Q4 2019

STRONG FOURTH QUARTER PERFORMANCE BUT UNSATISFACTORY FULL-YEAR EARNINGS

AUGUST 2019–OCTOBER 2019

- Revenue: MSEK 13,463 (12,678)
- Income before tax (EBT): MSEK 1,096 (789)
- Income before tax and items affecting comparability: MSEK 1,226 (822)
- Net income for the period: MSEK 861 (623)
- Earnings per common share SEK 2.19 (1.56)

SIGNIFICANT EVENTS DURING THE QUARTER

- SAS issued a new hybrid bond amounting to SEK 1.5 billion
- New organizational structure implemented

OUTLOOK

- SAS expects to deliver an EBIT margin before items affecting comparability of 3-5% for the fiscal year 2020

"Despite a challenging year, SAS delivered a positive full-year result as a result of its' attractive customer offering and operational efficiency improvements in combination with the reduced market capacity."

Rickard Gustafson, President and CEO

NOVEMBER 2018–OCTOBER 2019

- Revenue: MSEK 46,736 (44,718)
- Income before tax (EBT): MSEK 794 (2,050)
- Income before tax and items affecting comparability: MSEK 786 (2,136)
- Net income for the period: MSEK 621 (1,595)
- Earnings per common share: SEK 1.54 (3.71)
- Income before tax negatively impacted by strike MSEK -615
- CO_2 emissions reduced by 2.5%

KEY FIGURES - FISCAL YEAR 2019

+2.5% UNIT REVENUE VS LAST YEAR[1]

+2.1% UNIT COST VS LAST YEAR[2]

-1.1% PASSENGERS VS LAST YEAR

1) PASK, Currency adjusted
2) CASK, Currency adjusted and excluding jet fuel

FINANCIAL SUMMARY

MSEK, unless noted	Q4 Aug–Oct 2019	Q4 Aug–Oct 2018	Q1–Q4 Nov–Oct 2018–2019	Q1–Q4 Nov–Oct 2017–2018
Revenue	13,463	12,678	46,736	44,718
Operating income (EBIT) margin	8.8%	7.3%	2.5%	5.7%
Income before tax (EBT)	1,096	789	794	2,050
Net income for the period	861	623	621	1,595
Income before tax and items affecting comparability	1,226	822	786	2,136
Cash flow from operating activities	1,199	845	3,318	4,559

	31 Oct 2019	31 Oct 2018	31 Oct 2017
Return on invested capital	8%	14%	13%
Adjusted financial net debt/EBITDAR	3.7x	2.7x	3.1x
Financial preparedness	38%	42%	37%
Equity/assets ratio	16%	21%	25%
Earnings per common share (SEK)	1.54	3.71	2.42
Shareholders' equity per common share, SEK	10.12	16.11	13.28

This information is information that SAS AB is obliged to disclose pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted by Michel Fischier for publication on 5 December 2019 at 8:00 a.m. CET.

COMMENTS BY THE CEO

SAS had an unsatisfactory full year result, significantly lower than last year, due to headwinds from higher jet-fuel costs, unfavorable currency movements and a strike. Despite these challenges, SAS' attractive customer offering and operational efficiency improvements together with reduced market capacity, especially in the fourth quarter, led to a positive result for the full-year 2019.

During the fourth quarter, we noted strong momentum in the demand for our products and services. The total number of passengers grew 2.3%. In addition, sales of charter capacity and attached revenues also increased. Altogether, total revenues increased over 6% to MSEK 13,463.

Earnings before tax and items affecting comparability also developed favorably in the quarter and ended at MSEK 1,226, up MSEK 404 year-on-year. The improved earnings were mainly driven by increased revenues which were partially offset by higher operational expenditures from negative currency developments. Our ongoing work to improve operational robustness resulted in improved regularity and punctuality, as well as a significantly lower cost of claims.

During the quarter, we also strengthened our equity position by issuing a SEK 1.5 billion hybrid bond. The main objective of the issuance was to increase equity ahead of the new IFRS 16 accounting standard, which came into effect on 1 November 2019.

The full fiscal year 2019 was characterized by significant headwinds for SAS, including higher jet-fuel costs, unfavorable FX-rates and a seven-day strike. However, strong demand shown in passenger and attached revenues led to a total revenue increase of SEK 2 billion. The improved unit revenue and passenger yield show that our attractive value proposition for Scandinavian travelers generates strong revenues. Despite the increase, full-year earnings regrettably declined MSEK 1,350 due to the negative headwinds stated above.

FURTHER ENHANCEMENTS TO OUR CUSTOMER OFFERING

During the quarter we unveiled SAS' new livery. This is part of our ongoing transformation to the most modern fleet in the market. The single-type fleet will, besides the financial advantages of streamlined maintenance and lower fuel consumption, also reduce our emissions significantly – a topic important for SAS, our customers and society at large.

Furthermore, we are pleased that the Norwegian Armed Forces selected SAS as their carrier of choice for the next four years. The contract strengthens our market position and presence in the important Norwegian domestic market. The Swedish Paralympic Committee also chose SAS as their partner ahead of the Paralympic Games in Tokyo 2020. The agreement with Sweden's Paralympic Committee means that SAS is now the Olympic and Paralympic partner for all of Scandinavia's athletes in Tokyo.

Looking ahead to next year, we are continuing to adapt our network to make life easier for our customers. For the coming summer program, we are launching 14 new direct routes and 5 totally new destinations from Scandinavia, including Bari (Italy), Rhodes (Greece), Tivat (Montenegro), Zadar (Croatia) and Valencia (Spain).

CONTINUED EFFORTS TO REDUCE CLIMATE IMPACT

Besides the fleet renewal, which is our most important initiative to reduce carbon emissions, we also made progress on several activities supporting our journey toward more sustainable air travel and a reduced climate impact.

We continued our efforts to increase the supply and usage of Sustainable Aviation Fuel (i.e. biofuel) and made it easier for travelers to voluntarily buy biofuel, in addition to the amount SAS is already using. On 31 October, we were happy to announce that the Swedish cross-country team decided to invest in biofuel to reduce its emissions. The team will buy biofuel from SAS at an amount equivalent to their fuel consumption on flights between Stockholm and Östersund.

SAS' COO, Simon Pauck Hansen, was recently appointed Chairman of the Aviation Group in the Climate Partnership initiated by the Danish Government. The partnership is one out of 13, where all industrial segments in Denmark are engaged to fulfill the ambitious climate goals set by the Danish government. SAS looks forward to playing a vital role in the partnership and demonstrate leadership toward a more sustainable aviation future.

For the CO_2 emissions that we cannot eliminate with today's technology, we continue to carbon offset through Natural Capital Partners, which invests in global emission reduction projects, such as wind power in India. At the end of the quarter, we had compensated for over 3.9 million journeys with SAS, representing 40% of the total passenger-related CO_2 emissions in the fourth quarter.

IMPROVED OPERATIONAL EFFICIENCY

Our efforts to improve operational quality continue. During the quarter, regularity increased 0.6 percentage points to 98.9% and punctuality increased 1.7 percentage points to 82.5%. In addition to supporting an improved customer experience, the improvements also resulted in lower claim costs.

We delivered on our efficiency target of SEK 0.9 billion set out for the year. The remaining SEK 0.6 billion of the total SEK 3 billion will be delivered in the next fiscal year, according to plan.

In the quarter, we implemented a new organizational structure to enhance accountability and to accelerate the next phase of transformation.

LOOKING AHEAD

SAS did not meet two of its' three financial targets for the fiscal year 2019, despite a strong fourth quarter. Financial preparedness remains strong, but the return on invested capital came in at a disappointing 8% and our adjusted net debt to EBITDAR increased to 3.7x.

This outcome is not satisfactory and reinforces the need for additional efforts to improve our operational efficiency and competitiveness. We remain committed to our strategy which has resulted in substantial improvements since 2012. Under this framework we have started additional initiatives to further improve efficiency, flexibility and competitiveness in the coming years.

Some of these initiatives will yield results already in 2020, while others lay the foundation for increased efficiency in the years to come. As a part of our digitalization and Lean efforts, we have set aside MSEK 120 in restructuring costs to accelerate the automation of administrative tasks to reduce overhead costs.

Our investment in a single-type fleet in SAS Scandinavia will bring significant benefits to our operations, but due to the required training, productivity will be negatively impacted in the forthcoming years. However, we will see some of the benefits materialize in 2021 with reduced stand-by levels and maintenance costs, as Arlanda becomes our second all-Airbus base after Copenhagen.

We will also benefit from our initiative to improve asset and crew utilization. Here we aim to have a new system and planning processes fully up and running by 2022. Already in 2020, this will help us to further improve our strong operational robustness and drive further efficiencies, that will contribute with MSEK 75 in cost reductions as early as next year.

As a final point, we need to further enhance our operating model to increase productivity and flexibility. Approximately 20% of the destinations in SAS network are optimal to serve with an aircraft sized between an A320neo (180-seat) and a CRJ (90-seat). Our older 120-150 seat aircraft serving this segment today need to be replaced in the next few years and currently there is no order in place to bridge the gap.

Rightsizing of the fleet is crucial from a profitability perspective, but it is also an important part of our journey towards a more sustainable future.

However, to place such an order we need to certify that the benefits of single-fleet operations on all platforms remain intact, and that the available aircraft types perform to the standard for which we are known. We also need to secure competitive duty agreements appropriate for mid-size operation.

In summary, all additional initiatives come with a substantial long-term potential and the additional gross efficiency improvements are estimated at SEK 1.5-2.0 billion by FY23 and beyond. In 2020, we expect these initiatives to contribute to the full-year target of SEK 0.6 billion in efficiency improvements.

OUTLOOK

The uncertain economic outlook and emerging slowdown in key economies will negatively impact customer demand. The continued weakness of the Swedish and Norwegian krona against the US dollar and the Euro also remains a challenge. For the forthcoming year, we therefore foresee significantly lower growth, both from a demand and a supply perspective.

Given these market conditions together with higher costs for new aircraft, increased training volumes as well as the implementation of IFRS 16, we expect to deliver an EBIT margin of 3-5% for fiscal year 2020. For the same reasons we expect an increased loss for the first quarter of fiscal year 2020 compared to last year.

I would also like to take the opportunity to thank all SAS employees and partners for their efforts during the year. Similarly, I want to thank our customers and look forward to welcoming you aboard one of our 800 daily flights in 2020!

Stockholm, 5 December 2019

Rickard Gustafson,
President and CEO

COMMENTS ON SAS' FINANCIAL STATEMENTS

MARKET AND TRAFFIC TRENDS

Capacity in the Scandinavian market, measured in the number of seats offered, decreased with 0.4% compared to the same quarter last year. At the same time, the total number of passengers in the Scandinavian market decreased with 1.9%. For SAS the number of passengers increased with 2.3%.

Looking ahead, the number of offered seats in the Scandinavian market is expected to decrease 1.6% in SAS' first fiscal quarter of 2020 and increase 1.7% in the second quarter. During the same periods last year number of offered seats grew with 4.4% and 0.4%.

EARNINGS ANALYSIS - AUGUST–OCTOBER 2019

Income statement	Aug-Oct 2019	Aug-Oct 2018	Change vs LY	Currency effects	Change vs LY (Curr. adj)
Total operating revenue	13,463	12,678	785	270	515
Total operating expenses*	-10,702	-10,505	-197	-263	66
EBITDAR before items affecting comparability	2,761	2,173	588	7	581
EBIT before items affecting comparability	1,317	953	364	-62	426
EBT	1,096	789	307	-72	379

* Excluding depreciation, amortization, leasing costs for aircraft and items affecting comparability

Revenue

Revenue totaled MSEK 13,463 (12,678), see Note 2. Currency adjusted revenue was up MSEK 515 year-on-year and the currency adjusted deviation is explained below.

Passenger revenue increased 4.6%, primarily due to MSEK 312 from a higher yield and MSEK 186 from an increase in scheduled capacity (ASK). The increase was partly offset by a lower load factor, which had a negative impact on revenue of MSEK 46.

Cargo revenue decreased MSEK 75, mainly due to lower volumes and reduced fuel prices. Charter revenue was up MSEK 47, mainly relating to higher volumes. Other traffic revenue rose MSEK 11 mainly relating to preseating and unused tickets.

Other operating revenue was up MSEK 80 year-on-year, mainly relating to higher revenues from credit card fees, ticket fees and sale of EuroBonus points.

Operational and financial expenses

Payroll expenses totaled MSEK -2,609 (-2,433). After adjustment for currency and items affecting comparability, payroll expenses increased MSEK 146 year-on-year. The increase related to standard salary increases and a higher number of employees, partly offset by efficiency measures.

Other operating expenses for the quarter totaled MSEK -8,223 (-8,201), see Note 3. These expenses largely consisted of jet fuel costs of MSEK -2,780 (-2,455), representing an increase of MSEK 325. Adjusted for currency, jet fuel costs increased by MSEK 122, or 4.6%. The cost was positively affected by an amount of MSEK 332 due to lower jet-fuel prices. The decrease in jet fuel prices was offset by hedge effects of MSEK -427, partly counteracted by volume effects of MSEK 18. Government charges of MSEK -1,179 (-1,117) were MSEK 29 (currency adjusted) higher than last year due to higher volumes. Technical maintenance costs in the quarter totaled MSEK -788 (-843). Adjusted for currency, technical maintenance costs decreased MSEK 121, mainly due to lower engine costs. Wet-lease costs were MSEK -385 (-340). Adjusted for currency, wet-lease costs year-on-year increased MSEK 23, due to higher volumes and prices.

During the period, the ongoing efficiency program resulted in cost reductions of approximately MSEK 228.

Leasing costs for aircraft totaled MSEK -943 (-817). Adjusted for currency effects, leasing costs increased MSEK 57, driven by new lease agreements.

Financial income and expenses came in at MSEK -91 (-131), of which net interest expense was MSEK -75 (-125). The decrease primarily related to higher financial income and capitalisation of interest expenses for pre-delivery payments (PDP).

Net income for the period

In the quarter, SAS generated *Operating income* of MSEK 1,187 (920). Income before tax amounted to MSEK 1,096 (789) and income after tax was MSEK 861 (623). Tax expense was MSEK -235 (-166).

Year-on-year, foreign exchange rates had a positive impact on revenue of MSEK 270 and a negative effect on operating expenses, including leasing costs, of MSEK 332. Foreign exchange rates had a negative impact on operating income of MSEK 62. Net financial items were negatively impacted by currency items of MSEK 10. In total, currency effects had a net negative impact of MSEK 72 on income before tax. The effect mainly relates to a stronger USD.

Items affecting comparability

Total items affecting comparability were MSEK -130 (-33) during the period, of which MSEK -201 (-29) pertained to restructuring costs for personnel and MSEK 71 (-100) relates to the release of a one-time award, of the initial MSEK 100 which were set aside, MSEK 29 will be distributed to SAS' employees. In the comparative figures, MSEK 302 relates to capital gains from aircraft transactions and MSEK -206 to impairment of assets.

EARNINGS ANALYSIS – NOVEMBER 2018 -OCTOBER 2019

Income statement	Nov-Oct 2019	Nov-Oct 2018	Change vs LY	Currency effects	Change vs LY (Curr. adj)
Total operating revenue	46,736	44,718	2,018	1,180	838
Total operating expenses*	-40,176	-37,424	-2,752	-1,486	-1,266
EBITDAR before items affecting comparability	6,560	7,294	-734	-306	-428
EBIT before items affecting comparability	1,158	2,616	-1,458	-583	-875
EBT	794	2,050	-1,256	-593	-663

* Excluding depreciation, amortization, leasing costs for aircraft and items affecting comparability

Revenue

Revenue totaled MSEK 46,736 (44,718), see Note 2. Currency adjusted revenue was up MSEK 838 year-on-year and the currency adjusted deviation is explained below. The negative revenue impact of the strike is estimated at approximately MSEK 730.

Passenger revenue increased 1.3%, primarily due to MSEK 1,097 from the higher yield. The higher yield was offset by lower scheduled capacity (ASK) and load factor, which had a negative impact on revenue of MSEK 349 and MSEK 279, respectively.

Cargo revenue decreased MSEK 202, mainly due to lower volumes and reduced fuel prices. Charter revenue was MSEK 141 higher, primarily relating to higher volumes. Other traffic revenue rose MSEK 182, mainly relating to unused tickets and preseating.

Other operating revenue was MSEK 248 higher year-on-year, mainly relating to higher revenues from credit card fees and the sale of EuroBonus points.

Operational and financial expenses

Payroll expenses totaled MSEK -9,934 (-9,441). After adjustment for currency and items affecting comparability, payroll expenses increased MSEK 362 year-on-year. The increase related to standard salary increases and a higher number of employees, partly offset by efficiency measures.

Other operating expenses totaled MSEK -30,253 (-28,338), see Note 3. These expenses largely consisted of jet fuel costs of MSEK -9,672 (-7,994), representing an increase of MSEK 1,678. Adjusted for currency, jet fuel costs increased by MSEK 1,002, or 11.6%. The cost was positively affected by an amount of MSEK 485 due to lower jet-fuel price. The decrease in jet fuel prices was offset by hedge effects of MSEK -1,557 partly counteracted by volume effects of MSEK 220. Government charges of MSEK -4,194 (-4,159) were MSEK 112 (currency adjusted) lower than last year due to significant price decreases and lower volume.

Technical maintenance costs totaled MSEK -2,893 (-2,897). Adjusted for currency, technical maintenance costs decreased MSEK 239, mainly due to lower engine costs. Wet-lease costs were MSEK -1,472 (-1,283). Adjusted for currency, wet-lease costs increased MSEK 101 year-on-year, mainly due to higher volumes and a contractual settlement.

During the period, the ongoing efficiency program resulted in cost reductions of approximately MSEK 855.

Leasing costs for aircraft totaled MSEK -3,561 (-3,156). Adjusted for currency effects, leasing costs increased MSEK 128.

Financial income and expenses came in at MSEK -372 (-480), of which net interest expense was MSEK -312 (-430). The decrease primarily related to higher financial income and capitalisation of interest expenses for pre-delivery payments (PDPs).

Net income for the period

SAS generated *Operating income* of MSEK 1,166 (2,530). Income before tax amounted to MSEK 794 (2,050) and income after tax was MSEK 621 (1,595). Tax for the period amounted to MSEK -173 (-455).

Year-on-year, foreign exchange rates had a positive impact on revenue of MSEK 1,180 and a negative effect on operating expenses, including leasing costs, of MSEK 1,763. Foreign exchange rates thus had a negative impact on operating income of MSEK 583. Net financial items were negatively impacted by currency items of MSEK 10. In total, currency effects had a net negative impact of MSEK 593 on income before tax. The effect mainly relates to a stronger USD.

Items affecting comparability

Total items affecting comparability were MSEK 8 (-86) during the period, of which MSEK 112 (479) pertained to capital gains from aircraft transactions and MSEK -230 (-255) relates to restructuring costs for personnel and properties. Impairment of assets amounted to MSEK -93 (-206) and MSEK 71 (-100) relates to the release of a one-time award, of the initial MSEK 100 which were set aside, MSEK 29 will be distributed to SAS' employees. Other items affecting comparability related to a contractual settlement and the release of a fiscal-related provision for indirect taxes in China. The divestment of SAS's shareholding in Air Greenland resulted in a capital gain of zero. In the comparative figures, MSEK -4 relates to the sale of the subsidiary Cimber.

BALANCE SHEET & FINANCIAL POSITION OCTOBER 2019

Assets

Intangible and tangible fixed assets increased MSEK 3,247 during the period. Changes for the period comprised investments of MSEK 6,191, amortization and depreciation of MSEK -1,924, divestments of MSEK -1,224, as well as currency and other effects of MSEK 204. The amount for investments during the period included delivery payments for six new Airbus A320neos, one Airbus A330 and the purchase of three Boeing 737s that were previously on operating leases. Other aircraft investments comprised capitalized expenditures for engine maintenance, modifications, spare parts and advance payments to Airbus.

Financial fixed assets decreased MSEK 2,093 mainly due to a decrease in SAS' defined-benefit pension plans and restricted accounts, partly offset by increased deferred tax assets.

*Current receivables d*ecreased MSEK 293. This decrease was mainly attributable to lower interest-bearing receivables.

Cash and cash equivalents were MSEK 8,763 (9,756) at 31 October 2019. Unutilized contracted credit facilities amounted to MSEK 2,899 (2,785). Financial preparedness amounted to 38% (42%) of SAS' fixed costs.

Shareholders' equity and liabilities

Shareholders' equity has decreased MSEK 1,896 since 31 October 2018. The decrease mainly is related to a redemption of preference shares of MSEK -1,086, net income of MSEK 621, actuarial effects on defined-benefit pension plans of MSEK -1,752 and changes in cash flow hedges of MSEK -1,109. Shareholders equity includes a MSEK 1,500 hybrid bond issued in October 2019. The hybrid bond net position recognized in equity is MSEK 1,477, after issuing expenses. The hybrid bond is deeply subordinated and only senior to the share capital. The hybrid bond coupon is floating 3 month STIBOR plus a margin of 8.25 per cent the first five years, and thereafter steps up to 3 month STIBOR plus a margin of 13.25 per cent unless redeemed. The hybrid bond has no maturity date, but SAS has the right to redeem it after five years and at every interest payment date thereafter. For the condensed changes in shareholders' equity – refer to page 10.

Long-term liabilities increased MSEK 1,515 and *current liabilities* increased MSEK 194. The increase in liabilities was mainly due to market value changes on financial derivatives, currency effects and a higher unearned transportation liability.

Interest-bearing liabilities

On 31 October 2019, interest-bearing liabilities amounted to MSEK 11,283, an increase of MSEK 1,191 since 31 October 2018. New loans and amortization for the period were MSEK 2,364 and MSEK 2,362 respectively. The change in gross debt since 31 October 2018 included a negative trend in the fair value of financial derivatives, which increased liabilities MSEK 738. Currency revaluations increased liabilities MSEK 403, and accrued interest and other items increased liabilities MSEK 48.

In 2014, SAS issued a convertible bond and at 1 April 2019 the bond was repaid at a nominal value of MSEK 1,574.

Financial net debt

At 31 October 2019, the financial net debt amounted to MSEK 328, an increase of MSEK 2,760 since 31 October 2018. The increase was primarily due to a negative cash flow before financing activities, market value changes on financial derivatives and the redemption of preference shares. The increase was partially offset by the hybrid bond issued in October 2019.

Key ratios

At 31 October 2019, the return on invested capital (ROIC) was 8%, down 6 percentage points since 31 October 2018. The decrease was mainly due to lower adjusted EBIT.

Financial preparedness has decreased 4 percentage points, and was 38% at the end of this quarter. The reduction is both related to lower cash and cash equivalents and higher fixed costs.

The adjusted financial net debt/EBITDAR ratio changed to a multiple of 3.7. At 31 October 2018 the multiple was 2.7. The change is primarily related to increased adjusted financial net debt.

At 31 October 2019, the equity/assets ratio was 16%, down from 21% at 31 October 2018. The decline was primarily due to the total change of comprehensive income of MSEK -2,260.

For the balance sheet - refer to page 9.

CASH FLOW STATEMENT - FISCAL YEAR 2019

Cash flow for the full year totaled MSEK -993 (917). Cash and cash equivalents amounted to MSEK 8,763, compared with MSEK 9,756 at 31 October 2018.

Operating activities
For the full fiscal year, cash flow from operating activities before changes in working capital amounted to MSEK 2,305 (3,512). The change compared with the previous year was primarily attributable to lower earnings before tax.

Changes in working capital was in line with the previous year and amounted to MSEK 1,013 (1,047).

Investing activities
Investments totaled MSEK 6,191 (6,840), of which MSEK 5,979 (6,722) pertained to aircraft. These amounts included delivery payments for six new Airbus A320neos and one Airbus A330. In addition, three Boeing 737s that were previously on operating leases were purchased. Other aircraft investments comprised capitalized expenditures for aircraft maintenance, modifications, spare parts and advance payments to Airbus.

SAS' shareholding in Air Greenland was divested in May for MSEK 394. The divestment of fixed assets concerns the sale and leaseback of the Airbus A330 acquired during the year as well as sale and leaseback of aircraft engines.

Financing activities
New loans were MSEK 2,292 (3,853), while repayments totaled MSEK 2,362 (2,921), including MSEK 1,574 for the convertible bond repaid in April 2019. In December, a redemption of all preference shares for a total amount of MSEK 1,112 was implemented. A hybrid bond was issued in October, that after issue costs yielded MSEK 1,474.

For the cash flow statement — refer to page 11.

SEASONAL VARIATIONS

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

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

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

FINANCIAL TARGETS

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

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

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

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

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

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

OUTLOOK FOR FISCAL YEAR 2020

For the fiscal year 2020 SAS expects to deliver an EBIT-margin before items affecting comparability in the range of 3-5%.
The outlook is based on the following assumptions:

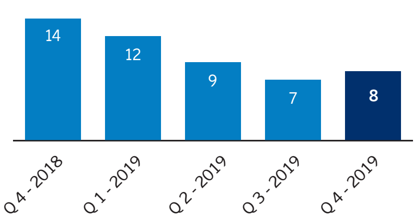
- Jet fuel price of 590 USD/Mt
- USD/SEK of 9.8 and NOK/SEK of 1.08
- Capacity growth (ASK) of 5%
- Efficiency measures of SEK 0.6 billion
- No unexpected events or material changes in the business environment

For the first quarter of FY20 SAS also expects an increased loss compared to last year.

RETURN ON INVESTED CAPITAL (ROIC)

SAS has a target for the return on invested capital (ROIC) to exceed 12% measured over a business cycle.

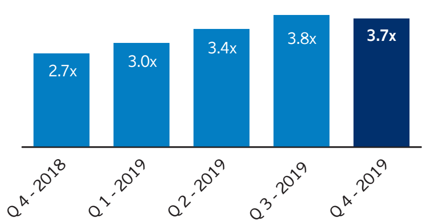
ROIC, 12-MONTH ROLLING, %



ADJUSTED FINANCIAL NET DEBT/ EBITDAR

SAS has a target for the adjusted financial net debt/EBITDAR ratio to be a multiple of less than three.

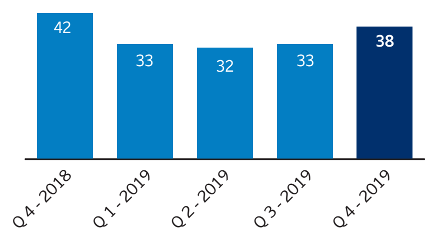
ADJUSTED FINANCIAL NET DEBT/EBITDAR



FINANCIAL PREPAREDNESS

SAS has a target for financial preparedness, which is to exceed 25% of annual fixed costs.

FINANCIAL PREPAREDNESS, %



RISKS AND UNCERTAINTIES

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

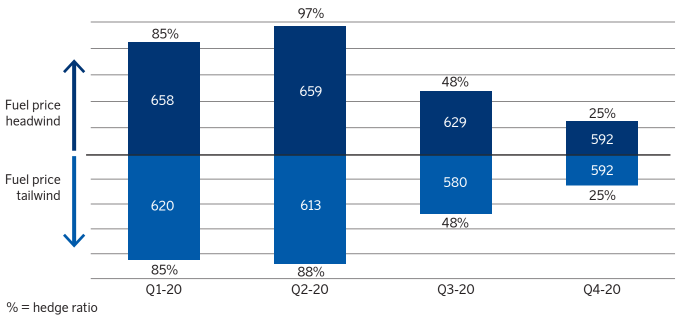
CURRENCY AND JET FUEL HEDGING

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

The policy for jet fuel hedging states that jet fuel should be hedged at an interval of 40–80% of anticipated volumes for the coming 12 months. The policy also allows hedging of up to 50% of the anticipated volumes for the period 12–18 months. Hedging of SAS' future jet fuel consumption is conducted through a combination of swaps and options.

For the coming 12 months, SAS has 62% of the fuel consumption hedged at an average maximum price of USD 645/Mt. If the fuel price goes below USD 571/Mt. 60% of SAS' fuel consumption would be hedged at an average price of USD 605/Mt. The table below illustrates hedges for the following four quarters.

Hedging of jet fuel, USD/MT



For foreign currency, the policy is to hedge 40–80%. At the end of the quarter, SAS had hedged 44% of its anticipated USD deficit for the next 12 months. SAS has hedged the USD deficit using a combination of forward contracts and options. In terms of NOK, which is SAS' largest surplus currency, 65% was hedged for the next 12 months. Based on the currency exposure a weakening of the NOK against the SEK of 1% would generate a negative earnings impact of MSEK 53, excluding hedge effects. A weakening of the USD against the SEK of 1% would generate a positive earnings impact of MSEK 137, excluding hedge effects.

Under current plans for flight capacity, the cost of jet fuel during the fiscal year 2020 is expected to be in line with the table below, taking into account different fuel prices and USD rates as well as including jet fuel hedging.

Sensitivity analysis, jet fuel cost Nov 2019-Oct 2020, SEK billion[1]

	Exchange rate SEK/USD				
Market price	8.5	9.0	9.5	10.0	10.5
USD 500/tonne	7.4	7.8	8.2	8.6	9.1
USD 600/tonne	7.8	8.3	8.7	9.2	9.7
USD 700/tonne	8.5	9.0	9.5	10.0	10.5
USD 800/tonne	8.9	9.5	10.0	10.5	11.1

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

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 3, since currency hedging is performed separately and is not linked specifically to its jet fuel purchases.

LEGAL ISSUES

The European Commission's decision in November 2010 found SAS and many other airlines guilty of alleged participation in a global air cargo cartel in the 1999–2006 period and ordered SAS to pay a fine of MEUR 70.2. SAS appealed the decision in January 2011 and in December 2015, the Court of Justice of the European Union (CJEU) annulled the European Commission's decision including the MEUR 70.2 fine. The CJEU's ruling entered into force and the MEUR 70.2 fine was repaid to SAS at the beginning of March 2016. The European Commission took a new decision on the same issue in March 2017 and again imposed fines on SAS and many other airlines for alleged participation in a global air cargo cartel in the 1999–2006 period. The fine of MEUR 70.2 was the same as that imposed under the 2010 decision. SAS has appealed the European Commission's decision and a hearing was held in CJEU in July 2019. Judgement is expected in 2020.

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 some 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 proceedings will take place in March 2020.

Following the SAS pilot strike in April and 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. If any of the courts should refer the question to the CJEU, the proceedings could take several years. If the CJEU rules against SAS, SAS could be liable to pay compensation to passengers affected by the strike.

CONSOLIDATED STATEMENT OF INCOME

STATEMENT OF INCOME INCLUDING STATEMENT OF OTHER COMPREHENSIVE INCOME

MSEK	Note	Q4	Q4	Q1–4	Q1–4
		Aug–Oct 2019	Aug–Oct 2018	Nov–Oct 2018–2019	Nov–Oct 2017–2018
Revenue	2	13,463	12,678	46,736	44,718
Payroll expenses		-2,609	-2,433	-9,934	-9,441
Other operating expenses	3	-8,223	-8,201	-30,253	-28,338
Leasing costs for aircraft		-943	-817	-3,561	-3,156
Depreciation, amortization and impairment		-502	-632	-1,924	-1,763
Share of income in affiliated companies		1	23	-10	35
Income from the sale of shares in subsidiaries and affiliated companies		0	0	0	-4
Income from the sale of aircraft and buildings		0	302	112	479
Operating income (EBIT)		**1,187**	**920**	**1,166**	**2,530**
Income from other securities holdings		0	0	0	0
Financial income		41	31	172	129
Financial expenses		-132	-162	-544	-609
Income before tax (EBT)		**1,096**	**789**	**794**	**2,050**
Tax		-235	-166	-173	-455
Net income for the period		**861**	**623**	**621**	**1,595**
Other comprehensive income					
Items that may later be reversed to net income:					
Exchange-rate differences in translation of foreign operations		-44	34	-20	148
Cash-flow hedges — hedging reserve, net after tax		-162	-33	-1,109	-166
Items that will not be reversed to net income:					
Revaluations of defined-benefit pension plans, net after tax		168	-134	-1,752	-915
Total other comprehensive income, net after tax		**-38**	**-133**	**-2,881**	**-933**
Total comprehensive income		**823**	**490**	**-2,260**	**662**
Net income for the period attributable to:					
Parent Company shareholders		861	623	621	1,595
Earnings per common share (SEK)[1]		2.19	1.56	1.54	3.71
Earnings per common share after dilution (SEK)[1]		2.19	1.35	1.41	3.27

1) 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 382,582,551 common shares outstanding.

INCOME BEFORE TAX AND ITEMS AFFECTING COMPARABILITY

MSEK	Q4	Q4	Q1–4	Q1–4
	Aug–Oct 2019	Aug–Oct 2018	Nov–Oct 2018–2019	Nov–Oct 2017–2018
Income before tax (EBT)	1,096	789	794	2,050
Impairment[1]	0	206	93	206
Restructuring costs[2]	201	29	230	255
Capital gains/losses[3]	0	-302	-112	-475
Other items affecting comparability[4]	-71	100	-219	100
Income before tax and items affecting comparability	**1,226**	**822**	**786**	**2,136**

1) Impairment for the period November-October of MSEK 93 (206) and for August-October of MSEK 0 (206) pertains to aircraft.
2) Restructuring costs were charged to earnings as payroll expenses of MSEK 230 (105) and property costs of MSEK 0 (150) in the November–October period. The August–October period included payroll expenses of MSEK 201 (29).
3) Capital gains include aircraft sales amounting to MSEK 112 (479) in the November–October period and sale of subsidiaries 0 (-4). The August-October period included aircraft gains amounting to MSEK 0 (302).
4) The November–October period included contractual settlement and a release of a fiscal-related provision for indirect taxes of MSEK -148 (0) and a release of a provision to be distributed to our employees as a one-time award of MSEK -71 (100). The August-October period included a release of a provision that was made last year to be distributed to our employees as a one-time award of MSEK -71 (100).

CONSOLIDATED BALANCE SHEET

CONDENSED BALANCE SHEET

MSEK	31 Oct 2019	31 Oct 2018	31 Oct 2017
Intangible assets	1,416	1,498	1,581
Tangible fixed assets	15,569	12,240	10,692
Financial fixed assets	5,296	7,389	7,979
Total fixed assets	**22,281**	**21,127**	**20,252**
Other current assets	346	401	321
Current receivables	2,622	2,915	3,146
Cash and cash equivalents[1]	8,763	9,756	8,836
Total current assets	**11,731**	**13,072**	**12,303**
Total assets	**34,012**	**34,199**	**32,555**
Shareholders' equity	5,372	7,268	8,058
Long-term liabilities	13,526	12,011	9,363
Current liabilities	15,114	14,920	15,134
Total shareholders' equity and liabilities	**34,012**	**34,199**	**32,555**
Shareholders' equity per common share, (SEK)[2]	10.12	16.11	13.28
Interest-bearing assets	12,960	16,549	16,245
Interest-bearing liabilities	11,283	10,092	8,575
Working capital	-13,313	-13,347	-12,263

1) At 31 October 2019, including receivables from other financial institutions, MSEK 290 (339).
2) Shareholders' equity attributable to Parent Company shareholders, excluding total preference share capital and hybrid bond, in relation to the 382,582,551 common shares outstanding.

SPECIFICATION OF FINANCIAL NET DEBT, 31 OCTOBER 2019

	According to balance sheet	Of which included financial net debt
Financial fixed assets	5,296	1,904
Current receivables	2,622	288
Cash and cash equivalents	8,763	8,763
Long-term liabilities	13,526	9,450
Current liabilities	15,114	1,833
Financial net debt		328

Information relating to financial net debt in the comparative periods is available in the Financial Key Ratios section. For a specification of financial net debt for the respective periods, please refer to www.sasgroup.net where each interim report is published.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONDENSED CHANGES IN SHAREHOLDERS' EQUITY

Total shareholders' equity attributable to Parent Company shareholders

MSEK	Share capital[1]	Other contributed capital[2]	Hedging reserves	Translation reserve	Retained earnings[3]	Hybrid Bond	Total share-holders' equity
Opening shareholders' equity in accordance with approved balance sheet, 1 November 2017	**6,776**	**327**	**1,472**	**-198**	**-319**		**8,058**
Effect of new accounting policy, IFRS 9			-20		20		0
Adjusted opening shareholders' equity, 1 November 2017	**6,776**	**327**	**1,452**	**-198**	**-299**	-	**8,058**
New issue	1,055				178		1,233
Preference share dividend					-105		-105
Redemption of preference shares	-99				-2,480		-2,579
Comprehensive income November–October			-160	147	674		661
Closing balance, 31 October 2018	**7,732**	**327**	**1,292**	**-51**	**-2,032**	-	**7,268**
Effect of new accounting policy, 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
Comprehensive income November–October			-1,109	-20	-1,131		-2,260
Closing balance, 31 October 2019	**7,690**	**170**	**183**	**-71**	**-4,100**	**1,500**	**5,372**

1) Number of shares in SAS AB: 382,582,551 (382,582,551) common shares with a quotient value of SEK 20.10 and 0 (2,101,552) preference shares with a quotient value of SEK 20.10.
2) The amount comprises share premium reserves.
3) No dividends were paid on common shares for 2017/2018.

CONSOLIDATED CASH FLOW STATEMENT

CONDENSED CASH FLOW STATEMENT

MSEK	Q4 Aug–Oct 2019	Q4 Aug–Oct 2018	Q1–4 Nov–Oct 2018–2019	Q1–4 Nov–Oct 2017–2018
OPERATING ACTIVITIES				
Income before tax (EBT)	1,096	789	794	2,050
Depreciation, amortization and impairment	502	632	1,924	1,763
Income from sale of aircraft, buildings and shares	0	-302	-112	-475
Adjustment for other non-cash items, etc.	102	171	-248	219
Tax paid	0	-1	-53	-45
Cash flow from operations before change in working capital	**1,700**	**1,289**	**2,305**	**3,512**
Change in working capital	-501	-444	1,013	1,047
Cash flow from operating activities	**1,199**	**845**	**3,318**	**4,559**
INVESTING ACTIVITIES				
Investments including advance payments to aircraft manufacturers	-1,456	-1,418	-6,191	-6,840
Acquisition of subsidiaries	0	0	-16	0
Sale of subsidiaries and affiliated companies	0	0	394	-3
Sale of fixed assets, etc.	-52	1,231	1,233	4,164
Cash flow from investing activities	**-1,508**	**-187**	**-4,580**	**-2,679**
Cash flow before financing activities	**-309**	**658**	**-1,262**	**1,880**
FINANCING ACTIVITIES				
Hybrid bond, net of transaction costs	1,474	0	1,474	0
New issue	0	0	0	1,223
Dividend on preference shares	0	-27	-26	-228
Redemption of preference shares	0	0	-1,112	-2,579
External financing, net	251	599	-67	621
Cash flow from financing activities	**1,725**	**572**	**269**	**-963**
Cash flow for the period	**1,416**	**1,230**	**-993**	**917**
Translation difference in cash and cash equivalents	-1	1	0	3
Cash and cash equivalents at beginning of the period	7,348	8,525	9,756	8,836
Cash and cash equivalents at the end of the period	**8,763**	**9,756**	**8,763**	**9,756**
Cash flow from operating activities per common share (SEK)	3.13	2.21	8.67	11.92

FINANCIAL KEY RATIOS

	31 Oct 2019	31 Oct 2018	31 Oct 2017
Return on invested capital (ROIC)	8%	14%	13%
Adjusted financial net debt/EBITDAR	3.7x	2.7x	3.1x
Financial preparedness	38%	42%	37%
Return on shareholders' equity	14%	22%	18%
Equity/assets ratio	16%	21%	25%
Adjusted equity/assets ratio	9%	13%	15%
Financial net debt, MSEK	328	-2,432	-2,799
Debt/equity ratio	0.06	-0.33	-0.35
Adjusted debt/equity ratio	4.70	2.70	2.28
Interest-coverage ratio	2.5	4.4	3.8

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

PARENT COMPANY SAS AB

The number of common shareholders in SAS AB amounted to 58,819 at 31 October 2019. The average number of employees amounted to three (four). In December 2018, 2,101,552 preference shares were redeemed.

CONDENSED STATEMENT OF INCOME

MSEK	Q1–4 Nov–Oct 2018–2019	Q1–4 Nov–Oct 2017–2018
Revenue	58	56
Payroll expenses	-48	-32
Other operating expenses	-32	-32
Operating income (EBIT)	**-22**	**-8**
Net financial items	-55	-18
Income before tax (EBT)	**-77**	**-26**
Tax	21	-14
Net income for the period	**-56**	**-40**

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

CONDENSED BALANCE SHEET

MSEK	31 Oct 2019	31 Oct 2018	31 Oct 2017
Financial fixed assets	14,703	14,643	14,661
Other current assets	137	134	463
Cash and cash equivalents	1	2	2
Total assets	**14,841**	**14,779**	**15,126**
Shareholders' equity	10,664	10,329	11,820
Long-term liabilities	2,258	2,252	1,540
Current liabilities	1,919	2,198	1,766
Total shareholders' equity and liabilities	**14,841**	**14,779**	**15,126**

CHANGES IN SHAREHOLDERS' EQUITY

MSEK	Share capital[1]	Restricted reserves	Unrestricted equity[2]	Hybrid bond	Total shareholders' equity
Opening balance, 1 November 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 for the period			-56		-56
Shareholders' equity, 31 October 2019	**7,690**	**447**	**1,027**	**1,500**	**10,664**

1) Number of shares: 382,582,551 (382,582,551) common shares with a quotient value of SEK 20.10 and 0 (2,101,552) preference shares with a quotient value of SEK 20.10.
2) No dividends were paid on common shares for 2017/2018.

NOTES

NOTE 1 ACCOUNTING POLICIES AND FINANCIAL STATEMENTS

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

The accounting policies follow those described in the 2017/2018 Annual Report. From 1 November 2019, SAS Group will adopt the new standard IFRS 16, Leasing. The impact of the implementation of IFRS 16 is described in this note on page 14-15.

Since 1 November 2018, SAS Group applies the new accounting standards IFRS 15, Revenue from Contracts with Customers, and IFRS 9, Financial Instruments. The table below shows the impact of the implementation of IFRS 9 and IFRS 15 on equity and other balance sheet items at the transition date of 1 November 2018. IFRS 15 is applied using the modified retrospective approach, meaning the opening balance at 1 November 2018 is adjusted to reflect the impact of IFRS 15, but the previous periods have not been restated. IFRS 9 is applied from 1 November 2018. The hedge accounting guidance is applied prospectively apart from the accounting guidance relating to changes in the time value of options that is applied retrospectively, meaning comparative periods have been recalculated and the opening balance per 1 November 2017 has been adjusted. The comparative figures for rolling 12 months, February 2016–January 2017, have not been recalculated since requirements in IFRS 9 do not result in recalculation of periods before 1 November 2017. All other changes following IFRS 9 are applied retrospectively but without adjustment of comparative periods. This means that the opening balances at 1 November 2018 are adjusted to reflect the impact of IFRS 9 but the previous periods have not been restated (except for changes relating to time value as mentioned above).

IMPACT OF IFRS 9 AND IFRS 15

MSEK	Reported 31 October 2018	Adjustments IFRS 9	Adjustments IFRS 15	Adjusted balance 1 November 2018
Accounts receivable	1,219	-14		1,205
Shareholder´s equity	7,268	-11	-16	7,241
Unearned transportation revenue	5,681		21	5,702
Deferred tax assets	174	3	5	182

IFRS 9 — FINANCIAL INSTRUMENTS

IFRS 9 — Financial Instruments replaces IAS 39 — Financial Instruments: Recognition and Measurement. The new guidance in IFRS 9 primarily pertains to three areas: classification and measurement, impairment and hedge accounting. SAS applies IFRS 9 retrospectively from the effective date, 1 November 2018, and have not restated comparative information, with exception for guidance relating to changes in time value of options where comparative periods have been recalculated and the opening balances per 1 November 2017 have been adjusted. As mentioned above, the comparative figures for rolling 12 months, 2016–2017, have not been recalculated. The transition to IFRS 9 is reducing equity as at 1 November 2018 by MSEK 11, net of tax.

Classification and measurement

Financial assets are initially measured at fair value and subsequently measured and classified at amortized cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL). The classification of financial assets depends on the characteristics of the asset and the business model in which it is held. Derivatives are measured at fair value. The contractual terms for SAS' other financial assets give rise to payments that are solely payments of principal and interest on the principal amount outstanding, and the financial assets are held in a business model aimed at holding financial assets to collect contractual cash flows. Following this classification, all assets except for derivatives are measured at amortized cost. Subsequently, on a continuous basis, the assets are measured at amortized cost using the effective-interest method reduced with impairment provisions. The following table illustrates the impact on the classification:

Financial assets	Previous classification (IAS 39)	New classification (IFRS 9)	Explanation
Other long-term receivables / Accounts receivable / Other receivables	Loan receivables and accounts receivable	Amortized cost	Managed in a business model with the aim of holding until maturity. Payments are solely payments of principal and interest on the principal amount outstanding.
Derivatives	Hedging instruments, derivatives	FVOCI	The effective portion of the change in the fair-value hedge is recognized in other comprehensive income.
Derivatives	Held for trading	FVTPL	Fair value through profit or loss, no change.
Short-term investments	Held for trading/Loans and receivables	Amortized cost	Managed in a business model with the aim of holding until maturity. Payments are solely payments of principal and interest on the principal amount outstanding.
Cash and bank balances	Loans and receivables	Amortized cost	Managed in a business model with the aim of holding until maturity. Payments are solely payments of principal and interest on the principal amount outstanding.
Other liabilities	Other liabilities	Amortized cost	

Impairment
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 posted as expenses in the income statement. Following the new impairment model, the provision for expected losses in accounts receivable increase by MSEK 14. SAS' other financial assets are not subject to further impairment provisions at the date of transition.

Financial liabilities
SAS' classification and measurement of financial liabilities are not impacted by IFRS 9. This means that the financial liabilities initially will continue to be measured at fair value and subsequently at amortized cost using the effective-interest method. New guidance in IFRS 9 relating to modified financial liabilities does not have an impact on SAS financial liabilities at the date of transition.

Hedge accounting
SAS applies the hedge accounting guidelines in IFRS 9. The changes for SAS relate to the measurement of effectiveness and the time value of options designated in a hedging relationship. For measurement of effectiveness, the previous requirement that a hedge should be in the 80–125% range is replaced by an overall assessment of whether or not the hedging relationship is effective. For options designated in a hedging relationship, there is new guidance relating to changes in the fair value of the time value if only the intrinsic value is designated in the hedging relationship. 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, not in profit and loss as in IAS 39. On a continuous basis going forward, less volatility is expected in earnings. The hedge accounting guidance relating to changes in time value of an option is applied retrospectively and comparative periods have been recalculated. The transition impact relates to reclassifications within equity at 1 November 2017 of MSEK 25, pre tax, and an increase in earnings in the comparative period 1 November 2017 to 31 October 2018 of MSEK 9, pre tax, affecting the hedging reserve in equity.

IFRS 15 — REVENUE FROM CONTRACTS WITH CUSTOMERS
IFRS 15 — Revenue from Contracts with Customers replaces IAS 18 — Revenue and IAS 11 — Construction Contracts. IFRS 15 establishes a new principle-based model of recognizing revenue from customer contracts. It introduces a five-step model that requires revenue to be recognized when control over goods and services are transferred to the customer. SAS applies the modified retrospective approach, meaning that the opening balances at 1 November 2018 are adjusted but the previous periods have not been restated. The transition to IFRS 15 reduces equity by MSEK 16, net of tax, which is considered to be non-significant in the Group's consolidated financial statements.

Under the previous accounting standards, IAS 18 and IAS 11, SAS recognized passenger and charter revenue when the transportation was performed, cargo revenue when the transportation was completed and other revenue when the goods were delivered or the service performed. All customer contracts have been analyzed using the five-step model. The performance obligations identified are fulfilled at a point in time, corresponding to the same point in time as revenue was recognized under the previous standards. Since the transaction price for these services also is unchanged, and allocated to the identified performance obligations, there is no significant change in revenue recognition following IFRS 15.

The only change identified relates to rebooking fees that, under IAS 18, was recognized as income when the rebooking took place. In the new guidance, this fee is a contract modification that is recognized when the ticket is used. This means that revenue is recorded later than in the previous standards. At the date of transition unearned transportation revenue increased with MSEK 21, with a corresponding reduction of equity with MSEK 16, net of tax.
As a result of IFRS 15, the net income has not been significantly affected compared to what it would have been if SAS would have continued with IAS 18 and IAS 11.

Compensations for delays or cancellations
The IFRS Interpretation Committee (IFRIC, IC) published an agenda decision in September 2019 of Compensations for Delays or Cancellations (IFRS 15). The Interpretation Committee concluded in its decision that customer compensations for delays or cancellations is a variable consideration in the contract. Therefore, it should be recognized as an adjustment to revenue. SAS has previously accounted for customer compensations in other operating expenses. In accordance with the IC decision SAS is currently analyzing the effects and will in future reporting reclassify customer compensation for delays and cancellations from operating expenses to revenue, in accordance with the IC's agenda decision. The amounts concerned are not material, but not yet known in detail.

IFRS 16 — LEASES
From 1 November 2019, SAS will adopt 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 initially measured at an amount equal to the financial lease liability at the date of transition. The lease expense previously recognized in the income statement is replaced by an expense for depreciation of the right of use asset and an interest expense for the financial liability. SAS has carried out an extensive implementation project since the impact on the financial reporting is significant.

The main types of assets leased by SAS are, in order of materiality, aircraft, properties and ground equipment. At 1 November 2019 assets will increase by approximately SEK 17 billion due to the recognition of right of use assets. Leasing liabilities and liabilities relating to restoration costs (included in right of use asset) will increase with the same amount. Adjustments will be made for netting of prepaid lease expenses to lease liabilities. As the change in assets is equal to the change in liabilities, the cumulative effect of initially applying IFRS 16 is expected to have a zero impact on retained earnings at transition.

A major impact from applying IFRS 16 is that SAS will be exposed to exchange rate fluctuations. Most of the right of use assets will be denominated in SEK, but the corresponding lease liabilities are denominated in foreign currencies. Lease liabilities relating to aircraft is denominated in USD, while part of the properties and ground equipment are denominated in NOK and DKK. The translation risk from converting foreign currency liabilities into SEK is significant, mainly for USD/SEK since aircraft leases will be a significant part of the financial liability. From 1 November 2019, SAS plans to adjust the hedging policy to mitigate this risk.

In SAS' income statement, the right of use assets will be depreciated on a straight-line basis. Interest costs relating to the lease liabilities are at their highest in the beginning of the lease term and are decreasing as the lease liability is amortized. Currently, operating lease expenses for aircraft, properties and ground equipment are expensed over the lease term primarily on a straight-line basis and recognized in the operating result as lease costs 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, SAS' result is expected to be negatively impacted in FY2020 as a result of IFRS 16. The negative impact on income before tax (EBT) is estimated to be MSEK 400-500. This estimate does not include exchange rate revaluations on lease liabilities, and is based on assumptions on development in lease portfolio. Over the lease term, the total expenses following IFRS 16 are equal to the expenses reported under IAS 17.

In the annual report for FY2019, more details will be given regarding the impact on SAS' financial statements, including accounting policies and key ratios. Following SAS' transition approach, financial reporting published by SAS during FY2020 will not include restated comparative information for FY2019. SAS will however disclose detailed information relating to IFRS 16 so that users of the financial reports can understand the outcome during FY2020 in relation to the comparative year.

LONG TERM INCENTIVE PLAN

At 13 March 2019 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). In terms of hedging arrangements, the AGM approved the Board's hedge proposal of entering into an equity swap agreement with a third party. The incentive plan has not had any accounting impact as the performance condition (ROIC) has not been met.

HYBRID BOND

Shareholders equity includes a MSEK 1,500 hybrid bond issued in October 2019. The hybrid bond net position recognized in equity is MSEK 1,477, after issuing expenses. The hybrid bond is deeply subordinated and only senior to the share capital. The hybrid bond has no maturity date and SAS control the payment of interest and capital amounts in the instrument, why this is classified as an equity instruments in its entirety according to IAS 32.

NOTE 2 REVENUE

SAS recognize 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.

	Q4	Q4	Q1–4	Q1–4
	Aug–Oct 2019	Aug–Oct 2018	Nov–Oct 2018–2019	Nov–Oct 2017–2018
Passenger revenue	10,300	9,633	35,479	34,077
Charter revenue	760	709	2,117	1,957
Cargo revenue	362	418	1,506	1,632
Other traffic revenue	813	790	2,936	2,701
Total traffic revenue	**12,235**	**11,550**	**42,038**	**40,367**
Other operating revenue	1,228	1,128	4,698	4,351
Total revenue	**13,463**	**12,678**	**46,736**	**44,718**

TRAFFIC REVENUE PER GEOGRAFICAL AREA

	Domestic		Intra-Scandinavian		Europe		Intercontinental		Total	
	Nov–Oct 2018-2019	Nov–Oct 2017–2018	Nov–Oct 2018-2019	Nov–Oct 2017–2018	Nov–Oct 2018-2019	Nov–Oct 2017–2018	Nov–Oct 2018-2019	Nov–Oct 2017–2018	Nov–Oct 2018-2019	Nov–Oct 2017–2018
Passenger revenue	9,473	8,550	3,737	3,519	13,252	13,293	9,017	8,715	35,479	34,077
Charter revenue	0	0	0	0	2,117	1,957	0	0	2,117	1,957
Cargo revenue	6	4	6	8	64	64	1,430	1,556	1,506	1,632
Other traffic revenue	784	704	309	275	1,096	1,039	747	683	2,936	2,701
Total traffic revenue	**10,263**	**9,258**	**4,052**	**3,802**	**16,529**	**16,353**	**11,194**	**10,954**	**42,038**	**40,367**

OTHER OPERATING REVENUE BY REGION

	Denmark		Norway		Sweden		Europe		Other countries		Total	
	Nov–Oct 2018-2019	Nov–Oct 2017–2018	Nov–Oct 2018-2019	Nov–Oct 2017–2018	Nov–Oct 2018-2019	Nov–Oct 2017–2018	Nov–Oct 2018-2019	**Nov–Oct** 2017–2018	Nov–Oct 2018-2019	Nov–Oct 2017–2018	Nov–Oct 2018-2019	Nov–Oct 2017–2018
Other operating revenue	**726**	**697**	**1,309**	**1,153**	**803**	**865**	**1,125**	**982**	**735**	**654**	**4,698**	**4,351**

NOTE 3 OTHER OPERATING EXPENSES

	Q4 Aug–Oct 2019	Q4 Aug–Oct 2018	Q1–4 Nov–Oct 2018–2019	Q1–4 Nov–Oct 2017–2018
Sales and distribution costs	-745	-728	-2,743	-2,583
Jet fuel	-2,780	-2,455	-9,672	-7,994
Government user fees	-1,179	-1,117	-4,194	-4,159
Catering costs	-346	-349	-1,249	-1,263
Handling costs	-752	-705	-2,832	-2,663
Technical aircraft maintenance	-788	-843	-2,893	-2,897
Computer and telecommunication costs	-457	-447	-1,637	-1,554
Wet-lease costs	-385	-340	-1,472	-1,283
Other	-791	-1,217	-3,561	-3,942
Total	**-8,223**	**-8,201**	**-30,253**	**-28,338**

NOTE 4 QUARTERLY BREAKDOWN

CONSOLIDATED STATEMENT OF INCOME

MSEK	2016-2017		2017–18					2018–19				
	Q4	Full-year	Q1	Q2	Q3	Q4	Full-year	Q1	Q2	Q3	Q4	Full-year
	Aug–Oct	Nov–Oct	Nov–Jan	Feb–Apr	May–Jul	Aug–Oct	Nov–Oct	Nov–Jan	Feb–Apr	May–Jul	Aug–Oct	Nov–Oct
Revenue	11,644	42,654	8,978	9,916	13,146	12,678	44,718	9,534	10,187	13,552	13,463	46,736
Payroll expenses	-2,189	-9,205	-2,268	-2,355	-2,385	-2,433	-9,441	-2,401	-2,420	-2,504	-2,609	-9,934
Other operating expenses	-7,418	-27,489	-5,871	-6,835	-7,431	-8,201	-28,338	-6,387	-7,593	-8,050	-8,223	-30,253
Leasing costs for aircraft	-774	-3,116	-760	-765	-814	-817	-3,156	-787	-846	-985	-943	-3,561
Depreciation, amortization and impairment	-577	-1,635	-353	-374	-404	-632	-1,763	-419	-455	-548	-502	-1,924
Share of income in affiliated companies	16	4	-9	-8	29	23	35	-9	-3	1	1	-10
Income from the sale of shares in subsidiaries and affiliated companies	0	-21	-4	0	0	0	-4	0	0	0	0	0
Income from the sale of aircraft, buildings and slot pairs	78	995	104	47	26	302	479	8	0	104	0	112
Operating income (EBIT)	**780**	**2,187**	**-183**	**-374**	**2,167**	**920**	**2,530**	**-461**	**-1,130**	**1,570**	**1,187**	**1,166**
Income from other securities holdings	0	1	0	0	0	0	0	0	0	0	0	0
Financial income	35	148	34	30	34	31	129	44	44	43	41	172
Financial expenses	-158	-611	-136	-144	-167	-162	-609	-159	-130	-123	-132	-544
Income before tax (EBT)	**657**	**1,725**	**-285**	**-488**	**2,034**	**789**	**2,050**	**-576**	**-1,216**	**1,490**	**1,096**	**794**
Tax	-167	-576	36	139	-464	-166	-455	107	283	-328	-235	-173
Net income for the period	**490**	**1,149**	**-249**	**-349**	**1,570**	**623**	**1,595**	**-469**	**-933**	**1,162**	**861**	**621**
Attributable to:												
Parent Company shareholders	490	1,149	-249	-349	1,570	623	1,595	-469	-933	1,162	861	621

EARNINGS-RELATED KEY RATIOS AND AVERAGE NUMBER OF EMPLOYEES

MSEK	Q1	Q1	Q2	Q2	Q3	Q3	Q4	Q4	Q1-4	Q1-4
	Nov–Jan 2018–19	Nov–Jan 2017–18	Feb–Apr 2019	Feb–Apr 2018	May–Jul 2019	May–Jul 2018	Aug–Oct 2019	Aug–Oct 2018	Nov–Oct 2018–2019	Nov–Oct 2017–2018
Revenue	9,534	8,978	10,187	9,916	13,552	13,146	13,463	12,678	46,736	44,718
EBITDAR	746	839	174	726	2,998	3,330	2,631	2,044	6,549	6,939
EBITDAR margin	7.8%	9.3%	1.7%	7.3%	22.1%	25.3%	19.5%	16.1%	14.0%	15.5%
Operating income (EBIT)	-461	-183	-1,130	-374	1,570	2,167	1,187	920	1,166	2,530
Operating income (EBIT) margin	-4.8%	-2.0%	-11.1%	-3.8%	11.6%	16.5%	8.8%	7.3%	2.5%	5.7%
Income before tax (EBT)	-576	-285	-1,216	-488	1,490	2,034	1,096	789	794	2,050
Net income for the period	-469	-249	-933	-349	1,162	1,570	861	623	621	1,595
Income before tax and items affecting comparability	-724	-385	-1,211	-309	1,495	2,008	1,226	822	786	2,136
Earnings per common share (SEK)	-1.25	-0.88	-2.44	-1.00	3.04	4.03	2.19	1.56	1.54	3.71
Cash flow before financing activities	-2,566	-213	1,473	1,238	140	197	-309	658	-1,262	1,880
Average number of employees (FTE)	10,292	9,929	10,260	9,990	10,639	10,332	10,587	10,334	10,445	10,146

NOTE 5 FINANCIAL ASSETS AND LIABILITIES

FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES

	31 October 2019			31 Oct 2018	
MSEK	Carrying amount	Fair value		Carrying amount	Fair value
Financial assets					
Hedge derivatives at fair value	225	225	Financial assets at fair value	636	636
Financial assets at FVTPL	23	23	Financial assets held for trading	3,641	3,641
Financial assets at amortized cost	12,648	12,648	Other assets	10,057	10,049
Total	**12,896**	**12,896**		**14,334**	**14,326**
Financial liabilities					
Hedge derivatives at fair value	891	891	Financial liabilities at fair value	141	141
Financial liabilities at FVTPL	17	17	Financial liabilities held for trading	29	29
Financial liabilities at amortized cost	11,890	11,355	Financial liabilities at amortized cost	11,675	10,977
Total	**12,798**	**12,263**		**11,845**	**11,147**

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

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

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

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

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

FAIR VALUE HIERARCHY

	31 October 2019				31 Oct 2018		
MSEK	Level 1	Level 2	Total		Level 1	Level 2	Total
Financial assets							
Hedge derivatives at fair value	-	225	225	Financial assets at fair value	-	636	636
Financial assets at FVTPL	-	23	23	Financial assets held for trading	287	3,354	3,641
Total	-	**248**	**248**		**287**	**3,990**	**4,277**
Financial liabilities							
Hedge derivatives at fair value	-	891	891	Financial liabilities at fair value	-	141	141
Financial liabilities at FVTPL	-	17	17	Financial liabilities held for trading	-	29	29
Total	-	**908**	**908**		-	**170**	**170**

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

Stockholm, 5 December 2019

Carsten Dilling
Chairman of the Board

Dag Mejdell
Vice Chairman

Monica Caneman
Board member

Lars-Johan Jarnheimer
Board member

Oscar Stege Unger
Board member

Liv Fiksdahl
Board member

Sanna Suvanto-Harsaae
Board member

Kay Kratky
Board member

Endre Røros
Board member

Cecilia van der Meulen
Board member

Crista Cere
Board member

Rickard Gustafson
President and CEO

This year-end report is unaudited

TRAFFIC DATA INFORMATION

SCHEDULED PASSENGER TRAFFIC

	Aug–Oct 2019	Aug–Oct 2018	Year-on-year change	Nov–Oct 2018–2019	Nov–Oct 2017–2018	Year-on-year change
Number of passengers (000)	8,083	7,896	+2.4%	28,451	28,794	-1.2%
RPK, Revenue Passenger Kilometers (mill)	10,213	10,071	+1.4%	35,825	36,496	-1.8%
ASK, Available Seat Kilometers (mill)	13,299	13,056	+1.9%	48,471	49,023	-1.1%
Load factor	76.8%	77.1%	0.3[1]	73.9%	74.4%	0.5[1]
Passenger yield, currency-adjusted	1.01	0.98	+3.1%	0.99	0.96	+3.2%
Passenger yield, nominal	1.01	0.96	+5.4%	0.99	0.93	+6.1%
Unit revenue, PASK, currency-adjusted	0.77	0.75	+2.7%	0.73	0.71	+2.5%
Unit revenue, PASK, nominal	0.77	0.74	+5.0%	0.73	0.70	+5.3%
RASK, currency adjusted	0.84	0.82	+2.1%	0.80	0.79	+2.2%
RASK, nominal	0.84	0.80	+4.3%	0.80	0.76	+5.0%

1) Figures given in percentage points

TOTAL TRAFFIC (SCHEDULED AND CHARTER TRAFFIC)

	Aug–Oct 2019	Aug–Oct 2018	Year-on-year change	Nov–Oct 2018–2019	Nov–Oct 2017–2018	Year-on-year change
Number of passengers (000)	8,540	8,346	+2.3%	29,761	30,082	-1.1%
RPK, Revenue Passenger Kilometers (mill)	11,410	11,258	+1.3%	39,375	39,946	-1.4%
ASK, Available Seat Kilometers (mill)	14,610	14,385	+1.6%	52,371	52,781	-0.8%
Load factor	78.1%	78.3%	-0.2[1]	75.2%	75.7%	-0.5[1]
Unit cost, CASK, currency-adjusted	-0.75	-0.77	-1.7%	-0.79	-0.75	+4.4%
Unit cost, CASK, nominal incl. items affecting comparability	-0.76	-0.76	-0.7%	-0.78	-0.73	+7.7%
Unit cost, CASK, excluding jet fuel, currency-adjusted	-0.56	-0.58	-3.1%	-0.60	-0.59	+2.1%
Unit cost, CASK, excluding jet fuel, nominal incl. items affecting comparability	-0.57	-0.59	-4.2%	-0.60	-0.58	+3.9%

1) Figures given in percentage points

SCHEDULED TRAFFIC TREND FOR SAS BY ROUTE SECTOR

	Aug–Oct 2019 vs. Aug–Oct 2018		Nov–Oct 2018–2019 vs. Nov–Oct 2017–2018	
	Traffic (RPK)	Capacity (ASK)	Traffic (RPK)	Capacity (ASK)
Intercontinental	-2.5%	0.9%	-3.3%	-3.0%
Europe/Intra-Scandinavia	3.6%	1.5%	-1.6%	-0.9%
Domestic	4.7%	4.9%	1.0%	2.0%

PRODUCTIVITY AND ENVIRONMENTAL EFFICIENCY

Productivity, 12-month rolling	Oct 2019	Oct 2018	Year-on-year change
Aircraft, block hours/day	9.3	9.6	-3.3%
Cabin crew, block hours/year	734	771	-5.1%
Pilots, block hours/year	637	687	-7.8%

Environmental efficiency, 12-month rolling	Oct 2019	Year-on-year change
Total CO_2 emissions, milion tonnes	4,206	-2.5%
CO_2 emissions per available seat kilometer, grams	62	-1.7%

AIRCRAFT FLEET

THE SAS AIRCRAFT FLEET AT 31 OCTOBER 2019

SAS Group Aircraft Fleet	Age	Owned	Leased	Wet Lease	Total	SAS Scandinavia	SAS Ireland	Wet Lease	In SAS Group Traffic	Firm Order Purchase	Firm Order Lease
Airbus A330/340/350	12.9	10	6		16	16			16	8	
Airbus A320 family	7.4	17	34		51	42	9		51	38	17
Boeing 737NG	15.2	28	30		58	58			58		
Bombardier CRJ	4.0			25	25			25	25		
ATR-72	4.7			8	8			8	8		
Total	**10.2**	**55**	**70**	**33**	**158**	**116**	**9**	**33**	**158**	**46**	**17**

Aircraft on firm order 2020-2024 at 31 October 2019	FY20	FY21	FY22	FY23	FY24	
Airbus A320neo	15	2	15	18	2	52
Airbus A321neo LR	1	2				3
Airbus A350	4	4				8
Total	**20**	**8**	**15**	**18**	**2**	**63**

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 the APMs is to illustrate the performance measures tailored to operations that, in addition to the other key figures, enable various stakeholders to more accurately assess and value SAS' historical, current and future performance and positions. A list of the APMs deemed of sufficient material importance to specify is available at www.sasgroup.net under Investor Relations.

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

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

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

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

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

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

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

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

CASK, Unit cost — 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).

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

EPS, Earnings per common share — 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.

Operating income (EBIT) margin — Operating income (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.

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

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

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

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

FTE — Number of employees, full time equivalents.

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

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

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 items affecting comparability, the underlying results are shown, which facilitates comparability between different periods.

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.

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

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.

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

RPK, Revenue Passenger Kilometers — Number of paying passengers multiplied by flown distance (km).

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 on the balance-sheet date.

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).

SAS, Scandinavia's leading airline, carries more than 30 million passengers annually to, from and within Scandinavia. The airline connects three main hubs - Copenhagen, Oslo and Stockholm - with 125 destinations in Europe, the US and Asia. Spurred by a Scandinavian heritage and sustainable values, SAS will reduce total carbon emissions by 25% and operate with biofuel equivalent to the total consumption of fuel used to operate all domestic SAS flights, by 2030. In addition to airline operations, SAS offers ground handling services, technical maintenance and air cargo services. SAS is a founding member of Star Alliance™ and together with partner airlines offers almost 19,000 daily flights to more than 1,300 destinations around the world.

Learn more at https://www.sasgroup.net

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

FINANCIAL TARGETS

RETURN ON INVESTED CAPITAL (ROIC)

We have a target for return on invested capital (ROIC) to exceed 12% measured over a business cycle. The measure is a prerequisite for SAS to create shareholder value. The target corresponds to the capital markets' weighted average pre-tax cost of capital (WACC) and is also linked to our dividend policy.

ADJUSTED FINANCIAL NET DEBT/EBITDAR

We have a target for the adjusted financial net debt/EBITDAR ratio to be a multiple of less than three

FINANCIAL PREPAREDNESS

Our target for financial preparedness is for cash, cash equivalents and available credit facilities to exceed 25% of annual fixed costs

ENVIRONMENTAL GOALS

Society and our customers are increasingly demanding more sustainable solutions. This trend is expected to continue in the airline industry until 2030 and beyond, with a focus on reducing emissions and more efficient resource use.

Accordingly, we have set comprehensive and ambitious, short and long-term environment goals to drive our environmental work.

OUR 2030 GOALS

- 25% lower CO_2 emissions compared with 2005 (absolute emissions)
- 17% biofuel used – equivalent to the total SAS domestic production

STRATEGY

WIN SCANDINAVIA'S FREQUENT TRAVELERS

- Offer customers an attractive network and timetable, according to the season
- Continue to develop our appreciated service concept
- Provide efficient digital solutions along the entire travel chain

CREATE AN EFFICIENT AND SUSTAINABLE OPERATING MODEL

- Build a more flexible operating model through complementary bases outside Scandinavia and regional partners
- Leverage technology to increase efficiency and improve process quality in all parts of production
- Accelerate sustainability efforts

SECURE THE RIGHT CAPABILITIES

- Strengthen employee engagement through greater involvement
- Excelling in leadership through training courses, internal networks and mentor programs
- Developing our competences through succession and career planning, trainee and mentoring programs
- Make SAS as an attractive workplace through focus on individual development, digital tools, wellbeing and employer branding

FINANCIAL CALENDAR

30 January 2020 - Annual report 2018/2019
26 February 2020 - Q1 Interim report Nov 2019–Jan 2020
12 March 2020 - Annual General Meeting
28 May 2020 - Q2 Interim report Feb 2020–Apr 2020
25 Aug 2020 - Q3 Interim report May 2020–Jul 2020
3 Dec 2020 - Q4 Interim report Aug 2020–Oct 2020

All reports are available in English and Swedish and can be downloaded at www.sasgroup.net. SAS' monthly traffic data information is normally issued on the fifth business day of the following month.

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