



QUARTERLY RESULTS IN LINE WITH GUIDANCE

NOVEMBER 2019 – JANUARY 2020

- Revenue: MSEK 9,707 (9,405)
- Income before tax (EBT): MSEK -1,087 (-576)
- Income before tax and items affecting comparability: MSEK -1,078 (-724)
- Net income for the period: MSEK -861 (-469)
- Earnings per common share SEK -2.33 (-1.25)
- First quarter with IFRS 16 accounting standard

SIGNIFICANT EVENTS AFTER QUARTER END

- Charlotte Svensson appointed as SAS new Chief Information Officer as of 1 February 2020
- New agreement signed with Danish union, FPU, tailored for future regional production

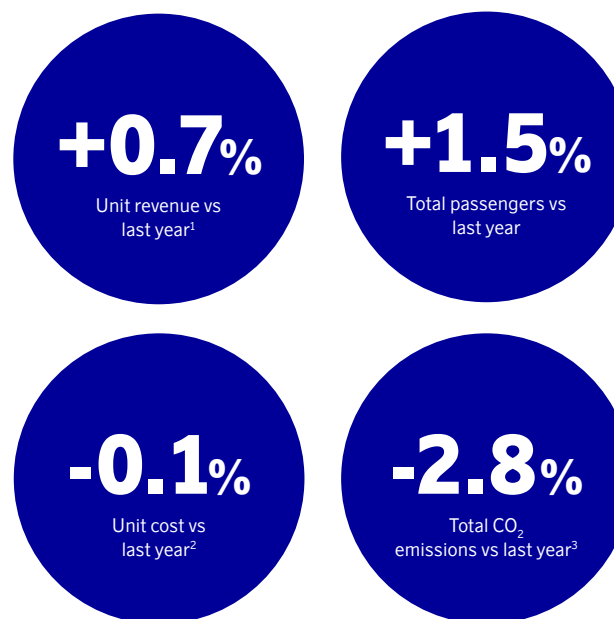
OUTLOOK

- SAS expects to deliver a FY20 EBIT margin before items affecting comparability of 3-5 %, subject to limited impact of COVID-19

“SAS attracts more passengers in a challenging Scandinavian market”

Rickard Gustafson, President and CEO

KEY FIGURES – FIRST QUARTER 2020



¹ PASK, Currency adjusted

² CASK, Currency adjusted and excluding jet fuel

³ 12 month rolling

FINANCIAL SUMMARY

MSEK, unless noted otherwise	Q1	
	Nov–Jan 2019-2020	Nov–Jan 2018-2019
Revenue	9,707	9,405
Operating income (EBIT)	-767	-461
Operating income (EBIT) margin	-7.9%	-4.9%
Income before tax (EBT)	-1,087	-576
Income before tax and items affecting comparability	-1,078	-724
Net income for the period	-861	-469
Cash flow from operating activities	555	-682

	31 Jan 2020	31 Oct 2019	31 Jan 2019
Return on invested capital ¹	7%	8%	12%
Adjusted financial net debt/EBITDAR ¹	4.1x	3.7x	3.0x
Financial preparedness ¹	32%	38%	33%
Equity/assets ratio ²	8%	16%	14%
Earnings per common share (SEK) ²	-2.33	1.54	-1.25
Shareholders' equity per common share, SEK ²	7.67	10.12	12.41

¹ Calculation based on 12-month rolling numbers. Key ratio is based on financial statements excluding IFRS 16.

² Key ratio for 2020 including IFRS 16. Earlier periods do not include IFRS 16.

This information is information that SAS AB is obliged to disclose pursuant to the EU Market Abuse Regulation. The information was submitted by Michel Fischier for publication on 26 February 2020 at 8:00 a.m. CET.

SAS STRENGTHENS ITS MARKET POSITION

Our first quarter of 2020 was characterized by passenger growth and a strengthened position in the Scandinavian market. Operational improvements also resulted in increased robustness and customer satisfaction. However, a strong revenue growth was offset by negative currency and IFRS 16 effects, resulting in earnings below the same period last year.

We continued to note strong demand for our services in the first quarter of fiscal year 2020. Revenue increased more than 3% to SEK 9.7 billion, mainly driven by an increase of nearly 100 000 passengers.

Total expenses before items affecting comparability, increased over 4% compared with last year due to unfavorable currency movements.

As a consequence of unfavorable currency movements and the effects from IFRS 16 accounting standard, adopted on 1 November 2019, earnings before tax and items affecting comparability amounted to MSEK -1,078. This represents a decrease of MSEK 354 year-over-year and is in line with our guidance communicated at the end of last year.

Despite a weaker quarter from an earnings perspective, our cash position remains strong and is supported by improved forward bookings ahead of the summer season.

COMMERCIAL DEVELOPMENT

I am very pleased that our improved operational quality and customer offering, our dedicated focus on

sustainability and introduction of new aircraft continue to attract customers. In a challenging market, our strong customer offering has resulted in a passenger increase of 1.5% and improved our market share in Scandinavia by 1.6 percentage points to 29%.

Ingegerd Viking, the first of eight Airbus A350s on order, had its inaugural flight from Copenhagen to Chicago on 28 January. The passengers on board the new aircraft experienced a comfortable flight, in a cabin with new seat models and unique customized SAS solutions.

Aircraft operations account for over 99% of our greenhouse gas emissions. Therefore, fleet renewal is our most important initiative to reduce our environmental impact and the Airbus aircraft are the most fuel efficient on the market. In the quarter, we phased in eight Airbus A320neos in addition to the aforementioned Airbus A350. This means 15–30% lower fuel consumption and CO₂ emissions compared with the aircraft they replace. During FY20, we expect deliveries of three additional A350s and six A320neos, which will further reduce our environmental footprint.



Rickard Gustafson, President and CEO.

Until future technology enables zero-emission aircraft, we will continue our efforts to increase usage and stimulate supply of sustainable aviation fuels. Since we provided the option for our customers to add biofuel to their SAS tickets, almost 10 000 travelers have added biofuel to their journeys. This interest shows that a growing number of customers wish to contribute to more sustainable air travel.

At the start of the quarter, we launched new packaging for the New Nordic by SAS food concept, which eliminates up to 50 tons of plastics per year. This is one of many important initiatives in maximizing the use of sustainable materials in the customer offering.

We were also happy to announce that SAS and Apollo have extended their partnership for the 2020 summer and winter season. The agreement is worth around SEK 1.4 billion and we look forward to welcoming Apollo customers on board from 23 locations in Sweden, Denmark and Norway on their way to 26 destinations in Europe.

Norwegian Sykehusinnkjøp also entered into a four-year contract with SAS, as the preferred airline for patient and employee travel on the largest routes in Norway. The healthcare companies spend around MNOK 400 annually on airline travel, and the decision to choose SAS was based on a combination of price and departure schedules.

OPERATIONAL DEVELOPMENT

The ongoing work to improve our operations is reflected in a substantial improvement in operational performance. Compared to last year, punctuality increased 4.2 percentage points to 84.2% while regularity remained high at 98.7%.

Although weather was favorable for airline operations during the period, we also noted positive effects from the new planning processes implemented in FY19. These processes have resulted in a robust production scheme delivering tangible results with over 30% reduction in the average number of delay minutes per flight.

We know that punctuality is the single largest driver for customer satisfaction. Compared to last year, customer satisfaction increased three points to 74. In the month of January in isolation, the customer satisfaction index reached 75, which is the best result in many years. I would like to recognize our employees whose dedicated work is behind the improved performance and customer appreciation.

Productivity measured as pilot and cabin crew block hours per quarter, declined 10% and 2% respectively. The decline is explained by the required Airbus training as Arlanda becomes our second Airbus-base in FY20. Short-term, productivity will be negatively impacted before the benefits from a single-type fleet start to materialize.

One of the points I highlighted in the fourth quarter, was the need to evaluate how to renew the fleet of mid-sized aircraft servicing regional routes. Approximately 20% of the network is served with our current mid-sized Airbus A319 and Boeing 737-700 aircraft. Serving



Our first Airbus A350s had its inaugural flight from Copenhagen to Chicago in January.

regional routes with aircraft of the right size is important from both sustainability and financial perspectives. However, these aircraft will need to be replaced in the next few years.

Before proceeding, there are several prerequisites that need to be fulfilled before a new order can become a reality. Firstly, we must ensure that each entity within our operating model is based on single-type fleet in order to minimize cost and complexity. Secondly, we need to have crew agreements tailored for regional operations in Scandinavia. Thirdly, we need to be able to select and source proven aircraft types suitable for reliable operations in Northern Europe.

Related to the second requirement we have made some progress. We have now signed an agreement with the Danish union, FPU, tailored for future regional production. The agreement fulfills the requirements of locating mid-sized regional production in Scandinavia, with local recruitment on Scandinavian terms and conditions. With this in place, we will continue our intensive efforts to address the other prerequisites, as well as continue to work with all our unions to ensure that we lay the best foundation for the future.

AFFIRMED FULL-YEAR GUIDANCE

We are encouraged by the increase in passenger numbers and maintained yields supporting strong revenue development. At the same time, the economic outlook remains uncertain and the outbreak of the COVID-19 virus adds additional concerns regarding a slowdown in key economies that may impact customer demand negatively.

Our exposure to mainland China is relatively low, with the routes to Shanghai and Beijing carrying some 250 000 passengers annually. The revenue loss from suspended flights during February and March is expected to amount to some MSEK 200. As long as the COVID-19 outbreak is contained in scope and the suspension of flights is isolated to the winter season, this should only have a marginal impact on our earnings. We are continuing to monitor developments and are maintaining close dialogue with the relevant authorities. The safety of passengers and employees is our highest priority and we need to see a positive development before recommencing flights to these regions.

The Swedish and Norwegian kronor remain weak against the US dollar and the Euro, thereby increasing our costs as well as price levels for customers that travel abroad. On the other hand, the recent decline in fuel prices represents a positive development.

After taking into account the supportive revenue development as well as the somewhat increased economic uncertainties, we can affirm our fiscal year outlook of an EBIT margin before items affecting comparability of 3–5%, given a marginal impact of COVID-19 that allows us to resume normal operations before the summer season.

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

Rickard Gustafson,
President and CEO
Stockholm, 26 February 2020



The new fleet lowers fuel consumption and thereby CO₂ emissions.

COMMENTS ON SAS' INTERIM FINANCIAL STATEMENTS

MARKET AND TRAFFIC TRENDS

The total number of passengers in the Scandinavian market decreased with 3.8%. At the same time SAS number of passengers increased with 1.5%.

Looking ahead the number of offered seats in the Scandinavian market is expected to increase approximately 1.4% in the second quarter mainly driven by an increase in SAS capacity.

INCOME STATEMENT, SUMMARY - Q1 2020

MSEK Income statement	Nov-Jan 19-20	Nov-Jan 18-19	Change vs LY	Currency effects	Change vs LY (Curr. adj)
Revenue	9,707	9,405	302	127	175
Total operating expenses	-10,474	-9,866	-608	-341	-267
EBIT	-767	-461	-306	-214	-92
EBT	-1,087	-576	-511	-254	-257

Revenue

Revenue totaled MSEK 9,707 (9,405), see Note 2. After adjustment for currency effects, revenue was up MSEK 175 year-on-year.

Currency-adjusted passenger revenue rose 1.5%. The increase was a result of higher scheduled capacity (ASK) which, based on the preceding year's circumstances, had a positive impact on revenue of MSEK 58. The higher load factor had a positive effect of MSEK 88. The lower yield had a negative impact of MSEK 39 on passenger revenue.

Currency-adjusted cargo revenue decreased MSEK 76, mainly relating to lower volumes. Charter revenue (currency-adjusted) was MSEK 20 higher, relating to increases in both price and volume. Other traffic revenue (currency-adjusted) rose MSEK 37, mainly relating to unused tickets and ancillary revenue. Other operating revenue (currency-adjusted) was MSEK 87 higher year-on-year, mainly relating to higher revenue from credit card fees, ticket fees and the sale of EuroBonus points.

Operating expenses

Personnel expenses amounted to MSEK -2,575 (-2,401). After adjustment for currency and items affecting comparability, personnel expenses increased MSEK 158 year-on-year. The increase relates to normal salary increases, a higher number of employees and training related to the introduction of new aircraft.

Fuel expenses amounted to MSEK -2,020 (-1,961). Adjusted for currency, jet fuel costs decreased 1.2%. Lower jet fuel prices had a positive impact of MSEK 86 on these costs. Hedge effects had a negative impact of MSEK 121 year-on-year and volume effects had a positive impact on costs of MSEK 47.

Other external expenses amounted to MSEK -3,595 (-4,168), see Note 3. Starting 1 November 2019, leasing costs for aircraft are included in other external expenses, but 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 operating expenses (currency-adjusted) decreased MSEK 797. The decrease mainly related to leasing costs for aircraft that, following the adoption of IFRS 16, are no longer recognized as expenses, with the exception of short-term leases. Other changes year-on-year mainly relate to technical maintenance, which decreased MSEK 155 (currency-adjusted) following the introduction and delivery of new aircraft. Wet-lease expenses increased MSEK 57 (currency-adjusted) primarily due to higher prices.

Depreciation and amortization amounted to MSEK -1,369 (-419), an increase of MSEK 950 year-on-year. The increase mainly related to the adoption of IFRS 16, where depreciation of right-of-use assets had a negative impact of MSEK 869, see notes 1 and 4.

During the period, the ongoing efficiency program resulted in cost reductions of about MSEK 180 attributable to efforts such as increased fuel efficiency, increased operational stability and effects from a renegotiated component contract.

Financial net

Financial income and expenses amounted to net MSEK -320 (-115), representing an increase in net expenses of MSEK 205 year-on-year. The increase mainly relates to the adoption of IFRS 16, where interest expenses and currency revaluations for the lease liability had a negative impact of MSEK -199, see Note 5.

Impact from IFRS 16

The adoption of IFRS 16 had a negative impact of MSEK 130 on Income before tax (EBT) in the first quarter. The expenses impacted in the income statement are operating expenses, depreciation and financial net.

Operating expenses were positively impacted by an amount of MSEK 938, since lease expenses for aircraft, properties and ground equipment are no longer recognized in the income statement. Depreciation of right-of-use assets had a negative impact of MSEK 869 and the financial net was negatively impacted by an amount of MSEK 199. For more information on the impact of IFRS 16, see Note 1.

Net income for the period

Operating income amounted to MSEK -767 (-461) and *EBT* amounted to MSEK -1,087 (-576). The year-on-year decrease in *EBT* mainly relates to negative currency effects, the impact from IFRS 16, higher payroll expenses and the impact from items affecting comparability, partly offset by higher revenue and lower technical maintenance expenses. Income after tax was MSEK -861 (-469) and the tax income was MSEK 226 (107).

Year-on-year, foreign exchange rates had a positive impact on revenue of MSEK 127 and a negative effect on operating expenses of MSEK 341. Foreign exchange rates thus had a negative impact on operating income of MSEK 214. Net financial items were negatively impacted by currency items amounting to MSEK 40. In total, currency effects had a net negative impact of MSEK 254 on *EBT*.

Items affecting comparability

Total items affecting comparability amounted to MSEK -9 (148) during the period. Of total items affecting comparability, MSEK -9 (-8) relates to restructuring costs for personnel. The other items in the first quarter last year relate to capital gains from aircraft transactions, a contractual settlement and a release of a fiscal-related provision for indirect taxes in China.

BALANCE SHEET & FINANCIAL POSITION

Assets

Intangible and tangible assets increased MSEK 2,083 during the period. Changes for the period included investments of MSEK 2,538, amortization and depreciation of MSEK -500 and other effects of MSEK 45. The amount for investments includes two new Airbus A320neos and one new Airbus A350. Other aircraft investments comprised capitalized expenditures for engine maintenance, modifications and advance payments to Airbus. Other effects include capitalized interest on prepayments and translation differences.

Right-of-use assets increased MSEK 664 during the period. The increase of MSEK 664 does not include the transition impact of MSEK 16,718 on 1 November 2019. Investments amounted to MSEK 1,496, mainly related to new aircraft lease agreements. Changes in indexation in underlying agreements increased the asset by MSEK 37, and depreciation was MSEK -869. For more information, see Note 1.

Financial assets increased MSEK 477, mainly due to a net increase in SAS' defined-benefit pension plans.

Deferred tax assets increased MSEK 177, mainly due to increased tax losses carried forward.

Current receivables increased MSEK 196. This increase was mainly attributable to higher accounts receivable.

Cash and cash equivalents were MSEK 6,599 (7,247) at 31 January 2020. Unutilized contracted credit facilities amounted to MSEK 2,888 (2,760). Financial preparedness amounted to 32% (33) of SAS' fixed costs.

Shareholders' equity and liabilities

Shareholders' equity decreased MSEK 939. The decrease mainly relates to net income for Q1 of MSEK -861, changes in cash-flow hedges of MSEK -380 and the positive actuarial effect on defined-benefit pension plans of MSEK 344.

Non-current liabilities increased MSEK 1,309 and *current liabilities* increased MSEK 643 excluding the impact of IFRS 16. The total increase in liabilities excluding the effect of IFRS 16 was MSEK 1,952 and was mainly due to higher unearned transportation liability and higher interest-bearing loans.

For more information regarding the impact of IFRS 16, see Note 1.

Interest-bearing liabilities

On 31 January 2019, interest-bearing liabilities amounted to MSEK 29,759, up MSEK 18,476 since 31 October 2019, of which the transition effect of IFRS 16 was MSEK 16,503. New loans and amortization for the period were MSEK 1,415 and MSEK 250 respectively. New loans and amortization of lease liabilities were MSEK 1,535 and MSEK 836 respectively. The change in gross debt since 31 October 2019 included a negative trend in the fair value of financial derivatives, which increased liabilities MSEK 91. Currency revaluations increased liabilities MSEK 97, and accrued interest and other items decreased liabilities MSEK 79.

Financial net debt

At 31 January 2020, the financial net debt amounted to MSEK 21,038, an increase of MSEK 20,710 since 31 October 2019. Excluding the MSEK 16,503 transition effect of IFRS 16, the increase was MSEK 4,207. The increase was primarily due to a negative cash flow before financing activities, new lease liabilities of MSEK 1,535 and the negative value of financial derivatives.

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 will not include restated comparative information for FY 2019. Key ratios that are calculated on closing balances, and not rolling month numbers, will be based on the financial statements including IFRS 16 figures in FY 2020. Key ratios that are based on rolling month numbers will be based on the financial statements excluding IFRS 16 in FY 2020. See Note 1 for more information.

At 31 January 2020, the return on invested capital (ROIC) was 7%, down 1 percentage point since 31 October 2019. The decrease was mainly due to a lower adjusted EBIT.

Financial preparedness has decreased 6 percentage points, and was 32% at the end of this quarter. The reduction is related to lower cash and cash equivalents.

The adjusted financial net debt/EBITDAR ratio changed to a multiple of 4.1. At 31 October 2019, the multiple was 3.7. The change is both related to increased adjusted financial net debt and lower EBITDAR.

At 31 January 2020, the equity/assets ratio was 8%, down from 16% at 31 October 2019. The adoption of IFRS 16 has a significant impact on the balance sheet and is by far the largest explanation for the decrease. Excluding IFRS 16, the equity/assets ratio would have been 13%.

CASH-FLOW STATEMENT

Cash flow for the first quarter amounted to MSEK -2,164 (-2,508). Cash and cash equivalents amounted to MSEK 6,599, compared with MSEK 8,763 at 31 October 2019.

Cash flow from operating activities

Cash flow from operating activities before changes in working capital amounted to MSEK 270 (-418) in the first quarter of the fiscal year. The change compared to the previous year was primarily attributable to the adoption of IFRS 16 which means that amortization of lease liabilities pertaining to operationally leased assets, primarily aircraft, as of the current financial year are found in cash flow from financing activities. Last year, leasing costs were included in cash flow from operating activities.

Changes in working capital tend to be negative in the first quarter but were positive this year and amounted to 285 (-264). This year's positive change in working capital was mainly due to an increase in the unearned transportation liability.

Investing activities

Investments totaled MSEK 2,538 (1,840), of which MSEK 2,481 (1,815) pertained to aircraft. These included delivery payments for two new Airbus A320neos and one Airbus A350. Other aircraft investments comprised capitalized expenditure for aircraft maintenance, modifications and advance payments to Airbus.

Financing activities

New loans amounted to MSEK 1,415 (1,346), while repayments totaled MSEK 250 (172). The new loans were related to aircraft financing. The purchase of the Airbus A350 in December decreased cash and cash equivalents, but is expected to be financed with a new loan in the second quarter. Amortization of lease liabilities (IFRS 16) were MSEK 836. Furthermore, cash flow from financing activities was negatively impacted by payments of financial derivatives and defined-benefit pension payments.

PARENT COMPANY

The parent Company SAS AB has limited intra-Group services. Revenue totaled MSEK 10 (13) and operating expenses MSEK -14 (-16). Net financial items amounted to MSEK 4 (-17) and the net income for the period was MSEK -6 (-16).

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.

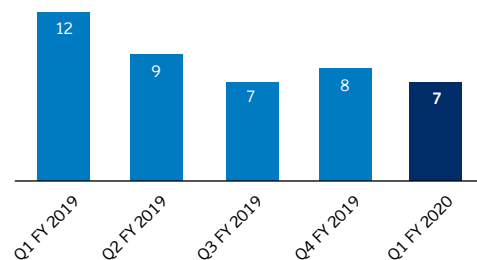
We operate in a capital-intensive industry that requires optimization of the capital structure. For this reason, SAS has three financial targets:

- 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

RETURN ON INVESTED CAPITAL (ROIC), 12-MONTH ROLLING, %
SAS has a target for the return on invested capital (ROIC) to exceed 12% measured over a business cycle.



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.

ENVIRONMENTAL GOALS

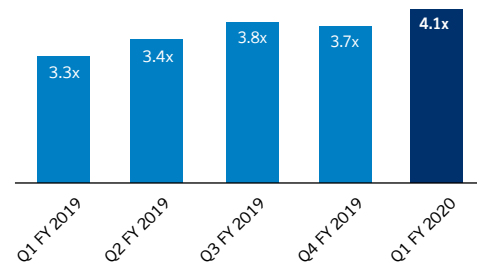
Society and our customers are increasingly demanding more sustainable solutions. This trend is expected to continue in the airline industry until 2030 and beyond, with a focus on reducing emissions and more efficient resource use.

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

Our 2030 goals

- 25% lower CO₂ emissions compared with 2005 (absolute emissions)
- 17% biofuel used – equivalent to the total SAS domestic production

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.



EVENTS AFTER 31 JANUARY 2020

- Charlotte Svensson appointed as SAS new Executive Vice President and Chief Information Officer (CIO) as of 1 February 2020
- New agreement signed with Danish union, FPU, tailored for future regional production
- Announcement of notice to annual general meeting

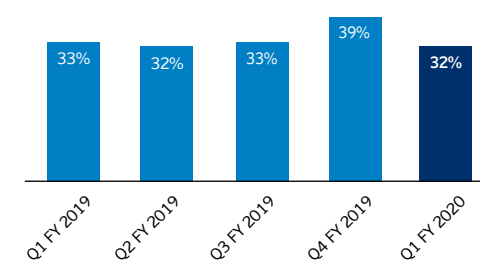
OUTLOOK FOR FISCAL YEAR 2020

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 USD 590/Mt
- USD/SEK of 9.8 and NOK/SEK of 1.08
- Capacity growth (ASK) of 5%
- Efficiency measures of SEK 0.6 billion
- Marginal impact of COVID-19
- No unexpected events or material changes in the business environment

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



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 in the operations and include identification, action plans and policies. For further information about risk management at SAS, refer to the most recently published annual report.

CURRENCY AND JET-FUEL HEDGING

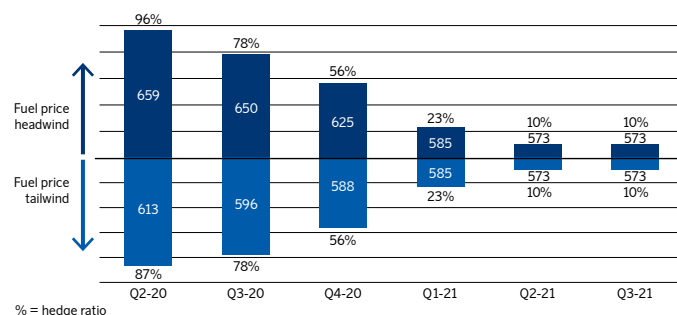
Financial risks pertaining to changes in exchange rates and fuel prices are hedged with derivatives, which aim to counter short-term negative fluctuations and provide scope for adapting operations to long-term changes in levels. Another aim of SAS' hedging strategy is to enable SAS to quickly leverage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

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

hedging of up to 50% of the anticipated volumes for the period, 13–18 months. For the forthcoming 12 months, SAS has 65% of the fuel consumption hedged at an average maximum price of USD 642/Mt.

If the fuel price goes below USD 585/Mt for the forthcoming 12 months, 63% of SAS' fuel consumption would be hedged at an average price of USD 599/Mt. Beyond the next 12 months 10% of the fuel consumption is hedged at a price of USD 573/Mt. for the second and third quarter of FY21. The graph to the left illustrates SAS hedges for the following quarters.

HEDGING OF JET FUEL, USD/MT



SENSITIVITY ANALYSIS, JET FUEL COST
NOV 2019-OCT 2020, SEK BILLION¹

Market price	Exchange rate SEK/USD				
	8.5	9.0	9.5	10.0	10.5
USD 500/tonne	7.9	8.3	8.6	9.0	9.3
USD 600/tonne	8.2	8.5	8.9	9.2	9.6
USD 700/tonne	8.7	9.1	9.5	9.8	10.2
USD 800/tonne	8.9	9.3	9.7	10.1	10.5

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 operating expenses," since currency hedging is performed separately and is not linked specifically to its jet-fuel purchases.

Hedging of SAS' future jet-fuel consumption is conducted through a combination of swaps and options. 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 in the middle, taking into account different fuel prices and USD rates as well as including jet-fuel hedging.

For foreign currency, the policy is to hedge 40–80%. At the end of the quarter, SAS had hedged 43% of its anticipated USD deficit for the next 12 months. SAS has hedged the USD deficit using forward contracts and currency options. In terms of NOK, which is SAS' largest surplus currency, 60% 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 50, excluding hedge effects. A weakening of the USD against the SEK of 1% would generate a positive earnings impact of MSEK 96, excluding hedge effects, before any potential IFRS 16 effects.

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 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-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 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.



In the quarter, we phased in eight Airbus A320neos.

CONSOLIDATED STATEMENT OF INCOME

CONDENSED STATEMENT OF INCOME INCLUDING STATEMENT OF OTHER COMPREHENSIVE INCOME

MSEK	Note	Q1	
		Nov–Jan 2019–2020	Nov–Jan 2018–2019
Revenue	2	9,707	9,405
Personnel expenses		-2,575	-2,401
Fuel expenses		-2,020	-1,961
Air traffic charges		-917	-916
Other external expenses	3	-3,595	-4,168
Depreciation, amortization and impairment	4	-1,369	-419
Income from shares in associated companies		2	-9
Income from sale of aircraft and other non-current assets		0	8
Operating income (EBIT)		-767	-461
Financial net	5	-320	-115
Income before tax (EBT)		-1,087	-576
Income taxes		226	107
Net income for the period		-861	-469
Other comprehensive income			
<i>Items that may later be reversed to net income:</i>			
Exchange-rate differences in translation of foreign operations		-3	-21
Cash-flow hedges, net after tax		-387	-842
<i>Items that will not be reversed to net income:</i>			
Revaluations of defined-benefit pension plans, net after tax		344	-74
Total other comprehensive income, net after tax		-46	-937
Total comprehensive income for the period		-907	-1,406
<i>Net income for the period attributable to:</i>			
Parent Company shareholders		-861	-469
Earnings per common share (SEK) ¹		-2.33	-1.25
Earnings per common share after dilution (SEK) ¹		-2.33	-1.25

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 (382,582,551) common shares outstanding during the November–January period.

INCOME BEFORE TAX AND ITEMS AFFECTING COMPARABILITY

MSEK	Q1	
	Nov–Jan 2019–2020	Nov–Jan 2018–2019
Income before tax (EBT)	-1,087	-576
Impairment	0	0
Restructuring costs ¹	9	8
Capital gains/losses ²	0	-8
Other items affecting comparability ³	0	-148
Income before tax and items affecting comparability	-1,078	-724

¹ Restructuring costs were charged to earnings as personnel expenses of MSEK -9 (-8) in the first quarter.

² Capital gains include aircraft sales amounting to MSEK 0 (8) in the first quarter.

³ Other items affecting comparability comprise a contractual settlement and a release of a fiscal-related provision for indirect taxes of MSEK 0 (148) in the first quarter.

CONSOLIDATED BALANCE SHEET

CONDENSED BALANCE SHEET

MSEK	31 Jan 2020	31 Oct 2019	31 Jan 2019
ASSETS			
Non-current assets			
Intangible assets	1,405	1,416	1,463
Tangible assets	17,663	15,569	13,704
Right-of-use assets	17,382	-	-
Financial assets	5,023	4,546	6,881
Deferred tax assets	927	750	490
Total non-current assets	42,400	22,281	22,538
Current assets			
Inventories and expendable spare parts	457	346	396
Current receivables	2,818	2,622	2,802
Cash and cash equivalents ¹	6,599	8,763	7,247
Total current assets	9,874	11,731	10,445
TOTAL ASSETS	52,274	34,012	32,983
EQUITY AND LIABILITIES			
Equity	4,433	5,372	4,749
Non-current liabilities			
Interest-bearing liabilities	10,543	9,450	8,761
Interest-bearing lease liabilities	14,049	-	-
Other liabilities	4,292	4,076	4,173
Total non-current liabilities	28,884	13,526	12,934
Current liabilities			
Interest-bearing liabilities	1,967	1,833	2,974
Interest-bearing lease liabilities	3,200	-	-
Other liabilities	13,790	13,281	12,326
Total current liabilities	18,957	15,114	15,300
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	52,274	34,012	32,983
Shareholders' equity per common share, (SEK) ²	7.67	10.12	12.41
Interest-bearing assets	11,231	12,960	13,309
Interest-bearing liabilities	29,759	11,283	11,735
Working capital	-13,508	-13,313	-12,401

¹ At 31 January 2020, including receivables from other financial institutions, MSEK 0 (403)

² Shareholders' equity attributable to Parent Company shareholders excluding preference share capital and hybrid bond, in relation to the 382,582,551 (382,582,551) common shares outstanding.

SPECIFICATION OF FINANCIAL NET DEBT, 31 JANUARY 2020

	According to balance sheet	Of which financial net debt
Financial assets	5,023	1,855
Current receivables	2,818	267
Cash and cash equivalents	6,599	6,599
Non-current liabilities	28,884	24,592
Current liabilities	18,957	5,167
Financial net debt		21,038

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	Hybrid bond	Unrestricted equity ³	Total shareholders' equity
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
Net income						-469	-469
Other comprehensive income			-842	-21		-74	-937
Closing balance, 31 January 2019	7,690	327	450	-72	-	-3,646	4,749
Equity share of convertible loans		-157				157	0
Hybrid bond					1,500		1,500
Hybrid bond interest and expenses						-23	-23
Net income						1,090	1,090
Other comprehensive income			-267	1		-1,678	-1,944
Closing balance, 31 October 2019	7,690	170	183	-71	1,500	-4,100	5,372
Hybrid bond interest						-32	-32
Net income						-861	-861
Other comprehensive income			-387	-3		344	-46
Closing balance, 31 January 2020	7,690	170	-204	-74	1,500	-4,649	4,433

¹ Number of shares in SAS AB: 382,582,551 (382,582,551) common shares with a quotient value of SEK 20.10.

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

³ No dividends were paid on common shares for 2017/2018.

CONSOLIDATED CASH-FLOW STATEMENT

CONDENSED CASH-FLOW STATEMENT

MSEK	Q1	Q1
	Nov–Jan 2019–2020	Nov–Jan 2018–2019
OPERATING ACTIVITIES		
Income before tax (EBT)	-1,087	-576
Depreciation, amortization and impairment	1,369	419
Income from sale of aircraft, buildings and shares	0	-8
Adjustment for other non-cash items, etc.	5	-206
Tax paid	-17	-47
Cash flow from operations before change in working capital	270	-418
Change in working capital	285	-264
Cash flow from operating activities	555	-682
INVESTING ACTIVITIES		
Investments including advance payments to aircraft manufacturers	-2,538	-1,840
Acquisition of subsidiaries	0	-16
Sale of subsidiaries and affiliated companies	0	0
Sale of fixed assets, etc.	-77	-28
Cash flow from investing activities	-2,615	-1,884
Cash flow before financing activities	-2,060	-2,566
FINANCING ACTIVITIES		
Proceeds from borrowings	1,415	1,346
Repayment of borrowings	-250	-172
Amortization of lease liabilities	-836	0
Dividend on preference shares	0	-26
Redemption of preference shares	0	-1,112
Other financing activities	-433	22
Cash flow from financing activities	-104	58
Cash flow for the period	-2,164	-2,508
Translation difference in cash and cash equivalents	0	-1
Cash and cash equivalents at beginning of the period	8,763	9,756
Cash and cash equivalents at the end of the period	6,599	7,247
Cash flow from operating activities per common share (SEK)	1.45	-1.78

PARENT COMPANY SAS AB

The number of common shareholders in SAS AB amounted to 63,036 at 31 January 2020. The average number of employees amounted to two (four).

CONDENSED STATEMENT OF INCOME

MSEK	Q1	
	Nov–Jan 2019–2020	Nov–Jan 2018–2019
Revenue	10	13
Personnel expenses	-7	-10
Other operating expenses	-7	-6
Operating income (EBIT)	-4	-3
Net financial items	4	-17
Income before tax (EBT)	0	-20
Tax	-6	4
Net income for the period	-6	-16

CHANGES IN SHAREHOLDERS' EQUITY

MSEK	Share capital ¹	Restricted reserves	Hybrid bond	Unrestricted equity	Total shareholders' equity
Opening balance, 31 October 2019	7,690	447	1,500	1,027	10,664
Hybrid bond interest				-32	-32
Net income for the period				-6	-6
Shareholders' equity, 31 January 2020	7,690	447	1,500	989	10,626

¹⁾ Number of shares: 382,582,551 (382,582,551) common shares with a quotient value of SEK 20.10.

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

CONDENSED BALANCE SHEET

MSEK	31 Jan 2020	31 Oct 2019	31 Jan 2019
	Financial fixed assets	14,692	14,697
Other current assets	179	137	181
Cash and cash equivalents	1	1	1
Total assets	14,872	14,835	14,819
Shareholders' equity	10,626	10,664	9,227
Long-term liabilities	2,250	2,251	2,244
Current liabilities	1,996	1,920	3,348
Total shareholders' equity and liabilities	14,872	14,835	14,819

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. Disclosures in accordance with IAS 34.16A are presented both in the financial statements and in other parts of this interim report.

STANDARDS AND INTERPRETATIONS APPLICABLE FOR Q1, FISCAL YEAR 2020

The accounting policies follow those described in the Annual Report for Fiscal Year 2019. From 1 November 2019, SAS Group adapts the new standard IFRS 16 - Leases, and the IFRIC agenda decision relating to Compensations for Delays or Cancellations (IFRS 15). IFRS 16 is applied using the modified retrospective approach, meaning that the opening balance at 1 November 2019 is adjusted to reflect the impact of IFRS 16, but the previous periods have not been restated. The IFRIC agenda decision is applied starting 1 November 2019, with restatement of the comparative year. More information on the adoption of IFRS 16 and the agenda decision from IFRIC is provided in this note.

IFRS 16 — LEASES

From 1 November 2019, SAS applies the new standard IFRS 16 Leases. IFRS 16 replaces the previous 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. IFRS 16 has a significant impact on the financial statements of SAS Group, see further details below.

Impact on consolidated balance sheet

SAS applies the new standard IFRS 16 Leases using the modified retrospective approach. 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 on transition measured at an amount equal to the lease liability. Adjustments to the right-of-use asset 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.

CONSOLIDATED BALANCE SHEET, 1 NOV 2019 - TRANSITION IMPACT IFRS 16

	Reported	Adjustments	Adjusted balance
MSEK	31 Oct 2019		1 Nov 2019
Right-of-use assets	0	16,718	16,718
Prepaid expenses	446	-38	408
Equity	5,372	0	5,372
Provisions	1,966	177	2,143
Non-current interest-bearing lease liabilities	0	13,623	13,623
Current interest-bearing lease liabilities	0	2,880	2,880

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 asset 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 date of transition, the currency exposure from recalculating USD liabilities into SEK is significant. From 1 November 2019, SAS has adjusted the hedging policy to better manage this risk.

Impact on consolidated statement of income

SAS' income statement is highly impacted by IFRS 16. The lease expenses previously recognized in the income statement 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 had a negative impact on SAS' results in the first quarter of FY2020. The negative impact on income before tax (EBT) is MSEK 130. This impact includes currency revaluations on the lease liabilities. 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 Q1.

CONSOLIDATED STATEMENT OF INCOME, Q1 - IMPACT IFRS 16

	Reported Q1	Adjustments	Adjusted Q1*
MSEK	Nov-Jan 2019-2020		Nov-Jan 2019-2020
Revenue	9,707		9,707
Personnel expenses	-2,575		-2,575
Fuel expenses	-2,020		-2,020
Air traffic charges	-917		-917
Other external expenses	-3,595	-938	-4,533
Depreciation, amortization and impairment	-1,369	869	-500
Income from shares in associated companies	2		2
Income from sale of aircraft and other non-current assets	-		-
Operating income (EBIT)	-767	-69	-836
Financial net	-320	199	-121
Income before tax (EBT)	-1,087	130	-957

* 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. Adopting 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, Q1 - IMPACT IFRS 16

	Reported Q1	Adjustments	Adjusted Q1*
	Nov-Jan 2019-2020		Nov-Jan 2019-2020
MSEK			
Cash flow from operating activities	555	-836	-281
Cash flow from investing activities	-2,615		-2,615
Cash flow from financing activities	-104	836	732
Cash flow for the period	-2,164		-2,164

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

Impact on key ratios

As IFRS 16 has a significant impact on the income statement and balance sheet, SAS has reviewed the key ratios to ensure their continued relevance. Following SAS' transition approach, financial reporting published by SAS during FY 2020 will not include restated comparative information for FY 2019. Since the Group uses 12-month rolling numbers in the calculation of many key ratios, and a 12-month rolling income statement or comparative year balance sheet according to IFRS 16 will not be available until FY 2021, the calculation of many key ratios in FY 2020 will be based on financial statements excluding IFRS 16. Key ratios that are calculated based on the closing balance, and not rolling month numbers, will be based on the financial statements including IFRS 16 figures in FY 2020. The table below shows the impact from IFRS 16 on the key ratios that have been calculated on closing balances.

See page 22 for operational key figures and page 24 for key ratios and alternative performance measures.

KEY FIGURES, Q1 - IMPACT IFRS 16

	Reported Q1	Adjustments	Adjusted Q1*
	Nov-Jan 2019-2020		Nov-Jan 2019-2020
MSEK			
Unit cost, CASK, excluding jet fuel, currency-adjusted	0.66	+0.1	0.67
Shareholders' equity per common share (SEK)	7.67	0.32	7.99
Equity/assets ratio	8%	5%	13%
Financial net debt, MSEK	21,038	-17,249	3,789
Debt/equity ratio	4.75	-3.91	0.83

* 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 Leasing costs for Aircraft was presented on the face of the income statement. Following IFRS 16 this expense is no longer material to the Group, so starting 1 November 2019, Leasing costs for Aircraft is presented as Other external expenses and specified in Note 3 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 amounts for the first quarter in the comparative year, fiscal year 2019, have been reclassified. See more details in table below.

COMPENSATION FOR DELAYS OR CANCELLATIONS

The IFRS Interpretation Committee (IFRS IC or 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. SAS has previously accounted for customer compensation in other operating expenses. In accordance with the IC decision SAS has reclassified customer compensation for delays and cancellations from operating expenses to revenue. The amount reclassified for the comparative full year ending on 31 October 2019 is MSEK 624. The amount reclassified for the first quarter in fiscal year 2019 was MSEK 129. See more details in table below.

CHANGES IN COMPARATIVE YEAR, Q1 FY19 - CONSOLIDATED STATEMENT OF INCOME

	Reported Q1	Adjustments	Adjusted Q1
	Nov-Jan 2018-2019		Nov-Jan 2018-2019
MSEK			
Revenue	9,534	-129	9,405
Leasing costs for aircraft	-787	787	0
Other external expenses	-6,387	2,219*	-4,168
Fuel expenses	0	-1,961	-1,961
Air traffic charges	0	-916	-916

The above table shows the impact on Q1, 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 129 of the change in Other external expenses relates to the IC decision. The remaining change relates to reclassifications of fuel expenses (MSEK 1,961), Air traffic charges (MSEK 916) and Leasing costs for aircraft (MSEK -787).

NOTE 2 REVENUE

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.

	Q1	Q1
	Nov-Jan 2019-2020	Nov-Jan 2018-2019
Passenger revenue	7,315	7,110
Charter revenue	245	227
Cargo revenue	366	430
Other traffic revenue	671	625
Total traffic revenue	8,597	8,392
Other operating revenue	1,110	1,013
Total revenue	9,707	9,405

TRAFFIC REVENUE PER GEOGRAPHICAL AREA

	Domestic		Intra-Scandinavian		Europe		Intercontinental		Total	
	Nov-Jan 2019-2020	Nov-Jan 2018-2019	Nov-Jan 2019-2020	Nov-Jan 2018-2019	Nov-Jan 2019-2020	Nov-Jan 2018-2019	Nov-Jan 2019-2020	Nov-Jan 2018-2019	Nov-Jan 2019-2020	Nov-Jan 2018-2019
Passenger revenue	2,193	2,143	858	811	2,404	2,317	1,860	1,839	7,315	7,110
Charter revenue	0	0	0	0	245	227	0	0	245	227
Cargo revenue	1	2	1	2	15	15	349	411	366	430
Other traffic revenue	201	188	79	71	220	204	171	162	671	625
Total traffic revenue	2,395	2,333	938	884	2,884	2,763	2,380	2,412	8,597	8,392

OTHER OPERATING REVENUE BY REGION

	Denmark		Norway		Sweden		Europe		Other countries		Total	
	Nov-Jan 2019-2020	Nov-Jan 2018-2019	Nov-Jan 2019-2020	Nov-Jan 2018-2019	Nov-Jan 2019-2020	Nov-Jan 2018-2019	Nov-Jan 2019-2020	Nov-Jan 2018-2019	Nov-Jan 2019-2020	Nov-Jan 2018-2019	Nov-Jan 2019-2020	Nov-Jan 2018-2019
Other operating revenue	156	155	333	310	241	202	233	192	147	154	1,110	1,013

NOTE 3 OTHER EXTERNAL EXPENSES

	Q1	Q1
	Nov-Jan 2019-2020	Nov-Jan 2018-2019
Sales and distribution costs	-711	-626
Leasing costs for aircraft	-62	-787
Catering costs	-269	-262
Handling costs	-680	-660
Technical aircraft maintenance	-560	-682
Computer and telecommunication costs	-388	-404
Wet-lease costs	-377	-309
Other	-548	-438
Total	-3,595	-4,168

NOTE 4 DEPRECIATION, AMORTIZATION AND IMPAIRMENT

	Q1	Q1
	Nov-Jan 2019-2020	Nov-Jan 2018-2019
Intangible assets	-36	-35
Tangible assets	-464	-384
Right-of-use assets	-869	-
Total	-1,369	-419

NOTE 5 FINANCIAL NET

	Q1	Q1
	Nov-Jan 2019-2020	Nov-Jan 2018-2019
Financial income	32	44
Interest expense	-130	-145
Other financial expenses	-13	-13
Exchange-rate differences	-10	-1
Interest expenses, IFRS 16	-168	-
Exchange-rate differences, IFRS 16	-31	-
Total	-320	-115

NOTE 6 FINANCIAL ASSETS AND LIABILITIES**FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES**

	31 Jan 2020		31 Oct 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
MSEK				
Financial assets				
Financial assets at fair value, hedge-accounted	194	194	225	225
Financial assets FVTPL	27	27	23	23
Financial assets at amortized cost	11,337	11,337	12,648	12,648
Total	11,558	11,558	12,896	12,896
Financial liabilities				
Financial liabilities at fair value, hedge-accounted	978	978	891	891
Financial liabilities FVTPL	21	21	17	17
Financial liabilities at amortized cost	15,568	15,287	11,890	11,355
Total	16,567	16,286	12,798	12,263

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 Jan 2020			31 Oct 2019		
	Level 1	Level 2	Total	Level 1	Level 2	Total
MSEK						
Financial assets						
Financial assets at fair value, hedge-accounted	-	194	194	-	225	225
Financial assets FVTPL	-	27	27	-	23	23
Total	-	221	221	-	248	248
Financial liabilities						
Financial liabilities at fair value, hedge-accounted	-	978	978	-	891	891
Financial liabilities FVTPL	-	21	21	-	17	17
Total	-	999	999	-	908	908

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

Stockholm, 26 February 2020

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

Christa Cerè
Board member

Rickard Gustafson
President and CEO

This interim report is unaudited

TRAFFIC DATA INFORMATION

SCHEDULED PASSENGER TRAFFIC

	Nov-Jan 2019-2020	Nov-Jan 2018-2019	Year-on-year change
Number of passengers (000)	6,119	6,033	+1.4%
RPK, Revenue Passenger Kilometers (mill)	7,365	7,219	+2.0%
ASK, Available Seat Kilometers (mill)	10,759	10,673	+0.8%
Load factor	68.5%	67.6%	+0.8 ¹
Passenger yield, currency-adjusted	0.99	1.00	-0.5%
Passenger yield, nominal	0.99	0.98	+0.8%
Unit revenue, PASK, currency-adjusted	0.68	0.68	+0.7%
Unit revenue, PASK, nominal	0.68	0.67	+2.1%
RASK, currency-adjusted	0.76	0.76	+0.1%
RASK, nominal	0.76	0.75	+1.5%

¹Figures given in percentage points

TOTAL TRAFFIC (SCHEDULED AND CHARTER TRAFFIC)

	Nov-Jan 2019-2020	Nov-Jan 2018-2019	Year-on-year change
Number of passengers (000)	6,260	6,165	+1.5%
RPK, Revenue Passenger Kilometers (mill)	7,826	7,661	+2.2%
ASK, Available Seat Kilometers (mill)	11,258	11,155	+0.9%
Load factor	69.5%	68.7%	+0.8 ¹
Unit cost, CASK, currency-adjusted	0.84	0.85	-0.5%
Unit cost, CASK, nominal incl. items affecting comparability	0.83	0.79	+4.8%
Unit cost, CASK, excluding jet fuel, currency-adjusted	0.66	0.66	-0.1%
Unit cost, CASK, excluding jet fuel, nominal incl. items affecting comparability	0.65	0.62	+5.6%

¹Figures given in percentage points

SCHEDULED TRAFFIC TREND FOR SAS BY ROUTE SECTOR

	Nov-Jan 2019-20 vs. Nov-Jan 2018-19	
	Traffic (RPK)	Capacity (ASK)
Intercontinental	0,2%	1,4%
Europe/Intra-Scandinavia	4,0%	0,6%
Domestic	1,3%	0,1%

PRODUCTIVITY AND ENVIRONMENTAL EFFICIENCY

12-month rolling	January, 2020	January, 2019	Year-on-year change
Aircraft, block hours/day	9.3	9.5	-2.3%
Cabin crew, block hours/year	731	764	-4.3%
Pilots, block hours/year	620	680	-8.8%

Environmental efficiency	January, 2020	January, 2019	Year-on-year change
Total CO ₂ emissions, million tonnes	4,183	4,304	-2.8%
CO ₂ emissions per available seat kilometer, grams	61,6	63,3	-2.6%

AIRCRAFT FLEET

THE SAS AIRCRAFT FLEET AT JANUARY 31, 2020

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	12,5	11	6		17	17			17	7	
Airbus A320 family	6,8	19	39		58	49	9		58	36	12
Boeing 737NG	14,9	26	25		51	51			51		
Bombardier CRJ	3,9			24	24			24	24		
ATR-72	6,5			8	8			8	8		
Total	10,2	56	70	32	158	117	9	32	158	43	12

Aircraft on firm order 2020-2024 at 31 January 2020	FY20	FY21	FY22	FY23	FY24	Total
Airbus A320neo	6	4	12	20	3	45
Airbus A321neo LR	1	1	1			3
Airbus A350	3	4				7
Total	10	9	13	20	3	55



The new fleet lowers fuel consumption and thereby CO₂ emissions.

KEY RATIOS AND ALTERNATIVE PERFORMANCE MEASURES

	31 Jan 2020	31 Oct 2019	31 Jan 2019
Return on invested capital (ROIC), 12-month rolling ¹	7%	8%	12%
Adjusted financial net debt/EBITDAR ¹	4.1x	3.7x	3.0x
Financial preparedness ¹	32%	38%	33%
Return on shareholders' equity, 12-month rolling ¹	8%	14%	21%
Equity/assets ratio ²	8%	16%	14%
Financial net debt, MSEK ²	21,038	328	2,432
Debt/equity ratio ²	4,75	0.06	0.51
Interest-coverage ratio ¹	1.8	2.5	3.8

¹ Calculation based on 12-month rolling numbers. Key ratio is based on financial statements excluding IFRS 16.

² Key ratio for 2020 including IFRS 16. Earlier periods do not include IFRS 16.
See further details in Note 1.

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.

EARNINGS-RELATED KEY RATIOS AND AVERAGE NUMBER OF EMPLOYEES

MSEK	Q1	Q1	Q2	Q2	Q3	Q3	Q4	Q4
	Nov–Jan 2019–2020	Nov–Jan 2018–2019	Feb–Apr 2019	Feb–Apr 2018	May–Jul 2019	May–Jul 2018	Aug–Oct 2019	Aug–Oct 2018
Revenue	9,707	9,405	9,871	9,916	13,401	13,146	13,435	12,678
EBITDAR	662	746	174	726	2,998	3,330	2,631	2,044
EBITDAR margin	6.8%	7.9%	1.8%	7.3%	22.4%	25.3%	19.6%	16.1%
Operating income (EBIT)	-767	-461	-1,130	-374	1,570	2,167	1,187	920
Operating income (EBIT) margin	-7.9%	-4.9%	-11.4%	-3.8%	11.7%	16.5%	8.8%	7.3%
Income before tax (EBT)	-1,087	-576	-1,216	-488	1,490	2,034	1,096	789
Net income for the period	-861	-469	-933	-349	1,162	1,570	861	623
Income before tax and items affecting comparability	-1,078	-724	-1,211	-309	1,495	2,008	1,226	822
Earnings per common share (SEK)	-2.33	-1.25	-2.44	-1.00	3.04	4.03	2.19	1.56
Cash flow before financing activities	-2,060	-2,566	1,473	1,238	140	197	-309	658
Average number of employees (FTE)	10,364	10,292	10,260	9,990	10,639	10,332	10,587	10,334

DEFINITIONS AND SHAREHOLDER INFORMATION

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

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 leasing costs (x7) – The net annual operating lease costs for aircraft multiplied by seven.

Carbon dioxide (CO₂) – A colorless gas that is formed in the combustion of all fossil fuels. The airline industry's CO₂ 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 November 1st, 2019, SAS Group applies the new standard IFRS 16 - Leases. See Right-of-use assets.

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

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

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

LCC – 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 November 1th, 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 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 ($\times 7$).

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

Revenue passenger kilometers (RPK) – See RPK.

Revenue tonne kilometers (RTK) – See RTK.

Right-of-use assets (RoU) – As of November 1th, 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).

SAS, Scandinavia's leading airline, carries 30 million passengers annually to, from and within Scandinavia. The airline connects three main hubs - Copenhagen, Oslo and Stockholm - with over 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.

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 CALENDER

Monthly traffic data is generally issued on the fifth working day of every month. The detailed financial calendar is available at sasgroup.net under Investor Relations.

12 March 2020	Annual General Shareholders' Meeting
28 May 2020	Q2 Interim Report February 2020–April 2020
25 August 2020	Q3 Interim Report May 2020–July 2020
3 December 2020	Year-end report November 2019–October 2020
January/February 2021	SAS Annual and Sustainability Report, fiscal year 2020

INVESTOR RELATIONS



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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 excluding 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).