A STAR ALLIANCE MEMBER

SAS ANNUAL AND SUSTAINABILITY REPORT
FISCAL YEAR 2019

TRAVELERS FOR THE FUTURE

SAS

CONTENT

SAS ANNUAL AND SUSTAINABILITY REPORT FISCAL YEAR 2019

SAS reports financial and sustainability information in a joint report: SAS Annual and Sustainability Report Fiscal Year 2019 (FY 2019). SAS statutory annual report includes the report by the board of directors on pages 43-76 and the financial statements pages 77-122. The sustainability reporting has been prepared in accordance with the GRI Standards: Core option and comprises pages 129-148. The sustainability reporting also includes the statutory sustainability report in accordance with the Swedish Annual Accounts Act. The auditor's opinion on the annual report is included on pages 123-128 and the auditor's limited assurance report on the sustainability report and statement regarding the statutory sustainability report is included on pages 149-150.

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 U.S. and Asia. Spurred by a Scandinavian heritage and sustainable values, SAS aims to reduce its total CO_2 emissions by 25 percent and use biofuel equivalent to the total fuel used for all SAS domestic 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 its operations and assets are included in the SAS Consortium.

OPERATIONS

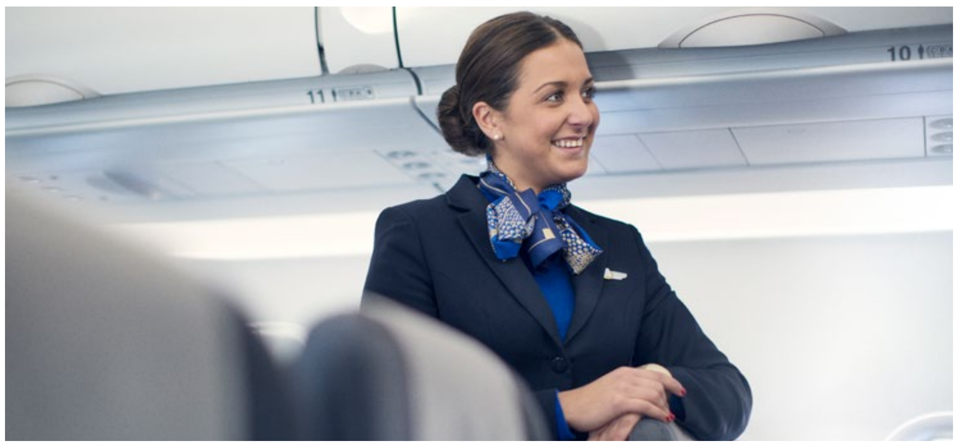
SAS IN BRIEF | SAS IN FIGURES
SIGNIFICANT EVENTS DURING THE YEAR | PRESIDENT'S COMMENTS

SCANDINAVIA'S LEADING AIRLINE

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

OUR VISION:

Make life easier for Scandinavia's frequent travelers.



AIRLINE OPERATIONS

SAS is Scandinavia's leading airline for smooth flights to, from and within Scandinavia. In FY 2019, a total of 30 million travelers flew with SAS. Airline operations are our primary business, carried out by SAS Scandinavia, SAS Ireland and our regional production partners.

CARGO SERVICES

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

GROUND HANDLING SERVICES

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

TECHNICAL MAINTENANCE

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

EUROBONUS

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

30
MILLION PASSENGERS

111
MILLON KG OF FREIGHT

298
THOUSAND DEPARTURES HANDLED

158
AIRCRAFT IN SERVICE

6.1
MILLION EUROBONUS MEMBERS

SAS IN FIGURES

SAS ended the year strongly and reported positive earnings before tax and items affecting comparability of MSEK 786. Although revenues increased during the year, higher fuel costs, unfavorable currency developments and the pilot unions' strike increased costs and offset the positive development. This resulted in income before tax and items affecting comparability to decline MSEK 1,350.

MSEK
3,318
Cash flow from operating activities

MSEK
786
Earnings before tax and items affecting comparability

-2.4%
Reduction of CO_2

-0.8%
Available seat kilometers

75.2%
Passenger load factor

CUSTOMERS

Customer satisfaction increased during the year following improved punctuality, high regularity as well as initiatives to improve the customer experience.

CUSTOMER SATISFACTION INDEX

72 (70)

EMPLOYEES

The average number of employees (FTEs) increased by 2.9% during the year to 10,445 full-time equivalents.

SICK LEAVE, %

5.7 (6.1)

EMPLOYEE ENGAGEMENT INDEX

59 (55)

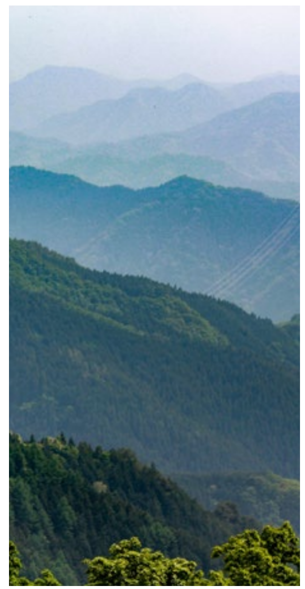
SUSTAINABILITY

We are working hard to achieve our two 2030 goals: to reduce our total CO_2 emissions by 25% compared to 2005, which exceeds the targets set by the industry organization IATA, and to use biofuel equivalent to our total domestic traffic.

REDUCTION OF CO_2

-2.4%

CO_2 emissions decreased by 2.4% compared to last year. Renewal of our aircraft fleet and continuous efficiency improvements have contributed to this reduction.



EUROBONUS

EuroBonus is Scandinavia's strongest travel-related loyalty program. As of October 31, 2019, it had 6.1 million members.

SALES OF EUROBONUS POINTS

+4.5%

FINANCIAL INSTRUMENTS

During 2019, SAS redeemed its preference shares for a total of SEK 1.1 billion and repaid a convertible bond of SEK 1.6 billion. In addition, a new hybrid bond amounting to SEK 1.5 billion was issued.

COMMON SHARE PERFORMANCE (FY 2019):

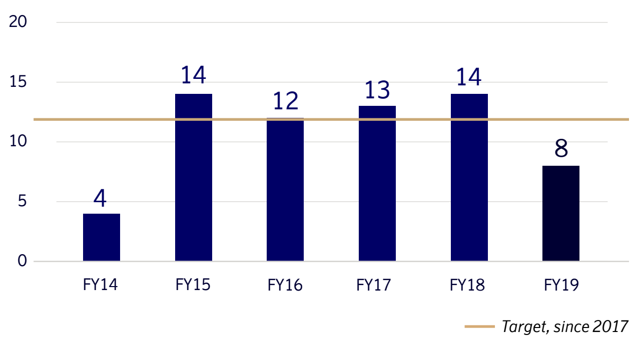
-26%

TARGETS

RETURN ON INVESTED CAPITAL (ROIC)

Our target for ROIC is to exceed 12% measured over a business cycle, and is a prerequisite for SAS to create shareholder value. The target corresponds to the capital market's weighted average pre-tax cost of capital (WACC) and is also linked to our dividend policy, see page 49.

ROIC, 12-MONTH ROLLING, %



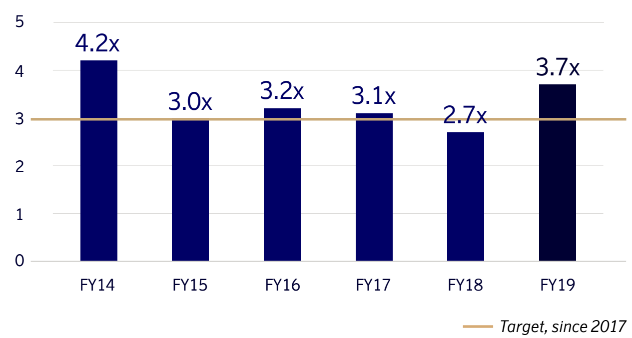
OUTCOME

A negative earnings trend together with investments in new aircraft led to a decline in ROIC by 6 percentage points to 8% during FY 2019, below our financial target. ROIC ten-year average amounts to 8%.

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.

ADJUSTED FINANCIAL NET DEBT/EBITDAR



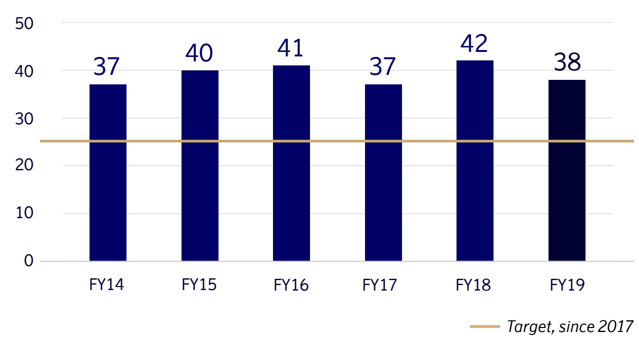
OUTCOME

The adjusted financial net debt/EBITDAR ratio increased during the fiscal year from 2.7x to 3.7x. The main driver behind the increase was an increase in capitalized leasing costs due to new Airbus aircraft being phased in, which raised adjusted financial net debt. Ten-year average of adjusted financial net debt/EBITDAR amounts to 4.1x.

FINANCIAL PREPAREDNESS

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

FINANCIAL PREPAREDNESS, %



OUTCOME

Financial preparedness decreased compared to last year but remained well above the target of 25%. The main drivers behind the decrease were lower liquid funds and higher fixed costs. The redemption of preference shares for SEK 1.1 billion in December 2018 and the repayment of convertible notes amounting to SEK 1.6 billion in April 2019, was to some extent offset by the issue of the SEK 1,5 billion perpetual hybrid bond in October. As of 31 October 2019, financial preparedness was 38%. Ten-year average of financial preparedness amounts to 36%.

Operations
SAS in brief
SAS in figures FY 2019
Significant events during the year
President's comments

SIGNIFICANT EVENTS DURING THE YEAR

Our fleet was renewed through the launch of a new aircraft livery for a more contemporary look and feel.

SAS lounge in Copenhagen.

PRODUCT AND OFFERING

NEW LIVERY
Our fleet design was renewed through the launch of a new aircraft livery for a more contemporary look and feel.

WIFI ONBOARD
By the end of the fiscal year high-speed WiFi was installed on 60 of our aircraft.

ONGROUND
Opened 21 new fast tracks. Refreshed lounges in Copenhagen.

NEW ROUTES
26 new routes and nine new destinations during 2019.

- Stockholm – Beirut, Catania, Reykjavik, Marseille, Naples, Oulo, Salzburg
- Copenhagen – Catania, Florence, Marseille, Newquay, Bornholm, London Stansted, Szczecin
- Oslo – Antalya, Faro
- Aarhus – Faro, Rome, Manchester
- Bergen – Gazipasa, Milan Malpensa, Nice
- Gothenburg – Faro
- Stavanger – Gazipasa, Milan Malpensa

NEW EUROBONUS FEATURES
- Offsetting the CO_2 emissions of SAS tickets for our EuroBonus members
- Rewarding our most devoted customers with Lifetime Gold Membership
- Priority boarding for friends and family of Gold and Diamond members
- Ability to collect and share EuroBonus points among family and friends

NEW AND IMPROVED DISRUPTION TOOLS
To improve passenger and irregularity management two new Amadeus irregularity modules, together called Enhanced Disruption, were launched. Enhanced Disruption streamlines the rebooking process and makes it possible to rebook SAS passengers on other carriers in one simple transaction.

BIOFUEL
Introduced the possibility for our customers to add biofuel to their tickets, in addition to the volumes SAS is already using.

SAS became the principal partner to the Scandinavian Olympic Committees and the Swedish Paralympic Committee for the Olympic Games in Tokyo 2020 and Beijing 2022.

FINANCIAL

INCOME BEFORE TAX
SAS reported an income before tax and items affecting comparability amounting to MSEK 786, which is a weaker result compared to last year mainly driven by higher fuel costs, a weak Swedish krona and a seven-day pilot unions' strike.

PREFERENCE SHARES
SAS redeemed around 2.1 million preference shares for SEK 1.1 billion.

CONVERTIBLE BOND
SAS repaid its outstanding convertible bond at a nominal value of SEK 1.6 billion.

BOND ISSUE
SAS issued a new SEK 1.5 billion hybrid bond.

EFFICIENCY
The efficiency program realized financial savings of SEK 0.9 billion in FY 2019.

The first flight with our new A350 aircraft is scheduled to take place at the end of January 2020.

ORGANIZATIONAL

NEW ORGANIZATION
A new organizational structure and Group management team was announced to accelerate efficiency efforts and drive accountability.

NEW MEMBER OF THE BOARD
Kay Kratky, born 1958, previously CEO of Austrian Airlines, was elected as new Board member of SAS AB.

OPERATIONAL

FLEET ORDER
A decision was made to expand our aircraft fleet with three new A321LRs, which is a narrow-body aircraft specially configured to fly long distances. The first A321LR will enter into service in the second half of 2020.

IMPROVED OPERATIONAL QUALITY
Regularity remained at high levels and punctuality increased 2.6 percentage points compared to FY 2018. The significant improvements in operational performance were driven by several initiatives, including more seasonal staff in ground handling and technical maintenance, two spare aircraft, new disruption modules and optimized reallocation of network buffers.

NEW AIRCRAFT
During the year, SAS has brought a further seven A320neo and one A330E aircraft into service. SAS has also announced the first flights with its new A350 and A321LR aircraft.

SUSTAINABILITY

BIOFUEL

SAS sourced 455 tonnes of biofuel, an increase of 355 tonnes compared to 2018 and continued to actively promote the commercialization of sustainable aviation fuel.

CERTIFICATION

SAS maintained its ISO 14001 certification.

CO_2 EMISSIONS

CO_2 emissions decreased 2.4% year-on-year. The main driver behind the decrease was the introduction of seven brand new A320neo aircraft and one A330E aircraft – which have 15-18% lower fuel consumption compared with the aircraft they replaced. The labour conflict in April and May also contributed to reduced emissions.

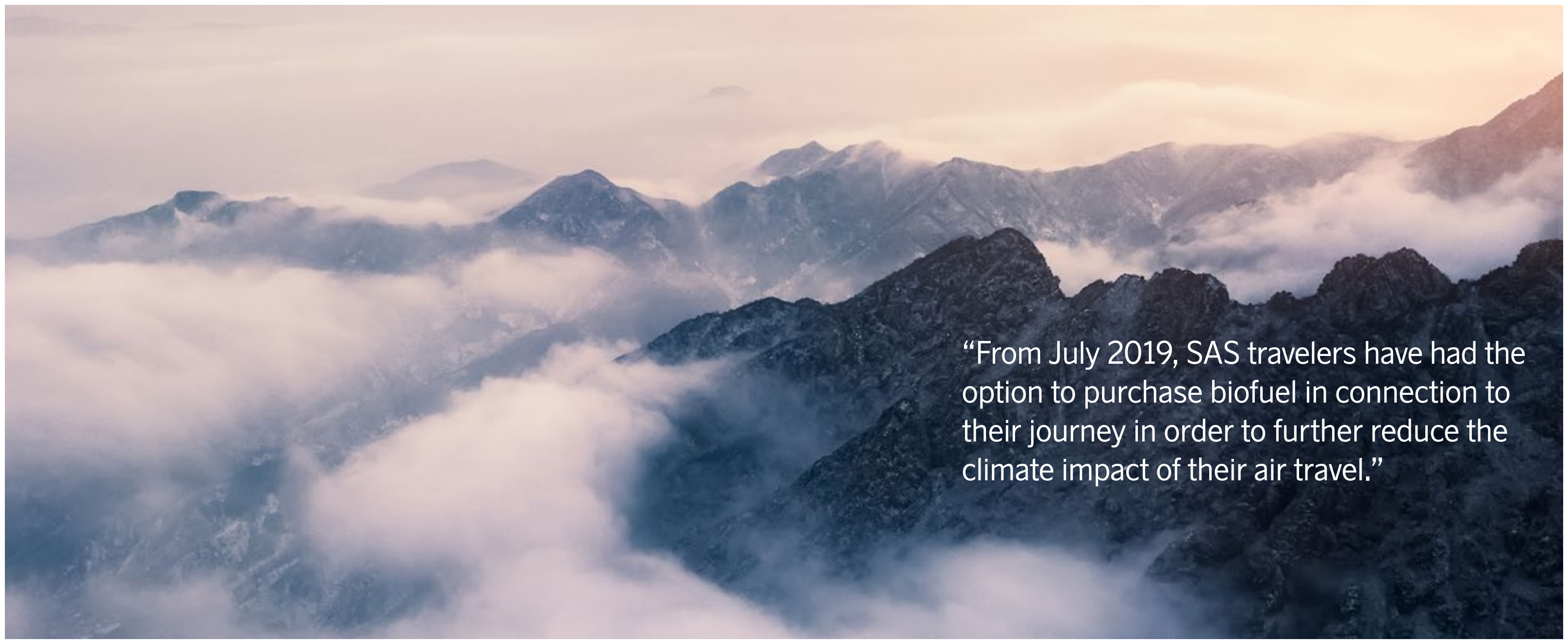
EUROBONUS MEMBER OFFSETTING

SAS began offsetting carbon emissions for all EuroBonus member travel with SAS, in February 2019. During FY 2019, 32% of passenger-related CO_2 emissions were compensated.

RESEARCH ON HYBRID AND ELECTRIC AIRCRAFT

SAS and Airbus signed a joint Memorandum of Understanding for hybrid and electric aircraft eco-system and infrastructure requirements research. SAS was also involved in various other projects regarding electrical aircraft during 2019.

26 new routes and nine new destinations were introduced during 2019.



"From July 2019, SAS travelers have had the option to purchase biofuel in connection to their journey in order to further reduce the climate impact of their air travel."

AWARDS AND RECOGNITIONS

SAS received several awards and recognitions during the year. These include:

- Best Domestic and Best Airline in Europe at the Grand Travel Awards in Sweden.
- Ranked #1 in Heathrow's Fly Quiet and Green table in second and third quarter of 2019.
- Star Alliance named the Best Airline Alliance at the Skytrax World Airline Awards for the fourth year running, with the Alliance's prestigious Los Angeles Lounge retaining the Best Airline Alliance Lounge Award for the fifth year in a row.

POSITIVE REVENUE DEVELOPMENT IN A CHALLENGING YEAR

Despite a challenging year, SAS delivered a positive full-year result thanks to an attractive customer offering, a robust operational performance and enhanced revenue generation.

How would you summarize 2019?
We were able to show that we continue to deliver on our strategy and made progress within several areas during the year. For example, our strong and improved customer offering led to an increase in unit revenues and passenger yield. In addition, the number of EuroBonus members increased 0.5 million to 6.1 million during the year, which contributed to a 5% increase in ancillary revenues.

On the other hand, we faced substantial challenges such as unfavorable currency movements, increased fuel costs and a labor conflict. All of which impacted SAS negatively and made our full-year earnings decline MSEK 1,350, which of course is unsatisfactory.

Why would you say aviation is important?
It fulfils an extremely important function in society – connecting businesses, people and cultures in a time-efficient way. I believe that aviation is a foundation for value creation, job security, innovation and development.

The access to air travel means that Scandinavian companies can prosper. It gives them the possibility to stay in Scandinavia, instead of moving their business to other countries, and still have access to global customers. It also means that foreign businesses can locate their operations in Scandinavia.

Traveling also enriches our lives. It's fantastic to discover new places, experience other cultures and to be exposed to new ideas.

However, for the future of aviation, we and the whole industry have a big responsibility to find a path toward a more sustainable future. This is an existential issue and we at SAS want to lead the way. Therefore, we work hard to reduce our climate impact and emissions, and are making a substantial investment in the most fuel-efficient aircraft fleet on the market.

Rickard Gustafson, President and CEO.

How is the work with sustainability progressing?
We have further accelerated our sustainability efforts throughout the year. We phased in seven new Airbus 320neo aircraft during 2019 and we reached a 34% completion rate for our fleet renewal program at the end of the fiscal year. The new and technically advanced Airbus aircraft we are phasing in, reduce carbon emissions by 15–30% compared to aircraft of the previous generation that are being replaced.

We also made progress in reducing the weight of our aircraft and thereby fuel consumption. For example, by further developing our meal pre-ordering services, renewing cabin interiors with light-weight materials and switching to light-weight containers in our Cargo operations.

We continued our efforts to increase the supply and usage of Sustainable Aviation Fuel (SAF), such as biofuel. Altogether in FY19, we sourced 455 tonnes and also made it easier for our customers to add biofuel to their SAS ticket, in addition to the volumes SAS is already using. However, for SAS to receive the quantities needed and at a competitive price, it will require a large-scale production of SAF, preferably in Scandinavia to reduce transportation related CO_2 emissions.

SAS is also taking part in a number of research and development projects – for example with Airbus – regarding the next generation of aircraft with lower or even zero emissions. In the interim before such aircraft are available, sustainable aviation fuel such as biofuel is key to ensure a step-change reduction in emissions from the airline industry. Already today, it is technically possible to include up to 50% sustainable aviation fuel in our aircraft.

We have set an ambitious target for 2030 to reduce our emissions 25% compared to the base year 2005, and in 2019 we continued to make progress, reducing emissions 2.4%.

For the emissions that we can't eliminate with current technology, we continue to carbon offset for the SAS tickets of EuroBonus members, youth passengers and staff. During the year, we compensated for 32% of our total passenger-related CO_2 emissions.

What improvements to the customer offering would you like to highlight?
During the year, we launched 25 new routes and nine new destinations to adapt our network to customer demand. New aircraft were phased in with new features to make traveling more comfortable and sustainable. We have finalized the upgrade of our cabin interior, and our customers could enjoy high-speed WiFi access on 60 of our short-haul aircraft.

Aviation is a foundation for value creation, job security, innovation and development.

"Our determined work toward more sustainable air travel also attracted customer attention and an increased willingness to choose SAS."

We further improved our ground service offering. 21 new fast tracks were opened, and we continued our work to make existing services faster and more efficient. We also continued to equip our staff with tablets to more quickly and directly assist our customers.

We added more features to our EuroBonus loyalty program and introduced Lifetime Gold Membership to make it even more attractive for our most loyal customers. We also added priority boarding for friends and family of Gold and Diamond members and the ability to collect and share points among family and friends.

Our determined work toward more sustainable air travel also attracted customer attention and an increased willingness to choose SAS. From the beginning of February, we also introduced carbon offsetting on all SAS tickets booked with an attached EuroBonus number.

Last but not least, we increased the punctuality of our operations by 2.6 percentage points. Altogether our efforts were reflected in the SAS Customer Satisfaction Index, which increased by 2 points to 72.

How would you describe the operations during the year?
We have delivered on several initiatives aimed at improving operations throughout the year. We optimized network redundancies and increased the availability of spare aircraft. We also recruited more staff to our operations on the ground and in technical maintenance. I'm pleased to see that the investments made were reflected in an improved operational robustness where punctuality increased, and regularity remained at high levels.

To enable easier and faster rebooking in the event of traffic disturbances, we introduced new digital tools in 2019 to more effectively assist affected passengers and thereby also reduce costs for refunds and claims.

During the seven-day pilot conflict, all of our investments and initiatives were put to test during an extreme level of traffic disruptions. Although I would have preferred to avoid the disruption, I'm pleased to see that proper planning, digital investments and engaged employees made a significant difference for our customers during the strike.


The new fleet lowers fuel consumption and thereby CO_2 emissions.

"The investment in a single-type fleet continues and will bring significant benefits to our operations."

In terms of increased efficiency, we delivered on our 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.

What do you see when looking ahead?
The economic outlook continues to be uncertain and a slowdown in key economies would impact customer demand negatively. The continued weakness of the Swedish and Norwegian krona against the US dollar and the Euro also remains a challenge. When looking ahead, we foresee that capacity growth will be lower than what we have seen in recent years, at the same time as customer demand is also expected to slow down. We are also mindful of the increased customer awareness of aviation's impact on the environment.

The industry has faced a number of unfortunate bankruptcies in recent years. A clear signal that carriers must continue their efforts to further improve customer offerings and efficiencies.

To meet these challenges, we at SAS must continue our transformation. We have begun working with the next phase of initiatives to secure a long-term sustainable and profitable business.

The investment in a single-type fleet continues and will bring significant benefits to our operations, for example with reduced stand-by levels, training and maintenance costs. The new fleet also lowers fuel consumption and thereby CO_2 emissions.

We accelerate our Lean and digitalization efforts, which will increase the automation of administrative tasks and reduce overhead costs. We will also benefit from improved asset and crew utilization with new system and planning processes that will help us to further enhance our strong operational robustness and reduce costs.

Our operating model also needs to be further developed. Rightsizing the fleet is crucial from a profitability perspective, but it is also an important part of our journey toward a more sustainable future. Our older 120–150 seat aircraft serving the mid-size segment need to be replaced in the next few years. But we have to make sure that the benefits of single-fleet operations on all platforms remain intact and that all our production units have the prerequisites to compete effectively.

The plan for the coming years comes with a substantial long-term efficiency improvement of SEK 1.5–2.0 billion by 2023. Some of our initiatives will benefit us in 2020, while others lay the foundation for increased efficiency in the years to come.

To conclude, I would like to convey my sincerest thanks to all the employees, customers, investors and partners who have been with us during the year and look forward to an exciting 2020!

MARKET AND STRATEGY

THE AIRLINE OPERATING ENVIRONMENT AND TRENDS | HOW WE CREATE VALUE
AVIATION MATTERS | STRATEGIC PRIORITIES FOR A CHANGING MARKET
WIN SCANDINAVIA’S FREQUENT TRAVELERS
CREATE AN EFFICIENT AND SUSTAINABLE OPERATING MODEL
SECURE THE RIGHT CAPABILITIES

THE AIRLINE OPERATING ENVIRONMENT AND INDUSTRY TRENDS

Approximately 100 million journeys were made with air travel to, from and within Scandinavia in fiscal year 2019. This means Scandinavians are among the world's most frequent travelers.

INDUSTRY OVERVIEW

Globally, around 4 billion passengers are flown each year with commercial airlines, of which just over one billion are made in Europe. The industry has been characterized by higher-than-GDP growth, but also by intense competition and price pressure. It is also capital- and labor-intensive, with large fixed costs.

This combined with the fact that a large proportion of sales occur close to departures, means that airlines are sensitive to global economic development and are rapidly affected by changes in demand. In contrast to the North American market where a consolidation of airlines has taken place over recent years, the European market remains fragmented, which adds to the challenges European airlines must manage.

AIR TRAVEL IN SCANDINAVIA

The Scandinavian air travel market is substantial in relation to its population, when compared with the rest of Europe. This is due to Scandinavia's economic prosperity, internationally successful companies and its geography.

The region is characterized by relatively long distances between reasonably small towns, with many small business destinations and airports that need to be served. A highly mountainous topography where the land masses are largely surrounded by sea, makes other forms of transport time-consuming and inefficient. At the same time, Scandinavia's small population means that there are a limited number of routes that can be operated with multiple daily departures with larger aircraft. To be able to offer a broad network and high frequencies, an airline requires a flexible operating model consisting of aircraft of various sizes, optimized for different types of traffic flows.

The market is also characterized by a high seasonality, where demand in July is approximately 50% higher than market demand in January.

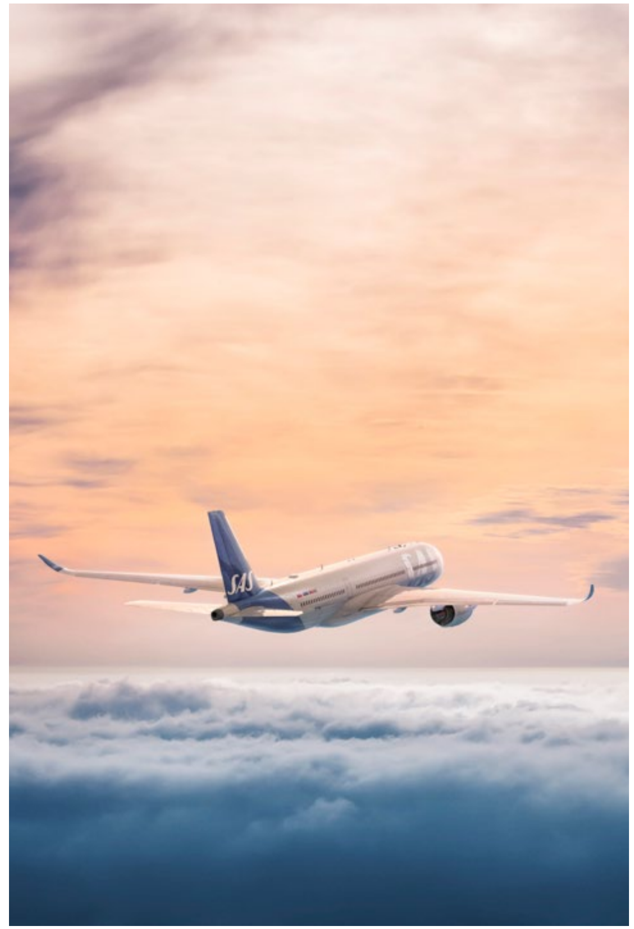
EXTERNAL CHALLENGES

The industry's dependence on jet fuel results in sensitivity to the global oil price development. There is also an increased awareness of aviation's environmental impact from customers, employees and society as a whole. Airlines are exposed to multiple sustainability regulations such as air travel tax and emission trading on both a local and international level.

The global reach of the industry means it is also sensitive to changes in economic cycles and uncertainties surrounding global trade, as these could quickly affect demand for air travel and freight. Examples of factors that could have an impact are Brexit and the continued US-China trade dispute.

Airlines are also highly dependent on their supporting infrastructure, such as airports and air traffic control.

As aviation capacity continues to grow, airspace and airport congestion is expected to increase, which will restrict the ability of airlines to optimize scheduling and route networks.



Customers increasingly demand that airlines take environmental and social responsibility.

DEVELOPMENT DURING THE YEAR

The number of passengers from Scandinavian airports decreased and the seats offered increased during the fiscal year.

DECREASE IN THE NUMBER OF PASSENGERS FROM SCANDINAVIAN AIRPORTS

-1.2%

INCREASE IN THE NUMBER OF SEATS OFFERED

+1.0%

RESPONDING TO AIRLINE INDUSTRY TRENDS

TREND	IMPACT ON THE AIRLINE INDUSTRY	SAS' RESPONSE
Globalization, economic growth and increased prosperity	• Demand for air travel	• Support regional economic development with route network • Greater flexibility in the production model to meet demand • Stable operational robustness
Increased leisure travel	• Requires different route network, seasonal adjustments and an adapted product offering	• New destinations • Improved seasonality adaptation • Increased product differentiation
Changes in the competitive landscape	• New operating models with flexible employment in lower-cost countries • Price pressure	• SAS Ireland and external regional production partners • Increased focus on productivity • Efficiency program
Technical development and digitalization	• Increased productivity and new services • Customers demand instant information access and self-service options • Improved distribution possibilities	• New fuel-efficient aircraft with less environmental impact • New digital products and services, e.g. high-speed WiFi onboard • Future distribution capabilities project
Increased environmental and social responsibility awareness	• Customers increasingly demand that airlines take environmental and social responsibility	• Ambitious sustainability targets • Renewal of fleet and focus on reduced emissions • Use of biofuel and CO_2 offsetting • Weight and waste reduction

HOW WE CREATE VALUE

OUR RESOURCES →

SOCIETAL AND RELATIONSHIP CAPITAL

30 million passengers and relationships with customers, suppliers, partners and decision-makers, as well as our extensive community with 165 million web-site hits annually and 1.2 million followers on Facebook.

INTANGIBLE CAPITAL

Over six million members within the EuroBonus program, 800 daily slot pairs and a strong SAS brand.

HUMAN CAPITAL

10,445 FTEs, with extensive experience and highly developed skills of which 36% are flight crew, 40% ground personnel, 10% technical staff and 14% administrative personnel.

MANUFACTURED CAPITAL

158 aircraft with a market value of about SEK 36 billion, and a number of properties, vehicles, machines, tools and equipment, such as lounges and self-service terminals.

FINANCIAL CAPITAL

SEK 29 billion in capital invested by shareholders, lenders and lessors.

NATURAL CAPITAL

1,337 Ktonnes of jet fuel consumed and 455 tonnes biofuel sourced for flight operations, as well as other raw materials and energy consumption.

OUR BUSINESS MODEL →

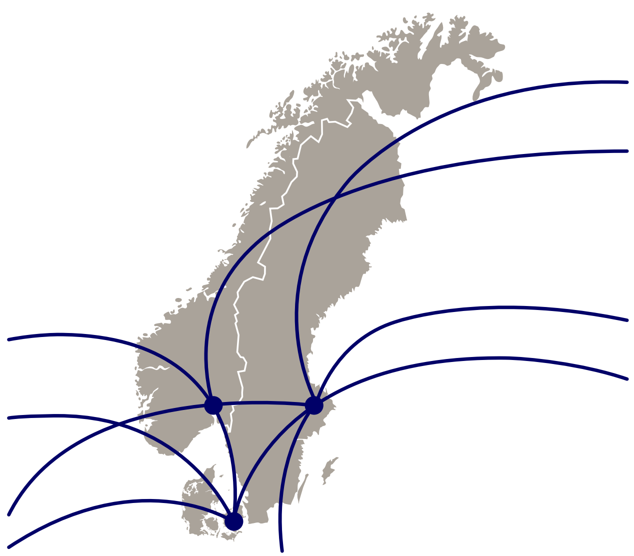
WHAT WE DO

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

HOW WE DO IT

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

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



WHAT WE CREATE →

30
MILLION JOURNEYS

299
ROUTES

111
MILLION KG OF TRANSPORTED GOODS

127
DESTINATIONS

AND

1,300
VIA STAR ALLIANCE

800
DAILY DEPARTURES

OUTPUT →

FOR SHAREHOLDERS

- Net income for the year of MSEK 621
- Common share market capitalization of SEK 5.8 billion

FOR CUSTOMERS

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

FOR EMPLOYEES

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

FOR FINANCIAL BACKERS AND SUPPLIERS

- Supplier payments of about SEK 35.4 billion
- Interest expense of MSEK 485
- Lease expense for aircraft of MSEK 3,561

FOR SOCIETY

- Infrastructure that enables trade, new companies, import/export, tourism, cultural exchange and regional development
- Scandinavian community
- Tax income & job opportunities

FOR ENVIRONMENT

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

8
ROIC, %

72
Customer Satisfaction Index (CSI)

59
Employee engagement index

B+/B1[1]
SAS' credit rating

10.2
SEKbn in contribution for infrastrucure and fiscal taxes

2.4%
Decrease in total CO_2 emissions

[1] Credit rating Standard & Poors B+, Moody's B1.

AVIATION MATTERS

Aviation has an important function in society and SAS intends to be at the forefront of bridging the gap to sustainable aviation.

We believe sustainable development means continuous improvements in all relevant areas of sustainability. The transition to more sustainable air travel is an existential topic for the aviation industry and SAS.

SAS creates 20,000 jobs in Scandinavia, including 10,000 full-time employees, jobs at subcontractors with catering, technical maintenance, fuel as well as jobs within tourism and the hospitality industry.* Furthermore aviation fulfills an important function in society as it connects businesses and people in a time efficient way. Creating value and facilitating the success of Scandinavian companies in a region highly dependent on global trade.

We strive to consider the sustainability aspects in everything we do at SAS. Our ambition is to promote maximum societal benefit through our products and services while minimizing the climate and environmental impacts. This involves:

- creating a culture among employees with a commitment to environmental work;
- using documented sustainability assessments as a basis for decisions;
- actively putting greater sustainability demands on our suppliers;
- engaging in strategic sustainability dialog with relevant stakeholders; and
- promoting tomorrow's solutions through cooperation with different stakeholders.

A ZERO-EMISSION AIRLINE INDUSTRY BY 2050

SAS fully supports the International Air Transport Association (IATA) ambition for commercial aviation without material climate impact by 2050. The IATA and the airline industry have agreed to:

- Improve fuel efficiency by an average of 1.5% annually from 2009 to 2020;
- Achieve carbon-neutral growth from 2020; and
- Reduce greenhouse CO_2 emissions by 50% by 2050, compared with 2005.

Source: www.enviro.aero

SAS is committed to reach and exceed the IATA goals and has reduced its CO_2 emissions by approximately 5.3% since 2005.

* From a study from Copenhagen Economics, on behalf of SAS, where they have analyzed SAS's contribution to the economy in Scandinavia

MATERIALITY AND OUR SUSTAINABILITY FOCUS AREAS

With our commitment, documented activities and results, we strive to take care of our customers, employees, the environment and society at large. This approach enables us to minimize sustainability-related risks and draw on potential opportunities – to avoid unnecessary costs, realize financial savings and differentiate ourselves from the competition.

SAS has a well-defined process for continuously reviewing which topics are the most relevant and material in terms of sustainability. The process involves engaging with internal and external stakeholders and is based on international guidelines such as the GRI, the UN Global Compact, the UN Sustainable Development Goals, global trends, the media, stakeholder dialogue, and our own risk and opportunities assessments.

Based on our materiality analysis conducted in 2019, the following topics remain the most material for SAS and its stakeholders:

Environment
- Emissions
- Waste
- Noise

Employees
- Diversity and equality
- Work conditions

Responsible business
- Business ethics and anti-corruption
- Sustainability in the supply chain

The materiality analysis also identifies 'sustainability communication' and 'customer satisfaction' as areas of significant importance to SAS and its stakeholders. We actively communicate on sustainability issues in a transparent manner with our stakeholders, including the publication of our Annual and Sustainability Report. Customer satisfaction is an essential part of our product responsibility.

OUR MOST MATERIAL TOPIC – GREENHOUSE GAS EMISSIONS

Based on our materiality analysis, our most important environmental impact is emissions from the consumption of fossil fuels. Aircraft operations account for over 99%[1] of our greenhouse gas emissions. We therefore focus on promoting aircraft efficiency and the transition to renewable jet fuels in our ISO 14001 environmental management system.

Our focus areas to reduce emissions:
- Increase fuel efficiency
- Biofuel & emerging technologies
- Sustainable products & services

UN SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals (SDGs), or Global Goals for Sustainable Development, are a collection of 17 global goals set by the United Nations General Assembly in 2015. They involve meeting a broad range of global development targets by 2030. The goals encourage businesses to consider how they can best contribute to overcoming global challenges related to economic, social and environmental sustainability.

Our most relevant sustainable development goals

As a leading airline in terms of reducing our climate impact, promoting resource efficiency and creating an attractive workplace, four of the SDGs are closely aligned to our sustainability agenda.

SDG 5 – GENDER EQUALITY

Goal 5 promotes gender equality and the empowerment of all women and girls. SAS contributes toward this goal by encouraging gender equality and diversity through its recruitment policy and annual People Review.

SDG 12 – RESPONSIBLE CONSUMPTION AND PRODUCTION

Goal 12 promotes sustainable consumption and production patterns. SAS works continuously with its product development and efficiency improvements in order to reduce its climate and environmental impacts.

SDG 8 – DECENT WORK AND ECONOMIC GROWTH

Goal 8 promotes sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. SAS provides fair working conditions for all its employees, partners and suppliers.

SDG 13 – CLIMATE ACTION

Goal 13 calls for urgent action to combat climate change. SAS works proactively to reduce its greenhouse gas emissions by focusing on reducing emissions from its aircraft operations.

[1] This figure is based on our flight operations including regional production partners. It does not cover other external services, even though we work to better understand these emissions and cooperate with our partners to reduce emissions.

STRATEGIC PRIORITIES FOR A CHANGING MARKET

SAS focuses on people who travel frequently to, from and within Scandinavia. We work with our three strategic priorities to achieve a sustainable and profitable business.

WIN SCANDINAVIA'S FREQUENT TRAVELERS

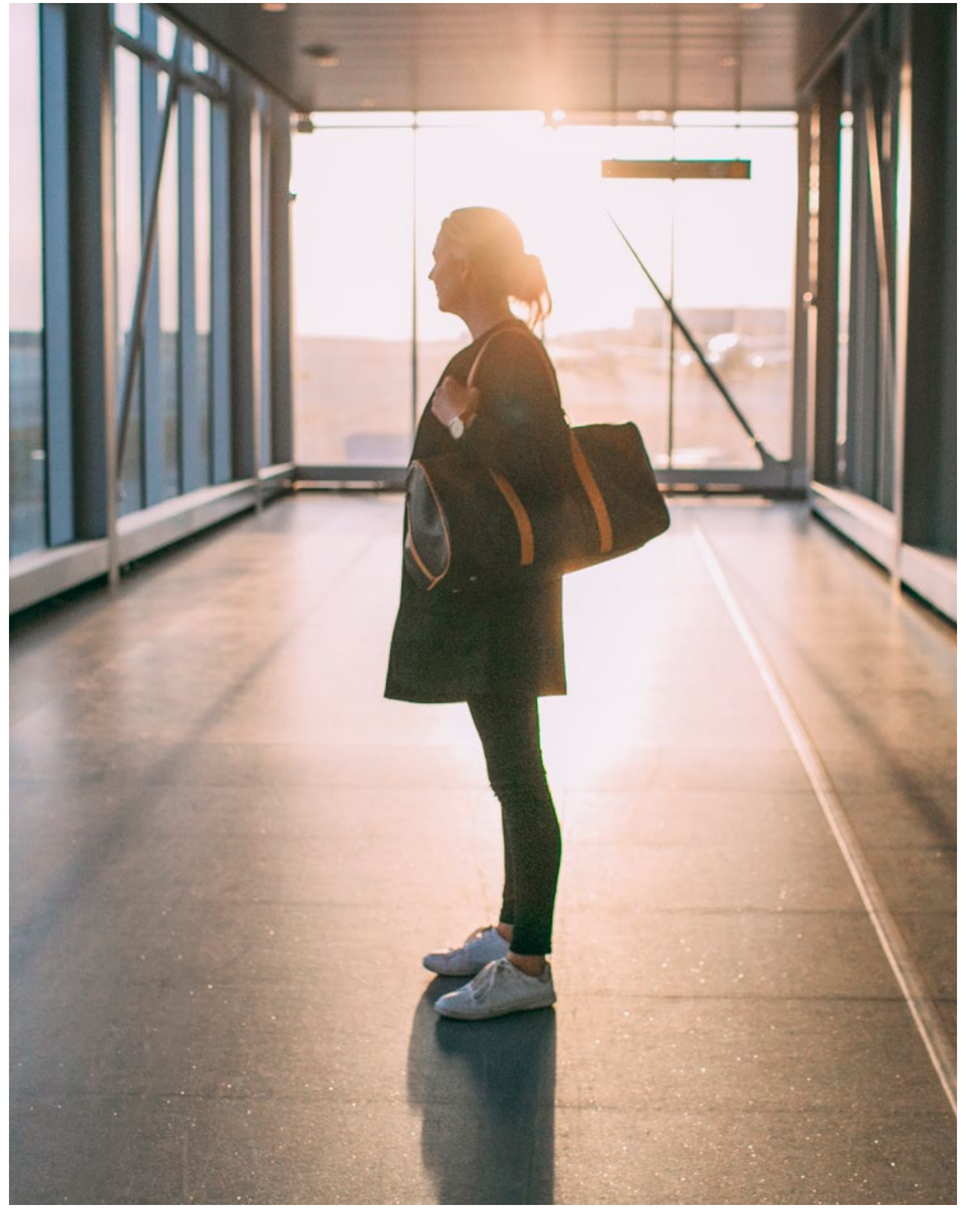
- Improve the customer offering throughout the value chain
  – Discover & Book
  – Pre-travel
  – Travel
  – After travel
- Further develop sustainable products & services

CREATE AN EFFICIENT AND SUSTAINABLE OPERATING MODEL

- Efforts to increase operational and environmental efficiency
  – Fuel efficient aircraft
  – Increase biofuel use
  – Toward hybrid & fully electric aircraft
  – Continued efforts in digitalization
  – Further progress on operational efficiency

SECURE THE RIGHT CAPABILITIES

- Adapting to an industry in transition
  – Excel in leadership
  – Develop our competence
  – Make SAS an attractive workplace



WIN SCANDINAVIA'S FREQUENT TRAVELERS

By focusing on frequent travelers that take five or more roundtrip flights each year, we develop our product and our network – which benefits all our customers. We work to enhance the experience for our customer in each step of the journey. An important area is to provide more sustainable products and services.

KEY PROGRESS IN 2019

- Network further adopted to customer demand
  – 9 new destinations
  – 25 new routes
- Improved operational quality
  – New digital tools for improved traffic disruption management
  – Improved punctuality with 2.6 percentage points
- Enhanced customer experience
  – 21 new fast tracks opened
  – High-speed WiFi now installed on 60 aircraft
  – Lifetime EuroBonus Gold introduced for our most loyal customers
- Further developed sustainable products and services
  – Carbon offsetting for all EuroBonus members on SAS flights
  – Option to purchase biofuel
  – New intelligent catering loading system

72 (70)
Customer satisfaction Index

30
million passengers

6.1 (5.6)
million Eurobonus members

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

UN Sustainable Development Goal 12 promotes sustainable consumption and production patterns. SAS works continuously with its product development and efficiency improvements in order to reduce the climate and environmental impacts.

IMPROVE THE CUSTOMER OFFERING THROUGHOUT THE TRAVEL CHAIN

DISCOVER & BOOK

Through personalized communication and a seamless booking experience, we help customers to research, evaluate, book and plan their trip. Our offering includes an attractive network, timetable and pricing as well as opportunities to add travel extras, such as biofuel to cover their flight.

Initiatives in FY 2019

Seasonal route optimization – We continued our work to optimize our route network throughout the year to better meet fluctuations in customer demand. Some 25 new seasonal summer routes were introduced during the year, including five brand new destinations: Florence, Marseille, Szczecin, Cornwall and Oulu. The adaptation to seasonal demand was successful and we were able to report new records for passenger numbers in both June and July.

Further developed service concept to suit everyone – To meet frequent traveler expectations, we have further developed the popular SAS Go and SAS Plus service concepts. The service concepts provide customers with an increased range of options, designed to meet their specific needs.

Comprehensive network – SAS offers the most comprehensive network to, from and within Scandinavia with frequent departures and smooth reliable journeys. During the year we increased our market share at our primary airports in Scandinavia.

ENHANCED GLOBAL NETWORK THROUGH STAR ALLIANCE

During 2019, the Star Alliance network could offer more than 19,000 daily departures, a combined fleet of over 5,000 aircraft and 1,294 destinations in 192 countries worldwide, making it the largest global airline alliance.
SAS is a co-founder of Star Alliance, which offers our travelers advantages such as a global network, access to lounges and Fast Track, and the ability to more easily reach their destinations when affected by flight irregularities by rebooking on the next available Star Alliance flight. Members can also earn and more easily use points with member companies.

PRE-TRAVEL

We provide customers with relevant travel information before their trip regarding transport, check-in, gate and baggage. We also offer opportunities to pre-order meals and add travel extras as well as provide benefits and inspiration at their destination.

Initiatives in FY 2019

Seamless airport experiences for frequent travelers – 21 new fast tracks opened in 2019 across Europe and SAS now offers fast track everywhere in Europe where they are available.

Improved lounge experience – SAS Lounges at Copenhagen Airport were refurbished with new, classical Scandinavian furnishings, more seating and upgraded restrooms. Passengers in the SAS Gold Lounge can now enjoy a barista-brewed coffee, as well as light therapy in the 'Daylight Booster Zone'. Digital magazines in the SAS app replaced printed versions in all our own lounges and thus reduced the environmental impact.

New service point at Copenhagen airport – The new SAS Service Point in terminal 3 opened, with computers for booking tickets and check-in, charging points for mobile devices, and SAS staff at hand to help if problems arise on a customer's journey.

Fine tuning of our digital platforms – During the year, customer satisfaction in our digital channels increased significantly. This is thanks to a number of improvements as well as new products added to SAS digital channels, for example improved tools for our corporate customers through SAS for Business, digital gift cards, and the possibility to book luggage, meals and lounge access directly in our app.

Improved tools for managing traffic disruption – Two tools were introduced during the year to improve passenger and irregularity management. The tools enable rebooking of passengers in single transactions compared to the required manual rebooking processes carried out previously.

Passenger option to reduce carbon footprint – In addition to the various SAS initiatives to reduce CO_2 emissions, we introduced the opportunity for our travelers to reduce their climate impact. From July 2019, SAS travelers have had the option to purchase biofuel to cover their journey, in addition to the biofuel SAS already buys, in order to further reduce the climate impact of their air travel.

TRAVEL

By providing relevant information during travel – from boarding to arriving at destination – we promote smooth and superior in-flight and travel experiences for our customers.

Initiatives in FY 2019

High-speed WiFi onboard – The ongoing investment in digitalization onboard is an important part of enhancing our customer offering. We now offer high-speed WiFi onboard 60 short-haul aircraft and can provide our customers with real-time travel information, and opportunities to work and stream video/audio content to make their journeys smoother.

Improved operational quality – Several initiatives during the year led to a significant improvement of punctuality which increased 2.6 percentage points and regularity remained at high levels.

New aircraft – We added brand-new aircraft from Airbus to our fleet during the fiscal year: seven A320neo aircraft and one A330 aircraft. These modern aircraft are more fuel efficient and have 15–18% lower emissions than the aircraft they replaced. In September 2019, our fleet was also renewed through the launch of new aircraft livery for a more contemporary look and feel.

New cabin interior – We upgraded existing aircraft with new light-weight cabin interiors to reduce weight and further reduce CO_2 emissions.

In-flight dining – We further refined our in-flight menu during the year with new locally and seasonally produced dishes and plant-based alternatives to meet the demands of our Nordic consumers. We made our award-winning cube even more sustainable by removing all fossil-based plastic to make it fully recyclable.

Pre-ordered meals – The option to pre-order meals was introduced to SAS Go travelers. The option further enhances the travel experience and promotes sustainability by avoiding unnecessary weight and waste.

AFTER TRAVEL

We engage with customers after arriving home by rewarding loyalty and providing information that might be needed after the trip.

Initiatives in FY 2019

Point sharing – During the year we launched the ability to collect and share EuroBonus points with family and friends.

Lifetime Gold Membership – From 2019 and onwards we offer our most loyal customers, who have been EuroBonus Gold-members for ten consecutive years, a lifetime Gold membership.

Partner benefits – We increased the number of benefits and partners within retail, entertainment and household expenses, where Live Nation is a good example which benefits our members beyond travel. This has resulted in strong growth in member engagement with our partners in their everyday life to expand the program's relevance and value creation.

Smooth travel experience – Priority boarding for friends and family of Gold and Diamond members as well as access to fast tracks was introduced.

HOW EUROBONUS POINTS WORK

When a EuroBonus member purchases an airline ticket, they receive EuroBonus points. The portion of the airline ticket price representing the value of the EuroBonus points is shown as a liability. Revenue is recognized when travelers use their points, for example to purchase flights. Sales of EuroBonus points to partners is recognized under 'Other revenue' and the estimated cost is shown as a liability.

FURTHER DEVELOP SUSTAINABLE PRODUCTS & SERVICES

We continuously develop our products and services to make them as sustainable as possible in terms of resources and materials. We have shifted to a lifecycle perspective in recent years, which has enabled us to identify and adopt more sustainable solutions.

We also work together with suppliers and customers to develop more sustainable products and services throughout the travel chain. For example, we have strategic partnerships with key material suppliers, engine manufactures, fuel suppliers and ground transport suppliers, with the aim of developing more sustainable solutions for our customers.

Initiatives in FY 2019

Reduced use of plastic – For example, a new breakfast box with lower plastic content was launched during fall 2019. Fossil-based plastic was also removed from the cube, starting from September.

Removal of onboard sales – Our tax-free sales onboard ended in October 2019, which reduces weight.

Aluminum can recycling – 80% of SAS flights can now recycle aluminum cans, and this figure continues to increase as adequate waste management capabilities are introduced at the remaining airports.

New intelligent catering loading system – We launched a new, intelligent catering loading system to minimize emissions.

Carbon offsetting for EuroBonus passengers – Since 2018, SAS has automatically offset all youth tickets and staff travel. Since February 2019 we also introduced offsetting for all SAS trips made by EuroBonus members.

LOOKING AHEAD

We are taking steps to make life even easier for Scandinavia's frequent travelers.

1. Provide even greater flexibility to meet seasonal changes in customer demand – with a continued focus on travel to and from Scandinavia.

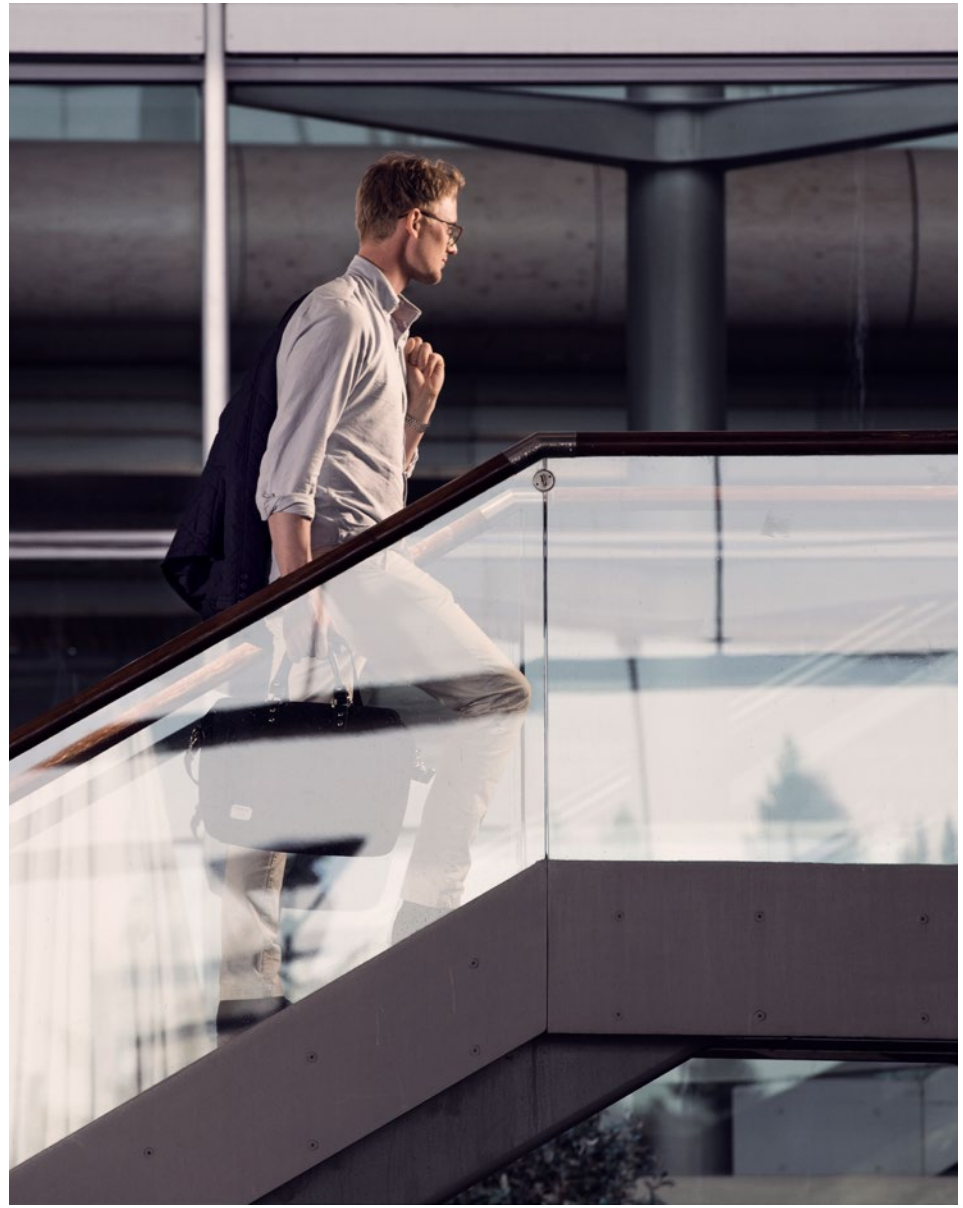
2. Make sustainability fully integrated into the SAS customer offering and value proposition – by increasing opportunities for customers to choose to make their journey more sustainable, such as by preordering meals and buying biofuel.

3. Improve customer experience by removing pain points, to promote a seamless airport experience.

4. Use new technology, lean and the accelerating pace of digitalization to further support revenue growth and improve the customer experience – for example personalized customer offerings, onboard high-speed WiFi and improved self-service possibilities.

5. Enhance AI and website chat bots to provide virtual assistance on our online platforms – to make booking easier and provide instant customer support.

→ **WIN SCANDINAVIA'S FREQUENT TRAVELERS**



CREATE AN EFFICIENT AND SUSTAINABLE OPERATING MODEL

We have developed our operations in recent years, to enhance efficiency, increase sustainability and reduce costs. Our efforts have resulted in improved revenues – particularly during the peak summer season. We continue to have a structured approach to reduce emissions throughout the entire operations and have been able to reduce CO_2 emissions with 5.3% since 2005.

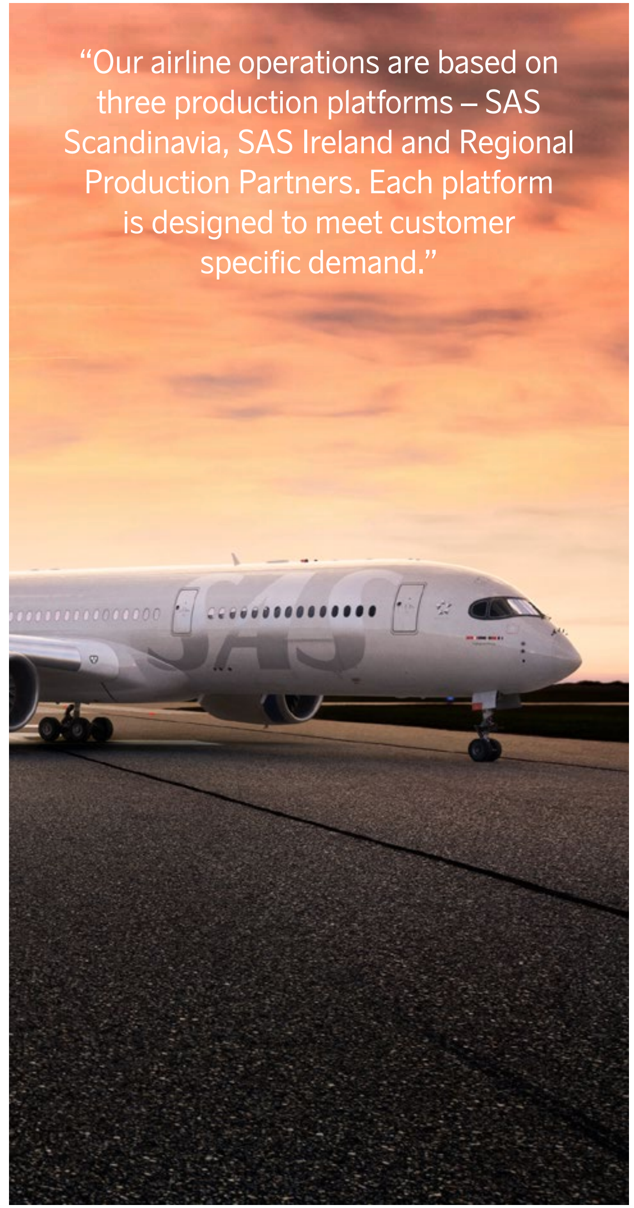
KEY PROGRESS IN 2019

- Delivered SEK 0.9 billion in efficiency improvements.
- Reduced CO_2 emissions 2.4% and accelerated our work to reduce CO_2 emissions throughout our operations.
- Continued work with digitalization to increase mobility and efficiency, through the introduction of tablet devices for ground staff and various support tools.
- Started a research partnership with Airbus for electrically powered aircraft.

-2.4%
CO_2

0.78
(0.73)
CASK, nominal

0.8
(0.76)
RASK, nominal



UN Sustainable Development Goal 8 promotes sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. SAS provides fair working conditions for all its employees, partners and suppliers.

UN Sustainable Development Goal 12 promotes sustainable consumption and production patterns. SAS works continuously with its product development and efficiency improvements in order to reduce its climate and environmental impacts.

UN Sustainable Development Goal 13 calls for urgent action to combat climate change. SAS works proactively to reduce its greenhouse gas emissions by focusing on reducing emissions from its aircraft operations.

EFFORTS TO INCREASE OPERATIONAL AND ENVIRONMENTAL EFFICIENCY

To achieve more sustainable air travel, we work to reduce emissions throughout our entire operations. At SAS profitability and sustainability go hand in hand and by reducing fuel consumption we also reduce greenhouse gas emissions. Our efforts are primarily focused on reducing the CO_2 emissions from our aircraft operations as they account for over 99 %[1] of our total CO_2 emissions.

Most of our emissions result from longer journeys, where air travel is the only feasible means of transport. We are aware of the negative climate and environmental impacts of our operations, and we are working actively to reduce them, as aviation fulfills an important function in society, connecting communities, cultures and people in a time-efficient way. Aviation also facilitates successful businesses creating welfare in a very export oriented part of the world.

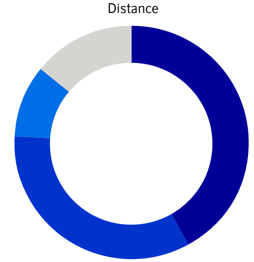
The goal is to reduce our total CO_2 emissions 25% by 2030 compared with 2005. Around half of these reductions will be achieved through fleet renewal and other improvements, and half through the increased use of biofuels. By 2030, we aim to use biofuel on traffic equivalent to all our domestic flights.

FUEL-EFFICIENT AIRCRAFT

We are phasing in new and more energy-efficient aircraft, which is key to reducing our emissions and increasing fuel economy.

Emissions and costs can also be reduced through more efficient aircraft planning, for example by ensuring the right-sizing of aircraft for the required number of passengers and to carry out fuel saving initiatives. We also look at how we can optimize our aircraft in terms of aerodynamics, weight and fuel consumption.

SHARE OF CO_2 EMISSIONS



[1] This figure is based on our flight operations including wet-lease. It does not cover other external services, even though we work to better understand these emissions and cooperate with our partners to reduce emissions.

Initiatives in FY 2019

New aircraft during the year – Seven new A320neos and one A330 were added to our fleet, which now includes 158 aircraft with an average age of 10.2 years.

New aircraft orders – Three A321LRs have been ordered and the first will begin operation in late 2020. The A321LR is more fuel efficient and has 15–18% lower emissions than a similar aircraft of previous generation.

Fuel saving initiative – Ongoing work to continuously analyze flight data to enhance our fuel efficiency, both in planning and execution.

Pre-ordering meals – Our digital platform allows customers to pre-book meals to ensure that we only take what we need onboard, which avoids unnecessary weight, fuel consumption, cost and food waste.

Interior upgrades – With for example new chairs and mats, aircraft weight is reduced significantly. We have also switched to more sustainable materials.

Light-weight containers – We are in the process of changing to lightweight cargo containers and improved freight packaging and handling materials, such as changing to 100% recyclable cargo support beams made from recycled material, and reducing weight by 80%.

Renewed ISO 14001 certification – SAS is one of a small number of passenger airlines in the world that is fully certified according to ISO 14001. The certification is the basis for our Environmental Program to ensure that we work in a structured manner by helping to plan, implement, review and follow up measures to reduce our climate and environmental impacts.

INCREASE BIOFUEL USE

For over a decade, we have worked on various activities to promote the development of Sustainable aviation fuels (biofuels).

Initiatives in FY 2019

Customer biofuel travel extra – We have added the option for customers to buy biofuel with their ticket. SAS makes no profit on this contribution, but the amount goes directly to buying biofuel.

Biofuel use – SAS sourced 455 tonnes of biofuel during FY 2019 an increase of 355 tonnes compared to FY 2018.

Biofuel initiatives – SAS is currently involved in several initiatives and projects to push for the large-scale commercial production of biofuel in Scandinavia. During the year, SAS together with Swedavia and the research institute RISE launched a common path towards increased production of biofuels.

TOWARD HYBRID & FULLY ELECTRIC AIRCRAFT

Reaching true fossil-free aviation, will take innovation and new technology. Long term we are aiming for the next generation aircraft in large-scale commercial operations.

Initiatives in FY 2019

Cooperation with Airbus – In May, SAS and Airbus signed a Memorandum of Understanding for hybrid and electric aircraft eco-system and infra-structure requirements research. This is a unique cooperation to establish the requirements for the next generation of more sustainable aircraft. The collaboration also includes an ambition to involve a renewable energy supplier to enable zero-emission operations.

Electrical aircraft initiatives – SAS is also involved in various other projects regarding electrical aircraft, for example The Nordic Network for Electric Aviation, launched in September 2019.

Airbus concept illustration.

CONTINUED EFFORTS IN DIGITALIZATION

SAS has a long history of improving customer experiences through innovation – from being the first airline with a digital ticketing and passenger information system in 1965, to an early pioneer of internet customer communications in the 1990s. We are developing innovative digital platforms, services based on Artificial Intelligence (AI) and data analytics, and stimulate innovation through engagement with partners from outside the airlines sector.

Initiatives in FY 2019

Mobile devices – Equipped employees within Maintenance Production and Ground Handling Services with tablets. This has increased mobility and employee ability to manage administration tasks at aircraft, which minimizes the need for ground transport.

Virtual Reality training tools – To enable technical maintenance employees to learn and practice aircraft maintenance procedures.

Chatbots for employees – To further improve access to real-time information.

Disruption modules – Streamlining rebooking process in case of irregularities.

Support tool – We introduced a new digital support tool to optimize the use of deicing and anti-icing fluids.

Continued work with AI – To automate manual processes, introduce machine learning to optimize tasks by advanced analysis of large data flows and chatbots to help customers and employees. It has the potential to futher optimize flight routes, planning during traffic disruptions, food and drink on board, and much more.

FURTHER PROGRESS ON OPERATIONAL EFFICIENCY

We continue to adapt our production to the needs of our customers, allowing us to serve all types of destinations and customer segments, as well as adapting to the highly competitive market, where increased efficiency is vital. SAS current efficiency program, which was launched in 2017 to reach SEK 3 billion in efficiency improvements by 2020, is nearing its end. The program has reached SEK 2.4 billion in efficiency improvements whereof SEK 0.9 billion during 2019 and the remaining SEK 0.6 billion is to be realized in 2020.

Initiatives in FY 2019

Continued progress with efficiency program – SEK 0.9 billion realized in efficiency improvements.

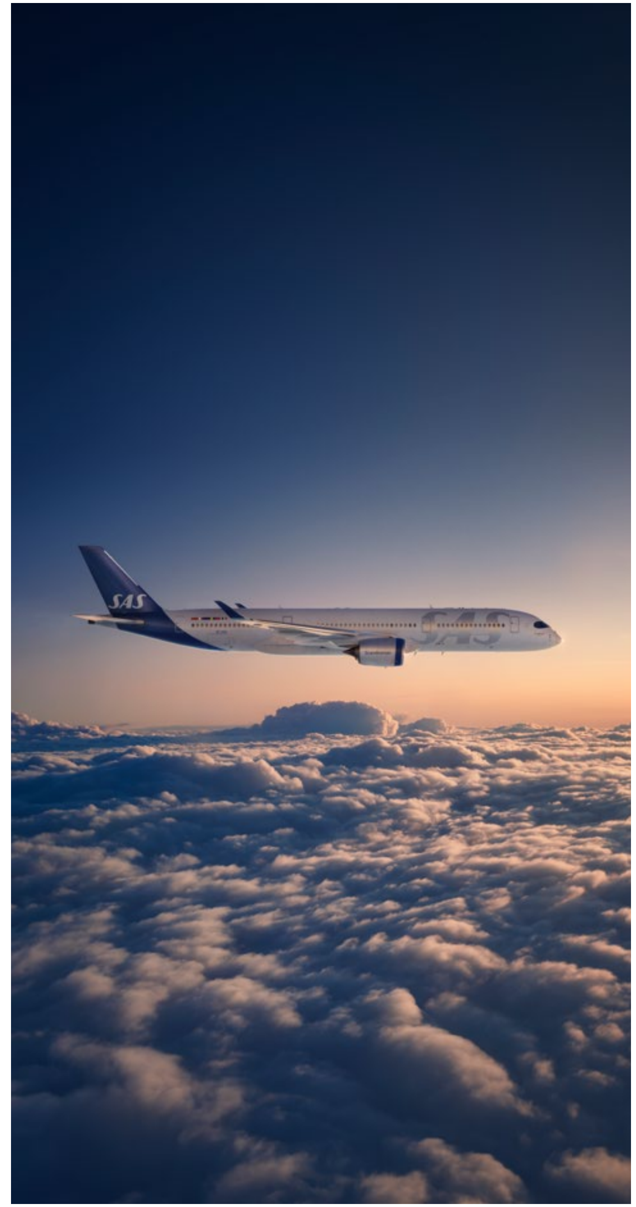
Improved operational quality – Punctuality increased 2.6 percentage points and regularity remained at high levels leading to lower claim costs.

Organizational adaptation – New organizational structure and Group management launched.

Increase of SAS Ireland production – Two new Airbus A320neo aircraft phased-in, taking the total number of aircraft in service to nine.

New short-haul regional aircraft – The majority of our regional production partners have finalized their renewal of fleet with Canadian Regional Jet (CRJ) 900 and Avions de Transport Regional (ATR) 72-600.

Increasing production adapted to seasonal demand – Introduced 25 new seasonal destinations.



LOOKING AHEAD

We have begun working with the next phase of initiatives to further develop an efficient and sustainable operating model.

1. New organization to accelerate transformation, drive accountability and reduce overhead cost.

2. A renewed, single-type fleet by 2023 to take us toward more sustainable and efficient air travel. The new aircraft will reduce fuel consumption and consequently CO_2 emissions significantly. Besides improved fuel economy the fleet will also reduce training costs, stand-by levels, the number of spare aircraft and maintenance costs.

3. Accelerating pace in digitalization and lean to further support revenue growth, decrease costs and at the same time add value for our customers. For example predictive maintenance for aircraft and automation solutions, personalized customer offerings, onboard high-speed WiFi and improved self-service possibilities.

4. Improved asset and crew utilization through use of digital tools to improve planning and ensure a continued stable production as well as optimized organizational efficiency.

5. Enhance the operating model by establishing a new mid-size production platform, securing competitiveness as well as single-type fleet benefits.

→ CREATE AN EFFICIENT AND SUSTAINABLE OPERATING MODEL

SECURE THE RIGHT CAPABILITIES

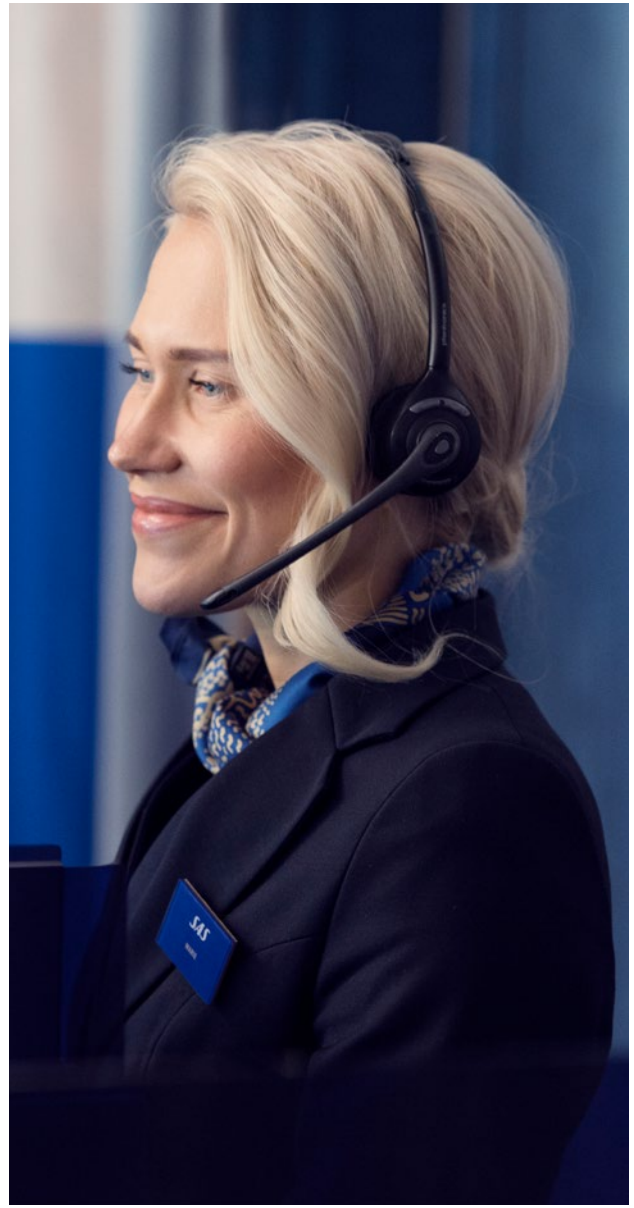
Securing the right capabilities is about ensuring that every employee can make a positive contribution through their competence and experience. As our people determine our success, we constantly work to become a more attractive employer – to ensure we find, develop and retain the talent we need to drive our business forward.

KEY PROGRESS IN FY 2019

- Targeted engagement initiatives led to increased employee engagement of 59 (55).
- Proactive work with sick leave monitoring resulted in an all-time low sick leave of 5.7%.

5.7% (6.1%)
Sick Leave

59 (55)
Employee Engagement Index



5 GENDER EQUALITY

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8 DECENT WORK AND ECONOMIC GROWTH

UN Sustainable Development Goal 8 promotes sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. SAS provides fair working conditions for all its employees, partners and suppliers.

ADAPTING TO AN INDUSTRY IN TRANSITION

We operate in a highly competitive market where it is essential to have the right capabilities throughout our business and everyone at SAS has an important role to play. It is also essential that we provide opportunities for our people to grow and develop together with SAS. We therefore drive overall employee engagement through excellence in leadership, to develop our competences and to make SAS an attractive workplace.

Engaged employees are more committed, satisfied and motivated, which are prerequisites for satisfied customers and a better business. Our employee culture is distinguished by an incredibly strong commitment and loyalty to SAS and our customers.

We want to create a company with an even stronger culture focusing on customer experience, cost efficiency and cross functional collaboration. We do this through involvement and dialogue to ensure that all employees know how they contribute to SAS goals and our joint success.

EXCEL IN LEADERSHIP

Strong leadership is essential for our future success, our leaders must have the capabilities to make sound strategic decisions, run well-managed teams and lead our people.

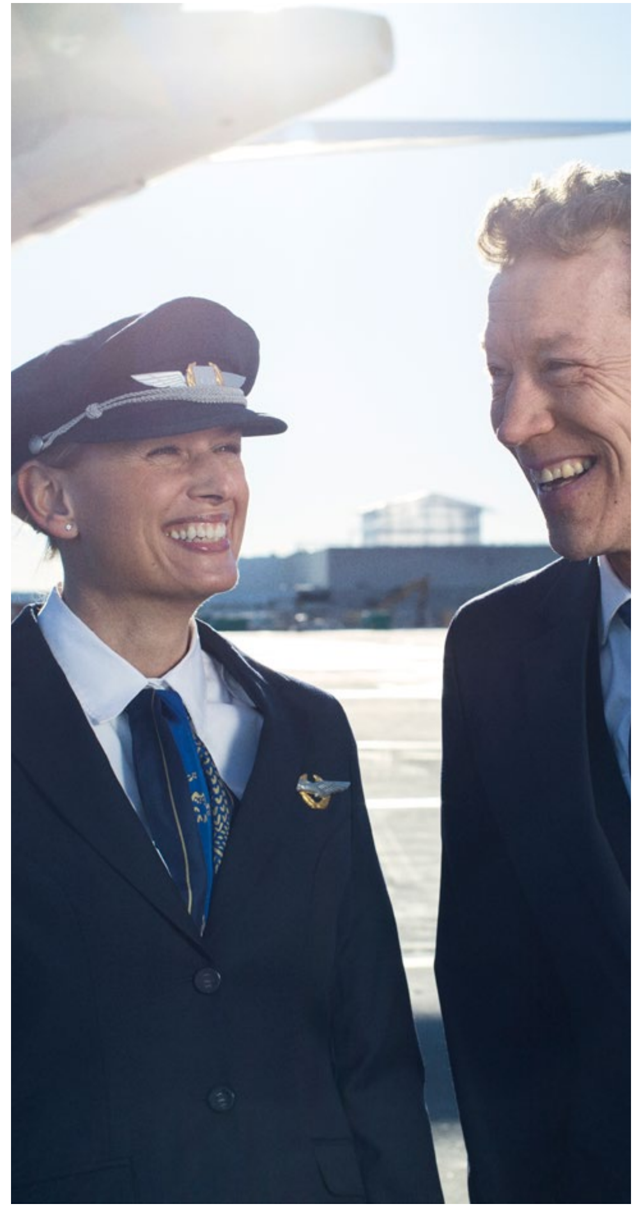
Initiatives in FY 2019

Senior Leader Network – The SAS Executive Program (SXP) launched in 2018 together with Duke Corporate Education, was followed up during 2019 with regular joint sessions with participants to build on program learnings and share best practice.

Senior Mentor program – Our internal senior management GROW mentor program involves eight strong leaders with the aim of transferring knowledge and developing participant skills by being mentored by Group Management.

Leadership training – More than 150 leaders have participated in ongoing leadership training. A strong focus has been on Leading in Change and ensuring that leaders have the right capabilities to drive, handle and lead in change processes. Leadership Training within maintenance production to strengthen local leadership has been conducted. This will be extended to line managers within Ground operations during 2020.

Developing pilot leadership – An extensive initiative to develop leadership skills targeted at first officers has been developed and will be implemented during 2020. Focusing on preparing first officers for the role of captain earlier as demography within the pilot corps will require faster upskilling.



DEVELOP OUR COMPETENCE

At SAS, we believe that 70% of learning and development should come from assignments in our daily work, 20% from interaction and learning from others and 10% from more formal training. We work with individual performance development plans to ensure both business performance and individual growth and development.

Initiatives in FY 2019

People Review – We reviewed about 900 individuals in our annual people review process. Focus was primarily on leadership and specialist positions, where individual performance aligns with business performance.

Development plans – Strong focus on ensuring high quality development plans for our people, and upskilling leaders to facilitate coaching development conversations.

Digital skills – Within Commercial and IT functions 80 leaders and employees were trained in facilitation skills and have created a facilitation method repository.

Digital workplace – Office365 enables us to work smarter, collaborate more and have faster interactions with large remote employee groups.

Mentor program – Internal mentoring program built entirely on the development needs of the participants. Purpose is to provide cost-efficient development, learning from others and building networks across the organization.

Intensive pilot training – To accommodate our strategy of a single type Airbus fleet with more sustainable A320neo and A350 aircraft we are training a large number of our pilots on the Airbus platform. Stockholm will be a full Airbus base in FY20 and approximately 75% of all pilots will then have a new type rating or qualification.

AN ATTRACTIVE PLACE TO WORK

In our highly competitive industry, we constantly need to work to become a better and more attractive employer. To be able to attract the right people requires that we have a strong employer brand that offers the opportunities to grow both professionally and individually.

Initiatives in FY 2019

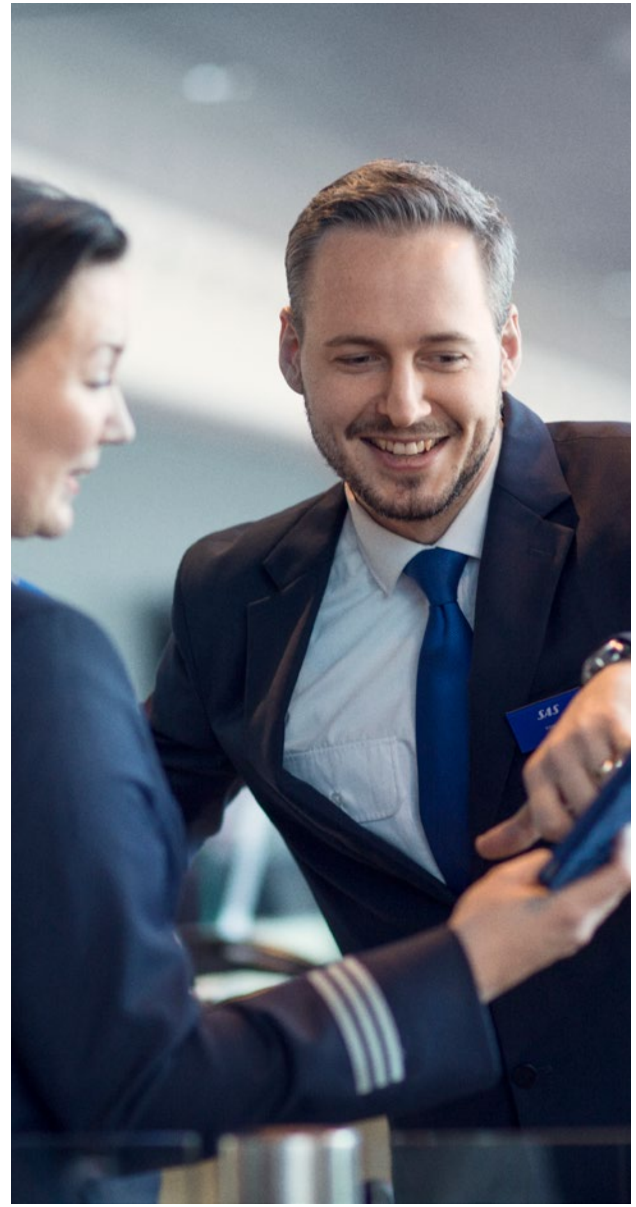
Health and wellbeing – A SAS specific digital tool to register progress was introduced. Dedicated health ambassadors from all units were nominated in the spring. Coworker health related activities included health fairs, step counting contests, walk and talks, and fun runs. A web-based e-learning for leaders on work environment was also introduced.

Talent acquisition – During the year, two streams in a new HR-system were implemented: recruitment & onboarding and SAP SuccessFactors. When fully implemented, the system will support all HR processes – From Hire to Retire.

SAS Awards – The fifth year of the awards showcased SAS role models in the categories: SAS Person, Leader, Team Achievement, Improvement Initiative, Team Safety and Sustainability with over 1,000 nominations from all parts of SAS.

IB Case Competition Copenhagen Business School – SAS was the partner company with a sustainability focus for the case competition. 90 IB students distributed on 23 teams signed up for our case competition. At the final, we welcomed a record high total of 300 attendees, including 250 IB students and 50 representatives from our partners.

Incentive Program – A share-based incentive program was introduced to align the interest of investors and employees. The program enables the employees to share the value SAS creates.



LOOKING AHEAD

We are taking further steps to secure the right capabilities in an industry in transition.

1. To develop and benchmark SAS' leadership capabilities, an internal assessment center will be set up. The focus is to identify each leader's individual development needs and the aggregated result will provide feedback to the business to identify gaps in leadership capability.

2. Implement strategic workforce planning to identify key organizational capabilities, required to ensure organizational success. The result will feed into budget and people planning and ensure a coordinated and aligned people investment process.

3. Continue roll-out of new digitized people platform. The platform will add robust talent, performance and succession processes and strengthen our workforce capabilities.

4. Group dialogues in SAS Operations to further involve all employees in our business environment and strategy going forward.

→ **SECURE THE RIGHT CAPABILITIES**

FINANCIAL INSTRUMENTS

SAS AS AN INVESTMENT | FINANCIAL INSTRUMENTS AND CAPITAL MARKETS

SAS AS AN INVESTMENT

FIVE REASONS TO INVEST IN SAS

LEADING MARKET POSITION IN AN ATTRACTIVE MARKET TARGETTING FREQUENT TRAVELLERS

Air travel is an important part of the Scandinavian transport infrastructure as it connects communities, cultures and people in a time-efficient way. Given Scandinavia's economic prosperity and that the region is characterized by relatively long distances and mountainous topography, the air travel market is very large in relation to its population.

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

OPERATING MODEL ADAPTED TO SCANDINAVIAN TRAVEL PATTERNS

Airlines are capital-intensive due to major investments in aircraft and engines, and this requires efficient capital management. SAS has developed an operating model that allows it to serve all types of destinations and customer segments. The SAS operating model is based on its three production platforms – SAS Scandinavia, SAS Ireland and regional production partners.

The production platforms allow SAS to maintain its strong Scandinavian footprint, secure its presence on highly competitive routes and take part in new leisure markets as well as the right-sizing of aircraft in off-peak. As an effect of its operating model, SAS has since 2012 been able to maintain its fleet size of approximately 160 aircraft and at the same time increased the number of routes with over 30% and number of passengers with over 40% during the peak season.

STRONG TRACK RECORD OF TRANSFORMATIONAL CAPABILITIES

SAS has shown a significant ability to adapt to an airline industry in transition. To mitigate increased competitive pressure from other airlines as well as negative macro-economic events, SAS has through the years continuously focused on improving efficiency and has since 2013 delivered SEK 6.7 billion in efficiency improvements.

STEPS TOWARD MORE SUSTAINABLE AIR TRAVEL

We work hard to continuously reduce the climate and environmental impact from our flight operations. Our primary focus is to reduce our CO_2 emissions. This is done through a vast number of initiatives in our daily operations and large investments in new fuel-efficient aircraft.

SAS is also collaborating with Airbus to make low or even zero emission aircraft a reality in the future. Meanwhile, we intend to increase our use of Sustainable Aviation fuels, such as biofuel significantly. This is why SAS is pushing for the large-scale commercial production of biofuel in Scandinavia. By 2030, our goal is to reduce our total CO_2 emissions by 25% and to use biofuel on traffic equivalent to all SAS domestic flights.

ABILITY TO LEVERAGE OUR STRONG LOYALTY PROGRAM AND BRAND TO INCREASE ANCILLARY REVENUES

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

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

FINANCIAL INSTRUMENTS AND CAPITAL MARKETS

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

RECAPITALIZATION

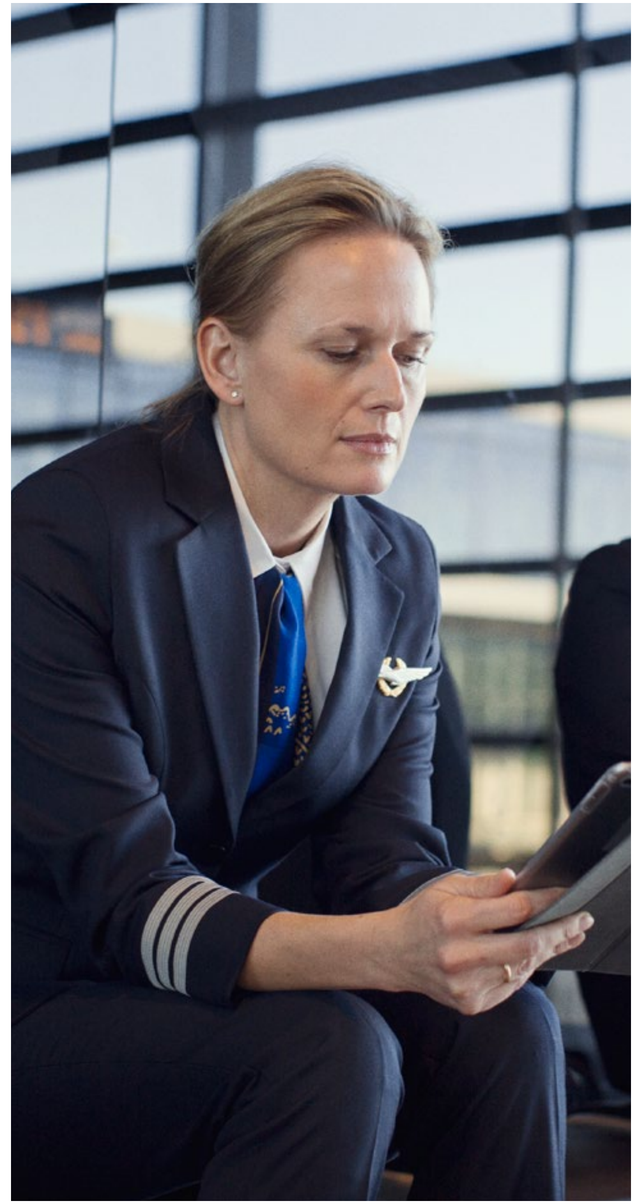
In February of fiscal year 2018, SAS redeemed 70% of its preference shares for approximately SEK 2.6 billion. In November 2018 of fiscal year 2019, SAS redeemed the remainder of preference shares for approximately SEK 1.1 billion.

In April 2019, SAS repaid the convertible notes issued in 2014 amounting to SEK 1.6 billion. Altogether SAS has redeemed SEK 3.7 billion in preference shares and repaid SEK 1.6 billion of convertible notes in 2018 and 2019.

In October, SAS issued SEK 1.5 billion in a perpetual hybrid bond with a floating interest rate of STIBOR three months plus 825 bps. The proceeds from the new issue will be used to strengthen equity for general corporate purposes, including refinancing of financial indebtedness and funding of aircraft acquisitions.

SHARE PRICE PERFORMANCE FY 2019

In total, the price per common share decreased 26% to SEK 15.1 during the fiscal year. Over the same period, the Nasdaq Stockholm OMX30 index increased 14.4%.



INTERVIEW WITH TORBJØRN WIST, CFO

HOW WOULD YOU DESCRIBE THE YEAR FROM A FINANCIAL PERSPECTIVE?

If we start with the positives, we noticed an improved supply/demand balance in Scandinavia during the second half of the year. The improvement was a main contributor to a stronger unit revenue and yield, which in turn led to an increase of total revenue of nearly 5%. Another point I would like to highlight is the continued progress with our efficiency program. The program was initiated in 2017 with the aim of delivering SEK 3 billion by 2020. To date we have achieved SEK 2.4 billion, whereof SEK 0.9 billion in fiscal year 2019.

Unfortunately, the positive points I mentioned were offset by several negative effects. The SEK continued to depreciate during the year and closed 5% lower to the USD compared to the beginning of the year. For a company like SAS, with a substantial part of its costs in USD, this had a negative effect on our profitability. Also, jet-fuel prices continued to be volatile during the year. Although they declined compared to last year, our hedge positions from the beginning of the year increased our jet-fuel cost with 21% compared to last year. As a final point the pilot unions strike, where most of our fleet was grounded for seven consecutive days, had a negative earnings effect of SEK 615 million.

SAS REPAID ITS' CONVERTIBLE BOND, REDEEMED ITS PREFERENCE SHARES AND ISSUED A NEW HYBRID BOND. WHAT WAS THE RATIONALE BEHIND THE TRANSACTIONS?

The convertible bond, which was issued in 2014, reached its maturity during the year and was repaid as it had not been converted to shares. Similarly, the preference shares reached a point where the dividend yield would increase from 10% to 12% unless redeemed. As a result the instrument was redeemed to avoid the increased cost. Both the convertible and the preference shares had a vital role in transforming the company toward the stronger position seen today.

During the last quarter of the year we decided to strengthen our equity position through the issuance of a hybrid bond amounting to SEK 1.5 billion. The issuance was aimed to raise equity ahead of the new IFRS 16 accounting standard regarding leases which will be adopted from fiscal year 2020.

WHAT IS THE IMPACT ON SAS OF THE NEW ACCOUNTING STANDARD

During the year we have prepared for IFRS16, which is a new accounting standard applicable from 1 November 2019. Under IFRS16, SAS will no longer make a distinction between finance leases and operating leases. As an effect, the work during the year has been centered on defining values of operating leases, which were previously off-balance sheet. These will now be accounted for as Right of Use assets (ROU) and lease liabilities in the balance sheet.

In practice this means we recognize the assets and liabilities for most of our leases, which increases our balance sheet by approximately SEK 17 billion as we enter fiscal year 2020. In the statement of profit and loss, leasing cost will be replaced by interest cost and depreciation of the ROU assets.

SAS uses a modified retrospective approach to its leases, which in practice means that all leases are discounted to 1 November 2019. As compared to the old standard, in which leasing costs were linear during the life of the lease, we will now see higher costs in the early part of a lease. These costs (split between depreciation and interest costs) will decline over the life of the lease, as the lease liability and thereby the interest cost is reduced. Based on SAS' expected lease portfolio, we expect profit before tax (EBT) to be reduced by an amount of SEK 400–500 million in fiscal year 2020 due to the implementation of IFRS16. As a majority of the lease liabilities are derived from aircraft leases in USD, any currency fluctuations will impact the income statement either positively or negatively.

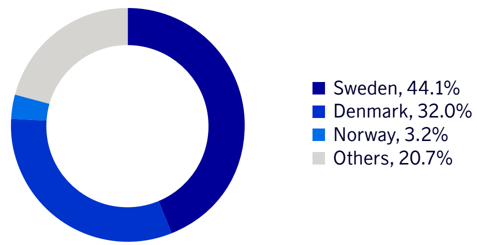
Financial instruments
SAS as an investment
Financial instruments and capital markets

DISTRIBUTION OF SHAREHOLDERS AND CHANGES

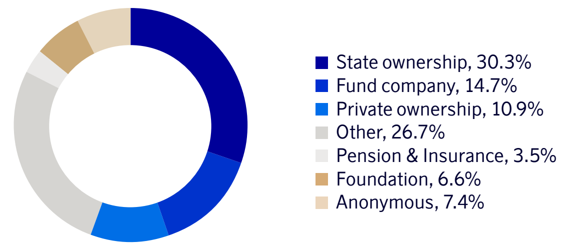
As of October 31, 2019, SAS had 61,918 holders of common shares.

Holdings in Scandinavia were in total about 79%, with Sweden accounting for 44%, Denmark 32% and Norway 3% as of 31 October 2019. Of the remaining holdings outside Scandinavia, totalling 21%, 11% were registered in the U.S.

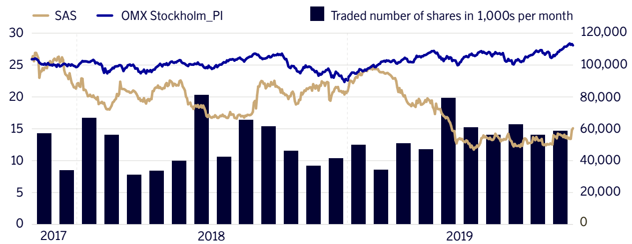
VOTING RIGHTS IN SAS, BY COUNTRY, 31 OCTOBER, 2019



BREAKDOWN OF THE SAS SHARE CAPITAL, BY VOTES, 31 OCTOBER, 2019



THE SAS SHARE



DISTRIBUTION OF COMMON SHARES

Owner distribution by holdings	Number of shares	% of capital	Number of votes	Number of owners	% of all shareholders
1–1,000	11,841,305	3.1%	3.1%	47,431	76.6%
1,001–2,000	8,563,047	2.2%	2.2%	5,509	8.9%
2,001–10,000	32,812,151	8.6%	8.6%	7,102	11.5%
10,001–100,000	44,188,037	11.6%	11.6%	1,703	2.8%
100,001–1,000,000	36,303,645	9.5%	9.5%	143	0.2%
1,000,001–	220,487,621	57.7%	57.7%	30	0.1%
Anonymous ownership	28,386,745	7.4%	7.4%	N/A	N/A

COMMON SHARES TRADED PER EXCHANGE

	Value, MSEK		No. of shares, million	
	FY 2019	FY 2018	FY 2019	FY 2018
Common shares				
Stockholm	10,788	12,684	641	622
Copenhagen	3,911	2,783	219	134
Oslo	373	479	22	24
Others	10,859	12,735	613	622
Total common shares	**25,931**	**28,681**	**1,495**	**1,402**

Source: Euroclear, VP and VPS.

CHANGE IN SHARE CAPITAL[1]

	Event	No. of new shares	Total no. of shares	Nominal value/share, SEK	Nominal share capital
May 2001	Company registration	50,000	50,000	10	500,000
July 2001	Non-cash issue	155,272,395	155,322,395	10	1,553,223,950
August 2001	Non-cash issue	6,494,001	161,816,396	10	1,618,163,960
May 2002[2]	New share issue, common shares	2,683,604	164,500,000	10	1,645,000,000
April 2009	New share issue, common shares	2,303,000,000	2,467,500,000	2.5	6,168,750,000
April 2010	New share issue, common shares	7,402,500,000	9,870,000,000	0.67	6,612,900,000
June 2010	Reverse split, common shares	-	329,000,000	20.1	6,612,900,000
February 2014	New issue of preference shares	7,000,000	336,000,000	20.1	6,753,600,000
January 2016	Conversion of convertible bond	1,082,551	337,082,551	20.1	6,775,359,275
November 2017	New share issue, common shares	52,500,000	389,582,551	20.1	7,830,609,275
February 2018	Redemption, preference shares	-4,898,448	384,684,103	20.1	7,732,150,470
November 2018	Redemption, preference shares	-2,101,552	382,582,551	20.1	7,689,909,275

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

REPORT BY THE BOARD OF DIRECTORS

REPORT BY THE BOARD OF DIRECTORS | DIVIDENDS, DISPOSITION OF EARNINGS AND OUTLOOK
CORPORATE GOVERNANCE REPORT | BOARD OF DIRECTORS | GROUP MANAGEMENT

REPORT BY THE BOARD OF DIRECTORS

SUMMARY OF FISCAL YEAR 2019

- Income before tax and items affecting comparability: MSEK 786 (2,136)
- Revenue for the year: MSEK 46,736 (44,718)
- The total number of passengers decreased 1.1% and amounted to 29.8 million.
- Unit revenue (PASK) increased 2.5%[1]
- Unit cost (CASK) rose 2.1%[2]
- Income before tax was MSEK 794 (2,050)
- Net income for the year was MSEK 621 (1,595)

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

The Board of Directors and the President of the Parent Company, SAS AB, hereby submit the annual report for SAS AB and the SAS Group for fiscal year 2019 (1 November 2018–31 October 2019). SAS AB is registered in Stockholm and the address of its head office is Frösundaviks allé 1, Solna, Stockholm, Sweden, and its Corporate Registration Number is 556606-8499. The company conducts airline operations, including ground handling, technical maintenance and cargo, in a Scandinavian and international network.

MARKET DEVELOPMENT FISCAL YEAR 2019

Market capacity continued to grow through fiscal year 2019, albeit at a lower rate than the preceding year. Measured in the number of seats offered, capacity to, from and within Scandinavia increased 1% in fiscal year 2019. The total number of passengers to, from, and within Scandinavia decreased 1.2% during the fiscal year.

The number of passengers who traveled on SAS' scheduled routes decreased 1.2%, totaling 28.5 million in fiscal year 2019; the decline was driven by the seven-day pilot strike in late April and early May.

SAS scheduled traffic on intercontinental routes declined 3.3%, driven by the pilot strike and lower demand. On European routes and within Scandinavia, traffic declined 1.6%, largely driven by lower demand for European destinations. Domestic traffic rose 1.0%, with the majority of the increase posted by Norway. SAS' charter capacity increased 3.8% and traffic rose 2.9% in the fiscal year, driven by effects from the continued seasonal adaptation of the offering.

During the fiscal year, the currency-adjusted yield increased 3.2% and currency-adjusted unit revenue (PASK) rose 2.5% compared with last year. At the same time, SAS' currency-adjusted unit cost excluding jet fuel increased 2.1%.

TRAFFIC TRENDS FOR SAS

SAS' scheduled traffic	FY19	FY18	Change
Number of passengers (000)	28,451	28,794	-1.2%
RPK, Revenue Passenger Kilometers (mill)	35,825	36,496	-1.8%
ASK, Available Seat Kilometers (mill)	48,471	49,023	-1.1%
Load factor	73.9%	74.4%	-0.5[1]
Passenger yield (currency-adjusted), SEK	0.99	0.96	+3.2%
Currency-adjusted unit revenue, PASK, SEK	0.73	0.71	+2.5%

	FY19 vs. FY18	
Geographic trends, scheduled traffic	RPK	ASK
Intercontinental	-3.3%	-3.0%
Europe/Intra-Scandinavia	-1.6%	-0.9%
Domestic	+1.0%	+2.0%

SAS' charter traffic	FY19	FY18	Change
Number of passengers (000)	1,310	1,289	+1.7%
RPK, Revenue Passenger Kilometers (mill)	3,550	3,450	+2.9%
ASK, Available Seat Kilometers (mill)	3,900	3,758	+3.8%
Load factor	91.0%	91.8%	-0.8[1]

Total traffic (scheduled and charter traffic) for SAS	FY19	FY18	Change
Number of passengers (000)	29,761	30,082	-1.1%
RPK, Revenue Passenger Kilometers (mill)	39,375	39,946	-1.4%
ASK, Available Seat Kilometers (mill)	52,371	52,781	-0.8%
Load factor	75.2%	75.7%	-0.5[1]
Currency-adjusted unit cost, CASK, excl. jet fuel	0.6	0.59	+2.1%

1) Figures given in percentage points.

Punctuality and regularity

SAS achieved an arrival punctuality rating of 80.3% (77.7) in fiscal year 2019. Punctuality trended positively driven by a number of initiatives during the year: the introduction of a new disruption module and adjustments to the network to optimize the reallocation of buffers and stand-by capacity.

Regularity for SAS was 97.5% (98.0) and was negatively impacted by the seven-day pilot strike in April and May.

INCOME NOVEMBER 2018–OCTOBER 2019

SAS generated an EBIT 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, the exchange-rate trend 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 amounting to MSEK 10. In total, currency effects had a net negative impact of MSEK 593 on EBT. The effect mainly relates to a stronger USD.

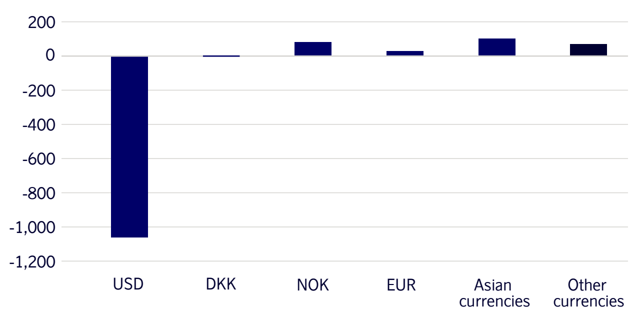
CURRENCY EFFECT BETWEEN YEARS

MSEK	FY19 versus FY18	FY18 versus FY17
Revenue	1,180	931
Payroll expenses	-177	-208
Other expenses	-1,782	-348
Translation of working capital	206	-465
Income from hedging of commercial flows	-10	461
Operating income	**-583**	**371**
Net financial items	-10	-38
Income before tax	**-593**	**333**

CURRENCY EFFECTS ON NET INCOME FOR THE PERIOD

MSEK	FY19	FY18
Translation of working capital	-20	-226
Income from hedging of commercial flows	283	293
Operating income	**263**	**67**
Currency effect on the Group's financial net debt	-6	4
Income before tax	**257**	**71**

CURRENCY EFFECT ON REVENUE AND OPERATING EXPENSES, NET



Revenue

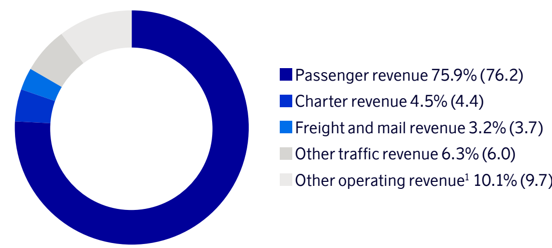
Revenue totaled MSEK 46,736 (44,718), see Note 2. Currency-adjusted revenue was up MSEK 838 year-on-year and the currency-adjusted deviation is explained below.

The negative revenue impact of the strike is estimated at approximately MSEK 730. Currency-adjusted passenger revenue increased 1.3%, primarily due to MSEK 1,097 from a 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, since the fees charged by SAS are linked to fuel prices. Charter revenue was up MSEK 141, primarily relating to higher volumes. Other traffic revenue rose MSEK 182, mainly attributable to unused tickets and preseating.

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

REVENUE BREAKDOWN FISCAL YEAR 2019



1) Ground handling services, technical maintenance, terminal and forwarding services, sales commissions and fees, on-board sales and other operating revenue.

Operational and financial expenses
Payroll expenses amounted to 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.

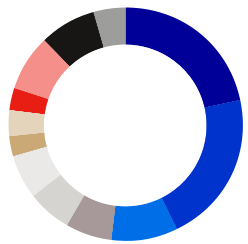
Other operating expenses amounted to MSEK -30,253 (-28,338), see Note 4. These expenses largely consisted of jet-fuel costs of MSEK -9,672 (-7,994), representing an increase of MSEK 1,678. Adjusted for currency, jet-fuel costs increased MSEK 1,002, or 11.6%. The cost was positively affected by an amount of MSEK 485 due to lower jet-fuel prices. The decrease in jet-fuel prices was offset by hedge effects of MSEK -1,557, partly counteracted by positive volume effects of MSEK 220. Government user fees 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 amounted to 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 amounted to MSEK -372 (-480), of which net interest expense was MSEK -312 (-430). The decrease primarily related to higher financial income and capitalization of interest expenses for pre-delivery payments (PDPs).

COST BREAKDOWN FOR SAS, FISCAL YEAR 2019



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

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) related to restructuring costs for personnel and properties. Impairment of assets amounted to MSEK -93 (-206) and MSEK 71 (-100) related to the release of a one-time award; of the initial MSEK 100 set aside in fiscal year 2018, 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' 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 AND FINANCIAL POSITION

Assets

Intangible and tangible fixed assets increased MSEK 3,247 during the period. Changes for the period included investments of MSEK 6,191, amortization and depreciation of MSEK -1,924, divestments of MSEK -1,224, and other and currency 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 decreased 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 decreased MSEK 1,896 since 31 October 2018. The decrease is mainly related to a redemption of preference shares of MSEK -1,086, net income for the period 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% for the first five years, and thereafter steps up to 3 month STIBOR plus a margin of 13.25%. 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.

Long-term liabilities increased MSEK 1,515 and current liabilities increased MSEK 194. The increase in liabilities was mainly due to market value changes for 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.

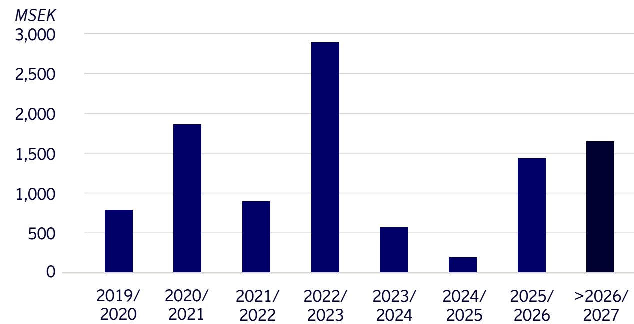
Current interest-bearing liabilities totaled MSEK 1,833 (2,600) of the interest-bearing liabilities and comprised both borrowings that mature within one year of MSEK 785 and accrued interest and financial derivatives of MSEK 1,048. Long-term liabilities totaled MSEK 9,450 (7,492) and consisted of subordinated loans, bonds and other loans.

The average fixed-interest period for gross financial debt is governed by SAS' financial policy and has a target tenor of 2 years. The average fixed-interest period was 3.6 years as of October 2019.

BREAKDOWN OF SAS' INTEREST-BEARING LIABILITIES, 31 OCTOBER 2019

Liability	Note	MSEK
Subordinated loans	24	1,240
Bonds	25	3,063
Convertible bond	26	–
Finance leases	26	4,920
Utilized facilities/other loans	26	1,011
Short-term loans	30	1,049
Total		**11,283**

REPAYMENTS OF INTEREST-BEARING LIABILITIES, 31 OCTOBER 2019

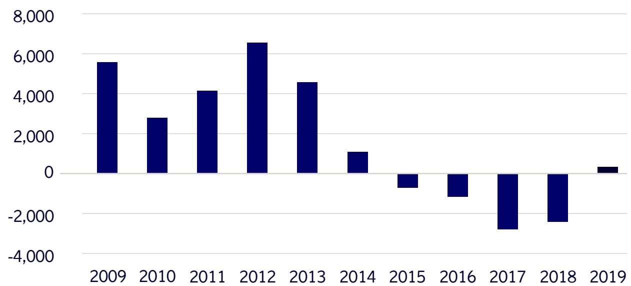


Financial net debt/receivables

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.

FINANCIAL NET DEBT

MSEK



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 decreased 4 percentage points, and was 38% at 31 October 2019. The reduction was mainly 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 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 in comprehensive income of MSEK -2,260.

Credit rating

SAS is rated by three credit-rating agencies: Moody's, Standard and Poor's and the Japanese agency, Rating and Investment Information Inc. (R&I). SAS' credit rating was upgraded in November 2017, following the equity issue.

SAS CREDIT RATING

	Rating	Outlook
Moody's	B1	Stable
Rating and Investment information	B+	Stable
Standard & Poor's	B+	Stable

FINANCIAL TARGETS AND DIVIDEND POLICY

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

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

The SAS financial targets are:

- Return on invested capital (ROIC): 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 must exceed 25% of SAS annual fixed costs.

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

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.

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

CALCULATION OF ROIC

MSEK	October 2019
EBIT, 12 months	1,166
33% of aircraft leasing costs, 12 months[1]	1,175
33% of aircraft leasing revenue, 12 months[1]	–
Adjusted EBIT	**2,341**
Average shareholders' equity	4,372
Average financial net debt	1,106
Capitalized leasing costs (×7), average	23,162
Invested capital	**28,640**
ROIC	**8%**

CALCULATION OF ADJUSTED FINANCIAL NET DEBT/EBITDAR

MSEK	
Average financial net debt	1,106
Capitalized leasing costs (×7), average	23,162
Total	**24,268**
EBITDAR, 12 months	6,549
Adjusted financial net debt/EBITDAR	**3.7x**

CALCULATION OF FINANCIAL PREPAREDNESS

MSEK	
Cash and cash equivalents	8,763
Receivables, other financial institutions	-290
Unutilized credit facilities	2,899
Total	**11,372**
Total operating expenses	43,748
Jet-fuel costs	-9,672
Government user fees	-4,194
Total fixed costs	**29,882**
Financial preparedness	**38%**

Dividend policy

SAS' dividend policy entails that dividends to holders of common shares are paid from value-creation whereby SAS' ROIC exceeds the WACC. The dividend should take into account any restrictions applying to the Group's financial instruments.[2]

Dividends require a resolution by a shareholders' meeting, and that SAS AB has distributable earnings. The Group's earnings, expected performance, financial position, investment requirements and relevant economic conditions should also be taken into account.

Parent Company

The Parent Company SAS AB has conducted extremely limited intra-Group services and, as of 31 October 2019, had three employees. Revenue totaled MSEK 58 (56) and operating expenses MSEK 80 (64). Net financial items amounted to MSEK -55 (-18). Net income for the year was MSEK -56 (-40). The risks described in the Report by the Board of Directors also encompass the Parent Company.

1) To ensure the aircraft financing form does not affect the outcome of ROIC, a standard 33% of the aircraft leasing costs/revenues are added to the reported operating income (EBIT).

2) At 31 October 2019, SAS had one financial instrument issued that limits dividend rights for holders of SAS common shares. SAS has issued a SEK 2.25 billion unsecured bond, which stipulates that dividends to shareholders may not exceed 50% of net income for the year, but does not apply to dividends on other types of financial products or instruments. No dividend may be distributed by SAS in contravention of the bond terms.

FINANCING AND CAPITAL MANAGEMENT

Financing

SAS can use bank loans, bonds, convertible bonds, subordinated loans, export credits and leasing as sources of financing. New loans raised amounted to MSEK 2,364 (3,853) and comprised secured loans of MSEK 2,364.

Invested capital

As a natural consequence of the introduction of SAS' financial targets, which take SAS' total capital into account, the company has increased focus on its capital structure. At 31 October 2019, invested capital totaled MSEK 28,640 (26,311).

The majority of the invested capital comprised aircraft and engines, which represent the bulk of SAS' invested capital. In connection with aircraft transactions, the financing method is a very important factor that is taken into account together with residual value risks and financing costs.

Aircraft fleet

SAS has simplified its aircraft fleet considerably over the last few years; today, it has three aircraft types under SAS' own traffic license. The aircraft fleet consists of Boeing 737 NGs, the Airbus A320 family and Airbus A330/340s. In addition, SAS wet-leases 33 aircraft through strategic business partners. In 2013, SAS ordered eight Airbus A350s for delivery in the 2019–2021 period. In June 2011, SAS placed an order for 30 Airbus A320neo with delivery from 2016 to 2019. In April 2018, SAS placed an additional order for 50 Airbus A320neo aircraft with delivery from spring 2019 to 2023. The order means that for the first time, SAS will have a single-type fleet by 2023 that consists of the market's most efficient short- and medium-haul aircraft in terms of cost and fuel economy.

The aircraft fleet is SAS' largest tangible asset. At 31 October 2019, the SAS aircraft fleet represented 34% (26) of the company's recognized assets.

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

Financing of aircraft orders

At 31 October 2019, SAS had aircraft orders for 52 Airbus A320neos, three A321LR aircraft and eight Airbus A350-900s for delivery up through 2023. In financing aircraft, SAS uses a combination of operating leases and financial leases, as well as secured bank loans and credit facilities. SAS aims to maintain a balance between owned and leased aircraft based on a cost, risk and flexibility perspective. The overall intention is to over time have about half of the fleet on operating leases. SAS intends to utilize a mix of bank loans, finance leases and bank facilities to finance owned aircraft. When leasing, which is done via sale and leaseback agreements, aircraft are sold on delivery and leased back over an eight- to 12-year period.

Of the remaining aircraft order for 52 Airbus A320neos, SAS has financed 14 aircraft through operating leases and through JOLCO (Japanese finance leases with a purchasing option). In addition, SAS has begun arranging finance for the remaining the eight Airbus A350s.

AIRCRAFT ON FIRM ORDER 2019–2024

	FY20	FY21	FY22	FY23	FY24
Airbus A320neo	15	2	15	18	2
Airbus A321LR	1	2			
Airbus A350	4	4			

At 31 October 2019, SAS' contracted future purchase commitments for aircraft orders with delivery in the 2020–2023 period totaled MUSD 2,782.

CONTRACTED OPERATIONALLY AND FINANCIALLY LEASED AIRCRAFT INCL. MATURITY PROFILES

	FY20	FY21	FY22	FY23	FY24>
Maturing operational leases, aircraft	10	15	5	13	27
Wet-leased aircraft, maturity	4	3	14	11	3
Aircraft leasing commitments, MSEK	3,833	3,569	3,180	2,692	10,276
Finance leases, aircraft, MSEK	421	1,118	309	586	2,185

Present value of lease commitments at different discount rates, aircraft			
Discount rate	5%	6%	7%
Present value of contracted lease commitments, aircraft, 31 October 2019, MSEK	19,605	18,938	18,306

THE SAS AIRCRAFT FLEET AT 31 OCTOBER 2019

SAS Group's Aircraft Fleet	Age	Owned	Leased	Wet Lease	Total	SAS Scandinavia	SAS Ireland	Wet Lease	In service for SAS Group	Firm order purchase	Firm order lease
Airbus A330/340/350	12.9	10	6		16	16			16	8	
Airbus A320 family	7.4	17	34		51	42	9		51	38	17
Boeing 737 NG	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**

Financing of pre-delivery payments for aircraft

Airlines make prepayments before delivery. In addition to payment in conjunction with placing the order, pre-delivery payments (PDPs) normally commence when production of the aircraft starts about two years prior to delivery. In fiscal year 2019, these PDPs were financed through cash flow generated by SAS' operations. With the current financial preparedness, which exceeds the target, SAS has chosen not to conclude any additional PDP financing for SAS' aircraft orders.

Flexibility in the aircraft fleet

Through a combination of ownership, and operational and wet-leased aircraft, the aim is to have high flexibility regarding the return of aircraft. This is important, as the airline industry is exposed to several macroeconomic events that could rapidly have a negative effect on demand. SAS has 25 aircraft on operational lease agreements that could be returned to the owners over the next two years. They represent 20% of SAS' total aircraft fleet.

Seasonal effects and cash-flow optimization
SAS analyzes balance-sheet items and operating trends to optimize cash flow with the aim of attaining the lowest possible funding cost within the framework of SAS' financial policy. As a result of operating liabilities exceeding current assets, working capital amounted to MSEK -13,313 (-13,347) at 31 October 2019, representing a year-on-year decline of MSEK 34.

Cash flow from operating activities in fiscal year 2019 amounted to MSEK 3,318 (4,559). The year-on-year decline was mainly due to lower earnings. Cash flow from operating activities follows clear seasonal trends. Cash flow is strongest in the second and fourth quarters, which coincides with high passenger volumes and a higher proportion of advance bookings. The share of advance bookings is highest in period of January to May period ahead of the holiday period and in the September to October period. Since passenger revenue is recognized when SAS or another airline provide the transportation, this means that seasonal variations impact cash flow and earnings differently. Accordingly, earnings are strongest in the third and fourth quarters (May to July and August to October), which is when traffic volumes are highest.

SUSTAINABILITY REPORT

In accordance with the Swedish Annual Accounts Act, SAS has prepared a statutory Sustainability Report, which has been incorporated into the Annual and Sustainability Report 2019, separate from the Report by the Board of Directors, on pages 129–148. The auditor's opinion regarding the statutory sustainability report is included on pages 149–150.

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 the CJEU in July 2019. Judgment 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 of these legal processes. Unfavorable outcomes in these disputes could have a significantly negative financial impact on SAS. Further lawsuits by cargo customers cannot be ruled out. No provisions have been made.

A 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 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.

RISK MANAGEMENT

	Risk area	Risk	Risk level	Risk control measures fiscal year 2019
1	Market risks	1.1 Macro-economic trend	Medium	Continual adaptation of SAS' capacity offering and production.
		1.2 Market and competition trends	Medium	Implementation of SAS' efficiency program and a more flexible production model.
2	Employee risks	2.1 Right skills	Medium	Annual people reviews and successor identification.
		2.2 Engagement	Medium	Strengthened leadership, skills days, increased internal communication and transparency.
		2.3 Processes and systems	Low	Follow-up of low and high-performing individuals. Documentation of internal processes.
		2.4 Strikes	Medium	Strengthen dialogue and relationships to increase consensus with the unions. Prioritized meetings for dialogue and negotiation in 2020 with the aim of securing long-term agreements.
3	Operating risks	3.1 Incidents and accidents	Low	Continuous internal monitoring and reporting to the Board.
		3.2 Suppliers	Medium	During 2019, SAS focused on closer collaboration with strategic suppliers, as well as monitored quality levels and efficiency.
		3.3 Competitive costs and efficiency	High	SAS has a cost differential compared with newly-started competitors. In fiscal year 2019, the efficiency program delivered slightly more than SEK 0.9 billion efficiency gains.
4	Sustainability risks	4.1 Environmental directives and requirements	Medium	Structured environmental work certified under ISO 14001 and containing measures for improving climate and environmental performance, and ensured compliance with applicable laws and regulations.
		4.2 Anticorruption	Medium	Implementation of a training program for employee groups at the greates risk of corruption.
		4.2 Human rights	Low	Ongoing requirements updates and monitoring of subcontractors.
5	Legal and political risks	5.1 Political and regulatory risks	Medium	SAS conducts active dialogues with the political systems and industry organizations (IATA) to obtain early information about regulatory changes and to influence decisions. Together with the industry, SAS has promoted air travel's importance for business and society. SAS is analyzing the legal, financial and commercial effects of Brexit, and is collaborating with decision-makers nationally and in the EU. The UK is an important market for SAS, and it is crucial to the entire airline industry that a transition period or a new air traffic agreement with the same conditions as the current one is in place before the planned exit in January 2020.
		5.2 Crime and fraud	Low	Continuous improvement of SAS' capabilities for proactive identification and prevention of potential criminal and fraudulent activity.
		5.3 Legal and insurance risks	Low	Development of policies and training to ensure compliance with various rules and laws. Continual monitoring of laws and policies. Legal counsel and participation in contract processes for minimizing contractual risk. Securing complete insurance protection of operations and employees.
6	Financial risks	6.1 Liquidity risk and refinancing	Medium	Follow-up and forecasting financial preparedness. Continuous discussions with banks and financial backers aimed at managing maturing borrowings and leases.
		6.2 Exchange rates	Medium	Currency hedging in line with SAS' financial policy and monitoring the currency market.
		6.3 Interest rates	Low	Fixing rates in line with SAS' financial policy and monitoring the interest-rate market.
		6.4 Jet-fuel price and emission rights	Medium	Jet-fuel hedging in line with SAS' financial policy and monitoring the jet-fuel price trend.
		6.5 Counterparty losses	Low	SAS' counterparty risks are managed in line with SAS' financial policy.
7	IT	7.1 Operational reliability and dependability	Medium	Continual improvement of incident- and problem-handling procedures. Focus in fiscal year 2019 on reducing IT problems that affect the SAS website, planning system and management of cyber attacks.
		7.2 Cybercrime	Medium	Continuous improvement of SAS' capabilities for proactive identification and prevention of potential cybercrime, by using both processes and automated tools.
8	Other events	8.1 Extraordinary events	Low	Increase cost flexibility to reduce costs in the case of reduced demand.
		8.2 Brand and reputation	Low	Monitoring information pertaining to SAS.

Low risk Medium risk High risk

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

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

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

1. MARKET RISKS

1.1 Macro-economic trend

Demand in the airline industry is correlated to trends for economic growth and exports. SAS' primary operations are located in Scandinavia and about 70% of passenger revenue stems from Scandinavia. No single country accounts for more than 30% of SAS' passenger revenue, which limits SAS' exposure to individual countries. As a region, however, demand in Scandinavia is crucial for SAS. Over the past few years, the Scandinavian economies have been more stable than other parts of Europe, which has contributed to a positive trend in the demand for flights. According to the OECD, real GDP is estimated to increase 2.4% in Norway, 1.4% in Denmark and 1.2% in Sweden during 2020. SAS' exposure to events in individual markets can be partly offset by the flexibility in the company's aircraft fleet through the use of smaller aircraft as well as returning aircraft on expiring operating lease agreements.

1.2 Market and competition trends

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

In fiscal year 2019, the competition intensified and the capacity growth accelerated. Measured in the number of seats offered, capacity to, from and within Scandinavia increased 1.0% during fiscal year 2019.

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

OPERATIONAL AND FINANCIAL SENSITIVITY ANALYSIS BASED ON OUTCOME FOR FISCAL YEAR 2019

Airline operations	Operating income, MSEK
RPK, ±1%	±302
Load factor, ±1%	±408
Passenger revenue per RPK or ASK (yield & PASK), ±1%	±355
Unit cost (CASK), ±1%	±405
Jet-fuel price, ±1%	±88

2. EMPLOYEE RISKS

2.1 Right skills

Both the airline industry as a whole and SAS in particular are undergoing major structural changes, which set new requirements for the organization and its compiled competence. For example, SAS has increased the degree of sourcing and developing services together with business partners where it is relevant. Increasing digitalization is also setting new demands on organization, management, and competence. SAS actively promotes access to the right skills and resources, and utilizes processes and systems to leverage internal resources and to identify any faults.

To ensure efficient succession, the senior managers have identified short- and long-term successors for 52% of all positions. With time, the aim is secure succession to 80% with internal successors and to 20% through actively seeking external competence. During fiscal year 2019, the Aircraft Management Program, introduced by SAS in 2018 to secure competence and to make the industry attractive for young engineers, has been completed and the participants have now received permanent positions. Together with the industry associations in the respective countries, among others, we are continuing the program to encourage more young people to train as flight technicians, a skills area where we need to secure succession.

Over the year, we have continued our competence enhancement program through actions including a mentor program for new pilot recruitments, and a staff and leadership program based on our manager and employee models. Our focus is on managing SAS' changing operating environment and raising competence to secure long-term succession.

2.2 Engagement

SAS continuously measures employee engagement and motivation. 2019 was the second fiscal year that a new measurement system for employee engagement was used. Use is steadily increasing and the response rate is rising, which is very positive.

The system enables SAS to check employee engagement on a quarterly basis. Problems can thus be identified earlier and be taken care of, and local teams can work on issues and activities that are relevant to them, and directly affect their work situation, in order to strengthen engagement. Average employee engagement totaled 59 in 2019, which is four percentage points higher year-on-year. The results vary between employee groups. The trend in 2019 was primarily negative among cabin crew, while other employee groups noted stable or rising engagement. SAS can clearly see how business-strategic decisions and operational challenges affect employees differently, and can thus implement the correct improvement measures more quickly.

To strengthen engagement, SAS works with the One SAS strategy – A great place to work, which focuses on reducing distances between different employee groups, building faith in the future, strengthening relations with operational employee groups, becoming a more sustainable employer and ensuring that our leaders have the right preconditions. Work continued during the year on the two major projects started in 2018 in Flight Operations and Maintenance Production, and a positive trend has been noted in the latest employee surveys.

In 2019, SAS organized forums such as the Learning Lunch and the SAS Awards, where exceptional performance is rewarded.

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

2.3 Processes and systems

SAS uses systems and processes for efficient personnel management and to support securing skills needs and the succession order. SAS is gradually implementing Lean principles in its processes with clear action plans based on shared targets, which are categorized under SQDEC (Safety, Quality, Delivery, Employees and Cost), and which can be followed up across the entire operations. SAS conducts a yearly analysis of internal skills with the aim of leveraging the greatest talents and making adjustments where improvements are needed. The annual process has identified talents and many employees have over time been given new positions or increased responsibility. During the year, the implementation was started of a new People platform to support leaders with the task of developing and securing the company's skills needs moving forward. The new platform was launched in December 2019.

2.4 Strikes

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

SAS encountered a pilot strike in 2019 caused by its own employee groups. Moreover, SAS and other airlines' activities were affected on a number of other occasions by small local labor conflicts in other countries. In 2019, SAS signed agreements with the pilot associations in Norway, Denmark and Sweden, which extend for three years from 2019 to 2021, with an option to terminate after two years.

3. OPERATING RISKS

3.1 Incidents and accidents

Safety is a top priority at SAS. SAS' safety culture builds on the foundation comprised by the values, skills and experience of all employees throughout the organization.

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

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

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

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

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

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

In addition to more traditional methods of preventing accidents and incidents through reactive measures to prevent recurrence, SAS also has a more modern safety management system (SMS) that is also based on analyzing trends to thereby identify safety issues before they result in an incident or accident. The identification of potential incidents and accidents is one method of working proactively with flight safety.

The work also entails learning from the risks at other departments, other airlines, etc., and implementing processes and procedures to ensure that serious accidents and incidents do not occur.

The SMS provides SAS with the possibility of acting more proactively with its safety efforts, prioritizing effectively and ensuring the entire organization promotes passengers', employees' and the company's safety.

All of the operating platforms used by SAS are required to be IOSA certified and hold a European traffic license. To ensure corresponding safety levels at the wet-lease companies that together with our own flight operations comprise the operational platforms, SAS has set the following requirements:

- Prior to contract, the operator's safety efforts are analyzed;
- Monthly safety summaries and continuous deviation reports are sent regularly to SAS management;
- Safety follow-up meetings are held quarterly;
- SAS training pilots conduct inspection flights and perform observations in simulator training sessions;
- Annual audits are carried out by SAS; and
- Together with our business partners, seminars are conducted that showcase separate areas and share SAS' experience.

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

Safety activities and risk levels in fiscal year 2019

In fiscal year 2019, SAS has continuously monitored and measured daily risk levels in flight operations, ground operations, technical maintenance and aviation security in a hierarchical system of objective safety performance indicators.

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

The trend was stable during FY 2019, and the number of medium-level events was on a par with preceding years.

RISK INDEX

Operations	Low	Medium	High
Flight Operations, %	2.76	0.001	0
Ground Operations, %	1.41	0.000	0
Technical Operations, %	0.33	0.004	0
Security, %	0.45	0.0005	0
Total for FY 2019 as a % of the No. of flights	**4.94**	**0.006**	**0**
Total for FY 2018 as a % of the No. of flights	**4.37**	**0.007**	**0**

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

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

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

3.2 Suppliers

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

3.3 Competitive costs and efficiency

For profitable long-term operations, SAS must have a competitive cost structure and be highly efficient. SAS therefore implemented major structural cost-reducing measures and realized efficiency enhancements of SEK 6.7 billion between 2013 and 2019. In fiscal year 2017, SAS implemented measures in its efficiency program of SEK 3.0 billion to be implemented during 2017–2020. During fiscal year 2019, the measures contributed MSEK 855 in cost reductions. Once the measures have been implemented, SAS will be a more flexible and productive airline. However, SAS will continue to implement further efficiency measures beyond 2020 and the aircraft order that will create a single-type fleet by 2023 will provide further opportunities for SAS to enhance its operational efficiency.

4. SUSTAINABILITY RISKS

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

4.1 Environmental directives and requirements

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

SAS works continuously on sustainability issues to ensure compliance with national and international requirements. SAS measures factors such as its eco-efficiency by measuring total carbon emissions, which fell 2.5% during the fiscal year. The improvement is mainly a result of aircraft fleet renewal, ongoing efficiency efforts and the seven-day strike during the year, which reduced the number of flights.

4.2 Anticorruption

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

4.3 Human rights

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

5. LEGAL AND POLITICAL RISKS

5.1 Political and regulatory risks

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

Aviation taxes and infrastructure fees

Sweden and Norway have both introduced excise taxes on air travel. While the taxes are called environmental taxes, they have no connection with emissions or any climate protection measures. Emission-linked taxes or regulations are also being discussed in Denmark. National aviation taxes create a patchwork of cost-driving taxes that negatively impact profitability, increase the complexity of agreements at a global level and can affect future investment possibilities for areas including biofuel.

The fee increases linked to airport infrastructure have a negative impact on profitability if they cannot be recouped from customers.

Brexit

On 29 March 2017, the UK announced that it would leave the EU under Article 50 of the Lisbon Treaty. This means that new trade agreements will be negotiated between the EU and the UK, in air traffic as well. The current air traffic agreement in the EU was created in 1992, and has been crucial for increased mobility and accessibility for the business sector and citizens in the EU.

Following the UK election on 12 December, the UK parliament has restarted processing of the legislation for the UK to exit the EU on 31 January 2020. The transition period will commence on 1 February 2020 and continue until 31 December 2020. During the transition period, essentially the same rules will apply as prior to the UK's exit.

To ensure the continuance of air travel between the EU and the UK in the event of a no-deal Brexit, the EU has prepared a new civil aviation regulation which has been adopted by the member states. The regulation enables continued air travel between the EU and the UK. SAS has ensured that the required applications and permits under the new regulation have already received approval and expects air traffic to continue without interruption in the event of a no-deal Brexit.

5.2 Crime and fraud

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

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

5.3 Legal risks

SAS flies and operates in many different countries, which means that SAS has to comply with a large number of laws and regulations. The breadth of SAS' operations and the large number of contractual relations mean that SAS is, and may be in the future, involved in legal processes and arbitration procedures as either plaintiff or defendant. SAS may also be exposed to crimes that can have both an economic and material impact. At 31 October 2019, SAS was involved in a number of legal processes, the most important of which are described in more detail on page 52.

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

6. FINANCIAL RISKS

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

Financial risks pertaining to changes in exchange rates, interest rates and fuel prices, are hedged with derivatives, which aim to counter short-term negative fluctuations and provide scope for adapting operations to longer-term changes in levels. Another aim of SAS' hedging strategy is to enable SAS to act quickly when changes in exchange rates, interest rates and fuel prices are advantageous. More information is available in Note 27.

6.1 Liquidity risk and refinancing

The cash flow from SAS' airline operations follows clear seasonal trends. Since passenger revenue is recognized when SAS or another airline provides the transportation, this means that seasonal variations impact cash flow and earnings differently. SAS also has several different financial instruments issued, as well as 70 aircraft on operating leases and 33 aircraft on wet lease contracts that are continually maturing.

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

SAS is in continual discussion with banks and financiers regarding refinancing of SAS' loan and leasing maturities. During the fiscal year, financial preparedness decreased. In April 2019, a convertible subordinated loan of MSEK 1,574 was repaid. Nevertheless, the financial preparedness trended stably over the year with the expected seasonal swings. The ratio was also positively affected by an issue of a subordinated hybrid bond in October 2019. At 31 October 2019, financial preparedness amounted to 38% (42).

6.2 Exchange rates

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

In fiscal year 2019, the SEK weakened 5% against the USD, which was largely attributable to the difference between the FED's and the Riksbank's key interest rates. This had a net negative impact on SAS' revenue and costs of MSEK -1,060. On the other hand, the SEK has strengthened 4% against the NOK, which was due to investors' interest in the NOK cooling, despite healthy fundamentals in the Norwegian economy. Over the year, the SEK/NOK exchange rate had a net positive effect on SAS' revenue and costs of MSEK 81.

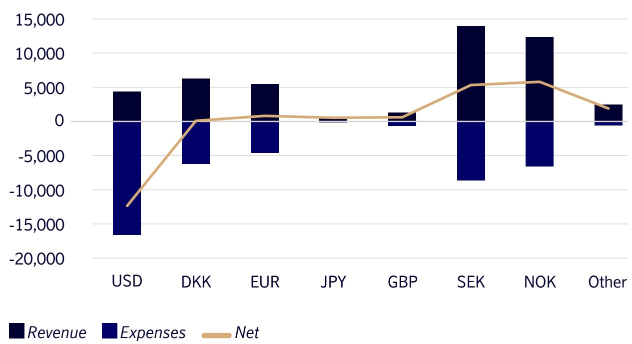
Currency exposure is managed through continuously hedging 40–80% of the SAS' surplus and deficit currencies based on a 12-month rolling liquidity forecast.

By hedging the USD and NOK, SAS has postponed the negative effects of the exchange-rate changes. The exchange-rate trend had a positive impact on SAS' revenue of MSEK 1,180 in fiscal year 2019. The change from translation of working capital and currency hedges amounted to MSEK 196. The net effect of the changes in exchange rates and the effects of implemented hedges on SAS' income before tax was MSEK -593 (333).

At 31 October 2019, SAS' hedging ratio totaled 44% of its anticipated USD deficit for fiscal year 2019. In terms of the NOK, 65% of the anticipated surplus for the next 12 months was hedged. Hedging is mainly performed through currency forward contracts to prevent earnings-related revaluation effects pertaining to financial assets and liabilities. SAS' USD denominated loans are hedged against the SEK to reduce currency risk in the loan portfolio.

CURRENCY BREAKDOWN SAS FISCAL YEAR 2019

MSEK



NET EARNINGS EFFECT OF EXCHANGE-RATE CHANGES, FISCAL YEAR 2019

SAS total	MSEK
1% weakening of SEK against USD	-124
1% weakening of SEK against NOK	58
1% weakening of SEK against DKK	1
1% weakening of SEK against EUR	8
1% weakening of SEK against JPY	5
1% weakening of SEK against GBP	6

Currency risk for aircraft investments

SAS uses currency forwards to hedge part of the order value for aircraft it has on order to limit the currency risk. Any currency forwards outstanding are terminated on delivery under leases, both operating leases and JOLCO (Japanese finance leases with a purchasing option). By entering into lease agreements for 14 of the 52 Airbus A320neos on firm order, SAS has decreased the currency exposure for Airbus A320neo deliveries. SAS has also currency hedged a portion of its aircraft order for eight Airbus A350s with delivery from 2019.

6.3 Interest rates

The airline industry is capital-intensive and on the closing date, SAS had MSEK 11,283 (10,092) in interest-bearing liabilities, which exposes the company to interest-rate changes.

Financial policy at SAS regulates the proportion between floating and fixed-interest rates with the objective that gross financial debt has a tenor of two years with a permitted interval of 1–4 years. The average fixed-interest period for gross financial debt, including the hybrid bond, was 3.2 (2.7) years as of October 2019.

6.4 Jet-fuel price and emission rights

Jet-fuel price

Jet-fuel costs comprise the single largest expense item for SAS and in fiscal year 2019 amounted to around 21% (19) of SAS' operating expenses (including leases, depreciation and amortization). SAS hedges jet-fuel costs to counter short-term negative fluctuations.

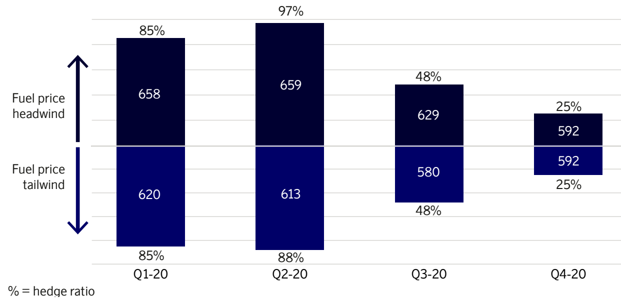
SAS' policy for jet-fuel hedging states that jet fuel should be hedged at an interval of 40–80% of anticipated volumes for the coming 12 months. The policy also allows hedging of up to 50% of the anticipated volumes for the period, 13–18 months.

Market prices for jet fuel fell sharply during fiscal year 2019 and averaged 5% lower than the preceding fiscal year. Jet-fuel prices decreased gradually during the year from about USD 750/tonne to around USD 630/tonne at the end of the fiscal year. The lower jet-fuel price meant that jet-fuel costs, adjusted for currency effects, decreased 6% year-on-year. Hedge effects had a negative impact of MSEK 1,557 year-on-year.

Ahead of fiscal year 2020, SAS has hedged 62% of expected jet-fuel consumption.

HEDGING OF JET FUEL

USD/MT



VULNERABILITY MATRIX, JET-FUEL COST FY 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 the end of the quarter have been taken into account.

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

Emission rights

SAS is a long-time supporter of the polluter pays principle. However, a prerequisite for this is that it is applied on equal terms and in a manner that does not distort competition. Furthermore, SAS is positive toward requirements for increased energy efficiency, which fit well with the company's environmental targets. In fiscal year 2019, SAS' emission rights expenses in the European EU-ETS emissions trading scheme totaled MSEK 247 (110). ICAO's global economic instrument, the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), which aims to regulate aviation's carbon emissions from 2021, will be important for SAS' emission costs going forward. While awaiting CORSIA, the European Commission has decided that EU-ETS should only include intra-Europe flights up until the 2020 calendar year. As yet, SAS is unable to assess the financial consequences of this instrument.

SAS secures emission rights for the expected shortfall to reduce financial exposure. Ahead of fiscal year 2020, SAS has secured 61% of its emission rights and expects the costs for the emission rights to increase in fiscal year 2020.

6.5 Counterparty losses

SAS is exposed to counterparty losses through credits, lease agreements and guarantees to external parties. This exposure is governed by SAS' financial policy. No counterparty loss of any significance had any impact on SAS in the fiscal year. Net impairment of accounts receivable and recovered accounts receivable, as well as the impairment of other current receivables, had an earnings impact of MSEK -22 (-14) in fiscal year 2019.

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

7. IT

7.1 Operational reliability and dependability

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

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

7.2 Cybercrime

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

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

8. OTHER EVENTS

8.1 Extraordinary events

Airline companies are impacted by extraordinary events around the world, such as natural disasters, terror attacks, conflicts and epidemics. Despite a number of terrorist attacks in Europe during the last years, the demand for flights have not been affected to any great extent.

SAS has a number of contingency plans in place to manage various catastrophes, and strives to increase production platform flexibility and the proportion of variable costs to be able to rapidly realign operations in the case of extraordinary events.

8.2 Brand and reputation

In fiscal year 2019 SAS carried approximately 30 million travelers. Demand for SAS' services could be negatively affected if confidence in SAS and/or the airline industry should decrease.

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

DIVIDENDS, DISPOSITION OF EARNINGS AND OUTLOOK

DIVIDEND

The Board of Directors proposes to the 2020 AGM that no dividends be paid to holders of SAS AB's common shares for fiscal year 2019. This is a result of SAS's return on invested capital not exceeding the weighted average cost of capital.

PROPOSED DISPOSITION OF EARNINGS

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

	SEK
Hybrid bond	1,500,000,000
Retained earnings	1,083,449,392
Net income for the year	- 56,555,172
Unrestricted equity, 31 October 2019	**2,526,894,220**

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

	SEK
To be carried forward[1]	2,526,894,220
Total	**2,526,894,220**

1) Of which SEK 1,500,000,000 pertains to the hybrid bond.

SIGNIFICANT EVENTS AFTER 31 OCTOBER 2019

- No significant events occured after the reporting date.

OUTLOOK FOR FISCAL YEAR 2020

- The uncertain economic outlook and emerging slowdown in major 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, SAS therefore foresees significantly lower market growth, both from a demand and supply perspective.

Given these market conditions together with higher costs for new aircraft, increased training volumes as well as the implementation of IFRS 16, SAS is expected to deliver an EBIT margin before items affecting comparability 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.

The outlook is based on the following preconditions and assumptions at 31 October 2019:

- Jet-fuel prices amount to USD 590 MT
- An exchange rate of SEK 9.8 against the USD and SEK 1.08 against the NOK
- Capacity growth (ASK) of 5%
- Efficiency measures of SEK 0.6 billion
- The outlook is based on no unexpected events materializing.

CORPORATE GOVERNANCE REPORT

This Corporate Governance Report for fiscal year 2019 has been prepared pursuant to the Swedish Annual Accounts Act and the Swedish Corporate Governance Code (the Code).

PARENT COMPANY

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

DEPARTURES FROM THE CODE

SAS complies with the Code except in the following instances:

- Meeting deliberations in SAS AB are held primarily in Swedish and meeting materials are available in Swedish. In view of the above, the Board believes that any one of the Scandinavian languages may be freely used at shareholders' meetings in the company in view of the similarity of the three Scandinavian languages.
- The slides in the President's presentation attached to the minutes are written in English, which departs from clause 1.4 of the Code. The President's presentation at meeting deliberations is held in Swedish, but SAS has decided to provide the presentation material in English (available for download from the website) to enable the broader capital market to understand the President's presentations at shareholders' meetings.

IMPORTANT REGULATIONS GOVERNING SAS

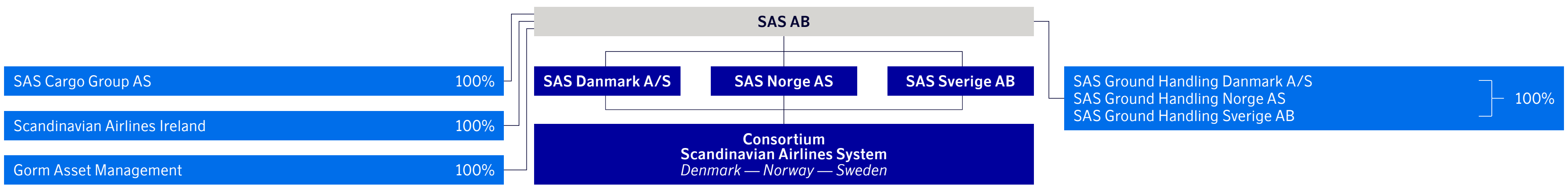
External rules:
- Swedish legislation, EU regulations and laws set by other countries in which SAS operates
- The Swedish Corporate Governance Code (the Code)
- Nasdaq Nordic in Stockholm and Copenhagen and the Oslo Børs's rule book for issuers
- The Market Abuse Regulation
- The recommendations issued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

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

No breaches of the relevant stock exchange rules or of good stock market practices have been reported by Nasdaq's Disciplinary Committee, the Oslo Børs or the Swedish Securities Council during fiscal year 2019.

1) Available for download at www.sasgroup.net

SAS' LEGAL STRUCTURE[1], 31 OCTOBER 2019



1) Operating companies.

SAS' SHAREHOLDERS AND SHARE

SAS maintains ongoing dialogues with capital markets on questions regarding the SAS Group's performance, strategic position and growth possibilities. No major changes were implemented in the corporate governance principles in 2019. During the year, most listed airlines noted significant decreases in their share prices. SAS' common share also followed a negative trend and declined 26% over the fiscal year.

OWNERSHIP, CONTROL AND SHARE CLASSES

SAS AB has three classes of shares: common shares, subordinated shares and class C shares. At 31 October 2019, there were 382.6 million common shares issued with a quotient value of SEK 20.10, representing a registered share capital of MSEK 7,690.

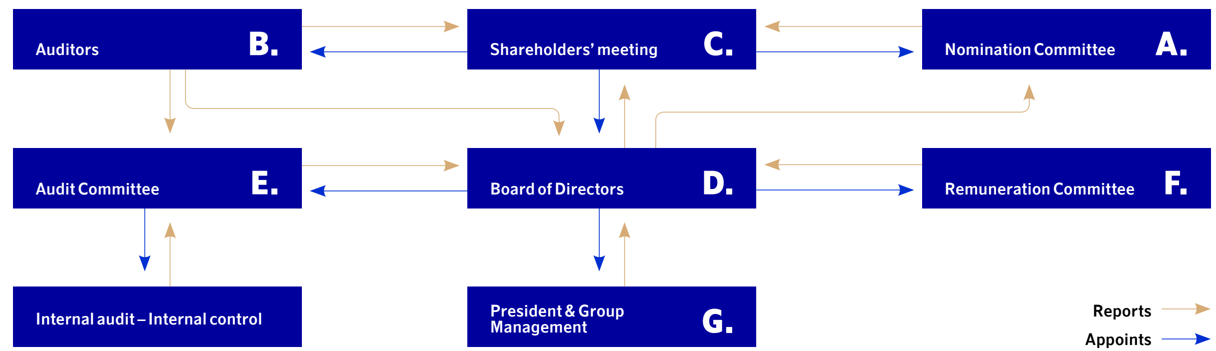
There are no subordinated shares or class C shares issued or outstanding. Common shares and subordinated shares entitle the holders to one vote each. Each class C share entitles the holder to one-tenth of a vote.

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

Subordinated shares provide shareholders the right to participate in and vote at the company's shareholders' meetings. Subordinated shares do not entitle shareholders to dividends or participation in bonus issues. If subordinated shares are redeemed or the company is dissolved and its assets distributed, holders of subordinated shares are treated as holders of common shares and receive an equal share in the company's assets, although not at an amount higher than the quotient value of the subordinated shares index-adjusted from the first date of registration of the subordinated shares until the date of the payment of the redemption amount or the date of the distribution with an interest-rate factor corresponding to STIBOR 90 days plus two percentage points. For more information on subordinated shares, see Note 21. The share price performance of the common share is presented on page 42.

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

SAS' CORPORATE GOVERNANCE STRUCTURE



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

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

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

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

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

Mandatory redemption

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

Subordinated shares

Should the Board deem the action of redeeming common shares not possible or inadequate, the Board may propose a shareholders' meeting to decide whether to issue subordinated shares in such number so as to safeguard continued Scandinavian ownership and control. Such a decision must be approved by at least half of the votes cast at the meeting. The subordinated shares thus issued are subscribed for with the support of previously issued warrants, which are currently held by a subsidiary of SAS AB but which the Board of SAS AB has the right to decide to transfer to one or more appropriate legal entities domiciled in Denmark, Norway or Sweden as soon as this is judged necessary for aviation policy reasons. In total, there are 75,000 warrants issued, which provide entitlement to subscription for a total of 150,000,000 subordinated shares. This would increase the company's share capital by a maximum of SEK 3,015,000,000. As soon as the threat no longer exists, the Board shall ensure that the subordinated shares thus issued are redeemed.

OWNERSHIP AND CONTROL

On 31 October 2019, SAS AB had a total of 61,918 shareholders. The major shareholders are the Swedish and Danish governments, who together represent 29% of the votes. More information about the share and the ownership structure is available on page 42 in the SAS Annual Report Fiscal Year 2019.

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

Effects of a public takeover bid

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

A. NOMINATION COMMITTEE

The Nomination Committee represents shareholders of SAS and is appointed by the AGM and tasked with preparing the meeting's resolutions on nomination and remuneration issues, as well as matters of procedure for the next nomination committee. An instruction for the Nomination Committee was adopted in conjunction with the 2019 AGM.

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

NOMINATION COMMITTEE, SIX MINUTED MEETINGS (REFERS TO THE PERIOD 13 MARCH 2019 TO 30 JANUARY 2020)

Member	Representative of Votes, %	Votes, % 31 October 2019
Åsa Mitsell, Chairman	Swedish Ministry of Finance, for the Swedish government	14.8
Peder Lundquist	Danish Ministry of Finance, for the Danish government	14.2
Jacob Wallenberg	Knut and Alice Wallenberg Foundation	6.5
Gerald Engström	Gerald Engström and Färna Invest AB	4.0
Carsten Dilling	Chairman of the Board	–

Issues discussed in the Nomination Committee
Since the AGM 2019, the Nomination Committee has evaluated the Board's work, qualifications and composition. Diversity, breadth and the gender balance have also been discussed. Since the 2018 AGM, the Chairman of the Board has participated on the Committee, and the result of the evaluation of the Board is made available to the Committee.

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

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

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

B. AUDITORS

The auditors are elected by the AGM and tasked with scrutinizing the company's financial reporting and the administration of the company by the Board and the President. An election was conducted to appoint an auditor at the 2019 AGM, whereby KPMG was elected for the period until the end of the 2020 AGM. The auditor in charge is Tomas Gerhardsson.

On two occasions during fiscal year 2019, the auditor in charge met with the Board, presenting the program for auditing work and reporting observations from the audit.

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

KPMG submits an auditors' report for SAS AB, the Group and an overwhelming majority of the subsidiaries. Over the past year, in addition to its auditing work, KPMG has performed advisory services for SAS Group companies in auditing-related areas as outlined in the table below. For more information about the auditors' fees in fiscal year 2019, see Note 40.

Auditors' fees	MSEK
Auditing services	5
Other statutory assignments	–
Tax consultancy services	–
Other	1
Total	**6**

C. SHAREHOLDERS' MEETING

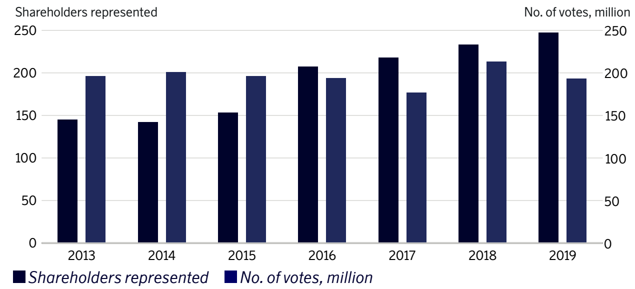
The shareholders' meeting is the highest decision-making body at SAS. At shareholders' meetings of SAS AB, one common share is equal to one vote with no restrictions on the number of votes any one shareholder is entitled to cast at such a meeting.

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

In fiscal year 2019, the Board convened the AGM on 13 March 2019.

The Articles of Association contain no special provisions regarding the election and discharge of Board members or regarding changes to the Articles of Association. As per 31 October 2019, no authority has been provided by the shareholders' meeting to the Board empowering the Board to issue new common and/or preference shares or to buy back treasury shares.

NUMBER OF PARTICIPANTS AT AGMS 2013–2019



RESOLUTIONS BY THE AGM ON 13 MARCH 2019

- Adoption of statement of income and balance sheet, and disposition of earnings.
- Discharge from liability for Board members and President.
- Appointment of Board members, Chairman of the Board, auditors and Nomination Committee, and Instruction for the Nomination Committee.
- Guidelines for remuneration of senior executives.
- The AGM resolved to approve payment of fees for the period until the end of the next AGM of SEK 630,000 to the Chairman of the Board and, when applicable, SEK 420,000 to the Board's Vice Chairman and SEK 320,000 to each member elected by the shareholders' meeting and to ordinary employee representatives. It was also decided that each deputy employee representative be remunerated with a study fee of SEK 1,000 per Board meeting and a meeting fee of SEK 3,500 for each Board meeting they attend. In addition to this remuneration, a decision was taken to pay a fee of SEK 80,000 to the Chairman of the Remuneration Committee and SEK 27,000 to each of the other committee members, as well as SEK 100,000 to the Chairman of the Audit Committee and SEK 50,000 to each of the other committee members.
- Extension of the Consortium Agreement.
- Amendments of the Articles of Association, introduction of C series shares and removal of provisions regarding preference shares.
- Implementation of a long-term incentive program.

Report by the Board of Directors
Report by the Board of Directors
Dividends, disposition of earnings and outlook
Corporate Governance Report
Board of Directors
Group management

D. BOARD OF DIRECTORS

The Board's work is governed by the Swedish Companies Act, the Articles of Association, the Code and the formal work plan adopted by the Board each year. The Board is ultimately responsible for SAS' operations. This also includes risk management, regulatory compliance and internal control at SAS. The Board members are elected by the AGM for the period until the next AGM has been held. The Articles of Association stipulate that the Board of Directors should consist of six to eight members elected by the shareholders' meeting. Following the 2019 AGM, the Board comprised eight elected members. In addition, the Board consisted of three employee representatives, each with two personal deputies.

The employee representatives are appointed by the SAS employee groups in Denmark, Norway and Sweden in line with governing legislation and special agreements. Deputies attend Board meetings only in the absence of an ordinary member. Except for employee representatives, no Board member is employed by SAS AB or any other company in the SAS Group. The elected Board members are appointed for the period until the end of the next AGM. No regulation exists that limits the period of time a Board member can serve in that capacity. The experience of the Board members and their independence in relation the owners of the company are disclosed on pages 73-74.

The average age of members is 57 and three of the eight members elected by the 2019 AGM are women. All members elected by the shareholders' meeting are regarded by the Nomination Committee as being independent of the company and company management.

Moreover, all Board members are deemed to be independent in relation to major shareholders at 31 October 2019.

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

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

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

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

ATTENDANCE AT BOARD MEETINGS, NOVEMBER 2018–OCTOBER 2019

Name	21/11[1]	3/12	28/1	26/2	13/3[2]	9/4	27/5	11/6	26/8[3]	23/9[4]	24/10
Carsten Dilling, Chairman	●	●	●	●	●	●	●	●	●	●	●
Dag Mejdell, Vice Chairman	●	●	●	●	●	○	●	●	●	●	●
Lars-Johan Jarnheimer, member	●	●	●	●	●	●	●	●	●	●	●
Monica Caneman, member	●	●	●	●	●	○	●	●	●	●	●
Kay Kratky, member (from the 2019 AGM)	–	–	–	–	●	●	●	●	●	●	●
Sanna Suvanto-Harsaae, member	●	●	●	●	●	●	●	●	●	●	●
Oscar Stege Unger, member	●	●	●	●	●	●	●	●	●	●	●
Liv Fiksdahl, member	●	●	●	●	●	●	●	●	●	●	●
Janne Wegerberg, employee representative until May 2019	●	●	●	●	●	●	●	–	–	–	–
Cecilia van der Meulen, employee representative	●	●	●	●	●	●	●	●	●	●	●
Christa Cerè, employee representative from start of June 2019	–	–	–	–	–	–	–	●	●	●	●
Endre Røros, employee representative	●	●	●	●	●	●	●	●	●	●	●

● Present ○ Absent

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

THE BOARD'S WORK FISCAL YEAR 2019

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

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

The Board appoints from among its own members the members of the Board's two committees: the Remuneration Committee and the Audit Committee. Between November 2018 and October 2019, the Board held 13 minuted Board meetings, including a statutory meeting and one by correspondence in addition to several informal meetings.

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

E. AUDIT COMMITTEE

Area of responsibility

The Audit Committee monitors the company's financial reporting as well as the effectiveness of its internal control, internal audit and risk management. The Committee keeps itself informed about the audit. The Audit Committee is responsible for preparing the Board's quality assurance work regarding financial reporting. The Committee performs quality assurance through the discussion of critical auditing issues and

MAIN ISSUES ADDRESSED AT BOARD MEETINGS

November	December	January	February	March	April	May	June	August	September	October
21 November Decision on redemption of preference shares.	**3 December** Year-end report for fiscal year 2018 with the proposed appropriation of earnings, the report from the external auditors, the budget for fiscal year 2019 and the outlook for 2020–2021, as well as revisions to the SAS Information Policy. A decision was also taken to authorize management to sign a ten-year lease regarding four A321LR aircraft. Evaluation of the Board's and President's work.	**28 January** Adoption of the Annual Report for fiscal year 2018 and the appropriation of earnings. Decision to approve and implement the AGM's proposed share-based incentive program for employees and extension of the consortium agreement. Adoption of guidelines for the remuneration of senior executives. Review of flight safety and sustainability work, including occupational injuries and sick leave. Decision on notification of the AGM on 13 March 2019.	**26 February** Adoption of the first interim report for fiscal year 2019.	**13 March** Status of negotiations with pilot unions.The Statutory Board meeting was held at the second Board meeting following the AGM.	**9 April** Status of negotiations with pilot unions. Decision to outsource IT infrastructure and data centers. Decision on the sale and leaseback of SAS' A340 fleet. Adoption of the Board's meeting schedule for fiscal year 2020.	**27 May** The auditors presented their review of their work and of the interim report for the second quarter of fiscal year 2019.	**11 June** Review of SAS' strategy and approval of SAS' financial plan.	**26 August** Continued review of SAS' strategy. Review of the Board's formal work plan and instructions to the President and insider policy as well as follow-up of risk management, internal control and corporate governance. Adoption of the third interim report for fiscal year 2019. The signatory power of the SAS' branch in Hong Kong was decided at the second meeting.	**23 September** A decision was taken to authorize a bond issue by the management.	**24 October** Adoption of the budget for fiscal year 2020. Decision taken regarding a one-time award for employees. Evaluation of the Board's and President's work.

the financial statements that the company submits. Issues discussed by the Committee include internal control, compliance, uncertainty in reported values, events after the closing date, changes in estimates and assessments, financial and legal risks, suspected irregularities, and other matters affecting the company's financial reporting.

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

Appointment of members

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

THE AUDIT COMMITTEE'S WORK FY 2019 — FIVE MINUTED MEETINGS

Meeting date	3/12	28/1	26/2	27/5	26/8
Monica Caneman (Chairman)	●	●	●	●	●
Lars-Johan Jarnheimer	●	●	●	●	●
Oscar Stege Unger	●	●	●	●	●

● Present ○ Absent

F. REMUNERATION COMMITTEE

Area of responsibility

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

Appointment of members

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

REMUNERATION COMMITTEE'S WORK FISCAL YEAR 2019 — THREE MINUTED MEETINGS

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

● Present ○ Absent

GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

The Annual General Meeting 2019 adopted guidelines for remuneration to senior executives as detailed in Note 3.

For the Annual General Meeting 2020, the Board of Directors proposes that the guidelines are updated according to the new rules in the Swedish Companies Act as of 1 January 2020 pertaining to guidelines to remuneration to senior executives.

The Board of Directors proposes guidelines for remuneration to the CEO and other members of Group Management. The guidelines also encompass any remuneration to Board members, other than Directors' fees. The guidelines apply to remuneration agreed after the Annual General Meeting 2020 and amendments to agreed remuneration made thereafter. The guidelines do not apply to remuneration resolved by the general meeting. For employments governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

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

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

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

Types of remuneration, etc.

Remuneration shall be on market terms and may consist of the following components: fixed salary, any variable salary according to separate agreements, pension and other benefits. The general meeting can also, irrespective of these guidelines, resolve on, among other things, share and share price-related remuneration.

Fixed salary

The fixed salary shall consist of fixed cash salary. The fixed salary shall reflect the position requirements with respect to qualifications, responsibilities, complexity and the manner in which it serves to reach the business objectives. The fixed salary shall also reflect the performance of the senior executive and thus be individual and differentiated.

Variable salary

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

The variable salary shall be linked to one or several predetermined and measurable criteria, which can be financial, such as EBT, CASK and PASK, or non-financial, such as CO_2 emissions, safety, employee engagement and customer satisfaction. Less than 30 percent of the variable cash remuneration shall depend on non-financial criteria. By linking the remuneration to senior executives to the company's earnings as well as sustainability, the criteria contribute to the company's business strategy, long-term interests and competitiveness.

To which extent the criteria for awarding variable cash remuneration has been satisfied shall be determined when the measurement period has ended. For financial objectives, the evaluation shall be based on the latest financial information made public by the company.

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

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

Pension

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

Other benefits

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

Termination of employment

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

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

Fees to Board members

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

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

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

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

G. PRESIDENT AND GROUP MANAGEMENT

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

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

In fiscal year 2019, Group Management comprised eight members, including the President, until 30 September 2019, after which, following reorganization on 1 October 2019, it comprised seven members. The composition and functions of the Group Management are shown on pages 75–76.

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

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

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

INTERNAL CONTROL — FINANCIAL REPORTING

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

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

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

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

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

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

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

Control activities
Control activities are carried out at different levels within SAS to manage risks and ensure the reliability of financial reporting. During fiscal year 2019, SAS continued efforts to define important control activities, or key controls, in relation to significant risks concerning financial reporting. These key controls have been compiled and described in relation to each process as part of the SAS internal control framework. Processes covered by the framework include the management process, accounting process, revenue process, purchasing process, payroll process, asset management process and controls related to IT. The framework is subject to an annual review based on the updated risk assessment concerning risks related to financial reporting. SAS' internal audit carried out a total of four audits during the fiscal year pertaining to:
- IT security
- Social media
- Digital efficiency
- Governance structure

Information and communication
SAS aims for information and communication paths pertaining to the internal control of financial reporting to be known and appropriate. All policies and guidelines in the financial areas are on the intranet, under the SAS Group Financial Guide. SAS' accounting policies as well as any changes are always communicated by direct dispatch and at regular meetings with those responsible for financial matters in the entities and subsidiaries. All entities and subsidiaries submit a monthly report on their activities, including their financial status and performance. To ensure that the external information is correct and complete, an IR/Information policy has been adopted by the SAS Board. SAS' published external reports are based on reporting from all legal entities in accordance with a standardized reporting procedure.

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

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

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

BOARD OF DIRECTORS

The Board is responsible for the organization and administration of SAS, for ensuring proper control of its accounting and other financial circumstances as well as for appointing and removing the President. All members elected by the shareholders' meeting are independent of the company and company management. The 2019 AGM adopted the Nomination Committee's recommendation for reelection of Carsten Dilling, Monica Caneman, Lars-Johan Jarnheimer, Dag Mejdell, Sanna Suvanto-Harsaae, Liv Fiksdahl and Oscar Stege Unger and the election of new member Kay Kratky. Carsten Dilling was elected Chairman of the Board.

The composition of the Board is based on the fact that SAS operates in a market subject to significant pressure for change and intense competition. Given these conditions, the Nomination Committee is of the opinion that continuity on the Board is of particular importance.

With its experience of SAS and previous action programs, the Nomination Committee deemed the Board to be particularly suited to provide the company's management the necessary support in the ongoing change process.

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

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

CARSTEN DILLING, BORN 1962

Chairman of the Board of SAS AB since 2018. Member of the Board of SAS AB since 2014.
Directorships: Chairman of NNIT A/S, Icotera A/S, MT Højgaard Holding A/S and MT Højgaard A/S, and Board member of Terma A/S.
Education: B.Sc. and M.Sc. in Economics and Business Administration, Copenhagen Business School.
Earlier directorships/positions: Chairman of Get AS and Traen A/S; Board member of Gatetrade A/S, Columbus IT Partner A/S, Confederation of Danish Industry (DI) and Industrial Employers in Copenhagen (IAK) and a number of Board assignments for the TDC Group. Previously President and CEO of TDC A/S.
Shareholding: 35,222.
Shareholding of related parties: 0.

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

DAG MEJDELL, BORN 1957

Vice Chairman of the Board of SAS AB since 2008.
Directorships: Chairman of Norsk Hydro ASA, Sparebank 1 SR Bank ASA, Vygruppen AS, International Post Corporation and Visolit AS.
Education: MBA, Norwegian School of Economics and Business Administration.
Earlier directorships/positions: President and CEO of Dyno Nobel ASA and CEO of Posten Norge AS. Chairman of Arbeidsgiverforeningen Spekter, Svenska Handelsbanken, Region Norway and Vice Chairman of Evry ASA. Board member of DYWIDAG System International GmbH. Industrial advisor IK investment Partners.
Shareholding: 4,214.
Shareholding of related parties: 0.

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

MONICA CANEMAN, BORN 1954

Member of the Board of SAS AB since 2010.
Directorships: Chairman of the Board of Euroclear Sverige AB and Almi Företagspartner AB. Board member of Qliro Financial Services AB. Chairman of Nasdaq AB Listing Committee.
Education: MBA, Stockholm School of Economics.
Earlier directorships/positions: Chairman of Allenex AB, Arion Bank hf, Big Ba AB, Bravida Holding AB, EDT AS, the Fourth Swedish Pension Fund, Frösunda LSS AB, Interverbum AB and Viva Media Group AB. Board member of Akademikliniken AB, Citymail Group AB, Comhem AB, EDB Business Partner ASA, Intermail A/S, Lindorff Group AB, My Safety AB, Nets AB, Nordisk Energiförvaltning ASA, Nya Livförsäkrings AB, Nocom AB, Resco AB, Schibsted ASA, SEB Trygg Liv, Svenska Dagbladet AB and XponCard Group AB.
Shareholding: 4,000.
Shareholding of related parties: 0.

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

LIV FIKSDAHL, BORN 1965

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

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

Report by the Board of Directors

Report by the Board of Directors

Dividends, disposition of earnings and outlook

Corporate Governance Report

Board of Directors

Group management

LARS-JOHAN JARNHEIMER, BORN 1960

Member of the Board of SAS AB since 2013.
Directorships: Chairman of Telia Company AB, Arvid Nordqvist HAB, Egmont International Holding AS and Ingka Holding B.V (IKEA). Board member of Point Properties AB and Elite Hotels. Chairman of the Polar Music Prize.
Education: B.Sc. in Business Administration and Economics, Lund and Växjö universities.
Earlier directorships/positions: Chairman of Qliro Group, BRIS and Eniro AB. Board member of MTG Modern Times Group AB, Millicom International Cellular S.A, Invik and Apoteket AB. President and CEO of Tele2.
Shareholding: 10,000.
Shareholding of related parties: 0.

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

SANNA SUVANTO-HARSAAE, BORN 1966

Member of the Board of SAS AB since 2013.
Directorships: Chairman of Altia Oyj, BoConcept AS, TCM Group AS, Babysam AS, Nordic Pet Care Group AS, Paulig Oyj, Isadora AB and Footway AB. Board member of CEPOS and Broman Group Oyj.
Education: M.Sc. in Business and Economics, Lund University.
Earlier directorships/positions: Chairman of Health and Fitness Nordic AB, Sunset Boulevard AS and BTX AS. Board member of Jetpak AB, Duni AB, Candyking AB, Upplands Motor AB, CCS AB and Clas Ohlson AB.
Shareholding: 2,100.
Shareholding of related parties: 0.

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

OSCAR STEGE UNGER, BORN 1975

Member of the Board of SAS AB since 2018.
Directorship/position: Director of Wallenberg Foundation AB.
Education: Master of Science in Business Administration and Bachelor of Science in Economics at Stockholm University.
Earlier directorships/positions: Head of Investor Relations, and thereafter Head of Communications, at Investor AB.
Shareholding: 10,000.
Shareholding of related parties: 0.

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

KAY KRATKY, BORN 1958

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

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

EMPLOYEE REPRESENTATIVE

ENDRE RØROS, BORN 1972

Employed at Scandinavian Airlines in Norway. Member of the Board of SAS AB since January 2018.
Shareholding: 0.
Shareholding of related parties: 0.

Deputies:
Pål Gisle Andersen, First Deputy.
Shareholding: 0.
Jan Levi Skogvang, Second Deputy.
Shareholding: 0.

EMPLOYEE REPRESENTATIVE

CECILIA VAN DER MEULEN, BORN 1955

Employed at Scandinavian Airlines in Sweden. Member of the Board of SAS AB since 2017.
Shareholding: 0.
Shareholding of related parties: 0.

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

EMPLOYEE REPRESENTATIVE

CHRISTA CERÈ, BORN 1977

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

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

Auditors: KPMG
Auditor in charge:
Tomas Gerhardsson.
Authorized Public Accountant.
Elected at the 2019 AGM
Board secretary:
Marie Wohlfahrt,
General Counsel.

GROUP MANAGEMENT

Group Management is responsible for the company's business management, financial reporting, acquisitions/divestments, financing and communication, and other corporate matters. The members of the Group Management are appointed by the President in consultation with the Board of Directors. Only the President reports to the Board while the other members of Group Management report to the President. Group Management's responsibilities are divided among its members with regard to managing the company's business affairs, and minuted meetings are normally held every week. Lars Sandahl Sørensen left SAS in August 2019 and from 1 October 2019 a new Group Management was implemented, where the operational entity was divided into two entities and the commercial operations were brought together in one entity. Executive Vice President Annelie Nässén, Head of Global Sales & Marketing, as well as Deputy President & Executive Vice President Göran Jansson, Strategy & Ventures, left SAS in conjunction with the reorganization.

RICKARD GUSTAFSON, BORN 1964

President and CEO. Member of SAS Group Management since 1 February 2011.
Previously: Various executive positions at GE Capital, both in Europe and the US, and President of Codan/Trygg-Hansa from 2006–2011.
External directorships: Board member of FAM AB and Telia Company AB.
Education: M.Sc. Industrial Economics.
Shareholding: 40,000.
Shareholding of related parties: 5.

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

TORBJØRN WIST, BORN 1968

Executive Vice President and CFO. Member of SAS Group Management since 1 March 2018.
Previously: Group Treasurer at Telenor ASA and multiple financial leadership positions at Telenor, Greenhill & Co, Merrill Lynch and Salomon Brothers.
External directorships: None.
Education: Business degree from Richard Ivey School of Business at the University of Western Ontario in London, Canada.
Shareholding: 0.
Shareholding of related parties: 0.

MATTIAS FORSBERG, BORN 1972

Executive Vice President and CIO. Member of SAS Group Management since 1 January 2016.
Previously: CIO at Systembolaget 2011–2015 and previously CIO at B&B Tools and strategy/management consultant at Accenture, including experience of Swedish and international assignments.
External directorships: None.
Education: MSc in Engineering Physics and Business and a BSc in Economics at Uppsala University.
Shareholding: 0.
Shareholding of related parties: 0.

CARINA MALMGREN HEANDER, BORN 1959

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

SIMON PAUCK HANSEN, BORN 1976

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

KJETIL HÅBJØRG, BORN 1972

Executive Vice President Airline Services. Member of SAS Group Management since 1 October 2019.
Previously: Vice President SAS Ground Handling and several previous senior positions at SAS. Before Kjetil Håbjørg was recruited to SAS in 2004, he worked as a management consultant.
External directorships: NHO Luftfart.
Education: Executive MBA, Master in Strategic Management, Norwegian Business School.
Shareholding: 2,500.
Shareholding of related parties: 0.

KARL SANDLUND, BORN 1977

Executive Vice President and CCO. Member of SAS Group Management since 1 February 2014.
Previously: Executive Vice President Commercial and previously worked in various management positions for SAS. Karl Sandlund worked for McKinsey before joining SAS in 2004.
External directorships: Board member of Storebrand ASA.
Education: M.Sc. in Industrial Engineering and Management from Linköping University.
Shareholding: 2,000.
Shareholding of related parties: 0.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME INCLUDING STATEMENT OF OTHER COMPREHENSIVE INCOME

MSEK	Note	FY19	FY18
Revenue	2	46,736	44,718
Payroll expenses	3	-9,934	-9,441
Other operating expenses	4	-30,253	-28,338
Leasing costs for aircraft		-3,561	-3,156
Depreciation, amortization and impairment	5	-1,924	-1,763
Share of income in affiliated companies	6	-10	35
Income from the sale of shares in subsidiaries and affiliated companies		0	-4
Income from sale of aircraft	7	112	479
Operating income (EBIT)		**1,166**	**2,530**
Income from other securities holdings	8	0	0
Financial income	9	172	129
Financial expenses	9	-544	-609
Income before tax (EBT)		**794**	**2,050**
Tax	10	-173	-455
Net income for the year		**621**	**1,595**
Other comprehensive income			
Items that may later be reversed to net income:			
Exchange-rate differences in translation of foreign operations		-20	148
Cash-flow hedges – hedging reserve, net after tax of 313 (45)		-1,109	-166
Items that will not be reversed to net income:			
Revaluations of defined-benefit pension plans, net after tax of 537 (291)		-1,752	-915
Total other comprehensive income, net after tax		**-2,881**	**-933**
Total comprehensive income		**-2,260**	**662**
Net income for the year attributable to:			
Parent Company shareholders		621	1,595
Earnings per common share (SEK)[1]	44	1.54	3.71
Earnings per common share after dilution (SEK)[1]	44	1.48	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 an average of 382,582,551 (382,582,551) common shares outstanding.

Income before tax and items affecting comparability, MSEK	FY19	FY18
Income before tax (EBT)	794	2,050
Impairment[1]	93	206
Restructuring costs[2]	230	255
Capital gains/losses[3]	-112	-475
Other items affecting comparability[4]	-219	100
Income before tax and items affecting comparability	**786**	**2,136**

1) Impairment pertains to aircraft, MSEK 93 (206).
2) Restructuring cost were charged to earnings as payroll expenses of MSEK 230 (105) and property costs of MSEK 0 (150).
3) Capital gains and losses include aircraft sales amounting to MSEK 112 (479) and the sale of subsidiaries MSEK 0 (-4).
4) Other items affecting comparability included the release of a provision for indirect taxes of MSEK -148 (0) and the release of a one-time award to our employees of MSEK -71 (100). Of the initial MSEK 100 set aside in fiscal year 2018, MSEK 29 will be distributed to our employees.

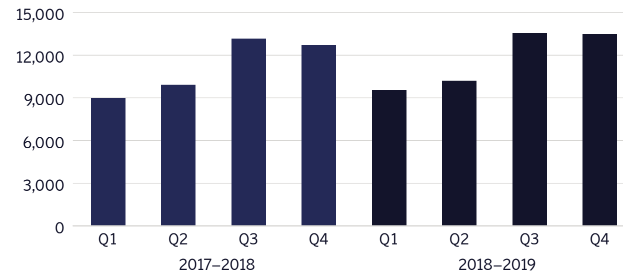
STATEMENT OF INCOME EXCLUDING OTHER COMPREHENSIVE INCOME — QUARTERLY BREAKDOWN

MSEK	FY18					FY19				
	Q1	Q2	Q3	Q4	Full-year	Q1	Q2	Q3	Q4	Full-year
	Nov–Jan	Feb–Apr	May–Jul	Aug–Oct	Nov–Oct	Nov–Jan	Feb–Apr	May–Jul	Aug–Oct	Nov–Oct
Revenue	8,978	9,916	13,146	12,678	44,718	9,534	10,187	13,552	13,463	46,736
Payroll expenses	-2,268	-2,355	-2,385	-2,433	-9,441	-2,401	-2,420	-2,504	-2,609	-9,934
Other operating expenses	-5,871	-6,835	-7,431	-8,201	-28,338	-6,387	-7,593	-8,050	-8,223	-30,253
Leasing costs for aircraft	-760	-765	-814	-817	-3,156	-787	-846	-985	-943	-3,561
Depreciation, amortization and impairment	-353	-374	-404	-632	-1,763	-419	-455	-548	-502	-1,924
Share of income in affiliated companies	-9	-8	29	23	35	-9	-3	1	1	-10
Income from the sale of shares in subsidiaries and affiliated companies	-4	0	0	0	-4	0	0	0	0	0
Income from sale of aircraft	104	47	26	302	479	8	0	104	0	112
Operating income (EBIT)	**-183**	**-374**	**2,167**	**920**	**2,530**	**-461**	**-1,130**	**1,570**	**1,187**	**1,166**
Income from other securities holdings	0	0	0	0	0	0	0	0	0	0
Financial income	34	30	34	31	129	44	44	43	41	172
Financial expenses	-136	-144	-167	-162	-609	-159	-130	-123	-132	-544
Income before tax (EBT)	**-285**	**-488**	**2,034**	**789**	**2,050**	**-576**	**-1,216**	**1,490**	**1,096**	**794**
Tax	36	139	-464	-166	-455	107	283	-328	-235	-173
Net income for the period	**-249**	**-349**	**1,570**	**623**	**1,595**	**-469**	**-933**	**1,162**	**861**	**621**
Attributable to:										
Parent Company shareholders	-249	-349	1,570	623	1,595	-469	-933	1,162	861	621
Non-controlling interests	0	0	0	0	0	0	0	0	0	0

REVENUE

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

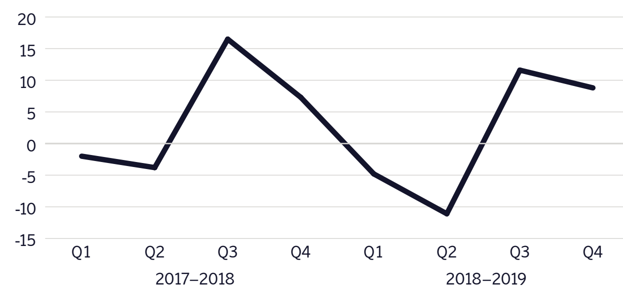
MSEK



EBIT MARGIN

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

%



CONSOLIDATED BALANCE SHEET

ASSETS, MSEK	Note	31 Oct 2019	31 Oct 2018
Fixed assets			
Intangible assets	11	1,416	1,498
Tangible fixed assets	12		
Land and buildings		569	500
Aircraft		11,609	8,767
Spare engines and spare parts		87	92
Workshop and aircraft servicing equipment		126	73
Other equipment and vehicles		93	102
Investment in progress		14	48
Prepayments relating to tangible fixed assets	13	3,071	2,658
		15,569	**12,240**
Financial fixed assets	14		
Equity in affiliated companies	6	14	417
Other holdings of securities		9	3
Pension funds, net	15	2,004	4,025
Deferred tax assets	10	750	174
Other long-term receivables		2,519	2,770
		5,296	**7,389**
Total fixed assets		**22,281**	**21,127**
Current assets			
Expendable spare parts and inventories	16	346	401
		346	**401**
Current receivables	17		
Accounts receivable		1,233	1,219
Receivables from affiliated companies	18	0	1
Other receivables		543	866
Prepaid expenses and accrued income	19	846	829
		2,622	**2,915**
Cash and cash equivalents			
Short-term investments	20	2,273	4,232
Cash and bank balances		6,490	5,524
		8,763	**9,756**
Total current assets		**11,731**	**13,072**
TOTAL ASSETS		**34,012**	**34,199**

SHAREHOLDERS' EQUITY AND LIABILITIES, MSEK	Note	31 Oct 2019	31 Oct 2018
Shareholders' equity			
Share capital	21	7,690	7,732
Other contributed capital		170	327
Reserves	22	112	1,241
Hybrid bond		1,500	–
Retained earnings		-4,100	-2,032
Total shareholders' equity attributable to Parent Company shareholders		**5,372**	**7,268**
Non-controlling interests		–	–
Total shareholders' equity		**5,372**	**7,268**
Long-term liabilities	23		
Subordinated loans	24	1,240	1,161
Bonds	25	3,063	3,040
Other loans	26	5,147	3,291
Deferred tax liability	10	183	359
Provisions	28	1,966	4,044
Other liabilities	29	1,926	116
		13,525	**12,011**
Current liabilities			
Current portion of long-term loans		784	2,272
Short-term loans	30	1,049	328
Prepayments from customers		23	13
Accounts payable		1,700	1,675
Tax liabilities		17	32
Unearned transportation liability	29	6,049	5,681
Current portion of provisions	28	1,559	1,028
Other liabilities		732	582
Accrued expenses and prepaid income	31	3,202	3,309
		15,115	**14,920**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**34,012**	**34,199**
Shareholders' equity per common share (SEK)		10.12	16.11

Information about the Group's pledged assets, contingent liabilities and leasing commitments is given in notes 32, 33 and 34.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

MSEK	Share capital[1]	Other contributed capital[2]	Hedging reserves	Translation reserve	Hybrid bond	Retained earnings[3]	Total shareholders' equity
Opening shareholders' equity in accordance with approved balance sheet, 31 October 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
Net income for the year						1,595	1,595
Other comprehensive income November–October			-160	147		-921	-934
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
Net income for the year						621	621
Other comprehensive income November–October			-1,109	-20		-1,752	-2,881
Closing balance, 31 October 2019	**7,690**	**170**	**183**	**-71**	**1,500**	**-4,100**	**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 and the equity share of convertible loans.

3) No dividends were paid on common shares for fiscal year 2018.

CONSOLIDATED CASH-FLOW STATEMENT

MSEK	Note	FY19	FY18
OPERATING ACTIVITIES			
Income before tax (EBT)		794	2,050
Depreciation, amortization and impairment		1,924	1,763
Income from sale of aircraft, buildings and shares		-112	-475
Adjustment for other non-cash items, etc.	35	-248	219
Tax paid		-53	-45
Cash flow from operations before change in working capital		**2,305**	**3,512**
Change in:			
Expendable spare parts and inventories		54	-79
Operating receivables		-5	267
Operating liabilities		964	859
Cash flow from change in working capital		**1,013**	**1,047**
Cash flow from operating activities		**3,318**	**4,559**
INVESTING ACTIVITIES			
Aircraft		-4,796	-5,236
Spare parts		–	-38
Buildings, equipment and investment in progress		-116	-107
Shares and participations, intangible assets, etc.		-96	-11
Prepayments for aircraft		-1,183	-1,448
Acquisition of subsidiaries	36	-16	–
Total investments		**-6,207**	**-6,840**
Sale of subsidiaries and affiliated companies	37	394	-3
Sale of aircraft, spare engines and buildings		–	–
Income from sale and leaseback of aircraft		1,329	4,068
Sale of fixed assets, etc.		-96	96
Cash flow from investing activities		**-4,580**	**-2,679**

MSEK	Note	FY19	FY18
FINANCING ACTIVITIES	38		
Hybrid bond		1,474	–
New issue		–	1,223
Redemption of preference shares		-1,112	-2,579
Dividend on preference shares		-26	-228
Proceeds from borrowings		2,292	3,853
Repayment of borrowings		-2,362	-2,921
Defined-benefit pension payments		-268	-283
Payments of deposits and blocked bank funds		-163	-224
Repayments of deposits and blocked bank funds		408	211
Other financing activities		26	-15
Cash flow from financing activities		**269**	**-963**
Cash flow for the year		**-993**	**917**
Translation difference in cash and cash equivalents		0	3
Cash and cash equivalents at beginning of the year		9,756	8,836
Cash and cash equivalents at year end	39	**8,763**	**9,756**
Cash flow from operating activities per common share (SEK)		8.67	11.92

COMMENTS ON THE CASH-FLOW STATEMENT

Cash flow from operating activities before changes in working capital amounted to MSEK 2,305 (3,512). Adjustment for other non-cash items, etc., primarily pertained to provisions for restructuring costs and other items affecting comparability.

Changes in working capital amounted to MSEK 1,013 (1,047). It was primarily operating liabilities, particularly provisions for aircraft maintenance, that increased during the year.

Aircraft acquisitions during the year amounted to MSEK 3,071, and comprised delivery payments for six new Airbus A320neos and one Airbus A330 as well as the purchase of three Boeing 737s that were previously under operating leases. Moreover, aircraft investments included MSEK 1,498 in capitalized expenditure for aircraft maintenance and MSEK 227 for aircraft modifications.

Over the year, sale and leaseback arrangements were concluded for the Airbus A330 acquired during the year, as well as for Airbus A340 engines.

At the start of the fiscal year, a redemption was completed for all preference shares outstanding. The convertible bond that matured in April was repaid in an amount of MSEK 1,574. A hybrid bond with a nominal value of MSEK 1,500 was issued in October, and after deduction of transaction costs, raised MSEK 1,474 for the Group.

In all, the SAS Group's cash and cash equivalents decreased during the fiscal year by MSEK -993 (920), whereupon cash and cash equivalents amounted to MSEK 8,763 (9,756).

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EXPLANATION OF NOTES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

GENERAL

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

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

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

The consolidated financial statements for SAS AB have been prepared in accordance with the Annual Accounts Act, recommendation RFR 1 — *Supplementary Accounting Rules for Corporate Groups*, and the EU-approved International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) that apply for fiscal years starting 1 November 2018. These standards have been consistently applied to all periods presented in the consolidated financial statements. The financial statements have been prepared on a cost basis, except for the remeasurement of financial assets and liabilities. The principal accounting policies adopted are set out below.

ACCOUNTING ESTIMATES AND ASSUMPTIONS IN THE FINANCIAL STATEMENTS

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

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

NEW AND AMENDED STANDARDS AND INTERPRETATIONS APPLICABLE FOR FISCAL YEAR 2019

Since 1 November 2018, the Group applies IFRS 15 – Revenue from Contracts with Customers, and IFRS 9 – Financial Instruments. The table on the right 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. More information on the application of IFRS 15 and IFRS 9 within the Group is provided in this note. No other material amendments occurred in IFRS that affected the Group.

PRINCIPLES OF CONSOLIDATION

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

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

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

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

BUSINESS COMBINATIONS

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

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

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

Non-controlling interests

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

Loss of controlling influence

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

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

INVESTMENTS IN AFFILIATED COMPANIES

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

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

EFFECT OF NEW STANDARDS – IFRS 9 AND IFRS 15

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

committed to providing financial support to such affiliated companies.

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

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

DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

When the Group intends to dispose of, or classify as "held for sale," a business component that represents a separate major line of business or geographical area of operations, it classifies the component as discontinued. Any capital gain or loss after tax from discontinued operations is recognized separately in profit or loss, separate from the other results of the Group, and the accounting for the comparative period is shown to present the discontinued operations separately from the continuing operations.

Assets held for sale are measured at the lower of carrying amount and fair value less selling costs. Fixed assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met when a decision has been made by the management and Board to dispose of the business, an active sales process has commenced, and the asset is available for immediate sale in its present condition, and it is highly probable that the sale will take place within one year.

SEGMENT REPORTING

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

Geographic information about revenue from external customers and assets

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

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

FOREIGN CURRENCY TRANSLATION

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

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

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

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

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

EXCHANGE RATES

			Closing rate		Average rate	
			31 Oct 2019	31 Oct 2018	FY19	FY18
Denmark	DKK	100	143.91	139.43	141.09	136.52
Norway	NOK	100	104.98	108.97	107.73	105.65
U.S.	USD		9.63	9.16	9.35	8.55
U.K.	GBP		12.47	11.68	11.88	11.51
Switzerland	CHF	100	975.08	912.42	940.06	877.19
Japan	JPY	100	8.87	8.10	8.52	7.74
EMU countries	EUR		10.75	10.40	10.53	10.17

FINANCIAL INSTRUMENTS, ACCOUNTING POLICIES FISCAL YEAR 2019

IFRS 9 – Financial Instruments has been applied by the Group since 1 November 2018. The standard replaces IAS 39 – Financial Instruments: Recognition and Measurement. SAS has applied IFRS 9 retroactively from 1 November 2018 and has not restated comparative figures, with the exception of changes in the time value of options where the comparative periods have been recalculated and the opening balances on 1 November 2017 have been restated. The implementation of IFRS 9 resulted in a decrease in the Group's shareholders' equity as of 1 November 2018 of MSEK 11 net after tax. The following policies have been applied for fiscal year 2019:

Financial assets

Financial assets are recognized in the consolidated balance sheet when the Group becomes a party under the contractual terms of the instrument. At the time of initial recognition, financial assets are measured at fair value and subsequently classified at amortized cost, fair value through other comprehensive income (FVTOCI) or fair value through profit and loss (FVTPL). The classification of financial assets depends on the characteristics of the asset and the business model in which it is held.

The fair value of a financial asset is generally determined by reference to official market quotes. When market quotes are not available, the fair value is determined using generally accepted valuation methods, such as discounted future cash flows based on observable market inputs.

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

Other financial assets at amortized cost

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

Impairment of financial assets

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

Derivatives and hedge accounting

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

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

When hedging projected cash flows, the effective portion of the change in fair value of the derivative outstanding is recognized in other comprehensive

Note 1 continued

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

As a result of IFRS 9, the Group has changed its procedures related to the measurement of effectiveness and the time value of options designated in hedging relationships. For measurement of effectiveness, an overall assessment is conducted of whether or not the hedging relationship is effective. For options designated in a hedging relationship, new guidance applies with regard 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. Previously, these changes were recognized in profit or loss.

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

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

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

Borrowings are initially recognized at fair value less transaction costs, and thereafter at amortized cost using the effective-interest method. The hedged risk related to long-term borrowings designated as fair-value hedges is measured at fair value.

Hybrid bond
At the closing date, shareholders equity included a MSEK 1,500 hybrid bond issued in October 2019. The hybrid bond net position recognized in equity amounted to MSEK 1,477, after issuing costs. The hybrid bond coupon is floating 3 month STIBOR plus a margin of 8.25% for the first five years, and thereafter steps up to 3 month STIBOR plus a margin of 13.25%. The hybrid bond is subordinated and only senior to the share capital. The hybrid bond has no maturity date and SAS controls the payment of interest and principal in the instrument, which is why this is classified as an equity instrument in its entirety according to IAS 32.

FINANCIAL INSTRUMENTS, ACCOUNTING POLICIES FISCAL YEAR 2018
Prior to 1 November 2018, the Group applied IAS 39 – Financial Instruments: Recognition and Measurement. The comparative year (fiscal year 2018) in this annual report was prepared pursuant to IAS 39, with the exception of changes in the time value of options where the comparative years have been recalculated pursuant to IFRS 9. The following policies applied for fiscal year 2018:

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	Hedging instruments	The effective portion of the change in the cash-flow hedge is recognized in other comprehensive income.
Derivatives	Held for trading	FVTPL	Fair value through profit or loss, no change.
Short-term investments	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.
Cash and bank balances	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.
Other liabilities	Other liabilities	Amortized cost	

Financial assets
Financial assets are divided into the following categories: *Financial assets available-for-sale, financial assets remeasured at fair value in profit or loss, loan receivables and accounts receivable,* and *investments held to maturity*. The categorization depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loan receivables and accounts receivable
Receivables in affiliated companies are categorized as loan receivables and accounts receivable, and are measured at amortized cost.

Accounts receivable are categorized as loan receivables and accounts receivable. Since the term of accounts receivable is expected to be 12 days, the value of each receivable is carried at its nominal amount with no discount. Accounts receivable are assessed individually for impairment and all impairment losses are recognized in profit or loss as other operating expenses.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances, cash deposits and liquid investments with maturities of three months or less that are readily convertible to known cash amounts and are subject to an insignificant risk of changes in value. The short-term investments and cash and bank balances items in the consolidated balance sheet comprise the Group's cash and cash equivalents. Deposits and blocked funds are categorized as loans and accounts receivable, and other investments are categorized as financial assets held for trading.

Financial liabilities and equity
Financial liabilities and equity instruments are categorized according to their contractual provisions.

An equity instrument is any contract that represents a residual interest in the assets of the Group after deducting its liabilities. The proceeds from equity instruments issued by the Group are recognized less direct issuing costs. Financial liabilities represent contractual obligations and are recorded when the Group becomes contractually liable.

Accounts payable
Accounts payable are categorized as other liabilities. Since the terms of accounts payable are expected to be short, the liabilities are carried at nominal amounts with no discounts.

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

All borrowings are categorized as other liabilities and initially recorded at fair value less direct transaction costs. Thereafter, borrowings are measured at amortized cost using the effective-interest method.

Note 1 continued

Compound financial instruments

The components in a compound financial instrument (convertible bond) issued by Group are classified separately as financial liabilities and equity instruments respectively in line with the contract terms and definitions of a financial liability and an equity instrument. The conversion option, which will be regulated by the exchange of a specific cash amount for a defined number of the company's own shares, is an equity instrument.

At the issue date, the debt component's fair value is determined by discounting at the current market interest rate for an equivalent debt with no conversion option. This amount is recognized as a debt and then measured at amortized cost until the debt is extinguished on conversion or reaching its maturity date.

The conversion option is classified as an equity instrument and its value is determined by deduction of the debt component from the compound financial instrument's fair value. This value is reported as equity and is not subsequently revalued. No profit or loss is reported on conversion or when the conversion option expires.

Transaction costs directly attributable to the issue of the compound financial instrument are allocated proportionately to the debt or equity component based on the initial distribution of funds received. Transaction costs attributable to the equity component are recognized directly in equity. Transaction costs attributable to the debt component are included in the debt's carrying amount and allocated over the term of the liability using the effective-interest method.

The convertible note issued in 2014 was redeemed on 1 April 2019 at a nominal value of MSEK 1,574.

Derivatives and hedge accounting

The Group holds various financial instruments to manage its exposure to foreign currency, interest-rate and fuel risks.

All derivatives are measured at fair value and recognized either as assets or liabilities depending on whether the fair value of the instrument is positive or negative.

The accounting for changes in fair value depends on whether or not the derivative has been designated and qualifies as an accounting hedge and on the type of hedge. If a derivative is designated as a hedging instrument in a fair-value hedge, the changes in the fair value of the derivative and the hedged item are recognized in profit or loss in the line of the consolidated income statement relating to the hedged item. If a derivative is designated as a hedging instrument in a cash-flow hedge, the effective portion of changes in the fair value of derivative financial instruments is recognized in other comprehensive income and accrued in the hedging reserve in equity. The ineffective portion of cash-flow hedges is recognized directly in the Group's profit or loss. Amounts recognized in equity are reversed in the Group's profit or loss in the periods when the hedged item is recognized in the Group's profit or loss. For a derivative not designated as a hedging instrument, the gain or loss is recognized in profit or loss in the period when the change arose.

In order for hedge accounting to be applied, its effectiveness has to be demonstrated at inception and on an ongoing basis during the hedge period. A requirement for the hedging of forecast cash flows is that it is highly probable that the forecast event will occur.

TANGIBLE FIXED ASSETS

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

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

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

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

1) Estimated residual value after a useful life of 20 years is 10%.

2) Depreciation is based on the engines use.

LEASING

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

The Group as lessee

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

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

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

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

The Group as lessor

Finance leases – Finance lease receivables are stated in the balance sheet at the net investment amount of the lease, which is calculated based upon the minimum lease payments and any residual value discounted at the interest rate implicit in the lease. Finance lease income is allocated to different accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

INTANGIBLE ASSETS

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

Intangible assets are recognized in the balance sheet when:

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

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

Gains or losses on the disposal of an entity include the remaining carrying amount of goodwill relating to the entity sold.

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

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

EMISSION RIGHTS

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

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS WITH DETERMINABLE USEFUL LIVES

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

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

EXPENDABLE SPARE PARTS AND INVENTORIES

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

PROVISIONS AND CONTINGENT LIABILITIES

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

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

REMUNERATION OF EMPLOYEES

Pensions

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

For pension plans where the employer has accepted responsibility for a defined contribution, the obligation to employees ceases when the contractual premiums have been paid. Where defined-benefit pensions have been agreed, the commitments do not cease until the contractual pensions have been paid. The liability or asset recognized in the balance sheet for defined-benefit pension plans is the current value of the defined-benefit obligation at the end of the reporting period after deduction of the fair value of plan assets. The defined-benefit plan obligation is calculated each year by independent actuaries using the projected unit credit method.

Pension costs for the year for defined-benefit pension plans comprise the present value of the current service cost plus net interest, which is calculated using the discount rate on the defined-benefit pension liability or pension assets, and recognized as a payroll expense in EBIT. All deviations in estimates are immediately recognized in other comprehensive income.

Termination benefits

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

LONG-TERM INCENTIVE PLAN

At 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). The incentive plan has not had any accounting impact as the performance condition (ROIC) has not been met.

REVENUE RECOGNITION

From 1 November 2018, SAS has applied IFRS 15 and implemented the standard using the modified retrospective approach, meaning that the opening balances at 1 November 2018 were adjusted without restatement for previous comparative periods.

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. All of the Group's customer contracts have been analyzed using the five-step model. The performance obligations identified are fulfilled at a point in time that corresponds to the point when revenue was recognized under the previous standard. Since the transaction price for the services is unchanged and allocated to the identified performance obligations, the implementation of IFRS 15 entailed no significant change in revenue recognition.

The implementation of IFRS 15 resulted in a decrease in the Group's shareholders' equity as of 1 November 2018 of MSEK 16 net after tax. The following policies have been applied for fiscal year 2019:

Passenger revenue

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

Rebooking fees, i.e. fees for changing for example the time or destination of a booked airline ticket, are recognized as revenue in conjunction with the actual flight taking place. Previously, these were recognized in conjunction with the rebooking event.

Charter revenue

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

Mail and freight revenue

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

Other traffic revenue

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

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

Note 1 continued

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

Other operating revenue

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

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

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

Loyalty program – EuroBonus

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

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

Contractual assets and liabilities

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

As before, the unearned transportation liability is presented on a separate line in the consolidated balance sheet, while the loyalty program is presented under other liabilities (long-term). Last year, the loyalty program was presented under other provisions. Refer to Note 29 for new disclosures by the Group pertaining to contractual assets and liabilities.

BORROWING EXPENSES

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

TAXES

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

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

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

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

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

CRITICAL ACCOUNTING ESTIMATES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Estimated useful lives of tangible fixed assets

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

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

Impairment of assets

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

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

Pensions

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

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

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

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

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

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

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

During the year, the discount rate was lowered for all countries. The total impact of changed discount rates entailed a negative impact on other comprehensive income of SEK 2.2 billion. The return on plan assets has been higher than the discount rate, which entailed a positive impact on other comprehensive income of SEK 0.5 billion. Moreover, a negative item of SEK 0.2 billion was recognized under the experience gains/losses item as a result of full index adjustment.

Sensitivity to changes in individual parameters can be estimated as follows: A one percentage point change in the discount rate of interest has approximately a SEK 3.4 billion impact on the obligation and a one percentage point change in the inflation assumption has an impact of about SEK 3.3 billion.

Deferred taxes

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

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

Undertakings pertaining to aircraft under operating leases

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

Litigations

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

NEW AND AMENDED STANDARDS AND INTERPRETATIONS THAT HAVE NOT ENTERED FORCE AND HAVE NOT BEEN ADOPTED EARLY BY THE GROUP

The following new and amended standards, agenda decisions and interpretations have been issued and are mandatory for the accounting of the Group for fiscal years beginning on or after 1 November 2019. SAS has not early adopted any of the new standards.

Compensations for delays or cancellations

The IFRS interpretation committee (IFRIC, IC) published an agenda decision in September 2019 regarding Compensation for delays or cancellations (IFRS 15). The IFRIC 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 under other operating expenses. In accordance with the IC's decision, SAS has analyzed the effects and will in future reports reclassify customer compensation for delays and cancellations from operating expenses to revenue, in accordance with the IFRIC's agenda decision. The amount reclassified for fiscal year 2019 amounted to MSEK 624.

IFRS 16 – Leases

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

Impact on balance sheet and statement of income

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

At 1 November 2019, SAS' assets increased SEK 17 billion due to the recognition of right-of-use assets. Lease liabilities and liabilities relating to restoration costs increased with the same amount. Adjustments have been made for netting of prepaid lease expenses against lease liabilities. Initial application of IFRS 16 had no impact on shareholders' equity on the transition, since the change in assets corresponds to the change in liabilities.

A major impact from applying IFRS 16 is that SAS 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 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 increase in liabilities, the currency exposure from restating USD liabilities into SEK is significant. From 1 November 2019, SAS has adjusted the hedging policy to better manage this risk.

In SAS' income statement, right-of-use assets are depreciated on a straight-line basis. Interest expenses relating to the lease liabilities are at their highest at the beginning of the lease term and decrease as the lease liability is paid down. Currently, operating lease charges for aircraft, properties and ground handling equipment are 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, SAS' results are expected to be negatively impacted in fiscal year 2020 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 currency effects on lease liabilities and is based on assumptions on development in the lease portfolio. Over the lease term, the expenses following the adoption of IFRS 16 are equal to the expenses reported under IAS 17.

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 rolling 12 month numbers in the calculation of many key ratios, and a full rolling 12 month income statement according to IFRS 16 will not be available until FY 2021, moreover the calculation of many key ratios in FY 2020 will be based on financial statements excluding IFRS 16. Key ratios that are calculated on closing balances, and not rolling 12 month numbers, will be based on the financial statements and IFRS 16 figures in FY 2020.

In FY 2021 some key ratios will be calculated in a different way, since some metrics are no longer relevant. The two most significant changes relate to key ratios where the calculation includes the use of lease expenses or capitalized leasing costs, net (*7), average. Lease expenses will no longer be presented in the income statement, and the use of capitalized leasing costs, net (*7), average will be replaced by lease liabilities in the balance sheet. More detailed information of changes in key ratios will be presented during FY 2020.

SAS' ACCOUNTING POLICY FOR IFRS 16

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

AIRCRAFT

Lease term

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

Discount rate

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

Sale & Leaseback

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

Costs for restoring the asset

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

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

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

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

Wet Lease

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

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

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

PROPERTIES

Lease term

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

Discount rate

For property leases, the following discount rates are used:

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

Costs for restoring the asset

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

GROUND HANDLING EQUIPMENT

Lease term

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

Lease and non-lease components

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

Discount rate

For ground handling equipment leases, the following discount rates are used:

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

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

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

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

NOTE 2 REVENUE

	FY19	FY18
Traffic revenue:		
Passenger revenue	35,479	34,077
Charter	2,117	1,957
Freight and mail	1,506	1,632
Other traffic revenue	2,936	2,701
Other operating revenue:		
In-flight sales	263	261
Ground handling services	1,236	1,183
Technical maintenance	169	211
Terminal and forwarding services	394	361
Sales commissions and charges	622	618
Other operating revenue	2,014	1,717
Total	**46,736**	**44,718**

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

The Group's various revenue sources are shown above and refer to Note 42 for a breakdown of revenue by geography.

NOTE 3 PAYROLL EXPENSES

AVERAGE NUMBER OF EMPLOYEES
In fiscal year 2019, the average number of employees in the SAS Group was 10,445 (10,146). A breakdown of the average number of employees by country is provided in the table below. The average number of employees totaled 3,372 (3,357) in Denmark, 2,813 (2,711) in Norway, and 3,978 (3,816) in Sweden.

	FY19		FY18	
	Men	Women	Men	Women
Denmark	2,269	1,103	2,286	1,071
Norway	1,698	1,115	1,676	1,035
Sweden	2,453	1,525	2,259	1,557
Other countries	125	157	116	146
Total	**6,545**	**3,900**	**6,337**	**3,809**
Total men and women	**10,445**		**10,146**	

GENDER BREAKDOWN OF SENIOR EXECUTIVES IN THE GROUP

	31 Oct 2019		31 Oct 2018	
	Closing-date total	of which, men	Closing-date total	of which, men
Board members	39	64%	37	65%
President and other senior executives	32	81%	38	76%

SALARIES, REMUNERATION AND SOCIAL SECURITY EXPENSES
The SAS Group's total payroll expenses amounted to MSEK 9,495 (8,907), of which social security expenses comprised MSEK 1,324 (1,244) and pensions MSEK 875 (783).

Salaries, remuneration and social security expenses included restructuring costs of MSEK 230 (105).

	FY19		FY18	
	Salaries & other remuneration	Soc. sec. exp. (of which pension cost)[1]	Salaries & other remuneration	Soc. sec. exp. (of which pension cost)[1]
SAS AB	36	17 (8)	22	14 (7)
SAS Consortium	4,671	1,628 (656)	4,465	1,491 (584)
Other subsidiaries	2,589	554 (211)	2,393	522 (192)
SAS Group, total	**7,296**	**2,199 (875)**	**6,880**	**2,027 (783)**

1) The pension cost for all CEOs and other senior executives of SAS Group companies amounted to MSEK 18 (15).

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

	FY19		FY18	
	Board, CEO & senior executives (of which variable salary)	Other employees	Board, CEO & senior executives (of which variable salary)	Other employees
SAS AB	31 (–)	4	20 (–)	2
SAS Consortium	35 (2)	4,636	22 (–)	4,444
Ground handling operations	13 (–)	2,447	12 (–)	2,267
SAS Cargo	9 (–)	91	10 (–)	81
Other subsidiaries	7 (–)	23	8 (–)	14
SAS Group, total	**95 (2)**	**7,201**	**72 (–)**	**6,808**

Pension costs	FY19	FY18
Defined-benefit pension plans	-9	-90
Defined-contribution pension plans	871	873
Total	**862**	**783**

REMUNERATION AND BENEFITS PAID TO THE BOARD, PRESIDENT AND OTHER SENIOR EXECUTIVES
The fees and other remuneration paid to Board members of SAS AB are determined by the Annual General Shareholders' Meeting (AGM), which also approves the policies applied for the remuneration of senior executives.

Note 3 continued

BOARD OF DIRECTORS

At the AGM of SAS AB on 13 March 2019, fees were set for the remuneration of Board members and for work on Board committees as follows:

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

With the exception of the employee representatives and their deputies, no Board member was employed by the SAS Group in fiscal year 2019. No Board member not employed by the SAS Group received any remuneration or benefit from any SAS Group companies beyond customary airline-industry travel benefits and the fees received for board and committee duties.

POLICIES

The following remuneration policies adopted by the 2019 AGM have been applied in fiscal year 2019 in regard to senior executives in the SAS Group. In this connection, senior executives refers to the President and the other members of the SAS Group Management.

Total remuneration should be market-based and competitive and relate to responsibility and authority. Remuneration consists of fixed salary, variable remuneration by separate agreement, and other benefits and pension. The guidelines apply to employment contracts entered into after the 2019 AGM and to changes made to earlier employment contracts.

Remuneration of senior executives is to consist of a fixed annual salary. It reflects the position's requirements concerning skills, responsibility, complexity and how it contributes to achieving the business objectives. It also reflects performance and can therefore be both individual and differentiated. In addition to fixed salary, senior executives reporting directly to the CEO, by separate agreement, can receive variable salary corresponding to 20% of fixed salary on reaching the decided performance targets on condition that their fixed salaries are frozen until the salary review year 2021. Other benefits, including company car and health insurance, are market-based and only constitute a limited part of the total remuneration.

Pension benefits are to be defined-contribution, with premiums not exceeding 30% of the fixed annual salary.

For the CEO and other Group Management, the notice period is six months in the event the senior executive resigns and 12 months in the event the termination of employment is by the company. In the event notice is given by the company, and in certain specific cases, by the employee, severance pay is payable in an amount corresponding to a maximum of one year's fixed salary less any remuneration received from new employment or assignments.

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

PRESIDENT AND CEO

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

- An annual salary, which is subject to salary review in January of each year. The annual salary was revised in 2019 and amounts to TSEK 12,468. A defined-contribution pension plan where 40% of the fixed salary is paid as premiums to an agreed pension insurance. The retirement age is 65. The remuneration policies adopted by the AGM permit the Board to deviate from the guidelines on an individual basis if particular reasons exist for so doing. In this case, the Board deems sufficient reason exists to set aside the policy of a maximum pension premium of 30%, since current benchmarking of CEO salaries in Sweden motivate a pension premium of 40% and total compensation to the CEO Rickard Gustafson in the form of annual salary and pension benefits can thereby be considered to be on a par with market rates.
- Other benefits include company car, travel benefits, health insurance and group life insurance.
- The notice period is six months in the event the President resigns and 12 months if employment is terminated by SAS AB. Severance pay for the President in the event employment is terminated by SAS AB for reasons other than material breach of contract, gross neglect of his duties as President or criminal acts against the SAS Group is payable in an amount equivalent to 12 months' salary. Should new employment be obtained within 12 months of employment ending, the severance pay awarded is reduced by an amount corresponding to the remuneration received from the new position.

DEPUTY PRESIDENT

During fiscal year 2019, the SAS Group had two deputy presidents, Göran Jansson (CFO) and Lars Sandahl Sørensen (COO).
Göran Jansson has the following remuneration components in his employment contract:

- An annual salary, which is subject to salary review in January of each year. In fiscal year 2019, the annual salary was unchanged at TSEK 4,800.
- A defined-contribution pension plan where 29.8% of salary is paid into a chosen insurance plan. The retirement age is 65.
- Other benefits include company car, travel benefits, health insurance and group life insurance.
- The notice period is six months in the event that Göran Jansson resigns and 12 months if employment is terminated by SAS AB. Severance pay is payable to the deputy president in the event employment is terminated by SAS AB for reasons other than material breach of contract, gross neglect of the deputy president's duties or criminal acts against the SAS Group in an amount equivalent to 12 months' salary, with offsetting against income from any other appointment or engagement. Severance pay is also payable on the resignation of a senior executive when the responsibilities or authorities of the senior executive are materially changed through organizational changes. However, severance pay in the above case is not payable if the senior executive is offered another relevant position in the SAS Group.
- Göran Jansson stepped down from his position as of 30 September 2019.

Lars Sandahl Sørensen has the following remuneration components in his employment contract:

- An annual salary, which is subject to salary review in January of each year. In fiscal year 2019, the annual salary was unchanged at TDKK 4,450.
- A variable salary corresponding to 20% of fixed salary on reaching the decided performance targets is payable on condition that fixed salary is frozen until the salary review year 2021.
- A defined-contribution pension plan where 30% of salary is paid into a chosen insurance plan. The retirement age is 65.
- Other benefits include company car, travel benefits, health insurance and group life insurance.
- The notice period is six months in the event that Lars Sandahl Sørensen resigns and 12 months if employment is terminated by SAS AB. Severance pay is payable to the Deputy President in the event employment is terminated by SAS AB for reasons other than material breach of contract, gross neglect of the Deputy President's duties or criminal acts against the SAS Group in an amount equivalent to six months' salary, with offsetting against income from any other appointment or engagement. Severance pay is also payable on the resignation of a senior executive when the responsibilities or authorities of the senior executive are materially changed through organizational changes. However, severance pay in the above case is not payable if the senior executive is offered another relevant position in the SAS Group.
- Lars Sandahl Sørensen stepped down from his position as of 31 August 2019.

OTHER SENIOR EXECUTIVES

The remaining current members of Group Management have defined-contribution pension plans where a pension provision of up to 30% of fixed base salary is made. The retirement age is 65 for all of the current members of the Group Management. The notice period for all other members of Group Management is up to 12 months in the event employment is terminated by SAS AB and six months in the event the employee resigns.

Severance pay for these senior executives is set according to the same policies as for the current deputy presidents, that is with an amount corresponding to up to 12 months.

OTHER

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

In fiscal year 2019, total remuneration comprised fixed salary, other benefits and pension. Some 30 managers have participated in an annual incentive system for 2019.

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

Note 3 continued

DISCUSSION AND DECISION-MAKING PROCESS

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

The primary task of the Board-created Remuneration Committee is to prepare, for the decision of the Board, proposals pertaining to the President's salary and other employment terms, and to prepare and propose the main policies and general conditions applying to the setting of salaries and other remuneration and employment terms (including, where applicable, variable salary, pension and severance pay policy) for senior executives and other management in the SAS Group. The Board presents the proposals regarding policies for remuneration and other employment terms for the Group Management to the AGM for resolution.

Remuneration of other senior executives than the President was decided by the President after consultation with the Remuneration Committee and in line with the policies approved by the shareholders' meeting.

The Remuneration Committee held three minuted meetings in fiscal year 2019.

DIRECTORS' FEES IN FISCAL YEAR 2019, TSEK

Name	Board of Directors	Audit Committee	Remuneration Committee	Total FY19	Total FY18
Carsten Dilling	614		78	692	660
Dag Mejdell	409		26	435	415
Monica Caneman	311	98		409	390
Lars-Johan Jarnheimer	311	48		359	340
Sanna Suvanto-Harsaae	311			311	295
Liv Fiksdahl	311			311	295
Oscar Stege Unger	311	48		359	340
Kay Kratky	202			202	
Janne Wegeberg	108			108	295
Cecilia van der Meulen	311			311	295
Endre Røros	311			311	295
Christa Cerè	203			203	
Total	**3,713**	**194**	**104**	**4,011**	**3,620**

Fees to deputy employee representatives amounted to TSEK 60 (73).

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

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

1) Includes holiday compensation.

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

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

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

5) Includes health insurance.

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

REMUNERATION AND BENEFITS TO THE PRESIDENT AND OTHER SENIOR EXECUTIVES IN FISCAL YEAR 2018, TSEK

Name	Fixed base salary[1]	Variable remuneration	Other benefits[3]	Pension[5]
Rickard Gustafson	11,346	–	140	4,662
Lars Sandahl Sørensen[4]	2,031	–	53	608
Göran Jansson	4,868	–	267	1,408
Other[2]	20,664	–	168	5,332
Total	**38,909**	**–**	**628**	**12,010**

1) Includes holiday compensation.

2) Four members for the full fiscal year and two members for eight months.

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

4) Appointed Deputy President in July 2018. The remuneration pertains to a period of four months.

5) Includes health insurance.

NOTE 4 OTHER OPERATING EXPENSES

	FY19	FY18
Sales and distribution costs	2,743	2,583
Jet fuel	9,672	7,994
Government user fees	4,194	4,159
Catering costs	1,249	1,263
Handling costs	2,832	2,663
Technical aircraft maintenance	2,893	2,897
Computer and telecommunication costs	1,637	1,554
Wet-lease costs	1,472	1,283
Other	3,561	3,942
Total	**30,253**	**28,338**

NOTE 5 DEPRECIATION, AMORTIZATION AND IMPAIRMENT

	FY19	FY18
Intangible assets	147	136
Buildings and fittings	86	67
Aircraft	1,642	1,513
Spare engines and spare parts	3	3
Workshop and aircraft servicing equipment	21	18
Other equipment and vehicles	25	26
Total	**1,924**	**1,763**

NOTE 6 SHARE OF INCOME AND EQUITY IN AFFILIATED COMPANIES

Share of income in affiliated companies:	FY19	FY18
Air Greenland A/S[1]	-15	30
Malmö Flygfraktterminal AB	5	5
Other	0	0
Total	**-10**	**35**
Total revenue of affiliated companies	1,246	2,081
Income after tax in affiliated companies	-38	80

1) SAS sold its holding in Air Greenland to the Government of Greenland as of 29 May 2019. The income items pertain to the period from November 2018 until May 2019.

Air Greenland is a Greenlandic company that operates air traffic within, to and from Greenland. Malmö Flygfraktterminal AB operates air cargo services in Malmö, Sweden. These two affiliated companies are closely linked to flight operations and shares in income are recognized in profit or loss.

				Share of equity	
Equity in affiliated companies:	**Corporate registration number**	**Domicile**	**Share of equity %**	**31 Oct 2019**	**31 Oct 2018**
Air Greenland A/S	30672	Nuuk, Greenland	37.5	–	401
Malmö Flygfraktterminal AB	556061-7051	Malmö, Sweden	40.0	10	13
Other				4	3
Total				**14**	**417**
Total assets in affiliated companies				301	1,953
Total liabilities in affiliated companies				-263	-841
Shareholders' equity in affiliated companies				**38**	**1,112**

NOTE 7 INCOME FROM SALE OF AIRCRAFT

	FY19	FY18
Airbus A320	–	202
Airbus A330	11	–
Boeing 737	8	277
Engines	93	–
Total	**112**	**479**

NOTE 8 INCOME FROM OTHER SECURITIES HOLDINGS

	FY19	FY18
Dividends	0	0
Total	**0**	**0**

NOTE 9 NET FINANCIAL ITEMS

Interest income on financial assets not measured at fair value	59	45
Interest income on financial assets measured at fair value	113	87
Other financial income	0	–
Net profit/loss on financial instruments categorized as:		
Held for trading, interest income	–	-3
Total	**172**	**129**

Financial expenses	FY19	FY18
Interest expense on financial liabilities not measured at fair value	-327	-416
Interest expense on financial liabilities measured at fair value	-157	-143
Other financial expenses	-54	-54
Exchange-rate differences, net	-6	4
Net profit/loss on financial instruments categorized as:		
Held for trading, interest expense	–	0
Other liabilities, interest expense	–	0
Total	**-544**	**-609**
Total net financial items	**-372**	**-480**

NOTE 10 TAX

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

	FY19	FY18
Current tax	-18	-32
Deferred tax	-155	-423
Total tax recognized in net income for the year	**-173**	**-455**
Tax recognized in other comprehensive income	850	336
Total tax recognized in other comprehensive income	**850**	**336**

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

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

	FY19	FY19 (%)	FY18	FY18 (%)
Income before tax (EBT)	794		2,050	
Tax according to rate in Sweden	-170	-21.4	-451	-22.0
Tax effect of non-tax-deductible costs	-36	-4.5	-29	-1.4
Tax effect of non-taxable income	15	1.9	51	2.5
Tax effect of different tax rates	10	1.3	-41	-2.0
Other	8	1.0	15	0.7
Tax and effective tax rate for the fiscal year	**-173**	**-21.8**	**-455**	**-22.2**

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

Deferred tax liability in the balance sheet:	31 Oct 2019	31 Oct 2018
Cash-flow hedges	73	362
Fixed assets	1,365	1,368
Pensions	202	285
Other temporary differences	172	429
Netting of deferred tax assets/liabilities	-1,629	-2,085
Total	**183**	**359**

Deferred tax assets in the balance sheet:	31 Oct 2019	31 Oct 2018
Tax loss carryforwards	1,684	1,590
Fixed assets	1	4
Pensions	275	181
Other temporary differences	419	484
Netting of deferred tax assets/liabilities	-1,629	-2,085
Total	**750**	**174**

Reconciliation of deferred tax, net:	31 Oct 2019	31 Oct 2018
Opening balance	-185	-142
Change in cash-flow hedging	313	45
Change according to statement of income	-155	-423
Change in defined-benefit pension plans	537	291
Exchange-rate differences, etc.	57	44
Deferred tax, net, at 31 October	**567**	**-185**

On the closing date the Group had unutilized loss carryforwards of about MSEK 8,000 (7,400). Based on these loss carryforwards, the Group recognized a deferred tax asset of MSEK 1,684 (1,590). Deferred tax assets are recognized to the extent that there are factors indicating that taxable profits will be created. The assessment of the respective Group companies' future profit performance is based on earnings reported in recent years as well as improved profitability prospects. Of recognized loss carryforwards totaling MSEK 1,684, MSEK 538 pertains to operations in Denmark, MSEK 110 to Norway, MSEK 1,013 to Sweden and MSEK 23 to Ireland. With regard to Sweden, further potential deferred tax assets exist attributable to Swedish pensions but, as the assessment is ongoing, the amount cannot be quantified. For loss carryforwards amounting to MSEK 14 (49), no deferred tax asset is recognized due to uncertainty as regards future profit earnings. There are no expiration dates for the loss carryforwards.

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

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

NOTE 11 INTANGIBLE ASSETS

	Goodwill		IT system		Total intangible assets	
	31 Oct 2019	31 Oct 2018	31 Oct 2019	31 Oct 2018	31 Oct 2019	31 Oct 2018
Opening cost	788	741	1,804	1,807	2,592	2,548
Investments	–	–	90	11	90	11
Sales/disposals	-17	–	–	-17	-17	-17
Sale of companies	–	–	–	–	–	–
Reclassifications	–	–	1	3	1	3
Exchange-rate differences	-28	47	–	–	-28	47
Closing accumulated cost	**743**	**788**	**1,895**	**1,804**	**2,638**	**2,592**
Opening amortization	-94	-90	-999	-877	-1,093	-967
Amortization and impairment for the year	–	–	-147	-136	-147	-136
Sales/disposals	17	–	–	17	17	16
Sale of companies	–	–	–	–	–	–
Reclassifications	–	–	-1	-3	-1	-3
Exchange-rate differences	2	-4	–	–	2	-4
Closing accumulated amortization	**-75**	**-94**	**-1,147**	**-999**	**-1,222**	**-1,094**
Opening impairment	–	–	–	–	–	–
Sale of companies	–	–	–	–	–	–
Closing impairment	**–**	**–**	**–**	**–**	**–**	**–**
Carrying amount	**668**	**694**	**748**	**805**	**1,416**	**1,498**

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

Goodwill:	31 Oct 2019	31 Oct 2018
SAS Scandinavian Airlines Norway	668	694
Total goodwill	**668**	**694**

TESTING FOR IMPAIRMENT OF INTANGIBLE ASSETS

The value of the Group's intangible assets has been estimated through comparison with the recoverable amount, which is based on the Group's cash-generating value in use based on five-years' cash flow in the Group's business plan. A growth rate of +1.0% (+1.0) and a cost trend of -0.7% (-0.6) have been adopted for the period beyond the plan period.

The projected cash flows are based on assumptions regarding volume trends, unit revenue, operating margins and discount rates, which have been established by the management based on historical experience and market data. The policies applied in the above assessment are unchanged from the assessment in fiscal year 2018. The discount rate has been estimated based on a weighted capital cost of 9.99% (9.99) before tax, and of 8.7% (8.7) after tax. To support the impairment tests performed on goodwill in the Group, a comprehensive analysis was performed of the sensitivity in the variables used in the model. A weakening of any of the significant assumptions included in the business plans or a weakening of the annual growth rate in revenue and operating margins beyond the plan period, or an increase in the discount rate that, individually, is reasonably probable, shows that a healthy margin still exists between the recoverable amount and carrying amount. Management therefore determined that there was no additional need for impairment of goodwill and other intangible assets at the close of October 2019.

NOTE 12 TANGIBLE FIXED ASSETS

	Buildings and land		Aircraft[1,2]		Spare engines & spare parts		Workshop & servicing equipment, aircraft	
	31 Oct 2019	31 Oct 2018	31 Oct 2019	31 Oct 2018	31 Oct 2019	31 Oct 2018	31 Oct 2019	31 Oct 2018
Opening cost	1,183	1,182	19,246	17,729	166	128	360	390
Investments	3	3	4,796	5,236	–	38	44	8
Capitalized interest	–	–	–	–	–	–	–	–
Sales/disposals	-1	-51	-1,762	-4,413	-4	–	–	-40
Sale of companies	–	–	–	–	–	–	–	–
Reclassifications	157	28	781	708	–	–	30	2
Exchange-rate differences	-1	21	125	-14	–	–	–	–
Closing accumulated cost	**1,341**	**1,183**	**23,186**	**19,246**	**162**	**166**	**434**	**360**
Opening depreciation	-683	-633	-10,479	-9,829	-74	-71	-287	-302
Depreciation and impairment for the year	-85	-67	-1,642	-1,513	-3	-3	-21	-18
Sales/disposals	1	34	545	863	2	–	–	34
Sale of companies	–	–	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–	–	-1
Exchange-rate differences	-5	-17	-1	–	–	–	–	–
Closing accumulated depreciation	**-772**	**-683**	**-11,577**	**-10,479**	**-75**	**-74**	**-308**	**-287**
Carrying amount	**569**	**500**	**11,609**	**8,767**	**87**	**92**	**126**	**73**

	Other equipment & vehicles		Investment in progress		Prepayment relating to tangible fixed assets		Total tangible assets	
	31 Oct 2019	31 Oct 2018	31 Oct 2019	31 Oct 2018	31 Oct 2019	31 Oct 2018	31 Oct 2019	31 Oct 2018
Opening cost	448	450	48	16	2,658	1,987	24,109	21,882
Investments	40	36	29	60	1,183	1,448	6,095	6,829
Capitalized interest	–	–	–	–	110	–	110	–
Sales/disposals	-35	-42	–	–	–	–	-1,802	-4,546
Sale of companies	–	–	–	–	–	–	–	–
Reclassifications	-21	-1	-63	-28	-980	-971	-97	-262
Exchange-rate differences	1	5	–	–	100	194	225	206
Closing accumulated cost	**433**	**448**	**14**	**48**	**3,071**	**2,658**	**28,641**	**24,109**
Opening depreciation	-346	-355	–	–	–	–	-11,869	-11,190
Depreciation and impairment for the year	-25	-26	–	–	–	–	-1,776	-1,627
Sales/disposals	35	40	–	–	–	–	583	971
Sale of companies	–	–	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–	–	-1
Exchange-rate differences	-4	-5	–	–	–	–	-10	-22
Closing accumulated depreciation	**-340**	**-346**	**–**	**–**	**–**	**–**	**13,072**	**-11,869**
Carrying amount	**93**	**102**	**14**	**48**	**3,071**	**2,658**	**15,569**	**12,240**

1) The insured value of aircraft at 31 October 2019 amounted to MSEK 55,015. This includes the insured value of leased (operating leases) aircraft in the amount of MSEK 33,088.
2) Modifications of aircraft under operating leases are included in planned residual value in the amount of MSEK 190 (126).

The SAS Group's aircraft holdings can be specified as follows:

	31 Oct 2019	31 Oct 2018
Owned	6,860	6,345
Finance leased	4,749	2,422
Carrying amount	**11,609**	**8,767**

At the beginning of fiscal year 2019, there were 13 Boeing 737s and one Airbus A320neo that had been formally acquired through finance leases, with original terms of six to 12 years. During the year, five new Airbus A320neo aircraft were acquired through formal finance leases with terms of 12–13 years. Under all of the finance leases, SAS has purchase options that apply during the terms of the leases.

With regard to finance-leased aircraft, the terms of the leases (particularly pertaining to SAS' purchase options during the contract period and the economic risk SAS has regarding the value of the aircraft) are such that the agreements, from SAS' point of view, are comparable to a purchase.

FINANCE LEASES

The SAS Group has finance leases for aircraft with remaining terms of up to ten years. In addition, finance leases exist with regard to buildings with remaining terms of around two years, and aircraft vehicles and service equipment with remaining terms of up to five years.

Lease payments consist in part of minimum lease payments and in part of contingent rent. In those cases where the lease payments are based on a floating interest rate, they are included in minimum lease payments at the current rate at the start of the agreement. Future changes in the interest rate are included in the contingent rent. Total lease payments amounted to MSEK 501 (316). Contingent rent impacted lease payments for the year by MSEK -8 (-7). At the closing date, there was no leasing of finance-leased assets to third parties. On the closing date, carrying amounts of finance-leased assets amounted to:

	Aircraft		Property, plant and equipment	
	31 Oct 2019	31 Oct 2018	31 Oct 2019	31 Oct 2018
Cost	7,748	4,967	476	472
Less accumulated depreciation	-2,999	-2,545	-153	-118
Carrying amount of finance-leased assets	**4,749**	**2,422**	**323**	**354**

Note 12 continued

Future minimum lease payments and their present value for finance leases applicable on the closing date.

	31 Oct 2019		31 Oct 2018	
Due date:	Future minimum lease payments	Present value of future minimum lease payments	Future minimum lease payments	Present value of future minimum lease payments
<one year	644	637	454	446
1–5 years	2,730	2,629	2,290	2,135
>5 years	2,298	2,009	386	299
Total	**5,672**	**5,275**	**3,130**	**2,880**

OPERATING LEASES

During the year, the SAS Group did not lease out any of its owned aircraft or other assets.

CONTRACTUAL PURCHASE COMMITMENTS

The Group had the following commitments relating to future acquisition of tangible fixed assets. At 31 October 2019, contracted orders amounted to 38 Airbus A320neo aircraft and eight Airbus A350-900s with delivery between 2019 and 2023 amounting to a total future purchase commitment, including spares, of MUSD 2,782. At the closing date, other purchase commitments totaled MSEK 5 (2). SAS has also entered into contracts for 14 A320neo and three A321LR aircraft that will be under operating leases.

NOTE 13 PREPAYMENTS RELATING TO TANGIBLE FIXED ASSETS

	31 Oct 2019	31 Oct 2018
Airbus	2,554	2,458
Other	517	200
Total	**3,071**	**2,658**

NOTE 14 FINANCIAL FIXED ASSETS

	Equity in affiliated companies		Other holdings of securities		Net pension funds		Deferred tax and other long-term receivables[1]		Total financial fixed assets	
	31 Oct 2019	31 Oct 2018	31 Oct 2019	31 Oct 2018	31 Oct 2019	31 Oct 2018	31 Oct 2019	31 Oct 2018	31 Oct 2019	31 Oct 2018
Opening cost	417	374	73	73	4,025	4,871	2,944	2,731	7,459	8,049
Contributions	–	–	6	–	277	373	1,127	303	1,410	676
Share of income in affiliated companies	-9	35	–	–	–	–	–	–	-9	35
Sale of affiliated companies	-394	–	–	–	–	–	–	–	-394	–
Amortization	–	–	–	–	–	–	-909	-326	-909	-326
Dividend	-8	-13	–	–	–	–	–	–	-8	-13
Reclassifications	–	–	–	–	-2,318	-1,192	–	-40	-2,318	-1,232
Exchange-rate differences	8	21	–	–	20	-27	107	276	135	270
Closing accumulated cost	**14**	**417**	**79**	**73**	**2,004**	**4,025**	**3,269**	**2,944**	**5,366**	**7,459**
Opening impairment	–	–	-70	-70	–	–	–	–	-70	-70
Impairment	–	–	–	–	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–	–	–	–	–
Closing accumulated impairment	**–**	**–**	**-70**	**-70**	**–**	**–**	**–**	**–**	**-70**	**-70**
Carrying amount	**14**	**417**	**9**	**3**	**2,004**	**4,025**	**3,269**	**2,944**	**5,296**	**7,389**

1) The carrying amount includes blocked bank funds of MSEK 1,789 (1,969) and deferred tax assets of MSEK 750 (174).

NOTE 15 POST-EMPLOYMENT BENEFITS

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

Pension funds in the balance sheet	31 Oct 2019	31 Oct 2018
Present value of funded obligations	-19,105	-17,255
Fair value of plan assets	21,585	21,855
Surplus in funded plans	**2,480**	**4,600**
Present value of unfunded obligations	-476	-575
Surplus in defined-benefit pension plans (net pension funds)	**2,004**	**4,025**

Recognized in profit or loss pertaining to[1]	**FY19**	**FY18**
Defined-benefit pension plans	9	90
Defined-contribution pension plans	-871	-873
	-862	**-783**
Remeasurements of defined-benefit pension plans[2]	-1,752	-915

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

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

Note 15 continued

DEFINED-BENEFIT PENSION PLANS

Previously, most personnel pension plans in Scandinavia were defined-benefit plans. In November 2012, new collective agreements were signed with aircraft crew in Scandinavia. Among other things, the new agreements mean that the defined-benefit pension plans were, largely, replaced with defined-contribution pension plans effective as of the first quarter of fiscal year 2014. Defined-contribution pension plans are currently in place for the majority of personnel in Denmark and Norway, and in Sweden for aircraft crew, younger salaried employees and personnel covered by the SAF-LO collective agreement. The majority of the remaining defined-benefit pension plans are secured through insurance companies in the respective countries. In Sweden, pension plans are mainly placed with Alecta and Euroben, in Denmark with Danica and in Norway with DNB. A substantial portion of SAS employees in Sweden continue to be covered by an ITP pension reinsured by Alecta (the Alecta plan). Premiums for defined-benefit retirement pensions are individual and depend, inter alia, on the insured party's age, salary and previously vested pension rights. Expected fees in fiscal year 2020 for defined-benefit pension plans under the Alecta plan are expected to amount to about MSEK 63. The collective consolidation level comprises the market value of Alecta's assets as a percentage of insurance undertakings estimated pursuant to Alecta's actuarial assumptions, which do not comply with IAS 19. Collective consolidation, in the form of a collective consolidation level, is normally permitted to range between 125% and 175%. If Alecta's collective consolidation level falls below 125% or exceeds 175%, actions must be taken to create conditions enabling the consolidation level to revert to the normal interval. Alecta's surplus can be allocated to the policy holders or the insured parties if the collective consolidation level exceeds 175%. However, Alecta applies reductions in premiums to avoid an excessive surplus arising. At the end of the fiscal year, Alecta's surplus in the form of the consolidated collective consolidation level was 142% (159). According to a statement by the Swedish Financial Reporting Board, UFR 10, this constitutes a multi-employer defined-benefit plan and enterprises covered by a multi-employer pension plan classified as defined-benefit must account for their proportional share of the plan's obligations, plan assets and costs in the same way as for any other defined-benefit plan. SAS is provided with information that enables SAS to report its proportional allocated share of the Alecta plan's commitments, plan assets and costs in accordance with IAS 19 rules regarding defined-benefit pension plans. SAS therefore reports net defined-benefit assets since the future economic benefits are available to SAS in the form of future reductions in premiums, cover for future pension indexing or a cash refund.

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

As per 31 October 2019, the remaining pension plans in Sweden reported a surplus of just over SEK 1.8 billion and, accordingly, special payroll tax was recognized for the surplus. At 31 October 2019, special payroll tax totaled about SEK 0.5 billion (0.8).

Defined-benefit pension plans	FY19	FY18
Current service cost	-84	-75
Past service cost and gains and losses on settlements	4	56
Interest expense on pension obligations	-397	-390
Interest income on plan assets	467	468
Payroll tax	19	31
Total impact recognized in profit and loss for defined-benefit pension plans	**9**	**90**

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

Changes in the present value of defined-benefit plan obligations	31 Oct 2019	31 Oct 2018
Opening balance, pension obligations	17,830	17,474
Current service cost	84	75
Settlements	-366	-242
Interest expense	397	390
Reclassification	–	17
Pensions paid out	-841	-867
Exchange-rate differences	89	140
	17,193	**16,987**
Remeasurements		
– Gain/loss (-/+) from change in demographic assumptions	-13	31
– Gain/loss (-/+) from change in financial assumptions	2,238	589
– Experience gains/losses (-/+)	163	223
Closing balance, pension obligations, 31 October	**19,581**	**17,830**

Change in fair value of plan assets	31 Oct 2019	31 Oct 2018
Opening balance, plan assets	21,855	22,345
Settlements	-362	-186
Interest income	467	468
Contributions/premiums paid	136	128
Other expenses/revenue	19	31
Reclassification	-29	31
Pensions paid out	-709	-712
Exchange-rate differences	109	113
	21,486	**22,218**
Remeasurements		
– Special payroll tax	-415	-263
– Return on plan assets (excluding amounts included in interest income)	514	-100
Closing balance, plan assets, 31 October	**21,585**	**21,855**

Change in pension funds (net)	31 Oct 2019	31 Oct 2018
Opening balance, pension funds (net)	**4,025**	**4,871**
Total recognized in net income for the year	9	90
Reclassification	-29	14
Remeasurements	-1,893	-943
Contributions/premiums paid	268	283
Special payroll tax	-396	-263
Exchange-rate differences	20	-27
Closing balance, pension funds (net), 31 October	**2,004**	**4,025**

Breakdown of the defined-benefit plan obligations and plan assets by country	31 Oct 2019					31 Oct 2018				
	Sweden	Norway	Denmark	Other	Total	Sweden	Norway	Denmark	Other	Total
Present value of obligation	-17,398	-372	-144	-1,667	-19,581	-15,614	-702	-228	-1,286	-17,830
Fair value of plan assets	19,709	–	131	1,745	21,585	19,930	304	206	1,415	21,855
Pension funds (net)	**2,311**	**-372**	**-13**	**78**	**2,004**	**4,316**	**-398**	**-22**	**129**	**4,025**

Note 15 continued

Remeasurements — analysis of amounts recognized under other comprehensive income	FY19	FY18
– Gain/loss (+/-) from change in demographic assumptions	13	-31
– Gain/loss (+/-) from change in financial assumptions	-2,238	-589
– Experience gains/losses (+/-)	-163	-223
– Special payroll tax	-415	-263
– Return on plan assets (excluding amounts included in interest income)	514	-100
Total remeasurements	**-2,289**	**-1,206**

During the year, the discount rate was lowered for all countries. The total impact of changed discount rates entailed a negative impact on other comprehensive income of SEK 2.2 billion. The return on plan assets has been higher than the discount rate, which entailed a positive impact on other comprehensive income of SEK 0.5 billion. Moreover, a negative item of SEK 0.2 billion was recognized under the experience gains/losses item as a result of full index adjustment.

ACTUARIAL ASSUMPTIONS

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

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

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

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

	31 Oct 2019					31 Oct 2018				
The key actuarial assumptions	**Sweden**	**Norway**	**Denmark**	**Other**	**Total**	**Sweden**	**Norway**	**Denmark**	**Other**	**Total**
Discount rate	1.45%	1.90%	0.00%	1.96%	1.50%	2.20%	2.85%	0.70%	3.46%	2.30%
Inflation	1.90%	0–1.75%	1.75%	3.50%[2]	1.90%	1.90%	1.50%[1]	1.75%	3.40%[2]	1.89%
Salary growth rate	2.00%	–	1.75%	–	2.00%	2.00%	1.75%	1.75%	–	1.99%
Pension growth rate	1.90%	0–1.75%	1.75%	3.40%[2]	2.00%	1.90%	0.95%	1.75%	3.30%[2]	1.96%

1) Pertains solely to unfunded plans.

2) Pertains solely to UK plans.

The average duration of defined-benefit pension plans was as follows:	Sweden	Norway	Denmark	Other
Fiscal year 2019	15.2	9.4	5.9	17.6
Fiscal year 2018	14.6	10.7	6.3	16.8

	31 Oct 2019		31 Oct 2018	
Plan assets are comprised as follows[1]:	**Total**	**%**	**Total**	**%**
Alecta (Sweden):				
Equities, of which 38% (44) was invested in Swedish equities	3,667	40	3,808	41
Interest-bearing securities	4,584	50	4,645	50
Properties	917	10	836	9
	9,168	**100**	**9,289**	**100**
Euroben (Sweden):				
Equities, of which 29% (30) was invested in Swedish equities	2,615	26	2,835	29
Interest-bearing securities	6,221	62	6,060	62
Properties	–	–	880	9
Other	1,238	12	–	–
	10,074	**100**	**9,775**	**100**
Danica (Denmark):				
Equities	20	15	35	17
Interest-bearing securities	94	72	146	70
Properties	17	13	27	13
	131	**100**	**208**	**100**
DnB (Norway):				
Equities	–	–	37	12
Interest-bearing securities	–	–	237	78
Properties	–	–	28	9
Other	–	–	2	1
	–	**–**	**304**	**100**
Other countries:				
Equities	395	23	359	26
Interest-bearing securities	794	45	684	48
Other	556	32	372	26
	1,745	**100**	**1,415**	**100**

1) The plan assets in the Swedish pension plans exclude special payroll tax, which is not included in the plan assets managed by Alecta and Euroben. Only an insignificant share of the plan assets is invested in SAS shares.

Note 15 continued

Membership statistics at 31 October 2019	Active employees	Taken early retirement	Deferred pensioners	Pensioners
The Alecta plan	1,972	155	3,098	3,691
Euroben	40	–	475	1,012
Other plans in Sweden (unfunded)	–	–	–	46
DnB	–	–	–	652
Danica	7	–	–	11
Other	23	–	429	570
Total	2,042	155	4,002	5,982

The effect on/sensitivity of the defined-benefit obligation to changes in the key assumptions, MSEK:	Sweden	Norway	Denmark	Other	Total
Discount rate, -1%	-3,110	-33	-12	-288	-3,443
Inflation, +1%[1]	-3,241	-4	-2	-56	-3,303
Salary, +1%	-239	–	–	–	-239

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant.

1) Corresponds with sensitivity in terms of pension increases.

NOTE 16 EXPENDABLE SPARE PARTS AND INVENTORIES

	31 Oct 2019	31 Oct 2018
Expendable spare parts, flight equipment	297	331
Expendable spare parts, other	23	35
Inventories	26	35
Total	**346**	**401**
Measured at cost	346	401
Measured at net realizable value	–	–
Total	**346**	**401**

NOTE 17 CURRENT RECEIVABLES

Net impairment of accounts receivable and recovered accounts receivable as well as impairment of other current receivables totaled MSEK 22 (14) and was charged to income.

Age analysis of accounts receivable	31 Oct 2019	31 Oct 2018
Accounts receivable not yet due	1,183	1,138
Due <31 days	15	24
Due 31–90 days	17	39
Due 91–180 days	10	9
Due >180 days	8	9
Total	**1,233**	**1,219**

Provision for expected credit losses on accounts receivable	31 Oct 2019	31 Oct 2018
Opening provision	15	9
Effect of new accounting policy, IFRS 9	14	–
Provision for expected losses	17	11
Reversed provisions	-3	-1
Actual losses	-11	-4
Closing provision	**32**	**15**

NOTE 18 CURRENT RECEIVABLES FROM AFFILIATED COMPANIES

	31 Oct 2019	31 Oct 2018
Air Greenland A/S	–	1
Total	**0**	**1**

NOTE 19 PREPAID EXPENSES AND ACCRUED INCOME

	31 Oct 2019	31 Oct 2018
Prepaid expenses	446	431
Accrued income	400	398
Total	**846**	**829**

Accrued income is categorized as contractual assets. Further information is provided in Note 29.

NOTE 20 SHORT-TERM INVESTMENTS

	31 Oct 2019	31 Oct 2018
Treasury bills	290	287
Deposits	344	980
Commercial paper	1,511	2,842
Tax deduction account in Norway	128	123
Total	**2,273**	**4,232**

The carrying amount of short-term investments corresponds with the fair value. Fair value is the amount that should have been received for short-term investments outstanding if sold on the closing date. Short-term investments are categorized as financial assets at amortized cost.

All investments have a term of no more than three months. The item deposits includes receivables from other financial institutes of MSEK 290 (339).

NOTE 21 SHARE CAPITAL

SAS AB has three classes of shares: common shares, subordinated shares and class C shares.

At 31 October 2019, there were 382,582,551 common shares issued with a quotient value of SEK 20.10, representing a registered share capital of SEK 7,689,909,275. In fiscal year 2018, SAS completed a private placement of 52,500,000 common shares.

During fiscal year 2014, an issue of 7,000,000 preference shares was made, each with a quotient value of SEK 20.10. SAS redeemed 4,898,448 preference shares in fiscal year 2018. SAS redeemed the remaining 2,101,552 preference shares in fiscal year 2019.

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

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

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

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

To ensure that the ownership circumstances of the company comply with the requirements stipulated in bilateral air traffic agreements or in laws or regulations pertaining to the state of air traffic in the EEA, the Board is entitled, pursuant to the Articles of Association, to make a decision on mandatory redemption of shares held by shareholders outside of Scandinavia without refund to affected shareholders. Should the redemption of such shares not be possible, the Board is entitled (subsequent to resolution by the shareholders' meeting) to assign warrants with subscription rights for subordinated shares to Scandinavian shareholders to dilute the non-Scandinavian shareholding to the requisite level to ensure compliance with the aforementioned regulations.

DIVIDEND POLICY

At 31 October 2019, SAS AB had two share classes listed. SAS' overriding goal is to create shareholder value.

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

1) At 31 October 2019, SAS had one financial instrument outstanding that limits dividend rights for holders of SAS common shares. SAS has issued a SEK 2.25 billion unsecured bond, which stipulates that dividends to shareholders may not exceed 50% of net income for the year, but does not apply to dividends on other types of financial products or instruments. No dividend may be distributed by SAS in contravention of the bond terms.

NOTE 22 RESERVES

Translation reserve	2019	2018
Opening translation reserve	-51	-198
Translation differences for the year	-20	147
Closing translation reserve, 31 October	**-71**	**-51**
Hedging reserve		
Opening hedging reserve	1,292	1,472
Effect of new accounting policy, IFRS 9	–	-20
Cash-flow hedges:		
– Recognized directly in other comprehensive income	-1,207	1,237
– Change in statement of income	-215	-1,442
– Tax attributed to year's change in hedging reserve	313	45
Closing hedging reserve, 31 October	**183**	**1,292**
Total reserves		
Opening reserves	1,241	1,254
Change in reserves for the year:		
– Translation reserve	-20	147
– Hedging reserve	-1,109	-160
Closing reserves, 31 October	**112**	**1,241**

TRANSLATION RESERVE

The translation reserve includes all exchange-rate differences arising in conjunction with the translation of financial statements from foreign operations that have prepared their financial statements in a currency other than Swedish kronor.

HEDGING RESERVE

The hedging reserve includes the effective part of the cumulative net change in fair value on a cash-flow instrument attributable to hedging transactions that have not yet transpired.

NOTE 23 LONG-TERM LIABILITIES

Long-term liabilities that fall due more than five years after the closing date.

	31 Oct 2019	31 Oct 2018
Subordinated loans	1,240	1,161
Bonds	–	360
Other loans	2,022	341
Total	**3,262**	**1,862**

NOTE 24 SUBORDINATED LOANS

A subordinated loan of MCHF 200 was issued during fiscal year 1986. There is no set maturity date for this loan. The interest rate is fixed for ten-year periods and amounts to 0.625% from January 2016. SAS has an exclusive right to cancel this loan every fifth year. When the loan is canceled in connection with an interest-rate reset, SAS is entitled to repay the loan at 100% of its nominal value. If it is canceled five years after an interest-rate reset, the loan must be repaid at 102.5% of the nominal value.

In previous years, SAS repurchased MCHF 73 of the bonds, after which the balance of the loan is MCHF 127 (127), with a countervalue of MSEK 1,240 (1,161).

The bond is listed on the Basel Stock Exchange, Geneva Stock Exchange and Swiss Exchange. On the closing date, its total market value (including credit risk) amounted to MCHF 47 (36), with a countervalue of MSEK 461 (331). Fair value has been established entirely by the use of official price quotes.

NOTE 25 BONDS

In May 2001, a MEUR 1,000 European Medium-Term Note program was established. The EMTN program makes it possible for the Group to issue bonds with fixed or floating interest rates in any currency. On the closing date, the SAS Group's issued bonds amounted to MSEK 3,063 (3,040). A specification of individual bond loans is provided below:

				31 Oct 2019		31 Oct 2018	
Original amount issued	**Coupon rate**	**Term**	**Debt outstanding, currency**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
MEUR 30.0	3.8%[1]	2017/22	MEUR 29.8	320	322	309	331
MEUR 10.0	3.5%[1]	2016/21	MEUR 10	107	107	104	109
MEUR 35.0	3.5%[1]	2018/23	MEUR 34.6	373	376	360	394
MSEK 2,250.0	5.2%	2017/22	MSEK 2,262.9	2,263	2,143	2,267	2,202
Total				**3,063**	**2,948**	**3,040**	**3,036**
Less amortization FY20 and FY19				–	–	–	–
Total				**3,063**	**2,948**	**3,040**	**3,036**

1) Coupon rate on closing date. The loan has a floating interest rate.

The debt outstanding in currency and the carrying amount in MSEK corresponds with amortized cost. The Group has entered into currency derivatives agreements for some of these bonds for the purpose of limiting currency risk. The fair value has been established in part by the use of official price quotes, and partly by discounting cash flows at quoted interest rates.

NOTE 26 OTHER LOANS

	31 Oct 2019		31 Oct 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Finance leases	4,920	5,264	2,706	2,832
Convertible bond	–	–	1,559	1,582
Other loans	972	994	1,298	1,317
Derivatives	39	39	–	–
Total before amortization	**5,931**	**6,297**	**5,563**	**5,731**
Less amortization FY20 and FY19	-784	-921	-2,272	-2,383
Total other loans	**5,147**	**5,376**	**3,291**	**3,348**

Maturity profile of other loans	FY20	FY21	FY22	FY23	FY24	FY24>	Total
Finance leases	518	1,214	360	620	186	2,022	4,920
Other loans	266	492	192	22	–	–	972
Derivatives	–	39	–	–	–	–	39
Total	**784**	**1,745**	**552**	**642**	**186**	**2,022**	**5,931**

Other loans and finance leases are recognized at amortized cost.

In other loans, some borrowing is included within the framework of various revolving credit facilities (see Note 27 for further information). The interest rate of these loans is readjusted to the current interbank rate based on the currency of the loan plus a margin. The average interest rate on the closing date amounted to 3.91% for finance leases and 3.68% for other loans.

NOTE 27 FINANCIAL RISK MANAGEMENT AND FINANCIAL DERIVATIVES

The SAS Group is exposed to various types of financial risks. All risk management is handled centrally and in accordance with the policies set by the Board. The SAS Group uses derivative instruments as part of its financial risk management to limit its fuel, currency and interest-rate exposure.

FUEL PRICE RISK

The SAS Group is exposed to changes in jet-fuel prices. Exposure is handled by continuously hedging 40–80% of the forecast fuel consumption for the coming 12 months. The main financial derivatives used for hedging jet fuel are options and swaps. On 31 October 2019, the Group signed agreements for derivatives covering approximately 62% of the Group's forecast jet-fuel requirement for November 2019–October 2020. In November 2018–October 2019, jet-fuel-related costs accounted for 21.2% of the Group's operating expenses, compared with 18.7% in November 2017–October 2018.

CURRENCY RISK

The SAS Group has currency exposure to both transaction risk and translation risk.

Transaction risk arises when flows in foreign currencies are exposed to currency fluctuations. To manage the transaction risk to which the SAS Group is exposed, the projected commercial currency flows are hedged using currency derivatives. According to the financial policy, the hedge level must be 40–80% of a 12-month rolling liquidity forecast. Future contracted aircraft purchases denominated in USD can be hedged by up to 80% of the contracted amount. Additionally, future aircraft sales can be hedged with currency derivatives and loans in USD in an amount up to 80% of the carrying amounts of the aircraft fleet. On 31 October 2019, the Group signed agreements for derivatives covering approximately 52% of the Group's forecast commercial currency exposure for November 2019–October 2020.

Translation risk arises during conversion of balance-sheet items in foreign currencies due to currency fluctuations. To limit translation risk, the policy is to keep the net financial debt mainly in the presentation currency of the respective subsidiary.

INTEREST-RATE RISK

The SAS Group is exposed to interest-rate risk when the market value of the net financial debt (interest-bearing assets and liabilities) is affected by movements in the yield curve (market interest rates at different maturities). Group borrowing includes loans at both fixed and floating interest rates. To manage the interest-rate risk, interest-rate derivatives are used to change the fixed-interest term of the underlying gross financial debt. The target of current policy is for the average fixed-interest term of the gross financial debt to correspond to 2 years, with a permitted interval of 1–4 years. In addition, the development of the gross financial debt for the forthcoming 12 months and contracted future aircraft purchases is taken into consideration. At 31 October 2019, the average fixed-interest term was 3.6 (2.7) years.

SENSITIVITY ANALYSIS, REVALUATION EFFECT ON CLOSING DATE

The sensitivity analysis concerning fuel price shows the immediate revaluation effect of a 10% parallel shift in the price curve for fuel derivatives.

The sensitivity analysis concerning currency shows the immediate revaluation effect on the closing date for cash-flow hedges, accounts receivable and accounts payable of a 10% strengthening or weakening of the Swedish krona against all currencies the SAS Group is exposed to.

The sensitivity analysis for market interest rates shows the immediate revaluation effect on the closing date for interest-rate derivatives and short-term investments with a 1-percentage-point parallel shift in the yield curve. Beyond the revaluation effect, the SAS Group's net interest for the November 2018–October 2019 period is affected by around MSEK 58 (17) if short-term market rates rise by 1 percentage point. However, if short-term market rates fall by 1 percentage point the corresponding negative effect on net interest is MSEK -58 (-17). The estimate also includes interest-rate derivatives.

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Note 27 continued

SENSITIVITY ANALYSIS, REVALUATION EFFECT ON CLOSING DATE

Market risk	Change	Currency	31 Oct 2019 Earnings impact	31 Oct 2018 Earnings impact	31 Oct 2019 Equity impact	31 Oct 2018 Equity impact
Fuel price	+/- 10%		-/-	-15/-78	386/-411	405/-217
Currency risk, SEK	+/- 10%	CNY	3/-3	2/-2	17/-17	23/-23
Currency risk, SEK	+/- 10%	DKK	7/-7	-4/4	-/-	0/0
Currency risk, SEK	+/- 10%	EUR	-1/1	-1/1	-/-	-7/7
Currency risk, SEK	+/- 10%	JPY	2/-2	1/-1	38/-38	34/-34
Currency risk, SEK	+/- 10%	NOK	8/-8	14/-14	304/-304	290/-290
Currency risk, SEK	+/- 10%	USD	-18/18	-52/52	-450/451	-119/357
Currency risk, SEK	+/- 10%	OTHER	-8/8	0/0	43/-43	37/-37
Market interest rates	+/- 1%		-/-	-/-	280/-280	46/-46

FINANCIAL DERIVATIVES

Different types of currency derivatives, such as currency forward contracts, currency swap contracts and currency options, are used to manage currency exposure. Furthermore, interest-rate exposure is managed by different types of interest-rate derivatives such as Forward Rate Agreements (FRAs), futures, interest-rate swap contracts and currency interest-rate swap contracts.
As of 31 October 2019, the fair value of the SAS Group's outstanding derivative instruments totaled MSEK 660 (476), broken down according to the table below.

	31 Oct 2019				31 Oct 2018	
		Fair value				
	Outstanding volume	Assets	Liabilities	Net	Outstanding volume	Fair value, net
Currency derivatives	17,330	196	-153	43	18,176	30
Interest-rate derivatives	4,669	–	-535	-535	2,960	112
Fuel derivatives	7,364	52	-220	-168	6,226	334
Total	**29,363**	**248**	**-908**	**-660**	**27,362**	**476**

As of the balance-sheet date, fair value is consistent with carrying amounts.

The fair value is the amount received or paid if outstanding financial instruments are sold on the closing date. Derivatives not subject to hedge accounting are classified as financial instruments at FVTPL. Outstanding volume means the nominal amount of derivative contracts expressed in absolute terms.

The total carrying amount for the Group's derivative financial instruments is presented in the balance-sheet items in the table to the right.

OFFSETTING OF FINANCIAL DERIVATIVES

To reduce counterparty risks for bank receivables related to derivatives, SAS has entered into netting agreements, under ISDA agreements, signed with all of its counterparties.

The information in the following table includes financial assets and liabilities that are subject to enforceable master netting arrangements and similar agreements that cover financial instruments.

	31 Oct 2019	31 Oct 2018
Other long-term receivables	–	80
Other receivables	248	566
Total derivative assets	**248**	**646**
Other loans	-39	–
Current liabilities	-869	-170
Total derivative liabilities	**-908**	**-170**
Derivative assets/liabilities net at end of the period	**-660**	**476**
Allocation of derivatives according to the following:		
Cash-flow hedges	-666	495
Derivatives not designated as hedges for accounting purposes	6	-19
Derivative assets/liabilities *net at end of the period*	**-660**	**476**

Note 27 continued

	31 Oct 2019			31 Oct 2018		
	Financial assets	Financial liabilities	Total	Financial assets	Financial liabilities	Total
Gross amount	248	-908	-660	646	-170	476
Amount offset	–	–	–	–	–	–
Recognized in the balance sheet	**248**	**-908**	**-660**	**646**	**-170**	**476**
Amounts covered by netting agreements	-222	260	38	-552	165	-387
Net amount after netting agreements	**26**	**-648**	**-622**	**94**	**-5**	**89**

HEDGE-ACCOUNTED DERIVATIVES, CASH-FLOW HEDGE

Hedging of aircraft

The hedging of future contracted aircraft purchases/sales represents hedging transactions since it is the payment flow in foreign currency during a future purchase/sale that is hedged using the cash-flow method. The loans and the currency forward contracts included in hedging relationships are translated at the relevant closing rate and the change that is calculated as effective is recognized in other comprehensive income. As of 31 October 2019, the accumulated currency effect on cash-flow-hedged loans and derivatives relating to future aircraft purchases and sales was recognized after tax in the hedging reserve in equity in the amount of MSEK 812 (998).

Commercial flows

Currency derivatives are used to manage the transaction risk relating to projected commercial flows. These currency derivatives represent hedging transactions according to the cash-flow method and their accounting policies are matched with those of the underlying liquidity projection. Provided that the effectiveness of the hedges can be demonstrated, the accumulated change in market value of each hedging transaction is recognized in equity until it is recycled to the statement of income as a cost/revenue. As of 31 October 2019, the accumulated currency effect of these cash-flow-hedged currency derivatives was recognized after tax in the hedging reserve in equity in the amount of MSEK 29 (52).

Interest-rate derivatives

When the SAS Group borrows at floating interest rates and changes its interest-rate exposure by entering into interest-rate swap contracts, whereby floating interest is received and fixed interest is paid, the hedging relationship is classified as a cash-flow hedge. When hedge accounting is applied, the effective portion of the change in value of the hedge instrument is recognized in other comprehensive income. The terms of the interest-rate derivatives used for hedging transactions are matched with those of the individual loans. On the closing date 31 October 2019, the accumulated effect on these cash-flow-hedged interest derivatives was recognized after tax in the hedging reserve in equity in the amount of MSEK -515 (88).

Fuel derivatives

Fuel derivatives are used to manage the price risk relating to jet fuel. These derivatives represent hedging transactions according to the cash-flow method and their accounting policies are matched with those of the underlying forecast jet-fuel requirement. As of 31 October 2019, the accumulated effect on these cash-flow-hedged fuel derivatives was recognized after tax in the hedging reserve in equity in the amount of MSEK -143 (174).

All together, MSEK 235 (1,682) was recognized before tax in the hedging reserve in equity at 31 October 2019, and is expected to affect the statement of income in the following years as follows:

	FY20	FY21	FY22	FY23	FY24	2024/2025>	Total
Aircraft	215	209	95	94	93	335	1,041
Commercial flows	37	–	–	–	–	–	37
Interest-rate derivatives	-43	-67	-67	-66	-66	-351	-660
Fuel derivatives	-183	–	–	–	–	–	-183
Deferred tax	-6	-31	-6	-6	-6	3	-52
Effect on equity	**20**	**111**	**22**	**22**	**21**	**-13**	**183**

DERIVATIVES NOT SUBJECT TO HEDGE ACCOUNTING

Other derivatives not subject to hedge accounting are remeasured on an ongoing basis and recognized at fair value through profit or loss. Interest-rate derivatives that cannot be linked to specific borrowing subject to hedge accounting are remeasured on an ongoing basis at their fair value through profit or loss.

Note 27 continued

CREDIT RISK

The Group's financial transactions give rise to exposure to credit risk vis-à-vis the financial counterparties. Credit risk or counterparty risk pertains to the risk of loss if a counterparty does not fulfill its contractual obligations. The financial policy prescribes that transactions may only be entered into with counterparties with high credit ratings, defined as category A3/P-1 or better according to Moody's or alternatively A-/A-1 according to Standard & Poor's.

Limits are set for each counterparty and are continuously revised. To further reduce counterparty risks, ISDA agreements (netting agreements) are signed with most counterparties. 98% of the credit-related exposure is geographically concentrated in the Nordic countries. The breakdown of the remaining credit exposure is 1% in the rest of Europe and 1% in the rest of the world. The maximum credit exposure for derivative instruments is matched by carrying amounts/fair values, see the above table under the heading Financial derivatives. For cash and cash equivalents, the size of the credit risk is the carrying amount and is distributed as follows:

	Carrying amount	
Rating (Moody's)	31 Oct 2019	31 Oct 2018
Aaa/P-1	290	287
Aa1/P-1	250	651
Aa2/P-1	–	–
Aa3/P-1	3,788	5,401
A1/P-1	2,023	2,126
A2/P-1	1,862	843
A3/P-1	550	448
Total	**8,763**	**9,756**

Under other long-term receivables, credit risk is allocated between financial institutions, external aircraft lessors, external aircraft operators and various property companies. The same regulations as those defined above for financial counterparties apply for financial institutions. With regard to external aircraft lessors, the majority of claims consist of pledged collateral for leasing fees as well as costs for return requirements. Since the cost of meeting the return requirements largely relates to those costs incurred dependent on the usage of the aircraft, the credit-related exposure is substantially neutralized.

The payments structure in agreements with external aircraft operators is designed so that SAS Group's receivables in the form of pledged collateral are often or always lower than the current liabilities/expenses of the SAS Group to these external operators.

In relation to the SAS Group's accounts receivable, the credit risk is spread over a large number of customers including private individuals and companies in various industries. Credit information is required for credit sales with the aim of minimizing the risk of bad debt losses and is based on intra-Group information on payment history supplemented with credit and business information from external sources. The maximum credit risk for the SAS Group accords with the carrying amounts of financial assets according to the categorization table.

LIQUIDITY AND BORROWING RISK

Liquidity and borrowing risks refer to the risk that sufficient liquidity is not available when required, and that refinancing of matured loans will be costly or problematic.

The target is for financial preparedness to amount to a minimum of 25% of the SAS Group's fixed costs. The financial preparedness equals cash and cash equivalents plus total unutilized credit facilities. As of 31 October 2019, financial preparedness amounted to MSEK 11,372 (12,202), with cash and cash equivalents amounting to MSEK 8,473 (9,417) and unutilized credit facilities totaling MSEK 2,899 (2,785) or 38% (42) of the Group's fixed costs. The SAS Group's cash and cash equivalents are held in instruments with good liquidity or short maturity with a credit rating of no lower than A3/P-1 according to Moody's or A-/A-1 according to Standard & Poor's.

The following tables show remaining contractual terms for SAS' financial liabilities and assets excluding operations for sale. The figures shown are contractual undiscounted cash flows. The tables show the contracted date when SAS is liable to pay or receive, and includes both interest and nominal amounts. Future interest flows at variable rates are estimated using the current interest rate on the closing date, which means the amounts may differ.

As of 31 October 2019, the Group's interest-bearing liabilities amounted to MSEK 11,283 (10,092); 0% (0) of the interest-bearing liabilities have financial key ratio covenants for cash flow, debt/equity and liquidity. The term of the interest-bearing gross debt amounted to approximately 3.3 years (2.9) at year end, excluding the subordinated loan of MCHF 127 which runs without stipulated maturity.

FINANCIAL NET DEBT/RECEIVABLES

MSEK	Balance sheet		Net financial debt
Other holdings of securities	9		–
Other long-term receivables	2,519	of which interest-bearing	1,904
Accounts receivable	1,233		–
Receivables from affiliated companies	–		–
Other receivables	543	of which interest-bearing	288
Short-term investments	2,273		2,273
Cash and bank balances	6,490		6,490
Subordinated loans	-1,240		-1,240
Bonds	-3,063		-3,063
Other loans	-5,147		-5,147
Current portion of long-term loans	-784		-784
Short-term loans	-1,049		-1,049
Accounts payable	-1,700		–
Other liabilities	-732		–
Financial net debt			**-328**

Note 27 continued

LIQUIDITY RISK

31 Oct 2019	Up to 3 months	4–12 months	1–5 years	Over 5 years
Financial liabilities				
Subordinated loans	8	–	31	1,256
Bonds	123	6	3,447	–
Finance leases	110	278	2,687	2,288
Hybrid capital	31	65	2,048	–
Other loans	102	148	829	–
– Interest-rate derivatives	–	–	39	–
Short-term loans	–	–	–	–
– Fuel derivatives	70	72	–	–
– Currency derivatives	91	61	–	–
– Interest-rate derivatives	266	230	–	–
Accounts payable	1,700	–	–	–
Other liabilities	302	430	–	–
Total	**2,803**	**1,290**	**9,081**	**3,544**
Currency derivatives, gross[1]	11,866	5,464	–	–
Financial assets				
Other holdings of securities	–	–	9	–
Other long-term receivables	80	272	1,798	369
– Interest-rate derivatives	–	–	–	–
Accounts receivable	1,215	18	–	–
Receivables from affiliated companies	–	–	–	–
Other receivables	–	–	–	–
– Fuel derivatives	10	2	–	–
– Currency derivatives	107	87	–	–
– Interest-rate derivatives	–	–	–	–
Short-term investments	2,273	–	–	–
Cash and bank balances	6,490	–	–	–
Total	**10,175**	**379**	**1,807**	**369**
Net	**7,372**	**-911**	**-7,274**	**-3,175**

31 Oct 2018	Up to 3 months	4–12 months	1–5 years	Over 5 years
Financial liabilities				
Subordinated loans	7	–	29	1,182[2]
Bonds	123	6	3,202	367
Finance leases	131	296	2,083	387
Convertible bond	–	1,603	–	–
Other loans	68	125	1,250	–
Other long-term liabilities	–	–	116	–
Short-term loans	–	–	–	–
– Fuel derivatives	–	–	–	–
– Currency derivatives	78	22	–	–
Accounts payable	1,675	–	–	–
Other liabilities	55	527	–	–
Total	**2,137**	**2,579**	**6,680**	**1,936**
Currency derivatives, gross[1]	14,804	3,372	–	–
Financial assets				
Other holdings of securities	–	–	3	–
Other long-term receivables	113	100	2,007	417
– Interest-rate derivatives	–	–	75	5
Accounts receivable	1,201	18	–	–
Receivables from affiliated companies	–	1	–	–
Other receivables	4	18	278	–
– Fuel derivatives	176	48	–	–
– Currency derivatives	104	67	–	–
– Interest-rate derivatives	7	25	–	–
Short-term investments	4,232	–	–	–
Cash and bank balances	5,524	–	–	–
Total	**11,361**	**277**	**2,363**	**422**
Net	**9,224**	**-2,302**	**-4,317**	**-1,514**

1) Currency derivatives have, essentially, corresponding positive cash flows.

2) Subordinated loan with no maturity date.

Note 27 continued

CONTRACTED CREDIT FACILITIES

The Group has entered into various credit facilities in order to provide additional funding if needed. The schedule below provides details of the credit facilities on 31 October 2019.

Facility	Maturity	Total facility	Utilized facility	31 Oct 2019 Unutilized facility	31 Oct 2018 Unutilized facility
Credit facility, MEUR 150	2021	1,613	–	1,613	1,561
Credit facility, MUSD 137	2020	1,319	33	1,286	1,224
Credit facility, MUSD 26	2020	182	182	–	–
Credit facility, MUSD 34	2021	289	289	–	–
Credit facility, MUSD 26	2020	53	53	–	–
Credit facility, MUSD 57	2023	442	442	–	–
Total		**3,899**	**1,000**	**2,899**	**2,785**

MEASUREMENT AT FAIR VALUE

Under IFRS 7, disclosures pertaining to financial instruments measured at fair value in the balance sheet are to be provided if the method for establishing fair value utilizes a fair value hierarchy consisting of three levels. The levels reflect the extent to which fair value is based on observable market data or own assumptions. Below is a description of the different levels for determining fair value.

Level 1

Financial instruments for which fair value is based on observable (unadjusted) quoted prices in active markets for identical assets and liabilities. A market is considered active if quoted prices from an exchange, bank, pricing service (such as Thomson Reuters) or supervisory body are readily and regularly available and those prices represent actual and regularly occurring arm's length market transactions.

This category includes mainly standardized derivatives where the quoted price is used in the valuation.

Level 2

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

Examples of observable data in level 2 is data that can serve as a basis for assessing prices, such as market interest rates and yield curves.

This category includes mainly certificates and non-standard derivative instruments (interest-rate, currency and fuel swaps as well as currency and fuel options) not traded in an active market and the fair value is determined using valuation techniques based essentially on observable market data.

Level 3

Financial instruments for which fair value is based on valuation models, whereby significant input is based on unobservable data.

The SAS Group currently has no financial assets and liabilities where the valuation is essentially based on unobservable data.

DETERMINATION OF FAIR VALUE — VALUATION TECHNIQUES

Other holdings of securities

The balance-sheet item "Other holdings of securities" MSEK 9 (3) comprises shareholdings that are not affiliated companies or subsidiaries.

The entire balance-sheet item is measured at cost because its fair value cannot be reliably measured as a justifiable expense. For this reason, the balance-sheet item "Other holdings of securities" is not included in the adjacent table "Financial assets and liabilities measured at fair value."

Interest-rate derivatives

Interest-rate swaps: The fair value of interest-rate swaps is determined by discounting estimated future cash flows. Discounting takes place on the basis of yield curves based in turn on market rates prevailing at the closing date.

Futures: Standardized futures contracts with daily settlement. Fair value is thus determined by daily "mark-to-market" valuation.

Forward Rate Agreement, (FRA): The fair value of OTC FRAs is determined by discounting estimated future cash flows. Discounting takes place on the basis of yield curves based in turn on market rates prevailing at the closing date. Standardized FRAs with cash settlement are measured at fair value using quoted bid and ask rates at year end for an FRA with a corresponding term to maturity.

Currency derivatives

Currency swaps: The fair value of currency swaps is determined by discounting estimated future cash flows in each currency and interest rate. Discounting is based on yield curves on the closing date. Translation of the currency component is based on exchange rates prevailing at the closing date.

Currency options: The fair value of options is determined by application of the Black and Scholes valuation model, a recognized and accepted valuation model in financial markets. The model is based primarily on observable data such as spot price, exercise price, term to maturity, interest rate, volatility, etc.

Fuel derivatives

Fuel options: The fair value of fuel options is determined by application of the Black and Scholes valuation model. The model is based primarily on observable data such as the fuel swap curve, exercise price, term to maturity, interest rate, volatility, etc.

Fuel swaps: The fair value of fuel swaps is determined according to the fuel swap curve at the closing date.

Short-term investments

Short-term investments classified as held for trading comprise treasury bills, mortgage bonds and commercial paper with a maximum remaining term to maturity of three months. Fair value is determined by discounting on the basis of yield curves on the closing date.

Cash and bank balances

Cash and bank balances comprise cash on hand and demand deposits at banks and corresponding financial institutions. Carrying amounts correspond to fair value.

Note 27 continued

FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES

	31 Oct 2019		31 Oct 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets at fair value, hedge-accounted	225	225	636	636
Financial assets at FVTPL	23	23	3,641	3,641
Financial assets at amortized cost	12,648	12,648	10,057	10,049
Total	**12,896**	**12,896**	**14,334**	**14,326**
Financial liabilities				
Financial liabilities at fair value, hedge-accounted	891	891	141	141
Financial liabilities at FVTPL	17	17	29	29
Financial liabilities at amortized cost	12,075	11,540	11,675	10,977
Total	**12,983**	**12,448**	**11,845**	**11,147**

FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

	31 Oct 2019			31 Oct 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS						
Other holdings of securities	–	–	–	–	3	–
Other long-term receivables						
– Interest-rate derivatives	–	–	–	–	80	–
Other receivables						
– Fuel derivatives	–	52	–	–	345	–
– Currency derivatives	–	196	–	–	189	–
– Interest-rate derivatives	–	–	–	–	32	–
Short-term investments	–	–	–	287	2,841	–
Cash and bank balances	–	–	–	–	500	–
Total	**–**	**248**	**–**	**287**	**3,990**	**–**
LIABILITIES						
Other loans						
– Interest-rate derivatives	–	39	–	–	–	–
Short-term loans						
– Fuel derivatives	–	220	–	–	11	–
– Currency derivatives	–	153	–	–	159	–
– Interest-rate derivatives	–	496	–	–	–	–
Total	**–**	**908**	**–**	**–**	**170**	**–**

Note 27 continued

CATEGORIZATION OF FINANCIAL ASSETS AND LIABILITIES

	Derivatives at FVTPL	Financial assets at amortized cost	Financial liabilities at amortized cost	Derivatives at fair value, hedge-accounted	Total carrying amount	Total fair value[1]
31 Oct 2019	*Fair value*	*Amortized cost*	*Amortized cost*	*Fair value*		
ASSETS						
Other holdings of securities	–	9	–	–	9	9
Other long-term receivables	–	2,519	–	–	2,519	2,519
– Interest-rate derivatives	–	–	–	–	0	0
Accounts receivable	–	1,233	–	–	1,233	1,233
Receivables from affiliated companies	–	–	–	–	0	0
Other receivables	–	295	–	–	295	295
– Fuel derivatives	–	–	–	52	52	52
– Currency derivatives	23	–	–	173	196	196
– Interest-rate derivatives	–	–	–	–	0	0
Short-term investments	–	2,273	–	–	2,273	2,273
Cash and bank balances	–	6,490	–	–	6,490	6,490
Total	**23**	**12,819**	**0**	**225**	**13,067**	**13,067**
LIABILITIES						
Subordinated loans	–	–	1,240	–	1,240	461
Bonds	–	–	3,063	–	3,063	2,947
Other loans	–	–	5,108	–	5,108	5,348
– Interest-rate derivatives	–	–	–	39	39	39
Current portion of long-term loans	–	–	784	–	784	911
Short-term loans	–	–	180	–	180	173
– Fuel derivatives	–	–	–	220	220	220
– Currency derivatives	17	–	–	136	153	153
– Interest-rate derivatives	–	–	–	496	496	496
Accounts payable	–	–	1,700	–	1,700	1,700
Other liabilities	–	–	732	–	732	732
Total	**17**	**0**	**12,807**	**891**	**13,715**	**13,180**

1) The fair values of subordinated loans have been set entirely by the use of official price quotes. The fair values of other financial assets and liabilities have been set in part by the use of official price quotes, such as discounting of future cash flows at quoted interest rates.

Note 27 continued

31 Oct 2018	Held for trading *Fair value*	Loans and receivables *Amortized cost*	Financial assets available-for-sale *Fair value*	Other liabilities *Amortized cost*	Hedging instruments, derivatives *Fair value*	Total carrying amount	Total fair value[1]
ASSETS							
Other holdings of securities	–	–	3	–	–	3	3
Other long-term receivables	–	2,690	–	–	–	2,690	2,690
– Interest-rate derivatives	–	–	–	–	80	80	80
Accounts receivable	–	1,219	–	–	–	1,219	1,210
Receivables from affiliated companies	–	1	–	–	–	1	1
Other receivables	–	300	–	–	–	300	300
– Fuel derivatives	–	–	–	–	345	345	345
– Currency derivatives	10	–	–	–	179	189	189
– Interest-rate derivatives	–	–	–	–	32	32	32
Short-term investments	3,128	1,104	–	–	–	4,232	4,232
Cash and bank balances	500	5,024	–	–	–	5,524	5,524
Total	**3,638**	**10,338**	**3**	**–**	**636**	**14,615**	**14,606**
LIABILITIES							
Subordinated loans	–	–	–	1,161	–	1,161	337
Bonds	–	–	–	3,040	–	3,040	3,036
Other loans	–	–	–	3,291	–	3,291	3,348
– Interest-rate derivatives	–	–	–	–	–	–	–
Current portion of long-term loans	–	–	–	2,272	–	2,272	2,383
Short-term loans	–	–	–	158	–	158	151
– Fuel derivatives	–	–	–	–	11	11	11
– Currency derivatives	29	–	–	–	130	159	159
– Interest-rate derivatives	–	–	–	–	–	–	–
Accounts payable	–	–	–	1,675	–	1,675	1,675
Other liabilities	–	–	–	582	–	582	582
Total	**29**	**–**	**–**	**12,179**	**141**	**12,349**	**11,682**

1) The fair values of short-term investments and subordinated loans have been set entirely by the use of official price quotes. The fair values of other financial assets and liabilities have been set in part by the use of official price quotes, such as discounting of future cash flows at quoted interest rates.

NOTE 28 PROVISIONS

	Restructuring		Loyalty program		Undertakings pertaining to aircraft under operating leases		Other provisions		Total	
	31 Oct 2019	31 Oct 2018	31 Oct 2019	31 Oct 2018	31 Oct 2019	31 Oct 2018	31 Oct 2019	31 Oct 2018	31 Oct 2019	31 Oct 2018
Opening balance	473	431	1,908	1,776	2,459	2,524	232	229	5,072	4,960
Reclassifications	–	–	-1,908	–	–	–	–	–	-1,908	–
New provisions	230	255	–	855	1,327	1,327	1	1	1,558	2,438
Utilized provisions	-258	-214	–	-723	-829	-1,591	-46	0	-1,133	-2,528
Dissolved provisions	–	–	–	–	–	–	-172	–	-172	–
Currency effect	4	1	–	–	103	199	1	2	108	202
Closing balance	**449**	**473**	–	**1,908**	**3,060**	**2,459**	**16**	**232**	**3,525**	**5,072**

Breakdown in balance sheet:	31 Oct 2019	31 Oct 2018	31 Oct 2019	31 Oct 2018	31 Oct 2019	31 Oct 2018	31 Oct 2019	31 Oct 2018	31 Oct 2019	31 Oct 2018
Long-term liabilities	110	228	–	1,908	1,840	1,895	16	13	1,966	4,044
Current liabilities	339	245	–	–	1,220	564	–	219	1,559	1,028
	449	**473**	–	**1,908**	**3,060**	**2,459**	**16**	**232**	**3,525**	**5,072**

RESTRUCTURING

The restructuring provisions are attributable to the cost cutting and efficiency measures initiated in the last few years. These measures entail radical changes and simplification of operations, and will generate a reduction in unit cost.

In addition to restructuring provisions for personnel, the reserve also comprises provisions for property costs.

The long-term portion of the restructuring reserve will be fully utilized within four years.

The provision for restructuring costs includes no reversed unutilized amounts.

LOYALTY PROGRAM

Through membership in the Group's loyalty program, EuroBonus, customers can earn bonus points by flying with SAS and/or other Star Alliance companies as well as from purchases made from other business partners, such as car rental and credit card companies.

The allocation of loyalty points is viewed as a separate identifiable transaction when purchasing airline tickets. The portion of the ticket price allocated to loyalty points is measured at the relative stand-alone price for the points and is not recognized as revenue until the period in which the obligation is met.

The amount for utilized provisions includes a revaluation of the EuroBonus points liability. During recent years, previous estimates of fair value per point category have been adjusted downwards driven by continued price reductions, changes in EuroBonus rules and withdrawal patterns.

EuroBonus points earned are valid for five years.

In accordance with IFRS 15, the EuroBonus liability was reclassified in November 2018 from provisions to other long-term liabilities as a contractual liability.

UNDERTAKINGS PERTAINING TO AIRCRAFT UNDER OPERATING LEASES

SAS makes ongoing provisions for undertakings related to aircraft under operating leases. The undertakings primarily pertain to engines, but also include landing gear, air frames and APUs. The long-term portion pertains primarily to a large number of undertakings with an average duration of around four years. The longest undertaking extends for 12 years.

NOTE 29 CONTRACTUAL ASSETS AND LIABILITIES

The Group has identified contractual assets, which are recognized as accrued income, refer to Note 19. The identified contractual assets pertain mainly to cargo revenue and EuroBonus points sold that have yet to be invoiced to customers.

The Group has identified the following contractual liabilities:

	31 Oct 2019	31 Oct 2018
Unearned transportation liability	6,049	5,681
Loyalty program	1,926	1,908

The unearned transportation liability and the loyalty program are recognized as contractual liabilities since payments are received from customers before the performance obligation is discharged by the Group. Information about the discharge of performance obligations can be found in Note 1 under the headings "Passenger revenue" and "EuroBonus."

The unearned transportation liability was MSEK 6,049 at 31 October. Future, unmet, performance obligations are expected to be essentially discharged in the 12 months following 31 October 2019. During the year, MSEK 5,476 of the year's opening liability was recognized in revenue.

The liability pertaining to the EuroBonus loyalty program was MSEK 1,926 at 31 October. EuroBonus points earned are valid for five years. Since uncertainty exists in terms of when the EuroBonus points will be used, the whole liability is recognized as long-term. The Group's assessment is that one third of the EuroBonus points will be used and recognized as revenue within 12 months of 31 October 2019 and the remainder at a declining rate over future years. During the year, MSEK 538 of the year's opening liability was recognized in revenue.

NOTE 30 SHORT-TERM LOANS

	31 Oct 2019	31 Oct 2018
Accrued interest	180	158
Derivatives	869	170
Total	**1,049**	**328**

NOTE 31 ACCRUED EXPENSES AND PREPAID INCOME

	31 Oct 2019	31 Oct 2018
Vacation pay liability	1,029	1,071
Other accrued payroll expenses	248	272
Selling costs	121	270
Fuel costs	336	317
Government user fees	297	271
Lease expenses	242	189
Handling costs	253	255
Computer and telecommunication costs	188	150
Other accrued expenses	482	508
Prepaid rents	6	6
Total	**3,202**	**3,309**

NOTE 32 PLEDGED ASSETS

	31 Oct 2019	31 Oct 2018
Related to liabilities:		
Aircraft mortgages	3,813	4,197
Related to deposits:		
Deposits and blocked bank funds	2,714	2,894
Total	**6,527**	**7,091**

At 31 October 2019, the liability outstanding related to aircraft mortgages was MSEK 1,000 (1,341).

NOTE 33 CONTINGENT LIABILITIES

	31 Oct 2019	31 Oct 2018
Guarantees related to:		
Emission rights	403	257
Other	16	14
Total	**419**	**271**

The Group is involved in various claims and legal proceedings arising in the ordinary course of business. These claims relate to, but are not limited to, the Group's business practices, employment matters, and tax matters. Provisions have been recognized for such matters in accordance with probable and quantifiable loss risks. On the basis of information currently available, those issues not requiring any provisions will not have any material adverse effect on the Group's earnings, nor will they be recognized as contingent liabilities. However, litigation is inherently unpredictable and, even though the provisions were assessed as adequate and/or that the Group has valid defenses in these matters, unfavorable results could occur. This could have a material adverse effect on the Group's earnings in future accounting periods. For more information see the Report by the Board of Directors on page 52.

NOTE 34 LEASING COMMITMENTS

The SAS Group has entered into the following leasing commitments, with specification of the total annual rent for:

	FY20	FY21	FY22	FY23	FY24	FY25>
Aircraft	3,833	3,569	3,180	2,692	2,351	7,925
Properties	586	604	590	567	463	1,240
Machinery and equipment	275	236	255	165	100	92
Total	**4,694**	**4,409**	**4,025**	**3,424**	**2,914**	**9,257**

Leases with an annual rental cost in excess of MSEK 0.5 are included. Total lease costs in fiscal year 2019 amounted to MSEK 4,684 (4,687), of which a negative effect of MSEK -54 (7) pertained to changes in contingent rents compared with the original terms of agreements. Contingent rents vary according to different factors such as revenue, the consumer price index and short-term market interest rates.

In fiscal year 2019, assets were subleased to third parties for a total of MSEK 87 (106). The value of future fixed payments for these assets amounted to MSEK 155 (196). At the end of fiscal year 2019, the SAS Group aircraft fleet totaled 158 aircraft, of which 103 were leased.

NOTE 35 ADJUSTMENT FOR OTHER NON-CASH ITEMS, ETC.

	FY19	FY18
Share of income in affiliated companies	10	-35
Dividends from affiliated companies	8	13
Capitalized interest on aircraft prepayments	-110	–
Earnings impact of new accounting policy, IFRS 9	–	-9
Earnings impact from measuring financial instruments	-107	-31
Revaluations of pension commitments	-9	-90
Provisions	201	355
Reversed provisions	-243	–
Other	2	16
Total	**-248**	**219**

NOTE 36 ACQUISITION OF SUBSIDIARIES

Sola Näringseiendom AS was acquired in fiscal year 2019.

According to the acquisition analysis performed, the value of the assets and liabilities acquired was as follows:

	FY19	FY18
Fixed assets	90	–
Current assets	–	–
Cash and cash equivalents	2	–
Long-term liabilities	-72	–
Current liabilities	-2	–
Purchase price	**18**	**–**
Cash and cash equivalents in acquired companies	-2	–
Impact on the Group's cash and cash equivalents	**16**	**–**

NOTE 37 SALE OF SUBSIDIARIES AND AFFILIATED COMPANIES

The holding in the affiliated company Air Greenland A/S was divested in fiscal year 2019.

The transaction, whereby the subsidiary Cimber A/S was divested in fiscal year 2017, was completed in fiscal year 2018.

The value of the sold assets and liabilities was as follows:

	FY19	FY18
Fixed assets	394	–
Current assets	–	–
Cash and cash equivalents	–	–
Long-term liabilities	–	–
Current liabilities	–	–
Total	394	–
Capital gain/loss	0	–
Purchase price	394	–
Selling costs	–	-3
Cash and cash equivalents in divested companies	–	–
Impact on the Group's cash and cash equivalents	394	-3

NOTE 38 LIABILITIES IN FINANCING ACTIVITIES

	Subordinated loans		Bonds		Other loans		Current portion of long-term loans		Short-term loans		Total	
	31 Oct 2019	31 Oct 2018	31 Oct 2019	31 Oct 2018	31 Oct 2019	31 Oct 2018	31 Oct 2019	31 Oct 2018	31 Oct 2019	31 Oct 2018	31 Oct 2019	31 Oct 2018
Opening balance	1,161	1,067	3,040	386	3,291	4,088	2,272	2,868	328	166	10,092	8,575
Proceeds from borrowings	–	–	–	2,635	2,292	1,218	–	–	–	–	2,292	3,853
Repayment of borrowings	–	–	–	–	–	–	-2,362	-2,921	–	–	-2,362	-2,921
Exchange-rate differences	79	94	26	32	346	265	90	50	2	–	543	441
Accrued	–	–	-3	-13	-37	-8	–	3	20	99	-20	81
Derivatives	–	–	–	–	39	–	–	–	699	63	738	63
Reclassification to short-term	–	–	–	–	-784	-2,272	784	2,272	–	–	0	0
Opening balance	**1,240**	**1,161**	**3,063**	**3,040**	**5,147**	**3,291**	**784**	**2,272**	**1,049**	**328**	**11,283**	**10,092**

NOTE 39 CASH AND CASH EQUIVALENTS

	31 Oct 2019	31 Oct 2018
Short-term investments	2,273	4,232
Cash and bank balances	6,490	5,524
Cash and cash equivalents at year end	**8,763**	**9,756**

Disclosure of interest paid:

During the year, interest received amounted to MSEK 178 (120), of which MSEK 119 (84) pertains to forward premiums for currency derivatives. During the year, interest paid amounted to MSEK 640 (499), of which MSEK 159 (133) refers to forward premiums for currency derivatives.

NOTE 40 AUDITORS' FEES

The following remuneration was paid to auditing firms for auditing services.

	FY19	FY18
Auditing services		
KPMG	5	–
PwC	–	7
Other statutory assignments		
KPMG	0	–
PwC	–	0
Tax consultancy services		
KPMG	–	–
PwC	–	0
Other		
KPMG	1	–
PwC	–	1
Total	**6**	**8**

KPMG Sweden: Fees totaled MSEK 3.5 for auditing services, MSEK 0 for other statutory assignments, MSEK 0 for tax and MSEK 0.9 for other.

NOTE 41 TRANSACTIONS WITH AFFILIATED COMPANIES

Revenue from sales to affiliated companies amounted to MSEK 8 (12).

Cost of purchases from affiliated companies was MSEK 52 (42).

NOTE 42 SEGMENT REPORTING

The Group's airline operations and other appurtenant operations are reported as one operating segment. The Chief Operating Decision Maker (CODM), which is defined at SAS as the SAS Group Management, has strategic responsibility for allocating resources, primarily in terms of aircraft capacity to the various route sectors, and prepares decision data ahead of strategic Board decisions. Traffic and other revenue is allocated geographically as follows.

GEOGRAPHICAL BREAKDOWN

	Domestic		Intra-Scandinavian		Europe		Intercontinental		Total	
	FY19	FY18	FY19	FY18	FY19	FY18	FY19	FY18	FY19	FY18
Passenger revenue	9,473	8,550	3,737	3,519	13,252	13,293	9.017	8,715	35,479	34,077
Freight and mail revenue	6	4	6	8	64	64	1,430	1,556	1,506	1,632
Charter revenue	0	0	0	0	2,117	1,957	0	0	2,117	1,957
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**

	Denmark		Norway		Sweden		Europe		Other countries		Total	
	FY19	FY18	FY19	FY18	FY19	FY18	FY19	FY18	FY19	FY18	FY19	FY18
Other operating revenue	**726**	**697**	**1,309**	**1,153**	**803**	**865**	**1,125**	**982**	**735**	**654**	**4,698**	**4,351**

In fiscal year 2019 and fiscal year 2018, there was no single customer who accounted for more than 10% of the Group's revenue.

The Group's assets and liabilities are mainly located in Scandinavia. Total fixed assets, including prepayments for tangible fixed assets, which do not comprise financial instruments, deferred tax assets or assets pertaining to post-employment benefits are allocated geographically as follows. The group, Not allocated, includes prepayments to Airbus and others for future aircraft deliveries amounting to MSEK 3,071 (2,658), refer to Note 13. Aircraft are utilized in a flexible manner across the route network, and are not allocated.

	Denmark		Norway		Sweden		Other countries		Not allocated		Total	
	31 Oct 2019	31 Oct 2018	31 Oct 2019	31 Oct 2018	31 Oct 2019	31 Oct 2018	31 Oct 2019	31 Oct 2018	31 Oct 2019	31 Oct 2018	31 Oct 2019	31 Oct 2018
Fixed assets	**486**	**893**	**363**	**299**	**3,570**	**3,950**	**427**	**362**	**14,681**	**11,424**	**19,527**	**16,928**

NOTE 43 SUBSIDIARIES IN THE SAS GROUP

	Domicile	Corp. Reg. No.	Total owned shares	Holding	31 Oct 2019 Carrying amount	31 Oct 2018 Carrying amount
Owned by SAS AB:						
SAS Sverige AB	Sigtuna	556042-5414	70,500,000	100	1,937	1,937
SAS Norge AS	Bærum	811176702	47,000,000	100	3028	3,028
SAS Danmark A/S	Copenhagen	56994912	47,000,000	100	3,970	3,970
SAS Individual Holdings AB	Stockholm	556063-8255	610,000	100	595	595
Linjeflyg AB	Sigtuna	556062-8454	2,000,000	100	237	237
SAS Cargo Group A/S	Tårnby	25736443	200,500	100	0	0
SAS Ground Handling Denmark A/S	Tårnby	32339026	55,000	100	37	37
SAS Ground Handling Norway AS	Oslo	912056228	5,000	100	52	52
SAS Ground Handling Sweden AB	Stockholm	556934-7924	445,000	100	64	64
Scandinavian Airlines Ireland Ltd	Dublin	601918	2,000,000	100	56	19
Gorm Asset Management Ltd	Dublin	592913	1	100	0	0
Other					0	1
					9,977	**9,940**
Owned by SAS Consortium:						
Flesland Cargo ANS	Ullensaker	983693725	–	100	12	1
Other					1	1
					13	**2**
Owned by SAS Individual Holdings AB:						
Red 1 A/S	Copenhagen	24202941	500	100	1	1
Other					0	–
					1	**1**
Owned by SAS Eiendom AS:						
Sola Näringseiendom AS	Oslo	989607723	100,000	100	18	–
Owned by Gorm Asset Management Ltd:						
Gorm Dark Blue Ltd	Dublin	593238	1	100	0	0
Gorm Deep Blue Ltd	Dublin	593239	1	100	0	0
Gorm Sky Blue Ltd	Dublin	593240	1	100	0	0
Gorm Light Blue Ltd	Dublin	617208	1	100	0	0
Gorm Warm Red Ltd	Dublin	627405	1	100	0	0
Gorm Ocean Blue Ltd	Dublin	627406	1	100	0	0
Gorm Engine Management Ltd	Dublin	656777	1	100	0	–

NOTE 44 EARNINGS PER SHARE

Earnings per common share are calculated as net income for the period attributable to Parent Company shareholders less preference-share dividends and hybrid bond expenses in relation to 382,582,551 common shares outstanding. The calculation of earnings per share before and after dilution is based on the following earnings and number of common shares. In 2014, a convertible bond was issued, which gave rise to a potential dilution effect, see Note 26. In November 2017, the number of common shares increased 52,500,000 as a result of the private placement. In conjunction with the private placement, the conversion price was changed and the number of potential common shares increased by 793,448 shares. All preference shares were redeemed in December 2018 and the convertible note was repaid in April 2019.

	FY19	FY18
Net income for the year, attributable to Parent Company shareholders	621	1,595
Less preference-share dividend	-9	-174
Less expenses for the hybrid bond	-23	–
Net income for the year, attributable to Parent Company shareholders, before dilution	**589**	**1,421**
Reversal of interest expense (convertible bond)	19	45
Net income for the year, attributable to Parent Company shareholders, after dilution	**608**	**1,466**
Weighted average number of common shares during the year, before dilution	**382,582,551**	**382,582,551**
Effect of potential common shares outstanding	27,637,310	66,329,543
Weighted average number of common shares during the year, after dilution	**410,219,861**	**448,912,094**
Earnings per common share before dilution (SEK)	1.54	3.71
Earnings per common share after dilution (SEK)	1.48	3.27

NOTE 45 RELATED-PARTY TRANSACTIONS

No significant related-party transactions took place in fiscal year 2019 or in fiscal year 2018 except those between Group companies, where transactions are conducted subject to market terms and conditions.

No significant transactions occurred with related parties aside from the above and the information in Note 3 regarding the remuneration of senior executives.

NOTE 46 SIGNIFICANT EVENTS AFTER THE CLOSING DATE

No significant events took place.

SAS AB, PARENT COMPANY, INCLUDING NOTES

STATEMENT OF INCOME

MSEK	Note	FY19	FY18
Revenue		58	56
Payroll expenses	1	-48	-32
Other operating expenses		-32	-32
Operating income (EBIT)		**-22**	**-8**
Interest income and similar income items		210	212
Interest expenses and similar income items		-265	-230
Income before tax (EBT)		**-77**	**-26**
Tax	2	21	-14
Net income for the year		**-56**	**-40**

The Parent Company recognizes no items in other comprehensive income for fiscal year 2019 and fiscal year 2018, respectively. Accordingly, net income for the year for the Parent Company corresponds to comprehensive income.

BALANCE SHEET

ASSETS, MSEK	Note	31 Oct 2019	31 Oct 2018
Fixed assets			
Financial fixed assets			
Participations in subsidiaries	3	9,977	9,940
Other holdings of securities	4	2	2
Deferred tax assets	2	724	701
Receivables from Group companies		4,000	4,000
Total fixed assets		**14,703**	**14,643**
Current assets			
Current receivables			
Receivables from Group companies		135	132
Prepaid expenses and accrued income		2	2
		137	**134**
Cash and bank balances		1	2
Total current assets		**138**	**136**
TOTAL ASSETS		**14,841**	**14,779**

SHAREHOLDERS' EQUITY AND LIABILITIES, MSEK	Note	31 Oct 2019	31 Oct 2018
Shareholders' equity			
Restricted equity			
Share capital		7,690	7,732
Statutory reserve		447	405
Unrestricted equity			
Hybrid bond		1,500	-
Retained earnings		1,083	2,232
Net income for the year		-56	-40
Total shareholders' equity		**10,664**	**10,329**
Long-term liabilities			
Bonds	5	2,245	2,243
Deferred tax liability	2	7	10
Other provisions		6	–
Total long-term liabilities		**2,258**	**2,253**
Current liabilities			
Current portion of long-term loans		0	1,559
Liabilities to Group companies		1,772	444
Accounts payable		1	3
Other liabilities		126	172
Accrued expenses and prepaid income		20	19
Total current liabilities		**1,919**	**2,197**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**14,841**	**14,779**

Information regarding the Parent Company's contingent liabilities is available in Note 6.

CHANGES IN SHAREHOLDERS' EQUITY

MSEK	Share capital	Statutory reserve	Hybrid bond	Retained earnings	Total shareholders' equity
Shareholders' equity, 31 October 2017	**6,776**	**306**		**4,738**	**11,820**
New issue	1,055			215	1,270
Issuing costs				-37	-37
Redemption of preference shares	-99	99		-2,579	-2,579
Preference share dividend				-105	-105
Net income for the year				-40	-40
Shareholders' equity, 31 October 2018	**7,732**	**405**		**2,192**	**10,329**
Redemption of preference shares	-42	42		-1,086	-1,086
Hybrid bond			1,500		1,500
Hybrid bond interest and expenses				-23	-23
Net income for the year				-56	-56
Shareholders' equity, 31 October 2019	**7,690**	**447**	**1,500**	**1,027**	**10,664**

Number of shares: 382,582,551 (382,582,551) common shares with a quotient value of SEK 20.10 (20.10) and 0 (2,101,552) preference shares with a quotient value of SEK 20.10. Each common share entitles the holder to one vote and all common shares own equal rights to participation in the company's assets and profits. Each preference share entitles the holder to one-tenth of a vote.

CASH-FLOW STATEMENT

MSEK	FY19	FY18
OPERATING ACTIVITIES		
Income before appropriations and tax	-78	-26
Loss on liquidation of subsidiary	–	0
Cash flow from operations before change in working capital	**-78**	**-26**
Change in:		
Operating receivables	3	52
Operating liabilities	9	-34
Cash flow from change in working capital	**12**	**18**
Cash flow from operating activities	**-66**	**-8**
INVESTING ACTIVITIES		
Investment in subsidiaries	-36	–
Liquidation of subsidiaries	–	1
Cash flow from investing activities	**-36**	**1**
FINANCING ACTIVITIES		
Hybrid bond	1,474	–
New issue	–	1,223
Redemption of preference shares	-1,112	-2,579
Dividend on preference shares	-26	-228
Group contributions received	–	18
Bond redemption	–	-1,500
New bond	–	2,269
Change in short-term investments	–	263
Change in interest-bearing receivables	–	–
Change in interest-bearing liabilities	-235	541
Cash flow from financing activities	**101**	**7**
Cash flow for the year	**-1**	**0**
Cash and cash equivalents at beginning of the year	2	2
Cash and cash equivalents at year end	**1**	**2**

Disclosure of interest paid:
During the year, interest received amounted to MSEK 210 (212). During the year, interest paid amounted to MSEK 278 (137).

NOTE 1 NO. OF EMPLOYEES, SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY EXPENSES

The average number of employees amounted to 3 (4), all of whom were employed in Sweden.

	FY19		FY18	
	Men	Women	Men	Women
Sweden	2	1	2	2
Total men and women	**3**		**4**	

For salaries, remuneration and social security expenses as well as remuneration and benefits paid to Board members, the President and other senior executives of SAS AB, see SAS Group Note 3.

NOTE 2 TAX

	FY19	FY18
Current tax	–	–
Deferred tax	21	-14
Total tax	**21**	**-14**
Reconciliation of deferred tax, net		
Opening balance	691	695
Tax effect on items in equity	5	10
Change according to statement of income	21	-14
Deferred tax, net, at 31 October	**717**	**691**

NOTE 3 PARTICIPATIONS IN SUBSIDIARIES

See SAS Group Note 43 — Subsidiaries in the SAS Group.

NOTE 4 OTHER HOLDINGS OF SECURITIES

	31 Oct 2019	31 Oct 2018
Incorporate Cell Company	2	2
Total	**2**	**2**

NOTE 5 BOND

	31 Oct 2019	31 Oct 2018
Issued MSEK 2,250	2,245	2,243
Total	**2,245**	**2,243**

A bond of MSEK 1,500 with maturity in 2022 was issued in November 2017 and carries a coupon rate of 5.375%. In June 2018, the new bond issue was increased through issuing an additional tranche of MSEK 750.

The bond is classified under other liabilities, with recognition at amortized cost.

NOTE 6 CONTINGENT LIABILITIES

SAS AB has provided an irrevocable undertaking to assume liability, as for its own debt, for the SAS Consortium's contractual interest-bearing obligations, leasing commitments and other financial obligations with some reservations in terms of subordinations and with the proviso that the obligations were entered into from the date the irrevocable undertaking entered force on 31 December 2003 until it terminates on 30 September 2020.

SAS AB has also provided undertakings for each of the subsidiaries: Gorm Asset Management Ltd; Gorm Dark Blue Ltd; Gorm Deep Blue Ltd; Gorm Light Blue Ltd; Gorm Ocean Blue Ltd; Gorm Sky Blue Ltd; Gorm Engine Management Ltd and Gorm Warm Red Ltd, which include completion guarantees for all contractual obligations with external lessors of aircraft. All the subsidiaries are based in Ireland and act as the counterparties in certain agreements with external lessors of aircraft.

NOTE 7 AUDITORS' FEES

	FY19	FY18
Auditing services		
KPMG	5	–
PwC	–	6
Other statutory assignments		
KPMG	0	–
PwC	–	0
Tax consultancy services		
KPMG	–	–
PwC	–	0
Other		
KPMG	1	–
PwC	–	0
Total	**6**	**6**

Auditors' fees are invoiced to the Parent Company which, in turn, invoices the Group subsidiaries for their respective costs.

KPMG Sweden: Fees totaled MSEK 3.5 for auditing services, MSEK 0 for other statutory assignments, MSEK 0 for tax and MSEK 0.9 for other.

SIGNATURES

The Board of Directors and the President hereby give their assurance that this Annual Report has been prepared pursuant to the Swedish Annual Accounts Act and RFR 2, *Accounting for Legal Entities*, and provides a true and fair view of the company's financial position and earnings, and that the Report by the Board of Directors provides a true and fair overview of the company's operations, financial position and earnings, and describes the significant risks and uncertainty factors to which the company is exposed.

The Board of Directors and President hereby give their assurance that the consolidated financial statements have been prepared pursuant to the International Financial Reporting Standards (IFRS) as adopted by the EU, and provide a true and fair view of the Group's financial position and earnings, and that the Report by the Board of Directors for the Group provides a true and fair overview of the performance of the Group's operations, financial position and earnings, and describes the significant risks and uncertainty factors to which the companies in the Group are exposed.

Stockholm, 29 January 2020

Carsten Dilling
Board Chairman

Dag Mejdell
Vice Chairman

Monica Caneman
Board member

Lars-Johan Jarnheimer
Board member

Oscar Stege Unger
Board member

Liv Fiksdahl
Board member

Sanna Suvanto-Harsaae
Board member

Kay Kratky
Board member

Endre Røros
Board member

Cecilia van der Meulen
Board member

Christa Cerè
Board member

Rickard Gustafson
President and CEO

Our auditors' report was submitted on 29 January 2020

KPMG AB

Tomas Gerhardsson
Authorized Public Accountant

As stated above, the annual accounts and the consolidated accounts were approved for issuance by the Board of Directors on 29 January 2020. The consolidated statement of income and balance sheet and the Parent Company's statement of income and balance sheet will be subject to adoption by the Annual General Shareholders' Meeting on 12 March 2020.

AUDITORS' REPORT

To the general meeting of the shareholders of SAS AB, corp. id 556606-8499

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of SAS AB for the financial year 2018-11-01—2019-10-31, except for the corporate governance statement on pages 63-76. The annual accounts and consolidated accounts of the company are included on pages 43-122 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of October 31, 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of October 31, 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 63-76. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the Parent Company and the Group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Other Matter

The audit of the annual accounts for the financial year 2017-11-01—2018-10-31 was performed by another auditor who submitted an auditor´s report dated January 28, 2019, with unmodified opinions in the Report on the annual accounts and consolidated accounts.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Accounting of passenger revenue including contract liabilities for tickets sold but not yet recognized as revenue and the customer loyalty program

See notes 2 and 29 and the accounting principles on pages 88-89 in the annual accounts and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The Group accounts for passenger revenue of MSEK 35,479 for the financial year 2018/19, and liabilities for unearned transportation revenue of MSEK 6,049 and for the customer loyalty program of MSEK 1,926 as at October 31, 2019.

Passenger revenue is accounted for as a liability from the point of sale until commencement of the air transport for the passenger. Upon departure of the air transport, revenue is recognized in the income statement. Additionally, tickets that subsequent to the scheduled flight date, have been assessed to expire before utilization by a passenger are recorded as revenue. Based on historical outcomes and seasonality, a regular assessment is performed to estimate the value of tickets, where the scheduled flight date has passed, that will expire before utilization. The recognition of revenue relating to the expired tickets estimate results in a corresponding reduction of the unearned transportation revenue liability.

Furthermore, the Group has a customer loyalty program, EuroBonus. Points earned by program members are recorded as a liability on the balance sheet until they are redeemed or have expired. The value of the liability is derived by the number of points held by members and the estimated fair value per point adjusted for the estimated future expiration rates. Estimations for the fair value per point and point expiry are monitored on a regular basis. Points that are estimated to expire prior to redemption are recognized as revenue, with a corresponding reduction to the customer loyalty program liability.

The recognition of revenue and movements in contract liabilities associated with expired tickets and the customer loyalty program is based on a number of inherently complex assumptions. Volatility or inaccuracies in determining these assumptions may result in significant impacts on the Group's results and financial position.

Response in the audit

In our audit, we have gained an understanding and assessed risks and controls of the accounting processes relating to passenger revenue, unearned transportation revenue, and the customer loyalty program. We have evaluated the design and implementation of internal controls relating with associated estimates and the interfacing of certain systems to derive the data used in these estimates.

We have assessed the reasonableness of the models utilized by the Group to develop these estimates and their interaction with the associated accounts. This assessment commenced with the validation of the data utilized as a basis for each estimate and the accuracy of calculations contained within.

For the basis estimation of the fair value per customer loyalty program point before estimated expiry is applied, we examined the key inputs used to develop the value by comparing historical usage patterns and observable market values such as comparable airfares. For future ticket expiration and customer loyalty program point expiration, we assessed the Group's forecasting accuracy by comparing previous estimates to actual outcomes. We evaluated the breakage assumptions against historical trends, and future expectations. We have also reconciled the estimate models to the associated income statement and balance sheet accounts.

We have also assessed the disclosures relating to passenger revenue and related contract liabilities included in the annual accounts and the consolidated accounts.

Carrying values of owned and finance lease aircraft and provisions for major maintenance costs of operating leased aircraft
See notes 12 and 28 and the accounting principles on pages 87-88 in the annual accounts and consolidated accounts for detailed information and description of the matter.

Description of key audit matter	Response in the audit
The carrying value of owned and finance lease aircraft in the Group amounted to MSEK 11,609 as at October 31, 2019, and the provision for major maintenance costs of operating lease aircraft and engines amounted to MSEK 3,060. The Group's owned and finance lease aircraft are divided into various components with estimated useful lives of 2-20 years and with an estimated end of life residual value of 10%. Engines are depreciated based on utilization and major maintenance costs for the various components are capitalized and depreciated until the next assessed obligatory major maintenance occasion. An assessment is made of the carrying value of the owned and finance lease aircraft on a quarterly basis. This assessment takes into account the market value and value in use of each class of aircraft, amongst other variables including changes to aircraft routes and foreign exchange implications. To account for major maintenance costs of operating lease aircraft and engines, provisions are made on a continuous basis which are utilized when the major maintenance is carried out or the aircraft is returned. The Group's estimations of useful lives, residual values and obligatory major maintenance costs for engines and other aircraft components are complex in nature. The quarterly aircraft valuation assessments are based on a number of assumptions and judgments which are inherently complex and vary between classes of aircraft. Changes in the basis for these assumptions and estimates may have a significant impact on the Group's results and financial position.	In our audit, we have evaluated the design and implementation of internal controls associated with the determination and calculation of component depreciation and maintenance provisions. This includes the development and monitoring of flight hours and flight cycles for engine components. We have also evaluated the design and implementation of the Group's aircraft impairment assessment controls. We have assessed the reasonableness of assumptions made for useful lives, components and residual values regarding owned and finance lease aircraft and reconciled these assumptions against carrying values of aircraft components and associated depreciation recorded in the income statement. Furthermore, we have evaluated the Group's impairment indicator assessments for each class of aircraft to ensure that they have been prepared in accordance with the Group's accounting policy and their resonableness, by reconciling against external market data and adopted forecasting for value in use. To assess the completeness and accuracy of provisions for major maintenance for operating lease aircraft, we have evaluated the Group's calculations and associated accounting entries on a sample basis through inspection of lease agreements, market values and flight cycles and flight hours. We have also assessed the disclosures relating to owned and finance leased aircraft and provisions for major maintenance costs of operating leased aircraft included in the annual accounts and the consolidated accounts.

Other Information than the annual accounts and consolidated accounts
This document also contains other information than the annual accounts and consolidated accounts and is found on pages 2-42 and 151-159. The Board of Directors and the Chief Executive Officer are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure, we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Chief Executive Officer
The Board of Directors and the Chief Executive Officer are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the

EU. The Board of Directors and the Chief Executive Officer are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Chief Executive Officer are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Chief Executive Officer intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the Group's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the Group's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Chief Executive Officer.
- Conclude on the appropriateness of the Board of Directors' and the Chief Executive Officer's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Chief Executive Officer of SAS AB for the financial year 2018-11-01—2019-10-31 and the proposed appropriations of the Group's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors is responsible for the proposal for appropriations of the Group's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the Group's type of operations, size and risks place on the size of the Parent Company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the Group's organization and the administration of the Group's affairs. This includes among other things continuous assessment of the Group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the Group's financial affairs otherwise are controlled in a reassuring manner.

The Chief Executive Officer shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the Group's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Chief Executive Officer in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the Group, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the Group's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the Group, or that the proposed appropriations of the Group's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the Group's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the Group's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the Group's profit or loss we examined whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement
The Board of Directors is responsible for that the corporate governance statement on pages 63-76 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevU 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

KPMG AB, P.O. Box 382, SE-101 27, Stockholm, was appointed auditor of SAS AB by the general meeting of the shareholders on March 13, 2019. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2019.

Stockholm January 29, 2020

KPMG AB

Tomas Gerhardsson
Authorized Public Accountant

SUSTAINABILITY NOTES

SUSTAINABILITY GOVERNANCE | ENVIRONMENT | EMPLOYEES
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SUSTAINABILITY GOVERNANCE

SAS MANAGEMENT SYSTEM

SAS has integrated sustainability into its management system. The system encompasses all activities at SAS and is based on airline operational standards and our own and shared environmental and sustainability policies, the Code of Conduct, the UN Global Compact, the UN Sustainability Development Goals, Lean and ISO 14001. The system provides guidelines for the ongoing cycle of planning, implementation and evaluation, as well as the improvement of processes and activities to meet operational and sustainability targets. SAS also has control mechanisms with allocated follow-up systems and resources in order to ensure compliance with applicable international and national legislation.

ENVIRONMENT & CSR STAFF UNIT

As a strategic support and driving force, SAS has a central department for sustainability topics (Environment and CSR) that reports to senior management. The department's tasks include developing, driving and maintaining the SAS sustainability agenda and supporting the continuous work of sustainability-related matters, both internally and externally. The department is also responsible for maintaining and developing fuel-efficiency activities, compliance with EU-ETS and CORSIA, ISO 14001 certification, coordinating biofuel activities, electrification of aircraft and supporting with other sustainability topics.

CODE OF CONDUCT

The Board of Directors has issued the Code of Conduct to summarize and clarify SAS stated priorities, promises, policies and other regulations. The Code applies to all employees regardless of their role or type of employment. To highlight the Code's importance, an extensive training program supports the implementation of the Code and all personnel regularly participate. The Code is available at www.sasgroup.net. There are also clear rules and structures for reporting and addressing suspected violations through the management system or the SAS whistle-blower function. The Code's whistle-blower function was used on eight occasions in FY 2019. All cases have, after investigation and in some cases further actions, been closed.

RISK MANAGEMENT

SAS has a precautionary risk management approach and the work is focused on minimizing sustainability-related risks and capturing potential opportunities. The risks and opportunities are assessed and strategically dealt with within the management system and are integrated into our comprehensive risk management. Risk control measures are crucial to managing risks.

SAS works to manage risks and certain opportunities that offer tangible business potential. One example is our work with mitigating environmental impacts through our certified environmental management system. The system provides us with operational control and the capacity to quickly deal with changing business environment requirements.

A summary of SAS risks is disclosed on page 53 and the most material sustainability related risks are 2. Employee risks and 4. Sustainability risks.

SAS also annually discloses its risks and opportunities related to climate change to CDP. The most material risks and opportunities are related to our possibilities to conduct aircraft operations in a changing climate and customer perception regarding SAS as a more sustainable alternative for fast and efficient travel over longer distances. The detailed disclosure is available on www.cdp.net.

THE GLOBAL GOALS
For Sustainable Development

The UN Sustainable Development Goals (SDGs) are a collection of 17 goals set by the United Nations General Assembly in 2015 to reach a broad range of targets by 2030. We support all of the 17 SDGs but the most material are 5 [Gender equality], 8 [Decent work and economic growth], 12 [Responsible consumption and production] and 13 [Climate action]. Please see page 19.

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ENVIRONMENT

ENVIRONMENTAL MANAGEMENT

Our approach to environmental responsibility involves complying with all relevant legislation and minimizing our absolute as well as relative greenhouse gas emissions and other environmental impacts.

Both the SAS Environmental Policy and the SAS Sustainability Policy are approved by Group Management and are applicable to all SAS employees, products and services. The policies, together with their goals and strategies, are reviewed annually at the ISO 14001 management review by Group Management. Activities are followed up within the management system and reported weekly, monthly, quarterly or annually according to specific needs.

The SAS environmental management system has been certified according to ISO 14001 throughout the company since 2010. The environmental management system is continuously evaluated in order to ensure the effectiveness and suitability of the system itself and our ongoing activities. The ISO 14001 standard is a key part of how we work with our environmental goals.

OUR ENVIRONMENTAL GOALS

To lower our greenhouse gas emissions and to push our environmental work we have set comprehensive and ambitious short and long-term environmental goals.

2030 goals
- 25% lower CO_2 emissions compared with 2005 (absolute emissions)
- 17% biofuel used - equivalent to the SAS domestic production
- 50% noise reduction compared with 2010
- 100% sustainable materials in the SAS customer offering
- 100% recycling where possible

2050 goals
- >50% lower CO_2 emissions compared with 2005 (absolute emissions and more ambitious than IATA ambition)

GREENHOUSE GAS EMISSIONS

Committed to industry objectives

We intend to be part of a long-term sustainable society and support the International Air Transport Association (IATA) ambition that it will be possible to fly commercially without material climate impact by 2050. The IATA and the airline industry have agreed on the following joint targets:
- Improved fuel efficiency by an average of 1.5% annually from 2009 to 2020
- Carbon-neutral growth from 2020
- 50% reduction in greenhouse CO_2 emissions by 2050, compared with 2005 levels

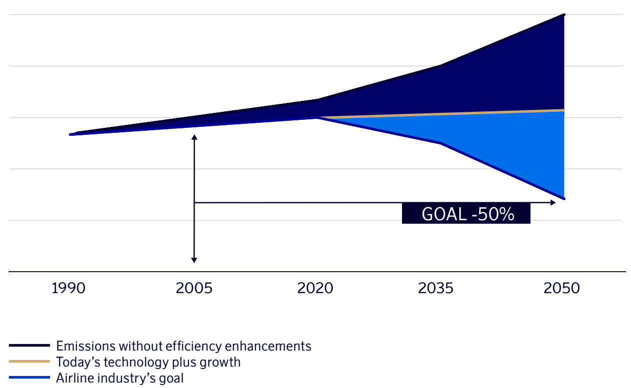
Source: www.enviro.aero

Carbon-neutral growth is going to be achieved through CORSIA. Please read more about CORSIA on page 136. SAS is fully committed to reaching the IATA targets and our fuel efficiency has improved by approximately 2% each year since 2010. We will realize these targets through a combination of new technology, biofuels, new energy sources, more efficient air traffic management and coordinated action to improve the infrastructure and the conditions under which air transport operates. See pages 132–135 for more details on how we are actively working to reduce our emissions.

SDG 13 – CLIMATE ACTION

Goal 13 calls for urgent action to combat climate change. SAS works proactively to reduce its greenhouse gas emissions by focusing on reducing emissions from its aircraft operations.

THE GLOBAL AIRLINE INDUSTRY'S 2050 ENVIRONMENTAL GOALS



Our greenhouse gas emissions

In FY 2019, our absolute CO_2 emissions from aircraft operations decreased 2.4% compared with the previous year. Our CO_2 emissions per passenger kilometer remained at 95 grams (95), a 14% reduction since 2010.

During the year we introduced seven A320neo and one A330E aircraft. Our fleet now includes larger and more fuel-efficient aircraft which allows us to carry more passengers with lower emissions. Since 2005, our emissions have decreased 5.3% while our production measured in tonne kilometer has increased 18%.

GREENHOUSE GAS EMISSIONS, SCOPE 1

	Unit	FY 2019	FY 2018	Base year 2010
Flight Operations				
CO_2 total	1,000 tonnes	4,210	4,313	3,511
as of domestic flights	1,000 tonnes	734	743	
as of flights to/from EU/ETS	1,000 tonnes	1,767	1,834	
as of flights to/from outside EU/ETS	1,000 tonnes	1,709	1,736	
CO_2 passenger share	1,000 tonnes	3,814	3,886	3,244
NOx	1,000 tonnes	17.7	18.4	14.3
HC	1,000 tonnes	0.32	0.37	-
Passenger kilometers	million	40,247	40,867	29,572
Tonne kilometer	million	4,770	4,907	3,480
Departures	1,000	298	302	279
CO_2/passenger kilometer	gram	95	95	109.7
CO_2/available seat kilometer	gram	62	63	74
CO_2 /tonne kilometer	gram	882.5	879.1	1,008.9
Aircraft Noise – takeoff	85 db area in km^2 per dep.	2.17	2.17	2.40
Ground Handling				
CO_2 Vehicle Petrol[1]	tonnes	55	51	
CO_2 Vehicle Diesel[1]	tonnes	4,612	4,662	
Maintenance Productions				
CO_2 Vehicle Petrol [1]	tonnes	36	37	
CO_2 Vehicle Diesel[1]	tonnes	164	182	
SAS Cargo Group				
CO_2 cargo share flown	1,000 tonnes	397	427	
Cargo tonne kilometer flown	million	746	820	
CO_2 /cargo tonne kilometer flown	gram	532	521	
CO_2 /cargo tonne kilometer trucked	gram	135	129	

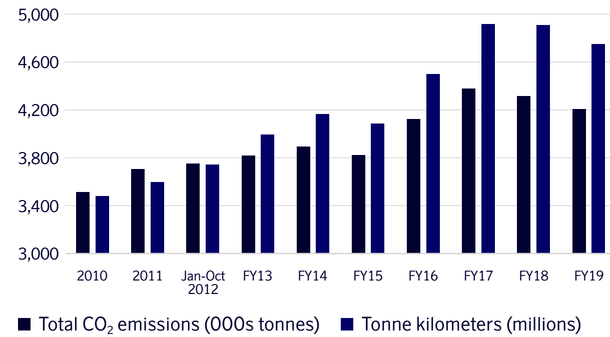
1) SAS only report on main bases ARN, CPH and OSL.

WHAT ARE OUR RELATIVE AND ABSOLUTE EMISSIONS?

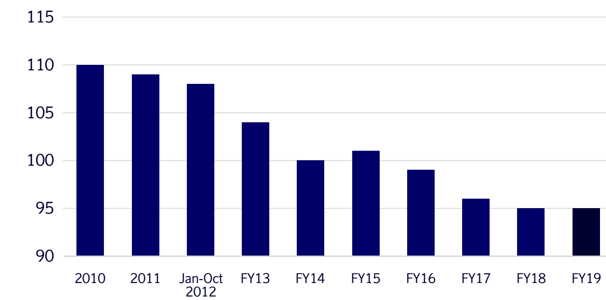
Absolute emissions refer to our total quantity of emissions (often measured in tonnes CO_2).

Relative emissions refer to emissions per production unit (e.g. gram CO_2 per tonne kilometer, gram CO_2 per passenger kilometer, gram CO_2 per cargo tonne kilometer or gram CO_2 per available seat kilometer).

SAS AIRCRAFT OPERATIONS TOTAL CO_2 EMISSIONS AND TONNE KM



SAS AIRCRAFT OPERATIONS CO_2 GRAM/PASSENGER KILOMETER



Non-CO_2 emissions

When it comes to greenhouse gas emissions SAS has chosen to disclose the different emissions separately in this report and the emission calculator available on SAS' webpages. Most emission calculators on the market calculate an estimated CO_2 equivalent (CO_2 e) based on different multipliers to include non-CO_2 emissions. SAS has chosen not to do so, because there is no consensus on how to calculate NOx, particles and water vapor emissions to CO_2e among scientists and experts. SAS supports multiple initiatives aiming at developing the calculation methodology.

Share of CO_2 emissions

The following observations were made in an analysis of our total CO_2 emissions in FY 2019:

- Flights shorter than 500 km were responsible for 14% of our emissions, flights between 500 and 800 km for 10%, flights between 800 and 3,000 km for 34%, and flights longer than 3,000 km for 42%.
- Domestic flights were responsible for 17% of our emissions and international flights for the remainder.

A key point is that most of our emissions come from flights where air travel is the most time efficient means of transport. SAS makes it possible for people to make these journeys that enable them to play their part in our global society.

Our focus areas to reduce emissions

Our environmental program includes the following emission-related areas, which are all described in more detail below:

- Increase fuel efficiency
- Biofuel & Emerging technologies
- More sustainable Products & Services

CO_2 EMISSIONS FOR SCANDINAVIAN AIRLINES AIRCRAFT OPERATIONS FISCAL YEAR 2019

	1,000s tonnes CO_2	% of total aircraft operation CO_2
Denmark		
Domestic flights	33	0.8
Flights to EU/EEA	378	9.0
Flight to outside EU/EEA	608	14.4
Norway		
Domestic flights	473	11.2
Flights to EU/EEA	301	7.1
Flight to outside EU/EEA	80	1.9
Sweden		
Domestic flights	227	5.4
Flights to EU/EEA	354	8.4
Flight to outside EU/EEA	192	4.6
Finland		
Domestic flights	0	0
Flights to EU/EEA	35	0.8
Flight to outside EU/EEA	0	0
EU/EEA		
Departing EU/EEA[1] for Scandinavia and Finland	699	16.6
Flights within EU/EEA[1]	1	0
Departing EU/EEA1 for outside EU/EEA	0	0
Outside EU/EEA		
Departing from outside EU/EEA bound for Scandinavia/Finland	830	19.7
Departing from outside EU/EEA bound for EU/EEA[1] or outside EU/EEA	1	0
Total	**4,210**	**100**

1) Excluding Denmark, Sweden, Norway and Finland, which are reported separately.

INCREASE FUEL EFFICIENCY

Fleet renewal

Continuous fleet renewal is a vital part of our efforts to reduce greenhouse gas emissions from our aircraft operations. SAS' strategy is to ensure long-term profitability through a well-balanced fleet plan. Throughout the years, we have continuously renewed our fleet by replacing less efficient aircraft with more efficient. In 2016, SAS started to introduce the A320neo to replace the B737NG.

During the year, we received seven A320neos. By 31 October 2019, we had received 27 of the 80 A320neo aircraft ordered. By 2023, we plan to operate a single type aircraft fleet in the 140–200 seat range when all A320neos are delivered. Based on performance data, the A320neo aircraft shows a substantial improvement in fuel consumption and noise emissions. The A320neo has 15–18% lower fuel consumption on a typical short-haul flight compared with the previous generation, the A320ceo.

During FY 2019, we placed an order for three A321LRs with first delivery in 2020. In December 2019, our first A350 arrived, which will replace the less fuel-efficient A340.

The aircraft we use are either owned, leased or wet-leased. Owned and leased aircraft are operated by SAS Scandinavia or SAS Ireland. Wet-leased aircraft are operated by a number of Regional production partners using regional jets and turboprop aircraft.

At year end, the SAS fleet consisted of 158 aircraft (16 long-haul aircraft, 109 short-haul aircraft and 33 aircraft flown by regional production partners). The average age of the entire aircraft fleet was 10.2 years at year end.

During the year, SAS launched a new aircraft livery, which is a visual proof that we are investing in a new fuel-efficient fleet.

Right sizing
SAS offers a comprehensive network of destinations and routes for different passenger volumes, which requires a fleet of aircraft of different sizes and ranges. With our Regional production partners we can optimize our schedule and aircraft size to optimally meet demand, particularly on regional routes with relatively low demand. This unique capacity to switch aircraft size to meet demand enables us to optimize our fuel use and emissions per seat kilometer. We also draw on our extensive experience to constantly drive efficient aircraft planning.

Regional production partners
During the year our strategic wet-lease partners implemented a digitalized way of working utilizing iPad's instead of paper. The long-term partners have signed SAS' Supplier Code of Conduct and initiated fuel saving programs.

Fuel efficiency program
We have a comprehensive long-term fuel saving program integrated into our operations. An important aspect of increasing fuel efficiency is to ensure that all employees in SAS airline operations have the prerequisites and knowledge to promote fuel efficiency. Key functions are those responsible for network planning, products and services, as well as employees involved in aircraft operations.

Ongoing activities include optimizing operating procedures and support systems to promote fuel efficiency. Any change must maintain the highest level of flight safety standards and balance fuel efficiency with other operational costs, such as maintenance costs and airspace charges.

More efficient air space
Since the early 2000s, we have worked with various stakeholders and made numerous investments to enable and prepare for the introduction of a more efficient European air traffic control system. The responsibility to implement this important transformation, lies within authorities. The process to implement the Single European Sky project is now in the deployment phase and the plan is to revolutionize airspace when fully implemented by optimizing flight paths and significantly reducing emissions.

Collaboration with aircraft and engine manufacturers
In May 2019, we signed a Memorandum of Understanding with Airbus, read more about this in section 'Electric and Hybrid aircraft'.

Through our ongoing environmental work, we engage with various aircraft and engine manufacturers, producers of interiors and other aircraft installations. Environmental performance and criteria are integrated into all decision-making procurement processes for new aircraft and Regional production partners.

BIOFUEL & EMERGING TECHNOLOGIES

For over a decade, we have worked on various activities to promote the development of alternative and more sustainable aviation fuels (SAF), such as biofuels. It is essential that low-carbon jet fuels are commercialized in order to meet our own and the airline industry's environmental and climate objectives, and to secure alternatives to fossil fuels that are expected to become scarcer and potentially more expensive in the future.

We continue to ask for biofuel quotes in all jet-fuel tenders in order to indicate that we are prepared to purchase biofuel if the sustainability criteria are in place and the price is competitive. SAS is involved in a number of national and international projects, forums and networks to accelerate the commercialization of SAF production in Scandinavia. These include the IATA/ATAG biofuel network, RISE, SAFUG, NISA, Preem and various Scandinavian interest organizations. During FY 2019, SAS secured agreements amounting to 455 tonnes and used 166 tonnes. In order to further develop our customer offering, the possibility for customers to add biofuel to their tickets was introduced in the online booking flow from September and resulted in approximately 60 tonnes sold by 31 October 2019.

Our main sustainability criteria for biofuels are that their production is sustainable in the long term, does not compete with food production or access to potable water, does not harm biodiversity and uses as little land area as possible. According to IATA, depending on production method, biofuels can reduce lifecycle CO_2 emissions by up to 80%.

Electric and hybrid aircraft
There are several development projects ongoing aimed at commercializing electrically propelled aircraft after 2025 – including either fully electric or hybrid aircraft. Initially, the projects are targeting the 10–15 seat market with a one to two-hour flight range. The major aircraft manufacturers anticipate having 100 seat electric aircraft on the market beyond 2040.

SAS and Airbus signed a Memorandum of Understanding in May 2019 with the aim of accelerating the development of a 100-seat aircraft with technology enabling full-electric, hybrid or hydrogen propulsion during the 2030s. Within the agreement SAS and Airbus cover different topics connected to the commercialization of the technology, such as SAS business needs, charging capabilities, operational possibilities and boundaries etc.

We put a lot of efforts into our engagement with Airbus and strongly support the development in various initiatives within this area. We strongly believe that we will experience a major technology shift during the 2030s with the commercialization of several full-electric, hybrid or hydrogen aircraft.

SAS also participates in The Nordic Network for Electric Aviation (NEA). The network aims at adressing the prerequsites for commercialization of electric aircraft in the Nordic region. The network is managed by RISE and other participants are Heart Aerospace, Swedavia, Avinor, and other Nordic airlines.

OTHER ENVIRONMENTAL TOPICS

Emissions of ozone-depleting substances
Airlines must submit annual reports on their use, consumption, leakage and storage of halon to the authorities. In FY 2019, SAS Scandinavia reported one instance where halon was used as a fire safety precaution, all according to procedures.

Emissions calculations and CO_2 offsetting
We launched carbon offsetting options for our customers in 2006. In the SAS emissions calculator, which is available on www.sasgroup.net, greenhouse gas emission calculations are provided for SAS flights. During the year, we started the development of a new improved emission calculator with launch in December 2019. We carbon offset all Youth travel with SAS and our staff tickets. As of February 2019, we also carbon offset all SAS tickets for our EuroBonus members. For FY 2019, we have offset 1.2 million tonnes of CO_2, or 32% of the passenger-related CO_2 emissions. The offsetting is conducted through purchase of emission reducing mechanisms connected to third-party renewable energy projects in Asia.

Glycol, diesel and petrol consumption
Glycol is used when deicing aircraft. We lowered our usage of glycol to 2,807 (3,149) thousands liters in FY 2019. The reduction was primarelly due to a new support tool for quantity decision making, and the fact that the weather was much colder in FY 2018.

We use vehicles to provide maintenance and ground-related services at airports. We follow airport regulations and work toward switching to vehicles with lower environmental impact. At our main bases, all vehicles are leased, and contracts and fuel consumption are continuously followed-up. SAS Cargo also monitors CO_2 emissions per cargo tonne kilometer from its sub-contracted ground trucking operations.

Some spillages were reported in conjunction with ground handling during the year. These were properly managed according to procedures.

Emissions from energy consumption in buildings
We continuously work to reduce our energy consumption. During FY 2019, we upgraded the lights in our hangars and hangar service center in Oslo to LED lighting which was earlier done at Arlanda and Kastrup. Our energy consumption decreased due to more effective lighting but also to less building floor space being used. This is mainly due to the substantial reduction of our own operations in recent years.

GREENHOUSE GAS EMISSIONS, SCOPE 2

	Unit	FY 2019	FY 2018	Base year 2010
Energy				
CO_2 energy	1,000 tonnes	9.8	10.0	24.9
As of CO_2 electricity	1,000 tonnes	4.6	4.7	12.3
As of CO_2 heating	1,000 tonnes	5.3	5.3	12.6
Energy intensity	CO_2 kg/m^2	31	31	-

Scope 3
We have control of our own business trips on SAS flights which generated approximately 9,500 tonnes CO_2 during the year. We are investigating and evaluating how to get suppliers to report our scope 3.

Noise

Aircraft noise is perceived to be the most material impact for local airport stakeholders. There are strict regulations in place along flight paths that are close to residential areas. During FY 2019, noise emissions at take-off decreased 0.5% and 10% compared to 2010. This is due to the introduction of newer and more quiet aircraft.

SAS received four noise violation reports in FY 2019, one of these led to limited financial implications and one is still under investigation. The number of breaches has declined in recent years as a result of the procurement of quieter aircraft and improvement initiatives, such as specific flight simulator training scenarios flying to and from airports with strict noise regulations.

Waste

Waste from our offices, ground services and technical maintenance is measured and divided into sorted, unsorted and hazardous waste. We work continuously to improve the recycling of onboard waste, although this is challenging as waste must be handled in accordance with national legislation. The legislation often implies a treatment that does not enable sorting or recycling. We do however recycle aluminum cans at all our Scandinavian base stations. All disposal of waste is taken care of by third party supplier.

Plastic and food waste has also been significantly reduced by our pre-ordering meal services that ensure the correct amount of meals are taken onboard.

SAS pop-up restaurant “Lokal” transformed food waste from the American festival South by Southwest, to nine-course gourmet dining during the festival. The “Lokal” restaurant concept aligns with the ambition of SAS to pioneer the travel industry by taking steps to reduce food waste by enhancing the pre-order service.

	Unit	FY 2019	FY 2018	Base year 2010
Sorted waste	tonnes	1,881	1,902	-
Unsorted waste	tonnes	171	175	815
Hazardous waste	tonnes	183	146	302

Jet fuel spills

In FY 2019, a few fuel leaks were reported when refueling aircraft with SK flight numbers. These were handled according to procedures.

Environmental regulations and compliance

Besides enhancing resource efficiency and improving environmental performance, our sustainability work ensures that SAS operations comply with all applicable environment-related laws and regulations. No severe incidents breaching any environmental permits were reported in FY 2019.

Environment-related costs

In FY 2019, SAS external environment-related user charges and travel taxes amounted to MSEK 1,807 (1,693). These charges and travel taxes comprised of environment-related travel taxes and user charges that are sometimes associated with the environmental performance of aircraft and are included in landing fees. Our environmental taxes in Sweden and in Norway amounted to MSEK 1,099.

The aviation industry pays for its CO_2 emissions within the EU through the European Union Emission Trading Scheme (EU-ETS), which is an established market-based measure. SAS expensed emission rights related to the EU-ETS amounted to MSEK 247 (110) in FY 2019.

We believe that market-based measures should not distort competition but should address emission reduction targets and create incentives for continuous improvement. SAS has supported the development of a global, market-based solution for airline emissions for many years.

The UN aviation organization, the International Civil Aviation Organization (ICAO), has decided on a global market-based measure for implementation by 2021 – the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). The key elements of a global solution should not distort competition and should incorporate the UN’s CBDR principles (Common But Differentiated Responsibility). At present, we are prepared to fulfill our reporting obligations for our emissions. Based on the structure of the scheme we cannot estimate an annual cost yet.

From 2020 fuel suppliers in Norway are required to blend-in 0.5% biofuel on all flights fueled in Norway. There is a process to introduce a biofuel mandate in Sweden. The suggestion is to introduce the system in 2021 and start with approximately 1% biofuel blend-in.

SAS fully supports the Polluter Pays Principle and takes responsibility for its emissions. However we opposes to the Swedish and Norwegian taxes that don't address the actual CO_2 emissions and are in addition to EU-ETS or the soon to be introduced CORSIA. The result is a patchwork of economic measures without incentives to reduce CO_2 emissions. For example, a passenger onboard an A320neo aircraft with 50% biofuel pays the same tax as a passenger onboard an aircraft two generations older, despite having approximately 65% lower emissions.

Environment-related liabilities
SAS has no known major environment-related liabilities or contingent liabilities, such as contaminated land.

Environment-related investments
According to SAS guidelines, our investments are to be both environmentally and economically sound. This ensures that they contribute to our profitability and help ensure we can meet future environmental requirements.

During FY 2019, no significant environment-related investments were conducted. This is because our preferred solution is leasing, rather than investing in aircraft, vehicles, computers, etc.

SUSTAINABLE PRODUCTS & SERVICES
We continuously develop our products and services to make them as sustainable as possible in terms of resources and materials. We have shifted to a lifecycle perspective in recent years, which has enabled us to identify and make the case to use more sustainable solutions. We are also working together with suppliers and customers to develop more sustainable products and services throughout the value chain. During the year, we integrated sustainability as high priority in all strategic supplier relations and the sourcing strategy. For example, we have strategic partnerships with key material suppliers, engine manufacturers, fuel suppliers and ground transport suppliers etc. with the aim of developing more sustainable solutions.

EMPLOYEES

OUR APPROACH TO EMPLOYEES

As an employer, our responsibility is to ensure decent working conditions in the work environments that are shaped by our operations, mainly in the Nordic region. SAS is also responsible for providing personal and professional development opportunities. The SAS Work Environment Policy, Leadership Policy, Personnel Policy and Diversity Policy apply to all employees at SAS, and Group Management is ultimately responsible for the policies. The policies are reviewed annually, and activities are followed up within the management system and reported weekly, monthly, quarterly or annually according to specific needs.

We have a zero-tolerance policy toward all forms of harassment and work continually to counteract harassment through various activities. This is regulated by our Code of Conduct, and a web-based training of the Code is mandatory for all employees.

Develop our competences

To retain and develop our employee skills, extensive training programs are carried out each year. In FY 2019, SAS employees attended approximately 523,000 hours of training (excluding in-air training hours), which equates to an average of 46 hours per employee. Flight crews, technical- and operational ground staff are covered by a number of license and competency requirements from EU-OPS, and the IATA through the IOSA (IATA Operational Safety Audit).

OTHER EMPLOYEE TOPICS

Labor practices and decent work

The aviation industry is moving toward new and reformed employment models that reduce costs and increase flexibility, and in recent years SAS has worked with unions within its existing employment model. We uphold our employee obligations regardless of employment model or where employees are based. Employees based in Scandinavia are covered by Scandinavian employment terms, work legislation and tax regimes.

Recruitments and redundancy

Redundancies in FY 2019 were handled through negotiations with labor unions in compliance with national laws and agreements.

Cooperation with labor unions

Day-to-day collaboration with labor unions is mainly carried out nationally with unions that have collective agreements with SAS. Collaborations take place within the framework of national laws and agreements affecting the unit concerned.

Employee representatives from the Scandinavian countries sit on the SAS Group Board of Directors. The employees elect representatives from units in the Group's Scandinavian operations. SAS employees are covered by collective bargaining agreements, with the main exception of a few people as specialists and senior executives at group level.

Contract negotiations and disputes

SAS conducted negotiations and discussions with various unions during FY 2019. This was part of ongoing negotiations to reduce costs and increase the flexibility of existing union agreements.

During FY 2019, two labor conflicts occurred. The pilot strike and the CPH Ground Handling wild cat strike.

Sick leave

Sick leave is a significant expense for society that can be caused by physical and mental issues. Our own calculation costs for sick leave amounted to approximately MSEK 218 (212) in FY 2019. SAS works actively to prevent short and long-term sick leave.

5 GENDER EQUALITY

SDG 5 – GENDER EQUALITY

Goal 5 promotes gender equality and the empowerment of all women and girls. SAS contributes toward this goal by encouraging gender equality and diversity through its recruitment policy and annual People Review.

8 DECENT WORK AND ECONOMIC GROWTH

SDG 8 – DECENT WORK AND ECONOMIC GROWTH

Goal 8 promotes sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. SAS provides fair working conditions for all its employees, partners and suppliers.

A standardized reporting method is implemented for all three Scandinavian countries, and sick leave is reported according to Swedish legislation. Managers, supported by HR, have early follow-ups with sick employees, which have reduced long-term absence.

For crew, special sick leave follow-up teams work in close collaboration with external occupational health and aeromedical specialists. Early contact with employees and support for medical health care and rehabilitation programs shorten periods of illness.

Short-term sick leave is reported, and employees are offered medical advice from nurses when reporting illness. In cases of frequent short-term sick leave, SAS requires "a first day doctor's note." Temporary workplaces and special work schedules are offered for better and faster rehabilitation.

During FY 2019, total sick leave at SAS decreased to 5.7% (6.1%). Long-term sick leave, more than 14 days, accounted for 3.8% (4.0%) of the total sick leave at SAS.

Occupational accidents

Efforts in recent years have been made to reduce the number of occupational accidents by prioritizing preventive action. The decrease during FY2019 is however mainly due to improved processes for systematic follow-up, educational activities and clarification of definition in collaboration with safety representatives, supervisors, HR and labor-management joint safety committees that cover all employees in each country.

Ground handling has the highest frequency of occupational accidents within SAS. Examples of occupational accidents involve crushing, falling and in some cases by vehicles in connection with baggage handling. The number of occupational accidents leading to absence at SAS was 41 in FY 2019.

Company health services

Our health services or health and work environment (HWE) function that supports the entire organization, offers services through in-house or outsourced resources including therapists, stress and rehabilitation experts, ergonomic specialists and engineers. The function also offers special services, including aviation medicine, stress management, follow-up of sick leave, health profiles, ergonomics and advice in handling chemicals. Investments are made throughout the organization in various health-promoting activities both in the workplace and during leisure time.

SAS	DK	NO	SE	Total
No. of employees October reporting fiscal year (head count)	3,837	3,414	4,218	11,469
No. of women	1,178	1,241	1,612	4,031
of whom, women, %	31	36	38	35
Total sick leave, %	4.9	8.1	4.7	5.7
Long-term sick leave (more than 14 days), %	3.1	5.7	2.9	3.8
Total number of occupational accidents with one day sick leave or more	14	18	9	41
Occupational accident frequency lost time-to-injury rate (H value)	1.9	3.5	1.4	2.2

Diversity and equal opportunities

The SAS Diversity Policy promotes the equal treatment of all employees and job applicants. Work with equal opportunities includes promoting diversity and equality in all its forms. In FY 2019, gender distribution at SAS was 35% women and 65% men.

At SAS, there is a traditional split between female-dominated professions and male-dominated professions. Pilots (4% women), technicians and aircraft maintenance staff (4% women) are traditionally male-dominated, while cabin crew (71% women), check-in and gate personnel at the airports (66% women) are typically female-dominated.

As of October 31, 2019, SAS Group Management comprised of 14% women, the SAS Board of Directors comprised of 45% women and SAS Cargo Leadership Group comprised of 35% women.

SAS works actively to promote equality in traditionally gendered roles and in management by encouraging gender equality and diversity through its recruitment policy and annual people reviews. The SAS recruitment policy states that the best candidate for a particular position is chosen, with the SAS diversity aims in mind.

	Age			
Legal gender	<30	30–49	>50	Total
Women	822	1,329	1,880	4,031
Men	1,369	2,524	3,545	7,438
Total	**2,191**	**3,853**	**5,425**	**11,469**

RESPONSIBLE BUSINESS

RESPONSIBILITY IS PROFITABLE

Long-term economic profitability is closely related to our responsibility to make environmental improvements and promote societal benefit. In many ways, our work on sustainability issues increases our value and competitiveness, for example by using resources more efficiently and minimizing risk.

Most of our revenue, expenses and essential industry specific earnings measurements are relevant from an environmental and/or societal perspective. Crucially, the highest possible financial return is generated by the best possible resource utilization and most efficient management of the company's human and material assets. For example, aircraft fuel efficiency and optimizing passenger and freight capacity reduces fuel consumption and costs. Reducing sick leave also has strong financial incentives.

BUSINESS ETHICS AND ANTI-CORRUPTION

Our management approach is to take an active stance against all forms of corruption and anti-competitive behavior.

The SAS Code of Conduct, Legal Policy and SAS Anti-bribery Policy are applicable to everyone who act on behalf of the SAS Group. The SAS Board of Directors has overall responsibility for implementing the Code of Conduct and monitoring compliance. Compliance is monitored throughout the management system and through internal audits.

Regulations relating to bribery and other improper actions are particularly strict. An example is the ongoing 'Competition Law Compliance Program' that covers all entities within SAS. The program addresses the most material risks related to corruption and employees that are exposed to corruption risks in their daily work.

During the year, SAS conducted employee anti-bribery training related to the purchase of goods and services and interaction with customers.

SUSTAINABILITY IN OUR SUPPLY CHAIN

We have close to 6,000 suppliers that provide products and services. Our supply chain is centered around aircraft operations and the associated services. It includes:

- aircraft and engine manufacturers
- airport and air navigation service providers
- fuel suppliers
- catering suppliers
- IT suppliers
- technical maintenance suppliers
- regional production partners
- financial services

Our suppliers are primarily situated in the geographical areas where SAS routes are flown. In line with our operational model, we are increasingly outsourcing ground handling, wet-lease, customer services and accounting functions to external suppliers. We continuously review supplier specifications and identify the most critical suppliers.

Supply chain responsibility

SAS requires that all employees have decent terms of employment regardless of where they are based and that they are free to join trade unions. The SAS Code of Conduct and the SAS Purchasing Policy cover all purchasing activities within SAS. Group Management is responsible for the Purchasing Policy, which is reviewed annually. Activities are followed-up within the management system and reported weekly, monthly, quarterly or annually according to specific needs.

SAS is responsible for ensuring that sustainability issues are addressed appropriately, regardless of which supplier provides the product or service.

Supply chain governance

Our established governance model clarifies supply chain responsibilities, risks and improvement areas as well as how potential deviations are handled. Responsibility for continuously following up our critical suppliers is centralized and standardized. All SAS suppliers are required to meet our high prioritized sustainability and social responsibility requirements, our Purchasing Policy, and the general terms and conditions of the UN Global Compact and other specific sustainability requirements. Sustainability

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

SDG 12 – RESPONSIBLE CONSUMPTION AND PRODUCTION

Goal 12 promotes sustainable consumption and production patterns. SAS works continuously with its product development and efficiency improvements in order to reduce its climate and environmental impacts.

is highlighted as an evaluation criterion in all SAS sourcing governance.

The criteria depend on the type of product or service and where it is produced, but may include energy efficiency, waste handling, collective agreements, human rights, child labor, etc. Criteria are reviewed and managed in the procurement phase and during the agreement period.

Stakeholder dialog

We have a long tradition of ongoing dialog and cooperation with a wide range of stakeholders and involvement in sustainability-related issues. We want all stakeholders to be able to have a dialog with SAS when they contact us.

An illustration with examples of stakeholder groups engaged by SAS is disclosed at www.sasgroup.net.

In recent years, sustainability issues have gained greater importance for our stakeholders, which is evident in the increased number of sustainability-related questionnaires from corporate customers and requests for on-site audits. From a sustainability perspective, we prioritize cooperation and collaboration with customers, authorities and suppliers in order to create the prerequisites for developing solutions to improve our own or the aviation industry's sustainability performance. Examples are the development of air navigation services and efforts to accelerate the commercialization of sustainable aviation fuels, such as biofuels.

We also prioritize dialog with parties that seek knowledge, drive change or support SAS in different ways, for example employees, partners, experts, NGOs, researchers and the media.

Examples of key topics and concerns raised by SAS corporate customers, investors and shareholders include issues related to product responsibility, anti-corruption, greenhouse gas emissions and working conditions. NGOs and the media often address issues related to the significance of aviation as an enabler for globalization or various views on our environmental performance. There is a big interest from media on aviation's environmental impact, and we have chosen to take a leading role in the debate. Schools and educational institutions most often seek a deepened knowledge on our goals and strategies to reduce greenhouse gas emissions.

We see stakeholder dialog as an opportunity to initiate further engagement on these relevant topics and as input to develop the SAS customer offering and sustainability agenda. As an effort to create greater understanding of the aviation industry, we also participate in various industry and employee organizations.

PRODUCT RESPONSIBILITY

We assume our responsibility for maintaining the highest standards of product responsibility and follow strict policies and the applicable legislation concerning health and safety, environmental impact, IT security and food safety. We also have a responsibility to deliver products and services that are reliable and are produced under decent conditions. The SAS Quality Policy is applicable to all SAS products and services and is overseen and annually reviewed by Group Management. Activities are followed up within the management system and reported weekly, monthly, quarterly or annually according to their specific needs.

Flight Safety is highly regulated, and SAS is regularly audited by external parties. The relevant authorities review working conditions for airline personnel regarding areas such as working hours, which help to promote flight safety.

Punctuality and regularity are crucial aspects for the ability to deliver passenger transport on time and as planned. SAS works continuously to monitor and improve punctuality and regularity, which is highly valued by SAS customers. Punctuality is also of high importance for reducing emissions.

IT security and integrity are increasingly important, and SAS has an extensive program to ensure the high level of IT security required. We also comply with the EU General Data Protection Regulation (GDPR) legislation and have a dedicated SAS employee to ensure compliance.

SAS CONTRIBUTES TO ECONOMIC DEVELOPMENT

Our operations benefit society by directly and indirectly creating economic value and social welfare in the countries and communities where we operate.

We promote significant direct economic benefit as an employer and a purchaser of goods and services. In FY 2019, SAS paid wages and salaries totaling MSEK 7,296, which included social security expenses of MSEK 2,199 and pensions of MSEK 875. SAS endeavors to achieve market pay for all employee groups.

SAS creates economic value by providing the necessary infrastructure to enable smooth passenger journeys and cargo transport to, from and within Scandinavia. Air transport pays the costs for the infrastructure it needs to operate, such as airports, air traffic control and security. In FY 2019, these costs amounted to MSEK 8,288 for Scandinavian Airlines. Of these costs, Scandinavian Airlines paid MSEK 1,330 in security-related costs.

SOCIAL INVESTMENT

We support social initiatives that are directly related to our airline operations. We do this by offering our aircraft and related capabilities for societal benefit.

Preparedness for air ambulance operations
SAS has a commercial agreement with the Swedish government to make two specially equipped Boeing 737s available as air ambulances within the framework of the Swedish National Air Medevac (SNAM) in the event of a national emergency. A similar agreement exists with the Norwegian Armed Forces under which SAS is to make a remodeled ambulance service 737-700 available for medical evacuation within 24 hours, and a second aircraft within 48 hours if necessary.

Christmas flight
Every December since 1985, we have supported the Norwegian ‘Christmas flight’. The Christmas flight is an aid campaign carried out by SAS employees together with volunteers throughout the year to collect goods and contributions from various partner companies and private individuals. We provide an aircraft with full operational support, while pilots and crew volunteer in their free time and the fuel is sponsored by a fuel supplier.

Olympic and paralympic partner in Denmark, Norway and Sweden
The Olympic Games and The Paralympic Games is one of the many ways in which SAS shares the Scandinavian voice at home and across the world. Values such as respect for the individual and friendship across borders are strong in Scandinavia and something shared by SAS. Cross border meetings create the conditions for sustainable development in society. Meeting, exchanging experiences and sharing values make the world better, something that travel and aviation make possible

SAS sport exchange program future olympians
During the year, SAS started its Future Olympians sport exchange program in Denmark, Norway and Sweden. The sport exchange program offered three Scandinavian youth teams for an exchange program that took them to Japan to meet local athletes in basketball, track and field, and karate in the run-up to the Summer Olympics in Tokyo in 2020. SAS shares the view of cross-border friendship being a positive force with the Olympic values.

SAS - U-assist
SAS - U-Assist is a non-profit initiative launched by SAS’ employees in 1979. It is run voluntarily by SAS’ employees, and as a section in the internal SAS’ Club it is supported by SAS. The main focus is to help children in developing countries get a better life through various projects in different countries. More than 500 children have been supported through the projects during 2019. Approximately 95% of the funds raised by SAS - YOU Assist goes directly to the projects, leaving only 5% used for administration.

ABOUT THIS REPORT

The sustainability reporting in SAS Annual and Sustainability Reports, has been subject to third-party review since 1997. The report describes the company's most essential environmental and societal aspects during fiscal year 2019 from 1 November 2018, to 31 October 2019.

The Annual and Sustainability Report has been prepared in accordance with the GRI Standards: Core option. The UN Global Compact, UN Sustainability Development Goals, ISO 14001 and CDP were also taken into consideration in the preparation of this report. The sustainability part of this report has been prepared in accordance with the SAS Accounting Policies for Sustainability Reporting.

In accordance with the Swedish Annual Accounts Act, SAS has prepared a statutory Sustainability Report, which has been incorporated into the Annual and Sustainability Report 2019, separate from the Report by the Board of Directors, on pages 129–148. The auditor's opinion regarding the statutory sustainability report is included on pages 149–150.

This Annual and Sustainability Report is a key part of our commitment to communicate transparently with stakeholders. The 2018 materiality analysis was updated in 2019 and 'sustainability communication' was still identified as an area of great importance to SAS and its stakeholders.

The SAS Group is referred to as SAS in this Sustainability Report.

External review: material sustainability information and EU-ETS
All material sustainability information in the Annual and Sustainability Report for FY 2019 has been reviewed by KPMG. The Auditor's assurance report can be found on page 149–150.

KPMG has verified the reporting systems regarding CORSIA and the EU trading scheme for emission allowances for flights under the SK flight number.

External initiatives
We have been a member of the UN Global Compact since 2003 and participate in the Nordic Network. One criterion for publishing company information on the Global Compact website is an annual update – the Communication On Progress (COP). The most recent update of SAS information was completed in June 2019. The UN Global Compact is a pivotal component of the SAS Code of Conduct and the requirements imposed on the company's suppliers.

We have also chosen to use the UN Sustainable Development Goals (SDGs) as a tool to structure our strategic sustainability agenda. See page 19 for more on our approach to the SDGs.

Examples of organizations related to sustainability issues where SAS is a member:
- Member of the Nordic initiative Sustainable Aviation.
- Member in Nordic CEOs for a Sustainable Future.
- Member in the biofuel cluster Fossilfritt Flyg 2045
- Member in The Nordic Network for Electric Aviation
- Member of the IATA and participant in the IATA's Environmental Committee.
- Active in the Nordic working group for environmental issues in aviation (N-ALM).
- Member in Star Alliance, the world's largest airline network.
- Participation in three national industry organizations: NHO Luftfart in Norway; Föreningen Svenskt Flyg in Sweden; and Dansk Industri in Denmark.

Accounting policies for sustainability reporting fiscal year 2019
'SAS' or 'The SAS Group' is used throughout the report when referring to our overall operations.
For FY 2019, SAS reports its general sustainability results divided into the segments:
- Scandinavian Airlines comprises all operations in the SAS Consortium, including SAS Cargo Group (SCG).
- SAS Ground Handling (SGH).

CONTACT INFORMATION

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For environmental responsibility, SAS strives to distinguish between airline and ground operations. Accordingly, the following divisions have been made:
- Airline operations with an SK flight number. Scope 1
- Ground handling in SAS Ground Handling (SGH). SGH conducts ground handling for SAS and other customers, such as other airlines. Scope 1.
- Technical maintenance in SAS Maintenance Production. SAS Maintenance Production conduct technical maintenance primarily for SAS but also for other customers, such as other airlines. Scope 1.
- Freight and mail services within SAS Cargo Group A/S (SCG). Scope 1.
- Facilities owned or leased by SAS. Scope 2.

The SAS organizational structure is presented on page 63.

Monitoring sustainability-related data
SAS monitors relevant sustainability key performance indicators (KPIs) on an ongoing basis. SAS uses various parts of the Lean methodology and follow-ups of these KPIs are conducted within the management system and reported weekly, monthly, quarterly or annually according to specific needs.

As preparation for external sustainability reporting, there are data collection processes in the management system covering all areas of the SAS sustainability agenda.

SCOPE OF THE SUSTAINABILITY WORK

The SAS Sustainability work should contribute to the evaluation and understanding of our operations and is an overview of our structured sustainability work.

The goal of the Annual and Sustainability report is to disclose all information necessary to provide the reader with a comprehensive overview of our environmental, societal, and financial responsibilities.

The ultimate responsibility for our sustainability aspects, and their integration in operational activities, lies with Group Management. The Annual and Sustainability Report was reviewed by SAS Group Board of Directors and SAS Group Management in January 2020. The SAS Group Board of Directors submitted the Annual Report FY 2018 and Sustainability Report FY 2018 in January 2019.

Goals
We have decided to focus on our long-term environmental goals for 2030 in this report but have short-term sub-goals within the company and in our continuous sustainability work.

Limitations
The main principle for sustainability reporting is that all units and companies controlled by SAS are accounted for. This means that sustainability-related data for divested companies owned by SAS during the period is reported wherever possible. The same accounting policies as for financial information in the Annual Report are intended to be used for information in the Sustainability Report.

SAS has a number of production indicators (such as passenger kilometers and tonne kilometers). There are differences between the Annual Report and the Sustainability Report with regards to the disclosure of the number of passenger kilometers. The Annual Report uses revenue passenger kilometers (RPK) where paying passengers are included, while the Sustainability Report uses passenger kilometers (PK) where all passengers (including non revenue) are included.

Standard definitions for environmental and societal data have been applied throughout SAS. None of the limitations are considered to have any substantial significance.

Changes in accounting policies and calculating principles
This year glycol, energi, water and waste are reported only on main bases ARN, CPH and OSL.

Principles for reporting and calculating external and other environment related costs
Where possible, environment-related costs are based on information directly from the accounting system. When this has not been possible, for example, for calculations of certain charges and taxes that are included in landing charges, estimates were used based on the number of passengers to a certain destination and the charge or tax per passenger.

Principles for reporting and calculating environmental data

Reported environmental information is based on the following calculations and/or factors:

- Distance, based on WGS84 Great Circle Distance (GCD) calculations between airport reference points as defined in national Aeronautical Information Publication (AIPs).
- Passenger weight for PK calculations uses 100 kg for any person with hand luggage and checked luggage transported. This does not include active crew.
- Cargo and mail, actual weight is used.
- Fuel density (kg per liter):
  – Jet A/A-1[1]: Actual density or 0.8
  – Diesel: 0.84
  – Petrol: 0.73
  – Heating oil: 0.84
- CO_2 factor (per weight unit of fuel):
  – Jet A/A-1[1]: 3.15
  – Diesel: 3.17
  – Petrol: 3.12
  – Heating oil: 3.17
  – Electricity: 125.5 (grams/kWh based on Nordic energy mix)
- Energy conversion of fuels (GWh per 1,000 tonnes):
  – Jet A/A-1: 12.0
  – Diesel: 12.0
  – Petrol: 12.2
  – Heating oil: 12.0
- Nitrogen oxides (NOx), factors (per weight unit of fuel):
  – Jet A/A-1[2] Between 0.00694 and 0.0193[2]

1) Fuel density and CO_2 factor for Jet A/A-1 is calculated according to approved MRV plan.
2) Varies per aircraft/engine combination.

CO_2 emissions per passenger kilometer and cargo tonne kilometer – scope 1

SAS has chosen to apply a calculation method to divide the amount of fuel used for passenger and cargo transport before dividing the amount by passenger or cargo tonne kilometer. The method is based on the IATA Carbon Calculator Tool. The assumption is that fuel usage is proportional to weight. Passenger fuel usage is the ratio of total passenger weight to total weight multiplied by the total fuel used. The remainder is allocated to cargo transport.

Total Passenger Fuel Usage	=	(Total Passenger Weight/ Total Weight) x Total Fuel Used
Where, Total Weight	=	Total Passenger Weight + Total Freight/Cargo Weight
Total Passenger Weight (kg)	=	(Number of Seats x 50 kg) + (Number of Passengers x 100 kg)

The calculation method allocates 50 kg per seat as a prerequisite for passenger transport and the same weight per passenger as used in all other calculations applied within the industry.

For cases when flights were conducted without passengers or freight/cargo transport, all CO_2 emissions were allocated as passenger transport. This may include training flights, positioning flights between scheduled flights, and flights to/from maintenance, etc. The reason for this changed calculation method is to achieve more precise CO_2 emissions per production unit calculations. The previous calculation method essentially involved double accounting, with emissions per passenger kilometer including the fuel used for freight/cargo transport and vice versa.

CO_2 emissions per available seat kilometer – scope 1

In order to calculate the CO_2 emissions for each available seat the assumption is that each seat is occupied by one passenger which corresponds to 100 kg. The metric is calculated by dividing the total CO_2 emissions with the total available tonne kilometer and then multiplied with 0,1 (ie.100 kg or 0,1 tonne).

Principles for reporting and calculating employee data

The following principles for calculating and reporting societal data have been used.

Occupational accidents (H value)

Frequency of occupational accidents (H value) is calculated using the following formula:

$$\frac{\text{No. of occupational accidents with a minimum of one day absence} \times 1{,}000{,}000}{\text{Total number of performed working hours per year}}$$

Number of employees

In this report, the number of employees is based on the number of persons during the month of October and sick leave statistics calculated for the fiscal year. The statistics include employees with a budgeted or actual schedule and/or who were sick during the period.

Sick leave

Sick leave is reported as the number of days sick in relation to the number of employees multiplied by the number of calendar days. For sick leave, absence due to sick children is excluded. Long-term sick leave (more than 14 days) is reported as a percentage of the total sick leave.

GRI CONTENT INDEX

GRI Standards	Disclosure		Page number(s) and /or URL(s)	Omission
	GENERAL DISCLOSURES			
GRI 102: General disclosures 2016	102-1	Name of the organization	Page 44	
	102-2	Activities, brands, products, and services	Page 4	
	102-3	Location of headquarters	Page 44	
	102-4	Location of operations	Pages 4 and 159	
	102-5	Ownership and legal form	Page 63	
	102-6	Markets served	Pages 4 and 159	
	102-7	Scale of the organization	Pages 80, 92 and 153	
	102-8	Information on employees and other workers	Pages 33-36 and 138-139	SAS only reports on total workforce, not by employment type or contract.
	102-9	Supply chain	Page 140	
	102-10	Significant changes to the organization and its supply chain	Pages 9 and 31	
	102-11	Precautionary Principle or approach	Pages 53-60 and 130	
	102-12	External initiatives	Page 143	
	102-13	Membership of associations	Page 143	
	102-14	Statement from senior decision-maker	Pages 11-13	
	102-15	Key impacts, risks, and opportunities	Pages 53-60 and 130	
	102-16	Values, principles, standards, and norms of behavior	Pages 4, 19 and 130	
	102-18	Governance structure	Page 64	
	102-40	List of stakeholder groups	Page 141 and www.sasgroup.net	
	102-41	Collective bargaining agreements	Page 138	
	102-42	Identifying and selecting stakeholders	Page 141 and www.sasgroup.net	
	102-43	Approach to stakeholder engagement	Page 141 and www.sasgroup.net	
	102-44	Key topics and concerns raised	Pages 19, 130 and 143	
	102-45	Entities included in the consolidated financial statements	Pages 4, 63 and 143-144	
	102-46	Defining report content and topic Boundaries	Pages 143-144	
	102-47	List of material topics	Page 19	
	102-48	Restatements of information	N/A	
	102-49	Changes in reporting	Page 144	
	102-50	Reporting period	Pages 44 and 143	
	102-51	Date of most recent report	Pages 144	
	102-52	Reporting cycle	Pages 44 and 143	
	102-53	Contact point for questions regarding the report	Pages 143 and 158	
	102-54	Claims of reporting in accordance with the GRI Standards	Page 143	
	102-55	GRI content index	Pages 146-148	
	102-56	External assurance	Pages 149-150	

GRI Standards	Disclosure		Page number(s) and /or URL(s)	Omission
	ANTI-CORRUPTION			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundaries	Pages 18-19 and 143-145	
	103-2	The management approach and its components	Pages 130 and 140	
	103-3	Evaluation of the management approach	Page 130	
GRI 205: Anti-Corruption 2016	205-1	Operations assessed for risks related to corruption	Pages 53, 57, 130 and 140	
	ANTI-COMPETITIVE BEHAVIOR			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundaries	Pages 18-19 and 143-145	
	103-2	The management approach and its components	Pages 130 and 140	
	103-3	Evaluation of the management approach	Page 130	
GRI 206: Anti-competitive behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Pages 53,57, 130 and 140	
	EMISSIONS			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundaries	Pages 18-19 and 143-145	
	103-2	The management approach and its components	Pages 130-131	
	103-3	Evaluation of the management approach	Pages 130-131	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	Pages 132 and 145	
	305-2	Energy indirect (Scope 2) GHG emissions	Pages 135 and 145	
	305-4	GHG emissions intensity	Pages 135 and 145	
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Pages 132 and 145	
	EFFLUENTS AND WASTE			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundaries	Pages 18-19 and 143-145	
	103-2	The management approach and its components	Pages 130, 137 and 140	
	103-3	Evaluation of the management approach	Page 130	
GRI 306: Effluents and Waste 2016	306-2	Waste by type and disposal method	Page 136	
	SUPPLIER ENVIRONMENTAL ASSESSMENT			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundaries	Pages 19 and 143-145	
	103-2	The management approach and its components	Pages 130 and 140	
	103-3	Evaluation of the management approach	Page 130 and 140-141	
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	Pages 140-141	
	OCCUPATIONAL HEALTH AND SAFETY			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundaries	Pages 19 and 143-145	
	103-2	The management approach and its components	Pages 130 and 140	
	103-3	Evaluation of the management approach	Pages 130 and 138-139	
GRI 403: Occupational Health and Safety 2016	403-1	Workers representation in formal joint management–worker health and safety committees	Pages 138-139	
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Pages 138-139	Not reported by gender. No fatalities.

GRI Standards	Disclosure		Page number(s) and /or URL(s)	Omission
	TRAINING AND EDUCATION			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundaries	Pages 19, 35 and 143-145	
	103-2	The management approach and its components	Pages 35, 138 and 140	
	103-3	Evaluation of the management approach	Pages 138-139	
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	Page 138	Not reported by gender.
	DIVERSITY AND EQUAL OPPORTUNITY			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundaries	Pages 19, 35 and 143-145	
	103-2	The management approach and its components	Pages 138-139	
	103-3	Evaluation of the management approach	Pages 130 and 140	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	Page 139	
	SUPPLIER SOCIAL ASSESSMENT			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundaries	Pages 19, 35 and 143-145	
	103-2	The management approach and its components	Page 140	
	103-3	Evaluation of the management approach	Pages 130 and 140-141	
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criterias	Page 140-141	
	CUSTOMER HEALTH AND SAFETY			
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundaries	Pages 19, 35 and 143-145	
	103-2	The management approach and its components	Page 140	
	103-3	Evaluation of the management approach	Page 140	
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	Page 141	

ASSURANCE REPORT

AUDITOR'S LIMITED ASSURANCE REPORT ON SAS AB SUSTAINABILITY REPORT AND STATEMENT REGARDING THE STATUTORY SUSTAINABILITY REPORT

To SAS AB, Corp. Id. 556606-8499

INTRODUCTION

We have been engaged by the Board of Directors and the Chief Executive Officer of SAS AB to undertake a limited assurance engagement of SAS AB Sustainability Report for the financial year 2018-11-01 – 2019-10-31. SAS AB has defined the scope of the Sustainability Report that also is the Statutory Sustainability Report on page 2 in this document.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE CHIEF EXECUTIVE OFFICER

The Board of Directors and the Chief Executive Officer are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with applicable criteria and the Annual Accounts Act respectively. The criteria are defined on page 143 in the Sustainability Report, and are part of the Sustainability Reporting Standards published by GRI (The Global Reporting Initiative), that are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report. Our assignment is limited to the historical information that is presented and does not cover future-oriented information.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of financial information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR's accounting standard RevR12 The auditor's opinion regarding the Statutory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of SAS AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit.

Our procedures are based on the criteria defined by the Board of Directors and Chief Executive Officer as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusions below.

CONCLUSIONS

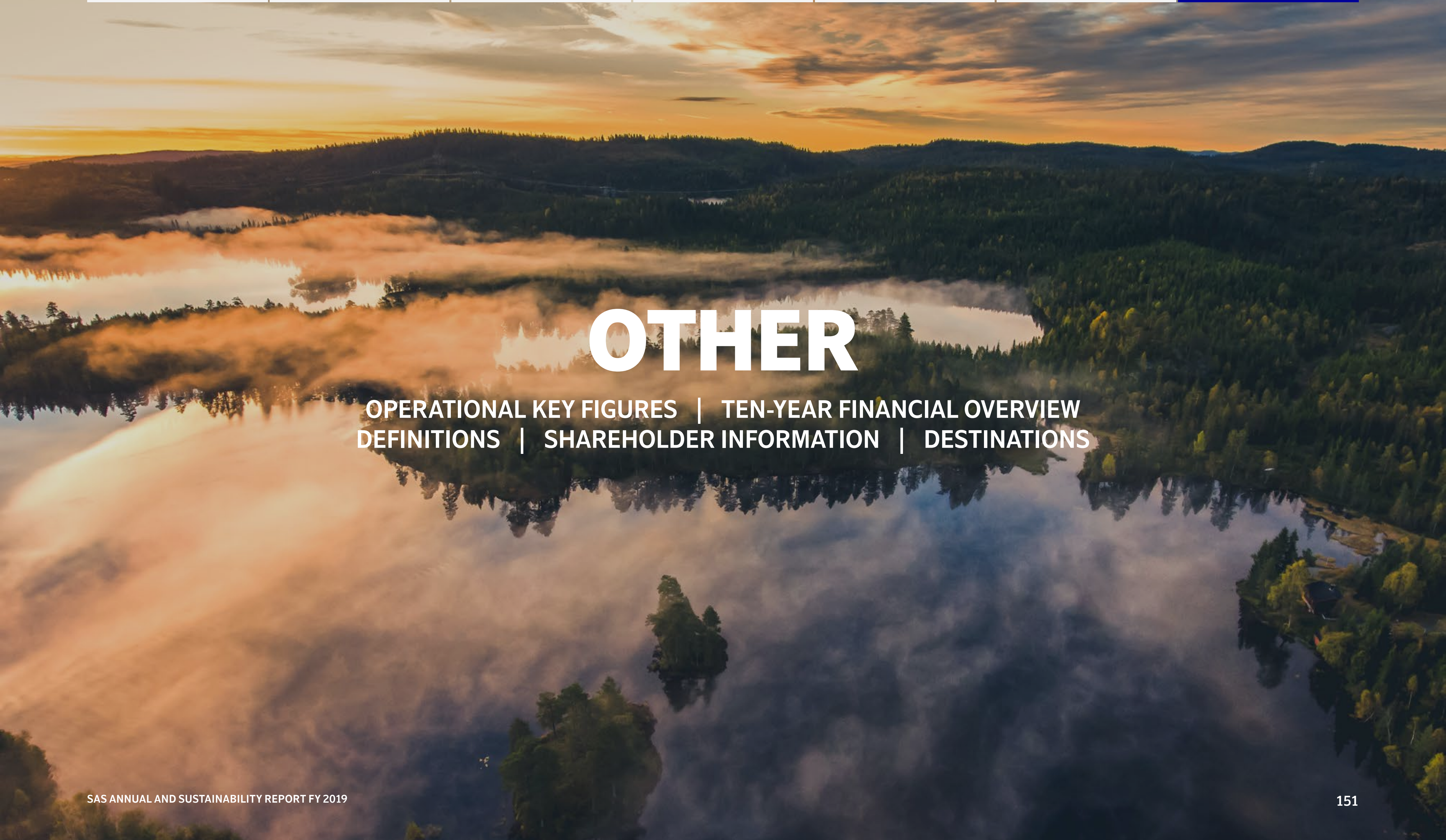
Based on the limited assurance procedures performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Chief Executive Officer.

A Statutory Sustainability Report has been prepared.

Stockholm, January 29, 2020

KPMG AB

Tomas Gerhardsson Authorized Public Accountant	Torbjörn Westman Expert Member of FAR



OTHER

OPERATIONAL KEY FIGURES | TEN-YEAR FINANCIAL OVERVIEW
DEFINITIONS | SHAREHOLDER INFORMATION | DESTINATIONS

OPERATIONAL KEY FIGURES

	FY19	FY18	FY17	FY16	FY15	FY14	FY13	Jan–Oct 2012	2011	2010
Passenger traffic-related key figures										
Number of destinations served, scheduled	127	125	123	118	119	125	150	136	128	127
Number of flights, scheduled	287,969	291,908	298,100	297,481	293,898	294,679	402,460	338,870	396,134	367,817
Number of passengers, total, (000)[1]	29,761	30,082	30,065	29,449	28,884	29,408	30,436	25,916	28,990	27,096
Number of passengers, scheduled (000)	28,451	28,794	28,625	27,738	26,941	27,061	28,057	23,979	27,206	25,228
Available seat km, total (million)[1]	52,371	52,781	52,217	48,620	44,289	45,158	44,629	36,126	40,953	38,851
Available seat km, scheduled (million)	48,471	49,023	48,303	44,956	40,877	40,971	40,583	32,813	37,003	34,660
Revenue passenger km, total (million)[1]	39,375	39,946	40,078	36,940	33,781	34,714	33,451	27,702	30,668	29,391
Revenue passenger km, scheduled (million)	35,825	36,496	36,360	33,508	30,561	30,686	29,650	24,746	27,174	25,711
Load factor, total (%)[1]	75.2	75.7	76.8	76.0	76.3	76.9	75.0	76.7	74.9	75.6
Weight-related key figures										
Available tonne km, ATK, total (mill. tonne km)	6,797	6,859	6,746	6,179	5,553	5,617	5,527	4,475	5,089	4,835
Available tonne km, scheduled (mill. tonne km)	6,302	6,372	6,251	5,741	5,132	5,119	5,042	4,098	4,604	4,318
Available tonne km, other (mill. tonne km)	495	487	495	437	421	498	485	377	485	517
Revenue tonne km, RTK, total (mill. tonne km)	4,645	4,808	4,819	4,404	3,989	4,067	3,930	3,201	3,555	3,448
Passengers and excess baggage (mill. tonne km)	3,907	3,964	3,976	3,666	3,354	3,446	3,308	2,733	3,018	2,897
Total load factor, total (%)	68.4	70.1	71.4	71.3	71.8	72.4	71.1	71.5	69.9	71.3
Traffic revenue/revenue tonne km (SEK)	8.68	8.40	7.99	8.11	8.92	8.34	9.53	9.94	10.23	10.42
Key figures for costs and efficiency										
Unit cost	0.78	0.72	0.69	0.70	0.79	0.75	0.80	0.81	0.86	0.95
Jet-fuel price paid incl. hedging, average (USD/tonne)	750	675	566	583	757	978	1,093	1,116	970	773
Revenue-related key figures										
Passenger revenue/revenue passenger km, scheduled, yield (SEK)	0.99	0.93	0.90	0.91	1.00	0.94	1.07	1.09	1.12	1.16
Passenger revenue/available seat km, scheduled, (SEK)	0.73	0.70	0.68	0.68	0.75	0.70	0.78	0.82	0.82	0.86

1) Total production includes scheduled traffic, charter, ad hoc flights and EuroBonus flights, etc. This means that the figures deviate from the published traffic statistics.

Definitions on page 156.

Operational key figures, continued

	FY19	FY18	FY17	FY16	FY15	FY14	FY13	Jan–Oct 2012	2011	2010
Environmental key figures										
CO_2, gram/passenger km[2]	95	95	96	99	101	100	104	118	122	121
CO_2, gram/available seat km, total	62	63	65	67	69	70	70	69	74	74
Key figures for Scandinavian Airlines										
Market share, to, from and within Scandinavia, (%)	30	32	31	31	32	33	32	33	33	34
Yield, currency-adjusted change, (%)	3.2	1.6	-2.9	-7.7	4.0	-7.4	-0.4	-1.0	-2.0	-7.4
PASK, currency-adjusted change, (%)[2]	2.5	0.5	-1.9	-8.0	3.8	-5.8	-3.2	1.1	-1.3	-0.2
Total unit cost, change, (%)	7.7	2.2	-3.5	-11.1	-3.8	-2.2	-6.0	-0.1	2.0	-7.8
No. of daily departures, scheduled, annual average	789	800	817	813	805	807	791	773	683	667
Number of aircraft in service[3]	158	157	158	156	151	156	151	156	157	159
Aircraft, block hours/day	9.3	9.6	9.6	9.3	8.8	9.0	8.7	8.2	8.1	7.5
Pilots, FTEs	1,285	1,273	1,345	1,300	1,228	1,396	1,413	1,328	1,304	1,297
Pilots, block hours/year	637	687	686	681	688	685	665	659	650	630
Pilots, payroll expenses, MSEK[4]	2,536	2,580	2,435	2,489	2,370	2,459	2,584	2,979	2,826	–
Cabin crew, FTEs	2,516	2,522	2,635	2,574	2,325	2,564	2,607	2,613	2,528	2,442
Cabin crew, block hours	734	771	777	759	762	762	721	674	660	640
Cabin crew, payroll expenses, MSEK[4]	1,738	1,767	1,613	1,647	1,546	1,587	1,769	2,087	2,076	–
Regularity, %	97.5	98.0	98.9	98.4	98.7	99.0	98.8	99.0	98.5	96.6
Punctuality (%) within 15 min.	80.3	77.7	83.6	83.9	87.9	88.4	86.2	89.4	88.9	86.9
Customer satisfaction, CSI	72	70	72	73	74	72	71	72	72	70

1) Carbon dioxide emissions per passenger kilometer comprising all passengers on board all flights (scheduled, charter, etc.). The method has been adjusted from fiscal year 2013 onward.

2) Refers to RASK prior to fiscal year 2014.

3) Including wet leases.

4) Excluding restructuring costs.

Definitions on page 156.

Other
Operational key figures
Ten-year financial overview
Definitions
Shareholder information
Destinations

TEN-YEAR FINANCIAL OVERVIEW

	2019	2018	2017	2016	2015	2014	2013	2012[1]	2011	2010
Statements of income, MSEK										
Revenue	46,736	44,718	42,654	39,459	39,650	38,006	42,182	35,986	41,412	41,070
Operating income before amortization and depreciation	2,988	3,783	2,844	2,962	2,877	1,576	3,647	955	3,019	246
Depreciation, amortization and impairment	-1,924	-1,763	-1,635	-1,367	-1,446	-1,443	-1,658	-1,426	-2,413	-1,885
Share of income in affiliated companies	-10	35	4	39	37	30	25	32	28	12
Income from the sale of shares in subsidiaries and affiliated companies	0	-4	-21	-7	–	6	700	400	–	-73
Income from the sale of aircraft, buildings and slot pairs	112	479	995	265	777	-16	-118	-247	12	-239
Financial income	172	129	148	91	124	102	50	96	224	174
Financial expenses	-544	-609	-611	-553	-632	-1,130	-999	-1,055	-1,030	-1,041
Income before tax, EBT	794	2,050	1,725	1,431	1,417	-918	1,648	-1,245	-1,629	-3,069
Income before tax and items affecting comparability	786	2,136	1,951	939	1,174	-697	919	23	94	-444
Balance sheets, MSEK										
Fixed assets	22,281	21,127	20,252	19,319	18,512	18,291	18,600	29,692	29,883	30,591
Current assets, excluding cash and cash equivalents	2,968	3,316	3,467	4,065	3,556	3,617	3,462	4,273	5,494	6,191
Cash and cash equivalents	8,763	9,756	8,836	8,370	8,198	7,417	4,751	2,789	3,808	5,043
Shareholders' equity	5,372	7,268	8,058	6,026	6,339	4,907	3,226	11,156	12,433	14,438
Long-term liabilities	13,525	12,011	9,363	9,822	10,275	10,384	10,173	12,111	13,889	13,932
Current liabilities	15,115	14,920	15,134	15,906	13,652	14,034	13,414	13,487	12,863	13,455
Total assets	34,012	34,199	32,555	31,754	30,266	29,325	26,813	36,754	39,185	41,825
Cash-flow statements, MSEK										
Cash flows from operating activities	3,318	4,559	2,443	3,663	3,036	1,096	1,028	2,562	-482	-155
Investments	-6,207	-6,840	-7,315	-5,960	-4,306	-2,113	-1,877	-2,595	-2,041	-2,493
Sale of fixed assets, etc.	1,627	4,161	7,228	3,345	3,193	1,632	1,644	1,976	517	697
Cash flow before financing activities	-1,262	1,880	2,356	1,048	1,923	615	795	1,943	-2,006	-1,951
Hybrid bond	1,474	–	–	–	–	–	–	–	–	–
New issue	–	1,223	–	–	–	3,500	–	–	–	4,678
Redemption of preference shares	-1,112	-2,579	–	–	–	–	–	–	–	–
Dividends	-26	-228	-350	-350	-350	-175	–	–	–	–
External financing, net	-67	621	-1,537	-530	-787	-1,275	1,171	-2,961	763	-1,859
Cash flow for the year	-993	917	469	168	786	2,665	1,966	-1,018	-1,243	868

1) As a consequence of the Group's fiscal year changing to 1 November–31 October, fiscal year 2012 was shortened to the period 1 January–31 October. Yield-based key figures are calculated based on income items for a 12-month period.

Ten-year financial overview, continued

	2019	2018	2017	2016	2015	2014	2013	2012[1]	2011	2010
Key and alternative performance measures[2]										
EBIT margin, %	2.5	5.7	5.1	4.8	5.6	0.4	6.2	-0.8	1.6	-4.7
Return on shareholders' equity, %	14	22	18	24	18	-15	457	-25	-12	-17
Return on invested capital, %	8	14	13	12	14	4	18	-1	4	-5
Adjusted financial net debt/EBITDAR	3.7x	2.7x	3.1x	3.2x	3.0x	4.2x	3.2x	6.5x	3.0x	8.0x
Financial preparedness, %	38	42	37	41	40	37	26	31	33	34
Equity/assets ratio, %	16	21	25	19	21	17	12	30	32	35
Adjusted equity/assets ratio, %	9	13	15	12	13	11	8	24	26	28
Financial net debt, MSEK	328	-2,432	-2,799	-1,166	-726	1,102	4,567	6,549	7,017	2,862
Debt/equity ratio	0.06	-0.33	-0.35	-0.19	-0.11	0.22	1.42	0.59	0.56	0.2
Adjusted debt/equity ratio	4.70	2.70	2.28	3.08	2.65	3.14	5.13	1.54	1.33	0.89
Interest expense/average gross debt, %	4.3	6.4	6.6	5.4	5.6	7.4	7.6	8.1	7.3	6.9
Interest-coverage ratio	2.5	4.4	3.8	3.6	3.2	0.2	2.6	-1.6	-0.6	-1.9

1) As a consequence of the Group's fiscal year changing to 1 November–31 October, fiscal year 2012 was shortened to the period 1 January–31 October. Yield-based key figures are calculated based on income items for a 12-month period.

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

The APMs are calculated using averages of the qualifying periods' balance-sheet items. The return on invested capital, adjusted equity/assets ratio and adjusted debt/equity ratio are calculated using net capitalized leasing costs, whereby operational leasing commitments for aircraft were taken into consideration.

Definitions on page 156.

DEFINITIONS

FINANCIAL DEFINITIONS

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

AEA – The Association of European Airlines. An association of the major European airlines.

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.

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.

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

Revenue passenger kilometers (RPK) – See RPK.

Revenue tonne kilometers (RTK) – See RTK.

Block hours – Refers to the time from when the aircraft leaves the departure gate until it arrives at the destination gate.

Market capitalization – Share price multiplied by the number of shares outstanding.

CAGR – Compound annual growth rate.

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.

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.

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

Unit revenue – See PASK.

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

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.

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.

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.

Interline revenue – Ticket settlement between airlines.

Affiliated company – Company where the SAS Group's holding amounts to at least 20% and at the most 50%.

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

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

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

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

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

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.

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.

Carbon dioxide (CO_2) – A colorless gas that is formed in the combustion of all fossil fuels. The airline industry's CO_2 emissions are being reduced based on a changeover to more fuel-efficient aircraft.

LCC – Low Cost Carrier.

NPV – Net present value. Used to calculate capitalized future costs of operating leases for aircraft, for example.

Available seat kilometers – See ASK.

Available tonne kilometers – See ATK.

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.

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).

Regularity – The percentage of flights completed in relation to flights scheduled.

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

RPK, Revenue passenger kilometers – Number of paying passengers multiplied by flown distance (km).

RTK, Revenue tonne kilometers – The number of tonnes of paid traffic (passengers, freight and mail) multiplied by the distance this traffic is flown in kilometers.

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

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.

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

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

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

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

Total load factor – RTK divided by ATK.

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.

Yield – Passenger revenue divided by RPK (scheduled).

SUSTAINABILITY DEFINITIONS

Average number of employees – is defined as the average number of employees expressed in full-time equivalents, excluding leave of absence, parental leave and long-term sick leave. This definition is also used in financial reporting. Sometimes the term FTE (Full Time Equivalent) is used.

Biofuels – are solid or liquid fuels of biological origin. Liquid fuels for vehicle/ship/aircraft engines. They are considered carbon neutral to various degrees. The EU renewables directive (2009/28/EC) and biofuels directive (2003/30/EC) define the EU's mandates on biofuels and degree of carbon neutrality.

Carbon dioxide (CO_2) – is a colorless gas that is formed in the combustion of all fossil fuels.

Cargo tonne kilometer – includes all freight and mail (in metric tonnes) multiplied by the great circle distance flown for all flights performed.

CDP – is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. Read more at http://www.cdp.net.

CFCs – are a group of chlorofluorocarbons that may also contain hydrogen and/or bromide. A class of stable chemical compounds mostly known under the trade names Freon or Halon. Their manufacture is prohibited by the Montreal Protocol because of their depletion of the ozone layer. Aviation has an exception for use under a critical use clause due to the lack of approved alternatives. Research for alternatives is ongoing.

Charges for infrastructure – imposed by the operators of the infrastructure and which are intended to cover operating and capital costs for airlines and air traffic management.

CO_2 – Carbon dioxide (see definition).

CO_2 passenger or cargo share – is the amount of CO_2 emissions from passenger or cargo transport.

Code of Conduct – is the ethics rules and guidelines of a particular business.

CSR – Corporate Social Repsonsibility.

dB – Decibel, a logarithmic unit of measurement that expresses the magnitude of a physical quantity relative to a specified or implied reference level.

Environmental related charges – are charges imposed by the airport operators to motivate aircraft operators to operate aircraft with high eco-efficiency with respect to noise and other emissions such as NOx, as well as surcharges imposed by airport operators to motivate aircraft operators to avoid take-offs and landings at night.

Environmental related investments – Investments in assets to prevent, reduce or restore environmental damage arising from operations and/or aimed at meeting upcoming, more stringent environmental requirements.

Environmentally related taxes – Taxes that, in contrast to other corporate taxation, are motivated by environmental grounds. Examples are the environmentally motivated passenger charge in the UK and the environmentally related fiscal CO_2 charges in Sweden and Norway.

External environmental related costs – are the sum of environmental charges and environmentally related charges and taxes.

Fossil fuels – are fuels consisting of organic carbon and hydrogen compounds in sediment or underground deposits – especially coal, oil and natural gas.

Global Compact – is a challenge from the former UN Secretary General Kofi Annan to business and industry to live up to ten principles of human rights, employee rights, the environment and anti-corruption, as formulated by the UN. www.unglobalcompact.org

GRI – Global Reporting Initiative is an organization that provides companies and organizations with a global sustainability reporting framework and thereby allows comparisons between companies from a social, environmental and economic perspective. www.globalreporting.org

Greenhouse effect – Carbon dioxide and other gases trap and reradiate incoming solar radiation that would otherwise be reflected back into space. Most scientists agree that human use of fossil fuels is causing global warming. Other gases that contribute to the greenhouse effect are CFCs (see definition), methane and nitrous oxide.

Halons – See CFCs.

IATA – The International Air Transport Association represents, leads and serves the airline industry. Its members comprise all major passenger and cargo airlines. www.iata.org

ISO 14001 – is a series of international environmental standards developed by the International Organization for Standardization. The general guiding principles for ISO 14001 are identical to those in the quality standard ISO 9000.

Jet A-1 – is the common jet fuel specification outside North America. Jet A and Jet A-1 are very similar and throughout this Sustainability Report the term 'jet fuel' is used to describe fuel used by the aviation industry.

MRV – Monitoring, Reporting and Verification of CO_2 emissions and production in tonne-kilometers in the EU Emissions Trading Scheme.

Nitrogen oxides – (NOx) Formed during combustion in jet engines. The high temperature and pressure in aircraft engines cause the atmospheric nitrogen and oxygen to react with each other. This mainly occurs during take-off and ascent when the engine temperature is at a maximum.

Noise – includes environmentally detrimental, undesirable sounds. The environmental impact of air traffic in the form of noise is primarily a local issue. Noise is normally described and measured in dB(A), an A-weighted sound level.

NOx – Nitrogen oxides (see definition).

Occupational accident – is the number of injuries employees incur by accident due to a sudden, unforeseen and external incident, resulting in at least one day of absence.

PK – (used in the sustainability-related reporting) – Passenger Kilometers, includes all passengers (100 kg per passenger including luggage) excluding active crew multiplied by the great circle distance flown for all flights performed.

SAF – Sustainable Aviation Fuel is a term for fuel made for aviation, that is produced in a sustainable way and with sustainable raw material, aimed to reduce the greenhouse gas emissions. It includes biofuel, but is not limited to biofuel.

SAFUG – Sustainable Aviation Fuel Users Group. Aviation industry organization focused on accelerating the development and commercialization of sustainable aviation fuels.

Tonne kilometers – are the number of transported metric tonnes of passengers and cargo multiplied by the distance flown.

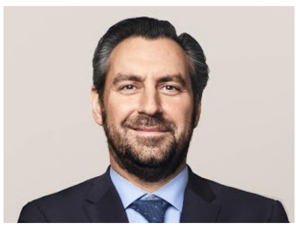
Weighted noise contour – is calculated based on the number of takeoffs per day at a given airport, with regard to the aircraft types the airline uses at that airport. The weighted noise contour defines the area in km2 that is subjected to a noise footprint of 85 dB(A) or more in connection with take-off.

INVESTOR RELATIONS

SAS Investor Relations is responsible for providing relevant information to and being available for dialogue with shareholders, analysts and the media. Over the year, SAS has completed a number of international roadshows and participated in several capital market activities. The company also holds regular analyst meetings.

Analysts who monitor SAS

DNB	Ole Martin Westgaard
HSBC	Andrew Lobbenberg and Achal Kumar
Nordea	Hans-Erik Jacobsen
Pareto Securities	Kenneth Sivertsen
Sparebank 1 Markets	Lars-Daniel Westby
Sydbank	Jacob Pedersen



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ANNUAL GENERAL SHAREHOLDERS' MEETING 2020

ATTENDING THE AGM

The AGM of SAS will be held on 12 March 2020 at 2:00 p.m. in Solna: The head office of SAS, Frösundaviks allé 1.

Shareholders who wish to attend the AGM must notify the company in advance. Details of the registration procedure are published in the notice calling the AGM.

SENDING OF THE NOTICE AND NOTIFICATION OF ATTENDANCE

- The notice is scheduled to be published on 6 February 2020.
- Deadline for notification of attendance: 5 March 2020 in Denmark and Norway and 6 March 2020 in Sweden.

FINANCIAL CALENDAR

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

26 February 2020	Q1 Interim Report (Nov 2019–Jan 2020)
12 March 2020	Annual General Shareholders' Meeting
28 May 2020	Q2 Interim Report (Feb 2020–Apr 2020)
25 August 2020	Q3 Interim Report (May 2020–Jul 2020)
3 December 2020	Year-end report (Nov 2019–Oct 2020)
January/February 2021	SAS Annual and Sustainability Report, fiscal year 2020

For more information, please refer to www.sasgroup.net.

ANNUAL REPORT

SAS' annual reports and other financial information are available in English and Swedish and can be downloaded at www.sasgroup.net.

Every care has been taken in the translation of this annual report to English. However, in the event of discrepancies, the Swedish original will supersede the English translation.

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SAS DESTINATIONS

- Bases
- Destinations