, and other matters affecting the company's financial reporting.

The company's external auditors attend all meetings of the Committee. Without otherwise impacting the responsibilities and obligations of the Board, the Committee is tasked with scrutinizing and monitoring the impartiality and independence of the auditor including paying particular attention to any non-audit-related assignments provided to the company by the auditor as well as assisting in the preparation of proposals regarding the election of auditors and auditors' fees for resolution at AGMs.

Appointment of members

The Board appoints members of the Audit Committee. All members of the Audit Committee are independent in relation to SAS, the company management and the shareholders in line with the Code. Besides the Committee Secretary and the external auditor, the SAS Group CFO and one employee representative and, as required, representatives from SAS' accounting unit attend Committee meetings.

THE AUDIT COMMITTEE'S WORK FY 2020 — SIX MINUTED MEETINGS

Meeting date	4/12	29/1	25/2	27/5	24/8	21/10
Monica Caneman (Chairman)	●	●	●	●	●	●
Lars-Johan Jarnheimer	●	●	●	●	●	●
Oscar Stege Unger	●	●	●	●	●	●

● Present ○ Absent

F. REMUNERATION COMMITTEE

Area of responsibility

The Remuneration Committee prepares issues for the Board's decision vis-à-vis remuneration policies, remuneration and other employment terms for senior executives with a view to ensuring the company's access to executives with the requisite skills at a cost appropriate to the company. The Committee prepares proposals for policies for remuneration and other employment terms for resolution at the AGM.

Appointment of members

The Board appoints members of the Remuneration Committee. The Code specifies that members of the Remuneration Committee must be independent of the company and company management. All members of the Remuneration Committee are independent in relation to SAS and the company management.

REMUNERATION COMMITTEE'S WORK FISCAL YEAR 2020 — THREE MINUTED MEETINGS

Meeting date	21/11	19/12	23/8
Carsten Dilling	●	●	●
Dag Mejdell	●	●	●

● Present ○ Absent

GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

The 2020 AGM established updated guidelines for remuneration to senior executives, which are detailed below. No amendments to the guidelines for remuneration to senior executives are proposed for resolution at the 2021 AGM.

The Board of Directors proposes guidelines for remuneration to the President and other members of Group Management. The guidelines also encompass any remuneration to Board members, other than Directors' fees. The guidelines apply to remuneration agreed after the 2021 AGM and amendments to agreed remuneration made thereafter. The guidelines do not apply to remuneration resolved by the general meeting. For employments governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

How the guidelines advance the company's business strategy, long-term interests and sustainability

Successful implementation of the company's business strategy and safeguarding the company's long-term interests, including its sustainability, require the company to recruit and retain highly qualified employees. In order to do so, SAS must offer competitive total remuneration, which these guidelines enable. Total remuneration should be on market terms and competitive and relate to responsibility and authority.

For information about the company's business strategy, see the SAS website (https://www.sasgroup.net/en/strategic-priorities/).

Types of remuneration, etc.

Remuneration is on market terms and may consist of the following components: fixed salary, any variable remuneration according to separate agreements,

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pension and other benefits. The general meeting can also, irrespective of these guidelines, resolve on share and share-price based remuneration among other things.

Fixed salary
The fixed salary consists of fixed cash salary. The fixed salary reflects the position's requirements with respect to qualifications, responsibilities, complexity and the manner in which it serves to reach the business objectives. The fixed salary also reflects the performance of the executive and can thus be both individual and differentiated.

Variable salary
In addition to fixed salary, senior executives reporting to the President may, under separate agreements, receive variable salary when fulfilling agreed performance criteria, provided that their fixed salaries are frozen for review for a certain period after payment of the variable salary. Any variable salary consists of an annual variable cash salary and may amount to a maximum of 20% of the fixed annual salary. Criteria fulfillment for awarding variable salary must be measured over a period of one year.

The variable salary is linked to one or several predetermined and measurable criteria, which can be financial, such as EBT, CASK and PASK, or non-financial, such as CO2 emissions, flight safety, employee engagement and customer satisfaction. Less than 30% of the variable cash remuneration depends on non-financial criteria. By linking the remuneration to senior executives to the company's earnings as well as sustainability, the criteria contribute to the company's business strategy, long-term interests and competitiveness.

The extent to which the criteria for awarding variable remuneration have been satisfied is determined when the measurement period has ended. For financial targets, the evaluation is based on the latest financial information made public by the company.

The terms for variable remuneration are designed so that the Board of Directors, under exceptional financial conditions, may limit or refuse to pay variable remuneration if such a measure is deemed reasonable

Further variable cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are limited in time and only made on an individual basis, either for the purpose of recruiting or retaining executives, or as remuneration for extraordinary performance beyond the individual's ordinary tasks. Such remuneration may not exceed an amount corresponding to 20% of the fixed annual cash salary and may not be paid more than once each year per individual. Any resolution on such remuneration is taken by the Board of Directors based on a proposal from the Remuneration Committee.

Pension
For the President, pension benefits, including health insurance, are defined-contribution with premiums not exceeding 40% of the fixed annual salary. For other members of Group Management, pension benefits, including health insurance, are defined-contribution unless the executive is encompassed by a defined-benefit pension under mandatory collective agreement provisions. Premiums for defined-contribution pensions are not to exceed 30% of the fixed annual salary. Variable remuneration qualifies for pension benefits to the extent required by mandatory collective agreement provisions applicable to the executive (applies to Sweden and defined-contribution pension). In such case, the premiums for defined-contribution pensions may not exceed 36% of the fixed annual salary as a result of pension provisions for variable salary.

Other benefits
Other benefits, which may include, for example, company car, travel benefits and health insurance, are on market terms and only constitute a limited part of the total remuneration. Premiums and other costs associated with such benefits may amount to a maximum of 10% of the fixed annual salary.

Termination of employment
For the President and other members of Group Management, the notice period is six months in case of termination by the executive. In case of termination by the company the maximum notice period is 12 months. In case of termination by the company, severance pay is payable in an amount corresponding to a maximum of one year's fixed salary less any remuneration received from new employments or assignments.

Additionally, remuneration is payable for any non-compete undertakings. Such remuneration compensates for loss of income and is only paid in so far as the previously employed executive is not entitled to severance pay. The remuneration is based on the fixed salary at the time of termination of employment and amounts to not more than 60% of the fixed salary at the time of termination of employment, unless otherwise provided by mandatory collective agreement provisions, and is paid during the time the non-compete undertaking applies, however not for more than 18 months following termination of employment.

Fees to Board members
SAS Board members elected by the general meeting may, in specific cases and for limited time, be

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remunerated for services beyond Board work within their respective areas of competence. A fee on market terms for these services (including services rendered by a company wholly owned by a Board member) is paid, provided that such services contribute to the implementation of SAS' business strategy and long-term interests, including its sustainability. Such consultant's fee may, for each Board member, in no case exceed the annual Director's fee.

Salary and employment conditions for employees
In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the Remuneration Committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out therein are reasonable.

Preparation and decision-making process
The Board of Directors has established a Remuneration Committee. The Committee's duties include preparing principles for remuneration to Group Management and the Board of Directors' decisions to propose guidelines for remuneration to senior executives. The Board of Directors prepares proposals for new guidelines at least every fourth year, and submits it to the AGM for resolution. These guidelines apply until new guidelines have been adopted by the general meeting. The Remuneration Committee also monitors and evaluates programs for variable remuneration to Group Management, the application of the guidelines to senior executives as well as the current remuneration structures and compensation levels in the company. Remuneration to the President is decided by the Board of Directors in line with approved policies following preparation and recommendation by the Remuneration Committee. Remuneration to other senior executives is decided by the President in line with approved policies and after consultation with the Remuneration Committee. The members of the Remuneration Committee are independent in relation to the company and Group Management. The President and other members of Group Management do not participate in the Board of Directors' discussions and decisions on remuneration-related matters that pertain to them.

Derogation from these guidelines
The Board may decide to derogate from these guidelines, in whole or in part, if in a specific case there is special cause and such a derogation is necessary to safeguard the company's long-term interests, including its sustainability, or to ensure the company's financial viability. As stated above, the Remuneration Committee's duties include preparing the Board of Directors' decisions on remuneration matters, including decisions to derogate from these guidelines.

G. PRESIDENT AND GROUP MANAGEMENT
The Board appoints the President of SAS AB, who is also Group CEO. The Board has delegated responsibility for the day-to-day administration of SAS to the President. Each year, an instruction defining the division of duties between the Board and the President is determined by the Board who also evaluate the work performed by the President. The Board's instructions to the President contain detailed rules governing the President's authority and obligations.

The President liaises, works closely, and has regular meetings with the Chairman to discuss the operations and performance of SAS, and to plan Board meetings. To enable the Board to monitor the financial position of SAS on an ongoing basis, the President makes monthly reports to the Board.

In FY 2020, Group Management comprised seven members, including the President. The composition and functions of the Group Management are shown on pages 61–62.

Group Management is not a corporate body in the sense of Swedish limited company law and as a collegial management body has no legal liability vis-à-vis the Board and shareholders. Only the President reports to the Board. Group Management normally holds minuted meetings every week. These meetings are chaired by the President, who reaches decisions after consulting with the other members of Group Management.

The main business areas of SAS that are not themselves a separate legal entity are led by Group Management through representatives for the respective business area.

Group Management's management and control of operations are based on guidelines and policies regarding financial management and follow-up, communication issues, human resources, legal issues, brands, business ethics and environmental matters.

INTERNAL CONTROL – FINANCIAL REPORTING
SAS applies COSO, the internationally recognized framework for internal control, to describe and evaluate the Group's control structure.

Internal control of financial reporting is a process involving the Board of Directors, company

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management and employees, and is designed to provide reasonable assurance regarding the reliability of external reporting. The Board is ultimately responsible for internal control. Five areas that jointly form the basis of a sound control structure are described below.

Control environment
The control environment comprises the basis for internal control and includes the culture in which SAS communicates and acts. The Group's ambition is that its values — reliability, openness, care and value-creation — will permeate the organization and the internal control environment.

All actions, internal as well as external, are to reflect these basic values. The SAS Group's Code of Conduct describes the desired approach in various situations, including a structure for reporting deviations from the desired approach. Information concerning governance of the Group is available for all employees on the Group's intranet. These documents describe SAS' control philosophy, control model and entities as well as the companies' roles and responsibilities, owner requirements, overall monitoring, internal business relationships and the allocation of tasks.

Risk assessment
Each year, company management produces a risk assessment that encompasses all operations and is based on the targets of those operations. The risk assessment is presented to the Audit Committee and reviewed continuously throughout the year.

With regard to financial reporting, an assessment of significant risks in relation to major balance sheet and income items is carried out annually. This assessment grades the risks concerning financial reporting, and critical areas are identified.

Furthermore, SAS' internal audit carries out an annual risk assessment that forms the basis of future years' audit plans. Both the risk assessment and the audit plan are presented to company management and the Audit Committee.

Control activities
Control activities are carried out at different levels within SAS to manage risks and ensure the reliability of financial reporting. These key controls have been compiled and described in relation to each process as part of the SAS internal control framework. The processes covered by the framework include general governance processes, accounting process, revenue process, purchasing process, payroll process, asset management process and controls related to IT. The framework is subject to an annual review based on the updated risk assessment concerning risks related to financial reporting. SAS' internal audit did not conduct any audits during fiscal year 2020 due to the COVID-19 situation.

Information and communication
SAS aims for information and communication paths pertaining to the internal control of financial reporting to be known and appropriate. All policies and guidelines in the financial areas are on the intranet, under the SAS Group Financial Guide. SAS' accounting policies as well as any changes are always communicated by direct dispatch and at regular meetings with those responsible for financial matters in the entities and subsidiaries.

All entities and subsidiaries submit a monthly report on their activities, including their financial status and performance. To ensure that the external information is correct and complete, an IR/Information policy has been adopted by the SAS Board. SAS' published external reports are based on reporting from all legal entities in accordance with a standardized reporting procedure.

Regularly reported financial information includes the annual report, interim reports, monthly traffic reports, press releases, presentations and telephone conferences focused on financial analysts and investors, and meetings with the capital markets in Sweden and abroad. The above information is also available on the SAS website www.sasgroup.net.

Monitoring
Internal audits at SAS have been outsourced. The audits carried out by internal audit are based on an annual internal audit plan and are mainly focused on operational risk areas. However, the internal audit plan also covers processes that impact financial reporting and the risk of irregularities, improper favoritism of another party at the company's expense, and the risk of loss or embezzlement. The annual internal audit plan is approved by the Audit Committee and the SAS Board.

Monitoring and continuous evaluation of compliance with policies and guidelines as well as monitoring reported deficiencies are conducted regularly. In connection with monitoring action plans for noted deficiencies in control activities and their control targets, these measures are tested as is their compliance. Recommendations from the external and internal audits and the status of ongoing measures are compiled and presented to Group Management and the Audit Committee. Financial reporting is discussed at each Board meeting and at meetings of the Audit Committee.

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BOARD OF DIRECTORS

The Board is responsible for the organization and administration of SAS, for ensuring proper control of its accounting and other financial circumstances as well as for appointing and removing the President. All Board members elected by the shareholders' meeting are independent of the company and company management. The 2020 AGM adopted the Nomination Committee's recommendation for re-election of Carsten Dilling, Monica Caneman, Lars-Johan Jarnheimer, Dag Mejdell, Sanna Suvanto-Harsaae, Liv Fiksdahl, Oscar Stege Unger and Kay Kratky. Carsten Dilling was elected Chairman of the Board.

The composition of the Board is based on the fact that SAS operates in a market subject to significant pressure for change and intense competition and, not least, the considerable impact of COVID-19. Given these conditions, the Nomination Committee is of the opinion that continuity on the Board is of particular importance. With its experience of SAS and previous action programs, the Nomination Committee deemed the Board to be particularly suited to provide the company's management the necessary support in the current situation.

The Nomination Committee's opinion was that the Code's requirements for diversity, breadth and an even gender balance increased through the Nomination Committee's proposal.

No share convertibles or options have been issued to the Board of SAS AB.

CARSTEN DILLING, BORN 1962

Chairman of the Board of SAS AB since 2018. Member of the Board of SAS AB since 2014.
Directorships: Chairman of NNIT A/S, Icotera A/S, MT Højgaard Holding A/S and MT Højgaard A/S, and Board member of Terma A/S as well as a member of Maj Invest's Investment Committee and Senior Advisor for Bank of America.Education: B.Sc. and M.Sc. in Economics and Business Administration, Copenhagen Business School.
Education: B.Sc. and M.Sc. in Economics and Business Administration, Copenhagen Business School.
Earlier directorships/positions: Chairman of Get AS and Traen A/S; Board member of Gatetrade A/S, Columbus IT Partner A/S, Confederation of Danish Industry (DI) and Industrial Employers in Copenhagen (IAK) and a number of board assignments for the TDC Group. Previously President and CEO of TDC A/S.
Shareholding: 352,220.
Shareholding of related parties: 0.

Independent of the company, the company management and the company's major shareholders.

DAG MEJDELL, BORN 1957

Vice Chairman of the Board of SAS AB since 2008.
Directorships: Chairman of Norsk Hydro ASA, Sparebank 1 SR Bank ASA, Mestergruppen AS, International Post Corporation UA C.V and Visolit AS.
Education: MBA, Norwegian School of Economics and Business Administration.
Earlier directorships/positions: President and CEO of Dyno Nobel ASA, and President and CEO of Posten Norge AS. Chairman of Vygruppen AS, Arbeidsgiverforeningen Spekter, Svenska Handelsbanken, Region Norway and Vice Chairman of Evry ASA. Board member of DYWIDAG System International GmbH. Industrial advisor IK investment Partners.
Shareholding: 42,140.
Shareholding of related parties: 0.

Independent of the company, the company management and the company's major shareholders.

MONICA CANEMAN, BORN 1954

Member of the Board of SAS AB since 2010.
Directorships: Chairman of the Board of Euroclear Sverige AB and Almi Företagspartner AB. Board member of Qliro Financial Services AB. Chairman of Nasdaq AB Listing Committee.
Education: MBA, Stockholm School of Economics.
Earlier directorships/positions: Chairman of Allenex AB, Arion Bank hf, Big Ba AB, Bravida Holding AB, EDT AS, the Fourth Swedish Pension Fund, Frösunda LSS AB, Interverbum AB and Viva Media Group AB. Board member of Akademikliniken AB, Citymail Group AB, Comhem AB, EDB Business Partner ASA, Intermail A/S, Lindorff Group AB, My Safety AB, Nets AB, Nordisk Energiförvaltning ASA, Nya Livförsäkrings AB, Nocom AB, Resco AB, Schibsted ASA, SEB Trygg Liv, Svenska Dagbladet AB and XponCard Group AB.
Shareholding: 40,000.
Shareholding of related parties: 0.

Independent of the company, the company management and the company's major shareholders.

LIV FIKSDAHL, BORN 1965

Member of the Board of SAS AB since 2018.
Directorships/position: Board member of Intrum AB, Posten Norge AS and Arion Banki, Iceland. Vice President of Sector Financial Services, Capgemini Norway.
Education: Finance and management at Trondheim Business School.
Earlier directorships/positions: Head of IT and Operations at DnB, and other previous leading positions in DnB. Chairman of the Board of the industry organization Banking and Payment in Finance Norway. Vice Chairman of the Norwegian Savings Banks Association. Board member of Nille AS, BankAxept and Doorstep.
Shareholding: 30,000.
Shareholding of related parties: 0.

Independent of the company, the company management and the company's major shareholders.

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LARS-JOHAN JARNHEIMER, BORN 1960

Member of the Board of SAS AB since 2013.
Directorships: Chairman of Telia Company AB, Arvid Nordqvist HAB, Egmont International Holding AS and Ingka Holding B.V (IKEA). Board member of Point Properties AB and Elite Hotels. Chairman of the Polar Music Prize.
Education: B.Sc. in Business Administration and Economics, Lund and Växjö universities.

Earlier directorships/positions: Chairman of Qliro Group, BRIS and Eniro AB. Board member of MTG Modern Times Group AB, Millicom International Cellular S.A, Invik and Apoteket AB. President and CEO of Tele2.
Shareholding: 100,000.
Shareholding of related parties: 0.

Independent of the company, the company management and the company's major shareholders.

SANNA SUVANTO-HARSAAE, BORN 1966

Member of the Board of SAS AB since 2013.
Directorships: Chairman of Altia Oyj, BoConcept AS, TCM Group AS, Posti Oy, Babysam AS and Nordic Pet Care Group AS. Board member of CEPOS, Harvia Oyj and Broman Group Oy.
Education: M.Sc. in Business and Economics, Lund University.
Earlier directorships/positions: Chairman of Paulig Oy, Health and Fitness Nordic AB, Sunset Boulevard AS, Isadora AB, Footway AB and BTX AS. Board member of Jetpak AB, Duni AB, Candyking AB, Upplands Motor AB, CCS AB and Clas Ohlson AB.
Shareholding: 21,000.
Shareholding of related parties: 0.

Independent of the company, the company management and the company's major shareholders.

OSCAR STEGE UNGER, BORN 1975

Member of the Board of SAS AB since 2018.
Directorships/position: Senior Advisor Wallenberg Foundations AB, Founder and CEO of Canucci ABEducation: M.Sc. in Business Administration and B.Sc. in Economics at Stockholm University.
Education: M.Sc. in Business Administration and B.Sc. in Economics at Stockholm University.
Earlier directorships/positions: Head of Investor Relations and Head of Communications at Investor AB and Director of Wallenberg Foundations AB.
Shareholding: 100,000.
Shareholding of related parties: 0.

Independent of the company, the company management and the company's major shareholders.

KAY KRATKY, BORN 1958

Member of the Board of SAS AB since 2019.
Directorships/position: President of the Aviation Initiative for Renewable Energy in Germany e.V. and global consultant and Chairman of the Advisory Board of Caphenia GmbH.
Education: Mechanical engineering at Technische Hochschule Darmstadt.
Earlier directorships/positions: Chief Executive Officer of Austrian Airlines, COO Lufthansa German Airlines and CEO of Jade Cargo International.
Shareholding: 50,000.
Shareholding of related parties: 0.

Independent of the company, the company management and the company's major shareholders.

EMPLOYEE REPRESENTATIVE

JENS LIPPESTAD BORN 1960

Employed at Scandinavian Airlines in Norway. Member of the Board of SAS AB since March 2020.
Shareholding: 110,000.
Shareholding of related parties: 0.

Deputies:
Endre Røros, First Deputy.
Shareholding: 0.
Pål Gisle Andersen, Second Deputy.
Shareholding: 0.

EMPLOYEE REPRESENTATIVE

CHRISTA CERÈ BORN 1977

Employed at Scandinavian Airlines in Denmark. Member of the Board of SAS AB since 2019.
Shareholding: 10,000.
Shareholding of related parties: 0.

Deputies:
Kim John Christiansen, First Deputy.
Shareholding: 0.
William Nielsen, Second Deputy.
Shareholding: 0.

EMPLOYEE REPRESENTATIVE

TOMMY NILSSON BORN 1957

Employed at Scandinavian Airlines in Sweden. Member of the Board of SAS AB since March 2020.
Shareholding: 0.
Shareholding of related parties: 0.

Deputies:
Lisa Kemze, First Deputy.
Shareholding: 0.
Joacim Olsson, Second Deputy.
Shareholding: 190.

Auditors: KPMG
Auditor in charge: Tomas Gerhardsson. Authorized Public Accountant. Elected at the 2020 AGM
Board secretary: Marie Wohlfahrt, General Counsel.

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GROUP MANAGEMENT

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RICKARD GUSTAFSON
BORN 1964

President and CEO.

Member of SAS Group Management since 1 February 2011.
Previously: Various executive positions at GE Capital, both in Europe and the US, and President of Codan/Trygg-Hansa from 2006–2011.
External directorships: Board member of FAM AB and Telia Company AB.
Education: M.Sc. Industrial Economics.
Shareholding: 400,000.
Shareholding of related parties: 5.

Rickard Gustafson and related parties have no significant shareholdings or part ownership in companies with which SAS conducts major business.

MAGNUS ÖRNBERG
BORN 1965

Executive Vice President and CFO.
Member of SAS Group Management since 1 September 2020.
Previously: Executive Vice President and Group CFO at Saab and Division CFO and other leadership positions at ABB.
External directorships: None.
Education: MBA from the Stockholm School of Economics.
Shareholding: 100,000.
Shareholding of related parties: 0.

CHARLOTTE SVENSSON
BORN 1967

Executive Vice President and CIO.
Member of SAS Group Management since 1 February 2020.
Previously: Head of Digital & Communication Services and member of Group Executives in PostNord 2017–2020, Business Area Manager for the letter operations in the Nordic region. Before that, CTO within the Bonnier Group.
External directorships: None.
Education: Executive Program, Strategy at Stanford University, studies in physics and mathematics at Chalmers University of Technology and Karlstad University.
Shareholding: 50,000.
Shareholding of related parties: 0.

CARINA MALMGREN HEANDER,
BORN 1959

Executive Vice President and Chief of Staff.
Member of SAS Group Management since 1 January 2015.
Previously: Several leading positions in HR and operations at Electrolux, Sandvik and ABB.
External directorships: Chairman of Svenska Flygbranschen AB. Board member of Projektengagemang AB, Transportföretagen AB and the Confederation of Swedish Enterprise.
Education: MBA, Linköping University.
Shareholding: 40,000.
Shareholding of related parties: 0.

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SIMON PAUCK HANSEN, BORN 1976

Executive Vice President and COO Airline Operations. Member of SAS Group Management since 1 October 2019.
Previously: Vice President Network & Planning and several previous senior positions at SAS. Simon Pauck Hansen started as a trainee at SAS in 1996.
External directorships: Chairman of Luftfartens Klimapartnerskab and Board member of the Confederation of Danish Industry (DI).
Education: Diploma in Business Administration with major in Marketing from Copenhagen Business School (HD).
Shareholding: 100,000.
Shareholding of related parties: 0.

KJETIL HÅBJØRG, BORN 1972

Executive Vice President Airline Services.
Member of SAS Group Management since 1 October 2019.
Previously: Vice President SAS Ground Handling and several previous senior positions at SAS. Before Kjetil Håbjørg was recruited to SAS in 2004, he worked as a management consultant.
External directorships: Board member of Federation of Norwegian Aviation industries (NHO Luftfart).
Education: Executive MBA, Master in Strategic Management, Norwegian Business School.
Shareholding: 25,000.
Shareholding of related parties: 0.

KARL SANDLUND, BORN 1977

Executive Vice President and CCO. Member of SAS Group Management since 1 February 2014.
Previously: Executive Vice President Commercial and previously worked in various management positions for SAS. Karl Sandlund worked for McKinsey before joining SAS in 2004.
External directorships: Board member of Storebrand ASA.
Education: M.Sc. in Industrial Engineering and Management from Linköping University.
Shareholding: 20,000.
Shareholding of related parties: 0.

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CONSOLIDATED STATEMENT OF INCOME INCLUDING STATEMENT OF OTHER COMPREHENSIVE INCOME

MSEK	Note	FY20	FY19
Revenue	2	20,513	46,112
Personnel expenses	3	-7,969	-9,934
Jet-fuel costs		-5,626	-9,672
Air traffic charges		-1,872	-4,194
Other external expenses	4	-7,782	-19,324
Depreciation, amortization and impairment	5	-6,822	-1,924
Income from shares in affiliated companies	6	7	-10
Income from sale of aircraft and other non-current assets	7	2	112
Operating income		**-9,549**	**1,166**
Financial income	8	806	172
Financial expenses	8	-1,408	-544
Income before tax		**-10,151**	**794**
Tax	9	876	-173
Net income for the year		**-9,275**	**621**
Other comprehensive income			
Items that may later be reversed to net income:			
Exchange-rate differences in translation of foreign operations		-160	-20
Cash-flow hedges – hedging reserve, net after tax		-168	-1,109
Items that will not be reversed to net income:			
Revaluations of defined-benefit pension plans, net after tax		752	-1,752
Total other comprehensive income, net after tax		**424**	**-2,881**
Comprehensive income for the year		**-8,851**	**-2,260**
Attributable to Parent Company shareholders :			
Net income for the year		-9,275	621
Comprehensive income for the year		-8,851	-2,260
Earnings per common share (SEK)	41	-21.55	1.54
Earnings per common share after dilution (SEK)	41	-21.55	1.48

Income before tax and items affecting comparability, MSEK	FY20	FY19
Income before tax (EBT)	-10,151	794
Impairment[1]	1,210	93
Restructuring costs[2]	324	230
Capital gains/losses[3]	-2	-112
Other items affecting comparability[4]	0	-219
Income before tax and items affecting comparability	**-8,619**	**786**

1) Impairment of MSEK -1,040 (-93) pertains to aircraft and MSEK -170 (0) to right-of-use assets.
2) Restructuring costs were charged to earnings as personnel expenses of MSEK -324 (-230).
3) Capital gains/losses include aircraft sales amounting to MSEK -1 (112) and facility sales MSEK 3 (0).
4) Other items affecting comparability comprise a contractual settlement, a release of a fiscal-related provision for indirect taxes of MSEK 0 (148) and a release of a provision for a one-time award to employees of MSEK 0 (71).

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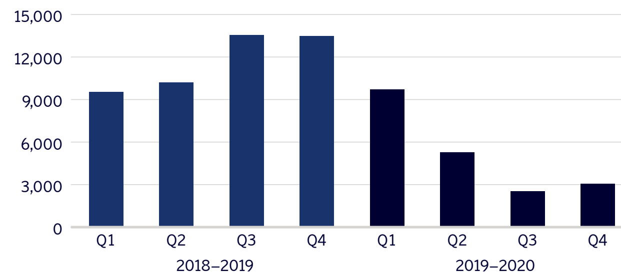
STATEMENT OF INCOME EXCLUDING OTHER COMPREHENSIVE INCOME — QUARTERLY BREAKDOWN

MSEK	FY19					FY20				
	Q1	Q2	Q3	Q4	Full-year	Q1	Q2	Q3	Q4	Full-year
	Nov–Jan	Feb–Apr	May–Jul	Aug–Oct	Nov–Oct	Nov–Jan	Feb–Apr	May–Jul	Aug–Oct	Nov–Oct
Revenue	9,405	9,871	13,401	13,435	46,112	9,707	5,264	2,507	3,035	20,513
Personnel expenses	-2,401	-2,420	-2,504	-2,609	-9,934	-2,575	-1,995	-1,664	-1,735	-7,969
Jet-fuel expenses	-1,961	-2,181	-2,750	-2,780	-9,672	-2,020	-2,504	-331	-771	-5,626
Air traffic charges	-916	-961	-1,138	-1,179	-4,194	-917	-523	-162	-270	-1,872
Other external expenses	-4,168	-4,981	-4,996	-5,179	-19,324	-3,595	-2,150	-631	-1,406	-7,782
Depreciation, amortization and impairment	-419	-455	-548	-502	-1,924	-1,369	-1,408	-2,448	-1,597	-6,822
Income from shares in affiliated companies	-9	-3	1	1	-10	2	1	1	3	7
Income from the sale of aircraft and other non-current assets	8	0	104	0	112	0	0	-1	3	2
Operating income (EBIT)	**-461**	**-1,130**	**1,570**	**1,187**	**1,166**	**-767**	**-3,315**	**-2,729**	**-2,738**	**-9,549**
Financial income	44	44	43	41	173	32	24	1,024	16	806
Financial expenses	-159	-130	-123	-132	-545	-352	-431	-366	-549	-1,408
Income before tax (EBT)	**-576**	**-1,216**	**1,490**	**1,096**	**794**	**-1,087**	**-3,722**	**-2,071**	**-3,271**	**-10,151**
Tax	107	283	-328	-235	-173	226	252	-294	692	876
Net income for the period	**-469**	**-933**	**1,162**	**861**	**621**	**-861**	**-3,470**	**-2,365**	**-2,579**	**-9,275**
Attributable to:										
Parent Company shareholders	-469	-933	1,162	861	621	-861	-3,470	-2,365	-2,579	-9,275
Non-controlling interests	0	0	0	0	0	0	0	0	0	0

REVENUE

(Per quarter, according to the November–October fiscal year)

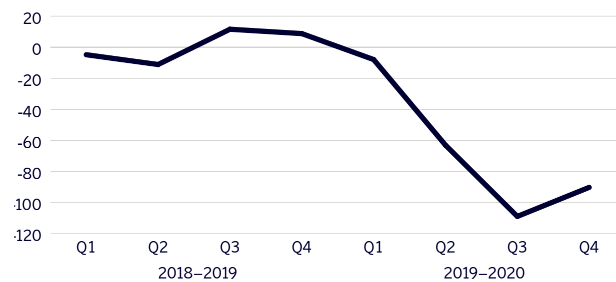
MSEK



EBIT MARGIN

(Per quarter, according to the November–October fiscal year)

%



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CONSOLIDATED BALANCE SHEET

ASSETS, MSEK	Note	31 Oct 2020	31 Oct 2019
Non-current assets			
Intangible assets	10	1,273	1,416
Aircraft and spare engines/parts	11	15,630	11,696
Other tangible assets	11	736	802
Prepayments for aircraft	12	2,495	3,071
Right-of-use assets	13	17,264	–
Participations in affiliated companies	6	19	14
Other participations	14	9	9
Pension funds, net	15	3,172	2,004
Long-term receivables	14	2,863	2,519
Deferred tax assets	9	1,640	750
Total non-current assets		**45,101**	**22,281**
Current assets			
Inventories and expendable spare parts	16	510	346
Accounts receivable	17	318	1,233
Receivables from affiliated companies	18	0	0
Other receivables	19	800	543
Prepaid expenses and accrued income	20	473	846
Cash and cash equivalents	21	10,231	8,763
Total current assets		**12,332**	**11,731**
TOTAL ASSETS		**57,433**	**34,012**

SHAREHOLDERS' EQUITY AND LIABILITIES, MSEK	Note	31 Oct 2020	31 Oct 2019
Shareholders' equity	22		
Share capital		8,650	7,690
Other contributed capital		2,899	170
Reserves		-216	112
Hybrid bonds		7,615	1,500
Retained earnings incl. net income for the year		-8,458	-4,100
Shareholders' equity attributable to Parent Company shareholders		**10,490**	**5,372**
Non-controlling interests		0	0
Total shareholders' equity		**10,490**	**5,372**
Non-current liabilities			
Interest-bearing liabilities	23	11,219	9,450
Interest-bearing lease liabilities	24	13,499	–
Other liabilities	25	1,999	1,926
Provisions	27	1,322	1,966
Deferred tax liabilities	9	282	183
Total non-current liabilities		**28,321**	**13,525**
Current liabilities			
Interest-bearing liabilities	28	3,773	1,833
Interest-bearing lease liabilities	24	3,105	–
Accounts payable		1,191	1,700
Unearned transportation revenue liability	25	5,346	6,049
Tax liabilities		3	17
Other liabilities		667	755
Accrued expenses and prepaid income	29	2,265	3,202
Provisions	27	2,272	1,559
Total current liabilities		**18,622**	**15,115**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**57,433**	**34,012**
Shareholders' equity per common share (SEK)		0.40	10.12

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

MSEK	Share capital	Not registered share capital[1]	Other contributed capital	Hedging reserves	Translation reserve	Hybrid bonds	Retained earnings	Total shareholders' equity attributable to Parent Company shareholders
Opening shareholders' equity in accordance with approved balance sheet, 31 October 2018	**7,732**	**–**	**327**	**1,292**	**-51**	**–**	**-2,032**	**7,268**
Effect of new accounting policies, IFRS 9 and IFRS 15							-27	-27
Adjusted opening shareholders' equity, 1 November 2018	**7,732**	**–**	**327**	**1,292**	**-51**	**–**	**-2,059**	**7,241**
Redemption of preference shares	-42						-1,044	-1,086
Equity share of convertible loans			-157				157	0
Hybrid bond						1,500		1,500
Hybrid bond interest and expenses							-23	-23
Net income for the year							621	621
Comprehensive income for the year				-1,109	-20		-1,752	-2,881
Closing balance, 31 October 2019	**7,690**	**–**	**170**	**183**	**-71**	**1,500**	**-4,100**	**5,372**
Hybrid bond interest							-126	-126
Reduction of share capital as resolved at EGM	-7,403						7,403	0
New share issue	3,875	5	2,120					6,000
New hybrid bond issue						6,000		6,000
Conversion of existing hybrid bond to shares	873		477			-1,500	150	0
Conversion of existing bond to shares and new hybrid bond	410		225			1,615		2,250
Transaction costs			-93				-62	-155
Bond issue as resolved at EGM	3,200						-3,200	0
Net income for the year							-9,275	-9,275
Comprehensive income for the year				-168	-160		752	424
Closing balance, 31 October 2020	**8,645**	**5**	**2,899**	**15**	**-231**	**7,615**	**-8,458**	**10,490**

1) Pertains to 5,976,882 shares in SAS AB, registered in November 2020.

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CONSOLIDATED CASH-FLOW STATEMENT

MSEK	Note	FY20	FY19
OPERATING ACTIVITIES			
Income before tax (EBT)		-10,151	794
Depreciation, amortization and impairment		6,822	1,924
Income from sale of aircraft, buildings and shares		-2	-112
Adjustment for other non-cash items, etc.	33	-82	-248
Tax paid		-18	-53
Cash flow from operations before change in working capital		**-3,431**	**2,305**
Change in:			
Inventories and expendable spare parts		-164	54
Operating receivables		-41	-5
Operating liabilities		-1,475	964
Cash flow from change in working capital		**-1,680**	**1,013**
Cash flow from operating activities		**-5,111**	**3,318**
INVESTING ACTIVITIES			
Aircraft		-6,380	-4,796
Buildings, equipment and investment in progress		-97	-116
Shares and participations, intangible assets, etc.		-78	-96
Prepayments for aircraft		-1,063	-1,183
Acquisition of subsidiaries/affiliated companies	34	-4	-16
Sale of subsidiaries and affiliated companies	35	–	394
Sale of aircraft, spare engines and buildings		3	–
Income from sale and leaseback of aircraft		459	1,329
Sale of fixed assets, etc.		-92	-96
Cash flow from investing activities		**-7,252**	**-4,580**

MSEK	Note	FY20	FY19
FINANCING ACTIVITIES	36		
New hybrid bond issue		6,000	1,474
New share issue		5,910	–
Redemption of preference shares		–	-1,112
Dividend on preference shares		–	-26
Proceeds from borrowings		11,210	2,292
Repayment of borrowings		-4,520	-2,362
Amortization of lease liabilities		-3,082	–
Payments of deposits and blocked bank funds		-1,059	-163
Repayments of deposits and blocked bank funds		480	408
Defined-benefit pension payments		-299	-268
Hybrid bond interest		-128	–
Interest-rate derivatives		-476	-128
Other financing activities		-201	154
Cash flow from financing activities		**13,835**	**269**
Cash flow for the year		**1,472**	**-993**
Translation difference in cash and cash equivalents		-4	0
Cash and cash equivalents at beginning of the year		8,763	9,756
Cash and cash equivalents at year end	21	**10,231**	**8,763**
Cash flow from operating activities per common share (SEK)		-11.64	8.67

COMMENTS ON THE CASH-FLOW STATEMENT

Cash flow from operating activities before changes in working capital amounted to MSEK -3,431 (2,305). Adjustment for other non-cash items, etc., primarily pertained to revaluation of lease liabilities, the earnings effect from valuation of financial instruments and provisions for restructuring costs.

The change in working capital amounted to MSEK -1,680 (1,013). It was primarily operating liabilities and unearned transportation liability in particular that decreased during the year.

Aircraft acquisitions during the year amounted to MSEK 5,908 (3,071), and comprised delivery payments for three new Airbus A320neo and four new Airbus A350 aircraft. Moreover, aircraft investments included MSEK 472 (1,725) in capitalized expenditure for aircraft maintenance and aircraft modifications.

One of the delivered Airbus A320neo aircraft was divested during the year through a sale and leaseback arrangement.

The recapitalization completed at the end of the year had a positive impact of MSEK 11,910 on cash. Loans raised amounted to MSEK 11,210 and loan and lease liability repayments totaled MSEK 7,602.

In all, the SAS Group's cash and cash equivalents increased MSEK 1,472 (-993) during the fiscal year, whereupon cash and cash equivalents amounted to MSEK 10,231 (8,763).

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NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

GENERAL

SAS AB (the "Company") and its subsidiaries (collectively referred to as the "Group") provide transportation services.

The core business of the Group is operating passenger flights on an extensive Nordic and international route network. The Group's three main operational hubs in Copenhagen, Oslo and Stockholm form the backbone of its flight network. In addition to passenger flights, the Group provides air cargo and other aviation services at selected airports in the Group's route network.

SAS AB is a Swedish public limited company registered in Stockholm and the address of its head office is Frösundaviks allé 1, Solna, Stockholm. SAS AB is the Parent Company of the SAS Group.

The consolidated financial statements for SAS AB have been prepared in accordance with the Annual Accounts Act, recommendation RFR 1 — *Supplementary Accounting Rules for Corporate Groups*, and the EU-approved International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) that apply for fiscal years starting 1 November 2019. These standards have been consistently applied to all periods presented in the consolidated financial statements. The financial statements have been prepared on a cost basis, except for the remeasurement of financial assets and liabilities. The principal accounting policies adopted are set out below.

ACCOUNTING ESTIMATES AND ASSUMPTIONS IN THE FINANCIAL STATEMENTS

The preparation of financial statements in accordance with IFRS requires management to perform estimates and assumptions that influence the application of the accounting policies and the carrying amounts of assets, liabilities, revenue and expenses. Actual outcomes may differ from these estimates and assumptions.

The estimates and assumptions are regularly reviewed. Changes in estimates are recognized in the period in which the change is made if the change affects only that period, or in the period in which the change is made and future periods if the change affects both the current and future periods. For more information, see "Critical accounting estimates and key sources of estimation uncertainty" in this note.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS APPLICABLE FOR FISCAL YEAR 2020

From 1 November 2019, SAS has adopted the new standard IFRS 16 Leases, using the modified retrospective approach, which entails that comparative figures for earlier periods have not been restated. IFRS 16 replaces the previous standard, IAS 17 Leases. The table below illustrates the impact of the implementation of IFRS 16 on equity and other balance sheet items at the transition date of 1 November 2019. More information on the application of IFRS 16 within the Group is provided later in this note. No material amendments occurred in IFRS that affected the Group.

Impact on consolidated balance sheet

The lease liability is recognized at an amount corresponding to the present value of future lease payments for the leased assets. As a result of SAS' transition approach, all right-of-use assets were measured on the transition date at an amount equal to the lease liability. Adjustments to the right-of-use assets were made for prepaid lease expenses recognized at 31 October 2019 and the initial estimate of restoration costs for the leased assets. The initial adoption of IFRS 16 had no impact on equity. The table below shows the transition impact on 1 November 2019 on the consolidated balance sheet.

The main types of assets leased by SAS are aircraft, properties and ground handling equipment. On the transition date, SEK 13.4 billion of the right-of-use assets relates to aircraft including engines, SEK 2.8 billion relates to properties and SEK 0.5 billion relates to ground handling equipment. A major impact from applying IFRS 16 is that SAS is exposed to exchange-rate fluctuations. Most of the right-of-use assets are denominated in SEK, but the corresponding lease liabilities are denominated in foreign currencies. Lease liabilities relating to aircraft are denominated in USD, while properties and ground handling equipment mainly are denominated in SEK, NOK and DKK. As aircraft represent approximately 80% of the lease liabilities on the transition date, the currency exposure from recalculating USD liabilities into SEK is significant.

From 1 November, SAS has adjusted the hedging policy for foreign currency to better manage this risk.

EFFECT OF NEW STANDARDS 1 NOVEMBER 2019 – IFRS 16

MSEK	Reported 31 October 2019	IFRS 16 Adjustments	Adjusted balance 1 November 2019
Right-of-use assets	–	16,718	16,718
Prepaid expenses	446	-38	408
Shareholders' equity	5,372	–	5,372
Provisions	1,966	177	2,143
Non-current interest-bearing lease liabilities	–	13,623	13,623
Current interest-bearing lease liabilities	–	2,880	2,880

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Impact on consolidated statement of income

SAS' income statement is highly impacted by IFRS 16. The lease expenses previously recognized in profit or loss are replaced by a depreciation expense on the right-of-use asset and an interest expense for the lease liability. The right-of-use asset is depreciated on a straight-line basis. Interest expenses relating to the lease liabilities are at their highest at the beginning of the lease term and decrease as the lease liabilities are paid down. When applying IAS 17 in previous years, operating lease expenses for aircraft, properties and ground handling equipment were expensed over the lease term, primarily on a straight-line basis, and recognized in EBIT as lease expenses for aircraft and other operating expenses. Given this change in pattern of expenses where more expenses, due to the interest component, are recognized earlier in the lease term, IFRS 16 (excluding currency revaluations) had a negative impact on SAS' results in the first twelve months of fiscal year 2020. However due to the effect of currency revaluations, the net impact on income before tax (EBT) was a positive MSEK 261. Over the lease term, the expenses following the adoption of IFRS 16 are equal to the expenses reported under IAS 17. The table below shows the impact from IFRS 16 on the consolidated statement of income for fiscal year 2020.

CONSOLIDATED STATEMENT OF INCOME, FY2020 – IMPACT OF IFRS 16

	Reported FY20	Adjustments	Adjusted FY20*
Revenue	20,513		20,513
Personnel expenses	-7,969		-7,969
Jet-fuel expenses	-5,626		-5,626
Air traffic charges	-1,872		-1,872
Other external expenses	-7,782	-4,039	-11,821
Depreciation, amortization and impairment	-6,822	3,817	-3,005
Income from shares in affiliated companies	7		7
Income from the sale of aircraft and other non-current assets	2		2
Operating income (EBIT)	**-9,549**	**-222**	**-9,771**
Net financial items	-602	-39	-641
Income before tax (EBT)	**-10,151**	**-261**	**-10,412**

** Consolidated statement of income as if IAS 17 was still applied, without the adoption of IFRS 16.*

Impact on consolidated cash-flow statement

The classification in SAS' cash-flow statement has changed with the introduction of IFRS 16. Previously, all lease payments were presented in operating activities. Following the adoption of IFRS 16, principal repayments on lease liabilities are presented in financing activities. Payments for the interest portion of lease liabilities are presented within operating activities. Thus cash flow from operating activities is positively impacted by IFRS 16, with the corresponding decrease in cash flow from financing activities. Since IFRS 16 does not impact the cash payments between SAS and the lessors, the net effect on cash flow is zero.

CONSOLIDATED CASH-FLOW STATEMENT, FY20 – IFRS 16

	Reported FY20	Adjustments	Adjusted FY20*
Cash flows from operating activities	-5,111	-3,082	-8,193
Cash flow from investing activities	-7,252	–	-7,252
Cash flow from financing activities	13,835	3,082	16,917
Cash flow for the year	**1,472**	–	**1,472**

** Consolidated cash-flow statement as if IAS 17 was still applied, without the adoption of IFRS 16.*

Impact on key figures

As IFRS 16 has a significant impact on the income statement and balance sheet, SAS has reviewed the key figures to ensure their continued relevance. Following SAS' transition approach, financial reporting published by SAS during FY 2020 did not include restated comparative information for FY 2019. The table below shows the impact from IFRS 16 on the key figures that have been calculated on closing balances.

KEY FIGURES, FY 2020 – IMPACT OF IFRS 16

	Reported FY20	Adjustments	Adjusted FY20*
Unit cost, CASK, excluding jet fuel, currency-adjusted	0.87	+0.02	0.89
Shareholders' equity per common share (SEK)	0.4	-0.09	0.31
Equity/assets ratio	18%	+6	24%
Financial net debt, MSEK	18,899	-16,604	2,295
Debt/equity ratio	1.8	-1.57	0.23

** Key figures as if IAS 17 was still applied, without the adoption of IFRS 16.*

Change in presentation – consolidated statement of income

With the adoption of IFRS 16, the Group has made some changes to improve the presentation of the consolidated statement of income. Previously, Lease expenses for aircraft was presented on a separate line in the income statement. Following IFRS 16, this expense is no longer material to the Group, so starting 1 November 2019, Lease expenses for aircraft is presented as Other external expenses and specified in Note 4 in this report. Fuel expenses and Air traffic charges were previously presented as Other external expenses, but starting 1 November 2019, these expenses are presented as separate line items in the income statement. Since these expenses continue to be reported within operating income (EBIT), the change in presentation has a net zero effect on operating income (EBIT). The carrying amounts for the comparative year, fiscal year 2019, have been reclassified. See more details in the table below.

Compensation for delays or cancellations

The IFRS Interpretation Committee (IFRIC, IC) published an agenda decision in September 2019 regarding Compensation for Delays or Cancellations (IFRS 15). The IC concluded in its decision that customer compensation for delays or cancellations is a variable consideration in the contract. Therefore, it should be recognized as an adjustment to revenue. Previously and in FY 2019, SAS has accounted for customer compensation under other operating expenses. In accordance with the IC's decision, SAS has analyzed the effects and has reclassified customer compensation for delays and cancellations from operating expenses to revenue, in accordance with the IC's agenda decision. The amount reclassified for fiscal year 2019 amounted to MSEK 624.

CHANGES IN COMPARATIVE YEAR, FY2019 – CONSOLIDATED STATEMENT OF INCOME

	Reported FY19	Adjustments	Adjusted FY19*
Revenue	46,736	-624	46,112
Lease expenses for aircraft	-3,561	3,561	–
Other external expenses	-30,253	10,929	-19,324
Fuel expenses	–	-9,672	-9,672
Air traffic charges	–	-4,194	-4,194

The above table shows the impact on FY19, following the changes described under headings "Change in presentation – Consolidated statement of income" and "Compensation for delays or cancellations" above. The changes did not impact Operating income (EBIT). MSEK 624 of the change in Other external expenses relates to the IC decision. The remaining change relates to reclassifications of fuel expenses MSEK 9,672, Air traffic charges MSEK 4,194 and Lease expenses for aircraft MSEK -3,561.

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Note 1 continued

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Parent Company and the entities over which controlling influence is exercised by the Group. The Group controls a company when it is exposed to, or has rights to, variable returns from its participation in the company and is able to affect those returns through its influence over the company.

Entities in which the Group has an ownership interest of at least 20% and no more than 50%, or where the Group has significant influence by other means but cannot exercise controlling influence, are affiliated companies. Affiliated companies are accounted for using the equity method.

The earnings of subsidiaries acquired during the year are included in the Group's earnings from the effective date of control. The separate net assets, both tangible and intangible, of newly acquired subsidiaries are consolidated into the financial statements on the basis of the fair value to the Group as at the effective date of control. The earnings of subsidiaries disposed of during the fiscal year are included in the Group's earnings up to the effective date of disposal.

Non-controlling interests in the net assets of consolidated subsidiaries are recognized in the consolidated balance sheet as a separate component of equity. The Group's earnings and components in other comprehensive income are attributable to the Parent Company's owners and to the non-controlling interests. All intra-Group transactions, balance-sheet items, revenue and expenses are eliminated on consolidation.

BUSINESS COMBINATIONS

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the acquisition date when controlling influence is achieved) of the assets transferred, liabilities incurred or assumed, and equity shares issued by the Group in exchange for control of the acquiree. Acquisition-related expenses are recognized in profit or loss when they are incurred. The cost also includes fair value at the acquisition date for the assets or liabilities that arise from any agreement governing a contingent consideration. Contingent considerations are classified either as equity or financial liabilities. Amounts classified as financial liabilities are remeasured each period at fair value, and any remeasurement gains or losses are recognized in profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that qualify for recognition under IFRS 3 – *Business Combinations* are recognized at fair value on the acquisition date.

In business combinations where the sum of the cost, any non-controlling interests and fair value at the acquisition date for previously held equity exceeds fair value at the acquisition date for identifiable acquired net assets, the difference is recognized as goodwill in the balance sheet. Following a review of the difference, any negative difference is recognized directly in profit or loss as a gain from a bargain purchase.

Non-controlling interests

Changes in the Parent Company's share in a subsidiary that do not lead to a loss of controlling influence are recognized as equity transactions (in other words, as transactions with the Group's owner). Any difference between the sum by which the non-controlling interests has been adjusted and the fair value of the consideration paid or received is recognized directly in equity and distributed to the Parent Company's owners.

Loss of controlling influence

When the Parent Company loses controlling influence of a subsidiary, the divestment gain or loss is calculated as the difference between:

- the sum of the fair value for the consideration received and the fair value of any remaining holdings, and
- the previously recognized values of the subsidiary's assets (including goodwill) and liabilities as well as any non-controlling interest.

INVESTMENTS IN AFFILIATED COMPANIES

Affiliated companies comprise all companies where the Group exercises significant but not controlling influence, which generally applies for shareholdings representing 20–50% of the votes. Affiliated companies are accounted for using the equity method.

The earnings of affiliated companies are accounted for based upon the Group's proportional ownership of the earnings of these affiliates. Any losses arising from affiliated companies are recorded in the consolidated financial statements until the investment in such affiliated companies is impaired to zero. Thereafter, losses are only accounted for to the extent that the Group is committed to providing financial support to such affiliated companies.

The carrying amount of investments in affiliated companies represents the cost of each investment, including goodwill, the share of retained earnings following acquisition and any other changes in equity. The carrying amount of investments in affiliated companies is reviewed on a regular basis and if any decline in value has occurred, it is impaired in the period in which this occurred.

Profits and losses from transactions with affiliated companies are eliminated in proportion to the Group's interest in these affiliated companies.

SEGMENT REPORTING

The Group's operations are reported as one operating segment, which is consistent with the internal reporting to the Chief Operating Decision Maker (CODM), which is defined as SAS Group Management.

Geographic information about revenue from external customers and assets

Traffic revenue from domestic services in Denmark, Norway and Sweden is allocated to Domestic. Traffic between the three countries is allocated to Intra-Scandinavian. Other traffic revenues are allocated to the geographical area where the destination is located. Other revenues are allocated to a geographical area based on the customer's geographical location relating, for example, to goods exported to a customer in another country or, alternatively, the geographical location where the service is performed.

Assets broken down by geographic area do not include the Group's aircraft or prepayments for tangible fixed assets. Since aircraft are utilized in a flexible manner across the route network, there is no justifiable basis for allocating aircraft.

FOREIGN CURRENCY TRANSLATION

The individual financial statements of the entities in the Group are measured in the functional currency of the entities, i.e., the currency of the primary economic environment in which they operate.

Transactions in currencies other than the entity's functional currency (foreign currencies) are remeasured at the exchange rates prevailing on the transaction dates. At each closing date, monetary assets and liabilities denominated in foreign currencies are retranslated at the closing-date exchange rates. Non-monetary items carried at fair value denominated in foreign currencies are translated at the rates prevailing at the date fair value was determined. Non-monetary items that are measured in terms of cost in a foreign currency are not translated.

Exchange differences arising from translation are recognized as a gain or loss in the period in which they arise, except for exchange differences on transactions entered into to hedge net investments in foreign subsidiaries and exchange differences relating to monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur and, which form part of the net investment in a foreign operation. These differences are recognized in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at the closing-date exchange rates. Revenue and expense items are translated at the average exchange rates for the period, provided that exchange rates do not fluctuate substantially in the period. In the latter case, the exchange rate on the transaction date is applied. Any translation differences are recognized in other comprehensive income.

The exchange rates applied in the translation of the financial statements for consolidation purposes are as follows:

EXCHANGE RATES

			Closing rate		Average rate	
			31 Oct 2020	31 Oct 2019	FY20	FY19
Denmark	DKK	100	139.67	143.91	141.77	141.09
Norway	NOK	100	93.29	104.98	99.64	107.73
U.S.	USD		8.91	9.63	9.40	9.35
U.K.	GBP		11.52	12.47	12.03	11.88
Switzerland	CHF	100	972.88	975.08	982.71	940.06
Japan	JPY	100	8.55	8.87	8.71	8.52
EMU countries	EUR		10.40	10.75	10.58	10.53

FINANCIAL INSTRUMENTS, ACCOUNTING POLICIES

Financial assets

Financial assets are recognized in the consolidated balance sheet when the Group becomes a party under the contractual terms of the instrument. At the time of initial recognition, financial assets are measured at fair value and subsequently classified at amortized cost, fair value through other compre-

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hensive income (FVTOCI) or fair value through profit and loss (FVTPL). The classification of financial assets depends on the characteristics of the asset and the business model in which it is held.

The fair value of a financial asset is generally determined by reference to 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.

Amortized cost is calculated using the effective-interest method, where any premiums or discounts and directly attributable expenses and revenue are capitalized over the contract period using the effective interest rate. The effective interest rate is the rate that yields the instrument's cost when calculating the present value of future cash flows.

Other financial assets at amortized cost

Financial assets are classified as recognized at amortized cost if the contractual terms give rise to payments that are solely payments of principal and of interest on the principal amount outstanding, and the financial asset is held in a business model aimed at holding financial assets to collect contractual cash flows. With the exception of derivatives, all of the Group's financial assets are recognized at amortized cost through application of the effective-interest method. For subsequent periods, the assets are measured at amortized cost reduced with impairment provisions.

Impairment of financial assets

The Group's financial assets measured at amortized cost are assessed for impairment based on expected credit losses (ECLs). Provisions for accounts receivable are always based on lifetime ECLs. If there is no expectation of collection, the full asset value is written off. Losses and write offs are recognized as expenses in the income statement.

Derivatives and hedge accounting

The Group uses derivatives to manage exposures related to fluctuations in interest rates, exchange rates and fuel prices. The derivatives used are mainly recognized pursuant to the rules for hedge accounting in IFRS 9. The Group's hedge instruments are designated as fair-value hedges and cash-flow hedges. Derivatives that do not meet the hedge accounting requirements are remeasured on an ongoing basis at FVTPL. Derivatives with positive values are recognized as current assets in the consolidated balance sheet, and derivatives with negative values are recognized as current liabilities.

For fair-value hedges, the effective and ineffective portions of the change in fair value of the derivative is recognized in net income for the year, together with the gain or loss on the hedged item attributable to the hedged risk.

When hedging projected cash flows, the effective portion of the change in fair value of the derivative outstanding is recognized in other comprehensive income until the underlying transaction is reflected in net income for the year, whereupon any deferred hedging gains or losses are restored in net income for the year. The ineffective portion of the change in fair value of a derivative used to hedge cash flow is recognized in net income for the year. Should hedged future transactions result in non-financial assets or liabilities, the gains and losses are included in the cost of the assets or liabilities upon initial recognition.

For measurement of effectiveness, an overall assessment is conducted of whether or not the hedging relationship is effective. The initial time value is treated as a cost for the hedging strategy and changes in the time value are recognized in other comprehensive income.

Financial liabilities

Financial liabilities, excluding derivatives, are initially measured at fair value and subsequently at amortized cost using the effective-interest method.

Accounts payable

Accounts payable are expected to have short terms and are therefore categorized as short-term liabilities where the interest effect is negligible. The liabilities are carried at nominal amounts with no discounts.

Borrowings

Long-term borrowings, i.e., liabilities with a tenor longer than one year, consist of interest-bearing liabilities to banks and credit institutions as well as bond issues. Short-term borrowings comprise the current portion of interest-bearing long-term borrowings, i.e., the portion of the loans that is to be amortized in the coming fiscal years, as well as other current interest-bearing liabilities with a remaining tenor of less than one year.

Borrowings are initially recognized at fair value less transaction costs, and thereafter at amortized cost using the effective-interest method.

HYBRID BONDS

In October 2020, the MSEK 1,500 hybrid bond was exchanged for shares at 90% of par value. New hybrid bonds were issued in October 2020 to the governments of Denmark and Sweden for a total amount of MSEK 6,000. In October 2020, MSEK 2,250 of bond debt was converted into hybrid bonds with a par value of MSEK 1,615 and the remaining amount was exchanged for shares.

As all of the hybrid bonds are perpetual and since SAS controls the payment of interest and principal in the instruments, the bonds are classified as equity instruments in their entirety according to IAS 32. Transaction costs and interest attributable to the hybrid bonds are recognized directly in shareholders' equity.

TANGIBLE FIXED ASSETS

Tangible fixed assets are recognized at cost less accumulated depreciation and any impairment. These assets are depreciated to their estimated residual values on a straight-line basis over their estimated useful lives. As aircraft components have varying useful lives, the Group has separated the components for depreciation purposes. Costs for routine aircraft maintenance as well as repair costs are expensed as incurred. Extensive modifications such as the obligatory major overhauls of engines and improvements to fixed assets are capitalized and depreciated together with the asset to which the work is related over its remaining useful life. Investments in leased premises are amortized over their estimated useful lives, but not over a period exceeding the remaining lease period for leased premises.

Income from the sale or disposal of a tangible fixed asset is calculated as the difference between the net realizable value and the carrying amount. The gain or loss that arises is recognized in profit or loss.

Depreciation is based on the following estimated periods of useful life:

Asset class	Depreciation
Aircraft	20 years[1]
Spare equipment and spare parts	20 years[1]
Engine components (average)	8 years[2]
Workshop and aircraft servicing equipment	5–10 years
Other equipment and vehicles	3–5 years
Buildings	5–50 years

1) Estimated residual value after a useful life of 20 years is 10%.
2) Depreciation is based on the engines' use.

LEASES, ACCOUNTING POLICIES FY 2020

IFRS 16 – Leases

From 1 November 2019, SAS has adopted the new standard IFRS 16 Leases, using the modified retrospective approach. IFRS 16 replaces the previous standard, IAS 17 Leases. The previous classification of each lease as either an operating lease or a finance lease will be replaced by a model whereby the lessee recognizes an asset (a right-of-use asset) and a financial liability in the balance sheet. The financial liability is recognized at an amount corresponding to the present value of future lease payments for a leased asset. As a result of SAS' transition approach, all right-of-use assets are on transition initially measured at an amount equal to the financial lease liability at the transition date plus prepaid lease expenses recognized at 31 October 2019. The lease expense previously recognized in profit or loss is replaced by an expense for depreciation of the right-of-use asset and an interest expense for the financial liability.

Impact on balance sheet and income statement

The main types of assets leased by SAS are, in order of materiality, aircraft, properties and ground handling equipment. Aircraft, including engines, represent approximately 80% of the right-of-use assets recorded at the transition date. The remaining part is mainly split between properties (~17%) and ground handling equipment (~3%).

At 1 November 2019, SAS' assets increased MSEK 16,718 due to the recognition of right-of-use assets. Lease liabilities and liabilities relating to restoration costs increased with the same amount. Adjustments have been made for netting of prepaid lease expenses against lease liabilities. Initial application of IFRS 16 had no impact on shareholders' equity on the transition, since the change in assets corresponds to the change in liabilities.

A major impact from applying IFRS 16 is that SAS is exposed to exchange-rate fluctuations. Most of the right-of-use assets are denominated in SEK, whereas the corresponding lease liabilities are denominated in foreign currencies. Lease liabilities relating to aircraft are denominated in USD, while

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properties and ground handling equipment mainly are denominated in SEK, NOK and DKK. As aircraft represent approximately 80% of the liabilities, the currency exposure from restating USD liabilities into SEK is significant.

In SAS' income statement, right-of-use assets are depreciated on a straight-line basis. Interest expenses relating to the lease liabilities are at their highest at the beginning of the lease term and decrease as the lease liability is paid down.

SAS' ACCOUNTING POLICY FOR IFRS 16

SAS applies IFRS 16 for all leases. IFRS 16 permits exceptions for short-term leases and where the underlying asset is of low value (<TUSD 5). Short-term leases are leases that at the commencement date have a lease term of 12 months or less and do not include a purchase option. Lease payments relating to short-term leases or low value leases will be recorded in the income statement over the lease term, primarily on a straight-line basis and recognized in EBIT as lease expenses.

AIRCRAFT

Lease term

The lease term used for aircraft lease agreements is normally the non-cancellable period stated in the lease agreement. Some lease agreements contain extension options or options to purchase the asset, and options are taken into consideration in the lease term if the Group is reasonably certain to exercise these options. The Group does not generally include options in the lease term, since there is a significant uncertainty as to whether they will be exercised. Closer to the end of the lease term and the relevant option, the Group has a better understanding of whether it is beneficial to start negotiations to keep the aircraft for an extended period. If the Group decides to use an extension option, or an option to purchase the asset, the lease liability will be remeasured. Other facts indicating that an option could be used are major modifications of the aircraft, such as a cabin facelift.

Discount rate

At the transition date the Group has used the practical expedients in IFRS 16, where a single discount rate is applied to a portfolio of leases with reasonably similar characteristics. The rate used is the average borrowing rate for asset-backed aircraft financing at 1 November 2019 (4.04%). For new leases, the Group has chosen to apply the interest rate implicit in the lease. Aircraft lease agreements do not clearly define the implicit interest rate as defined by IFRS 16. Since the fair values of the aircraft are provided by third parties, SAS has decided to calculate the interest rate to be used for discounting the lease liabilities based on fair values available for the aircraft. The rate is calculated per contract. The rate implicit in the lease is defined as the rate that causes the sum of the present value of lease payments and the present value of the residual value of the underlying asset at the end of the lease to equal the fair value of the underlying asset.

Sale & Leaseback

Sometimes SAS sells an aircraft to a lessor and leases back that asset from the lessor. In each transaction the Group determines if the transfer to the lessor qualifies as a sale according to IFRS 15. If the lease agreement between SAS and the lessor includes an option to buy back the aircraft, the initial transfer of the asset to SAS does not generally qualify as a sale. In that situation, the Group continues to record the aircraft as owned in the balance sheet with the corresponding financial liability applying IFRS 9. If the transfer qualifies as a sale, SAS applies the sale and leaseback rules in IFRS 16, whereby the right-of-use asset arising from the leaseback is measured at the proportion of the previous carrying amount of the asset that relates to the right of use retained by SAS. This means that only part of any gain/loss that relates to the transfer of the aircraft is recognized in profit or loss.

Costs for restoring the asset

SAS has an obligation to return the leased aircraft and their engines according to redelivery conditions specified in the lease agreement. If the condition of the aircraft and its engines, at the time of redelivery, differs from the agreed redelivery condition, the Group needs to settle the difference in cash to the lessor or maintain the aircraft and its engines so that it meets the agreed conditions.

Under IFRS 16, SAS has divided the maintenance costs into two main groups: costs incurred independent of the usage of the aircraft and costs incurred dependent on the usage of the aircraft.

Costs incurred independent of the usage of the aircraft are included in the right-of-use asset and provisions at the commencement date. These costs include the final check and painting required on return of the aircraft.

For costs incurred dependent on the usage of leased aircraft, SAS makes ongoing provisions related to the use. Please see detailed information in the section "Critical Accounting Estimates and Key Sources of Estimation Uncertainty" in Note 1. Maintenance costs for owned aircraft are capitalized and depreciated together with the asset to which the work is related. See more information in the section "Tangible fixed assets" in Note 1.

Wet Lease

SAS wet leases aircraft capacity from external operators. Until 1 November 2019, the costs associated with these lease arrangements have been allocated between lease expenses for aircraft, for the actual aircraft capacity, and other operating expenses for wet-lease costs. IFRS 16 states that for a contract that is, or contains, a lease, an entity shall account for each lease component within the contract as a lease separately from non-lease components of the contract, unless the entity applies a practical expedient in IFRS 16. The Group accounts for each lease component separately from non-lease components. The consideration in the contract that has been allocated to the aircraft has been done based on the relative stand-alone price of the aircraft and the aggregate stand-alone price of the wet-lease services.

The lease term used for wet leased aircraft is the non-cancellable period stated in the lease agreements. Some contracts contain options, but they have not been included since there is a significant uncertainty to whether they will be exercised.

There is no material return obligation relating to the wet leased aircraft.

PROPERTIES

Lease term

The lease term used for property lease contracts is the non-cancellable period stated in the lease agreements. Options to extend the lease term are not included, since there is a significant uncertainty as to whether they will be exercised.

Discount rate

For property leases, the following discount rates are used:

- For lease agreements with fixed interest rates, SAS applies its average financing cost as the rate to be used for discounting the lease liabilities (2.46–6.86%). The average financing cost is calculated as the relevant swap rate for the maturity of the contract plus SAS' average credit spread.
- For lease agreements with floating interest rates, SAS applies the sum of the credit spread defined in the contract plus the relevant swap rate for the maturity of the contract as the rate to be used for discounting lease liabilities. If the spread in the contract is unknown, SAS' average credit spread will be applied as the spread.

Costs for restoring the asset

There is no material return obligation relating to the leased properties.

GROUND HANDLING EQUIPMENT

Lease term

The lease term used for ground handling equipment lease contracts is normally the non-cancellable period stated in the lease agreements. Some lease agreements contain extension options, and they have been included if the Group's assessment is that the options will be exercised.

Lease and non-lease components

As mentioned above, an entity shall account for each lease component within the contract as a lease separately from non-lease components of the contract, unless the entity applies a practical expedient in IFRS 16. The Group will account for each lease component separately from non-lease components based on the relative stand-alone price for the lease assets.

Discount rate

The following discount rates are used with leases for ground handling equipment:

- For lease agreements with fixed interest rates, SAS applies its average financing cost as the rate to be used for discounting the lease liabilities (2.85–5.21%). The average financing cost is calculated as the relevant swap rate for the maturity of the contract plus SAS' average credit spread.
- For lease agreements with floating interest rates, SAS applies the sum of the credit spread defined in the contract plus the relevant swap rate for the maturity of the contract as the rate to be used for discounting lease liabilities. If the spread in the contract is unknown, SAS' average credit spread will be applied as the spread.

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OTHER ASSETS

Lease contracts that individually, or by asset class, are not material to the Group have been excluded from the right-of-use asset and lease liability. These contracts include leases for vehicles, smaller IT equipment and office equipment.

Temporary simplification rule for rent concessions

SAS applies the IASB amendments to IFRS 16 in regards to rent concessions that simplify how a lessee accounts for rent concessions that are a direct consequence of COVID-19. In applying the practical expedient, changes in lease payments in rent concessions ending on or before 30 June 2021 are not treated as a modification. The practical expedient has not had any effect on SAS' profit or loss in the period.

The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

LEASES, ACCOUNTING POLICIES FY 2019

Prior to 1 November 2019, SAS applied IAS 17 – Leases. The following policies have been applied for fiscal year 2019:

SAS has entered into finance and operating leases. Lease contracts where the terms of the lease transfer substantially all the risks and benefits of the asset to SAS are recognized as finance leases. All other lease contracts are classified as operating leases.

The Group as lessee

Finance leases – At the beginning of the lease term, finance leases are recognized at the lower of the fair value of the lease's asset and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet under other loans. Lease payments are apportioned between financial expenses and reduction of the lease commitment so that a constant rate of interest is recognized on the remaining balance of the liability. The useful life of the asset corresponds to the Group's policy for owned assets.

Sale and leaseback agreements are classified according to the above-mentioned principles for finance and operating leases. Gains on the sale and leaseback of property and equipment that gave rise to finance leases are deferred and allocated over the lease term. If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is implemented at fair value, the Group recognizes any profit or loss immediately.

Operating leases – Fees payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also distributed on a straight-line basis over the lease term.

SAS' production model, which is based on smaller flows and regional traffic being flown by business partners, wet leases aircraft capacity from external operators. The lease agreements are classified as operating leases and the costs are allocated between lease expenses for aircraft, for the actual aircraft capacity and other operating expenses for wet-lease costs.

The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

INTANGIBLE ASSETS

Intangible assets comprise goodwill and capitalized expenses for systems development. The Group is not engaged in any research and development (R&D) activity.

Intangible assets are recognized in the balance sheet when:
- an identifiable, non-monetary asset exists,
- it is probable that the future financial advantages that can be attributed to the asset will accrue to the company, and
- the cost of the asset can be calculated in a reliable manner.

Goodwill is recognized in the balance sheet as an intangible asset at cost less accumulated impairment losses. Goodwill represents the excess value over the fair value of the Group's share of identifiable acquired net assets at the acquisition date, of the cost of an acquisition, any non-controlling interests and fair value at the acquisition date or earlier shareholdings.

Gains or losses on the disposal of an entity include the remaining carrying amount of goodwill relating to the entity sold. Goodwill is assessed as having an indefinite useful life. Goodwill is allocated to the smallest possible cash-generating unit (CGU) and the carrying amount is tested at least once a year for any impairment. However, testing for impairment takes place more frequently if there are indications that a loss in value has occurred. A discounted cash-flow analysis is carried out based on the cash flows of the CGU and compares the carrying value of assets of the CGU with their recoverable amount. These cash flows are discounted at rates that the Group estimates to be the risk-affected weighted average cost of capital (WACC) for the particular businesses. Any impairment is recognized immediately in profit or loss.

Development costs that do not meet the criteria specified above, regarding when intangible assets are recognized in the balance sheet, are expensed in the period they arise. Costs for systems development are recognized as an asset provided that they meet the criteria specified above. Capitalized development costs are amortized on a straight-line basis over the expected useful life of the asset, which amounts to between three and 15 years. Amortization of capitalized IT system costs is included in the depreciation/amortization item in the statement of income.

EMISSION RIGHTS

Any emission rights received from the respective countries' government agencies, without the need for payment of any consideration, are recognized at their nominal amounts, which in practice means that the intangible asset and the prepaid income are valued at zero. Any emission rights purchased for own uses are recognized as intangible assets under current assets at cost after impairment. A provision is recognized in the balance sheet commensurate to the extent that emission rights used correspond to emission rights held. This provision is measured at the cost of the emission rights held. The provision is measured at the current market price with a corresponding cost in the statement of income commensurate to the extent emission rights used exceed the amount of emission rights held.

IMPAIRMENT OF TANGIBLE, INTANGIBLE AND RIGHT-OF-USE ASSETS WITH DETERMINABLE USEFUL LIVES

The Group continuously evaluates whether any indications exist of a need for impairment of any tangible and intangible assets with determinable useful lives to identify any potential need for impairment. If any such indication is identified, the recoverable amount of the asset is calculated (or as part of the CGU to which it belongs) to determine the extent of any impairment loss. The recoverable amount is defined as the higher of an asset's fair value less selling costs and the value in use (VIU). If the estimated recoverable amount of the asset (or the CGU) is lower than its carrying amount, the carrying amount of the asset (or the CGU) is impaired. The recoverable amount is determined based on the type of asset.

At each balance-sheet date, a review is conducted to assess for indications that any earlier impairment losses no longer exist or have improved. When such indications exist, the recoverable amount is recalculated and the carrying amount is increased to the lower of the recoverable amount and the carrying amount that the asset would have had if the previous impairment had not taken place.

INVENTORIES AND EXPENDABLE SPARE PARTS

Inventories and expendable spare parts are carried at the lower of cost or net realizable value. Cost is calculated using the weighted average cost.

PROVISIONS AND CONTINGENT LIABILITIES

Provisions are reported when the Group identifies legal or informal commitments as a result of historic events, where the outcome is probable, and where the financial resources required to settle these commitments can be estimated with reasonable certainty.

A restructuring obligation is considered to have arisen and a provision for the obligation is recognized when the Group has adopted a detailed and formal restructuring plan. The plan must have been communicated to affected parties and have been commenced or publicly announced.

REMUNERATION OF EMPLOYEES

Pensions

The Group has various pension plans for its employees. These vary considerably due to different legislation and agreements on occupational pension systems in the individual countries. Previously, most personnel pension plans in Scandinavia were defined-benefit plans. In November 2012, new collective agreements were signed with aircraft crew. Among other things, the new agreements mean that the defined-benefit pension plans were, largely, replaced with defined-contribution pension plans effective as of the first quarter of fiscal year 2014.

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For pension plans where the employer has accepted responsibility for a defined contribution, the obligation to employees ceases when the contractual premiums have been paid. Where defined-benefit pensions have been agreed, the commitments do not cease until the contractual pensions have been paid. The liability or asset recognized in the balance sheet for defined-benefit pension plans is the current value of the defined-benefit obligation at the end of the reporting period after deduction of the fair value of plan assets. The defined-benefit plan obligation is calculated each year by independent actuaries using the projected unit credit method. Pension costs for the year for defined-benefit pension plans comprise the present value of the current service cost plus net interest, which is calculated using the discount rate on the defined-benefit pension liability or pension assets, and recognized as a personnel expense in EBIT. All deviations in estimates are immediately recognized in other comprehensive income.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes severance pay when such an obligation exists according to employment contracts or for termination as a result of an offer made to encourage voluntary redundancy.

Long-term incentive plan

At 12 March 2020, the Annual General Meeting in SAS resolved in line with the Board's proposal to implement a long-term incentive plan for all full-time and part-time SAS employees (with the exception of Group Management). The incentive plan has not had any accounting impact as the performance condition (ROIC) has not been met.

REVENUE RECOGNITION

The recognition of contractual revenue from customers follows a five-step model that requires revenue to be recognized when control over goods and services are transferred to the customer. All of the Group's customer contracts have been analyzed using the five-step model. The performance obligations identified are fulfilled at a defined point in time.

Passenger revenue

When SAS or another airline provides the transportation, in other words the flight, the Group meets its performance obligation toward the customer and the passenger revenue is recognized in the statement of income. During the period from the sale of an airline ticket until the completion of the flight, airline tickets sold are recognized as a short-term unearned transportation liability in the consolidated balance sheet. The Group assesses the estimated unearned transportation liability on an ongoing basis. More information is available under "Other traffic revenue."

Rebooking fees, that is fees for changing the time or destination of a booked airline ticket, are recognized as revenue in conjunction with the actual flight taking place.

Charter revenue

SAS has charter flight agreements with certain customers. As with passenger revenue, the Group discharges its performance obligation to the customer when transportation has been provided. Accordingly, charter revenue is recognized in the statement of income when the transportation has been provided.

Mail and freight revenue

The Group provides cargo services on both passenger planes and commercial cargo flights. The performance obligation to the customer is discharged in conjunction with the provision of transportation. Accordingly, mail and freight revenue is recognized in the statement of income when the transportation has been provided.

Other traffic revenue

Other traffic revenue mainly includes preseating, excess baggage, unused tickets and revenue adjustments. Preseating and excess baggage are examples of ancillary revenue that are closely linked to air travel. These are recognized as revenue in conjunction with the actual flight.

The Group prepares monthly assessments of unutilized airline tickets. Unutilized and expired tickets are recognized as other traffic revenue based on historic usage data for unutilized tickets for the last 24 months. Any differences between previous months' assessments and actual outcomes are recognized in the statement of income.

The Group periodically evaluates the estimated short-term unearned transportation liability and records any resulting adjustments in other traffic revenue in the period in which the assessments are completed. These adjustments relate primarily to refunds, exchanges, transactions with other airlines and other items for which final settlement occurs in periods subsequent to the sale of the related tickets at amounts other than the original sales price.

Other operating revenue

Other operating revenue mainly includes revenue from in-flight sales, ground handling services, technical maintenance and sales of EuroBonus points.

In-flight sales are recognized as revenue in conjunction with the actual sale. Revenue from the performance of ground handling services and technical maintenance is recognized when the services are performed.

Sales of EuroBonus points to credit card partners are recognized as revenue in the same period that EuroBonus members use their credit cards and a EuroBonus liability arises in the consolidated balance sheet. Further information on the EuroBonus liability follows.

Loyalty program – EuroBonus

Membership in the Group's EuroBonus loyalty program enables customers to earn bonus points when they fly, rent a car, stay at a certain hotel, use a EuroBonus credit card, and when making purchases at the EuroBonus store or other selected stores.

EuroBonus members primarily earn points through purchasing airline tickets or when using a EuroBonus credit card. As customers earn points, the EuroBonus liability increases in the consolidated balance sheet together with a corresponding decrease in revenue. The portion of the price allocated to the EuroBonus liability is measured at the stand-alone price of the points relative to the stand-alone price for the service or goods on which the points were earned, for example airline tickets. When the points are used by EuroBonus members, the liability on the consolidated balance sheet decreases together with a corresponding increase in revenue. Accordingly, used EuroBonus points are recognized as revenue when the service or goods for which the points are used are transferred to the EuroBonus member.

Contract assets and liabilities

IFRS 15 has introduced the terms "contract assets" and "contract liabilities." The Group presents contracts in the balance sheet as contract liabilities or contract assets depending on the relationship between the Group's performance and the customers' payments at the reporting date. Accrued income is included under contractual assets, since the Group meets the performance requirement prior to receiving payment from customers. The unearned transportation liability and the loyalty program are recognized as contract liabilities since payments are received from customers before the performance obligation is discharged by the Group. Information about the discharge of performance obligations can be found earlier in this section under the headings "Passenger revenue" and "Loyalty program – EuroBonus."

As before, the unearned transportation liability is presented on a separate line in the consolidated balance sheet, while the loyalty program is presented under other liabilities (long-term). Refer to Note 25 for disclosures by the Group pertaining to contract assets and liabilities.

GOVERNMENT GRANTS AND CONTRACTS

Some of the legal units in the SAS Group received support for temporary reductions in the workforce as a result of COVID-19 from the governments of Denmark, Norway and Sweden during the fiscal year. In accordance with IAS 20, state grants are reported in the statement of income when there is reasonable assurance that the company will fulfill the conditions associated with the grants and that the grants will be received. Government grants have been reported as a reduction to personnel expenses in the periods for which the grant is intended to compensate for a total of MSEK 788. SAS has also applied for support from the Danish, Swedish and Norwegian states regarding compensation for fixed costs and MSEK 589 has been reported as a reduction of other external expenses. Aside from this, the Norwegian State has purchased capacity from SAS and other carriers in Norway on a commercial basis in order to maintain air services within Norway, which amounts to MSEK 625.

BORROWING EXPENSES

Borrowing expenses that arise in operations are expensed in the period in which they are incurred. Borrowing expenses on aircraft pre-delivery payments (PDPs) are capitalized as part of the process of obtaining qualified production resources. If a decision is made to sell and lease back an asset, capitalization of interest expense ceases. Amortization of capitalized borrowing expenses commences when aircraft are put into service, as per the main principle for aircraft.

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TAXES

Current tax for the period is based on net income for the period, adjusted for non-tax-deductible costs and non-taxable income. The current tax is calculated on the basis of tax rates applying on the closing date.

Deferred tax is recognized according to the balance sheet method whereby temporary differences, differences between the recognized and fiscal value of assets or liabilities, result in a deferred tax asset or deferred tax liability. Deferred tax liabilities are recognized for all temporary differences liable to tax, while deferred tax assets are recognized to the extent it is probable that a taxable surplus will be created against which the deductible temporary difference can be utilized or before the right to utilize the loss carryforward is lost.

Deferred tax liabilities are recognized for all taxable temporary differences attributable to investments in subsidiaries and affiliated companies except in cases where the Group can control the timing of reversal of the temporary differences, and it is probable that such reversal will not take place in the foreseeable future.

Deferred tax is estimated on the basis of the tax rates and fiscal regulations that have been decided or announced as of the closing date. Deferred tax is expensed, except when it relates to items charged or credited in other comprehensive income or directly in equity, in which case the deferred tax is also dealt with in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are recognized net if the items pertain to the same tax authority.

CRITICAL ACCOUNTING ESTIMATES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements and application of accounting policies are often based on management's assessments, or on estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in estimates are recognized in the period in which the change is made if the change affects only that period, or in the period in which the change is made and future periods if the change affects both the current and future periods.

Below is an overall description of the accounting policies affected by such estimates or assumptions that are expected to have the most substantial impact on the Group's reported earnings and financial position. For information about the carrying amount on the closing date, see the balance sheet with accompanying notes.

Estimated useful lives of tangible fixed assets

The Group Management periodically reviews the appropriateness of the useful lives of its tangible fixed assets. The review is based on the current condition of the assets, the estimated period during which they will continue to bring economic benefit to the Group, historic information on similar assets and industry trends.

Any changes in the useful life of property and equipment are recognized prospectively in profit or loss.

Impairment of assets

The Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets are impaired. In making the impairment assessment, assets that do not generate independent cash flows are allocated to an appropriate CGU.

Management is required to make certain assumptions in estimating the value of the assets, including the timing and value of cash flows to be generated from the assets. The cash-flow projections are based on reasonable assumptions that represent management's best estimate of the set of economic conditions that will exist over the remaining useful life of the asset and are based on the most recent financial plan that management has approved. Due to its subjective nature, these estimates will likely differ from future actual results of operations and cash flows, and any such difference may result in impairment in future periods.

Pensions

Pension assumptions are an important element in the actuarial methods used to measure pension commitments and value assets, and can significantly affect the recognized pension obligation, pension assets and the annual pension cost. The most critical assumptions are the discount rate, inflation and expected salary adjustments.

The measurement to be applied under IAS 19 when measuring defined-benefit plans is known as the projected unit credit method. This method requires several assumptions (actuarial parameters) for calculating the present value of the defined-benefit obligation. Actuarial assumptions comprise both demographic and financial assumptions. Since assumptions must be neutral and mutually compatible, they should be neither imprudent nor overly conservative. They should reflect the economic relationships between factors such as inflation, rates of salary increase, the return on plan assets and discount rates. This means that they should be realistic, based on known financial relations and reflect SAS' best assessment of the factors that will determine the ultimate cost of providing post-employment benefits, that is pension costs.

In calculating pension obligations, the current service cost and return on plan assets, locally set parameters are applied in the respective countries on the basis of the local market situation and expected future trends. This means that the parameters are based on market expectations at the end of the reporting period regarding the time period in which the obligation will be settled.

The discount rate has been determined on the basis of market yields on high-quality corporate bonds (preferably mortgage bonds with a minimum AA rating). The tenor of the bonds reflects the estimated timing and size of pension payments (duration) as well as the currencies these payments are expected to be made in.

Other financial assumptions are based on anticipated developments during the term of the obligation. The assessment of future salary adjustments corresponds to the assumed rate of inflation in the respective countries and life expectancies are set under DUS14 for Sweden and K2018 for Norway, refer to Note 15 for additional information.

The interest expense on the obligation and the expected return on plan assets are reported as "net interest," which is calculated using the discount rate. SAS classifies this net interest as a personnel expense and recognizes the net interest expense in profit or loss.

Deviations can arise if the discount rate changes (a lower discount rate increases the present value of the pension liability and the annual pension cost), or if actual inflation levels, salary adjustments and life expectancies deviate from the Group's assumptions. Any change in these assumptions could potentially result in a significant change to the pension assets, obligations and pension costs in future periods.

During the year, the discount rate was lowered for all countries with the exception of Denmark, which retained the same discount rate. During the fiscal year, the inflation assumption was lowered for the Swedish pension plans from 1.9% to 1.5%. The total impact, primarily from changed discount rates and inflation, entailed a positive impact on other comprehensive income of SEK 0.2 billion. The return on plan assets has been higher than the discount rate, which entailed a positive impact on other comprehensive income of SEK 0.4 billion. Moreover, a positive item of SEK 0.2 billion was recognized under the item Experience gains/losses and was mainly attributable to the reduction in the number of active people during the year.

Sensitivity to changes in individual parameters can be estimated as follows: A one percentage point change in the discount rate of interest has approximately a SEK 3.2 billion impact on the obligation and a one percentage point change in the inflation assumption has an impact of about SEK 3.0 billion.

Deferred taxes

The Group recognizes deferred tax assets at each balance-sheet date to the extent that it is probable that they will be utilized in future periods. This determination is based on estimates of future profitability. A change in these estimates could result in a decrease in deferred tax assets in future periods for assets that are currently recognized in the consolidated balance sheet. In estimating levels of future profitability, historical results of operations in recent years are considered and, if necessary, the implementation of prudent and feasible tax planning strategies to generate future profitability are considered. If future profitability is less than the amount calculated in determining the deferred tax asset, then a decrease in deferred tax assets will be required, with a corresponding charge in profit or loss, except in cases where it is related to items recognized directly in equity. If future profitability exceeds the level that has been assumed in calculating deferred tax assets, an additional deferred tax asset can be recognized, with a corresponding credit in profit or loss, except to the extent that the deferred tax arises from a business combination.

A change in these estimates could also result in the impairment of deferred tax assets in future periods for assets that are currently recognized in the balance sheet.

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Assumption regarding right-of-use assets – aircraft
SAS makes ongoing provisions related to use for undertakings arising in connection with aircraft leasing. The undertakings primarily pertain to engines, but also include landing gear, air frames and APUs. The financial impact is complex to assess as it depends on a large number of factors. Since provisions are made on an ongoing basis for larger mandatory overhauls of engines, landing gear, air frames and APUs, the risk of a return having a material impact on the Group's earnings is reduced.

Hybrid bonds
As all of the hybrid bonds are perpetual and since SAS controls the payment of interest and principal in the instruments, the bonds are classified as equity instruments in their entirety according to IAS 32.

Litigations
The Group is involved in litigations and other claims in the ordinary course of its business activities. Management judgment is required in determining the likelihood of the outcome. The actual effects of the outcome could differ from the management's estimate, which would impact the Group's earnings (see also, the Report by the Board of Directors: Legal issues).

NEW AND AMENDED STANDARDS AND INTERPRETATIONS THAT HAVE NOT ENTERED FORCE AND HAVE NOT BEEN ADOPTED EARLY BY THE GROUP
No material new and amended standards, agenda decisions and interpretations have been issued for the accounting of the Group for fiscal years beginning on or after 1 November 2020.

PARENT COMPANY'S ACCOUNTING POLICIES
The Parent Company has prepared its financial statements according to the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 *Accounting for Legal Entities* as well as applicable statements from the Swedish Financial Reporting Board. Under RFR 2, the Parent Company, in preparing the annual financial statements for the legal entity, applies all EU-approved IFRSs and statements insofar as this is possible within the framework of the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act and with respect to the connection between accounting and taxation. The recommendations specify which exceptions and additions are to be made from and to IFRS.

THE DIFFERENCES BETWEEN THE GROUP'S AND THE PARENT COMPANY'S ACCOUNTING POLICIES ARE LISTED BELOW:
Pensions: Current pension premiums are recognized as an expense.
Shares in subsidiaries and affiliated companies: Recognized at cost. Acquisition-related expenses for subsidiaries, which are expensed in the consolidated financial statements, are included as part of the cost for holdings in subsidiaries.
Other shares and participations: Recognized at cost.

NOTE 2 REVENUE

	FY20	FY19
Traffic revenue:		
Passenger revenue	13,943	35,479
Charter revenue	564	2,117
Cargo revenue	877	1,506
Other traffic revenue	1,818	2,936
Other operating revenue:		
In-flight sales	69	263
Ground handling services	598	1,236
Technical maintenance	127	169
Terminal and forwarding services	263	394
Sales commissions and charges	298	622
Other operating revenue	1,956	1,390
Total	**20,513**	**46,112**

SAS recognizes passenger and charter revenue when the transportation has been performed, cargo revenue when the transportation has been completed and other revenue when the goods have been delivered or the service performed. The performance obligations identified are fulfilled at one point in time.

The Group's various revenue sources are shown above. Refer to Note 39 for a breakdown of revenue by geography.

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NOTE 3 PERSONNEL EXPENSES

AVERAGE NUMBER OF EMPLOYEES

In fiscal year 2020, the average number of employees in the SAS Group was 7,568 (10,445). A breakdown of the average number of employees by country is provided in the table below.
The average number of employees totaled 2,434 (3,372) in Denmark, 2,132 (2,813) in Norway, and 2,792 (3,978) in Sweden.

	FY20		FY19	
	Men	Women	Men	Women
Denmark	1,627	807	2,269	1,103
Norway	1,378	754	1,698	1,115
Sweden	1,660	1,132	2,453	1,525
Other countries	191	19	125	157
Total	**4,856**	**2,712**	**6,545**	**3,900**
Total men and women	**7,568** [1]		**10,445**	

1) In FY 2020, the average number of FTEs was heavily impacted by temporary lay-offs implemented by SAS from April onward and by the approximately 5,000 redundancies started from June 2020.

GENDER BREAKDOWN OF SENIOR EXECUTIVES IN THE GROUP

	31 Oct 2020		31 Oct 2019	
	Closing-date total	of which, men	Closing-date total	of which, men
Board members	35	60%	39	64%
President and other senior executives	34	68%	32	81%

SALARIES, REMUNERATION AND SOCIAL SECURITY EXPENSES

The SAS Group's total payroll expenses amounted to MSEK 8,252 (9,495), of which social security expenses comprised MSEK 1,132 (1,324) and pensions MSEK 859 (875).

Salaries, remuneration and social security expenses included restructuring costs of MSEK 324 (230).

During fiscal year 2020, SAS has used temporary lay-offs extensively in those countries where state support or furlough rules have applied, primarily Denmark, Norway and Sweden. Where the support for temporary lay-offs has entailed SAS defraying the payroll expenses and receiving state support, the support has not been deducted from the payroll expenses in the table below, which has resulted in the cost per FTE increasing dramatically when comparing the fiscal years. Only when the lay-off rules have entailed a direct reduction in salaries is this reflected in a lower payroll expense.

Moreover, SAS made around 5,000 redundancies in fiscal year 2020, the majority of which received their final salary in FY 2020, depending on their notice period.

	FY20		FY19	
	Salaries & other remuneration [1]	Soc. sec. exp. (of which pension cost)[2]	Salaries & other remuneration	Soc. sec. exp. (of which pension cost)[2]
SAS AB	17	14 (7)	36	17 (8)
SAS Consortium	4,295	1,547 (683)	4,671	1,628 (656)
Other subsidiaries	1,949	430 (169)	2,589	554 (211)
SAS Group, total	**6,261**	**1,991 (859)**	**7,296**	**2,199 (875)**

1) Includes salary reductions as a result of lay-off support effective from April 2020. State support of MSEK 788, received mainly for temporary lay-offs in Denmark and Sweden, has not been deducted.

2) The pension cost for all CEOs and other senior executives of SAS Group companies amounted to MSEK 13 (18).

A breakdown of the salaries and other remuneration of Board members, CEOs, other senior executives and other employees is provided in the table below.

	FY20		FY19	
	Board, CEO & senior executives (of which variable salary)	Other employees	Board, CEO & senior executives (of which variable salary)	Other employees
SAS AB	17 (–)	0	31 (–)	4
SAS Consortium	23 (–)	4,273	35 (2)	4,636
Ground handling operations	12 (–)	1,821	13 (–)	2,447
SAS Cargo	11 (–)	81	9 (–)	91
Other subsidiaries	6 (–)	17	7 (–)	23
SAS Group, total	**69 (–)**	**6,192**	**95 (2)**	**7,201**

Pension costs	FY20	FY19
Defined-benefit pension plans	51	-9
Defined-contribution pension plans	808	871
Total	**859**	**862**

REMUNERATION AND BENEFITS PAID TO THE BOARD, PRESIDENT AND OTHER SENIOR EXECUTIVES

The fees and other remuneration paid to Board members of SAS AB are determined by the Annual General Shareholders' Meeting (AGM), which also approves the policies applied for the remuneration of senior executives.

BOARD OF DIRECTORS

At the AGM of SAS AB on 12 March 2020, fees were set for the remuneration of Board members and for work on Board committees as follows:

Board Chairman	TSEK 630
Board First Vice Chairman	TSEK 420
Other Board members (9)	TSEK 320 per member
Deputy employee representatives (6)	TSEK 1 study fee/Board meeting
	TSEK 3.5 fee/Board meeting on participation
Chairman of Audit Committee	TSEK 100
Other members of Audit Committee (2)	TSEK 50
Chairman of Remuneration Committee	TSEK 80
Other members of Remuneration Committee (1)	TSEK 27

The Board of SAS AB decided in favor of a 20% reduction in fees as a support measure due to the decline in revenue brought on by COVID-19.

With the exception of the employee representatives and their deputies, no Board member was employed by the SAS Group in fiscal year 2020. No Board member not employed by the SAS Group received any remuneration or benefit from any SAS Group companies beyond customary airline-industry travel benefits and the fees received for board and committee duties.

POLICIES

The following remuneration policies adopted by the 2020 AGM have been applied in fiscal year 2020 in regard to senior executives in the SAS Group. In this connection, senior executives refers to the President and the other members of the SAS Group Management.

Total remuneration should be market-based and competitive and relate to responsibility and authority. Remuneration consists of fixed salary, variable remuneration by separate agreement, and other benefits and pension. The guidelines apply for employment contracts agreed after the 2020 AGM and amendments to existing employment contracts made thereafter.

Remuneration of senior executives is to consist of a fixed annual cash salary, which reflects the position's requirements with respect to qualifications, responsibilities, complexity and the manner in which it serves to reach the business objectives. The fixed salary also reflects the performance of the executive and can thus be both individual and differentiated. In addition to fixed salary, senior executives reporting to the President may, by separate agreement, receive variable salary (Annual Incentive Systems) when fulfilling decided performance criteria, on condition that their fixed salaries are frozen for review for a specific period after payment of variable salary. Any variable salary consists of an annual variable cash salary and may amount to a maximum of 20% of the fixed annual salary. Criteria fulfillment for awarding variable salary must be measured over a period of one year.

Other benefits, including company car, travel benefits and health insurance, are market-based and only constitute a limited part of the total remuneration. Premiums and other costs associated with such benefits may amount to a maximum of 10% of the fixed annual salary.

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For the President, pension benefits, including health insurance, are defined-contribution with premiums not exceeding 40% of the fixed annual salary. For other members of Group Management, pension benefits, including health insurance, are defined-contribution unless the executive is encompassed by a defined-benefit pension under mandatory collective agreement provisions. Premiums for defined-contribution pensions are not to exceed 30% of the fixed annual salary. Variable remuneration qualifies for pension benefits to the extent required by mandatory collective agreement provisions applicable to the executive (applies to Sweden and defined-contribution pension). In such case, the premiums for defined-contribution pensions are not to exceed 36% of the fixed annual salary as a result of pension provisions for variable salary.

For the President and other members of Group Management, the notice period is six months in case of termination by the executive. In case of termination by the company the maximum notice period is 12 months. In case of termination by the company, severance pay is payable in an amount corresponding to a maximum of one year's fixed salary less any remuneration received by the executive from new employments or assignments.

The Board can depart from the guidelines if, in an individual case, particular reasons exist for so doing.

LIMITATIONS TO THE APPLICATION OF REMUNERATION POLICIES RESULTING FROM THE RECAPITALIZATION

Pursuant to the European Commission decision dated 14 August 2020, and until such time as 75% of the government-subscribed instruments as part of the recapitalization completed in October 2020 have been redeemed or sold, the senior executives are not entitled to increased salaries. Moreover, no variable compensation will be paid to senior executives.

In the event of any outcome from future AIS (Annual Incentives Systems) to senior executives pursuant to the company's remuneration policies, the AIS remuneration will be reserved and not distributed until such time as 75% of the government-subscribed instruments as part of the recapitalization completed in October 2020 have been redeemed or sold.

PRESIDENT AND CEO

President and CEO Rickard Gustafson has the following remuneration components in his employment contract:

- An annual salary, which is not normally subject to an annual salary review. The annual salary was last revised after a decision by the Board in December 2019 whereupon it amounted to TSEK 13,091. As with other senior executives, his salary was reduced 20% over the first three months of the pandemic (March–May), resulting in an annual salary in fiscal year 2020 of TSEK 12,332.
- A defined-contribution pension plan where 40% of the fixed salary is paid as premiums to an agreed pension insurance. The retirement age is 65.
- Other benefits include company car, travel benefits, health insurance and group life insurance.
- The notice period is six months in the event the President resigns and 12 months if the termination of employment is by SAS AB. Severance pay for the President in the event employment is terminated by SAS AB for reasons other than material breach of contract, gross neglect of his duties as President or criminal acts against the SAS Group is payable in an amount equivalent to 12 months of salary. Should new employment be obtained within 12 months of employment ending, the severance pay awarded is reduced by an amount corresponding to the remuneration received from the new position.

OTHER SENIOR EXECUTIVES

The remaining current members of Group Management have defined-contribution pension plans where a pension provision of up to 30% of fixed base salary is made. The retirement age is 65 for all of the current members of the Group Management.

The notice period is six months in the event that the senior executive resigns and 12 months if employment is terminated by SAS AB. Severance pay is payable to the senior executives in the event employment is terminated by SAS AB for reasons other than material breach of contract, gross neglect of the senior executive's duties or criminal acts against the SAS Group in an amount equivalent to 12 months' salary, with offsetting against income from any other appointment or engagement. Severance pay is also payable on the resignation of a senior executive when the responsibilities or authorities of the senior executive are materially changed through organizational changes. However, severance pay in the above case is not payable if the senior executive is offered another relevant position in the SAS Group.

Senior executives at SAS and executives in charge of subsidiaries voluntarily accepted a 20% pay decrease over the first three months of the pandemic (March–May) in fiscal year 2020 as a support measure due to the decline in revenue brought on by COVID-19.

OTHER

For other standard managerial contracts at the SAS Group, total remuneration must be market-based and competitive and must be in relation to responsibility and authority.

In fiscal year 2020, total remuneration comprised fixed salary, other benefits and pension. Some 30 managers have participated in an annual incentive system for 2020. As a result of the negative financial impact of COVID-19, payments amounted to SEK 0.

Moreover, a variable remuneration model was introduced for management and employees in the sales organization in 2013. The variable salary component is based on outcomes in relation to predetermined individual sales targets that are set in a target contract and is capped at two months' salary.

DISCUSSION AND DECISION-MAKING PROCESS

The issue of the Directors' fees is discussed by the Nomination Committee, which consists of representatives elected at the AGM. The Nomination Committee presents its proposal concerning Directors' fees to the shareholders' meeting for resolution.

The Board of Directors has established a Remuneration Committee. The Committee's duties include preparing principles for remuneration to Group Management and the Board of Directors' decisions to propose guidelines for remuneration to senior executives. The Board of Directors prepares proposals for new guidelines at least every fourth year, and submits it to the AGM for resolution. These guidelines apply until new guidelines have been adopted by the general meeting. The Remuneration Committee also monitors and evaluates programs for variable remuneration to Group Management, the application of the guidelines to senior executives as well as the current remuneration structures and compensation levels in the company. Remuneration to the President is decided by the Board of Directors in line with approved policies following preparation and recommendation by the Remuneration Committee. Remuneration to other senior executives is decided by the President in line with approved policies and after consultation with the Remuneration Committee. The members of the Remuneration Committee are independent in relation to the company and Group Management. The President and other members of Group Management do not participate in the Board of Directors' discussions and decisions on remuneration-related matters that pertain to them.

The Remuneration Committee held three minuted meetings in fiscal year 2020.

DIRECTORS' FEES IN FISCAL YEAR 2020 (NOV–OCT), TSEK

Name	Board of Directors	Audit Committee	Remuneration Committee	Total FY20	Total FY19
Carsten Dilling	550		70	620	692
Dag Mejdell	367		23	390	435
Monica Caneman	280	87		367	409
Lars-Johan Jarnheimer	280	43		323	359
Sanna Suvanto-Harsaae	280			280	311
Liv Fiksdahl	280			280	311
Oscar Stege Unger	280	43		323	359
Kay Kratky	280			280	202
Tommy Nilsson	162			162	
Janne Wegeberg					108
Cecilia van der Meulen	117			117	311
Jens Lippestad	161			161	
Endre Røros	117			117	311
Christa Cerè	280			280	203
Total	**3,434**	**173**	**93**	**3,700**	**4,011**

Fees to deputy employee representatives amounted to TSEK 54 (60). ´

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REMUNERATION AND BENEFITS TO THE PRESIDENT AND OTHER SENIOR EXECUTIVES IN FISCAL YEAR 2020, TSEK

Name	Fixed base salary[1]	Variable remune-ration	Other benefits[2]	Pension[3]
Rickard Gustafson	12,538	–	137	5,227
Other[4]	22,029	.	746	4,450
Total	**34,567**	**–**	**883**	**9,677**

1) Includes holiday compensation.

2) Other benefits include company car, travel benefits, health insurance and group life insurance.

3) Includes health insurance.

4) Four members for the full fiscal year. One member for 11 months, one member for ten months, one member for four months and one member for two months.

REMUNERATION AND BENEFITS PAID TO THE PRESIDENT AND OTHER SENIOR EXECUTIVES IN FISCAL YEAR 2019, TSEK

Name	Fixed base salary[1]	Variable remune-ration	Other benefits[3]	Pension[5]
Rickard Gustafson	12,466	–	136	5,123
Lars Sandahl Sørensen[4]	7,268	306	133	1,576
Göran Jansson[4]	4,556	–	445	1,311
Other[2]	18,685	1,625	605	4,347
Total	**42,975**	**1,931**	**1,319**	**12,357**
Provision, unpaid[6]				
Göran Jansson	9,788	–	4	1,430
Other	6,394	–	4	963
Total	**16,182**	**0**	**8**	**2,393**
Total	**59,157**	**1,931**	**1,327**	**14,750**

1) Includes holiday compensation.

2) Four members for the full fiscal year. One member for 11 months and two members for one month.

3) Other benefits include company car, travel benefits, health insurance and group life insurance.

4) Remuneration corresponds to ten months for Lars Sandahl Sørensen and 11 months for Göran Jansson.

5) Includes health insurance.

6) Pertains to provisions for salary, pension and benefits during the 12-month notice period and the maximum outcome for potential severance pay. Severance pay is capped at fixed salary for 12 months after the end of the notice period and is only payable if no new employment has been secured. In the case of new employment, any difference between the former fixed monthly salary and the new fixed monthly salary will be paid.

NOTE 4 OTHER EXTERNAL EXPENSES

	FY20	FY19
Sales and distribution costs	1,352	2,743
Leasing costs for aircraft	65	3,561
Catering costs	572	1,249
Handling costs	1,405	2,832
Technical aircraft maintenance	1,865	2,893
Computer and telecommunication costs	1,145	1,637
Wet-lease costs	912	1,472
Other	466	2,937
Total	**7,782**	**19,324**

NOTE 5 DEPRECIATION, AMORTIZATION AND IMPAIRMENT

	FY20	FY19
Intangible assets	147	147
Right-of-use assets, depreciation	3,647	–
Right-of-use assets, impairment	170	–
Buildings and fittings	84	86
Aircraft, depreciation	1,657	1,549
Aircraft, impairment	1,040	93
Spare engines and spare parts	3	3
Workshop and aircraft servicing equipment	23	21
Other equipment and vehicles	51	25
Total	**6,822**	**1,924**

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NOTE 6 SHARE OF INCOME AND EQUITY IN AFFILIATED COMPANIES

Income from shares in affiliated companies:	FY20	FY19
Air Greenland A/S[1]	–	-15
Malmö Flygfraktterminal AB	7	5
Other	0	0
Total	**7**	**-10**
Total revenue of affiliated companies	358	1,246
Income after tax in affiliated companies	17	-38

[1] *SAS sold its holding in Air Greenland to Grönlands hemstyre as of 29 May 2019. The income items pertain to the period from November 2018 until May 2019.*

Malmö Flygfraktterminal AB operates air cargo services in Malmö, Sweden. The affiliated company is closely linked to flight operations and shares in income are recognized in profit or loss.

Air Greenland is a Greenlandic company that operates air traffic within, to and from Greenland.

Equity in affiliated companies	31 Oct 2020	31 Oct 2019
Opening cost	14	417
Contributions	4	–
Income from shares in affiliated companies	7	-9
Sale of affiliated companies	–	-394
Dividends	-5	-8
Exchange-rate differences	-1	8
Closing accumulated cost	**19**	**14**

				Share of equity	
Equity in affiliated companies:	Corporate registration number	Domicile	Share of equity %	31 Oct 2020	31 Oct 2019
Air Greenland A/S	30672	Nuuk, Greenland	37.5	–	–
Malmö Flygfraktterminal AB	556061-7051	Malmö, Sweden	40.0	12	10
Other				7	4
Total				**19**	**14**
Total assets in affiliated companies				285	301
Total liabilities in affiliated companies				-241	-263
Shareholders' equity in affiliated companies				**44**	**38**

NOTE 7 INCOME FROM SALE OF AIRCRAFT AND OTHER NON-CURRENT ASSETS

	FY20	FY19
Airbus A320	-2	–
Airbus A330	–	11
Boeing 737	–	8
Engines	–	93
Buildings	3	–
Total	**2**	**112**

NOTE 8 NET FINANCIAL ITEMS

Financial income	FY20	FY19
Interest income on financial assets not measured at fair value	22	59
Interest income on financial assets measured at fair value	54	113
Other financial income	0	0
Exchange-rate differences lease liabilities, net	730	–
Total	**806**	**172**

Financial expenses	FY20	FY19
Interest expense on interest-bearing liabilities not measured at fair value	-517	-327
Interest expense on interest-bearing liabilities measured at fair value	-100	-157
Interest expense lease liabilities	-691	–
Other financial expenses	-100	-54
Exchange-rate differences interest-bearing liabilities, net	0	-6
Total	**-1,408**	**-544**
Total net financial items	**-602**	**-372**

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NOTE 9 TAX

The following components are included in the Group's tax.

	FY20	FY19
Current tax	-2	-18
Deferred tax	878	-155
Total tax recognized in net income for the year	**876**	**-173**
Tax recognized in other comprehensive income	-110	850
Total tax recognized in other comprehensive income	**-110**	**850**

Current tax is calculated based on the tax rate in each country. Deferred tax is calculated at the tax rate expected to apply when the tax is realized.

Tax for the fiscal year can be reconciled against income before tax as follows:

	FY20	FY20 (%)	FY19	FY19 (%)
Income before tax (EBT)	-10,151		794	
Tax according to rate in Sweden	2,172	21.4	-170	-21.4
Tax effect of non-tax-deductible costs	-5	0	-36	-4.5
Tax effect of non-taxable income	1	0	15	1.9
Tax effect of different tax rates	20	0.2	10	1.3
Tax effect of non-capitalized loss carryforwards	-1,245	-12.3	–	–
Other	-67	-0.7	8	1.0
Tax and effective tax rate for the fiscal year	**876**	**8.6**	**-173**	**-21.8**

The tables below show the Group's deferred tax liabilities and tax assets according to category and how these liabilities and assets changed.

Deferred tax liability in the balance sheet:	**31 Oct 2020**	**31 Oct 2019**
Non-current assets	1,498	1,365
Pensions	421	202
Other temporary differences	345	172
Cash-flow hedges	-132	73
Netting of deferred tax assets/liabilities	-1,850	-1,629
Total	**282**	**183**

Deferred tax assets in the balance sheet:	**31 Oct 2020**	**31 Oct 2019**
Pensions	298	275
Other temporary differences	1,060	420
Tax loss carryforwards	2,132	1,684
Netting of deferred tax assets/liabilities	-1,850	-1,629
Total	**1,640**	**750**

Reconciliation of deferred tax, net:	**31 Oct 2020**	**31 Oct 2019**
Opening balance	567	-185
Change according to statement of income	878	-155
Change in cash-flow hedging according to other comprehensive income	48	313
Change in defined-benefit pension plans according to other comprehensive income	-157	537
Exchange-rate differences, etc.	22	57
Deferred tax, net, at 31 October	**1,358**	**567**

On the closing date the Group had unutilized loss carryforwards of just less than MSEK 16,000 (8,000). Based on these loss carryforwards, the Group recognized a deferred tax asset of MSEK 2,132 (1,684). Deferred tax assets are recognized to the extent that there are factors indicating that taxable profits will be created. The assessment of the respective Group companies' future profit performance is based on earnings reported in recent years as well as improved profitability prospects. Of recognized loss carryforwards totaling MSEK 2,132, MSEK 673 pertains to operations in Denmark, MSEK 257 to Norway, MSEK 1,086 to Sweden and MSEK 116 to Ireland. For loss carryforwards with a corresponding tax value amounting to MSEK 1,259 (14), no deferred tax asset is recognized due to uncertainty as regards future profit earnings. There are no expiration dates for the loss carryforwards.

Deferred tax liabilities mainly pertain to fixed assets, where fiscal values are lower than accounting values. In the future, a temporary difference pertaining to a fixed asset will change when the carrying amount and fiscal value matches or, alternatively, when the fixed asset is divested and a higher taxable gain arises. Pensions also give rise to deferred tax liabilities, since accounting and fiscal values are treated differently. SAS has chosen to recognize deferred tax net in the balance sheet as there is a legal right to offset at the same time as there is a strong legal connection between the deferred tax assets and deferred tax liabilities.

No provision has been made for deferred tax on temporary differences relating to non-distributed profits in subsidiaries and affiliated companies since these profits will not be distributed within the foreseeable future, or alternatively a distribution can be made without the profits being subject to tax.

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NOTE 10 INTANGIBLE ASSETS

	Goodwill		IT system		Total intangible assets	
	31 Oct 2020	31 Oct 2019	31 Oct 2020	31 Oct 2019	31 Oct 2020	31 Oct 2019
Opening cost	743	788	1,895	1,804	2,638	2,592
Investments	–	–	78	90	78	90
Sales/disposals	–	-17	–	–	–	-17
Reclassifications	–	–	–	1	–	1
Exchange-rate differences	-83	-28	–	–	-83	-28
Closing accumulated cost	**660**	**743**	**1,973**	**1,895**	**2,633**	**2,638**
Opening amortization	-75	-94	-1,147	-999	- 1,222	-1,093
Amortization and impairment for the year	–	–	-147	-147	-147	-147
Sales/disposals	–	17	–	–	–	17
Reclassifications	–	–	–	-1	–	-1
Exchange-rate differences	9	2	–	–	9	2
Closing accumulated amortization	**-66**	**-75**	**-1,294**	**-1,147**	**-1,360**	**-1,222**
Opening impairment	–	–	–	–	–	–
Closing impairment	**–**	**–**	**–**	**–**	**–**	**–**
Carrying amount	**594**	**668**	**679**	**748**	**1,273**	**1,416**

The SAS Group is not engaged in activities relating to research and development (R&D).

Goodwill:	31 Oct 2020	31 Oct 2019
SAS Scandinavian Airlines Norway	594	668
Total goodwill	**594**	**668**

TESTING FOR IMPAIRMENT OF INTANGIBLE ASSETS

The value of the Group's intangible assets has been estimated through comparison with the recoverable amount, which is based on the Group's cash-generating value in use based on five-years' cash flow in the Group's business plan. A growth rate of +1.0% (+1.0) and a cost trend of -7.6% (-0.7) have been adopted for the period beyond the plan period.

The projected cash flows are based on assumptions regarding volume trends, unit revenue, operating margins and discount rates, which have been established by the management based on historical experience and market data. The policies applied in the above assessment are unchanged from the assessment in fiscal year 2019. The discount rate has been estimated based on a weighted capital cost of 9.6% (9.99) before tax, and of 8.4% (8.7) after tax. To support the impairment tests performed on goodwill in the Group, a comprehensive analysis was performed of the sensitivity in the variables used in the model. A weakening of any of the significant assumptions included in the business plans or a weakening of the annual growth rate in revenue and operating margins beyond the plan period, or an increase in the discount rate that, individually, is reasonably probable, shows that a margin still exists between the recoverable amount and carrying amount. Management therefore determined that there was no need for impairment of goodwill and other intangible assets at the close of October 2020.

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NOTE 11 TANGIBLE FIXED ASSETS

	Aircraft[1,2]		Spare engines & spare parts		Total aircraft and spare engines/parts	
	31 Oct 2020	31 Oct 2019	31 Oct 2020	31 Oct 2019	31 Oct 2020	31 Oct 2019
Opening cost	23,186	19,246	162	166	23,348	19,412
Investments	6,380	4,796	–	–	6,380	4,796
Sales/disposals	-474	-1,762	–	-4	-474	-1,766
Reclassifications	1,397	781	–	–	1,397	781
Exchange-rate differences	-793	125	–	–	-793	125
Closing accumulated cost	**29,696**	**23,186**	**162**	**162**	**29,858**	**23,348**
Opening depreciation	-11,577	-10,479	-75	-74	-11,652	-10,553
Depreciation and impairment for the year[3]	-2,697	-1,642	-3	-3	-2,700	-1,645
Sales/disposals	5	545	–	2	5	547
Reclassifications	75	–	–	–	75	-
Exchange-rate differences	44	-1	–	–	44	-1
Closing accumulated depreciation	**-14,150**	**-11,577**	**-78**	**-75**	**-14,228**	**-11,652**
Carrying amount	**15,546**	**11,609**	**84**	**87**	**15,630**	**11,696**

	Buildings and land		Other equipment & vehicles		Investment in progress		Workshop & servicing equipment, aircraft		Total other tangible fixed assets	
	31 Oct 2020	31 Oct 2019	31 Oct 2020	31 Oct 2019	31 Oct 2020	31 Oct 2019	31 Oct 2020	31 Oct 2019	31 Oct 2020	31 Oct 2019
Opening cost	1,341	1,183	433	448	14	48	434	360	2,222	2,039
Investments	1	3	24	40	22	29	49	44	96	116
Sales/disposals	-	-1	-5	-35	–	–	-	–	-5	-36
Reclassifications	3	157	–	-21	-29	-63	-23	30	-49	103
Exchange-rate differences	-28	-1	-5	1	–	–	-	–	-33	-
Closing accumulated cost	**1,317**	**1,341**	**447**	**433**	**7**	**14**	**460**	**434**	**2,231**	**2,222**
Opening depreciation	-772	-683	-340	-346	–	–	-308	-287	-1,420	-1,316
Depreciation and impairment for the year	-84	-85	-51	-25	–	–	-23	-21	-158	-131
Sales/disposals	13	1	4	35	–	–	19	–	36	36
Reclassifications	12	-	–	–	–	–	–	–	12	–
Exchange-rate differences	14	-5	21	-4	–	–	–	–	35	-9
Closing accumulated depreciation	**-817**	**-772**	**-366**	**-340**	**–**	**–**	**-312**	**-308**	**-1,495**	**-1,420**
Carrying amount	**500**	**569**	**81**	**93**	**7**	**14**	**148**	**126**	**736**	**802**

1) The insured value of aircraft at 31 October 2020 amounted to MSEK 48,775. This includes the insured value of leased aircraft in the amount of MSEK 29,963.

2) Modifications of leased aircraft are included in planned residual value in the amount of MSEK 160 (190).

3) At 31 October 2020, aircraft depreciation and impairment amounted to MSEK -2,697 (-1,642) and included impairment of MSEK -1,040 (-93) pertaining to aircraft under phase-out, see also Note 5.

SAS recognizes aircraft in the balance sheet as tangible fixed assets or as right-of-use assets. Leases defined in accordance with IFRS 16 are entered in the balance sheet as right-of-use assets (see Note 13). In cases where SAS acquires aircraft to thereafter sell and lease back, and where it is (essentially) certain that the asset will be bought back at the end of the period, the related liability that arises is treated as a financial liability pursuant to IFRS 9 and the asset is treated as a tangible asset pursuant to IAS 16.

CONTRACTUAL PURCHASE COMMITMENTS

The Group had the following commitments relating to future acquisition of tangible fixed assets. At 31 October 2020, contracted orders amounted to 35 Airbus A320neo and four Airbus A350-900 aircraft with delivery between 2020 and 2025 amounting to a total future purchase commitment, including spares, of MUSD 2,140. At the closing date, other purchase commitments totaled MSEK 16 (5). SAS has also entered into contracts for four A320neo and two A321LR aircraft that will be leased.

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NOTE 12 PREPAYMENTS FOR AIRCRAFT

	Prepayment relating to tangible fixed assets	
	31 Oct 2020	31 Oct 2019
Opening cost	3,071	2,658
Investments	1,063	1,183
Capitalized interest	61	110
Sales/disposals	-	-
Reclassifications	-1,595	-980
Exchange-rate differences	-105	100
Closing accumulated cost	**2,495**	**3,071**

MSEK 1,764 (2,554) pertains to prepayments to Airbus and MSEK 731 (517) prepayments for Other.

NOTE 13 RIGHT-OF-USE ASSETS

Right-of-use assets	Aircraft	Properties	Ground handling equipment	Total
Carrying amount 1 November 2019	13,421	2,834	463	16,718
New contracts	3,678	25	39	3,742
Contract modifications and index or interest rate changes to agreements	656	-16	9	649
Currency revaluations	–	-2	-26	-28
Depreciation over the fiscal year	-3,085	-440	-122	-3,647
Impairment over the fiscal year	-170	–	–	-170
Closing balance, 31 October 2020	**14,500**	**2,401**	**363**	**17,264**

As of 1 November, SAS has reported leases in accordance with IFRS 16 Leases and the previous standard, IAS 17 Leases, was replaced. The previous classification of each lease as either an operating lease or a finance lease has been replaced by a model whereby the lessee recognizes an asset (a right-of-use asset) and an interest-bearing lease liability in the balance sheet. In conjunction with the transition to IFRS 16, SAS reported a carrying amount for right-of-use-assets of MSEK 16,718 as per 1 November. For information on SAS' interest-bearing lease liabilities, see notes 24 and 32.

New contracts during the year with terms longer than 12 months are recognized under the line item "New contracts" and mainly comprised leases for 11 new A320neo and one A321LR aircraft. Lease modifications mainly pertain to wet-lease contracts where adjustments to the contract term have been made during the year. Impairment for the year encompassed eight aircraft (four 737-800, three 737-700 and one A330 aircraft), which were written down to zero.

NOTE 14 FINANCIAL FIXED ASSETS

	Other holdings of securities		Other long-term receivables[1]		Total financial fixed assets	
	31 Oct 2020	31 Oct 2019	31 Oct 2020	31 Oct 2019	31 Oct 2020	31 Oct 2019
Opening cost	79	73	2,519	2,944	2,598	3,017
Contributions	–	6	903	1,127	903	1,133
Amortization	–	–	-341	-909	-341	-909
Reclassifications	–	–	–	-750	–	-750
Exchange-rate differences	–	–	-218	107	-218	107
Closing accumulated cost	**79**	**79**	**2,863**	**2,519**	**2,942**	**2,598**
Opening impairment	-70	-70	–	–	-70	-70
Impairment	–	–	–	–	–	–
Closing accumulated impairment	**-70**	**-70**	**–**	**–**	**-70**	**-70**
Carrying amount	**9**	**9**	**2,863**	**2,519**	**2,872**	**2,528**

1) The carrying amount includes blocked bank funds of MSEK 2,223 (1,789).

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NOTE 15 POST-EMPLOYMENT BENEFITS

The table below outlines where the Group's post-employment benefits are included in the financial statements.

Pension funds in the balance sheet	31 Oct 2020	31 Oct 2019
Present value of funded obligations	-18,238	-19,105
Fair value of plan assets	21,768	21,585
Surplus in funded plans	**3,530**	**2,480**
Present value of unfunded obligations	-358	-476
Surplus in defined-benefit pension plans (net pension funds)	**3,172**	**2,004**

Recognized in profit or loss pertaining to[1]	FY20	FY19
Defined-benefit pension plans	-51	9
Defined-contribution pension plans	-808	-871
	-859	**-862**
Remeasurements of defined-benefit pension plans[2]	752	-1,752

1) Expenses recognized in profit or loss include the current service cost, past service cost, net interest expense and gains and losses on settlements.

2) Recognized under other comprehensive income, net after tax.

DEFINED-BENEFIT PENSION PLANS

Previously, most personnel pension plans in Scandinavia were defined-benefit plans. In November 2012, new collective agreements were signed with aircraft crew in Scandinavia. Among other things, the new agreements mean that the defined-benefit pension plans were, largely, replaced with defined-contribution pension plans effective as of the first quarter of fiscal year 2014. Defined-contribution pension plans are currently in place for the majority of personnel in Denmark and Norway, and in Sweden for aircraft crew, younger salaried employees and personnel covered by the SAF-LO collective agreement. The majority of the remaining defined-benefit pension plans are secured through insurance companies in the respective countries. In Sweden, pension plans are mainly placed with Alecta and Euroben, in Denmark with Danica and in Norway with DNB. A substantial portion of SAS employees in Sweden continue to be covered by an ITP pension reinsured by Alecta (the Alecta plan). Premiums for defined-benefit retirement pensions are individual and depend, inter alia, on the insured party's age, salary and previously vested pension rights. Expected fees in fiscal year 2021 for defined-benefit pension plans under the Alecta plan are expected to amount to about MSEK 35. The collective consolidation level comprises the market value of Alecta's assets as a percentage of insurance undertakings estimated pursuant to Alecta's actuarial assumptions, which do not comply with IAS 19. Collective consolidation, in the form of a collective consolidation level, is normally permitted to range between 125% and 175%. If Alecta's collective consolidation level falls below 125% or exceeds 175%, actions must be taken to create conditions enabling the consolidation level to revert to the normal interval. Alecta's surplus can be allocated to the policy holders or the insured parties if the collective consolidation level exceeds 175%. However, Alecta applies reductions in premiums to avoid an excessive surplus arising. At the end of the fiscal year, Alecta's surplus in the form of the consolidated collective consolidation level was 144% (142). According to a statement by the Swedish Financial Reporting Board, UFR 10, this constitutes a multi-employer defined-benefit plan and enterprises covered by a multi-employer pension plan classified as defined-benefit must account for their proportional share of the plan's obligations, plan assets and costs in the same way as for any other defined-benefit plan. SAS is provided with information that enables SAS to report its proportional allocated share of the Alecta plan's commitments, plan assets and costs in accordance with IAS 19 rules regarding defined-benefit pension plans. SAS therefore reports net defined-benefit assets since the future economic benefits are available to SAS in the form of future reductions in premiums, cover for future pension indexing or a cash refund.

IAS 19 – *Employee Benefits* entails that all deviations in estimates are to be immediately recognized in other comprehensive income. Furthermore, the discount rate on the defined-benefit plan obligation or pension asset is calculated net, and this net interest expense is recognized by SAS as a personnel expense in profit or loss. SAS reports special payroll tax in line with the rules in IAS 19, which means that those actuarial assumptions made in the calculation of defined-benefit pension plans must also include taxes payable on pension benefits.

As per 31 October 2020, the remaining pension plans in Sweden reported a surplus of just over SEK 2.7 billion and, accordingly, special payroll tax was recognized for the surplus. At 31 October 2020, special payroll tax totaled about SEK 0.7 billion (0.5).

Defined-benefit pension plans	FY20	FY19
Current service cost	-91	-84
Past service cost and gains and losses on settlements	17	4
Interest expense on pension obligations	-286	-397
Interest income on plan assets	309	467
Payroll tax	0	19
Total impact recognized in profit and loss for defined-benefit pension plans	**-51**	**9**

The above earnings effect is recognized in its entirety as personnel expenses.

Changes in the present value of defined-benefit plan obligations	31 Oct 2020	31 Oct 2019
Opening balance, pension obligations	19,581	17,830
Current service cost	91	84
Settlements	-79	-366
Interest expense	286	397
Reclassification	–	–
Pensions paid out	-827	-841
Exchange-rate differences	-171	89
	18,881	**17,193**
Remeasurements		
– Gain/loss (-/+) from change in demographic assumptions	43	-13
– Gain/loss (-/+) from change in financial assumptions	-156	2,238
– Experience gains/losses (-/+)	-172	163
Closing balance, pension obligations, 31 October	**18,596**	**19,581**

Change in fair value of plan assets	31 Oct 2020	31 Oct 2019
Opening balance, plan assets	21,585	21,855
Settlements	-61	-362
Interest income	309	467
Contributions/premiums paid	169	136
Other expenses/revenue	–	19
Reclassification	–	-29
Pensions paid out	-719	-709
Exchange-rate differences	-139	109
	21,144	**21,486**
Remeasurements		
– Special payroll tax	207	-415
– Return on plan assets (excluding amounts included in interest income)	417	514
Closing balance, plan assets, 31 October	**21,768**	**21,585**

Change in pension funds (net)	31 Oct 2020	31 Oct 2019
Opening balance, pension funds (net)	**2,004**	**4,025**
Total recognized in net income for the year	-51	9
Reclassification	–	-29
Remeasurements	702	-1,893
Contributions/premiums paid	278	268
Special payroll tax	207	-396
Exchange-rate differences	32	20
Closing balance, pension funds (net), 31 October	**3,172**	**2,004**

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Breakdown of the defined-benefit plan obligations and plan assets by country	31 Oct 2020					31 Oct 2019				
	Sweden	Norway	Denmark	Other	Total	Sweden	Norway	Denmark	Other	Total
Present value of obligation	-16,604	-278	-71	-1,643	-18,596	-17,398	-372	-144	-1,667	-19,581
Fair value of plan assets	20,000	–	73	1,695	21,768	19,709	–	131	1,745	21,585
Pension funds (net)	**3,396**	**-278**	**2**	**52**	**3,172**	**2,311**	**-372**	**-13**	**78**	**2,004**

Remeasurements — analysis of amounts recognized under other comprehensive income	FY20	FY19
– Gain/loss (+/-) from change in demographic assumptions	-43	13
– Gain/loss (+/-) from change in financial assumptions	156	-2,238
– Experience gains/losses (+/-)	172	-163
– Special payroll tax	207	-415
– Return on plan assets (excluding amounts included in interest income)	417	514
Total remeasurements	**909**	**-2,289**

During the year, the discount rate was lowered for all countries with the exception of Denmark, which retained the same discount rate. During the fiscal year, the inflation assumption was lowered for the Swedish pension plans from 1.9% to 1.5%. The total impact, primarily from changed discount rates and inflation, entailed a positive impact on other comprehensive income of SEK 0.2 billion. The return on plan assets has been higher than the discount rate, which entailed a positive impact on other comprehensive income of SEK 0.4 billion. Moreover, a positive item of SEK 0.2 billion was recognized under the item Experience gains/losses and was mainly attributable to the reduction in the number of active people during the year.

ACTUARIAL ASSUMPTIONS

The measurement to be applied under IAS 19 when measuring defined-benefit plans is known as the projected unit credit method. This method requires several assumptions (actuarial parameters) for calculating the present value of the defined-benefit obligation. Actuarial assumptions comprise both demographic and financial assumptions. Since assumptions must be neutral and mutually compatible, they should be neither imprudent nor overly conservative. They should reflect the economic relationships between factors such as inflation, rates of salary increase, the return on plan assets and discount rates. This means that they should be realistic, based on known financial relations and reflect SAS' best assessment of the factors that will determine the ultimate cost of providing post-employment benefits, that is pension costs.

In calculating pension obligations, the current service cost and return on plan assets, locally set parameters are applied in the respective countries on the basis of the local market situation and expected future trends. This means that the parameters are based on market expectations at the end of the reporting period regarding the time period in which the obligation will be settled.

The discount rate has been determined on the basis of market yields on high-quality corporate bonds (preferably mortgage bonds with a minimum AA rating). The tenor of the bonds reflects the estimated timing and size of pension payments (duration) as well as the currencies these payments are expected to be made in.

Other financial assumptions are based on anticipated developments during the term of the obligation. The assessment of future salary adjustments corresponds to the assumed rate of inflation in the respective countries and life expectancies are set under DUS14 (DUS14) for Sweden and K2018 (K2018) for Norway.

	31 Oct 2020					31 Oct 2019				
Key actuarial assumptions	Sweden	Norway	Denmark	Other	Total	Sweden	Norway	Denmark	Other	Total
Discount rate	1.15%	1.25%	0.00%	1.42%	1.18%	1.45%	1.90%	0.00%	1.96%	1.50%
Inflation	1.50%	0-1,75 %	1.75%	3.20%[1]	1.50%	1.90%	0-1,75 %	1.75%	3.50%[1]	1.90%
Salary growth rate	2.00%	–	1.75%	–	2.00%	2.00%	–	1.75%	–	2.00%
Pension growth rate	1.50%	0-1,75 %	1.75%	3.10%[1]	1.62%	1.90%	0-1,75 %	1.75%	3.40%[1]	2.00%

1) Pertains solely to UK plans.

The average duration of defined-benefit pension plans was as follows:	Sweden	Norway	Denmark	Other
Fiscal year 2020	14.6	9.4	5.2	16.1
Fiscal year 2019	15.2	9.4	5.9	17.6

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	31 Oct 2020		31 Oct 2019	
Plan assets are comprised as follows[1]:	**Total**	**%**	**Total**	**%**
Alecta (Sweden):				
Equities, of which 42% (38) is invested in Swedish equities	3,270	35	3,667	40
Interest-bearing securities	4,951	53	4,584	50
Properties	1,121	12	917	10
	9,342	**100**	**9,168**	**100**
Euroben (Sweden):				
Equities, of which 30% (29) is invested in Swedish equities	2,276	23	2,615	26
Interest-bearing securities	6,289	63	6,221	62
Properties	–	–	–	–
Other	1,418	14	1,238	12
	9,983	**100**	**10,074**	**100**
Danica (Denmark):				
Equities	10	14	20	15
Interest-bearing securities	57	78	94	72
Properties	6	8	17	13
	73	**100**	**131**	**100**
Other countries:				
Equities	355	21	395	23
Interest-bearing securities	845	50	794	45
Other	495	29	556	32
	1,695	**100**	**1,745**	**100**

1) The plan assets in the Swedish pension plans exclude special payroll tax, which is not included in the plan assets managed by Alecta and Euroben. Only an insignificant share of the plan assets is invested in SAS shares.

Membership statistics at 31 October 2020	**Active employees**	**Taken early retirement**	**Deferred pensioners**	**Pensioners**
The Alecta plan	1,783	127	3,131	3,775
Euroben	30	–	438	1,064
Other plans in Sweden (unfunded)				33
DnB				618
Danica	4			6
Other	17		416	568
Total	**1,834**	**127**	**3,985**	**6,064**

The effect on/sensitivity of the defined-benefit pension obligation to changes in the key assumptions, MSEK:	**Sweden**	**Norway**	**Denmark**	**Other**	**Total**
Discount rate, -1%	-2,843	-21	-6	-290	-3,160
Inflation, +1%[1]	-2,891	-2	-1	-64	-2,958
Salary, +1%	-112	.	–	–	-112

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant.

1) Corresponds with sensitivity in terms of pension increases.

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NOTE 16 INVENTORIES AND EXPENDABLE SPARE PARTS

	31 Oct 2020	31 Oct 2019
Expendable spare parts, flight equipment	458	297
Expendable spare parts, other	19	23
Inventories	33	26
Total	**510**	**346**
Measured at cost	510	346
Measured at net realizable value	–	–
Total	**510**	**346**

NOTE 17 ACCOUNTS RECEIVABLE

Net impairment of accounts receivable and recovered accounts receivable as well as impairment of other current receivables totaled MSEK 35 (22) and was charged to income.

Age analysis of accounts receivable	31 Oct 2020	31 Oct 2019
Accounts receivable not yet due	248	1,183
Due <31 days	39	15
Due 31–90 days	11	17
Due 91–180 days	16	10
Due >180 days	5	8
Total	**319**	**1,233**

Provision for expected credit losses on accounts receivable	31 Oct 2020	31 Oct 2019
Opening provision	32	15
Effect of new accounting policy, IFRS 9	–	14
Provision for expected losses	37	17
Reversed provisions	-3	-3
Actual losses	-1	-11
Closing provision	**54**	**32**

NOTE 18 CURRENT RECEIVABLES FROM AFFILIATED COMPANIES

	31 Oct 2020	31 Oct 2019
Other affiliated companies	0	0
Total	**0**	**0**

NOTE 19 OTHER RECEIVABLES

	31 Oct 2020	31 Oct 2019
Derivatives	155	248
Other receivables	645	295
Total	**800**	**543**

NOTE 20 PREPAID EXPENSES AND ACCRUED INCOME

	31 Oct 2020	31 Oct 2019
Prepaid expenses	275	446
Accrued income	198	400
Total	**473**	**846**

Accrued income is categorized as contract assets. Further information is provided in Note 25.

NOTE 21 CASH AND CASH EQUIVALENTS

	31 Oct 2020	31 Oct 2019
Cash and bank balances	8,926	6,490
Treasury bills	–	290
Deposits	–	344
Commercial paper	1,235	1,511
Tax deduction account in Norway	70	128
Total	**10,231**	**8,763**

The carrying amount of short-term investments corresponds with the fair value. Fair value is the amount that should have been received for short-term investments outstanding if sold on the closing date. Short-term investments are categorized as financial assets at amortized cost.

All investments have a term of no more than three months. The item deposits includes receivables from other financial institutes of MSEK 0 (290).

Disclosure of interest paid

During the year, interest received amounted to MSEK 92 (178), of which MSEK 71 (119) pertained to forward premiums for currency derivatives. During the year, interest paid amounted to MSEK 785 (640), of which MSEK 122 (159) pertained to forward premiums for currency derivatives.

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NOTE 22 SHAREHOLDERS' EQUITY

SHARE CAPITAL

SAS AB has three classes of shares: common shares, subordinated shares and class C shares.

At 31 October 2020, there were 7,260,062,410 common shares issued with a quotient value of about SEK 1.19, representing a registered share capital of SEK 8,645,046,807.5. A further issue of common shares was completed after the end of the fiscal year. At 30 November 2020, there were 7,266,039,292 common shares issued with a quotient value of about SEK 1.19, representing a registered share capital of SEK 8,649,529,469.

There are no subordinated shares or class C shares issued or outstanding. Common shares and subordinated shares entitle the holders to one vote each. Each class C share entitles the holder to one-tenth of a vote.

The maximum number of common shares and subordinated shares that may be issued is limited to a number that corresponds with 100% of the company's share capital. The maximum number of class C shares that may be issued is limited to 5% of the share capital. The common shares provide shareholders the rights set out in the Swedish Companies Act and the Articles of Association. Subordinated shares provide shareholders the right to participate in and vote at the company's shareholders' meetings. Subordinated shares do not entitle shareholders to dividends or participation in bonus issues. If subordinated shares are redeemed or the company is dissolved and its assets distributed, holders of subordinated shares are treated as holders of common shares and receive an equal share in the company's assets, although not at an amount higher than the quotient value of the subordinated shares index-adjusted from the first date of registration of the subordinated shares until the date of the payment of the redemption amount or the date of the distribution with an interest-rate factor corresponding to STIBOR 90 days plus two percentage points.

Class C shares do not entitle the holder to dividends. If the company is dissolved, class C shares entitle the holder to equal parts of the company's assets as the company's common shares, however not for an amount that exceeds the share's quotient value. The company's Board has the right to reduce the share capital by redeeming all class C shares. If such a decision is taken, class C shareholders are obligated to redeem all of their class C shares for an amount corresponding to the quotient value. The redemption amount is to be paid immediately. Class C shares held as treasury shares by the company will, on demand by the Board, be eligible for conversion to common shares. Thereafter, the conversion is to be registered with the Swedish Companies Registration Office without delay and is effective when it has been registered with the Register of Companies and noted in the Central Securities Depository Register.

To ensure that the ownership circumstances of the company comply with the requirements stipulated in bilateral air traffic agreements or in laws or regulations pertaining to the state of air traffic in the EEA, the Board is entitled, pursuant to the Articles of Association, to make a decision on mandatory redemption of shares held by shareholders outside of Scandinavia without refund to affected shareholders. Where such a redemption is not possible or where the Board finds it inadequate and following approval by a shareholders' meeting supported by not less than half of the votes cast, the issued warrants may be used to issue subordinated shares to Scandinavian shareholders to dilute the non-Scandinavian shareholdings to the requisite level to ensure compliance with the aforementioned regulations.

CHANGE IN THE NUMBER OF SHARES AND SHARE CAPITAL

	Number of shares	Share capital
Number of shares	382,582,551	7,689,909,275
Reduction of share capital as resolved at EGM		-7,402,972,362
Bond issue as resolved at EGM		3,200,000,000
Bond conversion	547,413,777	410,560,333
Hybrid bond conversion	1,163,793,087	872,844,815
Directed issue	1,729,170,833	1,296,878,125
Rights issue	3,437,102,162	2,577,826,622
31 October 2020	**7,260,062,410**	**8,645,046,808**
Shares registered in November 2020	5,976,882	4,482,662
Total	**7,266,039,292**	**8,649,529,469**

OTHER CONTRIBUTED CAPITAL

Comprises equity contributed by the owners. Includes share premiums paid in conjunction with issues.

MSEK	
Opening other contributed capital, 31 October 2019	170
New share issue	2,120
Conversion of existing hybrid bond to shares	477
Conversion of existing bond to shares	225
Transaction costs	-93
Closing other contributed capital, 31 October 2020	**2,899**

RESERVES

Translation reserve	2020	2019
Opening translation reserve	-71	-51
Translation differences for the year	-160	-20
Closing translation reserve, 31 October	**-231**	**-71**
Hedging reserve		
Opening hedging reserve	183	1,292
Cash-flow hedges:		
– Recognized directly in other comprehensive income	-1,715	-1,207
– Change in statement of income	1,499	-215
– Tax attributed to year's change in hedging reserve	48	313
Closing hedging reserve, 31 October	**15**	**183**
Total reserves		
Opening reserves	112	1,241
Change in reserves for the year:		
– Translation reserve	-160	-20
– Hedging reserve	-168	-1,109
Closing reserves, 31 October	**-216**	**112**

Translation reserve

The translation reserve includes all exchange-rate differences arising in conjunction with the translation of financial statements from foreign operations that have prepared their financial statements in a currency other than Swedish kronor.

Hedging reserve

The hedging reserve includes the effective part of the cumulative net change in fair value on a cash-flow instrument attributable to hedging transactions that have not yet transpired.

HYBRID BONDS

In October 2020, the MSEK 1,500 hybrid bond was exchanged for shares which were issued at 90% of par value. New hybrid bonds were issued in October 2020 to the governments of Denmark and Sweden for a total amount of MSEK 6,000. In October 2020, MSEK 2,250 of bond debt was converted into a hybrid bond with a par value of MSEK 1,615 and the remaining amount was exchanged for shares.

MSEK	
Hybrid bonds, state	6,000
Hybrid bond	1,615
Total	**7,615**

The hybrid bonds issued to the governments of Denmark and Sweden carry a floating coupon of 6M STIBOR plus a margin of 340 bps and 440 bps respectively for the first year. After the first year, the margin increases with further

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increases every two years until the eighth year. No further increase in the margin applies after the eighth year. The state hybrid bonds are subordinated and only senior to the share capital.

The hybrid bond carries a floating coupon of 6M STIBOR plus a margin of 440 bps for the first year. After the first year, the margin increases in steps until the 11th year. No further increase in the margin applies after the 11th year.

All of the hybrid bonds are perpetual and SAS controls the payment of interest and principal in the instruments.

RETAINED EARNINGS

Encompass net income for the year and profits earned in the Parent Company and its Group companies. Retained earnings also includes revaluations related to post-employment benefits.

DIVIDEND POLICY

At 31 October 2020, SAS AB had one share class listed. SAS' overriding goal is to create shareholder value. Dividends require a resolution by a shareholders' meeting, and that SAS AB has distributable earnings. Dividends to holders of common shares can only be distributed when value is created through SAS' ROIC exceeding its WACC. The Group's financial position, earnings, expected performance, investment requirements and relevant economic conditions should also be taken into account. The dividend should take into account any restrictions applying to the Group's right to distribute dividends to shareholders[1]. The dividend policy endeavors to achieve long-term sustainable dividends.

1) Over the fiscal year, SAS has received various forms of COVID-19 pandemic-related state aid, which are conditional on SAS not distributing funds to shareholders. The European Commission's approval of the aid encompassed by SAS' recapitalization plan includes, inter alia, such a prohibition on distributing dividends to shareholders, which ceases to apply once the instruments signed by the states under SAS' recapitalization plan have been fully redeemed or sold.

NOTE 23 INTEREST-BEARING LIABILITIES

Maturity profile for interest-bearing liabilities.

	FY21	FY22	FY23	FY24	FY25	FY26>	31 Oct 2020	31 Oct 2019
Subordinated loans	–	–	–	–	–	1,237	1,237	1,240
Bonds	413	104	–	–	–	–	517	3,063
Other loans	1,944	1,360	957	1,641	516	5,404	11,822	5,931
Total	**2,357**	**1,464**	**957**	**1,641**	**516**	**6,641**	**13,576**	**10,234**
Less amortization FY21 and FY20, refer to Note 28.							-2,357	-784
Total							**11,219**	**9,450**

SUBORDINATED LOANS

A subordinated loan of MCHF 200 was issued during fiscal year 1986. There is no set maturity date for this loan. The interest rate is fixed for ten-year periods and amounts to 0.625% from January 2016. SAS has an exclusive right to cancel this loan every fifth year. When the loan is canceled in connection with an interest-rate reset, SAS is entitled to repay the loan at 100% of its nominal value. If it is canceled five years after an interest-rate reset, the loan must be repaid at 102.5% of the nominal value.

In previous years, SAS repurchased MCHF 73 of the bonds, after which the balance of the loan is MCHF 127 (127), with a countervalue of MSEK 1,237 (1,240).

The bond is listed on the Basel Stock Exchange, Geneva Stock Exchange and Swiss Exchange. On the closing date, its total market value (including credit risk) amounted to MCHF 29 (47), with a countervalue of MSEK 278 (461). Fair value has been established entirely by the use of official price quotes.

BONDS

In May 2001, a MEUR 1,000 European Medium-Term Note program was established. The EMTN program makes it possible for the Group to issue bonds with fixed or floating interest rates in any currency. On the closing date, the SAS Group's issued bonds amounted to MSEK 517 (3,063). A specification of individual bond loans is provided below:

				31 Oct 2020		31 Oct 2019	
Original amount issued	Coupon rate	Term	Debt outstanding, currency	Carrying amount	Fair value	Carrying amount	Fair value
MEUR 30.0	3.7%[1]	2017/22	MEUR 5	52	52	320	322
MEUR 10.0	4.0%[1]	2016/21	MEUR 10	103	107	107	107
MEUR 35.0	4.4%[1]	2018/20	MEUR 34.7	362	362	373	376
MSEK 2,250.0	5.2%	2017/22	MSEK 0	–	–	2,263	2,143
Total				**517**	**521**	**3,063**	**2,948**
Less amortization FY21 and FY20				-413	-414	–	–
Total				**104**	**107**	**3,063**	**2,948**

1) Coupon rate on closing date. The loan has a floating interest rate.

The debt outstanding in currency and the carrying amount in MSEK corresponds with amortized cost. The Group has entered into currency derivatives agreements for some of these bonds for the purpose of limiting currency risk. The fair value has been established in part by the use of official price quotes, and partly by discounting cash flows at quoted interest rates.

OTHER LOANS

	31 Oct 2020		31 Oct 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Aircraft financing liabilities	11,620	12,725	5,591	5,945
Other loans	202	206	301	313
Derivatives	–	–	39	39
Total before amortization	**11,822**	**12,931**	**5,931**	**6,297**
Less amortization FY21 and FY20	-1,944	-2,162	-784	-921
Total other loans	**9,878**	**10,769**	**5,147**	**5,376**

Maturity profile of other loans	FY21	FY22	FY23	FY24	FY25	2025>	Total
Aircraft financing liabilities	1,849	1,298	928	1,633	511	5,400	11,620
Other loans	95	62	29	8	4	4	202
Total	**1,944**	**1,360**	**957**	**1,641**	**516**	**5,404**	**11,822**

Other loans and finance leases are recognized at amortized cost.

Aircraft financing liabilities denominated in USD amounted to MSEK 11,157 and denominated in JPY amounted to MSEK 463, other loans are mainly denominated in DKK. In aircraft financing liabilities, some borrowing is included within the framework of various revolving credit facilities (see Note 26), and liabilities linked to assets subject to title reservation agreements. The average interest rate on the closing date amounted to 3.45% for aircraft financing liabilities and 5.59% for other loans.

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NOTE 24 INTEREST-BEARING LEASE LIABILITIES

	FY20	FY19
Non-current lease liabilities	13,499	–
Current lease liabilities	3,105	–
Total	**16,604**	–

Lease liabilities	FY21	FY22	FY23	FY24	FY25	FY26>	31 Oct 2020	31 Oct 2019
Aircraft	3,227	2,478	2,114	1,982	1,967	4,215	15,983	–
Properties	431	375	349	284	254	981	2,674	–
Ground handling equipment	98	86	99	47	24	45	399	–
Total	**3,756**	**2,939**	**2,562**	**2,313**	**2,245**	**5,241**	**19,056**	–
Discounting effect	-651	-494	-401	-320	-239	-347	-2,452	–
Total	**3,105**	**2,445**	**2,161**	**1,993**	**2,006**	**4,894**	**16,604**	–

The Group leases aircraft, properties and ground handling equipment for which the present values of contractual lease commitments have been reported as interest-bearing liabilities. The terms of the above contracts extend for 1–12 years and are subject to various conditions, such as linking to different indices as well as interest rates. Lease liabilities are denominated in the following currencies: USD (MSEK 14,009), SEK (MSEK 1,209), NOK (MSEK 889), DKK (MSEK 482) and other currencies (MSEK 15). For more information about assets leased by the Group (right-of-use assets), see Note 13.

Amortization of lease liabilities amounted to MSEK 3,082 for the year and the interest expense on lease liabilities was MSEK 691 for the year. Remeasurement of currencies in lease liabilities had a positive impact on earnings of MSEK 730 for the year. During the year, the Group had rental costs linked to short-term contracts and variable fees as well as for low value assets amounting to MSEK 147. In fiscal year 2019, rental costs amounted to MSEK 4,684 and subletting amounted to MSEK 87.

NOTE 25 CONTRACT ASSETS AND LIABILITIES

The Group has identified contract assets, which are recognized as accrued income, refer to Note 20. The identified contract assets pertain mainly to cargo revenue and EuroBonus points sold that have yet to be invoiced to customers.

The Group has identified the following contract liabilities:

	31 Oct 2020	31 Oct 2019
Unearned transportation liability	5,346	6,049
Loyalty program	1,999	1,926

The unearned transportation liability and the loyalty program are recognized as contract liabilities since payments are received from customers before the performance obligation is discharged by the Group. Information about the discharge of performance obligations can be found in Note 1 under the headings "Passenger revenue" and "EuroBonus."

The unearned transportation liability was MSEK 5,346 (6,049) at 31 October. Future, unmet, performance obligations are expected to be essentially discharged in the 12 months following 31 October 2020. During the year, MSEK 3,750 (5,476) of the year's opening liability was recognized in revenue.

The liability pertaining to the EuroBonus loyalty program was MSEK 1,999 (1,926) at 31 October. EuroBonus points earned are valid for five years. Since uncertainty exists in terms of when the EuroBonus points will be used, the whole liability is recognized as long-term. The Group's assessment is that approximately one sixth of the EuroBonus points will be used and recognized as revenue within 12 months of 31 October 2020 and the remainder at a declining rate over future years. During the year, MSEK 341 (538) of the year's opening liability was recognized in revenue.

NOTE 26 FINANCIAL RISK MANAGEMENT AND FINANCIAL DERIVATIVES

The SAS Group is exposed to various types of financial risks. All risk management is handled centrally and in accordance with the policies set by the Board. The SAS Group uses derivative instruments as part of its financial risk management to limit its fuel, currency and interest-rate exposure.

FUEL PRICE RISK

The SAS Group is exposed to changes in jet-fuel prices. Exposure is handled by continuously hedging 40–80% of the forecast fuel consumption for the coming 12 months. Under the current uncertain and volatile market conditions SAS may come to deviate from the policy. The main financial derivatives used for hedging jet fuel are options and swaps. As of 31 October 2020, the Group had signed derivative agreements covering approximately 48% of the Group's forecast jet-fuel requirement for November 2020–October 2021. In November 2019–October 2020, jet-fuel-related costs accounted for 19% of the Group's operating expenses, compared with 21% in November 2018–October 2019.

CURRENCY RISK

The SAS Group has currency exposure to both transaction risk and translation risk.

Transaction risk arises when flows in foreign currencies are exposed to currency fluctuations. To manage the transaction risk to which the SAS Group is exposed, the projected commercial currency flows are hedged using currency derivatives. According to the financial policy, the hedge level must be 40–80% of a 12-month rolling liquidity forecast. Future contracted aircraft purchases denominated in USD can be hedged by up to 80% of the contracted amount. Additionally, future aircraft sales can be hedged with currency derivatives and loans in USD in an amount up to 80% of the carrying amounts of the aircraft fleet. As of 31 October 2020, the Group had signed agreements for derivatives covering approximately 47% of the Group's forecast commercial currency exposure for November 2020–October 2021.

Translation risk arises during conversion of balance-sheet items in foreign currencies due to currency fluctuations. To limit translation risk, the policy is to keep the financial net debt mainly in the presentation currency of the respective subsidiary. With the introduction of IFRS 16, future leasing payments are recognized as an asset (right-of-use asset) and a financial lease liability. Most of the right-of-use assets are denominated in SEK but the corresponding lease liabilities are denominated in foreign currencies, mainly USD. The currency exposure from recalculating USD lease liabilities into SEK is significant. Forecasted future USD revenue is hedged using the external USD denominated lease liabilities as hedging instruments to manage a specific portion of this risk.

INTEREST-RATE RISK

The SAS Group is exposed to interest-rate risk when the market value of the financial net debt (interest-bearing assets and liabilities) is affected by movements in the yield curve (market interest rates at different maturities). Group borrowing includes loans at both fixed and floating interest rates. To manage the interest-rate risk, interest-rate derivatives are used to change the fixed-interest term of the underlying gross financial debt. The target of current policy is for the average fixed-interest term of the gross financial debt to correspond to 3 years, with a permitted interval of 1–5 years. In addition, the development of the gross financial debt for the forthcoming 12 months and contracted future aircraft purchases is taken into consideration. At 31 October 2020, the average fixed-interest term including the hybrid bonds was 2.9 years (3.3).

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SENSITIVITY ANALYSIS, REVALUATION EFFECT ON CLOSING DATE

The sensitivity analysis concerning fuel price shows the immediate revaluation effect of a 10% parallel shift in the price curve for fuel derivatives.

The sensitivity analysis concerning currency shows the immediate revaluation effect on the closing date for cashflow hedges, accounts receivable and accounts payable of a 10% strengthening or weakening of the Swedish krona against all currencies the SAS Group is exposed to. In addition to the revaluation effect, a 1% weakening of the USD against the SEK would have a positive impact of about MSEK 100 on the SAS Group's net financial items based on lease liabilities of around MUSD 1,600. A 1% strengthening of the USD against the SEK would have the corresponding negative effect on net financial items.

The sensitivity analysis for market interest rates shows the immediate revaluation effect on the closing date for interest-rate derivatives and short-term investments with a 1-percentage-point parallel shift in the yield curve. Beyond the revaluation effect, the SAS Group's net interest for the November 2020–October 2021 period is affected by around MSEK 14 (58) if short-term market rates rise by 1 percentage point. However, if short-term market rates fall by 1 percentage point the corresponding negative effect on net interest is MSEK -14 (-58). The estimate also includes interest-rate derivatives.

SENSITIVITY ANALYSIS, REVALUATION EFFECT ON CLOSING DATE

Market risk	Change	Currency	31 Oct 2020 Earnings impact	31 Oct 2019 Earnings impact	31 Oct 2020 Equity impact	31 Oct 2019 Equity impact
Fuel price	+/- 10%		–/–	–/–	94/-93	386/-411
Currency risk, SEK	+/- 10%	CNY	–/–	3/-3	17/-17	17/-17
Currency risk, SEK	+/- 10%	DKK	2/-2	7/-7	–/–	–/–
Currency risk, SEK	+/- 10%	EUR	-10/10	-1/1	-6/6	–/–
Currency risk, SEK	+/- 10%	JPY	4/-4	2/-2	8/-8	38/-38
Currency risk, SEK	+/- 10%	NOK	71/-71	8/-8	93/-93	304/-304
Currency risk, SEK	+/- 10%	USD	-21/21	-18/18	401/-401	-450/451
Currency risk, SEK	+/- 10%	OTHER	11/-11	-8/8	13/-13	43/-43
Market interest rates	+/- 1%		–/–	–/–	–/–	280/-280

FINANCIAL DERIVATIVES

Different types of currency derivatives, such as currency forward contracts, currency swap contracts and currency options, are used to manage currency exposure. Furthermore, interest-rate exposure is managed by different types of interest-rate derivatives such as forward rate agreements (FRAs), futures, interest-rate swap contracts and currency interest-rate swap contracts. The Group holds interest-rate derivatives that are exposed to LIBOR. These will not be affected by the ongoing IBOR reform, since these interest-rate swap contracts will expire prior to the reform entering force. As of 31 October 2020, the fair value of the SAS Group's derivative instruments outstanding totaled MSEK -786 (-660), broken down according to the table below.

	31 Oct 2020				31 Oct 2019	
		Fair value				
	Volume outstanding	Assets	Liabilities	Net	Volume outstanding	Fair value, net
Currency derivatives	11,525	152	-52	100	17,330	43
Interest-rate derivatives	4,322	0	-154	-154	4,669	-535
Fuel derivatives	2,953	2	-734	-732	7,364	-168
Total	**18,800**	**154**	**-940**	**-786**	**29,363**	**-660**

As of the balance-sheet date, fair value is consistent with carrying amounts.

The fair value is the amount received or paid if outstanding financial instruments are sold on the closing date. Derivatives not subject to hedge accounting are classified as financial instruments at FVTPL. Volume outstanding means the nominal amount of derivative contracts expressed in absolute terms.

The total carrying amount for the Group's derivative financial instruments is presented in the balance-sheet items in the table to the right.

OFFSETTING OF FINANCIAL DERIVATIVES

To reduce credit risks for bank receivables related to derivatives, SAS has entered into netting agreements, under ISDA agreements, signed with all of its counterparties.

The information in the following table includes financial assets and liabilities that are subject to enforceable master netting arrangements and similar agreements that cover financial instruments.

	31 Oct 2020	31 Oct 2019
Other long-term receivables	–	–
Other receivables	154	248
Total derivative assets	**154**	**248**
Other loans	–	-39
Current liabilities	-940	-869
Total derivative liabilities	**-940**	**-908**
Derivative assets/liabilities net at end of the period	**-786**	**-660**
Allocation of derivatives according to the following:		
Cash-flow hedges	-796	-666
Derivatives not designated as hedges for accounting purposes	10	6
Derivative assets/liabilities *net at end of the period*	**-786**	**-660**

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	31 Oct 2020			31 Oct 2019		
	Financial assets	Financial liabilities	Total	Financial assets	Financial liabilities	Total
Gross amount	154	-940	-786	248	-908	-660
Amount offset	–	–	–	–	–	–
Recognized in the balance sheet	**154**	**-940**	**-786**	**248**	**-908**	**-660**
Amounts covered by netting agreements	-131	305	174	-222	260	38
Net amount after netting agreements	**23**	**-635**	**-612**	**26**	**-648**	**-622**

HEDGE-ACCOUNTED DERIVATIVES, CASH-FLOW HEDGE

Hedging of aircraft

The hedging of future contracted aircraft purchases/sales represents hedging transactions since it is the payment flow in foreign currency during a future purchase/sale that is hedged using the cash-flow method. The loans and the currency forward contracts included in hedging relationships are translated at the relevant closing rate and the change that is calculated as effective is recognized in other comprehensive income. As of 31 October 2020, the accumulated currency effect on cash-flow-hedged loans and derivatives relating to future aircraft purchases and sales was recognized after tax in the hedging reserve in equity in the amount of MSEK 599 (812).

Commercial flows

Currency derivatives are used to manage the transaction risk relating to projected commercial flows. These currency derivatives represent hedging transactions according to the cash-flow method and their accounting policies are matched with those of the underlying liquidity projection. Provided that the effectiveness of the hedges can be demonstrated, the accumulated change in market value of each hedging transaction is recognized in equity until it is recycled to the statement of income as a cost/revenue. As of 31 October 2020, the accumulated currency effect of these cash-flow-hedged currency derivatives was recognized after tax in the hedging reserve in equity in the amount of MSEK 61 (29).

Certain forecasted future USD revenue is hedged using the external USD denominated lease liabilities as hedging instruments. Changes in the USD/SEK spot rate for the designated part of the USD denominated lease liability are recognized in other comprehensive income and reported as a separate component (cash-flow hedge reserve) in equity. When the hedged expected cash flows impact profit or loss as revenue, the corresponding part of the cash-flow hedge reserve is reclassified from other comprehensive income to profit or loss. As of 31 October 2020, the accumulated currency effect of these cash-flow-hedged derivatives was recognized after tax in the hedging reserve in equity in the amount of MSEK 371 (0).

Interest-rate derivatives

When the SAS Group borrows at floating interest rates and changes its interest-rate exposure by entering into interest-rate swap contracts, whereby floating interest is received and fixed interest is paid, the hedging relationship is classified as a cash-flow hedge. When hedge accounting is applied, the effective portion of the change in value of the hedge instrument is recognized in other comprehensive income. The terms of the interest-rate derivatives used for hedging transactions are matched with those of the individual loans. On the closing date 31 October 2020, the accumulated effect on these cash-flow-hedged interest-rate derivatives was recognized after tax in the hedging reserve in equity in the amount of MSEK -593 (-515).

Fuel derivatives

Fuel derivatives are used to manage the price risk relating to jet fuel. These derivatives represent hedging transactions according to the cash-flow method and their accounting policies are matched with those of the underlying forecast jet-fuel requirement. As of 31 October 2020, the accumulated effect on these cash-flow-hedged fuel derivatives was recognized after tax in the hedging reserve in equity in the amount of MSEK -429 (-143).

Altogether, MSEK 11 (235) was recognized before tax in the hedging reserve in equity at 31 October 2020, and is expected to affect the statement of income in the following years as per the following table:

	FY21	FY22	FY23	FY24	FY25	2025/2026>	Total
Aircraft	70	153	95	95	95	254	762
Commercial flows, revenue	127	95	69	59	58	63	471
Commercial flows, other	78	–	–	–	–	–	78
Interest-rate derivatives	-84	-84	-84	-83	-83	-336	-754
Fuel derivatives	-546	–	–	–	–	–	-546
Deferred tax	76	-35	-17	-15	-15	4	-2
Effect on equity	**-279**	**129**	**63**	**56**	**55**	**-15**	**9**

DERIVATIVES NOT SUBJECT TO HEDGE ACCOUNTING

Other derivatives not subject to hedge accounting are remeasured on an ongoing basis and recognized at fair value through profit or loss. Nor are interest-rate derivatives that cannot be linked to specific borrowing subject to hedge accounting and are remeasured on an ongoing basis at their fair value through profit or loss.

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CREDIT RISK

The Group's financial transactions give rise to exposure to credit risk vis-à-vis the financial counterparties. Credit risk or counterparty risk pertains to the risk of loss if a counterparty does not fulfill its contractual obligations. The financial policy prescribes that transactions may only be entered into with counterparties with high credit ratings, defined as category A3/P-1 or better according to Moody's or alternatively A-/A-1 according to Standard & Poor's.

Limits are set for each counterparty and are continuously revised. To further reduce counterparty risks, ISDA agreements (netting agreements) are signed with most counterparties. 99% of the credit-related exposure is geographically concentrated in the Nordic countries. The breakdown of the remaining credit exposure is 0% in the rest of Europe and 1% in the rest of the world. The maximum credit exposure for derivative instruments is matched by carrying amounts/fair values, see the above table under the heading Financial derivatives. For cash and cash equivalents, the size of the credit risk is the carrying amount and is distributed as follows:

	Carrying amount	
Rating (Moody's)	31 Oct 2020	31 Oct 2019
Aaa/P-1	100	290
Aa1/P-1	640	250
Aa2/P-1	–	–
Aa3/P-1	6,459	3,788
A1/P-1	1,881	2,023
A2/P-1	949	1,862
A3/P-1	202	550
Total	**10,231**	**8,763**

Under other long-term receivables, credit risk is allocated between financial institutions, external aircraft lessors, external aircraft operators and various property companies. The same regulations as those defined above for financial counterparties apply for financial institutions. With regard to external aircraft lessors, the majority of claims consist of pledged collateral for leasing fees as well as costs for return requirements. Since the cost of meeting the return requirements largely relates to those costs incurred dependent on the usage of the aircraft, the credit-related exposure is substantially neutralized.

The payments structure in agreements with external aircraft operators is designed so that SAS Group's receivables in the form of pledged collateral are often or always lower than the current liabilities/expenses of the SAS Group to these external operators.

In relation to the SAS Group's accounts receivable, the credit risk is spread over a large number of customers including private individuals and companies in various industries. Credit information is required for credit sales with the aim of minimizing the risk of bad debt losses and is based on intra-Group information on payment history supplemented with credit and business information from external sources.

The maximum credit risk for the SAS Group accords with the carrying amounts of financial assets according to the categorization table.

LIQUIDITY AND BORROWING RISK

Liquidity and borrowing risks refer to the risk that sufficient liquidity is not available when required, and that refinancing of matured loans will be costly or problematic.

The target is for financial preparedness to amount to a minimum of 25% of the SAS Group's fixed costs. The financial preparedness equals cash and cash equivalents plus total unutilized credit facilities. As of 31 October 2020, financial preparedness amounted to MSEK 11,421 (11,372), with cash and cash equivalents amounting to MSEK 10,231 (8,473) and unutilized credit facilities totaling MSEK 1,190 (2,899) or 67% (38) of the Group's fixed costs. The SAS Group's cash and cash equivalents are held in instruments with good liquidity or short maturity with a credit rating of no lower than A3/P-1 according to Moody's or A-/A-1 according to Standard & Poor's.

The following tables show remaining contractual terms for SAS' financial liabilities and assets excluding operations for sale. The figures shown are contractual undiscounted cash flows. The tables show the contracted date when SAS is liable to pay or receive, and includes both interest and nominal amounts. Future interest flows at variable rates are estimated using the current interest rate on the closing date, which means the amounts may differ. In addition to the cash flow in the tables, the annual interest rate on hybrid bonds amounts to approximately MSEK 274.

As of 31 October 2020, the Group's interest-bearing liabilities amounted to MSEK 31,596 (11,283); 0% (0) of the interest-bearing liabilities have financial key ratio covenants for cash flow, debt/equity and liquidity. The term of the interest-bearing gross debt amounted to approximately 4.7 years (3.3) at year end, excluding the subordinated loan of MCHF 127 and hybrid bonds of MSEK 7,615 which run without stipulated maturity.

FINANCIAL NET DEBT/RECEIVABLES

MSEK	Net financial debt
Long-term receivables	2,293
Other receivables	173
Short-term investments	1,305
Cash and bank balances	8,926
Subordinated loans	-1,237
Bonds	-104
Other loans	-9,878
Lease liabilities	-13,499
Current portion of long-term loans	-2,357
Current portion of lease liabilities	-3,105
Short-term loans	-1,416
Net financial debt	**-18,899**

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LIQUIDITY RISK

The following table illustrates the SAS Group's outflows and inflows of financial liabilities and financial derivatives as of 31 October 2020. The amounts are contracted, undiscounted cash flows including interest.

31 Oct 2020	FY21	FY22	FY23	FY24	FY25	FY26>
Financial liabilities						
Subordinated loans	-8	-8	-8	-8	-8	-1,245
Bonds	-419	-105	-	-	-	-
Aircraft financing liabilities	-2,187	-1,581	-1,145	-1,790	-616	-5,888
Other loans	-95	-65	-30	-7	-4	-4
Short-term loans	-351	-	-	-	-	-
Lease liabilities	-3,105	-2,445	-2,159	-1,993	-2,038	-4,864
Accounts payable and other liabilities	-2,690	-	-	-	-	-
Derivatives (financial assets)						
Fuel derivatives	2	-	-	-	-	-
Currency derivatives	152	-	-	-	-	-
Interest-rate derivatives		-	-	-	-	-
Derivatives (financial liabilities)						
Fuel derivatives	-734	-	-	-	-	-
Currency derivatives	-52	-	-	-	-	-
Interest-rate derivatives	-154	-	-	-	-	-
Total	**-9,641**	**-4,204**	**-3,342**	**-3,798**	**-2,666**	**-12,001**

31 Oct 2019	FY20	FY21	FY22	FY23	FY24	FY25>
Financial liabilities						
Subordinated loans	-8	-8	-8	-8	-8	-1,256
Bonds	-129	-242	-451	-2,376	-378	-
Aircraft financing liabilities	-734	-1,959	-542	-627	-146	-2,288
Other loans	-104	-106	-54	-34	-48	-
Short-term loans	-	-	-	-	-	-
Accounts payable and other liabilities	-2,432	-	-	-	-	-
Derivatives (financial assets)						
Fuel derivatives	12	-	-	-	-	-
Currency derivatives	194	-	-	-	-	-
Interest-rate derivatives	-	-	-	-	-	-
Derivatives (financial liabilities)						
Fuel derivatives	-142	-	-	-	-	-
Currency derivatives	-152	-	-	-	-	-
Interest-rate derivatives	-496	-39	-	-	-	-
Total	**-3,991**	**-2,354**	**-1,055**	**-3,045**	**-580**	**-3,544**

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CONTRACTED CREDIT FACILITIES

The Group has entered into various credit facilities in order to provide additional funding if needed. The schedule below provides details of the credit facilities on 31 October 2020.

Facility	Maturity	Total facility	Utilized facility	31 Oct 2020 Unutilized facility	31 Oct 2019 Unutilized facility
Credit facility, MEUR 150	2021	1,561	–	1,561	1,613
Credit facility, MUSD 137	2021	1,221	31	1,190	1,286
Credit facility, MUSD 12	2020	105	105	–	–
Credit facility, MUSD 26	2021	235	235	–	–
Credit facility, MUSD 35	2023	309	309	–	–
Total		**3,431**	**680**	**2,751**	**2,899**

MEASUREMENT AT FAIR VALUE

Under IFRS 7, disclosures pertaining to financial instruments measured at fair value in the balance sheet are to be provided if the method for establishing fair value utilizes a fair value hierarchy consisting of three levels. The levels reflect the extent to which fair value is based on observable market data or own assumptions. Below is a description of the different levels for determining fair value.

Level 1

Financial instruments for which fair value is based on observable (unadjusted) quoted prices in active markets for identical assets and liabilities. A market is considered active if quoted prices from an exchange, bank, pricing service (such as Thomson Reuters) or supervisory body are readily and regularly available and those prices represent actual and regularly occurring arm's length market transactions.

This category includes mainly standardized derivatives where the quoted price is used in the valuation.

Level 2

Financial instruments for which fair value is based on models that utilize 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).

Examples of observable data in level 2 is data that can serve as a basis for assessing prices, such as market interest rates and yield curves.

This category includes mainly certificates and non-standard derivative instruments (interest-rate, currency and fuel swaps as well as currency and fuel options) not traded in an active market and the fair value is determined using valuation techniques based essentially on observable market data.

Level 3

Financial instruments for which fair value is based on valuation models, whereby significant input is based on unobservable data.

The SAS Group currently has no financial assets and liabilities where the valuation is essentially based on unobservable data.

DETERMINATION OF FAIR VALUE — VALUATION TECHNIQUES

Other holdings of securities

The balance-sheet item "Other participations" MSEK 9 (9) comprises shareholdings that are not affiliated companies or subsidiaries.

The entire balance-sheet item is measured at cost because its fair value cannot be reliably measured as a justifiable expense. For this reason, the balance-sheet item "Other holdings of securities" is not included in the following table "Financial assets and liabilities measured at fair value."

Interest-rate derivatives

Interest-rate swaps: The fair value of interest-rate swaps is determined by discounting estimated future cash flows. Discounting takes place on the basis of yield curves based in turn on market rates prevailing at the closing date.

Futures: Standardized futures contracts with daily settlement. Fair value is thus determined by daily "mark-to-market" valuation.

Forward Rate Agreement, (FRA): The fair value of OTC FRAs is determined by discounting estimated future cash flows. Discounting takes place on the basis of yield curves based in turn on market rates prevailing at the closing date. Standardized FRAs with cash settlement are measured at fair value using quoted bid and ask rates at year end for an FRA with a corresponding term to maturity.

Currency derivatives

Currency swaps: The fair value of currency swaps is determined by discounting estimated future cash flows in each currency and interest rate. Discounting is based on yield curves on the closing date. Translation of the currency component is based on exchange rates prevailing at the closing date.

Currency options: The fair value of options is determined by application of the Black and Scholes valuation model, a recognized and accepted valuation model in financial markets. The model is based primarily on observable data such as spot price, exercise price, term to maturity, interest rate, volatility, etc.

Fuel derivatives

Fuel options: The fair value of fuel options is determined by application of the Black and Scholes valuation model. The model is based primarily on observable data such as the fuel swap curve, exercise price, term to maturity, interest rate, volatility, etc.

Fuel swaps: The fair value of fuel swaps is determined according to the fuel swap curve at the closing date.

Short-term investments

Short-term investments classified as held for trading comprise treasury bills, mortgage bonds and commercial paper with a maximum remaining term to maturity of three months. Fair value is determined by discounting on the basis of yield curves on the closing date.

Cash and bank balances

Cash and bank balances comprise cash on hand and demand deposits at banks and corresponding financial institutions. Carrying amounts correspond to fair value.

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CATEGORIZATION OF FINANCIAL ASSETS AND LIABILITIES

31 Oct 2020	Derivatives at FVTPL *Fair value*	Financial assets at amortized cost *Amortized cost*	Financial liabilities at amortized cost *Amortized cost*	Derivatives at fair value, hedge-accounted *Fair value*	Total carrying amount	Total fair value[1]
ASSETS						
Other long-term receivables	–	2,863	–	–	2,863	2,863
Accounts receivable	–	318	–	–	318	318
Other receivables	–	626	–	–	626	626
– Fuel derivatives	–	–	–	2	2	2
– Currency derivatives	22	–	–	130	152	152
Accrued income	–	198	–	–	198	198
Cash and bank balances	–	10,231	–	–	10,231	10,230
Total	**22**	**14,236**	**0**	**132**	**14,390**	**14,389**
LIABILITIES						
Subordinated loans	–	–	1,237	–	1,237	278
Bonds	–	–	104	–	104	107
Other loans	–	–	10,004	–	10,004	10,767
Current portion of long-term loans	–	–	2,357	–	2,357	2,578
Short-term loans	–	–	476	–	476	470
– Fuel derivatives	–	–	–	734	734	734
– Currency derivatives	12	–	–	40	52	52
– Interest-rate derivatives	–	–	–	154	154	154
Accounts payable	–	–	1,191	–	1,191	1,191
Other liabilities	–	–	390	–	390	390
Accrued expenses	–	–	1,109	–	1,109	1,109
Total	**12**	**0**	**16,867**	**928**	**17,807**	**17,829**

1) The fair values of subordinated loans have been set entirely by the use of official price quotes. The fair values of other financial assets and liabilities have been set in part by the use of official price quotes, such as discounting of future cash flows at quoted interest rates. The fair value of derivatives has been established pursuant to Level 2.

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	Derivatives at FVTPL	Financial assets at amortized cost	Financial liabilities at amortized cost	Derivatives at fair value, hedge-accounted	Total carrying amount	Total fair value[1]
31 Oct 2019	*Fair value*	*Amortized cost*	*Amortized cost*	*Fair value*		
ASSETS						
Other holdings of securities	–	9	–	–	9	9
Other long-term receivables	–	2,519	–	–	2,519	2,519
– Interest-rate derivatives	–	–	–	–	0	0
Accounts receivable	–	1,233	–	–	1,233	1,233
Receivables from affiliated companies	–	–	–	–	0	0
Other receivables	–	295	–	–	295	295
– Fuel derivatives	–	–	–	52	52	52
– Currency derivatives	23	–	–	173	196	196
– Interest-rate derivatives	–	–	–	–	0	0
Cash and bank balances	–	8,763	–	–	8,763	8,763
Total	**23**	**12,819**	**0**	**225**	**13,067**	**13,067**
LIABILITIES						
Subordinated loans	–	–	1,240	–	1,240	461
Bonds	–	–	3,063	–	3,063	2,947
Other loans	–	–	5,108	–	5,108	5,348
– Interest-rate derivatives	–	–	–	39	39	39
Current portion of long-term loans	–	–	784	–	784	911
Short-term loans	–	–	180	–	180	173
– Fuel derivatives	–	–	–	220	220	220
– Currency derivatives	17	–	–	136	153	153
– Interest-rate derivatives	–	–	–	496	496	496
Accounts payable	–	–	1,700	–	1,700	1,700
Other liabilities	–	–	732	–	732	732
Total	**17**	**0**	**12,807**	**891**	**13,715**	**13,180**

1) The fair values of subordinated loans have been set entirely by the use of official price quotes. The fair values of other financial assets and liabilities have been set in part by the use of official price quotes, such as discounting of future cash flows at quoted interest rates. The fair value of derivatives has been established pursuant to Level 2.

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NOT 27 PROVISIONS

	Restructuring		Loyalty program		Undertakings pertaining to aircraft under operating leases		Other provisions		Total	
	31 Oct 2020	31 Oct 2019	31 Oct 2020	31 Oct 2019	31 Oct 2020	31 Oct 2019	31 Oct 2020	31 Oct 2019	31 Oct 2020	31 Oct 2019
Opening balance	449	473	–	1,908	3,060	2,459	16	232	3,525	5,072
Transition to IFRS 16	–	–	–	–	177	–	–	–	177	–
Reclassifications	–	–	–	-1,908	–	–	–	–	–	-1,908
New provisions	325	230	–	–	446	1,327	2	1	773	1,558
Utilized provisions	-193	-258	–	–	-368	-829	-2	-46	-563	-1,133
Dissolved provisions	–	–	–	–	-1	–	–	-172	-1	-172
Currency effect	5	4	–	–	-319	103	-2	1	-317	108
Closing provisions	**586**	**449**	**–**	**–**	**2,995**	**3,060**	**14**	**16**	**3,594**	**3,525**

Breakdown in balance sheet:	31 Oct 2020	31 Oct 2019	31 Oct 2020	31 Oct 2019	31 Oct 2020	31 Oct 2019	31 Oct 2020	31 Oct 2019	31 Oct 2020	31 Oct 2019
Non-current liabilities	106	110	–	–	1,205	1,840	12	16	1,322	1,966
Current liabilities	480	339	–	–	1,790	1,220	2	–	2,272	1,559
	586	**449**	**–**	**–**	**2,995**	**3,060**	**14**	**16**	**3,594**	**3,525**

RESTRUCTURING

The restructuring provisions are attributable to the cost cutting and efficiency measures initiated in the last few years. These measures entail radical changes and simplification of operations, and will generate a reduction in unit cost.

In addition to restructuring provisions for personnel, the reserve also comprises provisions for property costs.

The long-term portion of the restructuring reserve will be fully utilized within five years.

The provision for restructuring costs includes no reversed unutilized amounts.

LOYALTY PROGRAM

Through membership in the Group's loyalty program, EuroBonus, customers can earn bonus points by flying with SAS and/or other Star Alliance companies as well as from purchases made from other business partners, such as car rental and credit card companies.

The allocation of loyalty points is viewed as a separate identifiable transaction when purchasing airline tickets. The portion of the ticket price allocated to loyalty points is measured at the relative stand-alone price for the points and is not recognized as revenue until the period in which the obligation is met.

The amount for utilized provisions includes a revaluation of the EuroBonus points liability. During recent years, previous estimates of fair value per point category have been adjusted downwards driven by continued price reductions, changes in EuroBonus rules and withdrawal patterns.

EuroBonus points earned are valid for five years.

In accordance with IFRS 15, the EuroBonus liability was reclassified in November 2018 from provisions to other non-current liabilities as a contract liability.

UNDERTAKINGS PERTAINING TO AIRCRAFT UNDER OPERATING LEASES

SAS makes ongoing provisions for undertakings related to aircraft leasing. The undertakings primarily pertain to engines, but also include landing gear, air frames and APUs. The long-term portion pertains primarily to a large number of undertakings with an average duration of around four years. The longest undertaking extends for just less than ten years.

NOTE 28 CURRENT INTEREST-BEARING LIABILITIES

	31 Oct 2020	31 Oct 2019
Current portion of non-current liabilities	2,357	784
Accrued interest	125	180
Derivatives	940	869
Other short-term loans	351	–
Total	**3,773**	**1,833**

NOTE 29 ACCRUED EXPENSES AND PREPAID INCOME

	31 Oct 2020	31 Oct 2019
Vacation pay liability	696	1,029
Other accrued personnel expenses	483	248
Selling costs	42	121
Fuel expenses	294	336
Air traffic charges	60	297
Lease expenses	106	242
Handling costs	97	253
Computer and telecommunication costs	77	188
Other accrued expenses	350	482
Prepaid rents	60	6
Total	**2,265**	**3,202**

NOTE 30 PLEDGED ASSETS

	31 Oct 2020	31 Oct 2019
Related to liabilities:		
Aircraft mortgages, carrying amount	2,261	3,813
Related to deposits:		
Deposits and blocked bank funds	3,322	2,714
Total	**5,583**	**6,527**

At 31 October 2020, the liability outstanding related to aircraft mortgages was MSEK 679 (1,000). In addition to the above, the carrying amount for aircraft-related assets subject to title reservation agreements totaled MSEK 11,285 with liabilities outstanding of MSEK 10,940.

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NOTE 31 CONTINGENT LIABILITIES

	31 Oct 2020	31 Oct 2019
Guarantees related to:		
Emission rights	–	403
Other	16	16
Total	**16**	**419**

The Group is involved in various claims and legal proceedings arising in the ordinary course of business. These claims relate to, but are not limited to, the Group's business practices, employment matters, and tax matters. Provisions have been recognized for such matters in accordance with probable and quantifiable loss risks. On the basis of information currently available, those issues not requiring any provisions will not have any material adverse effect on the Group's earnings, nor will they be recognized as contingent liabilities. However, litigation is inherently unpredictable and, even though the provisions were assessed as adequate and/or that the Group has valid defenses in these matters, unfavorable results could occur. This could have a material adverse effect on the Group's earnings in future accounting periods. For more information see the Report by the Board of Directors on page 43.

NOTE 32 LEASE COMMITMENTS

Operating lease commitments as per 31 October 2019	28,723
Future minimum lease payments for non-cancellable operating leases, discounted with a weighted average discount rate of 4.04%	24,171
Less leases starting after 1 November 2019	-5,318
Less leases expiring in less than 12 months (short-term leases) and low value leases	-164
Less lease contracts reclassified as service contracts	-2,186
Lease liability pursuant to IFRS 16, 1 November 2019	**16,503**

31 October 2020

In addition to the lease commitments included in the reported lease liability, SAS Group has entered into the following contracts, with specification of the total annual rent for:

	FY21	FY22	FY23	FY24	FY25	FY26>	Total
Aircraft	144	203	203	203	203	1,075	**2,032**
Total	**144**	**203**	**203**	**203**	**203**	**1,075**	**2,032**

Rental contracts with an annual rental cost in excess of MSEK 0.5 and which are not encompassed by lease liabilities have been included. The above contracts pertain to contracted aircraft leases starting after 30 October 2020. For information on the Group's lease liabilities, see Note 24.

31 October 2019

The SAS Group's future leasing commitments as per 31 October 2019 pursuant to IAS 17, with specification of the total annual rent for:

	FY20	FY21	FY22	FY23	FY24	FY25>	Total
Aircraft	3,833	3,569	3,180	2,692	2,351	7,925	23,550
Properties	586	604	590	567	463	1,240	4,050
Machinery and equipment	275	236	255	165	100	92	1,123
Total	**4,694**	**4,409**	**4,025**	**3,424**	**2,914**	**9,257**	**28,723**

Leases pursuant to IAS 17 with an annual rental cost in excess of MSEK 0.5 are included.

NOTE 33 ADJUSTMENT FOR OTHER NON-CASH ITEMS, ETC.

	FY20	FY19
Income from shares in affiliated companies	-7	10
Dividends from affiliated companies	5	8
Capitalized interest on aircraft prepayments	-61	-110
Revaluation of lease liabilities IFRS 16	-1,208	–
Earnings impact from measuring financial instruments	735	-107
Revaluations of pension commitments	51	-9
Provisions	306	201
Reversed provisions	–	-243
Other	97	2
Total	**-82**	**-248**

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NOTE 34 ACQUISITION OF SUBSIDIARIES AND AFFILIATED COMPANIES

No acquisitions took place during the fiscal year; however, a shareholders' contribution of MSEK 4 was made to an affiliated company. Sola Næringseiendom AS was acquired in fiscal year 2019.

According to the acquisition analyses performed, the value of the assets and liabilities acquired was as follows:

	FY20	FY19
Fixed assets	–	90
Current assets	–	–
Cash and cash equivalents	–	2
Non-current liabilities	–	-72
Current liabilities	–	-2
Purchase price	–	**18**
Cash and cash equivalents in acquired companies	–	-2
Impact on the Group's cash and cash equivalents	**–**	**16**

NOTE 35 SALE OF SUBSIDIARIES AND AFFILIATED COMPANIES

No divestments took place during the fiscal year.

The holding in the affiliated company Air Greenland A/S was divested in fiscal year 2019.

The value of the sold assets and liabilities was as follows:

	FY20	FY19
Fixed assets	–	394
Current assets	–	–
Cash and cash equivalents	–	–
Non-current liabilities	–	–
Current liabilities	–	–
Total	–	394
Capital gain/loss	–	0
Purchase price	–	394
Selling costs	–	–
Cash and cash equivalents in divested companies	–	–
Impact on the Group's cash and cash equivalents	**–**	**394**

NOTE 36 LIABILITIES IN FINANCING ACTIVITIES

	Interest-bearing liabilities, non-current		Lease liabilities, non-current		Interest-bearing liabilities, current		Lease liabilities, current		Total	
	31 Oct 2020	31 Oct 2019	31 Oct 2020	31 Oct 2019	31 Oct 2020	31 Oct 2019	31 Oct 2020	31 Oct 2019	31 Oct 2020	31 Oct 2019
Opening balance	9,450	7,492	–	–	1,833	2,600	–	–	11,283	10,092
Transition to IFRS 16	–	–	13,623	–	–	–	2,880	–	16,503	–
Proceeds from borrowings	11,210	2,292	4,385	–	351	0	–	–	15,946	2,292
Conversion of bond	-2,250	–	–	–	–	–	–	–	-2,250	–
Repayment of borrowings	-3,736	–	–	–	-784	-2,362	-3,082	–	-7,602	-2,362
Exchange-rate differences	-986	451	-984	–	-19	92	-217	–	-2,207	543
Accrued	-73	-40	–	–	-36	20	–	–	-109	-20
Derivatives	-39	39	–	–	71	699	–	–	32	738
Reclassification to short-term	-2,357	-784	-3,525	–	2,357	784	3,525	–	–	–
Debt outstanding	**11,219**	**9,450**	**13,499**	**0**	**3,773**	**1,833**	**3,105**	**0**	**31,596**	**11,283**

NOTE 37 AUDITORS' FEES

The following remuneration was paid to auditing firms for auditing services.

	FY20	FY19
Auditing services		
KPMG	6	5
Other statutory assignments		
KPMG	0	0
Tax consultancy services		
KPMG	–	–
Other		
KPMG	3	1
Total	**9**	**6**

KPMG Sweden: Fees totaled MSEK 3.7 (3.5) for auditing services, MSEK 0 (0) for other statutory assignments, MSEK 0 (0) for tax and MSEK 2.6 (0.9) for other.

NOTE 38 TRANSACTIONS WITH AFFILIATED COMPANIES

Revenue from sales to affiliated companies amounted to MSEK 0 (8).

Cost of purchases from affiliated companies was MSEK 44 (52).

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NOTE 39 SEGMENT REPORTING

The Group's airline operations and other appurtenant operations are reported as one operating segment. The Chief Operating Decision Maker (CODM), which is defined at SAS as the SAS Group Management, has strategic responsibility for allocating resources, primarily in terms of aircraft capacity to the various route sectors, and prepares decision data ahead of strategic Board decisions. Traffic and other revenue is allocated geographically as follows.

GEOGRAPHICAL BREAKDOWN

	Domestic		Intra-Scandinavian		Europe		Intercontinental		Total	
	FY20	FY19	FY20	FY19	FY20	FY19	FY20	FY19	FY20	FY19
Passenger revenue	5,316	9,473	1,543	3,737	4,465	13,252	2,619	9,017	13,943	35,479
Cargo revenue	5	6	2	6	29	64	841	1,430	877	1,506
Charter revenue	0	0	0	0	564	2,117	0	0	564	2,117
Other traffic revenue	694	784	201	309	582	1,096	341	747	1,818	2,936
Total traffic revenue	**6,015**	**10,263**	**1,746**	**4,052**	**5,640**	**16,529**	**3,801**	**11,194**	**17,202**	**42,038**

	Denmark		Norway		Sweden		Europe		Other countries		Total	
	FY20	FY19	FY20	FY19	FY20	FY19	FY20	FY19	FY20	FY19	FY20	FY19
Other operating revenue	**361**	**630**	**1,535**	**1,135**	**567**	**696**	**574**	**976**	**274**	**637**	**3,311**	**4,074**

In fiscal year 2020 and fiscal year 2019, there was no single customer who accounted for more than 10% of the Group's revenue.

The Group's assets and liabilities are mainly located in Scandinavia. Total fixed assets, including prepayments for tangible fixed assets, which do not comprise financial instruments, deferred tax assets or assets pertaining to post-employment benefits are allocated geographically as follows. The group, not allocated, includes prepayments to Airbus and others for future aircraft deliveries amounting to MSEK 2,495 (3,071), refer to Note 12. Aircraft are utilized in a flexible manner across the route network, and are not allocated.

	Denmark		Norway		Sweden		Other countries		Not allocated		Total	
	31 Oct 2020	31 Oct 2019	31 Oct 2020	31 Oct 2019	31 Oct 2020	31 Oct 2019	31 Oct 2020	31 Oct 2019	31 Oct 2020	31 Oct 2019	31 Oct 2020	31 Oct 2019
Fixed assets	**964**	**486**	**1,267**	**363**	**5,219**	**3,570**	**1,741**	**427**	**31,098**	**14,681**	**40,289**	**19,527**

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NOTE 40 SUBSIDIARIES IN THE SAS GROUP

	Domicile	Corp. Reg. No.	Total owned shares	Holding	31 Oct 2020 Carrying amount	31 Oct 2019 Carrying amount
Owned by SAS AB:						
SAS Sverige AB	Sigtuna	556042-5414	70,500,000	100	3,523	1,937
SAS Norge AS	Bærum	811176702	47,000,000	100	3,028	3,028
SAS Danmark A/S	Copenhagen	56994912	47,000,000	100	3,970	3,970
SAS Individual Holdings AB	Stockholm	556063-8255	610,000	100	595	595
Linjeflyg AB	Sigtuna	556062-8454	2,000,000	100	237	237
SAS Cargo Group A/S	Tårnby	25736443	200,500	100	0	0
SAS Ground Handling Denmark A/S	Tårnby	32339026	55,000	100	35	37
SAS Ground Handling Norway AS	Oslo	912056228	5,000	100	9	52
SAS Ground Handling Sweden AB	Stockholm	556934-7924	445,000	100	6	64
SAS EuroBonus AB	Stockholm	559224-9782	50,000	100	0	0
Scandinavian Airlines Ireland Ltd	Dublin	601918	2,000,000	100	0	56
Gorm Asset Management Ltd	Dublin	592913	1	100	0	0
Other					1	0
					11,404	**9,977**
Owned by SAS Consortium:		*902001-7720*				
Flesland Cargo ANS	Ullensaker	983693725	–	100	–	12
Other					1	1
					1	**13**
Owned by SAS Individual Holdings AB:						
Red 1 A/S	Copenhagen	24202941	500	100	1	1
Other					0	0
					1	**1**
Owned by SAS Eiendom AS:						
Sola Näringseiendom AS	Oslo	989607723	100,000	100	–	18
Owned by Gorm Asset Management Ltd:						
Gorm Dark Blue Ltd	Dublin	593238	1	100	0	0
Gorm Deep Blue Ltd	Dublin	593239	1	100	0	0
Gorm Sky Blue Ltd	Dublin	593240	1	100	0	0
Gorm Light Blue Ltd	Dublin	617208	1	100	0	0
Gorm Warm Red Ltd	Dublin	627405	1	100	0	0
Gorm Ocean Blue Ltd	Dublin	627406	1	100	0	0
Gorm Engine Management Ltd	Dublin	656777	1	100	0	0

NOTE 41 EARNINGS PER SHARE

Earnings per common share are calculated as net income for the period attributable to Parent Company shareholders less preference-share dividends and hybrid bond expenses in relation to 439,109,783 (382,582,551) common shares outstanding. The calculation of earnings per share before and after dilution is based on the following earnings and number of common shares. In 2014, a convertible bond was issued, which gave rise to a potential dilution effect. All preference shares were redeemed in December 2018 and the convertible note was repaid in April 2019. In October 2020, the number of common shares increased 6,877,479,859 through a new share issue. In November 2020, a further 5,976,822 shares were registered from the issue of new shares. The total number of shares after new issues in 2020 amounted to 7,266,039,292, refer to Note 22.

	FY20	FY19
Net income for the year, attributable to Parent Company shareholders	-9,275	621
Less preference-share dividend	0	-9
Less expenses for the hybrid bond	-188	-23
Net income for the year, attributable to Parent Company shareholders, before dilution	**-9,463**	**589**
Reversal of interest expense (convertible bond)	0	19
Net income for the year, attributable to Parent Company shareholders, after dilution	**- 9,463**	**608**
Weighted average number of common shares during the year, before dilution	**439,109,783**	**382,582,551**
Effect of potential common shares	0	27,637,310
Weighted average number of common shares during the year, after dilution	**439,109,783**	**410,219,861**
Earnings per common share before dilution (SEK)	-21.55	1.54
Earnings per common share after dilution (SEK)	-21.55	1.48

NOTE 42 RELATED-PARTY TRANSACTIONS

The recapitalization plan was completed in October 2020, when a total of 1,729,170,833 common shares were issued to the governments of Denmark and Sweden through the directed share issue, in addition to the major shareholders' participation in the rights issue. In total, the recapitalization plan will result in each of the governments of Denmark and Sweden holding 1,584,296,144 common shares, corresponding to a holding of approximately 21.8% for each government. The governments of Denmark and Sweden also subscribed for MSEK 6,000 in new hybrid bonds.

Aside from the transactions included in the 2020 recapitalization plan, no significant related-party transactions took place in fiscal year 2020 or in fiscal year 2019 except those between Group companies, where transactions are conducted subject to market terms and conditions. No significant transactions occurred with related parties aside from the above and the information in Note 3 regarding the remuneration of senior executives.

NOTE 43 SIGNIFICANT EVENTS AFTER THE CLOSING DATE

- SAS contracted a new NOK 1.5 billion credit facility with a three-year tenor that is guaranteed in full by the Norwegian Export Credit Guarantee Agency.
- SAS announced the decision by its President and CEO Rickard Gustafson to leave SAS after ten years. He will leave the company by 1 July 2021.

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SAS AB, PARENT COMPANY

STATEMENT OF INCOME

MSEK	Note	FY20	FY19
Revenue		49	58
Personnel expenses	1	-28	-48
Other operating expenses		-45	-32
Operating income (EBIT)		**-24**	**-22**
Impairment in subsidiaries		-1,017	–
Interest income and similar income items		195	210
Interest expenses and similar income items		-248	-265
Income before tax		**-1,094**	**-77**
Tax	2	-5	21
Net income for the year		**-1,099**	**-56**

The Parent Company recognized no items in other comprehensive income for fiscal year 2020 and fiscal year 2019, respectively. Accordingly, net income for the year for the Parent Company corresponds to comprehensive income.

BALANCE SHEET

ASSETS, MSEK	Note	31 Oct 2020	31 Oct 2019
Non-current assets			
Financial non-current assets			
Participations in subsidiaries	3	11,404	9,977
Other holdings of securities	4	2	2
Deferred tax assets	2	713	724
Receivables from Group companies		10,833	4,000
Other long-term receivables		550	–
Total non-current assets		**23,502**	**14,703**
Current assets			
Current receivables			
Receivables from Group companies		105	135
Other receivables		44	–
Prepaid expenses and accrued income		2	2
		151	**137**
Cash and bank balances		1	1
Total current assets		**152**	**138**
TOTAL ASSETS		**23,654**	**14,841**

SHAREHOLDERS' EQUITY AND LIABILITIES, MSEK	Note	31 Oct 2020	31 Oct 2019
Shareholders' equity			
Restricted equity			
Share capital		8,650	7,690
Statutory reserve		447	447
Unrestricted equity			
Hybrid bonds		7,615	1,500
Retained earnings		7,921	1,083
Net income for the year		-1,099	-56
Total shareholders' equity		**23,534**	**10,664**
Non-current liabilities			
Bonds	5	–	2,245
Deferred tax liability	2	–	7
Other provisions		7	6
Total non-current liabilities		**7**	**2,258**
Current liabilities			
Liabilities to Group companies		–	1,772
Accounts payable		23	1
Other liabilities		2	126
Accrued expenses and prepaid income		83	20
Provisions		5	–
Total current liabilities		**113**	**1,919**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**23,654**	**14,841**

Information regarding the Parent Company's contingent liabilities is available in Note 6.

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CHANGES IN SHAREHOLDERS' EQUITY

	Restricted equity			Unrestricted equity			
MSEK	Share capital	Not registered share capital	Statutory reserve	Share premium reserve	Hybrid bonds	Retained earnings	Total shareholders' equity
Opening shareholders' equity in accordance with approved balance sheet, 31 October 2018	**7,732**	**–**	**405**	**–**	**–**	**2,192**	**10,329**
Redemption of preference shares	-42		42			-1,086	-1,086
Hybrid bond					1,500		1,500
Hybrid bond interest and expenses						-23	-23
Net income						-56	-56
Closing balance, 31 October 2019	**7,690**	**–**	**447**	**–**	**1,500**	**1,027**	**10,664**
Hybrid bond interest						-126	-126
Reduction of share capital as resolved at EGM	-7,403					7,403	0
New share issue	3,875	5		2,120			6,000
New hybrid bonds issue					6,000		6,000
Conversion of existing hybrid bond to shares	873			477	-1,500	150	0
Conversion of existing bond to shares and new hybrid bond	410			225	1,615		2,250
Transaction costs				-93		-62	-155
Bond issue as resolved at EGM	3,200					-3,200	0
Net income						-1,099	-1,099
Closing balance, 31 October 2020	**8,645**	**5**	**447**	**2,729**	**7,615**	**4,093**	**23,534**

Number of shares: 7,260,062,410 (382,582,551) common shares with a quotient value of SEK 1.19 (20.10). Each common share entitles the holder to one vote and all common shares own equal rights to participation in the company's assets and profits.

CASH-FLOW STATEMENT

MSEK	FY20	FY19
OPERATING ACTIVITIES		
Income before appropriations and tax	-1,094	-78
Impairment of subsidiaries	1,017	–
Cash flow from operations before change in working capital	**-77**	**-78**
Change in:		
Operating receivables	-38	3
Operating liabilities	13	9
Cash flow from change in working capital	**-25**	**12**
Cash flow from operating activities	**-102**	**-66**
INVESTING ACTIVITIES		
Investment in subsidiaries	-445	-36
Cash flow from investing activities	**-445**	**-36**
FINANCING ACTIVITIES		
New hybrid bonds issue	6,000	1,474
New share issue	5,910	–
Redemption of preference shares	–	-1,112
Dividend on preference shares	–	-26
Hybrid bond interest	-128	–
Repayment of borrowings	-1,311	–
Lending to subsidiaries	-9,956	–
Change in short-term investments	32	–
Change in interest-bearing liabilities	-	-235
Cash flow from financing activities	**547**	**101**
Cash flow for the year	**0**	**-1**
Cash and cash equivalents at beginning of the year	1	2
Cash and cash equivalents at year end	**1**	**1**

Disclosure of interest paid:
During the year, interest received amounted to MSEK 216 (210). During the year, interest paid amounted to MSEK 186 (278).

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NOTE 1 NO. OF EMPLOYEES, SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY EXPENSES

The average number of employees amounted to 2 (3), all of whom were employed in Sweden.

	FY20		FY19	
	Men	Women	Men	Women
Sweden	1	1	2	1
Total men and women	**2**		**3**	

For salaries, remuneration and social security expenses as well as remuneration and benefits paid to Board members, the President and other senior executives of SAS AB, see SAS Group Note 3.

NOTE 2 TAX

	FY20	FY19
Current tax	–	–
Deferred tax	-5	21
Total tax	**-5**	**21**
Reconciliation of deferred tax, net		
Opening balance	717	691
Tax effect on items in equity	1	5
Change according to statement of income	-5	21
Deferred tax, net, at 31 October	**713**	**717**

NOTE 3 PARTICIPATIONS IN SUBSIDIARIES

	FY20	FY19
Opening balance	9,977	9,940
Contributions	2,444	37
Impairment	-1,017	–
Closing balance	**11,404**	**9,977**

See also SAS Group Note 40 — Subsidiaries in the SAS Group.

NOTE 4 OTHER HOLDINGS OF SECURITIES

	31 Oct 2020	31 Oct 2019
Incorporate Cell Company	2	2
Total	**2**	**2**

NOTE 5 BOND

	31 Oct 2020	31 Oct 2019
Issued MSEK 2,250	–	2,245
Total	**–**	**2,245**

A bond of MSEK 1,500 with maturity in 2022 was issued in November 2017 and carries a coupon rate of 5.375%. In June 2018, the new bond issue was increased through issuing an additional tranche of MSEK 750. The bond is classified under other liabilities, with recognition at amortized cost.
In October 2020, the bond was converted in full to shares and a hybrid bond.

NOTE 6 CONTINGENT LIABILITIES

SAS AB has provided an irrevocable undertaking to assume liability, as for its own debt, for the SAS Consortium's contractual interest-bearing obligations, leasing commitments and other financial obligations with some reservations in terms of subordinations and with the proviso that the obligations were entered into from the date the irrevocable undertaking entered force until it terminated on 30 September 2020.

Furthermore, SAS AB provides downstream guarantees for subsidiaries on a case-by-case basis. These guarantees may cover, wholly or in part, a subsidiary's general obligations or be for a fixed sum or a specific purpose. The downstream guarantees mainly include undertakings pursuant to purchase contracts, aircraft financing, and leasing of aircraft and other equipment.

Moreover, SAS AB has also issued time-limited capital adequacy guarantees for certain subsidiaries.

NOTE 7 AUDITORS' FEES

	FY20	FY19
Auditing services		
KPMG	6	5
Other statutory assignments		
KPMG	0	0
Tax consultancy services		
KPMG	–	–
Other		
KPMG	3	1
Total	**9**	**6**

Auditors' fees are invoiced to the Parent Company which, in turn, invoices the Group subsidiaries for their respective costs.

KPMG Sweden: Fees totaled MSEK 3.7 (3.5) for auditing services, MSEK 0 (0) for other statutory assignments, MSEK 0 (0) for tax and MSEK 2.6 (0.9) for other.

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SIGNATURES

The Board of Directors and the President hereby give their assurance that this Annual Report has been prepared pursuant to the Swedish Annual Accounts Act and RFR 2, *Accounting for Legal Entities*, and provides a true and fair view of the company's financial position and earnings, and that the Report by the Board of Directors provides a true and fair overview of the company's operations, financial position and earnings, and describes the significant risks and uncertainty factors to which the company is exposed.

The Board of Directors and President hereby give their assurance that the consolidated financial statements have been prepared pursuant to the International Financial Reporting Standards (IFRS) as adopted by the EU, and provide a true and fair view of the Group's financial position and earnings, and that the Report by the Board of Directors for the Group provides a true and fair overview of the performance of the Group's operations, financial position and earnings, and describes the significant risks and uncertainty factors to which the companies in the Group are exposed.

Stockholm, 1 February 2021

Carsten Dilling
Board Chairman

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

Kay Kratky
Board member

Jens Lippestad
Board member

Tommy Nilsson
Board member

Christa Cerè
Board member

Rickard Gustafson
President and CEO

Our auditors' report was submitted on 1 February 2021

KPMG AB

Tomas Gerhardsson
Authorized Public Accountant

As stated above, the annual accounts and the consolidated accounts were approved for issuance by the Board of Directors on 1 February 2021. The consolidated statement of income and balance sheet and the Parent Company's statement of income and balance sheet will be subject to adoption by the Annual General Shareholders' Meeting on 17 March 2021.

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AUDITORS' REPORT

To the annual meeting of the shareholders of SAS AB, Corporate Registration Number 556606-8499

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of SAS AB for the financial year 2019-11-01—2020-10-31, except for the corporate governance statement on pages 48–62. The annual accounts and consolidated accounts of the company are included on pages 29–109 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of October 31, 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of October 31, 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 48–62. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for our opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

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Accounting of passenger revenue including contract liabilities for tickets sold but not yet recognized as revenue and the customer loyalty program

See notes 2 and 25 and accounting principles on page 76 in the annual accounts and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The Group accounts for passenger revenue of MSEK 13,943 for the financial year 2019/20, and liabilities for unearned transportation revenue of MSEK 5,346 and for the customer loyalty program of MSEK 1,999 as at October 31, 2020. The COVID-19 pandemic and the actions taken in response to its spread, including government measures and travel restrictions, have resulted in significant disruption to SAS' operations including reduced revenue, cancelled flights and refunded tickets.

Passenger revenue is accounted for as a liability from the point of sale until commencement of the air transport for the passenger. Upon departure of the air transport, revenue is recognized in the income statement. Additionally, tickets that subsequent to the scheduled flight date, have been assessed to expire before utilization by a passenger are recorded as revenue. Based on historical outcomes and seasonality, a regular assessment is performed to estimate the value of tickets, for which the scheduled flight date has passed, that will expire before utilization. The recognition of revenue relating to the estimate for expired tickets results in a corresponding reduction of the unearned transportation revenue liability.

Furthermore, the Group has a customer loyalty program, EuroBonus. Points earned by program members are recorded as a liability on the balance sheet until they are redeemed or have expired. The value of the liability is derived by the number of points held by members and the estimated fair value per point adjusted for the estimated future expiration rates. Points that are estimated to expire prior to redemption are recognized as revenue, with a corresponding reduction to the customer loyalty program liability.

The recognition of revenue and movements in contract liabilities associated with expired tickets and the customer loyalty program is based on a number of inherently complex assumptions. Volatility or inaccuracies in determining these assumptions may have significant impact on the Group's results and financial position.

Response in the audit

In our audit, we have assessed the risks of the processes relating to the accounting for passenger revenue, unearned transportation revenue, and the customer loyalty program. We have evaluated the design and implementation of internal controls relating to the relevant estimates and the interfacing of systems to derive the data used in these estimates.

We have assessed the reasonableness of the models utilized by the Group to develop these estimates and their impact on the associated accounts. This assessment includes the validation of the data utilized as a basis for each estimate and the accuracy of the underlying calculations.

For the estimate of the fair value of customer loyalty program points before consideration of the estimated expiry, we examined the key inputs used to calculate the value by comparing historical usage patterns and observable market values such as comparable airfares. For assumptions regarding future ticket expiration and customer loyalty program point expiration, we assessed the Group's accuracy in forecasting by comparing previous estimates to actual outcomes. We evaluated these assumptions against historical trends, and future expectations. We have also agreed the final estimates to the corresponding income statement and balance sheet accounts.

We have also assessed the disclosures for passenger revenue and related contract liabilities included in the annual accounts and the consolidated accounts.

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Carrying values of aircraft and provisions for major maintenance costs of leased aircraft

See notes 11 and 27 and accounting principles on page 73 and 78 in the annual accounts and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The carrying value of aircraft in the Group amounted to MSEK 15,546 as at October 31, 2020, and the provision for major maintenance costs of leased aircraft and engines amounted to MSEK 2,995. As a result of the COVID-19 pandemic, a large part of the aircraft fleet has been grounded and an accelerated phase out of older aircraft has resulted in impairment charges totalling MSEK 1,040.

The Group's aircraft are divided into various components and with an estimated end of life residual value. Engines are depreciated based on utilization and major maintenance costs for the various components are capitalized and depreciated until the next scheduled mandatory major maintenance occasion. For major maintenance costs of leased aircraft and engines, provisions are made on a continuous basis which are utilized when the major maintenance is carried out or the aircraft is returned.

The Group's estimations of useful lives, residual values and major maintenance costs for engines and other aircraft components are complex in nature. Changes in the basis for these assumptions and estimates may have a significant impact on the Group's results and financial position.

Response in the audit

In our audit, we have evaluated the design and implementation of internal controls associated with the determination and calculation of component depreciation and maintenance provisions. This includes the development and monitoring of flight hours and flight cycles for engine components.

We have assessed the reasonableness of assumptions made for useful lives, components and residual values regarding aircraft and reconciled these assumptions against carrying values of aircraft components and associated depreciation recorded in the income statement.

To assess the completeness and accuracy of provisions for major maintenance for leased aircraft, we have evaluated the Group's calculations and related accounting on a sample basis through inspection of lease agreements, market values, flight cycles and flight hours.

We have also assessed the disclosures for aircraft and provisions for major maintenance costs of leased aircraft included in the annual accounts and the consolidated accounts.

First time adoption of IFRS 16 Leases

See note 1 (pages 70–71), 13, 24 and 32 and accounting principles on pages 73–75 in the annual accounts and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The Group adopted IFRS 16 Leases from November 1, 2019, which had a significant impact on the financial statements. As at October 31, 2020, the Group accounts for right of use assets of MSEK 17,264 and related leasing liabilities of MSEK 16,604. As the Group adopted the modified retroactive method, no adjustments were made to prior periods.

In accordance with IFRS 16, the present value of future lease payments is reported as a right of use asset in the balance sheet with a corresponding leasing liability. In the income statement, leasing costs have been replaced by depreciation of right of use assets and interest expenses attributable to leasing liabilities.

IFRS 16 stipulates that the Group needs to make assumptions and assessments when determining, for example, interest rates and leasing periods that are used when discounting leasing payments in each contract. As a large part of the leasing liabilities are denominated in currencies other than SEK, there is a significant currency exposure which is partially hedged, which also entails certain assumptions and assessments to be made.

Changes in these assumptions and assessments may have a significant impact on the Group's results and financial position.

Response in the audit

In our audit, we have evaluated the Group's first time adoption of the accounting for leases under the new standard.

We have also evaluated the design and implementation of internal controls for the reporting of right of use assets and leasing liabilities as well as related depreciation, interest expenses and currency revaluations.

We have assessed the reasonableness of assumptions relating to discount rates, leasing periods and any contract modifications and have on a sample basis reconciled these assumptions as well as underlying lease payments against underlying agreements and recalculated actual reported values.

Furthermore, we have evaluated the Group's revaluation of leasing liabilities in foreign currencies including the effect of hedge accounting, where applicable, as well as the related accounting in the income statement or other comprehensive income.

We have also assessed the disclosures for leases included in the annual accounts and the consolidated accounts.

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Completed recapitalization including issuance of shares and hybrid bonds
See the statement of changes in equity and note 22 and accounting principles on page 73 in the annual accounts and consolidated accounts for detailed information and description of the matter.

Description of key audit matter	Response in the audit
As a result of the negative financial impact from COVID-19, the Board of Directors in SAS AB resolved on a recapitalization plan that was approved by the extraordinary general meeting in September 2020. In the end of October, this recapitalization plan which included issuance of shares and hybrid bonds totalling MSEK 12,000 was completed. Furthermore, certain previously outstanding bonds have also been converted into equity instruments, entailing a further strengthening of equity of MSEK 2,250, before transaction costs. The Group intends to use the net proceeds to strenghen its capital structure, and to create a financial preparedness to meet the effects from of continued weak demand for air travel, changed passenger patterns and other external factors. As described in the Report by the Board of Directors, the Board of Directors assessment is that the liquidity position is sufficient for at least the next twelve-month period.	In our audit, we have evaluated the accounting of the share and hybrid bond issues and related transaction costs based on applicable accounting standards. We have inspected the board minutes, bond terms and conditions, bank statements, registration certificates, calculations and assumptions made in the various transactions and reconciled these against reported amounts. We have also reviewed and evaluated the Group's liquidity forecast for the next twelve months. We have also assessed the disclosures for these transactions included in the annual accounts and consolidated accounts as well as the Board of Directors' assessment of the sufficiency of the liquidity position in the Report by Board of Directors.

Other Information than the annual accounts and consolidated accounts
This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-28 and 116-148. The other information comprises also of the remuneration report which is expected to be made available to us after the date of this auditor's report. The Board of Directors and the Chief Executive Officer are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Chief Executive Officer
The Board of Directors and the Chief Executive Officer are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Chief Executive Officer are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Chief Executive Officer are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Chief Executive Officer intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility
Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement

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of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Chief Executive Officer.
- Conclude on the appropriateness of the Board of Directors' and the Chief Executive Officer's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Chief Executive Officer of SAS AB for the financial year 2019-11-01—2020-10-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment

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of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Chief Executive Officer shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility
Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Chief Executive Officer in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement
The Board of Directors is responsible for that the corporate governance statement on pages 48-62 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevU 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

KPMG AB, P.O. Box 382, SE-101 27, Stockholm, was appointed auditor of SAS AB by the general meeting of the shareholders on March 12, 2020. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2019.

Stockholm, February 1, 2021

KPMG AB

Tomas Gerhardsson
Authorized Public Accountant

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SUSTAINABILITY

SAS, together with the whole aviation industry has been heavily impacted by the consequences of the COVID-19 pandemic. However, our work to promote the transition to more sustainable air travel remains a prioritized and existential topic for SAS.

By aiming for global leadership in sustainable aviation, we want to be at the forefront of the transition toward a net-zero carbon society. SAS has been working to reduce the environmental impact of its operations for many years and our progress has been disclosed in external verified reports since 1996. During the year, SAS decided to accelerate its efforts to reduce emissions. Our goal to reduce total CO_2 emissions by 25% (compared to 2005 levels) is now to be reached in 2025, five years earlier than planned.

FINANCIAL, ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

For SAS, sustainable development means a simultaneous focus on financial, environmental and social responsibility. In many ways, our work on sustainability issues increases our value and competitiveness, by using resources more efficiently and minimizing risks. For example, aircraft fuel efficiency, optimizing passenger and freight capacity reduces fuel consumption as well as costs. There is also a strong financial incentive to reduce sick leave.

OUR SUSTAINABILITY FOCUS AREAS

With our determined commitment, documented activities and results, we strive to reduce our impact on the climate and the environment, and to take care of our customers, employees and society at large. This enables us to minimize sustainability-related risks and draw on potential opportunities – to avoid unnecessary costs, realize financial savings and differentiate ourselves from the competition.

The transition to more sustainable air travel is an existential topic for SAS and we believe that sustainable development means continuous improvements in all relevant areas of sustainability. We have a well-defined process for continuously reviewing which topics are the most relevant and material in terms of sustainability. The process involves engaging with internal and external stakeholders and is based on international guidelines such as the GRI, the UN Global Compact, the UN Sustainable Development Goals, global trends, the media, stakeholder dialogues, and our own assessments of risks and opportunities.

Based on our most recent materiality analysis, the following topics remain the most material for SAS and its stakeholders:

Environment
- Emissions
- Waste
- Noise

Employees
- Diversity and equality
- Work conditions

Business
- Business ethics and anti-corruption
- Sustainability in the supply chain

The materiality analysis also identifies ‘sustainability communication’ and ‘customer satisfaction’ as areas of significant importance to SAS and its stakeholders. We actively communicate on sustainability issues in a transparent manner with our stakeholders, including the publication of our Annual and Sustainability Report. Customers increasingly demand more sustainable products and it is an essential part of our product responsibility to provide products that are more sustainable, thus increasing customer satisfaction.

OUR MOST MATERIAL TOPIC – GREENHOUSE GAS EMISSIONS

Based on our materiality analysis, our most important environmental impact is emissions from the consumption of fossil fuels. Aircraft operations account for over 99%[1] of our greenhouse gas emissions. We therefore focus on promoting aircraft efficiency and the transition to sustainable aviation fuels (SAF) in our ISO 14001 environmental management system.

Our focus areas to reduce emissions:
- Increased energy efficiency
- Sustainable aviation fuels & emerging technologies
- Sustainable products & services

UN SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals (SDGs), or Global Goals for Sustainable Development, are a collection of 17 global goals set by the United Nations General Assembly in 2015. They involve meeting a broad range of global development targets by 2030. The goals encourage businesses to consider how they can best contribute to overcoming global challenges related to economic, social and environmental sustainability.

Our most relevant SDGs
As we aim for global leadership in sustainable aviation, we focus on reducing our climate impact, promoting resource efficiency and creating an attractive workplace. Four of the SDGs are closely aligned to our sustainability agenda.

SDG 5 – GENDER EQUALITY
Goal 5 promotes gender equality and the empowerment of all women and girls. SAS contributes toward this goal by encouraging gender equality and diversity through its recruitment policy and annual People Review.

SDG 8 – DECENT WORK AND ECONOMIC GROWTH
Goal 8 promotes sustained, inclusive and sustainable economic growth, productive employment and decent work for all. SAS provides fair working conditions for all its employees, partners and suppliers.

SDG 12 – RESPONSIBLE CONSUMPTION AND PRODUCTION
Goal 12 promotes sustainable consumption and production patterns. SAS works continuously with its product development and efficiency improvements in order to reduce its climate and environmental impacts.

SDG 13 – CLIMATE ACTION
Goal 13 calls for urgent action to combat climate change. SAS works proactively to reduce its greenhouse gas emissions by focusing on reducing emissions from its aircraft operations.

1) This figure is based on available statistics included in this report. As of today, it covers our flight operations including regional production partners, and the providers of external services capable of delivering statistics.

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SUSTAINABILITY GOVERNANCE

SAS MANAGEMENT SYSTEM

Sustainability is a vital part of our business and is integrated into the SAS management system. The system encompasses all activities at SAS and is based on airline operational standards, our own and shared environmental and sustainability policies, the Code of Conduct, the UN Global Compact, the UN Sustainability Development Goals, EU taxonomy, Lean and ISO 14001. The system provides guidelines for the ongoing cycle of planning, implementation and evaluation, as well as the improvement of processes and activities to meet operational and sustainability targets. SAS also has control mechanisms with allocated follow-up systems and resources in order to ensure compliance with applicable international and national legislation.

Our approach to environmental responsibility involves complying with all relevant legislation and minimizing our absolute as well as relative greenhouse gas emissions and other environmental impacts.

Both the SAS Environmental Policy and the SAS Sustainability Policy are approved by Group Management and apply to all SAS employees, products and services. The policies, together with goals and strategies, are reviewed annually at the ISO 14001 management review by Group Management. Activities are followed up within the management system and reported weekly, monthly, quarterly or annually according to specific needs.

The SAS environmental management system has been certified according to ISO 14001 throughout the company since 2010. The ISO standard is a key part of how we work with our environmental goals.

CODE OF CONDUCT

The Board of Directors has issued the Code of Conduct to summarize and clarify SAS, stated priorities, promises, policies and other regulations. The Code applies to all employees regardless of role or type of employment. To highlight the Code's importance, an extensive training program supports the implementation of the Code and all personnel regularly participate. The Code is available at www.sasgroup.net. There are also clear rules and structures for reporting and addressing suspected violations through the management system or the SAS whistle-blower function. The Code's whistle-blower function was used on three occasions in FY 2020. All cases have been closed.

RISK MANAGEMENT

SAS has a precautionary risk management approach and the work is focused on minimizing sustainability-related risks and capturing potential opportunities. The risks and opportunities are assessed and strategically dealt with within the management system and are integrated into our comprehensive risk management. Risk control measures are crucial to managing risks.

SAS works to manage risks and certain opportunities that offer tangible business potential. One example is our work with mitigating environmental impacts through our certified environmental management system. The system provides us with operational control and the capacity to quickly deal with changing business environment requirements. Read more in the Risk management section on pages 39-46.

SAS annually discloses its risks and opportunities related to climate change to CDP. Risks and opportunities are related to our possibilities to conduct aircraft operations in a changing climate, transition activities and customer perception regarding SAS as a more sustainable alternative for fast and efficient travel over longer distances. The CDP disclosure and result (B in 2020) is available on www.cdp.net.

THE GLOBAL GOALS
For Sustainable Development

The UN Sustainable Development Goals (SDGs) are a collection of 17 goals set by the United Nations General Assembly in 2015 to reach a broad range of targets by 2030.

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ENVIRONMENT

ENVIRONMENTAL SUSTAINABILITY

SAS is determined to reduce its greenhouse gas emissions. To drive our environmental work, we have set comprehensive and ambitious short and long-term environmental goals. During the year, we decided to accelerate efforts to reduce our emissions and our target to reduce total CO_2 emissions 25% (compared to 2005 levels) is now to be reached in 2025 instead of 2030. The 2025 goal will be achieved by finalizing the ongoing fleet renewal, up to 10% usage of SAF (or other equivalent measures) and other efficiency measures described later in the chapter. We have identified the possibility to achieve a potential reduction of up to 50% in total CO_2 emissions by 2030 (compared to 2005), if the prerequsites are right and a supportive regulatory framework is put in place.

OUR ENVIRONMENTAL GOALS

To reduce our greenhouse gas emissions and to drive our environmental work, we have set comprehensive and ambitious short- and long-term environmental goals.

2025 goal

- 25% lower total CO_2 emissions compared with 2005 (absolute emissions)

2030 goals

- Sustainable aviation fuel equivalent to SAS domestic production (on average 18% the last 5 years)
- 50% noise reduction compared with 2010
- 100% sustainable materials in SAS customer offering
- 100% recycling where possible

2050 goal

- >50% lower total CO_2 emissions compared with 2005 (absolute emissions and more ambitious than IATA ambition)

INDUSTRY EMISSIONS GOALS

SAS intends to be part of a long-term sustainable society and support the International Air Transport Association (IATA) ambition that it will be possible to fly commercially without material climate impact by 2050. The IATA and the airline industry have agreed on the following joint targets:

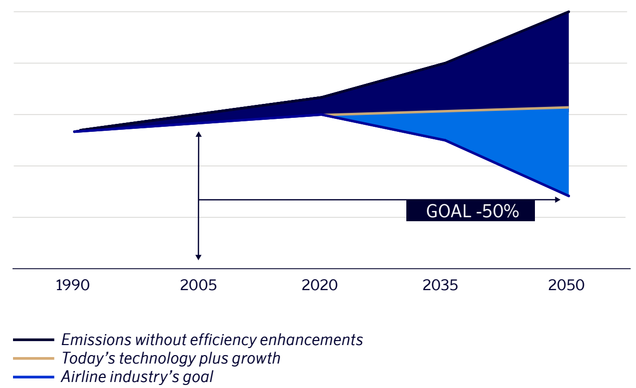
- Improved fuel efficiency by an average of 1.5% annually from 2009 to 2020
- Carbon-neutral growth from 2020
- 50% reduction in greenhouse CO_2 emissions by 2050, compared with 2005 levels

Source: www.enviro.aero

The UN aviation organization, the International Civil Aviation Organization (ICAO), has decided on a global market-based measure for implementation by 2021 – the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). The key elements of a global solution should not distort competition and should incorporate the UN's CBDR principles (common but differentiated responsibility). Carbon-neutral growth is going to be achieved through CORSIA. At present, we are prepared to fulfill reporting obligations for our emissions. Based on the structure of the scheme, we cannot estimate an annual cost yet. Due to COVID-19 and the dramatic decline in air travel during 2020, ICAO has decided to apply 2019 levels as a baseline for CORSIA and exclude 2020 from the baseline calculation.

SAS is fully committed to reaching the IATA targets and our fuel efficiency has improved by approximately 2% each year since 2010. We will realize these targets

THE GLOBAL AIRLINE INDUSTRY'S 2050 ENVIRONMENTAL GOALS



SDG 13 – CLIMATE ACTION

Goal 13 calls for urgent action to combat climate change. SAS works proactively to reduce its greenhouse gas emissions by focusing on reducing emissions from its aircraft operations.

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through a combination of new technology, sustainable aviation fuels, new energy sources, more efficient air traffic management and coordinated action to improve the infrastructure as well as the conditions under which air transport operates. See page 122 onwards for more details on how we are actively working to reduce our emissions.

OUR GREENHOUSE GAS EMISSIONS

In FY 2020, our absolute CO_2 emissions from aircraft operations decreased 57.2% compared with the previous year. The vast majority of the reduction was due to reduced traffic as a consequence to the COVID-19 pandemic.

Our CO_2 emissions per passenger kilometer increased to 111 grams (95) as a consequence of the significantly lower cabin factor as a result of the dramatic reduction in demand from mid-March 2020.

However, the energy efficiency per available seat kilometer improved 5.3% compared with last year due to the continued introduction of more efficient aircraft and primarily usage of the most efficient aircraft in the reduced traffic program.

During FY 2020, SAS used approximately 670 tonnes sustainable aviation fuel. The usage is derived from the customer SAF upgrade ancillary service and the Norwegian blend-in obligation introduced 1 January 2020.

Since 2005, our total emissions in FY 2020 have decreased 57.6%, while production measured in tonne kilometer has been reduced 58.1%.

GREENHOUSE GAS EMISSIONS, SCOPE 1

	Unit	FY 2020	FY 2019	Base year 2010
Flight Operations				
CO_2 total	1,000 tonnes	1,802	4,210	3,511
as of domestic flights	1,000 tonnes	471	734	
as of flights to/from EU/EEA	1,000 tonnes	674	1,767	
as of flights to/from outside EU/EEA	1,000 tonnes	656	1,709	
CO_2 passenger share	1,000 tonnes	1,611	3,814	3,244
NOx	1,000 tonnes	7.3	17.7	14.3
HC	1,000 tonnes	0.13	0.32	-
Passenger kilometers	million	14,491	40,247	29,572
Tonne kilometer	million	1,768	4,770	3,480
Departures	1,000	151	298	279
CO_2/passenger kilometer	gram	111	95	109.7
CO_2/available seat kilometer	gram	59	62	74
CO_2 /tonne kilometer	gram	1,019	883	1,009
Aircraft Noise – takeoff	85 db area in km² per dep.	2.09	2.17	2.40
Ground Handling				
CO_2 Vehicle Petrol[1]	tonnes	36	55	
CO_2 Vehicle Diesel[1]	tonnes	2,049	4,612	
Maintenance Productions				
CO_2 Vehicle Petrol [1]	tonnes	94	36	
CO_2 Vehicle Diesel[1]	tonnes	18	164	
SAS Cargo Group				
CO_2 cargo share flown	1,000 tonnes	191	397	
Cargo tonne kilometer flown	million	319	746	
CO_2 /cargo tonne kilometer flown	gram	598	532	
CO_2 /cargo tonne kilometer trucked	gram	150	135	

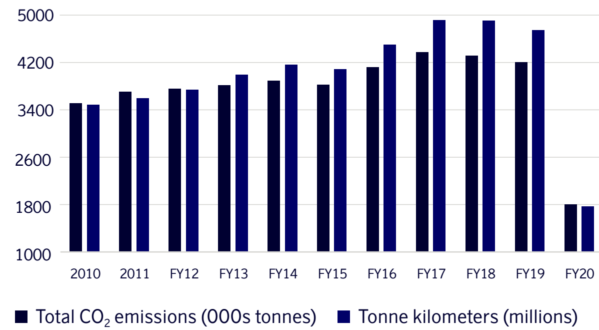
1) SAS only report on main bases ARN, CPH and OSL.

WHAT ARE OUR RELATIVE AND ABSOLUTE EMISSIONS?

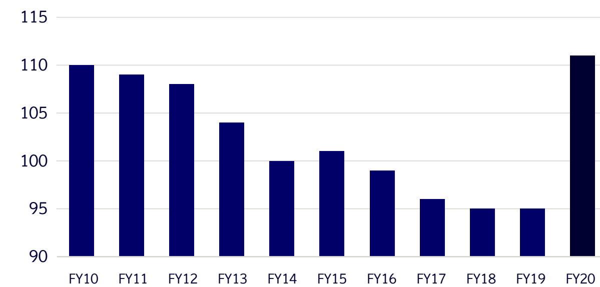
Absolute emissions refer to our total quantity of emissions (often measured in tonnes CO_2).

Relative emissions refer to emissions per production unit (e.g. gram CO_2 per tonne kilometer, gram CO_2 per passenger kilometer, gram CO_2 per cargo tonne kilometer or gram CO_2 per available seat kilometer).

SAS FLIGHT OPERATIONS, TOTAL CO_2 EMISSIONS



SAS FLIGHT OPERATIONS CO_2 GRAM/ PASSENGER KILOMETER



Share of CO_2 emissions

The following observations were made in an analysis of our total CO_2 emissions in FY 2020:

- Flights shorter than 500 km were responsible for 18% of emissions, flights between 500 and 800 km for 11%, flights between 800 and 3,000 km for 31%, and flights longer than 3,000 km for 39%.
- Domestic flights were responsible for 20% prior to COVID-19 and, during the pandemic, for 42% of emissions, and international flights for the remainder.

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Non-CO_2 emissions
In regard to greenhouse gas emissions, SAS has chosen to disclose different emissions separately in this report and the emission calculator is available on our web pages. Most emission calculators used in the market calculate an estimated CO_2 equivalent (CO_2e) based on different multipliers to include non-CO_2 emissions. SAS has chosen not to do so, because consensus is lacking among among scientists and experts, on how to calculate NOx, particles and water vapor emissions to CO_2e. SAS supports multiple initiatives aiming to reduce the effect of the non-CO_2 emissions in daily operations as well as develop a more advanced calculation methodology. In general, it can be noted that the current fleet renewal, and the technology choices made by SAS, contribute to a greater relative reduction of non-CO_2 emissions than CO_2 emissions.

Our focus areas to reduce emissions
SAS environmental programs include the following emission-related areas, which are all described in more detail below:
- Increased energy efficiency
- Sustainable aviation fuel (SAF) & emerging technologies
- Sustainable products & services

Due to the COVID-19 pandemic, various administrative functions of SAS, as well as counterparts at external stakeholders, were short-term laid off at different levels. This has affected some ongoing processes but will not affect long-term ambitions and targets.

CO_2 EMISSIONS FOR SCANDINAVIAN AIRLINES AIRCRAFT OPERATIONS FISCAL YEAR 2020

	1,000s tonnes CO_2	% of total aircraft operation CO_2
Denmark		
Domestic flights	22	1.2%
Flights to EU/EEA	162	9.0%
Flight to outside EU/EEA	241	13.4%
Norway		
Domestic flights	331	18.4%
Flights to EU/EEA	117	6.5%
Flight to outside EU/EEA	32	1.8%
Sweden		
Domestic flights	118	6.5%
Flights to EU/EEA	133	7.4%
Flight to outside EU/EEA	71	3.9%
Finland		
Domestic flights	-	-
Flights to EU/EEA	11	0.6%
Flight to outside EU/EEA	-	-
EU/EEA		
Departing EU/EEA[1] for Scandinavia and Finland	250	13.9%
Flights within EU/EEA[1]	-	-
Departing EU/EEA1 for outside EU/EEA	-	-
Outside EU/EEA		
Departing from outside EU/EEA bound for Scandinavia/Finland	314	17.4%
Departing from outside EU/EEA bound for EU/EEA[1] or outside EU/EEA	-	-
Total		

1) Excluding Denmark, Sweden, Norway and Finland, which are reported separately.

INCREASED ENERGY EFFICIENCY
Fleet renewal
Continuous fleet renewal is a vital part of our efforts to reduce greenhouse gas emissions from our aircraft operations. Our strategy is to ensure long-term profitability through a well-balanced fleet plan. Over the years, we have continuously renewed our fleet by replacing less efficient aircraft with more efficient ones.

The aircraft we use are either owned, leased or wet-leased. Owned and leased aircraft are operated by SAS Scandinavia or SAS Ireland. Wet-leased aircraft are operated by a number of regional production partners using regional jets and turboprop aircraft.

Through a constructive dialogue with Airbus, we have managed to defer delivery of new aircraft not needed in the short-term. These deferrals are important as they reduce our capital expenditure for 2021–2024 and better align deliveries of new aircraft with the expected return in demand. We are still committed to achieving a single-type fleet operation by 2023, based on new Airbus aircraft that will provide lower fuel consumption and reduced maintenance costs compared with our current fleet composition. Furthermore, we have made progress on our ambitious sustainability goals by accelerating the phase-out of older and less fuel-efficient aircraft. In the 140–200 seat range, we will operate a single-type aircraft fleet when all A320neo aircraft are delivered. Based on performance data, the A320neo aircraft shows a substantial improvement in fuel consumption and noise emissions. The A320neo has 15–18% lower fuel consumption on a typical short-haul flight compared with the previous generation, the A320ceo.

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During the year, we received 13 A320neo, four A350 and one A321LR aircraft and concurrently phased out 15 older aircraft. By 31 October 2020, we had received 41 of the 80 A320neo, and four of the eight A350 aircraft ordered in total. At year end, the SAS fleet consisted of 135 aircraft (12 long-haul aircraft, 95 short-haul aircraft and 28 aircraft flown by regional production partners). The average age of the entire aircraft fleet was 9.0 years at year end.

Right sizing
SAS offers an extensive network of destinations and routes for different passenger volumes, which requires an aircraft fleet of different sizes and ranges. With our regional production partners, we can optimize our schedule and aircraft size to optimally meet demand, particularly on regional routes with relatively low demand. This unique capacity to switch aircraft size to meet demand enables us to optimize our fuel use and emissions per seat kilometer. We also draw on our extensive experience to constantly drive efficient aircraft planning.

Fuel efficiency program
We have a comprehensive long-term fuel saving program integrated into our operations. An important aspect of increasing fuel efficiency is to ensure that all employees in SAS airline operations have the prerequisites and knowledge to promote fuel efficiency. Key functions are those responsible for network planning, products and services as well as those employees involved in aircraft operations.

Ongoing activities include optimizing operating procedures and support systems to promote fuel efficiency. Any change must maintain the highest level of flight safety standards and balance fuel efficiency with other operational costs, such as maintenance costs and airspace charges.

Airspace and European Network
Over the past 20 years, SAS has worked with various stakeholders and made numerous investments to enable and prepare for the introduction of a more efficient European air traffic control system. The responsibility to implement this important transformation, lies with authorities.

Collaboration with aircraft and engine manufacturers
Through ongoing environmental work, we engage with various aircraft and engine manufacturers, producers of interiors and other aircraft installations. Environmental performance and criteria are integrated into all decision-making procurement processes for new aircraft and regional production partners.

SUSTAINABLE AVIATION FUEL (SAF) & EMERGING TECHNOLOGIES

For over a decade, we have worked on various activities to promote the development of alternative and more sustainable aviation fuels (SAF), such as biofuels. It is essential that low-carbon jet fuels are commercialized in order to meet our own and the airline industry's environmental and climate objectives, and to secure alternatives to fossil fuels that are expected to become scarcer and potentially more expensive in the future.

SAS continues to ask for SAF quotes in all jet-fuel tenders in order to indicate that we are prepared to purchase biofuel if the sustainability criteria are in place and the price is competitive. SAS is involved in a number of national and international projects, forums and networks to accelerate the commercialization of SAF production in Scandinavia. These include the IATA/ATAG biofuel network, RISE, SAFUG, NISA, Fossil Free Aviation 2045, Preem, Klimapartnerskabet and other Scandinavian interest organizations. There are different production pathways certified and many more on their way to potentially being certified. Our strategy is to support the progress of already certified pathways and to be involved in projects and initiatives working with the most realistic and implementable pathways to potential certification within a realistic time frame.

Our main sustainability criteria for biofuels is that the production is sustainable in the long-term, does not compete with food production or access to potable water, does not harm biodiversity and uses as little land area as possible. According to the IATA, depending on the production method, SAF can reduce lifecycle CO_2 emissions by up to 80%.

From 2020, Norwegian fuel suppliers are required to blend in 0.5% SAF on all flights fueled in Norway. There is an ongoing process to introduce a SAF mandate in Sweden. The suggestion is to introduce the system during 2021 and start with an approximate blend in of 1%.

Future lower emission aircraft
There are several development projects ongoing aimed at commercializing future low emission aircraft in a time frame of 5 to 15 years. When developing more efficient aircraft there are several development areas, such as improved aerodynamics, weight reductions, and further improved or new propulsion solutions.

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During the year, new propulsion solutions were in focus. There are many different possible solutions, for example next-generation jet turbine engines using traditional jet fuel or SAF, jet turbines converted to use hydrogen and electric engines with battery or hydrogen fuel cells as energy storage. Every solution has its opportunities and challenges, and we anticipate many different solutions commercialized over time.

The ongoing projects among smaller producers are targeting the 10-15 seat market with a one- to two-hour flight range before 2030 and the major aircraft manufacturers are expecting to commercialize 100-150 seat aircraft with a typical short-haul range in the market before 2040.

SAS and Airbus signed a memorandum of understanding in 2019 with the aim of accelerating the development of a 100-seat aircraft with technology enabling full-electric, hybrid or hydrogen propulsion during the 2030s. Within the agreement, SAS and Airbus cover different topics connected to the commercialization of the technology, such as SAS, business needs, charging capabilities, operational possibilities and boundaries, etc. In October 2020, Airbus launched its 'ZEROe' concept and our work continues as planned.

SAS puts a lot of effort into its engagement with Airbus and strongly supports the development of various initiatives within this area. We strongly believe that we will experience a major technology shift during the 2030s with the commercialization of several full-electric, hybrid or hydrogen aircraft.

SAS also participates in The Nordic Network for Electric Aviation (NEA, a network that aims to address the prerequisites for commercialization of electric aircraft in the Nordic region). The network is managed by RISE, with participants Heart Aerospace, Swedavia, Avinor and other Nordic airlines.

OTHER ENVIRONMENTAL TOPICS

Emissions of ozone-depleting substances

Airlines must submit annual reports on their use, consumption, leakage and storage of halon to the authorities. In FY 2020, there where no instances reported where halon was used as a fire safety precaution.

Emissions calculations and CO_2 offsetting

Carbon offsetting options for customers have been available since 2006. In our emissions calculator, which is available on www.sasgroup.net, greenhouse gas emission calculations are provided for SAS flights. We carbon offset all SAS tickets for EuroBonus members, Youth travel with SAS and our own staff tickets. For FY 2020, these offsets resulted in 0,7 million tonnes of CO_2, or 43% of the passenger-related CO_2 emissions. The offsetting is conducted through the purchase of emission reducing mechanisms connected to third-party renewable energy projects in Asia.

Glycol, diesel and petrol consumption

Glycol is used when deicing aircraft. We reduced our usage of glycol to 1,431 thousands liters (2,807) in FY 2020.

SAS uses vehicles to provide maintenance and ground-related services at airports, and follow airport regulations promoting the switch to vehicles with lower environmental impact. At our main bases, all vehicles are leased, with contracts and fuel consumption continuously followed up. SAS Cargo also monitors CO_2 emissions per cargo tonne kilometer from its subcontracted ground trucking operations.

Some spillages were reported in conjunction with ground handling during the year. These were properly managed according to procedures.

Emissions from energy consumption in buildings

We continuously work to reduce energy consumption. During FY 2020, we upgraded the lights in our hangars and hangar service center in Oslo to LED lighting, which has already been completed at Arlanda and Kastrup. Our energy consumption decreased due to more effective lighting but also to less building floor space being used. This is mainly due to the substantial reduction of our own operations in recent years.

GREENHOUSE GAS EMISSIONS, SCOPE 2

	Unit	FY 2020	FY 2019	Base year 2010
Energy				
CO_2 energy	1,000 tonnes	8,6	9.8	24.9
As of CO_2 electricity	1,000 tonnes	4,1	4.6	12.3
As of CO_2 heating	1,000 tonnes	4,5	5.3	12.6

Own business travel

We have control of our own business trips on SAS flights which generated approximately 790 tonnes CO_2 during the year. SAS is looking into and evaluating how to get suppliers to report our scope 3.

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Noise
Aircraft noise is perceived to be the most material impact for local airport stakeholders. There are strict regulations in place along flight paths that are close to residential areas. During FY 2020, noise emissions at take-off decreased 4% and 14% compared to 2010. This is due to the introduction of newer and quieter aircraft.

SAS received a few noise violation reports in FY 2020. The number of breaches has declined in recent years as a result of the procurement of quieter aircraft and improvement initiatives, such as specific flight simulator training scenarios flying to and from airports with strict noise regulations.

Waste
We work continuously to improve the recycling of onboard waste, although this is challenging as waste must be handled in accordance with different national legislation. The legislation often implies a treatment that does not enable sorting or recycling. We do however recycle aluminum cans at all our Scandinavian base stations. All disposal of waste is taken care of by third-party suppliers. Waste from our offices, ground services and technical maintenance is measured and divided into sorted, unsorted and hazardous waste.

Due to the COVID-19 pandemic, operations were dramatically reduced and in April the serving of all food onboard was put on hold and our lounges were closed. This resulted in zero food waste, both from our onboard catering and lounge service.

	Unit	FY 2020	FY 2019	Base year 2010
Sorted waste	tonnes	817	1,881	-
Unsorted waste	tonnes	170	171	815
Hazardous waste	tonnes	83	183	302

Jet fuel spills
In FY 2020, a few fuel leaks were reported during refueling of aircraft with SK flight numbers. These were handled according to procedures.

Environmental regulations and compliance
Besides improving resource efficiency and environmental performance, our sustainability work ensures that SAS operations comply with all applicable environment-related laws and regulations. No severe incidents breaching any environmental permits were reported in FY 2020.

Environment-related costs
In FY 2020, SAS external environment-related user charges and travel taxes amounted to MSEK 627 (1,807). These charges and travel taxes comprised environment-related travel taxes and user charges that are sometimes associated with the environmental performance of aircraft and are included in landing fees. Our environmental taxes in Sweden and in Norway amounted to MSEK 271 (1,099).

The aviation industry pays for its CO_2 emissions within the EU through the European Union Emission Trading Scheme (EU-ETS), which is an established market-based measure. SAS expensed emission rights related to the EU-ETS amounting to MSEK 4 (247) in FY 2020. From 1 January 2021, SAS also reports CO_2 emissions to CORSIA.

We believe that market-based measures should not distort competition but should address emission reduction targets and create incentives for continuous improvement. SAS has supported the development of a global, market-based solution for airline emissions for many years.

SAS fully supports the Polluter Pays Principle and takes responsibility for its emissions. However, we oppose the Swedish and Norwegian taxes that don't address the actual CO_2 emissions and are in addition to EU-ETS or the soon to be introduced CORSIA. The result can be seen as a way of implementing economic measures, but lacks incentives to reduce CO_2 emissions. For example, a passenger onboard an A320neo aircraft with 50% SAF pays the same tax as a passenger onboard an aircraft two generations older, despite having approximately 65% lower emissions.

Environment-related liabilities
SAS has no known major environment-related liabilities or contingent liabilities, such as contaminated land.

Environment-related investments
According to SAS guidelines, our investments are to be both environmentally and economically sound. This contributes to our profitability and helps ensure we can meet future environmental requirements.

During FY 2020, no significant environment-related investments were conducted. This is because our preferred solution is leasing, rather than investing in aircraft, vehicles, computers, etc.

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SUSTAINABLE PRODUCTS & SERVICES

During the first two quarters of the year we successfully moved toward our goals: 100% recycling and 100% sustainable product and services by 2030. We continuously develop our products and services to make them as sustainable as possible in terms of resources and materials with a lifecycle perspective.

Due to the COVID-19 pandemic, operations have been dramatically reduced after mid-March, but sustainability remains an important focus in our daily business.

The safety of passengers and employees is always our highest priority and because of the COVID-19 outbreak, additional measures were introduced to ensure safety and well-being onboard. We introduced mandatory facemasks, safety processes and a safety kit for all staff onboard.

In October, we re-started the serving of food onboard, starting with a reduced service on flights over 80 minutes from Denmark. We also opened our lounges with a limited food supply. Our ambitious sustainability goals remain, and we continue to develop more sustainable product and services onboard and in our lounges, to be introduced as traffic slowly increases.

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EMPLOYEES

OUR APPROACH TO EMPLOYEES

As an employer, our responsibility is to ensure decent working conditions in the work environments within our operations, mainly in the Nordic region. SAS is also responsible for providing personal and professional development opportunities. The SAS Work Environment Policy, Leadership Policy, Personnel Policy and Diversity Policy apply to all employees at SAS. Group Management is ultimately responsible for the policies. The policies are reviewed annually, and activities are followed up on within the management system and reported weekly, monthly, quarterly or annually according to specific needs.

We have a zero-tolerance policy toward all forms of harassment and work continually to counteract harassment through various activities. This is regulated by our Code of Conduct, and web-based training in the Code is mandatory for all employees.

Redundancies and cooperation with labor unions

With the new market reality that has come with the COVID-19 outbreak, SAS is adapting and reshaping how to plan and navigate short-term as well as taking into account the uncertainties surrounding the overall future of the aviation industry. Unfortunately, we were forced to redundencies in our organization and we understand the impact this has had on the lives of our employees. The workforce has been adjusted and redundancies of 5,000 full-time positions were carried out to match the anticipated future demand. This meant a reduction of approximately 1,900 positions in Sweden, 1,300 in Norway, 1,700 in Denmark and 100 in all other countries. The redundancies in FY 2020 were handled through negotiations with labor unions in compliance with national laws and agreements.

Day-to-day collaboration with labor unions is mainly carried out on a national level with unions that have collective agreements with SAS. Collaborations take place within the framework of national laws and agreements affecting the unit concerned. SAS conducted negotiations and discussions with all unions during FY 2020.

Employee representatives from the Scandinavian countries sit on the SAS Group Board of Directors. Employees elect representatives from units in the Group's Scandinavian operations. SAS employees are covered by collective bargaining agreements, with the main exception of a few specialists and senior executives at Group level.

DIVERSITY AND EQUAL OPPORTUNITIES

The SAS Diversity Policy promotes equal treatment of all employees and job applicants. Our work with equal opportunities includes promoting diversity and equality in all its forms. In FY 2020, the gender distribution at SAS was 37% women and 63% men.

At SAS, there is a traditional split between female-dominated roles and male-dominated roles. Pilots (4% women), and technicians and aircraft maintenance staff (5% women) are traditionally male-dominated, while cabin crew (78% women), check-in and gate personnel at the airports (63% women) are typically female-dominated.

As of October 31, 2020, SAS Group Management comprised 29% women, the SAS Board of Directors comprised 38% women and SAS Cargo Board of Directors comprised 40% women.

SAS works actively to promote equality in traditional gender dominated roles and in management by encouraging gender equality and diversity through our recruitment policy and annual people reviews. SAS recruitment policy states that the best candidate for a particular position is chosen, with the SAS diversity aims in mind.

	Age			
Legal gender	**<30**	**30–49**	**>50**	**Total**
Women	357	1066	1610	3033
Men	463	1700	2947	5110
Total	**820**	**2766**	**4557**	**8143**

Training

In FY 2020, SAS employees attended approximately 350,000 hours of training (excluding in-air training hours), which equates to an average of 43 hours per employee. The decrease in training hours was due to COVID-19. Flight crews, technical and operational ground staff are covered by a number of license and competency requirements from EU-OPS, and the IATA through the IOSA (IATA Operational Safety Audit).

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Company health services
Our health services or health and work environment (HWE) function that support the entire organization, offers services through in-house or outsourced resources including therapists, stress and rehabilitation experts, ergonomic specialists and engineers. The function also offers special services, including aviation medicine, stress management, follow-up on sick leave, health profiles, ergonomics, and advice in handling chemicals. Investments are made throughout the organization into various health-promoting activities both in the workplace and during leisure time. During the COVID-19 pandemic, many employees have been working from home according to recommendations and quarantine restrictions from authorities. SAS was well prepared regarding digital solutions, but as for many other companies in this situation, it resulted in new challenges regarding the work environment.

Sick leave
Sick leave is a significant expense for society that can be caused by physical and mental illness. Our calculation for sick leave costs amounted to approximately MSEK 153 (218) in FY 2020. SAS works actively to prevent short- and long-term sick leave.

A standardized reporting method is implemented for all three Scandinavian countries, and sick leave is reported according to Swedish legislation. Managers, supported by HR, conduct early follow-ups with sick employees, which have reduced long-term absence.

For crew, special sick leave follow-up teams work in close collaboration with external occupational health and aeromedical specialists. Early contact with employees and support for medical health care and rehabilitation programs shorten periods of illness.

When short-term sick leave is reported, employees are offered medical advice from nurses. In cases of frequent short-term sick leave, SAS requires a "first day doctor's note". Temporary workplaces and special work schedules are offered for better and faster rehabilitation.

During FY 2020, total sick leave at SAS decreased to 4.2% (5.7%). Long-term sick leave, more than 14 days, accounted for 3.0% (3.8%) of the total sick leave at SAS.

Occupational accidents
The number of occupational accidents leading to absence at SAS was nine in FY 2020. The decrease during FY2020 was mainly due to reduced workload, improved processes for systematic follow-up, educational activities and clarification of definition in collaboration with safety representatives, supervisors, HR and labor-management joint safety committees that cover all employees in each country.

Ground handling has the highest frequency of occupational accidents within SAS. Examples of occupational accidents include crushing, falling and in some cases involving vehicles in connection with baggage handling.

5 GENDER EQUALITY

SDG 5 – GENDER EQUALITY
Goal 5 promotes gender equality and the empowerment of all women and girls. SAS contributes toward this goal by encouraging gender equality and diversity through its recruitment policy and annual People Review.

8 DECENT WORK AND ECONOMIC GROWTH

SDG 8 – DECENT WORK AND ECONOMIC GROWTH
Goal 8 promotes sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. SAS provides fair working conditions for all its employees, partners and suppliers.

SAS	DK	NO	SE	Total
No. of employees October reporting fiscal year (head count)	2690	2619	2834	8143
No. of women	922	953	1158	3033
of whom, women, %	34	36	41	37
Total sick leave, %	3.7	5.2	4.0	4.2
Long-term sick leave (more than 14 days), %	2.7	3.8	2.6	3.0
Total number of occupational accidents with one day sick leave or more	3	5	1	9
Occupational accident frequency lost time-to-injury rate (H value)	0.6	1.3	0.2	0.6

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BUSINESS

BUSINESS ETHICS AND ANTI-CORRUPTION

Our management approach is to take an active stance against all forms of corruption and anti-competitive behavior.

The SAS Code of Conduct, Legal Policy, and SAS Anti-bribery Policy are applicable to everyone who acts on behalf of SAS Group. The SAS Board of Directors has the overall responsibility for implementing the Code of Conduct and monitoring compliance. Compliance is monitored throughout the management system and through internal audits.

Regulations relating to bribery and other improper actions are particularly strict. An example is the ongoing "Competition Law Compliance Program" that covers all entities within SAS. The program addresses the most material risks related to corruption and employees that are exposed to corruption risks in their daily work.

SUSTAINABILITY IN OUR SUPPLY CHAIN

We have close to 5,000 suppliers that provide products and services. The supply chain is centered around aircraft operations and the associated services. It includes:

- aircraft and engine manufacturers
- airport and air navigation service providers
- fuel suppliers
- catering suppliers
- IT suppliers
- technical maintenance suppliers
- regional production partners
- financial services

Suppliers are primarily situated in the geographical areas where SAS routes are flown. In line with our operational model, we are increasingly outsourcing ground handling, regional production partners, customer services and accounting functions to external suppliers.

Supply chain responsibility

The SAS Supplier Code of Conduct and the SAS Purchasing Policy cover all purchasing activities within SAS. Group Management is responsible for the Purchasing Policy, which is reviewed annually. Activities are followed up within the management system and reported weekly, monthly, quarterly or annually according to specific needs.

Supply chain governance

Our established governance model clarifies supply chain responsibilities, risks and improvement areas as well as how potential deviations are handled. The responsibility for continuously following up with our critical suppliers is centralized and standardized. All SAS suppliers are required to meet our high prioritized sustainability and social responsibility requirements, our Purchasing Policy, and the general terms and conditions of the UN Global Compact and other specific sustainability requirements. Sustainability is highlighted as an evaluation criterion in all SAS sourcing governance.

The criteria depend on the type of product or service and where it is produced, but may include energy efficiency, waste handling, collective agreements, human rights, child labor, etc. Criteria are reviewed and managed in the procurement phase and during the agreement period.

Stakeholder dialogue

We have a long tradition of ongoing dialogue and cooperation with a wide range of stakeholders and involvement in community-related issues.

SAS prioritizes close collaboration with customers, authorities, suppliers and airports to create conditions to develop solutions for improved sustainability performance. SAS also engages in dialogue with parties that want knowledge, drive change or support SAS in different ways, i.e. employees, partners, experts, NGOs, organizations, researchers, etc.

We see stakeholder dialogue as an opportunity to initiate engagement on relevant topics and to gain input to further develop the SAS customer offering and sustainability agenda. As an effort to create a greater understanding of the aviation industry, we also participate in various industry and employee organizations.

A list of our stakeholders can be found at www.sasgroup.net

SDG 12 – RESPONSIBLE CONSUMPTION AND PRODUCTION

Goal 12 promotes sustainable consumption and production patterns. SAS works continuously with its product development and efficiency improvements in order to reduce its climate and environmental impacts.

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PRODUCT RESPONSIBILITY

We take responsibility for maintaining the highest standards of product responsibility and follow strict policies as well as applicable legislation concerning health and safety, environmental impact, IT security and food safety. We also have a responsibility to deliver products and services that are reliable and are produced under decent conditions. The SAS Quality Policy is applicable to all SAS products and services, it is overseen and annually reviewed by Group Management. Activities are followed up within the management system and reported weekly, monthly, quarterly, or annually according to their specific needs.

Flight Safety is highly regulated, and SAS is regularly audited by external parties. The relevant authorities review working conditions for airline personnel regarding areas such as working hours, which help to promote flight safety.

Punctuality and regularity are crucial aspects to deliver passenger transport on time and as planned. SAS works continuously to monitor and improve punctuality and regularity, which is highly valued by SAS customers. Punctuality is also of high importance for reducing emissions.

IT security and integrity are increasingly important, and SAS has an extensive program to ensure the high level of IT security required. We also comply with the EU General Data Protection Regulation (GDPR) legislation.

SAS CONTRIBUTES TO ECONOMIC DEVELOPMENT

Our operations benefit society by directly and indirectly creating economic value and social welfare in the countries and communities where we operate.

We promote significant direct economic benefits as an employer and a purchaser of goods and services. In FY 2020, SAS paid wages and salaries totaling MSEK 8,252 which included social security expenses of MSEK 1,132 and pensions of MSEK 859. SAS aims to achieve market pay for all employee groups.

SAS creates economic value by providing the necessary infrastructure to enable smooth passenger journeys and cargo transport to, from and within Scandinavia. Air transport pays the costs for the infrastructure it needs to operate, such as airports, air traffic control and security. In FY 2020, these costs amounted to MSEK 3,461 for Scandinavian Airlines. Of these costs, Scandinavian Airlines paid MSEK 591 in security-related costs.

COMMUNITY SUPPORT

SAS supports social initiatives that are mainly related to our airline operations. Some initiatives that took place during the year were due to the extraordinary situation surrounding the COVID-19 pandemic.

Repatriation flights

To bring home stranded citizens from countries such as Peru, Brazil and Pakistan, SAS carried out repatriation flights on behalf of the Scandinavian authorities.

Securing infrastructure

SAS maintain Scandinavian connectivity, especially on domestic destinations and secure critical infrastructure for travelers and cargo.

Air bridges for medical supply

SAS contributed with transport via air freight to bring essential medicine and medical equipment to Scandinavia during the pandemic.

Supporting society

During temporary layoffs, committed employees engaged in relieving the strained healthcare sector, assisting in carrying out public COVID-19 tests and volunteering as substitute teachers in elementary schools.

Preparedness for air ambulance operations

SAS has a commercial agreement with the Swedish government to make two specially equipped Boeing 737s available as air ambulances within the framework of the Swedish National Air Medevac (SNAM) in the event of a national emergency. A similar agreement exists with the Norwegian Armed Forces under which SAS is to make a remodeled ambulance service 737-700 available for medical evacuation within 24 hours, and a second aircraft within 48 hours if necessary.

Christmas flight

Every December since 1985, we have supported the Norwegian "Christmas flight". The Christmas flight is an aid campaign carried out by SAS employees together with volunteers, who throughout the year collect goods and contributions from various partner companies and private individuals. We provide an aircraft with full operational support, while pilots and crew volunteer in their free time, and fuel is sponsored by a fuel supplier. Due to COVID-19 no flight were conducted in December 2020.

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SAS – U-Assist

U-Assist is a non-profit initiative launched by SAS employees in 1979. It is run voluntarily by our employees, and as a section in the internal SAS Club, it is supported by SAS. The main focus is to help children in developing countries to get a better life through various projects in different countries. During FY 2020, due to the closedown of schools, U-Assist has focused on helping the children and their families with an outreach program carried out by local helpers, offering food packages and soap together with information on hygiene. Approximately 95% of the funds raised by U-Assist goes directly to the projects, leaving only 5% for administration costs.

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ABOUT THIS REPORT

The sustainability reporting in SAS Annual and Sustainability Reports, has been subject to third-party review since 1996. The report describes the company's most essential environmental and societal aspects during fiscal year 2020 from 1 November 2019, to 31 October 2020.

The Annual and Sustainability Report has been prepared in accordance with the GRI Standards: Core option. The UN Global Compact, UN Sustainability Development Goals, ISO 14001 and CDP were also taken into consideration in the preparation of this report. The sustainability part of this report has been prepared following the SAS Accounting Policies for Sustainability Reporting.

In accordance with the Swedish Annual Accounts Act, SAS has prepared a statutory Sustainability Report, which has been incorporated into the Annual and Sustainability Report FY 2020, separate from the Report by the Board of Directors, on pages 116-137. The auditor's opinion regarding the statutory sustainability report is included on pages 138-139.

This Annual and Sustainability Report is a key part of our commitment to communicate transparently with stakeholders. The 2019 materiality analysis was reviewed and updated in 2020 and "sustainability communication" was still identified as an area of great importance to SAS and its stakeholders.

The SAS Group is referred to as SAS in this Sustainability Report.

External review: material sustainability information and EU-ETS
All material sustainability information in the Annual and Sustainability Report for FY 2020 has been reviewed by KPMG. The Auditor's assurance report can be found on pages 138–139.

KPMG has verified the reporting systems regarding CORSIA and the EU trading scheme for emission allowances for flights under the SK flight number.

External initiatives
SAS has been a member of the UN Global Compact since 2003 and participates in the Nordic Network. One criterion for publishing company information on the Global Compact website is an annual update – the Communication On Progress (COP). The most recent SAS information update was completed in June 2020. The UN Global Compact is a pivotal component of the SAS Code of Conduct and the requirements imposed on the company's suppliers.

We have also chosen to use the UN Sustainable Development Goals (SDGs) as a tool to structure our strategic sustainability agenda. See pages 118–119 for more on our approach to the SDGs.

Examples of organizations related to sustainability issues where SAS is a member:

- Member of the Nordic initiative Sustainable Aviation.
- Member of Nordic CEOs for a Sustainable Future.
- Member of the biofuel cluster Fossilfritt Flyg 2045.
- Member of The Nordic Network for Electric Aviation.
- Member of the IATA and participant in the IATA's Environmental Committee.
- Active in the Nordic working group for environmental issues in aviation (N-ALM).
- Member in Star Alliance, the world's largest airline network.
- Participation in three national industry organizations: NHO Luftfart in Norway, Föreningen Svenskt Flyg in Sweden and Dansk Industri in Denmark.

Accounting policies for sustainability reporting fiscal year 2020
'SAS' or 'The SAS Group' is used throughout the report when referring to our overall operations.

For FY 2020, SAS reports its general sustainability results divided into the segments:

- Scandinavian Airlines comprises all operations in the SAS Consortium, including SAS Cargo Group (SCG).
- SAS Ground Handling (SGH).

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For environmental responsibility, SAS strives to distinguish between airline and ground operations. Accordingly, the following distinctions have been made:

- Airline operations with an SK flight number. Scope 1
- Ground handling in SAS Ground Handling (SGH). SGH conducts ground handling for SAS and other customers, such as other airlines. Scope 1.
- Technical maintenance in SAS Maintenance Production. SAS Maintenance Production conduct technical maintenance primarily for SAS but also for other customers, such as other airlines. Scope 1.
- Freight and mail services within SAS Cargo Group A/S (SCG). Scope 1.
- Facilities owned or leased by SAS. Scope 2.

The SAS legal structure is presented on page 48.

Monitoring sustainability-related data

We monitor relevant sustainability key performance indicators (KPIs) on an ongoing basis. SAS uses various parts of the Lean methodology and follow-ups of these KPIs are conducted within the management system and reported weekly, monthly, quarterly or annually according to specific needs.

As preparation for external sustainability reporting, there are data collection processes in the management system covering all areas of the SAS sustainability agenda.

SCOPE OF THE SUSTAINABILITY WORK

The goal of the Annual and Sustainability report is to disclose all information necessary to provide the reader with a comprehensive overview of our environmental, societal, and financial responsibilities.

The ultimate responsibility for our sustainability aspects, and their integration in operational activities, lies with Group Management. The Annual and Sustainability Report is approved by SAS Group Board of Directors and SAS Group Management before publication. The SAS Group Board of Directors submitted the Annual and Sustainability Report FY 2019 in January 2020.

Limitations

The main principle for sustainability reporting is that all units and companies controlled by SAS are accounted for. This means that sustainability-related data for divested companies owned by SAS during the period is reported wherever possible. The same accounting policies as for financial information in the Annual Report are intended to be used for information in the Sustainability Report.

SAS has a number of production indicators (such as passenger kilometers and tonne kilometers). There are differences between the Annual Report and the Sustainability Report with regards to the disclosure of the number of passenger kilometers. The Annual Report uses revenue passenger kilometers (RPK) where paying passengers are included, while the Sustainability Report uses passenger kilometers (PK) where all passengers (including non revenue) are included.

Standard definitions for environmental and societal data have been applied throughout SAS. None of the limitations are considered to have any substantial significance.

Changes in accounting policies and calculating principles

None.

Principles for reporting and calculating external and other environment related costs

Where possible, environment-related costs are based on information directly from the accounting system. When this has not been possible, for example, for calculations of certain charges and taxes that are included in landing charges, estimates were used based on the number of passengers to a certain destination and the charge or tax per passenger.

Principles for reporting and calculating environmental data

Reported environmental information is based on the following calculations and/or factors:

- Distance, based on WGS84 Great Circle Distance (GCD) calculations between airport reference points as defined in national Aeronautical Information Publication (AIPs).
- Passenger weight for PK calculations uses 100 kg for any person with hand luggage and checked luggage transported. This does not include active crew.
- Cargo and mail, actual weight is used.
- Fuel density (kg per liter):
  – Jet A/A-1[1]: Actual density or 0.8
  – Diesel: 0.84
  – Petrol: 0.73
  – Heating oil: 0.84
- CO_2 factor (per weight unit of fuel):
  – Jet A/A-1[1]: 3.15
  – Diesel: 3.17

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– Petrol: 3.12
– Heating oil: 3.17
– Electricity: 125.5 (grams/kWh based on Nordic energy mix)
- Energy conversion of fuels (GWh per 1,000 tonnes):
  – Jet A/A-1: 12.0
  – Diesel: 12.0
  – Petrol: 12.2
  – Heating oil: 12.0
- Nitrogen oxides (NOx), factors (per weight unit of fuel):
  – Jet A/A-1[2] Between 0.00694 and 0.0193[2]

1) Fuel density and CO_2 factor for Jet A/A-1 is calculated according to approved MRV plan.
2) Varies per aircraft/engine combination.

CO_2 emissions per passenger kilometer and cargo tonne kilometer – scope 1
SAS has chosen to apply a calculation method to divide the amount of fuel used for passenger and cargo transport before dividing the amount by passenger or cargo tonne-kilometer. The method is based on the IATA Carbon Calculator Tool. The assumption is that fuel usage is proportional to weight. Passenger fuel usage is the ratio of total passenger weight to total weight multiplied by the total fuel used. The remainder is allocated to cargo transport.

Total Passenger Fuel Usage	=	(Total Passenger Weight/ Total Weight) x Total Fuel Used
Where, Total Weight	=	Total Passenger Weight + Total Freight/Cargo Weight
Total Passenger Weight (kg)	=	(Number of Seats x 50 kg) + (Number of Passengers x 100 kg)

The calculation method allocates 50 kg per seat as a prerequisite for passenger transport and the same weight per passenger as used in all other calculations applied within the industry.

For cases when flights were conducted without passengers or freight/cargo transport, all CO_2 emissions were allocated as passenger transport. This may include training flights, positioning flights between scheduled flights, and flights to/from maintenance, etc. The reason for this changed calculation method is to achieve more precise CO_2 emissions per production unit calculations. The previous calculation method essentially involved double accounting, with emissions per passenger kilometer including the fuel used for freight/cargo transport and vice versa.

CO_2 emissions per available seat kilometer – scope 1
In order to calculate the CO_2 emissions for each available seat, the assumption is that each seat is occupied by one passenger which corresponds to 100 kg. The metric is calculated by dividing the total CO_2 emissions with the total available tonne kilometer and then multiplied with 0.1 (i.e. 100 kg or 0.1 tonne).

Principles for reporting and calculating employee data
The following principles for calculating and reporting societal data have been used.

Occupational accidents (H value)
Frequency of occupational accidents (H value) is calculated using the following formula:

$$\frac{\text{No. of occupational accidents with a minimum of one day absence x 1,000,000}}{\text{Total number of performed working hours per year}}$$

Number of employees
In this report, the number of employees is based on the number of persons during the month of October and sick leave statistics calculated for the fiscal year. The statistics include employees with a budgeted or actual schedule and/or who were sick during the period. Employees hired outside Scandinavia are included in the disclosure as Denmark.

Sick leave
Sick leave is reported as the number of days sick in relation to the number of employees multiplied by the number of calendar days. For sick leave, absence due to sick children is excluded. Long-term sick leave (more than 14 days) is reported as a percentage of the total sick leave.

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	GENERAL DISCLOSURES			
GRI 102: General disclosures 2016	102–1	Name of the organization	Page 30	
	102–2	Activities, brands, products, and services	Page 4	
	102–3	Location of headquarters	Page 30	
	102–4	Location of operations	Pages 4 and 148	
	102–5	Ownership and legal form	Page 48	
	102–6	Markets served	Pages 4 and 148	
	102–7	Scale of the organization	Pages 66, 78 and 142	
	102–8	Information on employees and other workers	Pages 127–128 and www.sasgroup.net	
	102–9	Supply chain	Page 129	
	102–10	Significant changes to the organization and its supply chain	Pages 7–8	
	102–11	Precautionary Principle or approach	Pages 39–46 and 119	
	102–12	External initiatives	Page 132	
	102–13	Membership of associations	Page 132	
	102–14	Statement from senior decision-maker	Pages 9–11	
	102–15	Key impacts, risks, and opportunities	Pages 39–46 and 119	
	102–16	Values, principles, standards, and norms of behavior	Pages 4 and 118	
	102–18	Governance structure	Page 48	
	102–40	List of stakeholder groups	Page 129 and www.sasgroup.net	
	102–41	Collective bargaining agreements	Page 127	
	102–42	Identifying and selecting stakeholders	Page 129 and www.sasgroup.net	
	102–43	Approach to stakeholder engagement	Page 129 and www.sasgroup.net	
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	ANTI-CORRUPTION			
GRI 103: Management approach 2016	103–1	Explanation of the material topic and its Boundaries	Pages 21–22, 117–118 and 132–133	
	103–2	The management approach and its components	Pages 119 and 129	
	103–3	Evaluation of the management approach	Page 119	
GRI 205: Anti-Corruption 2016	205–1	Operations assessed for risks related to corruption	Pages 39, 42–43, 119 and 129	
	ANTI-COMPETITIVE BEHAVIOR			
GRI 103: Management approach 2016	103–1	Explanation of the material topic and its Boundaries	Pages 21–22, 117–118 and 132–133	
	103–2	The management approach and its components	Pages 119 and 129	
	103–3	Evaluation of the management approach	Page 119	
GRI 206: Anti-competitive behavior 2016	206–1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Pages 39, 42–43, 119 and 129	
	EMISSIONS			
GRI 103: Management approach 2016	103–1	Explanation of the material topic and its Boundaries	Pages 21–22, 117–118 and 132–133	
	103–2	The management approach and its components	Pages 119–120	
	103–3	Evaluation of the management approach	Pages 119–120	
GRI 305: Emissions 2016	305–1	Direct (Scope 1) GHG emissions	Pages 121 and 132–133	
	305–2	Energy indirect (Scope 2) GHG emissions	Pages 124 and 132–133	
	305–4	GHG emissions intensity	Pages 121 and 132–133	
	305–7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Pages 121 and 132–133	
	EFFLUENTS AND WASTE			
GRI 103: Management approach 2016	103–1	Explanation of the material topic and its Boundaries	Pages 21–22, 117–118 and 132–133	
	103–2	The management approach and its components	Pages 119, 125 and 129	
	103–3	Evaluation of the management approach	Page 119	
GRI 306: Effluents and Waste 2016	306–2	Waste by type and disposal method	Page 125	
	SUPPLIER ENVIRONMENTAL ASSESSMENT			
GRI 103: Management approach 2016	103–1	Explanation of the material topic and its Boundaries	Pages 21–22, 117–118 and 132–133	
	103–2	The management approach and its components	Pages 119 and 129	
	103–3	Evaluation of the management approach	Page 119 and 129–130	
GRI 308: Supplier Environmental Assessment 2016	308–1	New suppliers that were screened using environmental criteria	Pages 129–130	
	OCCUPATIONAL HEALTH AND SAFETY			
GRI 103: Management approach 2016	103–1	Explanation of the material topic and its Boundaries	Pages 21–22, 117–118 and 132–133	
	103–2	The management approach and its components	Pages 119 and 129	
	103–3	Evaluation of the management approach	Pages 119 and 127–128	
GRI 403: Occupational Health and Safety 2016	403–1	Workers representation in formal joint management–worker health and safety committees	Pages 127–128	
	403–2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Pages 127–128	Not reported by gender. No fatalities.

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GRI Standards	Disclosure		Page number(s) and /or URL(s)	Omission
	TRAINING AND EDUCATION			
GRI 103: Management approach 2016	103–1	Explanation of the material topic and its Boundaries	Pages 21–22, 117–118 and 132–133	
	103–2	The management approach and its components	Pages 119, 127 and 129	
	103–3	Evaluation of the management approach	Pages 119 and 127–128	
GRI 404: Training and Education 2016	404–1	Average hours of training per year per employee	Page 127	Not reported by gender.
	DIVERSITY AND EQUAL OPPORTUNITY			
GRI 103: Management approach 2016	103–1	Explanation of the material topic and its Boundaries	Pages 21–22, 117–118 and 132–133	
	103–2	The management approach and its components	Pages 119 and 127–128	
	103–3	Evaluation of the management approach	Pages 119 and 129	
GRI 405: Diversity and Equal Opportunity 2016	405–1	Diversity of governance bodies and employees	Pages 59–62 and 127	
	SUPPLIER SOCIAL ASSESSMENT			
GRI 103: Management approach 2016	103–1	Explanation of the material topic and its Boundaries	Pages 21–22, 117–118 and 132–133	
	103–2	The management approach and its components	Page 129	
	103–3	Evaluation of the management approach	Pages 119 and 129–130	
GRI 414: Supplier Social Assessment 2016	414–1	New suppliers that were screened using social criterias	Page 129–130	
	CUSTOMER HEALTH AND SAFETY			
GRI 103: Management approach 2016	103–1	Explanation of the material topic and its Boundaries	Pages 21–22, 117–118 and 132–133	
	103–2	The management approach and its components	Pages 119 and 129	
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GRI 416: Customer Health and Safety 2016	416–1	Assessment of the health and safety impacts of product and service categories	Page 130	

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ASSURANCE REPORT

AUDITOR'S LIMITED ASSURANCE REPORT ON SAS AB SUSTAINABILITY REPORT AND STATEMENT REGARDING THE STATUTORY SUSTAINABILITY REPORT

To SAS AB, Corp. Id. 556606-8499

INTRODUCTION

We have been engaged by the Board of Directors and the Chief Executive Officer of SAS AB to undertake a limited assurance engagement of SAS AB Sustainability Report for the financial year 2019-11-01 – 2020-10-31. SAS AB has defined the scope of the Sustainability Report that also is the Statutory Sustainability Report on page 2 in this document.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE CHIEF EXECUTIVE OFFICER

The Board of Directors and the Chief Executive Officer are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with applicable criteria and the Annual Accounts Act respectively. The criteria are defined on page 132 in the Sustainability Report, and are part of the Sustainability Reporting Standards published by GRI (The Global Reporting Initiative), that are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report. Our assignment is limited to the historical information that is presented and does not cover future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of financial information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR's accounting standard RevR12 The auditor's opinion regarding the Statutory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of SAS AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit.

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Our procedures are based on the criteria defined by the Board of Directors and Chief Executive Officer as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusions below.

CONCLUSIONS

Based on the limited assurance procedures performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Chief Executive Officer.

A Statutory Sustainability Report has been prepared.

Stockholm, February 1, 2021

KPMG AB

Tomas Gerhardsson Authorized Public Accountant	Torbjörn Westman Expert Member of FAR

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OPERATIONAL KEY FIGURES

	FY20	FY19	FY18	FY17	FY16	FY15	FY14	Jan–Oct, 2013	2012	2011
Passenger traffic-related key figures										
Number of destinations served, scheduled	121	127	125	123	118	119	125	150	136	128
Number of flights, scheduled	149,608	287,969	291,908	298,100	297,481	293,898	294,679	402,460	338,870	396,134
Number of passengers, total, (000)[1]	12,610	29,761	30,082	30,065	29,449	28,884	29,408	30,436	25,916	28,990
Number of passengers, scheduled (000)	12,315	28,451	28,794	28,625	27,738	26,941	27,061	28,057	23,979	27,206
Available seat km, total (million)[1]	23,365	52,371	52,781	52,217	48,620	44,289	45,158	44,629	36,126	40,953
Available seat km, scheduled (million)	22,357	48,471	49,023	48,303	44,956	40,877	40,971	40,583	32,813	37,003
Revenue passenger km, total (million)[1]	14,127	39,375	39,946	40,078	36,940	33,781	34,714	33,451	27,702	30,668
Revenue passenger km, scheduled (million)	13,259	35,825	36,496	36,360	33,508	30,561	30,686	29,650	24,746	27,174
Load factor, total (%)[1]	60.5	75.2	75.7	76.8	76.0	76.3	76.9	75.0	76.7	74.9
Weight-related key figures										
Available tonne km, ATK, total (mill. tonne km)	3,052	6,797	6,859	6,746	6,179	5,553	5,617	5,527	4,475	5,089
Available tonne km, scheduled (mill. tonne km)	2,436	6,302	6,372	6,251	5,741	5,132	5,119	5,042	4,098	4,604
Available tonne km, other (mill. tonne km)	616	495	487	495	437	421	498	485	377	485
Revenue tonne km, RTK, total (mill. tonne km)	1,649	4,645	4,808	4,819	4,404	3,989	4,067	3,930	3,201	3,555
Passengers and excess baggage (mill. tonne km)	1,401	3,907	3,964	3,976	3,666	3,354	3,446	3,308	2,733	3,018
Total load factor, total (%)	54.0	68.4	70.1	71.4	71.3	71.8	72.4	71.1	71.5	69.9
Traffic revenue/revenue tonne km (SEK)	24.48	8.68	8.40	7.99	8.11	8.92	8.34	9.53	9.94	10.23
Key figures for costs and efficiency										
Unit cost	1.15	0.78	0.72	0.69	0.70	0.79	0.75	0.80	0.81	0.86
Jet-fuel price paid incl. hedging, average (USD/tonne)	1,017	750	675	566	583	757	978	1,093	1,116	970
Revenue-related key figures										
Passenger revenue/revenue passenger km, scheduled, yield (SEK)	1.05	0.97	0.93	0.90	0.91	1.00	0.94	1.07	1.09	1.12
Passenger revenue/available seat km, scheduled, (SEK)	0.62	0.73	0.70	0.68	0.68	0.75	0.70	0.78	0.82	0.82

1) Total production includes scheduled traffic, charter, ad hoc flights and EuroBonus flights, etc. This means that the figures deviate from the published traffic statistics.

Definitions & concepts, see page 156.

Operational key figures, continued

	FY20	FY19	FY18	FY17	FY16	FY15	FY14	Jan–Oct, 2013	2012	2011
Environmental key figures										
CO_2, gram/passenger km[1]	111	95	95	96	99	101	100	104	118	122
CO_2, gram/available seat km, total	59	62	63	65	67	69	70	70	69	74
Key figures for Scandinavian Airlines										
Market share, to, from and within Scandinavia, (%)	36	32	32	31	31	32	33	32	33	33
Yield, currency-adjusted change, (%)	8.6	3.2	1.6	-2.9	-7.7	4.0	-7.4	-0.4	-1.0	-2.0
PASK, currency-adjusted change, (%)[2]	-12.8	2.5	0.5	-1.9	-8.0	3.8	-5.8	-3.2	1.1	-1.3
Total unit cost, change, (%)	46.4	7.7	2.2	-3.5	-11.1	-3.8	-2.2	-6.0	-0.1	2.0
No. of daily departures, scheduled, annual average	405	789	800	817	813	805	807	791	773	683
Number of aircraft in service[3]	135	158	157	158	156	151	156	151	156	157
Aircraft, block hours/day	6.9	9.3	9.6	9.6	9.3	8.8	9.0	8.7	8.2	8.1
Pilots, FTEs	989	1,285	1,273	1,345	1,300	1,228	1,396	1,413	1,328	1,304
Pilots, block hours/year	377	637	687	686	681	688	685	665	659	650
Pilots, personnel expense, MSEK[4]	**2,301**	2,536	2,580	2,435	2,489	2,370	2,459	2,584	2,979	2,826
Cabin crew, FTEs	1,183	2,516	2,522	2,635	2,574	2,325	2,564	2,607	2,613	2,528
Cabin crew, block hours	530	734	771	777	759	762	762	721	674	660
Cabin crew, personnel expense, MSEK[4]	**1,185**	1,738	1,767	1,613	1,647	1,546	1,587	1,769	2,087	2,076
Regularity, %	98.8	97.5	98.0	98.9	98.4	98.7	99.0	98.8	99.0	98.5
Punctuality (%) within 15 min.	87.9	80.3	77.7	83.6	83.9	87.9	88.4	86.2	89.4	88.9
Customer satisfaction, CSI	73[4]	72	70	72	73	74	72	71	72	72

1) Carbon dioxide emissions per passenger kilometer comprising all passengers on board all flights (scheduled, charter, etc.). The method has been adjusted from fiscal year 2013 onward.

2) Refers to RASK prior to fiscal year 2014.

3) Including wet leases.

4) Excluding restructuring costs.

5) Measured from November 2019 to February 2020.

Definitions & concepts, see page 156.

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TEN-YEAR FINANCIAL OVERVIEW

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statements of income, MSEK										
Revenue	20,513	46,736	44,718	42,654	39,459	39,650	38,006	42,182	35,986	41,412
Operating income before amortization and depreciation	-2,736	2,988	3,783	2,844	2,962	2,877	1,576	3,647	955	3,019
Depreciation, amortization and impairment	-6,822	-1,924	-1,763	-1,635	-1,367	-1,446	-1,443	-1,658	-1,426	-2,413
Income from shares in affiliated companies	7	-10	35	4	39	37	30	25	32	28
Income from the sale of shares in subsidiaries and affiliated companies	–	0	-4	-21	-7	–	6	700	400	–
Income from the sale of aircraft, buildings and slot pairs	2	112	479	995	265	777	-16	-118	-247	12
Financial income	806	172	129	148	91	124	102	50	96	224
Financial expenses	-1,408	-544	-609	-611	-553	-632	-1,130	-999	-1,055	-1,030
Income before tax, EBT	-10,151	794	2,050	1,725	1,431	1,417	-918	1,648	-1,245	-1,629
Income before tax and items affecting comparability	-8,619	786	2,136	1,951	939	1,174	-697	919	23	94
Balance sheets, MSEK										
Fixed assets	45,101	22,281	21,127	20,252	19,319	18,512	18,291	18,600	29,692	29,883
Current assets, excluding cash and cash equivalents	2,101	2,968	3,316	3,467	4,065	3,556	3,617	3,462	4,273	5,494
Cash and cash equivalents	10,231	8,763	9,756	8,836	8,370	8,198	7,417	4,751	2,789	3,808
Shareholders' equity	10,490	5,372	7,268	8,058	6,026	6,339	4,907	3,226	11,156	12,433
Non-current liabilities	28,321	13,525	12,011	9,363	9,822	10,275	10,384	10,173	12,111	13,889
Current liabilities	18,622	15,115	14,920	15,134	15,906	13,652	14,034	13,414	13,487	12,863
Total assets	57,433	34,012	34,199	32,555	31,754	30,266	29,325	26,813	36,754	39,185
Cash-flow statements, MSEK										
Cash flow from operating activities	-5,111	3,318	4,559	2,443	3,663	3,036	1,096	1,028	2,562	-482
Investments	-7,622	-6,207	-6,840	-7,315	-5,960	-4,306	-2,113	-1,877	-2,595	-2,041
Sale of fixed assets, etc.	370	1,627	4,161	7,228	3,345	3,193	1,632	1,644	1,976	517
Cash flow before financing activities	-12,363	-1,262	1,880	2,356	1,048	1,923	615	795	1,943	-2,006
New hybrid bond issue	6,000	1,474	–	–	–	–	–	–	–	–
New share issue	5910	–	1,223	–	–	–	3,500	–	–	–
Proceeds from borrowings	11,210	2,292	–	–	–	–	–	–	–	–
Amortization	-7,602	-2,362	–	–	–	–	–	–	–	–
Redemption of preference shares	0	-1,112	-2,579	–	–	–	–	–	–	–
Dividends	0	-26	-228	-350	-350	-350	-175	–	–	–

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Ten-year financial overview, continued

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
External financing, net	-1,683	3	621	-1,537	-530	-787	-1,275	1,171	-2,961	763
Cash flow for the year	1,472	-993	917	469	168	786	2,665	1,966	-1,018	-1,243
Key and alternative performance measures[2]										
EBIT margin, %	-46.6	2.5	5.7	5.1	4.8	5.6	0.4	6.2	-0.8	1.6
Return on shareholders' equity, %	-427	14	22	18	24	18	-15	457	-25	-12
Return on invested capital, %[4]	-27	8	14	13	12	14	4	18	-1	4
Financial net debt/EBITDA[4]	-9.2x	3.7x	2.7x	3.1x	3.2x	3.0x	4.2x	3.2x	6.5x	3.0x
Financial preparedness, %[4]	67	38	42	37	41	40	37	26	31	33
Equity/assets ratio, %	18	16	21	25	19	21	17	12	30	32
Adjusted equity/assets ratio, %	n/a	9	13	15	12	13	11	8	24	26
Financial net debt, MSEK	18,899	328	-2,432	-2,799	-1,166	-726	1,102	4,567	6,549	7,017
Debt/equity ratio	1.8	0.06	-0.33	-0.35	-0.19	-0.11	0.22	1.42	0.59	0.56
Adjusted debt/equity ratio	n/a	4.70	2.70	2.28	3.08	2.65	3.14	5.13	1.54	1.33
Interest expense/average gross debt, %	3.5	4.3	6.4	6.6	5.4	5.6	7.4	7.6	8.1	7.3
Interest-coverage ratio	-6.7	2.5	4.4	3.8	3.6	3.2	0.2	2.6	-1.6	-0.6

1) As a consequence of the Group's fiscal year changing to 1 November–31 October, fiscal year 2012 was shortened to the period 1 January–31 October. Yield-based key figures are calculated based on income items for a 12-month period.

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

3) The key ratios for 2020 are inclusive of IFRS 16. The key ratios from last year are based on financial statements excluding IFRS 16 and have not been restated.

4) Key ratios calculated according to another definition as per 31 October 2020. Previous years' key figures have not been restated.

The APMs are calculated using averages of the qualifying periods' balance-sheet items. Until 2019, the return on invested capital, adjusted equity/assets ratio and adjusted debt/equity ratio were calculated using capitalized leasing costs, net, whereby operational leasing commitments for aircraft were taken into consideration.

Definitions & concepts, see page 145–146.

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FINANCIAL DEFINITIONS

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 aim of these 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 position.

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

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

AEA – The Association of European Airlines. An association of the major European airlines.

Affiliated company – Company where the SAS Group's holding amounts to at least 20% and at the most 50%.

AOC (Air Operator Certificate) – Permits for flight operations.

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

ATK, Available tonne kilometers – The total number of tonnes of capacity available for the transportation of passengers, freight and mail multiplied by the number of kilometers which this capacity is flown.

Available seat kilometers – See ASK.

Available tonne kilometers – See ATK.

Block hours – Refers to the time from when the aircraft leaves the departure gate until it arrives at the destination gate.

CAGR – Compound annual growth rate.

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

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

Carbon dioxide (CO_2) – A colorless gas that is formed in the combustion of all fossil fuels. The airline industry's CO_2 emissions are being reduced based on a changeover to more fuel-efficient aircraft.

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

CASK – See unit cost.

Code share – When one or more airlines' flight number is stated in the timetable for a flight, while only one of the airlines operates the flight.

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 and hybrid bond expenses 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 – Income before tax.

EEA – European Economic Area.

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.

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

Finance leases – Based on a leasing contract where the risks and rewards of ownership of the asset essentially remain with the lessee. The asset is reported as a fixed asset in the balance sheet because the lessee has an obligation to purchase the asset at the end of the lease. The commitment to pay future leasing charges is entered as a liability. As of 1 November 2019, SAS Group applies the new standard IFRS 16 – Leases. See Right-of-use assets.

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

Financial net debt/EBITDA – The sum of average net financial debt in relation to EBITDA.

Financial preparedness – Cash and cash equivalents, plus unutilized credit facilities with a maturity longer than three months, in relation to fixed costs and financial net excluding exchange rate differences on lease liabilities. In this ratio, fixed costs are defined as personnel and other external expenses over the last 12 months.

FTE – Number of employees, full-time equivalents.

IATA – International Air Transport Association. A global association of almost 300 airlines.

ICAO – International Civil Aviation Organization. The United Nations' specialized agency for international civil aviation.

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

Interline revenue – Ticket settlement between airlines.

Items affecting comparability – Items affecting comparability are identified to facilitate comparison of SAS' underlying results in different periods. These items consist of impairment, restructuring costs, capital gains/losses, and other items affecting comparability. 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.

LCC – Low Cost Carrier. Low Cost Carrier.

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

Market capitalization – Share price multiplied by the number of shares outstanding.

NPV – Net present value. Used to calculate capitalized future costs of operating leases for aircraft, for example.

Operating leases – Based on a leasing contract in which the risks and rewards of ownership remain with the lessor and is equivalent to renting. The leasing charges are expensed on a current basis in the statement of income. As of 1 November 2019, SAS Group applies the new standard IFRS 16 - Leases. See Right-of-use assets.

PASK (unit revenue) — Passenger revenue divided by 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. Redemption of all preference shares was carried out in December 2018.

RASK – Total traffic revenue divided by Total ASK (scheduled + charter).

Regularity – The percentage of flights completed in relation to flights scheduled.

Return on Invested Capital (ROIC) – EBIT adjusted with theoretical taxes in relation to average shareholders' equity and net financial debt.

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.

Revenue passenger kilometers (RPK) – See RPK.

Revenue tonne kilometers (RTK) – See RTK.

Right-of-use assets (RoU) – As of 1 November 2019, SAS Group applies the new standard IFRS 16 – Leases. IFRS 16 replaces former standard IAS 17 Leases. The previous classification of each lease as either an operating lease or a finance lease is replaced by a model whereby the lessee recognizes an asset (a right-of-use asset) and a financial liability in the balance sheet. See more information in Note 1.

RPK, Revenue passenger kilometers – Number of paying passengers multiplied by flown distance (km).

RTK, Revenue tonne kilometers – The number of tonnes of paid traffic (passengers, freight and mail) multiplied by the distance this traffic is 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 and hybrid bond in relation to the total number of common shares outstanding.

Total load factor – RTK divided by ATK.

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

Unit revenue – See PASK.

WACC – Weighted average cost of capital includes the average cost of liabilities, equity and operating leases for aircraft. The sources of funds are calculated and weighted in accordance with the current market value of equity and liabilities and the capitalized present value of operating lease costs for aircraft.

Wet lease agreement – Leasing in of aircraft including crew.

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).

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Average number of employees – is defined as the average number of employees expressed in full-time equivalents, excluding leave of absence, parental leave and long-term sick leave. This definition is also used in financial reporting. Sometimes the term FTE (Full-Time Equivalent) is used.

Biofuels – are solid or liquid fuels of biological origin. Liquid fuels for vehicle/ship/aircraft engines. They are considered carbon neutral to various degrees. The EU renewables directive (2009/28/EC) and biofuels directive (2003/30/EC) define the EU's mandates on biofuels and degree of carbon neutrality.

Carbon dioxide (CO_2) – is a colorless gas that is formed in the combustion of all fossil fuels.

Cargo tonne kilometer – includes all freight and mail (in metric tonnes) multiplied by the great circle distance flown for all flights performed.

CDP – is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. Read more at http://www.cdp.net.

CFCs – are a group of chlorofluorocarbons that may also contain hydrogen and/or bromide. A class of stable chemical compounds mostly known under the trade names Freon or Halon. Their manufacture is prohibited by the Montreal Protocol because of their depletion of the ozone layer. Aviation has an exception for use under a critical use clause due to the lack of approved alternatives. Research for alternatives is ongoing.

Charges for infrastructure – imposed by the operators of the infrastructure and which are intended to cover operating and capital costs for airlines and air traffic management.

CO_2 – Carbon dioxide (see definition).

CO_2 passenger or cargo share – is the amount of CO_2 emissions from passenger or cargo transport.

Code of Conduct – is the ethics rules and guidelines of a particular business.

CSR – Corporate Social Responsibility.

dB – Decibel, a logarithmic unit of measurement that expresses the magnitude of a physical quantity relative to a specified or implied reference level.

Environmental related charges – are charges imposed by the airport operators to motivate aircraft operators to operate aircraft with high eco-efficiency with respect to noise and other emissions such as NOx, as well as surcharges imposed by airport operators to motivate aircraft operators to avoid take-offs and landings at night.

Environmental related investments – Investments in assets to prevent, reduce or restore environmental damage arising from operations and/or aimed at meeting upcoming, more stringent environmental requirements.

Environmentally related taxes – Taxes that, in contrast to other corporate taxation, are motivated by environmental grounds. Examples are the environmentally motivated passenger charge in the UK and the environmentally related fiscal CO_2 charges in Sweden and Norway.

External environmental related costs – are the sum of environmental charges and environmentally related charges and taxes.

Fossil fuels – are fuels consisting of organic carbon and hydrogen compounds in sediment or underground deposits – especially coal, oil and natural gas.

Global Compact – is a challenge from the former UN Secretary General Kofi Annan to business and industry to live up to ten principles of human rights, employee rights, the environment and anti-corruption, as formulated by the UN. www.unglobalcompact.org

Greenhouse effect – Carbon dioxide and other gases trap and reradiate incoming solar radiation that would otherwise be reflected back into space. Most scientists agree that human use of fossil fuels is causing global warming. Other gases that contribute to the greenhouse effect are CFCs (see definition), methane and nitrous oxide.

GRI – Global Reporting Initiative is an organization that provides companies and organizations with a global sustainability reporting framework and thereby allows comparisons between companies from a social, environmental and economic perspective. www.globalreporting.org

Halons – See CFCs.

ISO 14000 – is a series of international environmental standards developed by the International Organization for Standardization. The general guiding principles for ISO 14000 are identical to those in the quality standard ISO 9000.

Jet A-1 – is the common jet fuel specification outside North America. Jet A and Jet A-1 are very similar and throughout this Sustainability Report the term 'jet fuel' is used to describe fuel used by the aviation industry.

MRV – Monitoring, Reporting and Verification of CO_2 emissions and production in tonne-kilometers in the EU Emissions Trading Scheme.

Nitrogen oxides – (NOx) Formed during combustion in jet engines. The high temperature and pressure in aircraft engines cause the atmospheric nitrogen and oxygen to react with each other. This mainly occurs during take-off and ascent when the engine temperature is at a maximum.

Noise – includes environmentally detrimental, undesirable sounds. The environmental impact of air traffic in the form of noise is primarily a local issue. Noise is normally described and measured in dB(A), an A-weighted sound level.

NOx – Nitrogen oxides (see definition).

Occupational accident – is the number of injuries employees incur by accident due to a sudden, unforeseen and external incident, resulting in at least one day of absence.

PK – (used in the sustainability-related reporting) – Passenger Kilometers, includes all passengers (100 kg per passenger including luggage) excluding active crew multiplied by the great circle distance flown for all flights performed.

SAFUG – Sustainable Aviation Fuel Users Group. Aviation industry organization focused on accelerating the development and commercialization of sustainable aviation fuels.

SAF – Sustainable Aviation Fuel is a term for fuel made for aviation, that is produced in a sustainable way and with sustainable raw material, aimed to reduce the greenhouse gas emissions. It includes biofuel, but is not limited to biofuel.

Tonne kilometers – are the number of transported metric tonnes of passengers and cargo multiplied by the distance flown.

Weighted noise contour – is calculated based on the number of takeoffs per day at a given airport, with regard to the aircraft types the airline uses at that airport. The weighted noise contour defines the area in km^2 that is subjected to a noise footprint of 85 dB(A) or more in connection with take-off.

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INVESTOR RELATIONS

SAS Investor Relations is responsible for providing relevant information to and being available for dialogue with shareholders, analysts and the media. Over the year, SAS has completed a number of international roadshows and participated in several capital market activities. The company also holds regular analyst meetings.

Analysts who monitor SAS

DNB	Ole Martin Westgaard
HSBC	Andrew Lobbenberg and Achal Kumar
Nordea	Hans-Erik Jacobsen
Pareto Securities	Kenneth Sivertsen
Sparebank 1 Markets	Lars-Daniel Westby
Sydbank	Jacob Pedersen

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ANNUAL GENERAL SHAREHOLDERS' MEETING 2021

ATTENDING THE AGM

The AGM of SAS will be held on 17 March 2021 as a postal voting meeting.

A person who wishes to participate in the AGM must notify the company by casting its postal vote in advance. Details of the notification procedure are published in the notice convening the AGM.

SENDING OF THE NOTICE AND NOTIFICATION OF ATTENDANCE

- The notice is scheduled to be published on 9 February 2021.
- Deadline for notification of attendance by casting postal vote: 16 March 2021.

FINANCIAL CALENDAR

Monthly traffic data is generally issued on the fifth working day of every month. The detailed financial calendar is available at www.sasgroup.net under Investor Relations.

25 February 2021	Q1 Interim Report (Nov 2020–Jan 2021)
17 March 2021	Annual General Shareholders' Meeting
27 May 2021	Q2 Interim Report (Feb 2021–Apr 2021)
1 September 2021	Q3 Interim Report (May 2021–Jul 2021)
30 November 2021	Year-end report (Nov 2020–Oct 2021)
January/February 2022	SAS Annual and Sustainability Report, fiscal year 2021

For more information, please refer to www.sasgroup.net.

ANNUAL REPORT

SAS' annual reports and other financial information are available in English and Swedish and can be downloaded at www.sasgroup.net.

Every care has been taken in the translation of this annual report to English. However, in the event of discrepancies, the Swedish original will supersede the English translation.

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