

SIGNIFICANT NEGATIVE RESULTS DUE TO COVID-19

FEBRUARY 2020–APRIL 2020

- Revenue: MSEK 5,264 (9,871)
- Income before tax (EBT): MSEK -3,722 (-1,216)
- Income before tax and items affecting comparability: MSEK -3,714 (-1,211)
- Net income for the period: MSEK -3,470 (-933)
- Earnings per common share: SEK -9.15 (-2.44)

SIGNIFICANT EVENTS DURING THE QUARTER

- SAS temporarily halts most of its traffic due to effects of COVID-19
- SAS initiates processes to reduce future workforce by up to 5,000 full-time positions
- Ongoing and constructive discussions with largest owners on a recapitalization plan to secure adequate levels of funding and equity for the future

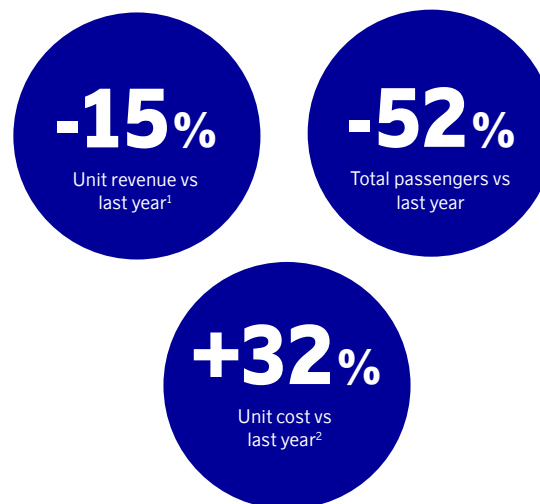
SIGNIFICANT EVENTS AFTER QUARTER END

- SAS signs a SEK 3.3bn revolving credit facility agreement
- Magnus Örnberg appointed new CFO of SAS

NOVEMBER 2019–APRIL 2020

- Revenue: MSEK 14,971 (19,276)
- Income before tax (EBT): MSEK -4,809 (-1,792)
- Income before tax and items affecting comparability: MSEK -4,792 (-1,935)
- Net income for the period: MSEK -4,331 (-1,402)
- Earnings per common share: SEK -11.49 (-3.69)

KEY FIGURES – SECOND QUARTER 2020



¹ PASK, Currency adjusted

² CASK, Currency adjusted and excluding jet fuel

“With the ongoing crisis, SAS will once again need to demonstrate its ability to transform to a new and very challenging reality.”

Rickard Gustafson, President and CEO

FINANCIAL SUMMARY

MSEK, unless noted otherwise	Q2	Q2	Q1–Q2	Q1–Q2
	Feb–Apr 2020	Feb–Apr 2019	Nov–Apr 2019–2020	Nov–Apr 2018–2019
Revenue	5,264	9,871	14,971	19,276
Operating income (EBIT)	-3,315	-1,130	-4,082	-1,591
Operating income (EBIT) margin	-63.0%	-11.4%	-27.3%	-8.3%
Income before tax (EBT)	-3,722	-1,216	-4,809	-1,792
Income before tax and items affecting comparability	-3,714	-1,211	-4,792	-1,935
Net income for the period	-3,470	-933	-4,331	-1,402
Cash flow from operating activities	-1,757	2,344	-1,202	1,662

	30 Apr 2020	31 Oct 2019	30 Apr 2019
Return on invested capital ¹	-1%	8%	9%
Adjusted financial net debt/EBITDAR ¹	6.9x	3.7x	3.4x
Financial preparedness ¹	26%	38%	32%
Equity/assets ratio ²	-0.1%	16%	10%
Earnings per common share (SEK) ²	-11.49	1.54	-3.69
Shareholders' equity per common share, SEK ²	-4.09	10.12	8.8

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

² Key ratio for 2020 including IFRS 16. Earlier periods do not include IFRS 16. 6 months to 30 April and 12 months to 31 October.

This information is information that SAS AB is obliged to disclose pursuant to the EU Market Abuse Regulation. The information was submitted by Michel Fischier for publication on 28 May 2020 at 8:00 a.m. CET.

SIGNIFICANT NEGATIVE FINANCIAL RESULTS DUE TO COVID-19

The COVID-19 pandemic has created a global crisis for the aviation industry, including SAS. What started with travel restrictions to mainland China quickly led to global travel restrictions, quarantines and strict advice against unnecessary travel. Effectively, these measures eliminated the core foundation for our business model, and almost our entire fleet was grounded from mid-March. At the end of the quarter, SAS primarily operated limited domestic networks in Norway and Sweden, supplemented with a few international repatriation flights. For the first time in the history of our company, SAS offered no scheduled international flights to/from Scandinavia.

FINANCIAL SUMMARY

We started our fiscal year with high demand for our services and with a robust operational performance in terms of regularity and punctuality. We reported strong passenger numbers, increased revenue and improved market shares. However, as the second quarter progressed, the full effects of the COVID-19 pandemic became evident. In April, our capacity was down 94% and the number of passengers fell 96% compared to last year. As a direct consequence, our quarterly revenue fell nearly 50% to MSEK 5,264.

The decline in demand immediately triggered SAS to implement a broad range of measures to radically reduce costs. In total, these reductions of fixed and variable cost amounted to SEK 2.4 billion compared to the same quarter last year. As of today, approximately 90%

of our workforce is on temporary layoff schemes and we have announced a permanent reduction of 5,000 positions to adapt to predicted market conditions. Moreover, we have enforced a significant reduction of our network, reduced our sales & marketing spend, renegotiated supplier agreements, and postponed IT projects and investments. We also reduced capital expenditures by deferring aircraft deliveries and reaching agreements on payment holidays with most of our lessors.

SAS, like many other airlines has a very high level of fixed costs, whereby the cost reductions have not fully offset the sharp revenue decline, as a result of which we ended the quarter with a pre-tax loss of SEK 3.7 billion. Another focus area has been to preserve cash to the extent possible, and our cash position ended at SEK 4.2 billion, down SEK 2.4 billion in the quarter.

Shortly after the quarter ended, we were able to secure a three-year SEK 3.3 billion revolving credit facility, 90% guaranteed by the Danish and Swedish states. The facility strengthens our financial situation in a difficult period, with an expected negative operating cash burn in the range of MSEK 500–700 per month until end of fiscal year 2020.

COMMUNITY SUPPORT AND SAFE TRAVEL

Despite closed borders, SAS continues to play a vital role in supporting overall society. Early on during the outbreak, SAS operated special flights to repatriate



Rickard Gustafson, President and CEO.

Scandinavian citizens from countries such as Peru, Brazil and Pakistan. We have ensured air bridges for essential medical supplies in close collaboration with the three Scandinavian governments and the Knut and Alice Wallenberg foundation.

Furthermore, our committed employees have engaged in relieving the very strained healthcare sector, assisting in carrying out public COVID-19 tests and volunteering as substitute teachers in elementary schools.

The safety and well-being of travelers and employees is always our highest priority. Therefore, SAS has reviewed the entire customer journey, and imposed some changes to ensure the safest travel experience possible. As a starting point, we urge all travelers to follow the general recommendations set by the health authorities in the respective countries.

Our boarding procedures have been adapted to facilitate social distancing and we have temporarily closed all SAS Lounges. Onboard, our aircraft are equipped with effective HEPA filters that significantly reduce the risk of airborne contamination, our service concept has been re-designed to reduce physical contact and all aircraft are cleaned and disinfected on a more frequent basis. Moreover, passengers will be seated with as much personal space possible, non-essential loose items onboard have been removed and hand luggage allowance is limited. Passengers are required to bring and use protective face masks during travel.

TRANSFORMATION TO ADAPT TO A NEW REALITY

Countries will gradually re-open, but the pace and prerequisites will not be the same in all geographies and regions. Furthermore, the pandemic has led to an economic downturn, resulted in behavioral changes in favor of more digital meetings and caused a general health concern among many customers. Therefore, we expect

a longer recovery period than experienced in previous downturns. We expect that the recovery will start with increased domestic demand followed by European and then Intercontinental destinations. But, it will most likely take until 2022 before we see demand in line with what we experienced before the COVID-19 outbreak.

With the ongoing crisis, SAS will once again need to demonstrate its ability to transform to meet a new and very challenging reality. As a response to an environment characterized by lower passenger numbers and revenue generation, SAS is pursuing a revised business plan generating SEK 4 billion in further improvements by 2022.

The savings will come from a broad range of measures. A reduction of the workforce by up to 5,000 positions, combined with a zero-based resizing of our administration. Productivity improvements in the range of 15-25% are required in all collective bargaining agreements to cater for changing market conditions and seasonality aspects. Continuation of strict cost control procedures, imposed during the crisis, including renegotiated contracts with suppliers, reduced spend on marketing, product, IT development and other projects. Additionally, we plan to adapt the fleet size, through postponements and adjusted future deliveries of aircraft from Airbus and lessors until demand returns.

Our commitment to a more sustainable future remains firm, and the plan includes additional initiatives to maintain and accelerate our efforts. To achieve this, SAS will continue to upgrade its fleet, rightsize aircraft usage to demand and increase usage of sustainable aviation fuels to significantly reduce our emissions.

Given the impact of COVID-19 and the time it will take to recover to a more normalized situation, SAS will need to secure further funding in order to continue as the most important airline infrastructure provider in Scandinavia.

This will require support from the Scandinavian governments. As a first step the Danish and Swedish governments have provided 90% guarantees for the SEK 3.3 billion revolving credit facility. SAS also continues its efforts to secure support from the Norwegian government.

SAS is currently in active, intensive and constructive discussions with the company's major shareholders and selected stakeholders on a recapitalization plan to ensure the future of SAS. This includes realization of its key business priorities of necessary increased productivity and a continuation of the green transition.

Any potential solution will require both government and market participation, as well as burden sharing measures involving internal, external and financial stakeholders in the company. Different options are currently being considered, and we aim to present a plan to the market in June 2020.

Once a plan is in place, I am confident that we can overcome the current challenges and start to rebuild our business based on the strengths of SAS, including committed and dedicated employees, a strong brand and a valued customer offering.

We're experiencing an unprecedented situation at the moment, that creates significant challenges for SAS. I would like to express my sincere appreciation to all SAS employees for their dedicated efforts and support during the crisis. SAS is determined to re-start operations as soon as possible. On behalf of all of our employees, I'm truly looking forward to once again welcoming you on board a SAS flight in the near future.

Rickard Gustafson,
President and CEO
Stockholm, 28 May 2020

COMMENTS ON SAS' INTERIM FINANCIAL STATEMENTS

INCOME STATEMENT, SUMMARY, Q1-Q2 2020

MSEK Income statement	Nov-Apr 19-20	Nov-Apr 18-19	Change vs LY	Currency effects	Change vs LY (Curr. adj)
Revenue	14,971	19,276	-4,305	159	-4,464
Total operating expenses	-19,053	-20,867	1,814	-26	1,840
EBIT	-4,082	-1,591	-2,491	133	-2,624
EBT	-4,809	-1,792	-3,017	6	-3,023

EFFECTS COVID-19, Q1-Q2 2020

MSEK	
Revenue	-5,510
Personnel expenses	517
Fuel expenses - volume	1,076
Fuel expenses - discontinued hedges	-1,240
Air traffic charges	507
Other external expenses	1,468
Depreciation	61
EBIT	-3,121

Revenue

Revenue totaled MSEK 14,971 (19,276), see Note 2. After adjustment for currency effects, revenue was down MSEK 4,464 year-on-year. The decrease in revenue is mainly related to low volumes following the spread of the COVID-19 pandemic.

Currency-adjusted passenger revenue decreased 28.0%. The decrease was a result of lower scheduled capacity (ASK) which, based on the preceding year's circumstances, had a negative impact on revenue of MSEK 3,587. The lower load factor had a negative effect of MSEK 685. The higher yield had a positive impact of MSEK 86 on passenger revenue.

Currency-adjusted cargo revenue decreased MSEK 299 and currency-adjusted charter revenue was MSEK 53 lower. Other traffic revenue (currency-adjusted) was MSEK 91 lower. The decrease in revenue for the first half year mainly relate to lower volumes during the second quarter following the spread of the COVID-19 pandemic.

Other operating revenue (currency-adjusted) was MSEK 165 higher year-on-year, mainly related to revenue from the Norwegian government for flying critical infrastructure traffic during the COVID-19 pandemic.

Operating expenses

Personnel expenses amounted to MSEK -4,570 (-4,821). After adjustment for currency and items affecting comparability, personnel expenses decreased MSEK 261 year-on-year. The decrease mainly relates to COVID-19 effects of MSEK 517, which includes MSEK 242 of support received from the governments of Denmark and Sweden for temporary lay-offs, as well as lower personnel expenses due to lower production volume. Salary increases have affected the costs by approximately MSEK 185.

Fuel expenses amounted to MSEK -4,524 (-4,142). Adjusted for currency, jet fuel costs increased 3.9%. Lower jet fuel prices had a positive impact of MSEK 339 on these costs. Hedge effects had a negative impact of MSEK 1,474 year-on-year, of which MSEK 1,240 relates to hedge relationships that have been discontinued as they have ceased to meet the qualification criteria. Volume effects had a positive impact on costs

of MSEK 982 and the effect on accruals was MSEK -18. Air traffic charges amounted to MSEK -1,440 (-1,877). Adjusted for currency, air traffic charges decreased 24.5%. The decrease pertained mainly to lower traffic volumes and reduced traffic charges during the second quarter following the COVID-19 pandemic.

Other external expenses amounted to MSEK -5,745 (-9,149), see Note 3. As a result of IFRS 16 being implemented on 1 November 2019, leasing costs for aircraft are included in other external expenses. Fuel expenses and air traffic charges are no longer included and are instead presented as separate line items in the income statement. The comparative year has also been reclassified. For detailed information on the changes, see Note 1.

Year-on-year, other external expenses (currency-adjusted) decreased MSEK 3,331. The decrease pertained mainly to leasing costs for aircraft, properties and ground handling equipment that, following the adoption of IFRS 16, are no longer recognized as other external expenses, with the exception of short-term leases. Other changes year-on-year pertained mainly to a decrease in costs for handling, selling and distribution and technical maintenance.

Currency-adjusted handling costs and selling and distribution costs decreased MSEK 317 and MSEK 268 respectively, mainly relating to the spread of the COVID-19 pandemic. Technical maintenance costs (currency-adjusted) decreased MSEK 279, relating to the COVID-19 pandemic and the introduction and delivery of new aircraft. Wet-lease expenses decreased MSEK 47 (currency-adjusted) primarily due to lower production as a result of COVID-19.

Depreciation and amortization amounted to MSEK -2,777 (-874), an increase of MSEK 1,903 year-on-year.

The increase mainly related to the adoption of IFRS 16, where depreciation of right-of-use assets had a negative impact of MSEK 1,782, see notes 1 and 4.

During the period, the ongoing efficiency program resulted in cost reductions of MSEK 335 attributable to efforts such as increased fuel efficiency, increased operational stability and effects from a renegotiated component contract.

Financial net

Financial income and expenses amounted to net MSEK -727 (-201), representing an increase in net expenses of MSEK 526 year-on-year. The increase pertained mainly to the adoption of IFRS 16, where interest expenses and currency revaluations for the lease liability had a negative impact of MSEK -461, see Note 5.

Impact from IFRS 16

The adoption of IFRS 16 had a negative impact of MSEK 310 on Income before tax (EBT) in the first six months of the fiscal year. The expenses impacted in the income statement are operating expenses, depreciation and financial net.

Operating expenses were positively impacted by an amount of MSEK 1,933, since lease expenses for aircraft, properties and ground handling equipment are no longer recognized in the income statement. Depreciation of right-of-use assets had a negative impact of MSEK 1,782 and the financial net was negatively impacted by an amount of MSEK 461. For more information on the impact of IFRS 16, see Note 1.

Net income for the period

Operating income amounted to MSEK -4,082 (-1,591) and EBT amounted to MSEK -4,809 (-1,792). The year-on-year decrease in EBT pertained mainly to the impact from the spread of the COVID-19 pandemic and the impact from IFRS 16. Income after tax was MSEK -4,331 (-1,402) and the tax income was MSEK 478 (390). No deferred tax income has been accounted for related to tax loss carryforwards incurred in the second quarter.

Year-on-year, foreign exchange rates had a positive impact on revenue of MSEK 159 and a negative effect on operating expenses of MSEK 26. Foreign exchange rates thus had a positive impact on operating income of MSEK 133. Net financial items were negatively impacted by currency items amounting to MSEK 127. In total, currency effects had a net positive impact of MSEK 6 on EBT.

Items affecting comparability

Total items affecting comparability amounted to MSEK -17 (143) during the period. Of total items affecting comparability, MSEK -17 (-13) relates to restructuring costs for personnel. The other items in the first quarter last year relate to capital gains from aircraft transactions, a contractual settlement and a release of a fiscal-related provision for indirect taxes in China.

INCOME STATEMENT, SUMMARY – Q2 2020

MSEK	Feb-Apr	Feb-Apr	Change	Currency	Change
Income statement	19-20	18-19	vs LY	effects	vs LY
					(Curr. adj)
Revenue	5,264	9,871	-4,607	32	-4,639
Total operating expenses	-8,579	-11,001	2,422	315	2,107
EBIT	-3,315	-1,130	-2,185	347	-2,532
EBT	-3,722	-1,216	-2,506	260	-2,766

EFFECTS COVID-19, Q2 2020

MSEK	
Revenue	-5,510
Personnel expenses	517
Fuel expenses-volume	1,076
Fuel expenses - discontinued hedges	-1,240
Air traffic charges	507
Other external expenses	1,468
Depreciation	61
EBIT	-3,121

Revenue

Revenue totaled MSEK 5,264 (9,871), see Note 2. After adjustment for currency effects, revenue was down MSEK 4,639 year-on-year. The decrease in revenue is mainly relating to low volumes following the spread of the COVID-19 pandemic.

Currency-adjusted passenger revenue decreased 55.4%. The decrease was a result of lower scheduled capacity (ASK) which, based on the preceding year's circumstances, had a negative impact on revenue of MSEK 3,645. The lower load factor had a negative effect of MSEK 773. The higher yield had a positive impact of MSEK 125 on passenger revenue.

Currency-adjusted cargo revenue decreased MSEK 223 and currency-adjusted charter revenue was MSEK 73 lower. Other traffic revenue (currency-adjusted) was MSEK 129 lower. The decrease in revenue pertained mainly to lower volumes following the spread of the COVID-19 pandemic.

Other operating revenue (currency-adjusted) was MSEK 79 higher year-on-year, mainly related to revenue from the Norwegian government for flying critical infrastructure traffic during the COVID-19 pandemic.

Operating expenses

Personnel expenses amounted to MSEK -1,995 (-2,420). After adjustment for currency and items affecting comparability, personnel expenses decreased MSEK 419 year-on-year. The decrease mainly relates to COVID-19 effects of MSEK 517, which includes MSEK 242 of support received from the governments of Denmark and Sweden for temporary lay-offs, as well as lower personnel expenses due to lower production volume. Salary increases have affected the costs by approximately MSEK 76.

Fuel expenses amounted to MSEK -2,504 (-2,181). Adjusted for currency, jet fuel costs increased 8.4%. Lower jet fuel prices had a positive impact of MSEK 248 on these costs. Hedge effects had a negative impact of MSEK 1,352 year-on-year, of which MSEK 1,240 relates to hedge relationships that have been discontinued as they have ceased to meet the qualification criteria. Volume effects had a positive impact on costs of MSEK 934 and the effect on accruals was MSEK -24.

Air traffic charges amounted to MSEK -523 (-961). Adjusted for currency, air traffic charges decreased 46.2%. The decrease pertained mainly to lower traffic volumes following the COVID-19 pandemic.

Other external expenses amounted to MSEK -2,150 (-4,981), see Note 3. As a result of IFRS 16 being implemented on 1 November 2019, leasing costs for aircraft are included in other external expenses. Fuel expenses and air traffic charges are no longer included and are instead presented as separate line items in the income statement. The comparative year has also been reclassified. For detailed information on the changes, see Note 1.

Year-on-year, other external expenses (currency-adjusted) decreased MSEK 2,385. The decrease mainly related to leasing costs for aircraft, properties

and ground handling equipment that, following the adoption of IFRS 16, are no longer recognized as other external expenses, with the exception of short-term leases. Other changes year-on-year mainly related to costs for handling, selling and distribution and technical maintenance.

Currency-adjusted handling costs and selling and distribution costs decreased MSEK 325 and MSEK 342 respectively, mainly related to the spread of the COVID-19 pandemic. Technical maintenance costs decreased MSEK 129 mainly related to the spread of the COVID-19 pandemic, partly offset by higher maintenance expenses year-on-year. Wet-lease expenses decreased MSEK 104 (currency-adjusted) primarily due to lower production as a result of COVID-19.

Depreciation and amortization amounted to MSEK -1,408 (-455), an increase of MSEK 953 year-on-year. The increase mainly related to the adoption of IFRS 16, where depreciation of right-of-use assets had a negative impact of MSEK 913, see notes 1 and 4.

During the period, the ongoing efficiency program resulted in cost reductions of MSEK 155 attributable to efforts such as increased fuel efficiency, increased operational stability and effects from a renegotiated component contract.

Financial net

Financial income and expenses amounted to net MSEK -407 (-86), representing an increase in net expenses of MSEK 321 year-on-year. The increase pertained mainly to the adoption of IFRS 16, where interest expenses and currency revaluations for the lease liability had a negative impact of MSEK -262, see Note 5.

Impact from IFRS 16

The adoption of IFRS 16 had a negative impact of MSEK 180 on Income before tax (EBT) in the second quarter. The expenses impacted in the income statement are operating expenses, depreciation and financial net.

Operating expenses were positively impacted by an amount of MSEK 995, since lease expenses for aircraft, properties and ground handling equipment are no longer recognized in the income statement. Depreciation of right-of-use assets had a negative impact of MSEK 913 and the financial net was negatively impacted by an amount of MSEK 262. For more information on the impact of IFRS 16, see Note 1.

Net income for the period

Operating income amounted to MSEK -3,315 (-1,130) and EBT amounted to MSEK -3,722 (-1,216). The year-on-year decrease in EBT pertained mainly to the impact from the spread of the COVID-19 pandemic and the impact from IFRS 16. Income after tax was MSEK -3,470 (-933) and the tax income was MSEK 252 (283). No deferred tax income has been accounted for related to tax loss carryforwards incurred in the second quarter.

Year-on-year, foreign exchange rates had a positive impact on revenue of MSEK 32 and a positive effect on operating expenses of MSEK 315. Foreign exchange rates thus had a positive impact on operating income of MSEK 347. Net financial items were negatively impacted by currency items amounting to MSEK 87. In total, currency effects had a net positive impact of MSEK 260 on EBT.

Items affecting comparability

Total items affecting comparability amounted to MSEK -8 (-5) during the period. Of total items affecting comparability, MSEK -8 (-5) relates to restructuring costs for personnel.

BALANCE SHEET & FINANCIAL POSITION

Assets

Intangible and tangible assets increased MSEK 4,999 during the period. Changes for the period included investments of MSEK 5,871, amortization and depreciation of MSEK -995 and other effects of MSEK 123. The amount for investments included three new Airbus A320neos and three new Airbus A350. Other aircraft investments comprised capitalized expenditures for engine maintenance, modifications and advance payments to Airbus. Other effects included capitalized interest on prepayments and translation differences.

Right-of-use assets increased MSEK 916 during the period. The transition impact on 1 November 2019 was MSEK 16,718. The increase of MSEK 916 did not include the transition impact. Investments amounted to MSEK 2,653, mainly related to new aircraft lease agreements. Changes in indexation and modification in underlying agreements increased the asset by MSEK 65, and depreciation was MSEK -1,782. For more information, see Note 1.

Financial assets increased MSEK 1,183, mainly due to an increase in restricted accounts and a net increase in SAS' defined-benefit pension plans.

Deferred tax assets increased MSEK 558, mainly due to negative development on derivatives and increased tax losses carried forward incurred in the first quarter.

Current receivables decreased MSEK 581. This decrease was mainly attributable to lower accounts receivable.

Cash and cash equivalents were MSEK 4,221 (6,912) at 30 April 2020. Unutilized contracted credit facilities amounted to MSEK 2,921 (2,866). Financial preparedness amounted to 26% (32) of SAS' fixed costs.

Shareholders' equity and liabilities

Shareholders' equity decreased MSEK 5,437 to MSEK -65. The decrease pertained mainly to net income of MSEK -4,331, changes in cash-flow hedges of MSEK -1,314 and the positive actuarial effect on defined-benefit pension plans of MSEK 391.

Non-current liabilities increased MSEK 19,489 and *current liabilities* increased MSEK 5,363 including the impact of IFRS 16. The total increase in liabilities excluding the effect of IFRS 16 was MSEK 6,871 and was mainly due to higher interest-bearing loans. For more information regarding the impact of IFRS 16, see Note 1.

Interest-bearing liabilities

On 30 April 2020, interest-bearing liabilities amounted to MSEK 37,005, up MSEK 25,722 since 31 October 2019, of which the transition effect of IFRS 16 was MSEK 16,503. New loans and amortization for the period were MSEK 5,949 and MSEK 453 respectively. New loans and amortization of lease liabilities were MSEK 2,833 and MSEK 1,501 respectively. The change in gross debt since 31 October 2019 included a negative trend in the fair value of derivatives, which increased liabilities MSEK 2,076. Currency revaluations increased liabilities MSEK 380, and accrued interest and other items decreased liabilities MSEK 65.

Financial net debt

At 30 April 2020, the financial net debt amounted to MSEK 29,861, an increase of MSEK 29,533 since 31 October 2019. Excluding the MSEK 16,503 transition effect of IFRS 16, the increase was MSEK 13,030. The increase was primarily due to a negative cash flow before financing activities, new lease liabilities of MSEK 2,833 and the negative value of derivatives.

Key ratios

IFRS 16 has a significant impact on the income statement and balance sheet. Following SAS' transition approach, financial reporting published by SAS during FY 2020 will not include restated comparative information for FY 2019. Key ratios that are calculated on closing balances, and not rolling month numbers, will be based on the financial statements including IFRS 16 figures in FY 2020. Key ratios that are based on rolling month numbers will be based on the financial statements excluding IFRS 16 in FY 2020. See Note 1 for more information.

At 30 April 2020, the return on invested capital (ROIC) was -1%, down 9 percentage points since 31 October 2019. The decrease was mainly due to a lower adjusted EBIT.

Financial preparedness has decreased 12 percentage points since 31 October 2019, and was 26% at the end of this quarter. The reduction is related to lower cash and cash equivalents.

The adjusted financial net debt/EBITDAR ratio changed to a multiple of 6.9. At 31 October 2019, the multiple was 3.7. The change is both related to increased adjusted financial net debt and lower EBITDAR.

At 30 April 2020, the equity/assets ratio was -0.1%, down from 16% at 31 October 2019. The decrease relates to the negative development in equity, primarily the net income of MSEK -4,331 and changes in cash-flow hedges of MSEK -1,314, combined with the adoption of IFRS 16 that has a significant impact on the balance sheet. Excluding IFRS 16, the equity/assets ratio would have been 0.8%.

CASH-FLOW STATEMENT

Cash flow for the first half amounted to MSEK -4,539 (-2,845). Cash and cash equivalents amounted to MSEK 4,221, compared with MSEK 8,763 at 31 October 2019.

Cash flow from operating activities

Cash flow from operating activities before changes in working capital amounted to MSEK -981 (-1,240) in the first half of the fiscal year. On 1 November, SAS adopted IFRS 16 which means that amortization of lease liabilities pertaining to operationally leased assets, primarily aircraft, as of the current financial year are found in cash flow from financing activities. Last year, leasing costs were included in cash flow from operating activities (see also note 1). Furthermore, income before tax was significantly lower than last year due to the COVID-19 situation.

Changes in working capital tended to be positive in the first half but were negative this year and amounted to MSEK -221 (2,902). A major reason for the negative change was that the seasonal increase of the unearned transportation liability in the second quarter has not taken place.

Investing activities

Investments totaled MSEK 5,871 (2,756), of which MSEK 5,755 (2,700) pertained to aircraft. These included delivery payments for three new Airbus A320neos and three Airbus A350s. Other aircraft investments comprised capitalized expenditure for aircraft maintenance, modifications and advance payments to Airbus.

Financing activities

New loans amounted to MSEK 5,949 (1,346), while repayments totaled MSEK 453 (1,941). The new loans were related to aircraft financing. Amortization of lease liabilities (IFRS 16) were MSEK 1,501. Furthermore,

cash flow from financing activities was negatively impacted by payments of derivatives and defined-benefit pension payments as well as payments of deposits and blocked bank funds.

PARENT COMPANY

The Parent Company SAS AB has limited intra-Group services. Revenue totaled MSEK 22 (28) and operating expenses MSEK -29 (-35). Net financial items amounted to MSEK -483 (-31) and the net income for the period was MSEK -496 (-30).

LONG - TERM INCENTIVE PLAN

At 12 March 2020 the Annual General Meeting in SAS resolved in line with the Board's proposal to implement a long-term incentive plan for all full-time and part-time SAS employees (with the exception of Group Management). In terms of hedging arrangements, the AGM approved the Board's hedge proposal of entering into an equity swap agreement with a third party. The incentive plan has no financial effect in this quarter.

SEASONAL VARIATIONS

In the absence of COVID-19, demand in SAS' markets measured as revenue passenger kilometers (RPK), is seasonally low from November to April and at its peak from May to October. However, the share of advance bookings is greatest from January to May, which has a positive effect on working capital.

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

the first and second quarters are seasonally the weakest quarters in terms of earnings in SAS' fiscal year. However, cash flow from operating activities is seasonally weak in the first and third quarters.

FINANCIAL TARGETS

SAS' overriding financial goal is to create shareholder value. To reach this goal, SAS works with its customer offering, efficiency enhancements and sustainability to provide the basis for long-term sustainable profitability. We operate in a capital-intensive industry that requires optimization of the capital structure. For this reason, SAS has three financial targets:

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

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

Gearing target – adjusted financial net debt/EBITDAR is a key ratio used by credit rating agencies and banks for assessing creditworthiness and includes the value of leased aircraft. The aim of maintaining a ratio with a multiple of less than three (3x) is aligned with SAS' ambition of improving the financial position and credit rating, and thereby lowering financing costs. The financial preparedness target is 25% of annual fixed costs. Normally, this covers SAS' unearned transportation revenue liability and also meets regulatory requirements regarding liquidity.

ENVIRONMENTAL GOALS

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

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

Our 2030 goals

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

EVENTS DURING THE QUARTER

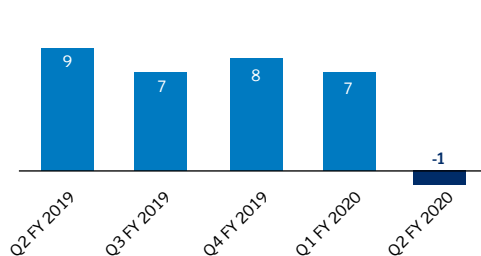
- SAS temporarily halts most of its traffic due to effects of COVID-19
- SAS initiates processes to reduce future workforce by up to 5,000 full-time positions
- SAS announces that CFO Torbjørn Wist has given notice that he will leave the company in September 2020
- Ongoing and constructive discussions with largest owners on a recapitalization plan to secure adequate levels of funding and equity for the future

EVENTS AFTER 30 APRIL 2020

- SAS signs an SEK 3.3 billion revolving credit facility agreement 90% guaranteed by the Danish and Swedish governments
- Magnus Örnberg appointed as new CFO of SAS and assumes the role latest 1 October, 2020

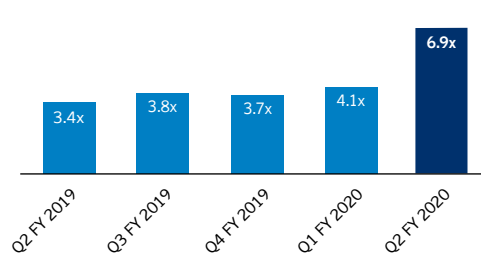
RETURN ON INVESTED CAPITAL (ROIC), 12-MONTH ROLLING, %

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



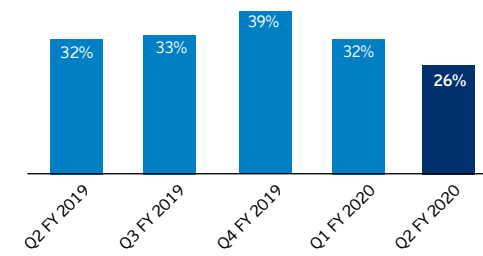
ADJUSTED FINANCIAL NET DEBT/EBITDAR

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



FINANCIAL PREPAREDNESS, %

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



RISKS AND UNCERTAINTIES

SAS works strategically to refine and improve its risk management. Risk management includes identifying new risks and known risks, such as COVID-19, changes in jet-fuel prices or exchange rates. SAS monitors general risks centrally, while portions of risk management are conducted in the operations and include identification, action plans and policies. For further information about risk management at SAS, refer to the most recently published annual report.

COVID-19

The current COVID-19 situation has significantly affected the whole aviation industry, including SAS. The primary areas where estimation of uncertainty has increased due to the current market conditions in the aviation industry include forecasts related to estimates on future demand. Additionally, described in the annual report 2018/19, pages 89–90, critical accounting estimates and key sources of estimation uncertainty include: Estimated useful lives of tangible fixed assets; Impairment of assets; Pensions; Deferred taxes; Undertakings pertaining to aircraft under operating leases and Litigations. Currency and jet-fuel hedging is

described below and going-concern related assumptions on page 17. SAS closely monitors on an ongoing basis the development of risks and uncertainties.

CURRENCY AND JET-FUEL HEDGING

Due to flight cancellations and the expected reduction in business operations as a result of the impact of COVID-19, SAS' forecasted financial exposures are more uncertain than under normal circumstances. Further changes to assumptions regarding future consumption and capacity could have a significant effect on the hedge levels.

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

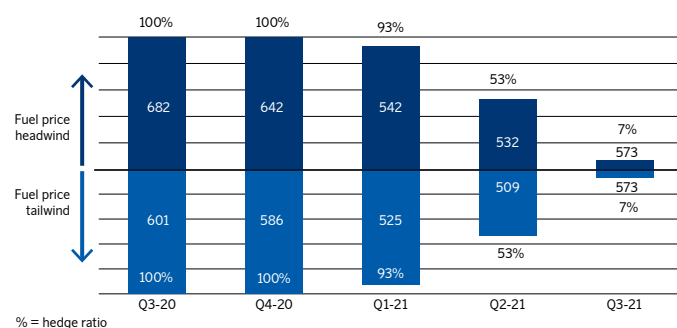
The policy for jet-fuel hedging states that jet fuel should be hedged at an interval of 40–80% of anticipated volumes for the coming 12 months. The policy also allows hedging of up to 50% of the anticipated volumes for the period, 13–18 months.

For the forthcoming 12 months, SAS has 79% of the fuel consumption hedged at an average maximum price of USD 606/Mt. If the fuel price goes below USD 536/MT for the forthcoming 12 months, 79% of SAS' fuel consumption would be hedged at an average price of USD 547/MT. Beyond the next 12 months, 7% of the fuel consumption is hedged at a price of USD 573/MT.

The graph to the left illustrates SAS' hedges for the following quarters. Hedging of SAS' future jet-fuel consumption is conducted through a combination of swaps and options.

Under current plans for flight capacity, the cost of jet fuel during the fiscal year 2020 is expected to be in line with the table in the middle, taking into account different fuel prices, USD rates and jet-fuel hedging. For foreign currency, the policy is to hedge 40–80%. At the end of the quarter, SAS had hedged 40% of its anticipated USD deficit for the next 12 months. SAS has hedged the USD deficit using forward contracts and currency options. Whilst NOK continues to be SAS' largest surplus currency, the negative impact of COVID-19 on the anticipated NOK surplus has resulted in a hedge exceeding 100% for the next 12 months at

HEDGING OF JET FUEL, USD/MT



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

Market price	Exchange rate SEK/USD				
	8.5	9.0	9.5	10.0	10.5
USD 200/tonne	5.6	5.7	5.8	5.8	5.9
USD 300/tonne	5.6	5.7	5.8	5.8	5.9
USD 400/tonne	5.6	5.7	5.8	5.8	5.9
USD 500/tonne	5.6	5.7	5.8	5.8	5.9

¹ SAS' current hedging contracts for jet fuel at end of quarter have been taken into account. Jet-fuel cost in the statement of income does not include USD currency hedging effects. These effects are recognized under "Other operating expenses," since currency hedging is performed separately and is not linked specifically to its jet-fuel purchases.

month end. As a consequence of COVID-19, SAS actual jet fuel consumption for Q2 was 50% lower compared to the same period last year. Furthermore, with a reduced forecasted business activity, SAS has closed over-hedges related to jet fuel and currency to the market. Discontinued hedges have had a negative impact on the profit and loss with MSEK 1,240.

Based on the currency exposure a weakening of the NOK against the SEK of 1% would generate a negative earnings impact of MSEK 14, excluding hedge effects. A weakening of the USD against the SEK of 1% would generate a positive earnings impact of MSEK 93, excluding hedge effects, before any potential IFRS 16 effects.

LEGAL ISSUES

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

the 1999–2006 period. The fine of MEUR 70.2 was the same as that imposed under the 2010 decision. SAS has appealed the European Commission's decision and a hearing was held in CJEU in July 2019. Judgement is expected in 2020.

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

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

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

CONSOLIDATED STATEMENT OF INCOME

CONDENSED STATEMENT OF INCOME INCLUDING STATEMENT OF OTHER COMPREHENSIVE INCOME

MSEK	Note	Q2		Q1-Q2	
		Feb-Apr 2020	Feb-Apr 2019	Nov-Apr 2019-2020	Nov-Apr 2018-2019
Revenue	2	5,264	9,871	14,971	19,276
Personnel expenses		-1,995	-2,420	-4,570	-4,821
Fuel expenses		-2,504	-2,181	-4,524	-4,142
Air traffic charges		-523	-961	-1,440	-1,877
Other external expenses	3	-2,150	-4,981	-5,745	-9,149
Depreciation, amortization and impairment	4	-1,408	-455	-2,777	-874
Income from shares in associated companies		1	-3	3	-12
Income from sale of aircraft and other non-current assets		0	0	0	8
Operating income (EBIT)		-3,315	-1,130	-4,082	-1,591
Financial net	5	-407	-86	-727	-201
Income before tax (EBT)		-3,722	-1,216	-4,809	-1,792
Income taxes		252	283	478	390
Net income for the period		-3,470	-933	-4,331	-1,402
Other comprehensive income					
<i>Items that may later be reversed to net income:</i>					
Exchange-rate differences in translation of foreign operations		-117	54	-120	33
Cash-flow hedges, net after tax		-927	230	-1,314	-612
<i>Items that will not be reversed to net income:</i>					
Revaluations of defined-benefit pension plans, net after tax		47	-735	391	-809
Total other comprehensive income, net after tax		-997	-451	-1,043	-1,388
Total comprehensive income for the period		-4,467	-1,384	-5,374	-2,790
<i>Net income for the period attributable to:</i>					
Parent Company shareholders		-3,470	-933	-4,331	-1,402
Earnings per common share (SEK) ¹		-9.15	-2.44	-11.49	-3.69
Earnings per common share after dilution (SEK) ¹		-9.15	-2.44	-11.49	-3.69

¹ Earnings per common share are calculated as net income for the period attributable to Parent Company shareholders less preference-share dividends and hybrid bond expenses in relation to 382,582,551 (382,582,551) common shares outstanding during the November-April period.

INCOME BEFORE TAX AND ITEMS AFFECTING COMPARABILITY

MSEK	Q2		Q1-Q2	
	Feb-Apr 2020	Feb-Apr 2019	Nov-Apr 2019-2020	Nov-Apr 2018-2019
Income before tax (EBT)	-3,722	-1,216	-4,809	-1,792
Impairment	0	0	0	0
Restructuring costs ¹	8	5	17	13
Capital gains/losses ²	0	0	0	-8
Other items affecting comparability ³	0	0	0	-148
Income before tax and items affecting comparability	-3,714	-1,211	-4,792	-1,935

¹ Restructuring costs were charged to earnings as personnel expenses of MSEK -17 (-13) in the November-April period.

² Capital gains include aircraft sales amounting to MSEK 0 (8) in the November-April period.

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

CONSOLIDATED BALANCE SHEET

CONDENSED BALANCE SHEET

MSEK	30 Apr 2020	31 Oct 2019	30 Apr 2019
ASSETS			
Non-current assets			
Intangible assets	1,340	1,416	1,456
Tangible assets	20,644	15,569	14,423
Right-of-use assets	17,634	-	-
Financial assets	5,729	4,546	6,171
Deferred tax assets	1,308	750	754
Total non-current assets	46,655	22,281	22,804
Current assets			
Inventories and expendable spare parts	510	346	367
Current receivables	2,041	2,622	3,025
Cash and cash equivalents ¹	4,221	8,763	6,912
Total current assets	6,772	11,731	10,304
TOTAL ASSETS	53,427	34,012	33,108
EQUITY AND LIABILITIES			
Equity	-65	5,372	3,365
Non-current liabilities			
Interest-bearing liabilities	14,910	9,450	8,867
Interest-bearing lease liabilities	14,491	-	-
Other liabilities	3,614	4,076	4,187
Total non-current liabilities	33,015	13,526	13,054
Current liabilities			
Interest-bearing liabilities	4,114	1,833	1,308
Interest-bearing lease liabilities	3,490	-	-
Other liabilities	12,873	13,281	15,381
Total current liabilities	20,477	15,114	16,689
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	53,427	34,012	33,108
Shareholders' equity per common share, (SEK) ²	-4.09	10.12	8.80
Interest-bearing assets	9,794	12,960	12,378
Interest-bearing liabilities	37,005	11,283	10,174
Working capital	-12,493	-13,313	-15,127

¹At 30 April 2020, including receivables from other financial institutions, MSEK 0 (427)

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

SPECIFICATION OF FINANCIAL NET DEBT, 30 APRIL 2020

	According to balance sheet	Of which financial net debt
Financial assets	5,729	2,468
Current receivables	2,041	455
Cash and cash equivalents	4,221	4,221
Non-current liabilities	33,015	29,401
Current liabilities	20,477	7,604
Financial net debt		29,861

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONDENSED CHANGES IN SHAREHOLDERS' EQUITY

Total shareholders' equity attributable to Parent company shareholders

MSEK	Share capital ¹	Other contributed capital ²	Hedging reserves	Translation reserve	Hybrid bond	Unrestricted equity ³	Total shareholders' equity
Opening shareholders' equity in accordance with approved balance sheet, 31 October 2018	7,732	327	1,292	-51	-	-2,032	7,268
Effect of new accounting policies, IFRS 9 and IFRS 15						-27	-27
Adjusted opening shareholders' equity, 1 November 2018	7,732	327	1,292	-51	-	-2,059	7,241
Redemption of preference shares	-42					-1,044	-1,086
Equity share of convertible loans		-157				157	0
Net income						-1,402	-1,402
Other comprehensive income			-612	33		-809	-1,388
Closing balance, 30 April 2019	7,690	170	680	-18	-	-5,157	3,365
Hybrid bond					1,500		1,500
Hybrid bond interest and expenses						-23	-23
Net income						2,023	2,023
Other comprehensive income			-497	-53		-943	-1,493
Closing balance, 31 October 2019	7,690	170	183	-71	1,500	-4,100	5,372
Hybrid bond interest						-63	-63
Net income						-4,331	-4,331
Other comprehensive income			-1,314	-120		391	-1,043
Closing balance, 30 April 2020	7,690	170	-1,131	-191	1,500	-8,103	-65

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

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

³ No dividends were paid on common shares for 2017/2018 and 2018/2019.

CONSOLIDATED CASH-FLOW STATEMENT

CONDENSED CASH-FLOW STATEMENT

MSEK	Q2	Q2	Q1-Q2	Q1-Q2
	Feb-Apr 2020	Feb-Apr 2019	Nov-Apr 2019-2020	Nov-Apr 2018-2019
OPERATING ACTIVITIES				
Income before tax (EBT)	-3,722	-1,216	-4,809	-1,792
Depreciation, amortization and impairment	1,408	455	2,777	874
Income from sale of aircraft, buildings and shares	0	0	0	-8
Adjustment for other non-cash items, etc.	1,063	-55	1,068	-261
Tax paid	0	-6	-17	-53
Cash flow from operations before change in working capital	-1,251	-822	-981	-1,240
Change in working capital	-506	3,166	-221	2,902
Cash flow from operating activities	-1,757	2,344	-1,202	1,662
INVESTING ACTIVITIES				
Investments including advance payments to aircraft manufacturers	-3,333	-916	-5,871	-2,756
Acquisition of subsidiaries	0	0	0	-16
Sale of subsidiaries and affiliated companies	0	0	0	0
Sale of fixed assets, etc.	31	45	-46	17
Cash flow from investing activities	-3,302	-871	-5,917	-2,755
Cash flow before financing activities	-5,059	1,473	-7,119	-1,093
FINANCING ACTIVITIES				
Proceeds from borrowings	4,534	0	5,949	1,346
Repayment of borrowings	-203	-1,769	-453	-1,941
Amortization of lease liabilities	-665	0	-1,501	0
Interest on hybrid bond	-63	0	-63	0
Dividend on preference shares	0	0	0	-26
Redemption of preference shares	0	0	0	-1,112
Other financing activities	-919	-41	-1,352	-19
Cash flow from financing activities	2,684	-1,810	2,580	-1,752
Cash flow for the period	-2,375	-337	-4,539	-2,845
Translation difference in cash and cash equivalents	-3	2	-3	1
Cash and cash equivalents at beginning of the period	6,599	7,247	8,763	9,756
Cash and cash equivalents at the end of the period	4,221	6,912	4,221	6,912
Cash flow from operating activities per common share (SEK)	-4.59	6.13	-3.14	4.34

PARENT COMPANY SAS AB

The number of common shareholders in SAS AB amounted to 89,734 at 30 April 2020. The average number of employees amounted to two (four). Net financial items comprised a write down of shares in subsidiaries of MSEK 487.

CONDENSED STATEMENT OF INCOME

MSEK	Q1-Q2	
	Nov-Apr 2019-2020	Nov-Apr 2018-2019
Revenue	22	28
Personnel expenses	-14	-19
Other operating expenses	-15	-16
Operating income (EBIT)	-7	-7
Net financial items	-483	-31
Income before tax (EBT)	-490	-38
Tax	-6	8
Net income for the period	-496	-30

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

CONDENSED BALANCE SHEET

MSEK	30 Apr 2020	31 Oct 2019	30 Apr 2019
Financial fixed assets	14,838	14,703	14,684
Other current assets	25	137	21
Cash and cash equivalents	1	1	2
Total assets	14,864	14,841	14,707
Shareholders' equity	10,105	10,664	9,213
Long-term liabilities	2,249	2,258	2,250
Current liabilities	2,510	1,919	3,244
Total shareholders' equity and liabilities	14,864	14,841	14,707

CHANGES IN SHAREHOLDERS' EQUITY

MSEK	Share capital ¹	Restricted reserves	Hybrid bond	Unrestricted equity	Total shareholders' equity
Opening balance, 31 October 2019	7,690	447	1,500	1,027	10,664
Hybrid bond interest				-63	-63
Net income for the period				-496	-496
Shareholders' equity, 30 April 2020	7,690	447	1,500	468	10,105

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

NOTE 1 ACCOUNTING POLICIES AND FINANCIAL STATEMENTS

This interim report for the SAS Group was prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The interim report for the Parent Company was prepared in accordance with the Swedish Annual Accounts Act and RFR 2. Disclosures in accordance with IAS 34.16A are presented both in the financial statements and in other parts of this interim report.

IMPACT OF THE COVID-19 PANDEMIC AND GOING CONCERN ASSUMPTION

The COVID-19 pandemic and the actions taken in response to its spread including government measures and travel restrictions have resulted in significant disruption to SAS's operations. In the month of April, capacity (ASK) decreased by 93.9% and revenue passenger kilometers (RPK) were reduced by 97.8%. The reduction of network and number of passengers have significantly reduced SAS' revenues. For the second quarter of 2020, which in part was unaffected by the negative effects of the COVID-19 pandemic, total operating revenues decreased by 46.7% compared to same period last year.

On 3 March 2020, SAS withdrew its 2020 guidance due to the volatility of the situation. Following the escalation of travel restrictions, a number of measures have been taken by SAS to reduce cost and preserve liquidity.

- On 3 March 2020, the Company announced that to mitigate the revenue impact from the reduced demand, SAS pursued a number of cost reduction initiatives. In the short term, reduced capacity would lower flight related costs, such as jet fuel, airport and other fees. SAS also announced other measures such as cuts in administration and personnel expenses, implementation of hiring freeze, and postponement of non-critical projects, marketing and promotional campaigns. In the announcement SAS also mentioned that measures related to personnel expenses may include temporary layoffs, voluntary leave, early retirement or other initiatives.
- On 15 March 2020, the Company announced that it temporarily halts most of its traffic starting on 16 March until there are yet again conditions to conduct commercial aviation. Further the Company announced that it would introduce temporary work reductions of up to 10,000 employees, equivalent to 90 percent of the total workforce.
- On 28 April, the Company announced that it would initiate processes to reduce the size of its future workforce by up to 5,000 full-time positions.
- On 5 May, the Company announced that it had signed a SEK 3.3 billion three-year revolving credit facility agreement, 90% guaranteed by Denmark and Sweden.

Despite the measures taken by SAS, the financial performance for the coming period will continue to be significantly affected by a loss of revenue, lower sales of tickets and significant negative cash flows to an extent and for a duration that are currently uncertain. With the ongoing crisis, SAS will need to demonstrate its ability to transform to once again meet a new and very challenging reality. As a response to an environment characterized by lower passenger numbers and revenue generation, SAS has revised its business plan and is pursuing SEK 4 billion in further efficiency improvements by 2022.

Given the impact of COVID-19 and the time it will take to recover to a more normalized situation, SAS will need to secure further funding in order to continue as the most important airline infrastructure provider in Scandinavia. This will require support from the Scandinavian governments. As a first step the Danish and Swedish governments have provided 90% guarantees for the SEK 3.3 billion revolving credit facility. SAS also continues its efforts to secure support from the Norwegian government.

SAS is currently in active, intensive and constructive discussions with the company's major shareholders and selected stakeholders on a recapitalization plan to ensure the future of SAS. This includes realization of its key business priorities of necessary increased productivity and a continuation of the green transition.

Any potential solution will require both government and market participation, as well as burden sharing measures involving internal, external and financial stakeholders in the company. Different options are currently being considered, and we aim to present a plan to the market in June 2020.

Within the circumstances described above, these financial statements have been prepared on the going concern assumption but is, however, dependent on a successful resolution of the revisions to the business plan and securing further funding.

STANDARDS AND INTERPRETATIONS APPLICABLE FOR Q1-Q2, FISCAL YEAR 2020

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

GOVERNMENT GRANTS

Some of the legal units in the SAS Group received support for temporary reductions in the workforce as a result of COVID-19 from the governments of Denmark, Norway and Sweden during the quarter. In accordance with IAS 20, state grants are reported in the statement of income when there is reasonable assurance that the company will fulfill the conditions associated with the grants and that the grants will be received. Government grants have been reported as a reduction to personnel expenses in the periods for which the grant is intended to compensate for a total of MSEK 242. Furthermore, SAS has received support from the Norwegian state to maintain air services within Norway. This support has been reported as other operating income in the income statement for a total of MSEK 177 over the same periods as the costs the contributions are intended to offset. Support has also been applied for from the Danish state regarding compensation for fixed costs and MSEK 92 has been reported as a reduction of other external expenses.

IFRS 16 — LEASES

From 1 November 2019, SAS applies the new standard IFRS 16 Leases. IFRS 16 replaces the previous standard, IAS 17 Leases. The previous classification of each lease as either an operating lease or a finance lease is replaced by a model whereby the lessee recognizes an asset (a right-of-use asset) and a financial liability in the balance sheet. IFRS 16 has a significant impact on the financial statements of SAS Group, see further details below.

Impact on consolidated balance sheet

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

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

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

The main types of assets leased by SAS are aircraft, properties and ground handling equipment. On the transition date, SEK 13.4 billion of the right-of-use asset relates to aircraft including engines, SEK 2.8 billion relates to properties and SEK 0.5 billion relates to ground handling equipment.

A major impact from applying IFRS 16 is that SAS is exposed to exchange-rate fluctuations. Most of the right-of-use assets are denominated in SEK, but the corresponding lease liabilities are denominated in foreign currencies. Lease liabilities relating to aircraft are denominated in USD, while properties and ground handling equipment mainly are denominated in SEK, NOK and DKK. As aircraft represent approximately 80% of the lease liabilities on the date of transition, the currency exposure from recalculating USD liabilities into SEK is significant. From 1 November 2019, SAS has adjusted the hedging policy to better manage this risk.

Impact on consolidated statement of income

SAS' income statement is highly impacted by IFRS 16. The lease expenses previously recognized in the income statement are replaced by a depreciation expense on the right-of-use asset and an interest expense for the lease liability. The right-of-use asset is depreciated on a straight-line basis. Interest expenses relating to the lease liabilities are at their highest at the beginning of the lease term and decrease as the lease liabilities are paid down. When applying IAS 17 in previous years, operating lease expenses for aircraft, properties and ground handling equipment were expensed over the lease term, primarily on a straight-line basis, and recognized in EBIT as lease expenses for aircraft and other operating expenses. Given this change in pattern of expenses where more expenses, due to the interest component, are recognized earlier in the lease term, IFRS 16 had a negative impact on SAS' results in the first six months of FY2020. The negative impact on income before tax (EBT) in the second quarter is MSEK 310. This impact includes currency revaluations on the lease liabilities. Over the lease term, the expenses following the adoption of IFRS 16 are equal to the expenses reported under IAS 17. The following two tables shows the impact from IFRS 16 on the consolidated statement of income for Q2 and Q1-Q2.

CONSOLIDATED STATEMENT OF INCOME, Q2 - IMPACT IFRS 16

	Reported Q2	Adjustments	Adjusted Q2'
	Feb–Apr 2020		Feb–Apr 2020
MSEK			
Revenue	5,264		5,264
Personnel expenses	-1,995		-1,995
Fuel expenses	-2,504		-2,504
Air traffic charges	-523		-523
Other external expenses	-2,150	-995	-3,145
Depreciation, amortization and impairment	-1,408	913	-495
Income from shares in associated companies	1		1
Income from sale of aircraft and other non-current assets	0		0
Operating income (EBIT)	-3,315	-82	-3,397
Financial net	-407	262	-145
Income before tax (EBT)	-3,722	180	-3,542

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

CONSOLIDATED STATEMENT OF INCOME, Q1–Q2 - IMPACT IFRS 16

	Reported Q1–Q2	Adjustments	Adjusted Q1–Q2'
	Nov–Apr 2019-2020		Nov–Apr 2019-2020
MSEK			
Revenue	14,971		14,971
Personnel expenses	-4,570		-4,570
Fuel expenses	-4,524		-4,524
Air traffic charges	-1,440		-1,440
Other external expenses	-5,745	-1,933	-7,678
Depreciation, amortization and impairment	-2,777	1,782	-995
Income from shares in associated companies	3		3
Income from sale of aircraft and other non-current assets	0		0
Operating income (EBIT)	-4,082	-151	-4,233
Financial net	-727	461	-266
Income before tax (EBT)	-4,809	310	-4,499

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

Impact on consolidated cash flow statement

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

CONSOLIDATED CASH FLOW STATEMENT, Q2 - IMPACT IFRS 16

	Reported Q2	Adjustments	Adjusted Q2'
	Feb–Apr 2020		Feb–Apr 2020
MSEK			
Cash flow from operating activities	-1,757	-665	-2,422
Cash flow from investing activities	-3,302		-3,302
Cash flow from financing activities	2,684	665	3,349
Cash flow for the period	-2,375		-2,375

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

CONSOLIDATED CASH FLOW STATEMENT, Q1–Q2 - IMPACT IFRS 16

	Reported Q1–Q2	Adjustments	Adjusted Q1–Q2*
MSEK	Nov–Apr 2019–2020		Nov–Apr 2019–2020
Cash flow from operating activities	-1,202	-1,501	-2,703
Cash flow from investing activities	-5,917		-5,917
Cash flow from financing activities	2,580	1,501	4,081
Cash flow for the period	-4,539		-4,539

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

Impact on key ratios

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

See page 25 for operational key figures and page 27 for key ratios and alternative performance measures.

KEY FIGURES, Q2 - IMPACT IFRS 16

	Reported Q2	Adjustments	Adjusted Q2*
MSEK	Feb–Apr 2020		Feb–Apr 2020
Unit cost, CASK, excluding jet fuel, currency-adjusted	-0.90	-0.02	-0.92
Shareholders' equity per common share (SEK)	-4.09	+0.95	-3.14
Equity/assets ratio	-0.1%	+0.9%	0.8%
Financial net debt, MSEK	29,861	-17,981	11,880
Debt/equity ratio	-459.4	+499.27	39.87

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

CHANGE IN PRESENTATION - CONSOLIDATED STATEMENT OF INCOME

With the adoption of IFRS 16 the Group has made some changes to improve the presentation of the consolidated statement of income. Previously Leasing costs for Aircraft was presented on the face of the income statement. Following IFRS 16 this expense is no longer material to the Group, so starting 1 November 2019, Leasing costs for Aircraft is presented as Other external expenses and specified in Note 3 in this report. Fuel expenses and Air traffic charges were previously presented as Other external expenses, but starting 1 November 2019, these expenses are presented as separate line items in the income statement. Since these expenses continue to be reported within operating income (EBIT), the change in presentation has a net zero effect on operating income (EBIT). The amounts for the first two quarters in the comparative year, fiscal year 2019, have been reclassified. See more details in table below.

COMPENSATION FOR DELAYS OR CANCELLATIONS

The IFRS Interpretation Committee (IFRS IC or IC) published an agenda decision in September 2019 regarding Compensation for Delays or Cancellations (IFRS 15). The IC concluded in its decision that customer compensation for delays or cancellations is a variable consideration in the contract. Therefore, it should be recognized as an adjustment to revenue. SAS has previously accounted for customer compensation in other operating expenses. In accordance with the IC decision SAS has reclassified customer compensation for delays and cancellations from operating expenses to revenue. The amount reclassified for the comparative full year ending on 31 October 2019 is MSEK 624. The amount reclassified for the first two quarters in fiscal year 2019 was MSEK 445. See more details in table below.

CHANGES IN COMPARATIVE YEAR, Q2 FY19 - CONSOLIDATED STATEMENT OF INCOME

	Reported Q2	Adjustments	Adjusted Q2
MSEK	Feb–Apr 2019		Feb–Apr 2019
Revenue	10,187	-316	9,871
Leasing costs for aircraft	-846	846	0
Other external expenses	-7,593	2,612*	-4,981
Fuel expenses	0	-2,181	-2,181
Air traffic charges	0	-961	-961

The above table shows the impact on Q2, FY19, following the changes described under headings "Change in presentation - Consolidated statement of income" and "Compensation for delays or cancellations" above. The changes did not impact Operating income (EBIT).

* MSEK 316 of the change in Other external expenses relates to the IC decision. The remaining change relates to reclassifications of fuel expenses (MSEK 2,181), Air traffic charges (MSEK 961) and Leasing costs for aircraft (MSEK -846).

CHANGES IN COMPARATIVE YEAR, Q1-Q2 FY19 - CONSOLIDATED STATEMENT OF INCOME

	Reported Q1-Q2	Adjustments	Adjusted Q1-Q2
MSEK	Nov–Apr 2018–2019		Nov–Apr 2018–2019
Revenue	19,721	-445	19,276
Leasing costs for aircraft	-1,633	1,633	0
Other external expenses	-13,980	4,831*	-9,149
Fuel expenses	0	-4,142	-4,142
Air traffic charges	0	-1,877	-1,877

The above table shows the impact on Q1-Q2, FY19, following the changes described under headings "Change in presentation - Consolidated statement of income" and "Compensation for delays or cancellations" above. The changes did not impact Operating income (EBIT).

* MSEK 445 of the change in Other external expenses relates to the IC decision. The remaining change relates to reclassifications of fuel expenses (MSEK 4,142), Air traffic charges (MSEK 1,877) and Leasing costs for aircraft (MSEK -1,633).

NOTE 2 REVENUE

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

	Q2	Q2	Q1-Q2	Q1-Q2
	Feb-Apr 2020	Feb-Apr 2019	Nov-Apr 2019-2020	Nov-Apr 2018-2019
Passenger revenue	3,462	7,732	10,777	14,842
Charter revenue	201	276	446	503
Cargo revenue	160	373	526	803
Other traffic revenue	553	683	1,224	1,308
Total traffic revenue	4,376	9,064	12,973	17,456
Other operating revenue	888	807	1,998	1,820
Total revenue	5,264	9,871	14,971	19,276

TRAFFIC REVENUE PER GEOGRAPHICAL AREA

	Domestic		Intra-Scandinavian		Europe		Intercontinental		Total	
	Nov-Apr 2019-2020	Nov-Apr 2018-2019	Nov-Apr 2019-2020	Nov-Apr 2018-2019	Nov-Apr 2019-2020	Nov-Apr 2018-2019	Nov-Apr 2019-2020	Nov-Apr 2018-2019	Nov-Apr 2019-2020	Nov-Apr 2018-2019
Passenger revenue	3,426	4,365	1,249	1,620	3,624	5,398	2,478	3,459	10,777	14,842
Charter revenue	0	0	0	0	446	503	0	0	446	503
Cargo revenue	3	4	2	3	25	33	496	763	526	803
Other traffic revenue	389	385	142	142	412	476	282	305	1,224	1,308
Total traffic revenue	3,818	4,754	1,393	1,765	4,507	6,410	3,256	4,527	12,973	17,456

OTHER OPERATING REVENUE BY REGION

	Denmark		Norway		Sweden		Europe		Other countries		Total	
	Nov-Apr 2019-2020	Nov-Apr 2018-2019	Nov-Apr 2019-2020	Nov-Apr 2018-2019	Nov-Apr 2019-2020	Nov-Apr 2018-2019	Nov-Apr 2019-2020	Nov-Apr 2018-2019	Nov-Apr 2019-2020	Nov-Apr 2018-2019	Nov-Apr 2019-2020	Nov-Apr 2018-2019
Other operating revenue	240	280	681	548	434	346	423	391	220	255	1,998	1,820

NOTE 3 OTHER EXTERNAL EXPENSES

	Q2	Q2	Q1-Q2	Q1-Q2
	Feb-Apr 2020	Feb-Apr 2019	Nov-Apr 2019-2020	Nov-Apr 2018-2019
Sales and distribution costs	-377	-704	-1,088	-1,330
Leasing costs for aircraft	-18	-846	-80	-1,633
Catering costs	-169	-293	-438	-555
Handling costs	-387	-706	-1,067	-1,366
Technical aircraft maintenance	-590	-679	-1,150	-1,361
Computer and telecommunication costs	-344	-371	-732	-775
Wet-lease costs	-307	-389	-684	-698
Other	42	-993	-506	-1,431
Total	-2,150	-4,981	-5,745	-9,149

NOTE 4 DEPRECIATION, AMORTIZATION AND IMPAIRMENT

	Q2	Q2	Q1-Q2	Q1-Q2
	Feb-Apr 2020	Feb-Apr 2019	Nov-Apr 2019-2020	Nov-Apr 2018-2019
Intangible assets	-37	-40	-73	-74
Tangible assets	-458	-416	-922	-800
Right-of-use assets	-913	-	-1,782	-
Total	-1,408	-456	-2,777	-874

NOTE 5 FINANCIAL NET

	Q2	Q2	Q1-Q2	Q1-Q2
	Feb-Apr 2020	Feb-Apr 2019	Nov-Apr 2019-2020	Nov-Apr 2018-2019
Financial income	24	44	56	88
Interest expense	-147	-113	-277	-258
Other financial expenses	-15	-14	-28	-27
Exchange-rate differences	-7	-3	-17	-4
Interest expenses, IFRS 16	-179	-	-347	-
Exchange-rate differences, IFRS 16	-83	-	-114	-
Total	-407	-86	-727	-201

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

	30 Apr 2020		31 Oct 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
MSEK				
Financial assets				
Financial assets at fair value, hedge-accounted	406	406	225	225
Financial assets FVTPL	14	14	23	23
Financial assets at amortized cost	8,496	8,496	12,648	12,648
Total	8,916	8,916	12,896	12,896
Financial liabilities				
Financial liabilities at fair value, hedge-accounted	2,972 ¹	2,972	891	891
Financial liabilities FVTPL	13	13	17	17
Financial liabilities at amortized cost	18,794	18,431	12,075	11,540
Total	21,780	21,416	12,983	12,448

¹⁾ Of which hedges of MSEK 1,240 have been discontinued.

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

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

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

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

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

FAIR VALUE HIERARCHY

	30 Apr 2020			31 Oct 2019		
	Level 1	Level 2	Total	Level 1	Level 2	Total
MSEK						
Financial assets						
Financial assets at fair value, hedge-accounted	-	406	406	-	225	225
Financial assets FVTPL	-	14	14	-	23	23
Total	-	420	420	-	248	248
Financial liabilities						
Financial liabilities at fair value, hedge-accounted	-	2,972 ¹	2,972	-	891	891
Financial liabilities FVTPL	-	13	13	-	17	17
Total	-	2,985	2,985	-	908	908

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

Stockholm, 28 May 2020

Carsten Dilling
Chairman of the Board

Dag Mejdell
Vice Chairman

Monica Caneman
Board member

Lars-Johan Jarnheimer
Board member

Oscar Stege Unger
Board member

Liv Fiksdahl
Board member

Sanna Suvanto-Harsaae
Board member

Kay Kratky
Board member

Jens Lippestad
Board member

Tommy Nilsson
Board member

Christa Cerè
Board member

Rickard Gustafson
President and CEO

AUDITORS' REVIEW REPORT

SAS AB
CORP. ID. 556606-8499

INTRODUCTION

We have reviewed the condensed interim financial information (interim report) of SAS AB as of April 30, 2020 and the six-month period then ended. The Board of Directors and the Chief Executive Officer are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on *Review Engagements ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN ASSUMPTION

Without modifying our conclusion above, we draw attention to the information disclosed in the interim report on page 17 which describes measures taken as well as the impact on the financial performance and uncertainty as to the duration of the ongoing situation. It also notes that the company is pursuing further efficiency improvements as well as the need to secure further funding and equity. As of the date of the issuance of this interim report, these activities have not been finalized. Until finalized, this indicates that material uncertainties exist that may cast significant doubt on the company's ability to continue as a going concern.

Stockholm, May 28, 2020

KPMG AB

Tomas Gerhardsson

Authorized Public
Accountant

TRAFFIC DATA INFORMATION

SCHEDULED PASSENGER TRAFFIC

	Feb–Apr 2020	Feb–Apr 2019	Year-on-year change	Nov–Apr 2019-2020	Nov–Apr 2018-2019	Year-on-year change
Number of passengers (000)	3,124	6,587	-52.6%	9,243	12,619	-26.8%
RPK, Revenue Passenger Kilometers (mill)	3,398	7,897	-57.0%	10,763	15,116	-28.8%
ASK, Available Seat Kilometers (mill)	5,906	11,220	-47.4%	16,665	21,893	-23.9%
Load factor	57.5%	70.4%	-12.8 ¹	64.6%	69.0%	-4.5 ¹
Passenger yield, currency-adjusted	1.02	0.98	+3.7%	1.00	0.99	+1.1%
Passenger yield, nominal	1.02	0.98	+4.0%	1.00	0.98	+2.0%
Unit revenue, PASK, currency-adjusted	0.59	0.69	-15.2%	0.65	0.68	-5.4%
Unit revenue, PASK, nominal	0.59	0.69	-14.9%	0.65	0.68	-4.6%
RASK, currency-adjusted	0.70	0.77	-9.5%	0.74	0.77	-3.6%
RASK, nominal	0.70	0.77	-9.2%	0.74	0.76	-2.7%

¹ Figures given in percentage points

TOTAL TRAFFIC (SCHEDULED AND CHARTER TRAFFIC)

	Feb–Apr 2020	Feb–Apr 2019	Year-on-year change	Nov–Apr 2019-2020	Nov–Apr 2018-2019	Year-on-year change
Number of passengers (000)	3,225	6,755	-52.3%	9,485	12,920	-26.6%
RPK, Revenue Passenger Kilometers (mill)	3,677	8,387	-56.2%	11,503	16,048	-28.3%
ASK, Available Seat Kilometers (mill)	6,256	11,764	-46.8%	17,513	22,919	-23.6%
Load factor	58.8%	71.3%	-12.5 ¹	65.7%	70.0%	-4.3% ¹
Unit cost, CASK, currency-adjusted	-1.30	-0.88	+48.3%	-1.01	-0.86	+16.6%
Unit cost, CASK, nominal incl. items affecting comparability	-1.23	-0.87	+41.9%	-0.97	-0.83	+17.2%
Unit cost, CASK, excl. jet fuel, currency-adjusted	-0.90	-0.68	+32.3%	-0.75	-0.67	+11.2%
Unit cost, CASK, excl. jet fuel, nominal incl. items affecting comparability	-0.83	-0.68	+21.8%	-0.72	-0.65	+10.1%

¹ Figures given in percentage points

SCHEDULED TRAFFIC TREND FOR SAS BY ROUTE SECTOR

	Feb–Apr 2019–2020 vs. Feb–Apr 2018–2019		Nov–Apr 2019–2020 vs. Nov–Apr 2018–2019	
	Traffic (RPK)	Capacity (ASK)	Traffic (RPK)	Capacity (ASK)
Intercontinental	-65.3%	-54.5%	-32.5%	-26.4%
Europe/Intra-Scandinavia	-55.2%	-48.1%	-28.1%	-25.0%
Domestic	-44.4%	-32.0%	-22.5%	-16.2%

PRODUCTIVITY AND ENVIRONMENTAL EFFICIENCY

	April, 2020	April, 2019	Year-on-year change
12-month rolling			
Aircraft, block hours/day	8.3	9.4	-11.4%
Cabin crew, block hours/year	701	750	-6.5%
Pilots, block hours/year	578	666	-13.2%
Environmental efficiency			
Total CO ₂ emissions, million tonnes	3,707	4,253	-12.8%
CO ₂ emissions per available seat kilometer, grams	61.1	63.1	-3.2%

AIRCRAFT FLEET

THE SAS AIRCRAFT FLEET AT APRIL 30, 2020

SAS Group Aircraft Fleet	Age	Owned	Leased	Wet Lease	Total	SAS Scandinavia	SAS Ireland	Wet Lease	In SAS Group Traffic	Firm Order Purchase	Firm Order Lease
Airbus A330/340/350	11.4	13	6		19	19			19	5	
Airbus A320 family	6.6	20	42		62	53	9		62	35	9
Boeing 737NG	15.0	26	24		50	50			50		
Bombardier CRJ	4.1			24	24			24	24		
ATR-72	6.7			8	8			8	8		
Total	9.4	59	72	32	163	122	9	32	163	40	9

Aircraft on firm order 2020-2024 at 30 April 2020	FY20	FY21	FY22	FY23	FY24	Total
Airbus A320neo	3	3	12	17	6	41
Airbus A321neo LR	1	1	1			3
Airbus A350	1	4				5
Total	5	8	13	17	6	49

Discussion ongoing with Airbus regarding additional delivery deferrals



The new fleet lowers fuel consumption and thereby CO₂ emissions.

KEY RATIOS AND ALTERNATIVE PERFORMANCE MEASURES

	30 Apr 2020	31 Oct 2019	30 Apr 2019
Return on invested capital (ROIC), 12-month rolling ¹	-1%	8%	9%
Adjusted financial net debt/EBITDAR ¹	6.9x	3.7x	3.4x
Financial preparedness ¹	26%	38%	32%
Return on shareholders' equity, 12-month rolling ¹	-59%	14%	14%
Equity/assets ratio ²	-0.1%	16%	10%
Financial net debt, MSEK ²	29,861	328	917
Debt/equity ratio ²	-459.4	0.06	0.27
Interest-coverage ratio ¹	-2.3	2.5	2.7

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

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

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

EARNINGS-RELATED KEY RATIOS AND AVERAGE NUMBER OF EMPLOYEES

MSEK	Q1	Q1	Q2	Q2	Q3	Q3	Q4	Q4
	Nov-Jan 2019-2020	Nov-Jan 2018-2019	Feb-Apr 2020	Feb-Apr 2019	May-Jul 2019	May-Jul 2018	Aug-Oct 2019	Aug-Oct 2018
Revenue	9,707	9,405	5,264	9,871	13,401	13,146	13,435	12,678
EBITDAR	662	746	-1,890	174	2,998	3,330	2,631	2,044
EBITDAR margin	6.8%	7.9%	-35.9%	1.8%	22.4%	25.3%	19.6%	16.1%
Operating income (EBIT)	-767	-461	-3,315	-1,130	1,570	2,167	1,187	920
Operating income (EBIT) margin	-7.9%	-4.9%	-63.0%	-11.4%	11.7%	16.5%	8.8%	7.3%
Income before tax (EBT)	-1,087	-576	-3,722	-1,216	1,490	2,034	1,096	789
Net income for the period	-861	-469	-3,470	-933	1,162	1,570	861	623
Income before tax and items affecting comparability	-1,078	-724	-3,714	-1,211	1,495	2,008	1,226	822
Earnings per common share (SEK)	-2.33	-1.25	-9.15	-2.44	3.04	4.03	2.19	1.56
Cash flow before financing activities	-2,060	-2,566	-5,059	1,473	140	197	-309	658
Average number of employees (FTE)	10,364	10,292	7,988	10,260	10,639	10,332	10,587	10,334

DEFINITIONS AND SHAREHOLDER INFORMATION

SAS uses various key figures, including alternative performance measures (APMs), for internal analysis purposes and for external communication of the operations' results, performance and financial position. The aim of these APMs is to illustrate the performance measures tailored to operations that, in addition to the other key figures, enable various stakeholders to more accurately assess and value SAS' historical, current and future performance and position.

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

AEA – The Association of European Airlines. An association of the major European airlines.

Affiliated company – Company where the SAS Group's holding amounts to at least 20% and at the most 50%.

AOC (Air Operator Certificate) – Permits for flight operations.

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

ATK, Available tonne kilometers – The total number of tonnes of capacity available for the transportation of passengers, freight and mail multiplied by the number of kilometers which this capacity is flown.

Available seat kilometers – See ASK.

Available tonne kilometers – See ATK.

Block hours – Refers to the time from when the aircraft leaves the departure gate until it arrives at the destination gate.

CAGR – Compound annual growth rate.

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

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

Carbon dioxide (CO₂) – A colorless gas that is formed in the combustion of all fossil fuels. The airline industry's CO₂ emissions are being reduced based on a changeover to more fuel-efficient aircraft.

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

CASK – See unit cost.

Code share – When one or more airlines' flight number is stated in the timetable for a flight, while only one of the airlines operates the flight.

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

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

EBIT – Operating income.

EBIT margin – EBIT divided by revenue.

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

EBITDA margin – EBITDA divided by revenue.

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

EBITDAR margin – EBITDAR divided by revenue.

EBT – Income before tax.

EEA – European Economic Area.

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

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

Finance leases – Based on a leasing contract where the risks and rewards of ownership of the asset essentially remain with the lessee. The asset is reported as a fixed asset in the balance sheet because the lessee has an obligation to purchase the asset at the end of the lease. The commitment to pay future leasing charges is entered as a liability. As of November 1st, 2019, SAS Group applies the new standard IFRS 16 - Leases. See Right-of-use assets.

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

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

FTE – Number of employees, full-time equivalents.

IATA – International Air Transport Association. A global association of almost 300 airlines.

ICAO – International Civil Aviation Organization. The United Nations' specialized agency for international civil aviation.

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

Interline revenue – Ticket settlement between airlines.

Items affecting comparability – Items affecting comparability are identified to facilitate comparison of SAS' underlying results in different periods. These items consist of impairment, restructuring costs, capital gains/losses, and other items affecting comparability. They arise as a consequence of specific events, and are items

that both management and external assessors take note of when analyzing SAS. By reporting earnings excluding items affecting comparability, the underlying results are shown, which facilitates comparability between different periods.

LCC – Low Cost Carrier.

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

Market capitalization – Share price multiplied by the number of shares outstanding.

NPV – Net present value. Used to calculate capitalized future costs of operating leases for aircraft, for example.

Operating leases – Based on a leasing contract in which the risks and rewards of ownership remain with the lessor and is equivalent to renting. The leasing charges are expensed on a current basis in the statement of income. As of November 1th, 2019, SAS Group applies the new standard IFRS 16 - Leases. See Right-of-use assets.

PASK (unit revenue) – Passenger revenue divided by ASK (scheduled).

Preference share capital – Preference share capital, corresponding to the redemption price for 2,101,552 preference shares at 105% of the subscription price of SEK 500, amounting to MSEK 1,103. Redemption of all preference shares was carried out in December 2018.

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

Regularity – The percentage of flights completed in relation to flights scheduled.

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

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

Revenue passenger kilometers (RPK) – See RPK.

Revenue tonne kilometers (RTK) – See RTK.

Right-of-use assets (RoU) – As of November 1th, 2019, SAS Group applies the new standard IFRS 16 - Leases. IFRS 16 replaces former standard IAS 17 Leases. The previous classification of each lease as either an operating lease or a finance lease is replaced by a model whereby the lessee recognizes an asset (a right-of-use asset) and a financial liability in the balance sheet. See more information in note 1.

RPK, Revenue passenger kilometers – Number of paying passengers multiplied by flown distance (km).

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

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

FINANCIAL CALENDAR

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

25 August 2020	Q3 Interim Report May 2020–July 2020
3 December 2020	Year-end report November 2019–October 2020
January/February 2021	SAS Annual and Sustainability Report, fiscal year 2020

INVESTOR RELATIONS



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RTK, Revenue tonne kilometers – The number of tonnes of paid traffic (passengers, freight and mail) multiplied by the distance this traffic is flown in kilometers.

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

Shareholders' equity per common share – Shareholders' equity attributable to Parent Company shareholders excluding preference share capital and hybrid bond in relation to the total number of common shares outstanding.

Total load factor – RTK divided by ATK.

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

Unit revenue – See PASK.

WACC – Weighted average cost of capital includes the average cost of liabilities, equity and operating leases for aircraft. The sources of funds are calculated and weighted in accordance with the current market value of equity and liabilities and the capitalized present value of operating lease costs for aircraft.

Wet lease agreement – Leasing in of aircraft including crew.

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

Yield – Passenger revenue divided by RPK (scheduled).