

# Q3 2019

## IMPROVED OPERATIONAL PERFORMANCE IN PEAK SUMMER SEASON

### MAY 2019–JULY 2019

- Revenue: MSEK 13,552 (13,146)
- Income before tax (EBT): MSEK 1,490 (2,034)
- Income before tax and items affecting comparability: MSEK 1,495 (2,008)
- Net income for the period: MSEK 1,162 (1,570)
- Earnings per common share SEK 3.04 (4.04)
- Income before tax negatively affected by strike MSEK -185

### SIGNIFICANT EVENTS DURING THE QUARTER

- SAS reports record number of passengers in June and July
- SAS and Airbus enter into joint research project on hybrid and electric aircraft in commercial traffic
- Pilot strike for two days at the beginning of the quarter resulting in 1,200 cancelled flights and 100,000 affected passengers

### SIGNIFICANT EVENTS AFTER THE QUARTER ENDED

- SAS announces new organizational structure effective from 1 October

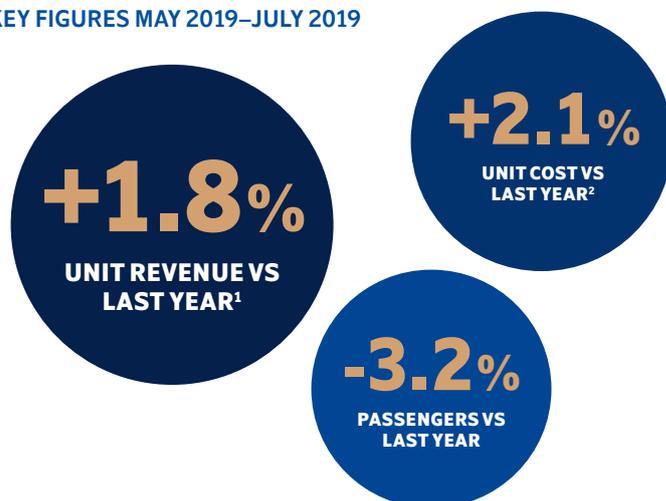
**“A quarter characterized by stable production in peak summer season, with record passenger numbers in June and July.”**

Rickard Gustafson, President and CEO

### NOVEMBER 2018–JULY 2019

- Revenue: MSEK 33,273 (32,040)
- Income before tax (EBT): MSEK -302 (1,261)
- Income before tax and items affecting comparability: MSEK -440 (1,314)
- Net income for the period: MSEK -240 (972)
- Earnings per common share: SEK -0.65 (2.16)
- Income before tax negatively affected by strike MSEK -615

### KEY FIGURES MAY 2019–JULY 2019



1) PASK, Currency adjusted

2) CASK, Currency adjusted and excluding jet fuel

### FINANCIAL SUMMARY

MSEK, unless noted	Q3	Q3	Q1–Q3	Q1–Q3	Rolling 12 months	Rolling 12 months
	May–Jul 2019	May–Jul 2018	Nov–Jul 2018–2019	Nov–Jul 2017–2018	Aug–Jul 2018–2019	Aug–Jul 2017–2018
Revenue	13,552	13,146	33,273	32,040	45,951	43,684
Operating income (EBIT) margin	11.6%	16.5%	-0.1%	5.0%	2.0%	5.4%
Income before tax (EBT)	1,490	2,034	-302	1,261	487	1,889
Net income for the period	1,162	1,570	-240	972	383	1,439
Income before tax and items affecting comparability	1,495	2,008	-440	1,314	382	2,339
Cash flow from operating activities	457	1,164	2,119	3,714	2,964	4,597

	31 Jul 2019	31 Oct 2018	31 Jul 2018	31 Jul 2017
Return on invested capital, 12-month rolling	7%	14%	13%	13%
Adjusted financial net debt/EBITDAR	3.8x	2.7x	2.7x	3.3x
Financial preparedness	33%	42%	36%	37%
Equity/assets ratio	10%	21%	20%	21%
Earnings per common share (SEK), 12-month rolling	0.91	3.71	3.26	2.73
Shareholders' equity per common share, SEK	8.03	16.11	14.84	9.21

This information is information that SAS AB is obliged to disclose pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted by Michel Fischier for publication on 27 August 2019 at 8:00 a.m. CEST.

# COMMENTS BY THE CEO

The third quarter was characterized by strong operational performance together with successful seasonal adaptation, resulting in record passenger numbers and increased revenue in the peak season. Although the revenue increase is encouraging, the prevailing macroeconomic headwinds require improved efficiency to secure competitiveness and long-term profitability.

Total revenue ended at MSEK 13,552, representing an increase of over 3% compared with the same quarter last year. The decline in capacity caused by the pilot strike was compensated by increased passenger revenue. Moreover, SAS posted a continued positive trend in the sale of EuroBonus points and ancillary revenue.

Earnings before tax and items affecting comparability, came in at MSEK 1,495, a disappointing decrease of MSEK 513 year-on-year. The decline was mainly attributable to increased fuel costs, the Swedish krona's continued weakness against the US dollar, as well as the pilot strike at the beginning of the quarter. However, it is encouraging to note that our successful adaptation to seasonal demand and improved operational quality led to a strong customer uptake and an increased yield, thereby mitigating parts of the additional costs incurred during the quarter.

Notably, the headwind stemming from a weak SEK and signs of a slowdown in the European economy, accentuate the need for SAS to adapt operations to current market conditions and accelerate the transformation agenda to secure long-term profitability beyond 2020.

## IMPROVED OPERATIONAL EFFICIENCY AND SEASONAL ADAPTATION

SAS has its peak season during the third quarter, with strong demand from both leisure and business passengers. In recent years, we have adapted our offering to meet customer demand by shifting summer capacity toward leisure-oriented routes. This year we launched 25 new routes in our summer program, whereof five brand new destinations: Florence, Marseille, Szczecin, Cornwall and Oulu. The capacity shift has proven to be successful and we were able to report new records for passenger numbers in both June and July.

Demand for domestic flights in Norway and Denmark remains strong and we continue to post healthy growth compared to last year. Even in the declining market for domestic flights in Sweden, the number of passengers that chose to travel with SAS remained at the same levels as last year. We view this as proof of an attractive customer offering.

Looking ahead, forecasts for the remainder of the year indicate a market capacity growth of approximately 1% for the full year 2019 and early indications point to moderate growth in 2020 as well. This is a trend shift from recent years, where annual capacity growth has been 3-4% per annum. In the near term, this moderate growth outlook is encouraging and should help improve the supply/demand balance, which should be beneficial for the Scandinavian market. However, in the longer term, the significant order book of new aircraft to be delivered until 2024 carries a risk of structural overcapacity in the European airspace.

In terms of operational quality, we recorded a strong improvement compared to the same period last year when we faced a number of operational challenges. Since then, we have taken several actions to improve stability and avoid traffic disruption. We have recruited and trained more seasonal staff in ground handling and technical maintenance. Moreover, we have added two spare aircraft, implemented a new disruption module, and selectively adjusted the network to optimize the reallocation of buffers and stand-by capacity. As a result, we have throughout the summer delivered operational regularity well above 99%. What makes me

particularly proud is that we were able to deliver the same operational robustness across all production platforms, thereby resulting in generally improved customer satisfaction.

## ROADMAP TOWARDS FURTHER EFFICIENCY IMPROVEMENTS

Our current efficiency improvement program targets SEK 3 billion in efficiency improvements by 2020 to strengthen competitiveness and mitigate some of the annual cost inflation. In the third quarter, our efficiency program delivered over MSEK 230 and in the year to date we have realized MSEK 626 in savings. Since 2017 the program has realized SEK 2.1 billion out of the targeted SEK 3 billion.

Although we stay firm on our target of delivering MSEK 900 in savings for the fiscal year 2019, our unit cost, after adjustment for strike effects, is not decreasing to the extent we wish. This means that we need to look at additional initiatives beyond 2020.

The renewal of our fleet is one important component, since it moves SAS to a single-type fleet which decreases complexity in the organization and thereby costs. Another component is to further optimize our operating model based on three production platforms to further boost flexibility and efficiency.

Another area of importance is our continued digitalization efforts to further support revenue growth, decrease costs and at the same time add value for our customers. These include utilizing digital tools to improve planning, both for assets and for crew. This will ensure continued stable production as well as optimize organizational efficiency. Other efforts include the introduction of predictive maintenance for our aircraft and other automation to increase efficiency. Personalized customer offerings, on-board high-speed WiFi and improved self-service possibilities, are other areas which are aimed directly at our customers to safeguard our strong value proposition and attractiveness.

To accelerate our efficiency efforts and drive accountability, a new Group Management organizational structure will be implemented as of 1 October 2019. Our current Operations unit will be divided into Airline Operations, with responsibility for airline operations across all production platforms, and Airline Services, with responsibility for Ground Handling, Technical Maintenance and Cargo. Furthermore, all sales, marketing and commercial units will be consolidated under one Commercial entity. With the new Group Management team in place, we are committed to deliver on our accelerated transformation agenda as well as the additional initiatives needed to increase efficiency across the organization.

## CONTINUED PROGRESS IN DECREASING CLIMATE IMPACT

At SAS, we are currently working on several activities to reduce our negative climate footprint. The delivery of new and more fuel-efficient aircraft is a cornerstone in our endeavor to reduce carbon emissions. With new aircraft from Airbus, our emissions will be reduced with up to 18% on short-haul and up to 30% on long-haul flights. We have also replaced the interiors in our existing aircraft and decided to remove tax-free sales onboard to reduce weight and fuel consumption. Moreover, we continuously strive to reduce plastic consumables and food waste onboard.

SAS is also engaged in a joint research project together with Airbus related to the electrification of aircraft for large-scale commercial usage in the future. In order to bridge the gap to zero emission aircraft, we believe that an important step is to increase the

usage of renewable fuels to reduce emissions more rapidly. SAS is pushing for large-scale production of advanced renewable fuel in Scandinavia. The volumes being produced today are simply not enough and the price is 3-4 times higher than for conventional jet fuel. During the quarter, we added the possibility for our customers to purchase biofuel (at cost), in addition to the amount of biofuel SAS is already using. We believe that this provides an opportunity for customers to contribute and creates transparency around the additional costs for biofuel.

In the meantime, we are also addressing the CO<sub>2</sub> emissions that we cannot eliminate with today's technology. During the quarter we had compensated for over 3.5 million journeys with SAS, representing 38% of the total passenger-related CO<sub>2</sub> emissions in the third quarter.

#### OUTLOOK

Even though the capacity outlook and recent decline in jet fuel price are positives, several challenges remain unchanged since our Q2 report. This includes the continued weakness of the Swedish krona against the US dollar and the Euro, as well as an emerging slowdown in the European and global economies.

Although we are in the process of adapting to current market conditions, the journey towards an even more efficient and effective SAS will require additional time and effort. Therefore, we reiterate our full year outlook that it will be challenging to reach a positive result before tax and items affecting comparability for FY2019.

I thank you for your interest in SAS and look forward to welcoming you aboard one of our 800 daily flights!

Stockholm 27 August 2019

Rickard Gustafson,  
*President and CEO*



# COMMENTS ON SAS' FINANCIAL STATEMENTS

## MARKET AND TRAFFIC TRENDS

Capacity in the Scandinavian market, measured in the number of seats offered, was unchanged compared with the same quarter last year. At the same time, the total number of passengers in the Scandinavian market decreased 2.9%. SAS number of passengers decreased 3.2%, mainly as an effect of the pilot union strike in the beginning of the quarter.

Looking ahead, the number of offered seats in the Scandinavian market is expected to decrease approximately 0.5% in the third quarter and 0.6% in the fourth quarter. This is a sharp decline compared with the corresponding quarters last year where the number of offered seats grew with over 4.7% and 4.0%.

## EARNINGS ANALYSIS - MAY-JULY 2019

### Revenue

Revenue totaled MSEK 13,552 (13,146), see Note 2. Currency adjusted revenue was up MSEK 205 year-on-year and the currency adjusted deviation is explained below. The negative revenue impact of the strike is estimated at approximately MSEK 290.

Passenger revenue increased 0.8%, primarily due to MSEK 390 from the higher yield. The higher yield was offset by lower scheduled capacity (ASK) and load factor, which had a negative impact on revenue of MSEK 99 and MSEK 211, respectively.

Cargo revenue decreased MSEK 68, mainly due to lower volumes. Charter revenue was up MSEK 11 and Other traffic revenue rose MSEK 68 due to higher preseating and revenue adjustments.

Other operating revenue was up MSEK 113 year-on-year, mainly relating to higher revenues from credit card fees and sale of EuroBonus points.

### Operational and financial expenses

Payroll expenses totaled MSEK -2,504 (-2,385). After adjustment for currency and items affecting comparability, payroll expenses increased MSEK 83 year-on-year. The increase related to standard salary increases and a higher number of employees predominated in Ground Handling, partly offset by efficiency measures.

Other operating expenses for the quarter totaled MSEK -8,050 (-7,431), see Note 3. These expenses largely consisted of jet fuel costs of MSEK -2,750 (-2,324), representing an increase of MSEK 426. Adjusted for currency, jet fuel costs increased 11.2%. The cost was positively affected by an amount of MSEK 240 due to lower jet-fuel price. The decrease in jet fuel prices was offset by hedge effects of MSEK -577 partly counteracted by volume effects of MSEK 79. The hedge effects arose from negative hedge effects in the current quarter of MSEK -242 compared with positive hedge effects of MSEK +335 in the same quarter last year.

Technical maintenance costs in the quarter totaled MSEK -744 (-726). Adjusted for currency, technical maintenance costs decreased MSEK 26. Wet-lease costs were MSEK -389 (-343). Adjusted for currency, wet-lease costs year-on-year increased MSEK 29, due to higher prices.

During the period, the ongoing efficiency program resulted in cost reductions of approximately MSEK 234.

Leasing costs for aircraft totaled MSEK -985 (-814). Adjusted for currency effects, leasing costs increased MSEK 117, driven by new lease agreements.

Financial income and expenses came in at MSEK -80 (-133), of which net interest expense was MSEK -67 (-103). The decrease primarily related to higher financial income and capitalisation of interest expenses for pre-delivery payments (PDP).

### Net income for the period

In the quarter, SAS generated *Operating income* of MSEK 1,570 (2,167). Income before tax amounted to MSEK 1,490 (2,034) and income after tax was MSEK 1,162 (1,570). Tax expense was MSEK -328 (-464).

Year-on-year, foreign exchange rates had a positive impact on revenue of MSEK 201 and a negative effect on operating expenses of MSEK 482. Foreign exchange rates had a negative impact on operating income of MSEK 281. Net financial items were positively impacted by currency items of MSEK 18. In total, currency effects had a net negative impact of MSEK 263 on income before tax.

### Items affecting comparability

Total items affecting comparability were MSEK -5 (26) during the period, of which MSEK 104 (26) pertained to capital gains from aircraft transactions. The divestment of SAS's shareholding in Air Greenland resulted in a capital gain of zero. Other items affecting comparability related to restructuring costs for personnel of MSEK -16 (0) and impairment losses to MSEK -93 (0).

## EARNINGS ANALYSIS NOVEMBER 2018-JULY 2019

### Revenue

Revenue totaled MSEK 33,273 (32,040), see Note 2. Currency adjusted revenue was up MSEK 324 year-on-year and the currency adjusted deviation is explained below. The negative revenue impact of the strike is estimated at approximately MSEK 730.

Passenger revenue increased 0.1%, primarily due to MSEK 785 from the higher yield. The higher yield was offset by lower scheduled capacity (ASK) and load factor, which had a negative impact on revenue of MSEK 535 and MSEK 233, respectively.

Cargo revenue decreased MSEK 126, mainly due to lower volumes. Charter revenue was MSEK 94 higher, primarily relating to higher volumes. Other traffic revenue rose MSEK 171, mainly relating to unused tickets and preseating.

Other operating revenue was MSEK 168 higher year-on-year, mainly relating to higher revenues from credit card fees and the sale of EuroBonus points.

### Operational and financial expenses

Payroll expenses totaled MSEK -7,325 (-7,008). After adjustment for currency and items affecting comparability, payroll expenses increased MSEK 216 year-on-year. The increase related to standard salary increases and a higher number of employees, partly offset by efficiency measures.

Other operating expenses totaled MSEK -22,030 (-20,137), see Note 3. These expenses largely consisted of jet fuel costs of MSEK -6,892 (-5,539), representing an increase of MSEK 1,353. Adjusted for currency, jet fuel costs increased 14.6%. The cost was positively affected by an amount of MSEK 127 due to lower jet-fuel price. The decrease in jet fuel prices was offset by hedge effects of MSEK -1,131 partly counteracted by volume effects of MSEK 203.

Technical maintenance costs totaled MSEK -2,105 (-2,054). Adjusted for currency, technical maintenance costs decreased MSEK 118, mainly due to the phase-in of new A320neo aircraft. Wet-lease costs were MSEK -1,087 (-943). Adjusted for currency, wet-lease costs increased MSEK 79 year-on-year, mainly due to higher volumes and a contractual settlement.

During the period, the ongoing efficiency program resulted in cost reductions of approximately MSEK 626.

Leasing costs for aircraft totaled MSEK -2,618 (-2,339). Adjusted for currency effects, leasing costs increased MSEK 71.

Financial income and expenses came in at MSEK -281 (-349), of

which net interest expense was MSEK -237 (-305). The decrease primarily related to higher financial income and capitalisation of interest expenses for pre-delivery payments (PDPs).

#### Net income for the period

SAS generated *Operating income* of MSEK -21 (1,610). Income before tax amounted to MSEK -302 (1,261) and income after tax was MSEK -240 (972). Tax for the period amounted to MSEK 62 (-289).

Year-on-year, foreign exchange rates had a positive impact on revenue of MSEK 909 and a negative effect on operating expenses of MSEK 1,430. Foreign exchange rates thus had a negative impact on operating income of MSEK 521. Currency items had a net effect of zero on net financial items this period. In total, currency effects had a net negative impact of MSEK 521 on income before tax.

#### Items affecting comparability

Total items affecting comparability were MSEK 138 (-53) during the period, of which MSEK 112 (173) pertained to capital gains from aircraft transactions. The divestment of SAS's shareholding in Air Greenland resulted in a capital gain of zero. Other items affecting comparability related to restructuring costs for personnel and properties, a contractual settlement, the release of a fiscal-related provision for indirect taxes in China and impairment losses.

### BALANCE SHEET & FINANCIAL POSITION JULY 2019

#### Assets

*Intangible and tangible fixed assets* increased MSEK 2,393 during the period. Changes for the period comprised investments of MSEK 4,729, amortization and depreciation of MSEK -1,422, divestments of MSEK -1,223, as well as currency and other effects of MSEK 309. The amount for investments during the period included delivery payments for five new Airbus A320neos on finance leases, one Airbus A330 and the purchase of two Boeing 737s that were previously on operating leases. Other aircraft investments comprised capitalized expenditures for engine maintenance, modifications, spare parts and advance payments to Airbus.

*Financial fixed assets* decreased MSEK 2,158 mainly due to a decrease in SAS' defined-benefit pension plans and restricted accounts, partly offset by increased deferred tax assets.

*Current receivables* increased MSEK 28. This increase was mainly attributable to higher accounts receivable and prepaid expenses, partly offset by lower interest-bearing receivables.

*Cash and cash equivalents* were MSEK 7,348 (8,525) at 31 July 2019. Unutilized contracted credit facilities amounted to MSEK 2,877 (2,709). Financial preparedness amounted to 33% (36%) of SAS' fixed costs.

#### Shareholders' equity and liabilities

*Shareholders' equity* has decreased MSEK 4,196 since 31 October 2018. The decrease mainly related to a redemption of preference shares of MSEK -1,086, net income of MSEK -240, actuarial effects on defined-benefit pension plans of MSEK -1,920 and changes in cash flow hedges of MSEK -947. For the condensed changes in shareholders' equity – refer to page 10.

*Long-term liabilities* increased MSEK 1,252 and *current liabilities* increased MSEK 753. The increase in liabilities was mainly due to the seasonal increase in unearned transportation liability and market value changes on financial derivatives.

#### Interest-bearing liabilities

On 31 July 2019, interest-bearing liabilities amounted to MSEK 10,821, an increase of MSEK 729 since 31 October 2018. New loans and amortization for the period were MSEK 1,893 and MSEK 2,131 respectively. The change in gross debt since 31 October 2018 included a negative trend in the fair value of financial derivatives, which increased liabilities MSEK 627. Currency revaluations increased liabilities MSEK 362, and accrued interest

and other items decreased liabilities MSEK 22.

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

#### Financial net debt

At 31 July 2019, the financial net debt amounted to MSEK 1,137, an increase of MSEK 3,569 since 31 October 2018. The increase was primarily due to the redemption of preference shares, investments and market value changes on financial derivatives.

#### Key ratios

At 31 July 2019, the return on invested capital (ROIC) was 7%, down 7 percentage points since 31 October 2018. The decrease was mainly due to lower operating income.

Financial preparedness has decreased 9 percentage points, and was 33% at the end of this quarter. The reduction mainly related to the redemption of preference shares and repayment of convertible bond that was made during the first and second quarters.

The adjusted financial net debt/EBITDAR ratio changed to a multiple of 3.8. At 31 October 2018 was the multiple 2.7. The change primarily related to increased financial net debt as well as lower EBITDAR.

At 31 July 2019, the equity/assets ratio was 10%, down from 21% at 31 October 2018. The decline was primarily due to the redemption of preference shares for MSEK 1,086 and the negative total comprehensive income of MSEK 3,083.

For the balance sheet – refer to page 9.

### CASH FLOW STATEMENT NOVEMBER 2018–JULY 2019

Cash flow for the first nine months totaled MSEK -2,409 (-313). Cash and cash equivalents amounted to MSEK 7,348 according to the balance sheet, compared with MSEK 9,756 at 31 October 2018.

#### Operating activities

Cash flow from operating activities before changes in working capital was MSEK 605 (2,223) in the first nine months of the fiscal year. The change compared with the previous year was primarily attributable to lower earnings before tax.

Changes in working capital was on par with the previous year and amounted to MSEK 1,514 (1,491).

#### Investing activities

Investments totaled MSEK 4,735 (5,422), of which MSEK 4,630 (5,364) pertained to aircraft. These included delivery payments for five new Airbus A320neos and one Airbus A330. In addition, two Boeing 737s were purchased that were previously on operating leases. Other aircraft investments comprised capitalized expenditures for aircraft maintenance, modifications, spare parts and advance payments to Airbus.

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

#### Financing activities

New loans were MSEK 1,821 (3,050), while repayments totaled MSEK 2,131 (2,765), including MSEK 1,574 for the convertible bond repaid in April 2019. In December, a redemption of all preference shares for a total amount of MSEK 1,112 was implemented. For the cash flow statement — refer to page 11.

### SEASONAL VARIATIONS

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

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

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

### FINANCIAL TARGETS

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

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

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

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

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

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

Considerable uncertainty continues in the macro environment with regard to foreign exchange-rates, jet-fuel prices and changes within the European airline industry, with intensified competition. In conjunction with the transition to IFRS 16 from 2019/2020,

under which the lessee recognizes an asset (the right to use an asset) and a financial liability in the balance sheet, SAS will review the targets to ensure their continued relevance.

### SIGNIFICANT EVENTS AFTER THE QUARTER ENDED

New corporate structure and Group management team. As of 1 October 2019, SAS will be organized according to a new structure where the current operational unit is divided into two units and where the commercial operations are combined into one unit. From 1 October, the Group management will consist of the following units and managers.

- Rickard Gustafson, President and Chief Executive Officer
- Simon Pauck Hansen, Airline Operations, Executive Vice President and Chief Operating Officer, COO
- Kjetil Håbjørg, Airline Services, Executive Vice President and Chief Service Officer, CSO
- Karl Sandlund, Commercial, Executive Vice President and Chief Commercial Officer, CCO
- Mattias Forsberg, IT & Digital, Executive Vice President and Chief Information Officer, CIO
- Torbjørn Wist, Finance, Executive Vice President and Chief Financial Officer, CFO
- Carina Malmgren Heander, Staff Functions, Executive Vice President and Chief of Staff, CoS

Executive Vice President, Annelie Nässén, Head of Global Sales and Marketing and Deputy President & Executive Vice President Göran Jansson, Strategy & Ventures have, at their own request, chosen to leave SAS in conjunction with the reorganization.

### OUTLOOK FOR FISCAL YEAR 2019

SAS maintains its previous outlook that it will be challenging to reach a positive result before tax and items affecting comparability in fiscal year 2019. The outlook is based on no unexpected events or material changes in the business environment.

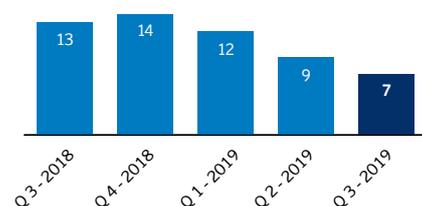
The outlook is based on the following:

- Negative earnings impact from the strike amounting to MSEK -615
- Decrease of -1% in scheduled capacity (ASK) in FY19
- Jet fuel price and SEK/USD FX-rates at current levels
- Efficiency measures of SEK 0.9 bn
- Gross investments expected to be around SEK 7 billion

### RETURN ON INVESTED CAPITAL (ROIC)

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

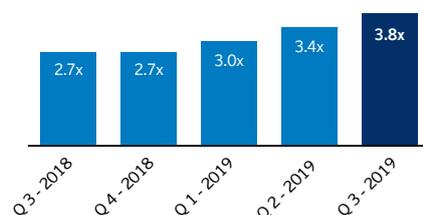
ROIC, 12-MONTH ROLLING, %



### ADJUSTED FINANCIAL NET DEBT/EBITDAR

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

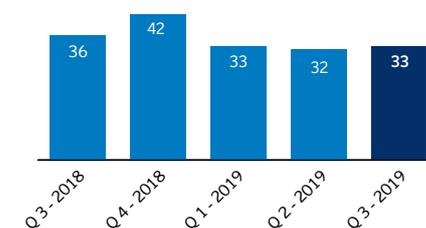
ADJUSTED FINANCIAL NET DEBT/EBITDAR



### FINANCIAL PREPAREDNESS

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

FINANCIAL PREPAREDNESS, %



# RISKS AND UNCERTAINTIES

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

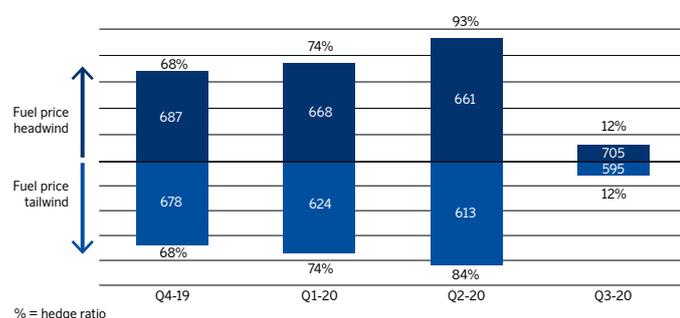
## CURRENCY AND JET FUEL HEDGING

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

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

For the forthcoming quarter, Q4 2019, SAS has 68% of the fuel consumption hedged at a maximum price of USD 687/Mt. If the fuel price goes below USD 678/Mt, 32% of SAS' consumption would benefit from a lower fuel price.

### Hedging of jet fuel USD/MT



For foreign currency, the policy is to hedge 40–80%. At the end of the quarter, SAS had hedged 51% of its anticipated USD deficit for the next 12 months. SAS has hedged the USD deficit using a combination of forward contracts and options. In terms of NOK, which is SAS' largest surplus currency, 60% was hedged for the next 12 months. Based on the currency exposure a weakening of the NOK against the SEK of 1% would generate a negative earnings impact of MSEK 58, excluding hedge effects.

Under current plans for flight capacity, the cost of jet fuel during the fiscal year 2019 is expected to be in line with the table below, taking into account different fuel prices and USD rates as well as including jet fuel hedging.

### Sensitivity analysis, jet fuel cost Nov 2018-Oct 2019, SEK billion<sup>1</sup>

Market price	Exchange rate SEK/USD				
	8.5	9.0	9.5	10.0	10.5
USD 500/tonne	9.0	9.2	9.3	9.4	9.5
USD 600/tonne	9.1	9.3	9.4	9.5	9.7
USD 700/tonne	9.3	9.4	9.5	9.7	9.8
USD 800/tonne	9.3	9.5	9.6	9.8	9.9

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" in Other operating expenses, note 3, since currency hedging is performed separately and is not linked specifically to its jet fuel purchases.

## LEGAL ISSUES

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

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

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

# CONSOLIDATED STATEMENT OF INCOME

## STATEMENT OF INCOME INCLUDING STATEMENT OF OTHER COMPREHENSIVE INCOME

MSEK	Note	Q3	Q3	Q1-Q3	Q1-Q3	Rolling 12 months	Rolling 12 months
		May-Jul 2019	May-Jul 2018	Nov-Jul 2018-2019	Nov-Jul 2017-2018	Aug-Jul 2018-2019	Aug-Jul 2017-2018
Revenue	2	13,552	13,146	33,273	32,040	45,951	43,684
Payroll expenses		-2,504	-2,385	-7,325	-7,008	-9,758	-9,197
Other operating expenses	3	-8,050	-7,431	-22,030	-20,137	-30,231	-27,584
Leasing costs for aircraft		-985	-814	-2,618	-2,339	-3,435	-3,113
Depreciation, amortization and impairment		-548	-404	-1,422	-1,131	-2,054	-1,708
Share of income in affiliated companies		1	29	-11	12	12	28
Income from the sale of shares in subsidiaries and affiliated companies		0	0	0	-4	0	-4
Income from the sale of aircraft and buildings		104	26	112	177	414	255
<b>Operating income (EBIT)</b>		<b>1,570</b>	<b>2,167</b>	<b>-21</b>	<b>1,610</b>	<b>899</b>	<b>2,361</b>
Income from other securities holdings		0	0	0	0	0	0
Financial income		43	34	131	98	162	133
Financial expenses		-123	-167	-412	-447	-574	-605
<b>Income before tax (EBT)</b>		<b>1,490</b>	<b>2,034</b>	<b>-302</b>	<b>1,261</b>	<b>487</b>	<b>1,889</b>
Tax		-328	-464	62	-289	-104	-450
<b>Net income for the period</b>		<b>1,162</b>	<b>1,570</b>	<b>-240</b>	<b>972</b>	<b>383</b>	<b>1,439</b>
<b>Other comprehensive income</b>							
<i>Items that may later be reversed to net income:</i>							
Exchange-rate differences in translation of foreign operations		-9	-32	24	114	58	135
Cash-flow hedges — hedging reserve, net after tax		-335	-377	-947	-133	-980	315
<i>Items that will not be reversed to net income:</i>							
Revaluations of defined-benefit pension plans, net after tax		-1,111	-385	-1,920	-781	-2,054	-398
<b>Total other comprehensive income, net after tax</b>		<b>-1,455</b>	<b>-794</b>	<b>-2,843</b>	<b>-800</b>	<b>-2,976</b>	<b>52</b>
<b>Total comprehensive income</b>		<b>-293</b>	<b>776</b>	<b>-3,083</b>	<b>172</b>	<b>-2,593</b>	<b>1,491</b>
<i>Net income for the period attributable to:</i>							
Parent Company shareholders		1,162	1,570	-240	972	383	1,439
Non-controlling interests		0	0	0	0	0	0
Earnings per common share (SEK) <sup>1</sup>		3.04	4.04	-0.65	2.16	0.91	3.26
Earnings per common share after dilution (SEK) <sup>1</sup>		3.04	3.46	-0.65	1.91	0.87	2.87

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

## INCOME BEFORE TAX AND ITEMS AFFECTING COMPARABILITY

MSEK	Q3	Q3	Q1-Q3	Q1-Q3	Rolling 12 months	Rolling 12 months
	May-Jul 2019	May-Jul 2018	Nov-Jul 2018-2019	Nov-Jul 2017-2018	Aug-Jul 2018-2019	Aug-Jul 2017-2018
Income before tax (EBT)	1,490	2,034	-302	1,261	487	1,889
Impairment <sup>1</sup>	93	0	93	0	299	208
Restructuring costs <sup>2</sup>	16	0	29	226	58	313
Capital gains/losses <sup>3</sup>	-104	-26	-112	-173	-414	-251
Other items affecting comparability <sup>4</sup>	0	0	-148	0	-48	180
<b>Income before tax and items affecting comparability</b>	<b>1,495</b>	<b>2,008</b>	<b>-440</b>	<b>1,314</b>	<b>382</b>	<b>2,339</b>

1) Impairment for the period November–July of MSEK 93 (0) pertains to aircraft and for August–July to aircraft MSEK 299 (0) and IT systems MSEK 0 (208).

2) Restructuring costs were charged to earnings as payroll expenses of MSEK 29 (76) and property costs of MSEK 0 (150) in the November–July period. The August–July period included payroll expenses of MSEK 58 (127) and property costs of MSEK 0 (186).

3) Capital gains include aircraft sales amounting to MSEK 112 (177) in the November–July period and sale of subsidiaries for MSEK 0 (-4). The August–July period included aircraft gains amounting to MSEK 414 (255) and the sale of subsidiaries for MSEK 0 (-4).

4) The November–July period included contractual settlement and a release of a fiscal-related provision for indirect taxes of MSEK -148 (0). In addition to the contractual settlement and release of the tax provision, the period August–July period also included a provision to be distributed to our employees as a one-time award of MSEK 100 (0) and costs related to aircraft of MSEK 0 (180).

# CONSOLIDATED BALANCE SHEET

## CONDENSED BALANCE SHEET

MSEK	31 Jul 2019	31 Oct 2018	31 Jul 2018	31 Jul 2017
Intangible assets	1,430	1,498	1,528	1,804
Tangible fixed assets	14,701	12,240	12,299	10,453
Financial fixed assets	5,231	7,389	7,427	7,416
<b>Total fixed assets</b>	<b>21,362</b>	<b>21,127</b>	<b>21,254</b>	<b>19,673</b>
Other current assets	355	401	395	327
Current receivables	2,943	2,915	3,125	2,942
Cash and cash equivalents <sup>1</sup>	7,348	9,756	8,525	8,620
<b>Total current assets</b>	<b>10,646</b>	<b>13,072</b>	<b>12,045</b>	<b>11,889</b>
<b>Total assets</b>	<b>32,008</b>	<b>34,199</b>	<b>33,299</b>	<b>31,562</b>
Shareholders' equity	3,072	7,268	6,779	6,716
Long-term liabilities	13,263	12,011	10,739	9,441
Current liabilities	15,673	14,920	15,781	15,405
<b>Total shareholders' equity and liabilities</b>	<b>32,008</b>	<b>34,199</b>	<b>33,299</b>	<b>31,562</b>
Shareholders' equity per common share, (SEK) <sup>2</sup>	8.03	16.11	14.84	9.21
Interest-bearing assets	11,406	16,549	15,477	15,075
Interest-bearing liabilities	10,821	10,092	9,207	8,823
Working capital	-13,666	-13,347	-13,711	-12,146

1) At 31 July 2019, including receivables from other financial institutions, MSEK 313 (918).

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

## SPECIFICATION OF FINANCIAL NET DEBT, 31 JULY 2019

	According to balance sheet	Of which included financial net debt
Financial fixed assets	5,231	2,010
Current receivables	2,943	326
Cash and cash equivalents	7,348	7,348
Long-term liabilities	13,263	9,287
Current liabilities	15,673	1,534
Financial net debt		1,137

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](http://www.sasgroup.net) where each interim report is published.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## CONDENSED CHANGES IN SHAREHOLDERS' EQUITY

MSEK	Share capital <sup>1</sup>	Other contributed capital <sup>2</sup>	Hedging reserves	Translation reserve	Retained earnings <sup>3</sup>	"Total shareholders' equity attributable to Parent Company shareholders"	Total shareholders' equity
<b>Opening shareholders' equity in accordance with approved balance sheet, 1 November 2017</b>	<b>6,776</b>	<b>327</b>	<b>1,472</b>	<b>-198</b>	<b>-319</b>	<b>8,058</b>	<b>8,058</b>
Effect of new accounting policy, IFRS 9			-20		20	0	0
<b>Adjusted opening shareholders' equity, 1 November 2017</b>	<b>6,776</b>	<b>327</b>	<b>1,452</b>	<b>-198</b>	<b>-299</b>	<b>8,058</b>	<b>8,058</b>
New issue	1,055				178	1,233	1,233
Preference share dividend					-105	-105	-105
Redemption of preference shares	-99				-2,480	-2,579	-2,579
Comprehensive income November–July			-110	114	168	172	172
<b>Closing balance, 31 July 2018</b>	<b>7,732</b>	<b>327</b>	<b>1,342</b>	<b>-84</b>	<b>-2,538</b>	<b>6,779</b>	<b>6,779</b>
Comprehensive income August–October			-56	33	512	489	489
<b>Closing balance, 31 October 2018</b>	<b>7,732</b>	<b>327</b>	<b>1,286</b>	<b>-51</b>	<b>-2,026</b>	<b>7,268</b>	<b>7,268</b>
Effect of new accounting policy, IFRS 9 and IFRS 15					-27	-27	-27
<b>Adjusted opening shareholders' equity, 1 November 2018</b>	<b>7,732</b>	<b>327</b>	<b>1,286</b>	<b>-51</b>	<b>-2,053</b>	<b>7,241</b>	<b>7,241</b>
Redemption of preference shares	-42				-1,044	-1,086	-1,086
Equity share of convertible loans		-157			157	0	0
Comprehensive income November–July			-947	24	-2,160	-3,083	-3,083
<b>Closing balance, 31 July 2019</b>	<b>7,690</b>	<b>170</b>	<b>339</b>	<b>-27</b>	<b>-5,100</b>	<b>3,072</b>	<b>3,072</b>

1) Number of shares in SAS AB: 382,582,551 (382,582,551) common shares with a quotient value of SEK 20.10 and 0 (2,101,552) preference shares with a quotient value of SEK 20.10.

2) The amount comprises share premium reserves.

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

# CONSOLIDATED CASH FLOW STATEMENT

## CONDENSED CASH FLOW STATEMENT

MSEK	Q3	Q3	Q1-Q3	Q1-Q3	Rolling	Rolling
	May-Jul 2019	May-Jul 2018	Nov-Jul 2018-2019	Nov-Jul 2017-2018	12 months Aug-Jul 2018-2019	12 months Aug-Jul 2017-2018
<b>OPERATING ACTIVITIES</b>						
Income before tax (EBT)	1,490	2,034	-302	1,261	487	1,889
Depreciation, amortization and impairment	548	404	1,422	1,131	2,054	1,708
Income from sale of aircraft, buildings and shares	-104	-26	-112	-173	-414	-251
Adjustment for other non-cash items, etc.	-89	-171	-350	48	-179	357
Tax paid	0	-2	-53	-44	-54	-48
<b>Cash flow from operations before change in working capital</b>	<b>1,845</b>	<b>2,239</b>	<b>605</b>	<b>2,223</b>	<b>1,894</b>	<b>3,655</b>
Change in working capital	-1,388	-1,075	1,514	1,491	1,070	942
<b>Cash flow from operating activities</b>	<b>457</b>	<b>1,164</b>	<b>2,119</b>	<b>3,714</b>	<b>2,964</b>	<b>4,597</b>
<b>INVESTING ACTIVITIES</b>						
Investments including advance payments to aircraft manufacturers	-1,979	-1,397	-4,735	-5,422	-6,153	-7,177
Acquisition of subsidiaries	0	0	-16	0	-16	0
Sale of subsidiaries and affiliated companies	394	0	394	-3	394	-3
Sale of fixed assets, etc.	1,268	430	1,285	2,933	2,516	4,278
<b>Cash flow from investing activities</b>	<b>-317</b>	<b>-967</b>	<b>-3,072</b>	<b>-2,492</b>	<b>-3,259</b>	<b>-2,902</b>
<b>Cash flow before financing activities</b>	<b>140</b>	<b>197</b>	<b>-953</b>	<b>1,222</b>	<b>-295</b>	<b>1,695</b>
<b>FINANCING ACTIVITIES</b>						
New issue	0	0	0	1,223	0	1,223
Dividend on preference shares	0	-26	-26	-201	-53	-288
Redemption of preference shares	0	0	-1,112	-2,579	-1,112	-2,579
External financing, net	296	934	-318	22	281	-147
<b>Cash flow from financing activities</b>	<b>296</b>	<b>908</b>	<b>-1,456</b>	<b>-1,535</b>	<b>-884</b>	<b>-1,791</b>
<b>Cash flow for the period</b>	<b>436</b>	<b>1,105</b>	<b>-2,409</b>	<b>-313</b>	<b>-1,179</b>	<b>-96</b>
Translation difference in cash and cash equivalents	0	-1	1	2	2	1
Cash and cash equivalents at beginning of the period	6,912	7,421	9,756	8,836	8,525	8,620
<b>Cash and cash equivalents at the end of the period</b>	<b>7,348</b>	<b>8,525</b>	<b>7,348</b>	<b>8,525</b>	<b>7,348</b>	<b>8,525</b>
Cash flow from operating activities per common share (SEK)	1.19	3.04	5.54	9.71	7.75	12.44

## FINANCIAL KEY RATIOS

	31 Jul 2019	31 Oct 2018	31 Jul 2018	31 Jul 2017
Return on shareholders' equity, 12-month rolling	8%	22%	20%	22%
Return on invested capital (ROIC), 12-month rolling	7%	14%	13%	13%
Adjusted financial net debt/EBITDAR	3.8x	2.7x	2.7x	3.3x
Financial preparedness	33%	42%	36%	37%
Equity/assets ratio	10%	21%	20%	21%
Adjusted equity/assets ratio	5%	13%	12%	13%
Financial net debt, MSEK	1,137	-2,432	-2,135	-2,225
Debt/equity ratio	0.37	-0.33	-0.31	-0.33
Adjusted debt/equity ratio	8.20	2.70	2.88	2.75
Interest-coverage ratio	1.8	4.4	4.2	3.9

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](http://www.sasgroup.net) under Investor Relations.

# PARENT COMPANY SAS AB

The number of common shareholders in SAS AB amounted to 60,246 at 31 July 2019. The average number of employees amounted to three (four). In December 2018, 2,101,552 preference shares were redeemed.

## CONDENSED STATEMENT OF INCOME

MSEK	Q1-Q3	
	Nov-Jul 2018-2019	Nov-Jul 2017-2018
Revenue	41	40
Payroll expenses	-28	-24
Other operating expenses	-25	-22
<b>Operating income (EBIT)</b>	<b>-12</b>	<b>-6</b>
Income from participations in Group companies	0	0
Income from other securities holdings	0	0
Net financial items	-42	-11
<b>Income before tax (EBT)</b>	<b>-54</b>	<b>-17</b>
Tax	11	3
<b>Net income for the period</b>	<b>-43</b>	<b>-14</b>

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

## CONDENSED BALANCE SHEET

MSEK	31 Jul 2019	31 Oct 2018	31 Jul 2018
Financial fixed assets	14,687	14,643	14,663
Other current assets	75	134	94
Cash and cash equivalents	1	2	1
<b>Total assets</b>	<b>14,763</b>	<b>14,779</b>	<b>14,758</b>
Shareholders' equity	9,200	10,329	10,355
Long-term liabilities	2,251	2,252	2,658
Current liabilities	3,312	2,198	1,745
<b>Total shareholders' equity and liabilities</b>	<b>14,763</b>	<b>14,779</b>	<b>14,758</b>

## CHANGES IN SHAREHOLDERS' EQUITY

MSEK	Share capital <sup>1</sup>	Restricted reserves	Unrestricted equity <sup>2</sup>	Total shareholders' equity
Opening balance, 1 November 2018	7,732	405	2,192	10,329
Redemption of preference shares	-42	42	-1,086	-1,086
Net income for the period			-43	-43
<b>Shareholders' equity, 31 July 2019</b>	<b>7,690</b>	<b>447</b>	<b>1,063</b>	<b>9,200</b>

1) Number of shares: 382,582,551 (382,582,551) common shares with a quotient value of SEK 20.10 and 0 (2,101,552) preference shares with a quotient value of SEK 20.10.

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

# NOTES

## NOTE 1 ACCOUNTING POLICIES AND FINANCIAL STATEMENTS

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

The accounting policies follow those described in the 2017/2018 Annual Report. Preparations are ongoing for the implementation of IFRS 16, Leases. SAS Group will apply the standard starting 1 November 2019, and has an ongoing project to analyze the transition. Since 1 November 2018, SAS Group applies the new accounting standards IFRS 15, Revenue from Contracts with Customers, and IFRS 9, Financial Instruments. The table below shows the impact of the implementation of IFRS 9 and IFRS 15 on equity and other balance sheet items at the transition date of 1 November 2018. IFRS 15 is applied using the modified retrospective approach, meaning the opening balance at 1 November 2018 is adjusted to reflect the

impact of IFRS 15, but the previous periods have not been restated. IFRS 9 is applied from 1 November 2018. The hedge accounting guidance is applied prospectively apart from the accounting guidance relating to changes in the time value of options that is applied retrospectively, meaning comparative periods have been recalculated and the opening balance per 1 November 2017 has been adjusted. The comparative figures for rolling 12 months, February 2016–January 2017, have not been recalculated since requirements in IFRS 9 do not result in recalculation of periods before 1 November 2017. All other changes following IFRS 9 are applied retrospectively but without adjustment of comparative periods. This means that the opening balances at 1 November 2018 are adjusted to reflect the impact of IFRS 9 but the previous periods have not been restated (except for changes relating to time value as mentioned above).

### IMPACT OF IFRS 9 AND IFRS 15

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

### IFRS 9 — FINANCIAL INSTRUMENTS

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

#### Classification and measurement

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

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

### Impairment

Financial assets measured at amortized cost are assessed for impairment based on expected credit losses (ECLs). Provisions for accounts receivable are always based on lifetime ECLs. If there is no expectation of collection, the full asset value is written off. Losses and write offs are posted as expenses in the income statement. Following the new impairment model, the provision for expected losses in accounts receivable increase by MSEK 14. SAS' other financial assets are not subject to further impairment provisions at the date of transition.

### Financial liabilities

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

### Hedge accounting

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

### IFRS 15 — REVENUE FROM CONTRACTS WITH CUSTOMERS

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

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

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

### IFRS 16 — LEASES

IFRS 16, Leases, replaces IAS 17 — Leases, and provides a single lessee accounting model. The standard replaces the current classification as either operating leases or finance leases and introduces a model, whereby the lessee recognizes an asset (the right to use an asset) and a financial liability in the balance sheet. The leasing cost is replaced in the income statement by a cost for the depreciation of the leased asset and an interest expense for the financial liability.

SAS Group continues to analyze the effects of IFRS 16 on the financial statements. The standard is expected to have a material impact on SAS' financial reporting, since the Group has significant leasing commitments for, inter alia, aircraft, premises and ground equipment. At the end of fiscal year 2018, the nominal value of the Group's leases outstanding was around SEK 27.4 billion. See Note 33 in the SAS annual report. SAS will apply the standard for the fiscal year starting 1 November 2019.

### LONG TERM INCENTIVE PLAN

At 13 March 2019 the Annual General Meeting in SAS resolved in line with the Board's proposal to implement a long-term incentive plan for all full-time and part-time SAS employees (with the exception of Group Management). In terms of hedging arrangements, the AGM approved the Board's hedge proposal of entering into an equity swap agreement with a third party. The incentive plan has no financial effect in this quarter.

**NOTE 2 REVENUE**

SAS recognize passenger and charter revenue when the transportation has been performed, mail and freight 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.

	Q3	Q3	Q1-Q3	Q1-Q3	Rolling 12 months	Rolling 12 months
	May-Jul 2018-2019	May-Jul 2017-2018	Nov-Jul 2018-2019	Nov-Jul 2017-2018	Aug-Jul 2018-2019	Aug-Jul 2017-2018
Passenger revenue	10,337	10,094	25,179	24,444	34,812	33,306
Charter	854	839	1,357	1,248	2,066	1,929
Freight and mail	341	397	1,144	1,214	1,562	1,585
Other traffic revenue	815	739	2,123	1,911	2,913	2,555
<b>Total traffic revenue</b>	<b>12,347</b>	<b>12,069</b>	<b>29,803</b>	<b>28,817</b>	<b>41,353</b>	<b>39,375</b>
Other operating revenue	1,205	1,077	3,470	3,223	4,598	4,309
<b>Total revenue</b>	<b>13,552</b>	<b>13,146</b>	<b>33,273</b>	<b>32,040</b>	<b>45,951</b>	<b>43,684</b>

**TRAFFIC REVENUE PER GEOGRAFICAL AREA**

	Domestic		Intra-Scandinavian		Europe		Intercontinental		Total	
	Nov-July 2018-2019	Share <sup>1</sup>	Nov-July 2018-2019	Share <sup>2</sup>						
Passenger revenue	5,795	23%	2,496	10%	10,316	41%	6,572	26%	25,179	84%
Freight and mail revenue	5	0%	5	0%	56	5%	1,078	94%	1,144	4%
Charter revenue	0	0%	0	0%	1,357	100%	0	0%	1,357	5%
Other traffic revenue	489	23%	210	10%	870	41%	554	26%	2,123	7%
<b>Total traffic revenue</b>	<b>6,289</b>	<b>21%</b>	<b>2,711</b>	<b>9%</b>	<b>12,599</b>	<b>42%</b>	<b>8,204</b>	<b>28%</b>	<b>29,803</b>	<b>100%</b>

1) Share of revenue category.

2) Share of total traffic revenue.

**OTHER OPERATING REVENUE BY REGION**

	Denmark		Norway		Sweden		Europe		Other countries		Total	
	Nov-July 2018-2019	Share										
<b>Other operating revenue</b>	<b>523</b>	<b>15%</b>	<b>939</b>	<b>27%</b>	<b>567</b>	<b>16%</b>	<b>889</b>	<b>26%</b>	<b>552</b>	<b>16%</b>	<b>3,470</b>	<b>100%</b>

**NOTE 3 OTHER OPERATING EXPENSES**

	Q3	Q3	Q1-Q3	Q1-Q3	Rolling 12 months	Rolling 12 months
	May-Jul 2018-2019	May-Jul 2017-2018	Nov-Jul 2018-2019	Nov-Jul 2017-2018	Aug-Jul 2018-2019	Aug-Jul 2017-2018
Sales and distribution costs	-668	-667	-1,998	-1,855	-2,726	-2,510
Jet fuel	-2,750	-2,324	-6,892	-5,539	-9,347	-7,327
Government user fees	-1,138	-1,149	-3,015	-3,042	-4,132	-4,145
Catering costs	-348	-362	-903	-914	-1,252	-1,193
Handling costs	-714	-685	-2,080	-1,958	-2,785	-2,621
Technical aircraft maintenance	-744	-726	-2,105	-2,054	-2,948	-3,123
Computer and telecommunication costs	-405	-408	-1,180	-1,107	-1,627	-1,509
Wet-lease costs	-389	-343	-1,087	-943	-1,427	-1,261
Other	-894	-767	-2,770	-2,725	-3,987	-3,895
<b>Total</b>	<b>-8,050</b>	<b>-7,431</b>	<b>-22,030</b>	<b>-20,137</b>	<b>-30,231</b>	<b>-27,584</b>

## NOTE 4 QUARTERLY BREAKDOWN

## CONSOLIDATED STATEMENT OF INCOME

MSEK	2016-17			2017-18			2018-19				
	Q3	Q4	Full-year	Q1	Q2	Q3	Q4	Full-year	Q1	Q2	Q3
	May-Jul	Aug-Oct	Nov-Oct	Nov-Jan	Feb-Apr	May-Jul	Aug-Oct	Nov-Oct	Nov-Jan	Feb-Apr	May-Jul
Revenue	12,210	11,644	42,654	8,978	9,916	13,146	12,678	44,718	9,534	10,187	13,552
Payroll expenses	-2,293	-2,189	-9,205	-2,268	-2,355	-2,385	-2,433	-9,441	-2,401	-2,420	-2,504
Other operating expenses	-6,778	-7,418	-27,489	-5,871	-6,835	-7,431	-8,201	-28,338	-6,387	-7,593	-8,050
Leasing costs for aircraft	-808	-774	-3,116	-760	-765	-814	-817	-3,156	-787	-846	-985
Depreciation, amortization and impairment	-343	-577	-1,635	-353	-374	-404	-632	-1,763	-419	-455	-548
Share of income in affiliated companies	-4	16	4	-9	-8	29	23	35	-9	-3	1
Income from the sale of shares in subsidiaries and affiliated companies	0	0	-21	-4	0	0	0	-4	0	0	0
Income from the sale of aircraft, buildings and slot pairs	110	78	995	104	47	26	302	479	8	0	104
<b>Operating income (EBIT)</b>	<b>2,094</b>	<b>780</b>	<b>2,187</b>	<b>-183</b>	<b>-374</b>	<b>2,167</b>	<b>920</b>	<b>2,530</b>	<b>-461</b>	<b>-1,130</b>	<b>1,570</b>
Income from other securities holdings	0	0	1	0	0	0	0	0	0	0	0
Financial income	29	35	148	34	30	34	31	129	44	44	43
Financial expenses	-150	-158	-611	-136	-144	-167	-162	-609	-159	-130	-123
<b>Income before tax (EBT)</b>	<b>1,973</b>	<b>657</b>	<b>1,725</b>	<b>-285</b>	<b>-488</b>	<b>2,034</b>	<b>789</b>	<b>2,050</b>	<b>-576</b>	<b>-1,216</b>	<b>1,490</b>
Tax	-438	-167	-576	36	139	-464	-166	-455	107	283	-328
<b>Net income for the period</b>	<b>1,535</b>	<b>490</b>	<b>1,149</b>	<b>-249</b>	<b>-349</b>	<b>1,570</b>	<b>623</b>	<b>1,595</b>	<b>-469</b>	<b>-933</b>	<b>1,162</b>
<i>Attributable to:</i>											
Parent Company shareholders	1,535	490	1,149	-249	-349	1,570	623	1,595	-469	-933	1,162
Non-controlling interests	0	0	0	0	0	0	0	0	0	0	0

## EARNINGS-RELATED KEY RATIOS AND AVERAGE NUMBER OF EMPLOYEES

MSEK	Q1	Q1	Q2	Q2	Q3	Q3	Q4	Q4	Rolling 12 months	Rolling 12 months
	Nov-Jan 2018-19	Nov-Jan 2017-18	Feb-Apr 2019	Feb-Apr 2018	May-Jul 2019	May-Jul 2018	Aug-Oct 2018	Aug-Oct 2017	Aug-Jul 2018-2019	Aug-Jul 2017-2018
	Revenue	9,534	8,978	10,187	9,916	13,552	13,146	12,678	11,644	45,951
EBITDAR	746	839	174	726	2,998	3,330	2,044	2,037	5,962	6,903
EBITDAR margin	7.8%	9.3%	1.7%	7.3%	22.1%	25.3%	16.1%	17.5%	13.0%	15.8%
Operating income (EBIT)	-461	-183	-1,130	-374	1,570	2,167	920	780	899	2,361
Operating income (EBIT) margin	-4.8%	-2.0%	-11.1%	-3.8%	11.6%	16.5%	7.3%	6.7%	2.0%	5.4%
Income before tax (EBT)	-576	-285	-1,216	-488	1,490	2,034	789	657	487	1,889
Net income for the period	-469	-249	-933	-349	1,162	1,570	623	490	383	1,439
Income before tax and items affecting comparability	-724	-385	-1,211	-309	1,495	2,008	822	1,054	382	2,339
Earnings per common share (SEK)	-1.25	-0.88	-2.44	-1.00	3.04	4.03	1.56	1.22	0.91	3.26
Cash flow before financing activities	-2,566	-213	1,473	1,238	140	197	658	473	-295	1,695
Average number of employees (FTE)	10,292	9,929	10,260	9,990	10,639	10,332	10,334	10,199	10,381	10,112

**NOTE 5 FINANCIAL ASSETS AND LIABILITIES****FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES**

MSEK	31 July 2019		31 Oct 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Hedge derivatives at fair value	261	261	Financial assets at fair value	636
Financial assets at FVTPL	29	29	Financial assets held for trading	3,641
Financial assets at amortized cost	11,335	11,335	Other assets	10,057
<b>Total</b>	<b>11,625</b>	<b>11,625</b>	<b>14,334</b>	<b>14,326</b>
<b>Financial liabilities</b>				
Hedge derivatives at fair value	780	780	Financial liabilities at fair value	141
Financial liabilities at FVTPL	18	18	Financial liabilities held for trading	29
Financial liabilities at amortized cost	11,538	10,921	Financial liabilities at amortized cost	11,675
<b>Total</b>	<b>12,336</b>	<b>11,719</b>	<b>11,845</b>	<b>11,147</b>

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**

MSEK	31 July 2019			31 Oct 2018		
	Level 1	Level 2	Total	Level 1	Level 2	Total
<b>Financial assets</b>						
Hedge derivatives at fair value	-	261	261	Financial assets at fair value	-	636
Financial assets at FVTPL	-	29	29	Financial assets held for trading	287	3,354
<b>Total</b>	<b>-</b>	<b>290</b>	<b>290</b>	<b>287</b>	<b>3,990</b>	<b>4,277</b>
<b>Financial liabilities</b>						
Hedge derivatives at fair value	-	780	780	Financial liabilities at fair value	-	141
Financial liabilities at FVTPL	-	18	18	Financial liabilities held for trading	-	29
<b>Total</b>	<b>-</b>	<b>798</b>	<b>798</b>	<b>-</b>	<b>170</b>	<b>170</b>

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, 27 August 2019

Carsten Dilling  
Chairman of the Board

Dag Mejdell  
Vice Chairman

Monica Caneman  
Board member

Lars-Johan Jarnheimer  
Board member

Oscar Stege Unger  
Board member

Liv Fiksdahl  
Board member

Sanna Suvanto-Harsaae  
Board member

Kay Kratky  
Board member

Endre Røros  
Board member

Cecilia van der Meulen  
Board member

Crista Cere  
Board member

Rickard Gustafson  
President and CEO

*This interim report is unaudited*

# TRAFFIC DATA INFORMATION

## SCHEDULED PASSENGER TRAFFIC

	May-Jul 2019	May-Jul 2018	Year-on-year change	Nov-Jul 2018-2019	Nov-Jul 2017-2018	Year-on-year change
Number of passengers (000)	7,749	7,995	-3.1%	20,369	20,898	-2.5%
RPK, Revenue Passenger Kilometers (mill)	10,495	10,822	-3.0%	25,611	26,425	-3.1%
ASK, Available Seat Kilometers (mill)	13,279	13,418	-1.0%	35,172	35,967	-2.2%
Load factor	79.0%	80.7%	-1.6 <sup>1</sup>	72.8%	73.5%	-0.7 <sup>1</sup>
Passenger yield, currency-adjusted	0.98	0.95	+3.9%	0.98	0.95	+3.2%
Passenger yield, nominal	0.98	0.93	+5.6%	0.98	0.93	+6.3%
Unit revenue, PASK, currency-adjusted	0.78	0.76	+1.8%	0.72	0.70	+2.3%
Unit revenue, PASK, nominal	0.78	0.75	+3.5%	0.72	0.68	+5.3%
RASK, currency adjusted	0.83	0.82	+2.0	0.79	0.77	+2.2%
RASK, nominal	0.83	0.80	+3.5%	0.79	0.75	+5.2%

1) Figures given in percentage points

## TOTAL TRAFFIC (SCHEDULED AND CHARTER TRAFFIC)

	May-Jul 2019	May-Jul 2018	Year-on-year change	Nov-Jul 2018-2019	Nov-Jul 2017-2018	Year-on-year change
Number of passengers (000)	8,301	8,573	-3.2%	21,222	21,737	-2.4%
RPK, Revenue Passenger Kilometers (mill)	11,917	12,311	-3.2%	27,965	28,687	-2.5%
ASK, Available Seat Kilometers (mill)	14,843	15,020	-1.2%	37,761	38,396	-1.7%
Load factor	80.3%	82.0%	-1.7 <sup>1</sup>	74.1%	74.7%	-0.7 <sup>1</sup>
Unit cost, CASK, currency-adjusted	0.73	0.70	+4.5%	0.80	0.75	+6.8%
Unit cost, CASK, nominal incl. items affecting comparability	0.73	0.66	+10.6%	0.79	0.71	+11.1%
Unit cost, CASK, excluding jet fuel, currency-adjusted	0.55	0.54	+2.1%	0.62	0.59	+4.2%
Unit cost, CASK, excluding jet fuel, nominal incl. items affecting comparability	0.55	0.51	+7.8%	0.61	0.57	+7.2%

1) Figures given in percentage points

## SCHEDULED TRAFFIC TREND FOR SAS BY ROUTE SECTOR

	May-Jul 2019 vs. May-Jul 2018		Nov-Jul 2018-2019 vs. Nov-Jul 2017-2018	
	Traffic (RPK)	Capacity (ASK)	Traffic (RPK)	Capacity (ASK)
Intercontinental	-5.4%	-4.0%	-3.7%	-4.3%
Europe/Intra-Scandinavia	-2.0%	0.5%	-3.5%	-1.7%
Domestic	-0.2%	0.5%	-0.4%	0.9%

## PRODUCTIVITY AND ENVIRONMENTAL EFFICIENCY

12-month rolling	July 2018-2019	July 2017-2018	Year-on-year change
Aircraft, block hours/day	9.3	9.6	-3.0%
Cabin crew, block hours/year	735	779	-5.6%
Pilots, block hours/year	651	690	-5.6%

Environmental efficiency	May-Jul 2019	May-Jul 2018	Year-on-year change	Nov-Jul 2018-2019	Nov-Jul 2017-2018	Year-on-year change
CO <sub>2</sub> emissions per passenger kilometer, grams						
All routes	88.4	87.4	+1.1%	96.3	95.9	+0.4%
Short routes (up to 800 km <sup>1</sup> )	130.3	128.7	+1.2%	141.2	140.0	+0.9%
Medium routes (800-3,000 km <sup>1</sup> )	80.3	81.0	-0.9%	86.9	88.3	-1.6%
Long routes (over 3,000 km <sup>1</sup> )	82.4	79.3	+3.9%	85.9	84.2	+2.0%

1) According to Great Circle Distance (GCD)

# AIRCRAFT FLEET

## THE SAS AIRCRAFT FLEET AT 31 JULY 2019

SAS Group Aircraft Fleet	Age	Owned	Leased	Wet Lease	Total	SAS Scandinavia	SAS Ireland	Wet Lease	In SAS Group Traffic	Firm Order Purchase	Firm Order Lease
Airbus A330/340/350	12.7	10	6		16	16			16	8	
Airbus A320 family	7.3	16	34		50	41	9		50	39	17
Boeing 737NG	15.2	27	34		61	61			61		
Bombardier CRJ	3.7			25	25			25	25		
ATR-72	4.3			9	9			9	9		
<b>Total</b>	<b>10.1</b>	<b>53</b>	<b>74</b>	<b>34</b>	<b>161</b>	<b>118</b>	<b>9</b>	<b>34</b>	<b>161</b>	<b>47</b>	<b>17</b>

Aircraft to be phased out	Age	Owned	Leased	Total
Bombardier Q400	11.6	1		1
<b>Total</b>				

Aircraft on firm order 2019-2024 at 31 July 2019	FY19	FY20	FY21	FY22	FY23	FY24
Airbus A320neo	2	14	2	15	18	2
A321neo LR		2	1			
Airbus A350		4	4			
<b>Total</b>	<b>2</b>	<b>20</b>	<b>7</b>	<b>15</b>	<b>18</b>	<b>2</b>

# DEFINITIONS

SAS uses various key figures, including alternative performance measures (APMs), for internal analysis purposes and for external communication of the operations' results, performance and financial position.

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

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

**Adjusted debt/equity ratio** — The net of financial net debt plus capitalized leasing costs ( $\times 7$ ) in relation to equity.

**Adjusted equity/assets ratio** — The net of equity in relation to total assets plus capitalized leasing costs ( $\times 7$ ).

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

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

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

**Capitalized leasing costs ( $\times 7$ )** — The net annual operating lease costs for aircraft multiplied by seven.

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

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

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

**EPS, Earnings per common share** — Net income for the period attributable to Parent Company shareholders less preference-share dividends in relation to the average number of common shares outstanding.

**EBIT** — Operating income.

**Operating income (EBIT) margin** — Operating income (EBIT) divided by revenue.

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

**EBITDA margin** — EBITDA divided by revenue.

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

**EBITDAR margin** — EBITDAR divided by revenue.

**EBT** — Income before tax.

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

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

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

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

**FTE** — Number of employees, full time equivalents.

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

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

**Items affecting comparability** — Items affecting comparability are identified to facilitate comparison of SAS' underlying results in different periods. These items consist of impairment, restructuring costs, capital gains/losses, and other items affecting comparability. They arise as a consequence of specific events, and are items that both management and external assessors take note of when analyzing SAS. By reporting earnings excluding items affecting comparability, the underlying results are shown, which facilitates comparability between different periods.

**PASK, Unit revenue** — Passenger revenue divided by ASK (scheduled).

**Preference share capital** — Preference share capital, corresponding to the redemption price for 2,101,552 preference shares at 105% of the subscription price of SEK 500, amounting to MSEK 1,103.

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

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

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

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

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

**Shareholders' equity per common share** — Shareholders' equity attributable to Parent Company shareholders less preference share capital in relation to the total number of common shares outstanding on the balance-sheet date.

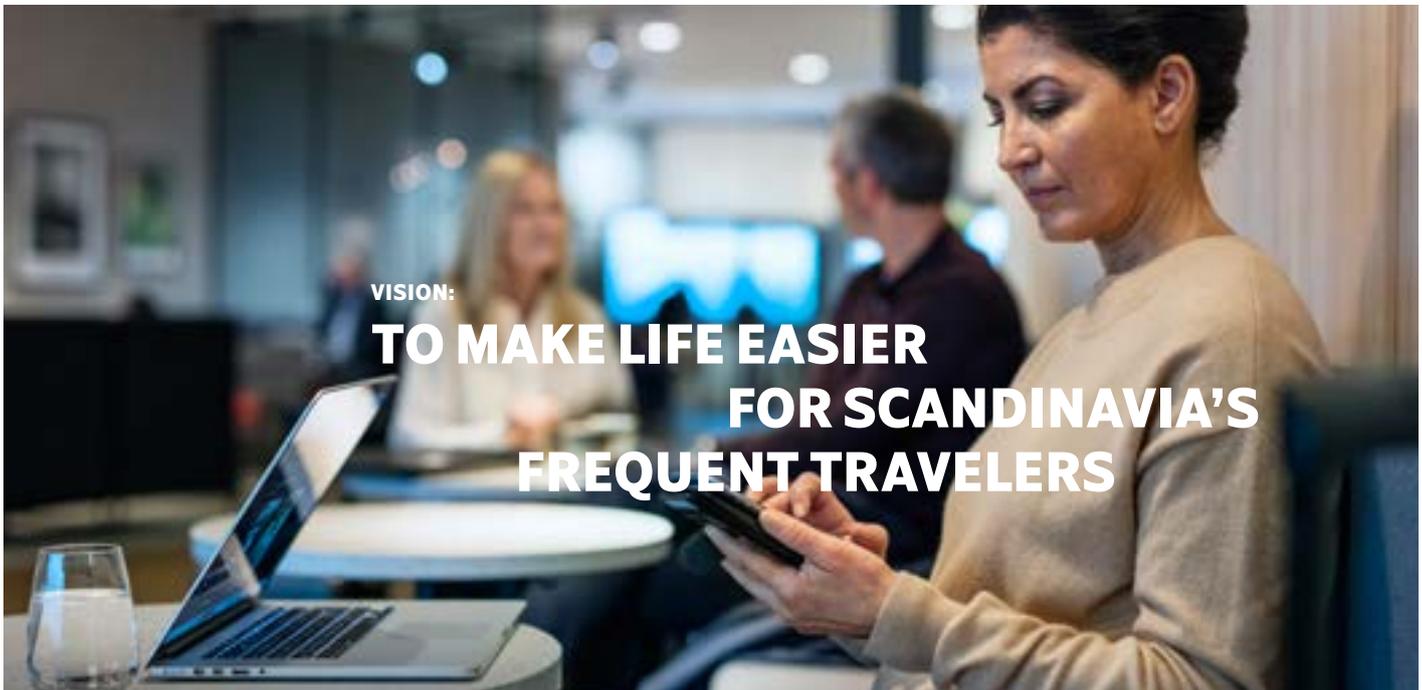
**Working capital** — The total of non-interest-bearing current assets and non-interest-bearing financial fixed assets excluding equity in affiliated companies and other securities holdings less non-interest-bearing liabilities.

**Yield** — Passenger revenue divided by RPK (scheduled).

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

member of Star Alliance™ and together with partner airlines offers almost 19,000 daily flights to more than 1,300 destinations around the world.

Learn more at <https://www.sasgroup.net>  
SAS AB is the Parent Company of SAS and is listed on the stock exchanges in Stockholm (primary listing), Copenhagen and Oslo. The majority of the operations and assets are included in the SAS Consortium, with the exception of SAS Cargo and SAS Ground Handling, which are directly owned by SAS AB.



VISION:

## TO MAKE LIFE EASIER FOR SCANDINAVIA'S FREQUENT TRAVELERS

### FINANCIAL TARGETS

#### RETURN ON INVESTED CAPITAL (ROIC)

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

#### ADJUSTED FINANCIAL NET DEBT/EBITDAR

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

#### FINANCIAL PREPAREDNESS

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

### ENVIRONMENTAL GOALS

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

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

#### OUR 2030 GOALS

- 25% lower CO<sub>2</sub> emissions compared with 2005 (absolute emissions)
- 17% biofuel used – equivalent to the total SAS domestic production

### STRATEGY

#### WIN SCANDINAVIA'S FREQUENT TRAVELERS

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

#### CREATE AN EFFICIENT AND SUSTAINABLE OPERATING MODEL

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

#### SECURE THE RIGHT CAPABILITIES

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

#### FINANCIAL CALENDAR

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

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

#### Contact

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