SAS

A STAR ALLIANCE MEMBER

Q3 2020
CONTINUED NEGATIVE IMPACT OF COVID-19

MAY 2020–JULY 2020
- Revenue: MSEK 2,507 (13,401)
- Income before tax (EBT): MSEK -2,071 (1,490)
- Income before tax and items affecting comparability: MSEK -784 (1,495)
- Net income for the period: MSEK -2,365 (1,162)
- Earnings per common share: SEK -6.18 (3.04)

SIGNIFICANT EVENTS DURING THE QUARTER
- SAS signs a SEK 3.3bn revolving credit facility agreement
- SAS presents a revised business plan including measures to tackle the effects of the COVID-19 pandemic and revised sustainability goals
- SAS presents a recapitalization plan to remedy the liquidity shortage and the negative equity caused by the COVID-19 outbreak

SIGNIFICANT EVENTS AFTER QUARTER END
- SAS presents a revised recapitalization plan supported by shareholders representing 35.6% of shares and the noteholders committee. The plan is also approved by the European Commission

NOVEMBER 2019–JULY 2020
- Revenue: MSEK 17,478 (32,677)
- Income before tax (EBT): MSEK -6,880 (-302)
- Income before tax and items affecting comparability: MSEK -5,576 (-440)
- Net income for the period: MSEK -6,696 (-240)
- Earnings per common share: SEK -17.66 (-0.65)

KEY FIGURES – THIRD QUARTER 2020

-81.3%
Total revenue vs last year

-85.6%
Total passengers vs last year

-66.7%
Total operating expenses before i.a.c vs last year

"SAS is determined to continue as Scandinavia's leading airline as the world recovers from the COVID-19 pandemic."

Rickard Gustafson, President and CEO

FINANCIAL SUMMARY

MSEK, unless noted otherwise	Q3 May–Jul 2020	Q3 May–Jul 2019	Q1–Q3 Nov–Jul 2019–2020	Q1–Q3 Nov–Jul 2018–2019
Revenue	2,507	13,401	17,478	32,677
Operating income (EBIT)	-2,729	1,570	-6,811	-21
Operating income (EBIT) margin	-108.9%	11.7%	-39.0%	-0.1%
Income before tax (EBT)	-2,071	1,490	-6,880	-302
Income before tax and items affecting comparability	-784	1,495	-5,576	-440
Net income for the period	-2,365	1,162	-6,696	-240
Cash flow from operating activities	-961	457	-2,163	2,119

	31 Jul 2020	31 Oct 2019	31 Jul 2019
Return on invested capital[1]	-14%	8%	7%
Adjusted financial net debt/ EBITDAR[1]	50.8x	3.7x	3.8x
Financial preparedness[1]	38%	39%	34%
Equity/assets ratio[2]	-3%	16%	10%
Earnings per common share (SEK)[2]	-17.66	1.54	-0.65
Shareholders' equity per common share, SEK[2]	-7.50	10.12	8.03

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. 9 months to 31 July 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 25 August 2020 at 8:00 a.m. CEST.

CONTINUED NEGATIVE IMPACT OF COVID-19

We are encouraged to see that demand is slowly returning as we continue to ramp-up our operations. So far, the demand for air travel has developed in line with our expectations, with domestic traffic leading the way. Simultaneously we are making good progress in adapting our cost structure to a market defined by lower demand. Although there are significant challenges ahead, I am confident that SAS will return as a sustainable and profitable airline following a successful implementation of the recapitalization plan. Aviation fulfils a vital part of Scandinavia's infrastructure, and is important to enable connectivity to the rest of the world as demand returns.

FINANCIAL SUMMARY

The coronavirus and travelling restrictions has led to a collapse in the demand for air travel. Consequently, the number of passengers traveling with SAS dropped 86% and total revenue decreased 81% in the quarter. Domestic travel has rebounded more quickly than other parts of our business and accounts for most of our quarterly revenue.

Despite our immediate measures to reduce costs to adapt to a new reality, the cost reduction of 67% did not offset the sharp decline in revenue. As a result, earnings before tax came in at SEK -2.1 billion, some SEK 3.6 billion below last year. The result was positively impacted by SEK 840 million from a strengthening of the Swedish krona, primarily against the US dollar. However, in line with other airlines, the negative development in aircraft valuations necessitated a SEK 1,040 million write down of some aircraft assets.

Our focus on preserving cash is evident through a monthly operating cash burn of SEK 320 million. This is of course significantly worse than last year but below the range we presented in the second quarter, and we will continue to monitor cash burn as we slowly continue to ramp-up operations. At the end of the third quarter our cash position was SEK 6.2 billion, which includes the SEK 3.3 billion drawn under the credit facility guaranteed by the Danish and Swedish states.

CUSTOMER DEMAND SLOWLY INCREASING

Demand continues to return slowly and in line with the estimated ramp-up plan we presented in the second quarter. In the quarter, demand was centered around domestic travel and attractive European summer destinations. In July, SAS operated 8,700 departures representing some 25% of prior year available seat kilometers. This is an increase of some 20 percentage points compared to the first month of this quarter. During the fourth quarter, we will continue to ramp-up production and we expect to reach 30% -40% of prior year available seat kilometers by the end of Q4.

Despite the slow but ongoing recovery as noted in our traffic figures, demand going forward remains uncertain and is heavily dependent on the easing of travel restrictions as well as passenger confidence and willingness to travel. Furthermore, it is difficult to

Rickard Gustafson, President and CEO.

predict how demand will evolve during the coming fall and winter due to changed customer behavior with bookings being made closer to the date of travel. Our current expectation is that the ramp-up phase for the airline industry may last until 2022 before demand can reach more normalized levels, with a return to pre COVID-19 levels a few years thereafter.

PROGRESS ON REVISED BUSINESS PLAN
SAS continues to make progress with its revised business plan, which is based on four building blocks: To be the preferred airline for Scandinavia's frequent travelers; to transition to a hyper modern single-type fleet; to establish a fully competitive operating model, and; to achieve global leadership in sustainable aviation. During the quarter several milestones were reached.

Almost 4,000 redundancies (of approximately 5,000 in total) have now been concluded and local employment agreements are being renegotiated. In July, we signed an agreement to outsource ground handling operations in both Gothenburg and Malmö, concentrating our operations to the three main hubs in Copenhagen, Oslo and Stockholm. Even though the initiatives regarding our work force are difficult and unfortunate, these measures are unavoidable and necessary to safeguard SAS for the future.

Through constructive dialogue with Airbus, we have managed to defer 8 A320neo and 2 A350-900 aircraft deliveries. These deferrals are important as they reduce our capital expenditures for 2021–2024 and better align deliveries of new aircraft with the expected return in demand. We are still committed to achieving a single-type fleet operation by 2023, based on new Airbus aircraft that will provide lower fuel consumption and reduced maintenance costs compared with our current fleet composition. Furthermore, we have made progress on our ambitious sustainability goals by accelerating the phase out of older and less fuel-efficient aircraft. We have also renegotiated agreements with several suppliers, including wet-lease providers. The new agreements will lead to lower costs and increased flexibility, through a higher share of variable costs going forward.

We have introduced new procedures to ensure that our customers experience the safest travel experience possible and continue to provide an attractive timetable for travelers to, from and within Scandinavia. At the same time, we regret that many customers are still waiting for refunds from canceled flights. I would like to emphasize that our customers that are entitled to refunds will be refunded, and we have increased our capacity to handle the large number of cancellations in these unprecedented circumstances.

PROGRESS ON RECAPITALIZATION PLAN
Despite our own efforts, the COVID-19 pandemic has resulted in a need to remedy the liquidity situation and the negative equity caused by the outbreak. During the quarter SAS reached an agreement in principle with the noteholders committee representing a large proportion of the holders of SAS bonds and hybrid notes. Furthermore, the governments of Denmark and Sweden have now approved the revised recapitalization plan, which has also been approved by the European Commission under applicable State aid rules framework.

The next steps of the plan are to obtain a vote in favor of the offer from the bond and hybrid holders at the noteholders meeting on September 2, and a vote in favor of the recapitalization plan at the extraordinary shareholders' meeting scheduled for September 22. The entire revised Recapitalization plan is expected to be completed early November.

SAS plays a vital role in connecting the Scandinavian countries to the rest of the world, as well as being an important infrastructure provider within the region. By focusing on rebuilding our domestic and intra-Scandinavian presence, we have been able to increase capacity ahead of competition. I am grateful that our major shareholders have decided to support SAS and trust that others will do the same in these unprecedented times. SAS is determined to continue as Scandinavia's leading airline as the world recovers from the COVID-19 pandemic.

On behalf of all of us at SAS, I'm looking forward to once again welcoming you onboard on one of our flights soon!

Rickard Gustafson,
President and CEO
Stockholm, 25 August 2020

COMMENTS ON SAS' INTERIM FINANCIAL STATEMENTS

INCOME STATEMENT, SUMMARY, Q1–Q3 2020

MSEK Income statement	Nov-Jul 19-20	Nov-Jul 18-19	Change vs LY	Currency effects	Change vs LY (Curr. adj)
Revenue	17,478	32,677	-15,199	-287	-14,912
Total operating expenses	-24,289	-32,698	8,409	242	8,167
EBIT	-6,811	-21	-6,790	-45	-6,745
EBT	-6,880	-302	-6,578	845	-7,423

ESTIMATED COVID-19 EFFECTS, Q1–Q3 2020

MSEK	
Revenue	-16,222
Personnel expenses	1,495
Fuel expenses - volume	3,315
Fuel expenses - discontinued hedges	-1,240
Air traffic charges	1,426
Other external expenses	4,411
Depreciation	189
EBIT	**-6,626**

Revenue

Revenue totaled MSEK 17,478 (32,677), see Note 2. After adjustment for currency effects, revenue was down MSEK 14,912 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 51.4%. 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 11,915. The lower load factor had a negative effect of MSEK 1,411. The higher yield had a positive impact of MSEK 504 on passenger revenue.

Currency-adjusted cargo revenue decreased MSEK 448 and currency-adjusted charter revenue was MSEK 833 lower. Other traffic revenue (currency- -adjusted) was MSEK 660 lower. The decrease in revenue for the first 9 months mainly related to lower volumes during the second and third quarter following the spread of the COVID-19 pandemic.

Other operating revenue (currency-adjusted) was MSEK 149 lower year-on-year, mainly as a consequence of the spread of the COVID-19 pandemic.

Operating expenses

Personnel expenses amounted to MSEK -6,234 (-7,325). After adjustment for currency and items affecting comparability, personnel expenses decreased MSEK 1,246 year-on-year. The decrease mainly related to COVID-19 effects of MSEK 1,495, which included MSEK 675 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 234.

Fuel expenses amounted to MSEK -4,855 (-6,892). Adjusted for currency, jet fuel costs decreased 31.7%. Volume effects had a positive impact on costs of MSEK 3,161. Lower jet fuel prices had a positive impact of MSEK 464. Hedge effects had a negative impact of MSEK 1,319 year-on-year, of which MSEK 1,240 related to hedge relationships that have been discontinued in the second quarter as they have ceased to meet the qualification criteria. The effect on accruals was MSEK -48.

Air traffic charges amounted to MSEK -1,602 (-3,015). Adjusted for currency, air traffic charges decreased 46.8%. The decrease pertained mainly to lower traffic volumes and reduced traffic charges during the second and third quarter following the COVID-19 pandemic.

Other external expenses amounted to MSEK -6,376 (-14,145), 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 7,387. 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 year-on-year changes 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 881 and MSEK 829 respectively, mainly relating to the spread of the COVID-19 pandemic. Technical maintenance costs (currency-adjusted) decreased MSEK 753, relating to the COVID-19 pandemic and the introduction and delivery of new aircraft. Wet-lease expenses decreased MSEK 357 (currency-adjusted) primarily due to lower production as a result of COVID-19.

Depreciation, amortization and impairment amounted to MSEK -5,225 (-1,422), an increase of MSEK 3,803 year-on-year. The increase mainly related to impairment of aircraft of MSEK 1,040 and the adoption of IFRS 16, where depreciation of right-of-use assets had a negative impact of MSEK 2,710, see notes 1 and 4.

Financial net
Financial income and expenses amounted to net MSEK -69 (-281), representing a decrease in net expenses of MSEK 212 year-on-year. The decrease pertained mainly to the adoption of IFRS 16, where currency revaluations on the lease liability had a positive impact of MSEK 890. Interest expenses on the lease liability had a negative impact of MSEK 525, see note 5.

Impact from IFRS 16
The adoption of IFRS 16 had a positive impact of MSEK 574 on Income before tax (EBT) in the first nine 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 2,919, 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 2,710 and the financial net was positively impacted by an amount of MSEK 365, relating to positive currency revaluations of MSEK 890 and interest expenses of MSEK 525. For more information on the impact of IFRS 16, see Note 1.

Net income for the period
Operating income amounted to MSEK -6,811 (-21) and EBT amounted to MSEK -6,880 (-302). The year-on-year decrease in EBT pertained mainly to the impact from the spread of the COVID-19 pandemic.

Net income for the period was MSEK -6,696 (-240) and the tax income was MSEK 184 (62). No deferred tax income has been accounted for related to tax loss carryforwards incurred in the second or third quarter. Year-on-year, foreign exchange rates had a negative impact on revenue of MSEK 287 and a positive effect on operating expenses of MSEK 242. Foreign exchange rates thus had a negative impact on operating income of MSEK 45. Net financial items were positively impacted by currency items amounting to MSEK 890. In total, currency effects had a net positive impact of MSEK 845 on EBT.

Items affecting comparability
Total items affecting comparability amounted to MSEK -1,304 (138) during the period. Of total items affecting comparability MSEK -1,040 (-93) relates to impairment of certain aircraft, A330/A340/A319 and 737NG. MSEK -263 (-29) relates to restructuring costs for personnel and MSEK -1 (112) relates to a capital loss/gain from aircraft transactions. The other items in the first nine months last year related to a contractual settlement and a release of a fiscal-related provision for indirect taxes in China.

INCOME STATEMENT, SUMMARY – Q3 2020

MSEK Income statement	May-Jul 19-20	May-Jul 18-19	Change vs LY	Currency effects	Change vs LY (Curr. adj)
Revenue	2,507	13,401	-10,894	-446	-10,448
Total operating expenses	-5,236	-11,831	6,595	269	6,326
EBIT	-2,729	1,570	-4,299	-177	-4,122
EBT	-2,071	1,490	-3,561	840	-4,401

ESTIMATED COVID-19 EFFECTS, Q3 2020

MSEK	
Revenue	-10,712
Personnel expenses	978
Fuel expenses-volume	2,239
Fuel expenses - discontinued hedges	0
Air traffic charges	919
Other external expenses	2,943
Depreciation	128
EBIT	**-3,505**

Revenue
Revenue totaled MSEK 2,507 (13,401), see Note 2. After adjustment for currency effects, revenue was down MSEK 10,448 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 86.5%. 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 8,328. The lower load factor had a negative effect of MSEK 726. The higher yield had a positive impact of MSEK 418 on passenger revenue.

Currency-adjusted cargo revenue decreased MSEK 149 and currency-adjusted charter revenue was MSEK 780 lower. Other traffic revenue (currency-adjusted) was MSEK 568 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 315 lower year-on-year, mainly as a consequence of the spread of the COVID-19 pandemic.

Operating expenses
Personnel expenses amounted to MSEK -1,664 (-2,504). After adjustment for currency and items affecting comparability, personnel expenses decreased MSEK 984 year-on-year. The decrease mainly related to COVID-19 effects of MSEK 978, which included MSEK 432 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 49.

Fuel expenses amounted to MSEK -331 (-2,750). Adjusted for currency, jet fuel costs decreased 88.0%. Volume effects had a positive impact on costs of MSEK 2,180. Lower jet fuel prices had a positive impact of MSEK 131. Hedge effects had a positive impact of MSEK 154 year-on-year and the effect on accruals was MSEK -36.

Air traffic charges amounted to MSEK -162 (-1,138). Adjusted for currency, air traffic charges decreased 85.3%. The decrease pertained mainly to lower traffic volumes following the COVID-19 pandemic.

Other external expenses amounted to MSEK -631 (-4,996), 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 4,205. 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 565 and MSEK 561 respectively, mainly related to the spread of the COVID-19 pandemic. Technical maintenance costs decreased MSEK 475 mainly related to the spread of the COVID-19 pandemic and the introduction and delivery of new aircraft. Wet-lease expenses decreased MSEK 310 (currency-adjusted) primarily due to lower production as a result of COVID-19.

Depreciation, amortization and impairment amounted to MSEK -2,448 (-548), an increase of MSEK 1,900 year-on-year. The increase mainly related to impairment of aircraft of MSEK 1,040 and the adoption of IFRS 16, where depreciation of right-of-use assets had a negative impact of MSEK 928, see notes 1 and 4.

Financial net

Financial income and expenses amounted to net MSEK 658 (-80), representing a decrease in net expenses of MSEK 738 year-on-year. The decrease pertained mainly to the adoption of IFRS 16, where currency revaluations on the lease liability had a positive effect of MSEK 1,004. Interest expenses on the lease liability had a negative impact of MSEK 178, see Note 5.

Impact from IFRS 16

The adoption of IFRS 16 had a positive impact of MSEK 884 on Income before tax (EBT) in the third 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 986, 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 928 and the financial net was positively impacted by an amount of MSEK 826, relating to positive currency revaluations of MSEK 1,004 and interest expenses of MSEK 178. For more information on the impact of IFRS 16, see Note 1.

Net income for the period

Operating income amounted to MSEK -2,729 (1,570) and EBT amounted to MSEK -2,071 (1,490). The year-on-year decrease in EBT pertained mainly to the impact from the spread of the COVID-19 pandemic.

Net income for the period was MSEK -2,365 (1,162) and the tax expense was MSEK -294 (-328). No deferred tax income has been accounted for related to tax loss carryforwards incurred in the third quarter.

Year-on-year, foreign exchange rates had a negative impact on revenue of MSEK 446 and a positive effect on operating expenses of MSEK 269. Foreign exchange rates thus had a negative impact on operating income of MSEK 177. Net financial items were positively impacted by currency items amounting to MSEK 1,017. In total, currency effects had a net positive impact of MSEK 840 on EBT.

Items affecting comparability

Total items affecting comparability amounted to MSEK -1,287 (-5) during the period. Of total items affecting comparability MSEK -1,040 (-93) related to impairment of certain Aircraft, A330/A340/A319 and 737NG. MSEK -246 (-16) relates to restructuring costs for personnel and MSEK -1 (104) to a capital gain/loss from aircraft transactions.

BALANCE SHEET & FINANCIAL POSITION

Assets

Intangible and tangible assets increased MSEK 3,040 since October 31. Changes for the period included investments of MSEK 7,310, amortization, depreciation and impairment of MSEK -2,515 and other effects of MSEK -1,755. The amount for investments included three new Airbus A320neos and four 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 1,159 during the period. The transition impact on 1 November 2019 was MSEK 16,718. The increase of MSEK 1,159 did not include the transition impact. Investments amounted to MSEK 3,173, mainly related to new aircraft lease agreements. Changes in indexation and modification in underlying agreements increased the asset by MSEK 722, and depreciation was MSEK -2,710. Currency impacted with MSEK -26. For more information, see Note 1.

Financial assets increased MSEK 1,180, mainly due to an increase in restricted accounts and a net increase in SAS' defined-benefit pension plans.

Deferred tax assets increased MSEK 8. No deferred tax asset has been accounted for related to tax loss carry-forwards incurred in the second or third quarter.

Current receivables decreased MSEK 1,339. This decrease was mainly attributable to lower accounts receivable.

Cash and cash equivalents were MSEK 6,244 (7,348) at 31 July 2020. Unutilized contracted credit facilities amounted to MSEK 2,700 (2,877). Financial preparedness amounted to 38% (34) of SAS' fixed costs.

Shareholders' equity and liabilities

Shareholders' equity decreased MSEK 6,743 to MSEK -1,371. The decrease pertained mainly to net income of MSEK -6,696, changes in cash-flow hedges of MSEK -253 and the positive actuarial effect on defined-benefit pension plans of MSEK 438.

Non-current liabilities increased MSEK 17,764 and *current liabilities* increased MSEK 7,400 including the impact of IFRS 16. The total increase in liabilities excluding the effect of IFRS 16 was MSEK 8,484 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 31 July 2020, interest-bearing liabilities amounted to MSEK 37,773, up MSEK 26,490 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 11,181 and MSEK 918 respectively. New loans and amortization of lease liabilities were MSEK 3,896 and MSEK 2,226 respectively. The change in gross debt since 31 October 2019 included a negative change in the fair value of derivatives, which increased liabilities MSEK 786. Currency revaluations decreased liabilities MSEK 2,987, and accrued interest and other items increased liabilities MSEK 255.

Financial net debt

At 31 July 2020, the financial net debt amounted to MSEK 28,917, an increase of MSEK 28,589 since 31 October 2019. Excluding the MSEK 16,503 transition effect of IFRS 16, the increase was MSEK 12,086. The increase was primarily due to a negative cash flow before financing activities, new lease liabilities of MSEK 3,896, negative value of financial derivatives offset by a positive currency revaluation.

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. See Note 1 for more information.

At 31 July 2020, the return on invested capital (ROIC) was -14%, down 22 percentage points since 31 October 2019. The decrease was mainly due to a lower adjusted EBIT.

Financial preparedness was 38% at the end of this quarter, which is in line with the financial preparedness on 31 October 2019. The reason for being on the same level is that the lower cash position has been compensated by lower fixed costs.

The adjusted financial net debt/EBITDAR ratio changed to a multiple of 50.8. At 31 October 2019, the multiple was 3.7. The change is both related to increased adjusted financial net debt and lower EBITDAR.

At 31 July 2020, the equity/assets ratio was -3%, down from 16% at 31 October 2019. The decrease was attributable to the negative development in equity, primarily the net income of MSEK -6,696 and changes in cash-flow hedges of MSEK -253, combined with the adoption of IFRS 16 that has a significant impact on the balance sheet.

CASH-FLOW STATEMENT

Cash flow for the first nine months amounted to MSEK -2,516 (-2,409). Cash and cash equivalents amounted to MSEK 6,244, 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 -1,864 (605) in the first nine months 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 reported 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 nine months but were negative this year and amounted to MSEK -299 (1,514). A major reason for the negative change was the decline in the unearned transportation liability.

Investing activities
Investments totaled MSEK 7,310 (4,735), of which MSEK 7,176 (4,630) pertained to aircraft. These included delivery payments for three new Airbus A320neos and four Airbus A350s. Other aircraft investments comprised capitalized expenditure for aircraft maintenance, modifications and advance payments to Airbus.

One of the delivered Airbus A320neos was divested on the basis of a sale and leaseback agreement in Q3.

Financing activities
New loans amounted to MSEK 11,181 (1,821), while repayments totaled MSEK 918 (2,131). The new loans were related to aircraft financing. Amortization of lease liabilities (IFRS 16) were MSEK 2,226. 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 collateral.

PARENT COMPANY
The Parent Company SAS AB has limited intra-Group services. Revenue totaled MSEK 34 (41) and operating expenses MSEK -45 (-53). Net financial items amounted to MSEK -792 (-42) and the net income for the period was MSEK -809 (-43). Net financial items comprised a write down of shares in subsidiaries of MSEK 776.

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. SAS has not entered into any hedge agreement, and the incentive plan has no financial effect.

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.

As part of the revised business plan SAS has reviewed its three financial targets. The targets are set to deliver on SAS overall long-term goal to create value for its shareholders and to deliver sustainable and profitable growth through the cycle. SAS remains committed to the targets which will be adjusted to reflect IFRS 16. The revised financial targets will be implemented from the end of the current fiscal year:

- Post-tax Return on invested capital (ROIC) to exceed the post-tax Weighted Average Cost of Capital (WACC)
- Financial net debt/EBITDA to be a multiple of less than three and a half (3.5x)
- Financial preparedness to exceed 25% of SAS' 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, with a focus on reducing emissions and more efficient use of resources.

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

Our 2025 goals (updated from 2030)

- 25% lower net CO_2 emissions compared with 2005 equivalent to all CO_2 emissions on SAS' flights within Scandinavia in 2019
- Increased usage of sustainable aviation fuels by up to 10%

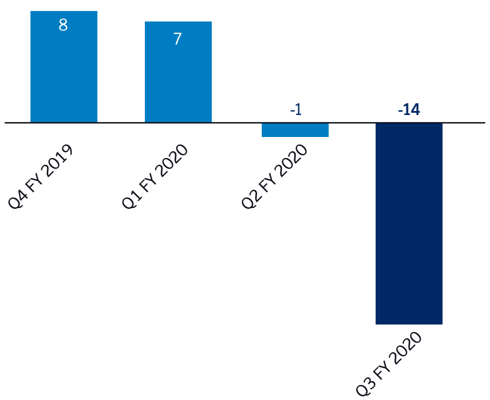
EVENTS DURING THE QUARTER

- SAS signs a SEK 3.3bn revolving credit facility agreement
- SAS presents a revised business plan including measures to tackle the effects of the COVID-19 pandemic and revised sustainability goals
- SAS presents a recapitalization plan to remedy the liquidity shortage and the negative equity caused by the COVID-19 outbreak
- Magnus Örnberg appointed as new Executive Vice President and Chief Financial Officer, starting the position on 1 September

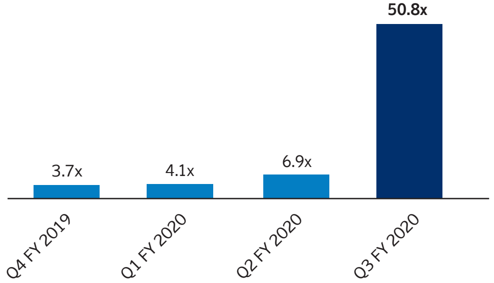
EVENTS AFTER 31 JULY 2020

- SAS presents a revised recapitalization plan supported by shareholders representing 35.6% of shares and the noteholders committee. The plan is also approved by the European Commission

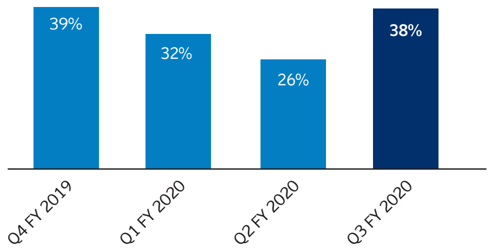
RETURN ON INVESTED CAPITAL (ROIC), 12-MONTH ROLLING, %
SAS has a target for the return on invested capital (ROIC) to exceed 12% measured over a business cycle.



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.



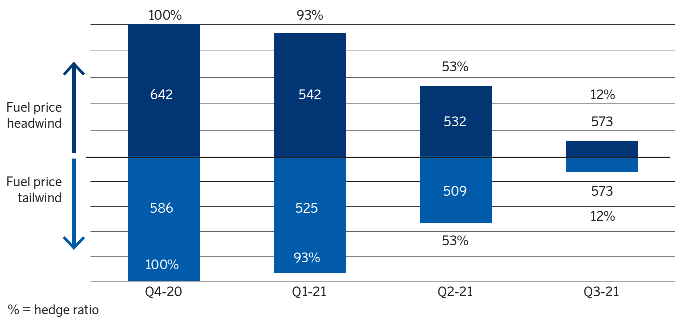
RISKS AND UNCERTAINTIES

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 parts 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.

HEDGING OF JET FUEL, USD/MT



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.

SENSITIVITY ANALYSIS, JET FUEL COST NOV 2019-OCT 2020, SEK BILLION[1]

	Exchange rate SEK/USD				
Market price	**8.0**	**8.5**	**9.0**	**9.5**	**10.0**
USD 400/tonne	5.5	5.6	5.6	5.7	5.7
USD 500/tonne	5.5	5.6	5.6	5.7	5.7
USD 600/tonne	5.6	5.6	5.6	5.7	5.7
USD 700/tonne	5.6	5.7	5.7	5.7	5.8

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.

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.

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 54% of the fuel consumption hedged at an average maximum price of USD 574/Mt. If the fuel price goes below USD 536/MT for the forthcoming 12 months, 54% of SAS' fuel consumption would be hedged at an average price of USD 545/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 43% of its anticipated USD cash flow deficit for the next 12 months. SAS has hedged the USD deficit using forward contracts and currency options.

In terms of NOK, which is SAS' largest surplus currency, 78% 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 22, excluding hedge effects.

A weakening of the USD against the SEK of 1% would generate a positive earnings impact of MSEK 73, excluding hedge effects, before any potential IFRS 16 effects.

With the introduction of IFRS 16, future leasing payments are recognized as an asset (Right- of-use) and a financial lease liability. Most of the right-of-use assets are denominated in SEK but the corresponding lease liabilities are denominated in foreign currencies, mainly USD. The currency exposure from recalculating USD liabilities into SEK is significant. Over the lease term the expenses following the adoption of IFRS 16 are equal to the expenses reported under IAS 17, but the impact from recalculating USD liabilities to SEK will create a higher volatility in the profit & loss. To mitigate the risk of having a volatile profit & loss, SAS applies hedge accounting.

Certain forecasted future USD revenue are hedged using the external USD denominated lease liabilities as hedging instrument. Changes in USD/SEK spot rate for the designated part of the USD denominated lease liability is recognized in other comprehensive income and reported as a separate component (cash flow hedge reserve) in equity. When the hedged expected cash flows impact profit or loss as revenue, the corresponding part of the cash flow hedge reserve is reclassified from OCI to profit or loss. In cases where hedge accounting is not possible, revaluation of USD denominated lease liabilities will impact financial net in the profit & loss.

Based on lease liabilities of approximately MUSD 1,600 and USD rate as of July 31, a weakening of the USD against the SEK of 1% would generate a positive earnings impact of approximately MSEK 75 in profit and loss and a positive effect in OCI of approximately MSEK 65.

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. In June 2020, the CJEU stayed the case until court ruling is delivered in a similar case against another airline. 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	Q3	Q3	Q1–Q3	Q1–Q3
		May–Jul 2020	May–Jul 2019	Nov–Jul 2019–2020	Nov–Jul 2018–2019
Revenue	2	2,507	13,401	17,478	32,677
Personnel expenses		-1,664	-2,504	-6,234	-7,325
Fuel expenses		-331	-2,750	-4,855	-6,892
Air traffic charges		-162	-1,138	-1,602	-3,015
Other external expenses	3	-631	-4,996	-6,376	-14,145
Depreciation, amortization and impairment	4	-2,448	-548	-5,225	-1,422
Income from shares in associated companies		1	1	4	-11
Income from sale of aircraft and other non-current assets		-1	104	-1	112
Operating income (EBIT)		**-2,729**	**1,570**	**-6,811**	**-21**
Financial net	5	658	-80	-69	-281
Income before tax (EBT)		**-2,071**	**1,490**	**-6,880**	**-302**
Income taxes		-294	-328	184	62
Net income for the period		**-2,365**	**1,162**	**-6,696**	**-240**
Other comprehensive income					
Items that may later be reversed to net income:					
Exchange-rate differences in translation of foreign operations		-51	-9	-171	24
Cash-flow hedges, net after tax		1,061	-335	-253	-947
Items that will not be reversed to net income:					
Revaluations of defined-benefit pension plans, net after tax		47	-1,111	438	-1,920
Total other comprehensive income, net after tax		**1,057**	**-1,455**	**14**	**-2,843**
Total comprehensive income for the period		**-1,308**	**-293**	**-6,682**	**-3,083**
Net income for the period attributable to:					
Parent Company shareholders		-2,365	1,162	-6,696	-240
Earnings per common share (SEK)[1]		-6.18	3.04	-17.66	-0.65
Earnings per common share after dilution (SEK)[1]		-6.18	3.04	-17.66	-0.65

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–July period.

INCOME BEFORE TAX AND ITEMS AFFECTING COMPARABILITY

MSEK	Q3	Q3	Q1–Q3	Q1–Q3
	May–Jul 2020	May–Jul 2019	Nov–Jul 2019–2020	Nov–Jul 2018–2019
Income before tax (EBT)	-2,071	1,490	-6,880	-302
Impairment[1]	1,040	93	1,040	93
Restructuring costs[2]	246	16	263	29
Capital gains/losses[3]	1	-104	1	-112
Other items affecting comparability[4]	0	0	0	-148
Income before tax and items affecting comparability	**-784**	**1,495**	**-5,576**	**-440**

1) Impairment for the period November-July of MSEK -1,040 (-93) pertains to aircraft.

2) Restructuring costs were charged to earnings as personnel expenses of MSEK -263 (-29) in the November-July period.

3) Capital gains/losses include aircraft sales amounting to MSEK -1 (112) in the November-July period.

4) 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-July period.

CONSOLIDATED BALANCE SHEET

CONDENSED BALANCE SHEET

MSEK	31 Jul 2020	31 Oct 2019	31 Jul 2019
ASSETS			
Non-current assets			
Intangible assets	1,310	1,416	1,430
Tangible assets	18,715	15,569	14,701
Right-of-use assets	17,877	-	-
Financial assets	5,726	4,546	5,231
Deferred tax assets	758	750	0
Total non-current assets	**44,386**	**22,281**	**21,362**
Current assets			
Inventories and expendable spare parts	520	346	355
Current receivables	1,283	2,622	2,943
Cash and cash equivalents[1]	6,244	8,763	7,348
Total current assets	**8,047**	**11,731**	**10,646**
TOTAL ASSETS	**52,433**	**34,012**	**32,008**
EQUITY AND LIABILITIES			
Equity	**-1,371**	**5,372**	**3,072**
Non-current liabilities			
Interest-bearing liabilities	14,542	9,450	9,287
Interest-bearing lease liabilities	13,379	-	-
Other liabilities	3,369	4,076	3,976
Total non-current liabilities	**31,290**	**13,526**	**13,263**
Current liabilities			
Interest-bearing liabilities	6,651	1,833	1,533
Interest-bearing lease liabilities	3,201	-	-
Other liabilities	12,662	13,281	14,140
Total current liabilities	**22,514**	**15,114**	**15,673**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**52,433**	**34,012**	**32,008**
Shareholders' equity per common share, (SEK)[2]	-7.50	10.12	8.03
Interest-bearing assets	11,614	12,960	11,406
Interest-bearing liabilities	37,773	11,283	10,821
Working capital	-13,140	-13,313	-13,666

1) At 31 July 2020, including receivables from other financial institutions, MSEK 0 (313)

2) Shareholders' 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, 31 JULY 2020

	According to balance sheet	Of which financial net debt
Financial assets	5,726	2,395
Current receivables	1,283	217
Cash and cash equivalents	6,244	6,244
Non-current liabilities	31,290	27,921
Current liabilities	22,514	9,852
Financial net debt		**28,917**

Information relating to financial net debt in the comparative periods is available in the Financial Key Figures 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						-240	-240
Other comprehensive income			-947	24		-1,920	-2,843
Closing balance, 31 July 2019	**7,690**	**170**	**345**	**-27**	**-**	**-5,106**	**3,072**
Hybrid bond					1,500		1,500
Hybrid bond interest and expenses						-23	-23
Net income						861	861
Other comprehensive income			-162	-44		168	-38
Closing balance, 31 October 2019	**7,690**	**170**	**183**	**-71**	**1,500**	**-4,100**	**5,372**
Hybrid bond interest						-61	-61
Net income						-6,696	-6,696
Other comprehensive income			-253	-171		438	14
Closing balance, 31 July 2020	**7,690**	**170**	**-70**	**-242**	**1,500**	**-10,419**	**-1,371**

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	Q3	Q3	Q1–Q3	Q1–Q3
	May–Jul 2020	May–Jul 2019	Nov–Jul 2019–2020	Nov–Jul 2018–2019
OPERATING ACTIVITIES				
Income before tax (EBT)	-2,071	1,490	-6,880	-302
Depreciation, amortization and impairment	2,448	548	5,225	1,422
Income from sale of aircraft, buildings and shares	1	-104	1	-112
Adjustment for other non-cash items, etc.	-1,261	-89	-193	-350
Tax paid	0	0	-17	-53
Cash flow from operations before change in working capital	**-883**	**1,845**	**-1,864**	**605**
Change in working capital	-78	-1,388	-299	1,514
Cash flow from operating activities	**-961**	**457**	**-2,163**	**2,119**
INVESTING ACTIVITIES				
Investments including advance payments to aircraft manufacturers	-1,439	-1,979	-7,310	-4,735
Acquisition of subsidiaries and affiliated companies	-4	0	-4	-16
Sale of subsidiaries and affiliated companies	0	394	0	394
Sale of fixed assets, etc.	388	1,268	342	1,285
Cash flow from investing activities	**-1,055**	**-317**	**-6,972**	**-3,072**
Cash flow before financing activities	**-2,016**	**140**	**-9,135**	**-953**
FINANCING ACTIVITIES				
Proceeds from borrowings	5,232	475	11,181	1,821
Repayment of borrowings	-465	-190	-918	-2,131
Amortization of lease liabilities	-725	0	-2,226	0
Interest on hybrid bond	0	0	-63	0
Dividend on preference shares	0	0	0	-26
Redemption of preference shares	0	0	0	-1,112
Other financing activities	-3	11	-1,355	-8
Cash flow from financing activities	**4,039**	**296**	**6,619**	**-1,456**
Cash flow for the period	2,023	436	-2,516	-2,409
Translation difference in cash and cash equivalents	0	0	-3	1
Cash and cash equivalents at beginning of the period	4,221	6,912	8,763	9,756
Cash and cash equivalents at the end of the period	**6,244**	**7,348**	**6,244**	**7,348**
Cash flow from operating activities per common share (SEK)	-2.51	1.19	-5.65	5.54

PARENT COMPANY SAS AB

The number of common shareholders in SAS AB amounted to 106,993 at 31 July 2020. The average number of employees amounted to two (four). Net financial items comprised a write down of shares in subsidiaries of MSEK 776.

CONDENSED STATEMENT OF INCOME

MSEK	Q1–Q3 Nov–Jul 2019–2020	Q1–Q3 Nov–Jul 2018–2019
Revenue	34	41
Personnel expenses	-22	-28
Other operating expenses	-23	-25
Operating income (EBIT)	**-11**	**-12**
Net financial items	-792	-42
Income before tax (EBT)	**-803**	**-54**
Tax	-6	11
Net income for the period	**-809**	**-43**

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

CONDENSED BALANCE SHEET

MSEK	31 Jul 2020	31 Oct 2019	31 Jul 2019
Financial fixed assets	14,648	14,703	14,687
Other current assets	1,365	137	75
Cash and cash equivalents	2	1	1
Total assets	**16,015**	**14,841**	**14,763**
Shareholders' equity	9,794	10,664	9,200
Long-term liabilities	2,183	2,258	2,251
Current liabilities	4,038	1,919	3,312
Total shareholders' equity and liabilities	**16,015**	**14,841**	**14,763**

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				-61	-61
Net income for the period				-809	-809
Shareholders' equity, 31 July 2020	**7,690**	**447**	**1,500**	**157**	**9,794**

[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' operations. In the third quarter of fiscal year 2020, capacity (ASK) was 87.0% lower and revenue passenger kilometers (RPK) was 91.6% lower, compared with same period last year. The reduction of the network and number of passengers have significantly reduced SAS' revenue. For the third quarter of 2020, total revenue decreased 81.3% compared with same period last year.

- On 3 March 2020, SAS withdrew its 2020 guidance due to the volatility of the COVID-19 situation. Following the escalation of travel restrictions, a number of measures have been taken by SAS to reduce costs and preserve liquidity.
- On 3 March 2020, the company announced that it was pursuing a number of cost reduction initiatives to mitigate the revenue impact from the reduced demand. 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 a 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 was temporarily halting most of its traffic starting on 16 March until there are once 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 2020, 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 2020, the company announced that it had signed a SEK 3.3 billion three-year revolving credit facility agreement, 90% guaranteed by governments of Denmark and Sweden.
- On 30 June 2020, the company presented a revised business plan, which involves a broad range of measures to tackle the effects of the pandemic. The revised business plan is based on rightsizing the company and its cost structure to reflect a new situation with lower expected demand and includes approximately SEK 4 billion in efficiency improvements in all parts of the Group by 2022. At the same date, the company announced a recapitalization plan to continue as a key provider of important Scandinavian airline infrastructure.
- On 10 July 2020, the company canceled noteholders' meetings as the required conversions under the recapitalization plan are not expected to be approved.
- On 7 August 2020, the company reached an agreement in principle with certain holders of bonds and hybrid notes.
- On 14 August 2020, the company announced a revised recapitalization plan with support from the major shareholders (the governments of Denmark and Sweden) as well as the Noteholder Committee representing 53.25% of the existing hybrid notes and 41.51% of the bonds.
- On 17 August 2020, the European Commission approved the revised recapitalization plan

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 ticket sales and significant negative cash flows to an extent and for a duration that are currently uncertain. Therefore, the company has developed a recapitalization plan over an extensive period of time. Over this period, there have been numerous interactions with the governments of Denmark and Sweden, the Knut and Alice Wallenberg Foundation (KAW) and their respective advisers, bond and hybrid note holders, as well as the European Commission. The aim of the recapitalization plan is to counteract the effects from COVID-19 and to remedy the liquidity shortage and the negative effects on equity caused by the pandemic. The revised recapitalization plan was presented on 14 August and can be summarized as follows:

- A directed issue of common shares in the amount of approximately MSEK 2,006 at a subscription price of SEK 1.16 to the major shareholders.
- A rights issue of new common shares available to eligible shareholders in an amount of approximately MSEK 3,994 at a subscription price of SEK 1.16, expected to be covered by subscription undertakings and underwriting commitments corresponding to 81.5% of the total amount of the rights issue, where approximately MSEK 2,994 is expected to be covered by pro rata subscription undertakings and underwritings commitments from the major shareholders (split equally) and approximately MSEK 259 to be covered by a pro rata subscription undertaking from KAW.
- Directed issues of new state hybrid notes to the major shareholders, in a total amount of MSEK 6,000 as two separate instruments.
- Conversion of the existing hybrid notes at 90% of par value into common shares at a subscription price of SEK 1.16 per share.
- Conversion of the bonds at 100% of par value into new commercial hybrid notes with an interest step-up over the coming years, or common shares at a subscription price of SEK 1.16 per share (at the option of the bondholder and up to the maximum number of common shares to be allotted under the bondholder offer).

The revised recapitalization plan remains subject to necessary approvals at an extraordinary general shareholder meeting scheduled to be held on or around 22 September 2020 (the "EGM"). The major shareholders' participation is conditional on the conversion of the outstanding existing hybrid notes and bonds as set out above. The participation by KAW is conditional on the participation by the major shareholders.

Within the circumstances described above, these financial statements have been prepared on the going concern assumption but are, however, dependent on a successful resolution of the revised recapitalization plan to secure the required funding.

STANDARDS AND INTERPRETATIONS APPLICABLE FOR Q1–Q3, FISCAL YEAR 2020

The accounting policies follow those described in the Annual Report for Fiscal Year 2019. From 1 November 2019, SAS Group has adopted 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 AND CONTRACTS

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 675. Support has also been applied for from the Danish, Swedish and Norwegian states regarding compensation for fixed costs, MSEK 390 has been reported as a reduction of other external expenses. Aside from this, the Norwegian State has purchased capacity from SAS and other carriers in Norway on a commercial basis in order to maintain air services within Norway, which amounts to MSEK 505.

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.

SAS applies the IASB amendments to IFRS 16 in regards to rent concessions that simplify how a lessee accounts for rent concessions that are a direct consequence of COVID-19. In applying the practical expedient, changes in lease payments in rent concessions ending on or before 30 June 2021 are not treated as a modification. The practical expedient has not had any effect on SAS' profit or loss in the period.

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 measured on transition at an amount equal to the lease liability. Adjustments to the right-of-use assets 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 31 Oct 2019	Adjustments	Adjusted balance 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 assets 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 (excluding currency revaluations) had a negative impact on SAS' results in the first nine months of FY2020. However due to the effect of currency revaluations, the net impact on income before tax (EBT) in the third quarter is MSEK +884 (Q2 MSEK -180), and the positive impact on income before tax (EBIT) in the first nine months is MSEK 574 (Q2 MSEK -310). 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 Q3 and Q1-Q3.

CONSOLIDATED STATEMENT OF INCOME, Q3 - IMPACT IFRS 16

MSEK	Reported Q3 May–Jul 2020	Adjustments	Adjusted Q3* May–Jul 2020
Revenue	2,507		2,507
Personnel expenses	-1,664		-1,664
Fuel expenses	-331		-331
Air traffic charges	-162		-162
Other external expenses	-631	-986	-1,617
Depreciation, amortization and impairment	-2,448	928	-1,520
Income from shares in associated companies	1		1
Income from sale of aircraft and other non-current assets	-1		-1
Operating income (EBIT)	**-2,729**	**-58**	**-2,787**
Financial net	658	-826	-168
Income before tax (EBT)	**-2,071**	**-884**	**-2,955**

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

CONSOLIDATED STATEMENT OF INCOME, Q1–Q3 - IMPACT IFRS 16

MSEK	Reported Q1–Q3 Nov–Jul 2019-2020	Adjustments	Adjusted Q1–Q3* Nov–Jul 2019-2020
Revenue	17,478		17,478
Personnel expenses	-6,234		-6,234
Fuel expenses	-4,855		-4,855
Air traffic charges	-1,602		-1,602
Other external expenses	-6,376	-2,919	-9,295
Depreciation, amortization and impairment	-5,225	2,710	-2,515
Income from shares in associated companies	4		4
Income from sale of aircraft and other non-current assets	-1		-1
Operating income (EBIT)	**-6,811**	**-209**	**-7,020**
Financial net	-69	-365	-434
Income before tax (EBT)	**-6,880**	**-574**	**-7,454**

** 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. Following the adoption of 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, Q3 - IMPACT IFRS 16

MSEK	Reported Q3 May–Jul 2020	Adjustments	Adjusted Q3* May–Jul 2020
Cash flow from operating activities	-961	-725	-1,686
Cash flow from investing activities	-1,055		-1,055
Cash flow from financing activities	4,039	725	4,764
Cash flow for the period	**2,023**		**2,023**

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

CONSOLIDATED CASH FLOW STATEMENT, Q1–Q3 - IMPACT IFRS 16

MSEK	Reported Q1–Q3 Nov–Jul 2019-2020	Adjustments	Adjusted Q1–Q3* Nov–Jul 2019-2020
Cash flow from operating activities	-2,163	-2,226	-4,389
Cash flow from investing activities	-6,972		-6,972
Cash flow from financing activities	6,619	2,226	8,845
Cash flow for the period	**-2,516**		**-2,516**

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

Impact on key figures

As IFRS 16 has a significant impact on the income statement and balance sheet, SAS has reviewed the key figures 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 figures, 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 figures in FY 2020 will be based on financial statements excluding IFRS 16. Key figures 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 figures that have been calculated on closing balances.

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

KEY FIGURES, Q3 - IMPACT IFRS 16

MSEK	Reported Q3 May–Jul 2020	Adjustments	Adjusted Q3* May–Jul 2020
Unit cost, CASK, excluding jet fuel, currency-adjusted	-1.62	-0.03	-1.65
Shareholders' equity per common share (SEK)	-7.50	-2.61	-10.11
Equity/assets ratio	-3%	-4	-7%
Financial net debt, MSEK	28,917	-16,580	12,337
Debt/equity ratio	-21.09	+15.88	-5.21

** 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 three 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 three quarters in fiscal year 2019 was MSEK 596. See more details in table below.

CHANGES IN COMPARATIVE YEAR, Q3 FY19 - CONSOLIDATED STATEMENT OF INCOME

MSEK	Reported Q3 May–Jul 2019	Adjustments	Adjusted Q3 May–Jul 2019
Revenue	13,552	-151	13,401
Leasing costs for aircraft	-985	985	-
Other external expenses	-8,050	3,054	-4,996
Fuel expenses	-	-2,750	-2,750
Air traffic charges	-	-1,138	-1,138

The above table shows the impact on Q3, 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 151 of the change in Other external expenses relates to the IC decision. The remaining change relates to reclassifications of fuel expenses (MSEK 2,750), Air traffic charges (MSEK 1,138) and Leasing costs for aircraft (MSEK -985).*

CHANGES IN COMPARATIVE YEAR, Q1-Q3 FY19 - CONSOLIDATED STATEMENT OF INCOME

MSEK	Reported Q1–Q3 Nov–Jul 2018-2019	Adjustments	Adjusted Q1-Q3 Nov–Jul 2018–2019
Revenue	33,273	-596	32,677
Leasing costs for aircraft	-2,618	2,618	-
Other external expenses	-22,030	7,885	-14,145
Fuel expenses	-	-6,892	-6,892
Air traffic charges	-	-3,015	-3,015

The above table shows the impact on Q1-Q3, 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 596 of the change in Other external expenses relates to the IC decision. The remaining change relates to reclassifications of fuel expenses (MSEK 6,892), Air traffic charges (MSEK 3,015) and Leasing costs for aircraft (MSEK -2,618).*

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.

	Q3	Q3	Q1–Q3	Q1–Q3
	May–Jul 2020	May–Jul 2019	Nov–Jul 2019–2020	Nov–Jul 2018–2019
Passenger revenue	1,353	10,337	12,130	25,179
Charter revenue	30	854	476	1,357
Cargo revenue	188	341	714	1,144
Other traffic revenue	228	815	1,452	2,123
Total traffic revenue	**1,799**	**12,347**	**14,772**	**29,803**
Other operating revenue	708	1,054	2,706	2,874
Total revenue	**2,507**	**13,401**	**17,478**	**32,677**

TRAFFIC REVENUE BY GEOGRAPHICAL AREA

	Domestic		Intra-Scandinavian		Europe		Intercontinental		Total	
	Nov–Jul 2019–2020	Nov–Jul 2018–2019	Nov–Jul 2019–2020	Nov–Jul 2018–2019	Nov–Jul 2019–2020	Nov–Jul 2018–2019	Nov–Jul 2019–2020	Nov–Jul 2018–2019	Nov–Jul 2019–2020	Nov–Jul 2018–2019
Passenger revenue	4,238	5,795	1,382	2,496	3,985	10,316	2,525	6,572	**12,130**	**25,179**
Charter revenue	0	0	0	0	476	1,357	0	0	**476**	**1,357**
Cargo revenue	3	5	2	5	23	56	686	1,078	**714**	**1,144**
Other traffic revenue	507	489	166	210	477	870	302	554	**1,452**	**2,123**
Total traffic revenue	**4,748**	**6,289**	**1,550**	**2,711**	**4,961**	**12,599**	**3,513**	**8,204**	**14,772**	**29,803**

OTHER OPERATING REVENUE BY REGION

	Denmark		Norway		Sweden		Europe		Other countries		Total	
	Nov–Jul 2019–2020	Nov–Jul 2018–2019	Nov–Jul 2019–2020	Nov–Jul 2018–2019	Nov–Jul 2019–2020	Nov–Jul 2018–2019	Nov–Jul 2019–2020	Nov–Jul 2018–2019	Nov–Jul 2019–2020	Nov–Jul 2018–2019	Nov–Jul 2019–2020	Nov–Jul 2018–2019
Other operating revenue	284	433	1,198	778	498	470	489	736	237	457	**2,706**	**2,874**

NOTE 3 OTHER EXTERNAL EXPENSES

	Q3 May–Jul 2020	Q3 May–Jul 2019	Q1–Q3 Nov–Jul 2019–2020	Q1–Q3 Nov–Jul 2018–2019
Sales and distribution costs	-101	-668	-1,189	-1,998
Leasing costs for aircraft	0	-985	-80	-2,618
Catering costs	-47	-348	-485	-903
Handling costs	-126	-714	-1,193	-2,080
Technical aircraft maintenance	-275	-744	-1,425	-2,105
Computer and telecommunication costs	-202	-405	-934	-1,180
Wet-lease costs	-81	-389	-765	-1,087
Other	201	-743	-305	-2,174
Total	**-631**	**-4,996**	**-6,376**	**-14,145**

NOTE 4 DEPRECIATION, AMORTIZATION AND IMPAIRMENT

	Q3 May–Jul 2020	Q3 May–Jul 2019	Q1–Q3 Nov–Jul 2019–2020	Q1–Q3 Nov–Jul 2018–2019
Intangible assets	-36	-37	-109	-111
Tangible assets depreciation	-444	-418	-1,366	-1,218
Tangible assets impairment	-1,040	-93	-1,040	-93
Right-of-use assets	-928	-	-2,710	-
Total	**-2,448**	**-548**	**-5,225**	**-1,422**

NOTE 5 FINANCIAL NET

	Q3 May–Jul 2020	Q3 May–Jul 2019	Q1–Q3 Nov–Jul 2019–2020	Q1–Q3 Nov–Jul 2018–2019
Financial income	8	43	64	131
Interest expense	-170	-110	-447	-368
Other financial expenses	-18	-12	-46	-39
Exchange-rate differences	12	-1	-5	-5
Interest expenses, IFRS 16	-178	-	-525	-
Exchange-rate differences, IFRS 16	1,004	-	890	-
Total	**658**	**-80**	**-69**	**-281**

NOTE 6 FINANCIAL ASSETS AND LIABILITIES

FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES

	31 Jul 2020		31 Oct 2019	
MSEK	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets at fair value, hedge-accounted	256	256	225	225
Financial assets FVTPL	13	13	23	23
Financial assets at amortized cost	9,809	9,809	12,648	12,648
Total	**10,078**	**10,078**	**12,896**	**12,896**
Financial liabilities				
Financial liabilities at fair value, hedge-accounted	1,656	1,656	891	891
Financial liabilities FVTPL	38	38	17	17
Financial liabilities at amortized cost	22,432	21,581	12,075	11,540
Total	**24,126**	**23,275**	**12,983**	**12,448**

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

The Group’s financial assets and liabilities are measured at fair value as stated below:
Level 1: Financial instruments for which fair value is based on observable (unadjusted) quoted prices in active markets for identical assets and liabilities. This category includes mainly treasury bills and standardized derivatives, where the quoted price is used in the valuation.
Level 2: Financial instruments for which fair value is based on valuation models that utilize other observable data for the asset or liability other than the quoted prices included within level 1, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Financial instruments for which fair value is based on valuation models, whereby significant input is based on unobservable data. At present, SAS has no financial assets or liabilities where the valuation is essentially based on unobservable data.

FAIR VALUE HIERARCHY

	31 Jul 2020			31 Oct 2019		
MSEK	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial assets						
Financial assets at fair value, hedge-accounted	-	256		-	225	225
Financial assets FVTPL	-	13		-	23	23
Total	-	**269**		-	**248**	**248**
Financial liabilities						
Financial liabilities at fair value, hedge-accounted	-	1,656	1,656	-	891	891
Financial liabilities FVTPL	-	38	38	-	17	17
Total	-	**1,694**	**1,694**	-	**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, 25 August 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 July 31, 2020 and the nine-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 the impact of the Covid-19 pandemic, measures taken, status of the revised recapitalization plan as well as considerations made in relation to the going concern assumption. It also notes that going concern is dependent on a successful resolution of the revised recapitalization plan. 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, August 25, 2020

KPMG AB

Tomas Gerhardsson

Authorized Public
Accountant

TRAFFIC DATA INFORMATION

SCHEDULED PASSENGER TRAFFIC

	May–Jul 2020	May–Jul 2019	Year-on-year change	Nov–Jul 2019-2020	Nov–Jul 2018-2019	Year-on-year change
Number of passengers (000)	1,186	7,749	-84.7%	10,429	20,369	-48.8%
RPK, Revenue Passenger Kilometers (mill)	982	10,495	-90.6%	11,746	25,611	-54.1%
ASK, Available Seat Kilometers (mill)	1,910	13,279	-85.6%	18,575	35,172	-47.2%
Load factor	51.4%	79.0%	-27.6[1]	63.2%	72.8%	-9.6[1]
Passenger yield, currency-adjusted	1.38	0.95	+44.7%	1.03	0.97	+6.0%
Passenger yield, nominal	1.38	0.98	+39.9%	1.03	0.98	+5.0%
Unit revenue, PASK, currency-adjusted	0.71	0.75	-5.8%	0.65	0.71	-8.0%
Unit revenue, PASK, nominal	0.71	0.78	-9.0%	0.65	0.72	-8.8%
RASK, currency-adjusted	0.93	0.80	+16.0%	0.76	0.78	-2.9%
RASK, nominal	0.93	0.83	+12.1%	0.76	0.79	-3.7%

[1] Figures given in percentage points

TOTAL TRAFFIC (SCHEDULED AND CHARTER TRAFFIC)

	May–Jul 2020	May–Jul 2019	Year-on-year change	Nov–Jul 2019-2020	Nov–Jul 2018-2019	Year-on-year change
Number of passengers (000)	1,190	8,301	-85.6%	10,676	21,222	-49.7%
RPK, Revenue Passenger Kilometers (mill)	997	11,917	-91.6%	12,500	27,965	-55.3%
ASK, Available Seat Kilometers (mill)	1,929	14,843	-87.0%	19,442	37,761	-48.5%
Load factor	51.7%	80.3%	-28.6[1]	64.3%	74.1%	-9.8[1]
Unit cost, CASK, currency-adjusted	-1.80	-0.72	+147.8%	-1.08	-0.81	+34.1%
Unit cost, CASK, nominal incl. items affecting comparability	-2.35	-0.73	+220.2%	-1.11	-0.79	+40.1%
Unit cost, CASK, excl. jet fuel, currency-adjusted	-1.62	-0.54	+201.4%	-0.83	-0.62	+34.6%
Unit cost, CASK, excl. jet fuel, nominal incl. items affecting comparability	-2.18	-0.55	+297.1%	-0.86	-0.61	+41.1%

[1] Figures given in percentage points

SCHEDULED TRAFFIC TREND FOR SAS BY ROUTE SECTOR

	May–Jul 2020 vs. May–Jul 2019		Nov–Jul 2019–2020 vs. Nov–Jul 2018–2019	
	Traffic (RPK)	Capacity (ASK)	Traffic (RPK)	Capacity (ASK)
Intercontinental	-98.8%	-94.5%	-58.6%	-50.6%
Europe/Intra-Scandinavia	-91.7%	-87.8%	-56.3%	-50.9%
Domestic	-65.9%	-57.9%	-37.7%	-29.7%

PRODUCTIVITY AND ENVIRONMENTAL EFFICIENCY

12-month rolling	July, 2020	July, 2019	Year-on-year change
Aircraft, block hours/day	6.2	9.3	-33.6%
Cabin crew, block hours/year	635	735	-13.7%
Pilots, block hours/year	490	651	-24.7%

Environmental efficiency	July, 2020	July, 2019	Year-on-year change
Total CO_2 emissions, million tonnes	2,694	4,217	-36.1%
CO_2 emissions per available seat kilometer, grams	60,6	62,8	-3.5%

AIRCRAFT FLEET

THE SAS AIRCRAFT FLEET AT 31 JULY 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	10.6	13	6		19	19			19	4	
Airbus A320 family	6.7	19	44		63	54	9		63	35	8
Boeing 737NG	14.9	25	23		48	48			48		
Bombardier CRJ	4.4			24	24			24	24		
ATR-72	7.0			8	8			8	8		
Total	**9.3**	**57**	**73**	**32**	**162**	**121**	**9**	**32**	**162**	**39**	**8**

Aircraft on firm order 2020–2024 at 31 July 2020	FY20	FY21	FY22	FY23	FY24	Total
Airbus A320neo	2	3	12	17	6	40
Airbus A321neo LR	1	1	1			3
Airbus A350		4				4
Total	**3**	**8**	**13**	**17**	**6**	**47**

The new fleet lowers fuel consumption and thereby CO_2 emissions.

KEY FIGURES AND ALTERNATIVE PERFORMANCE MEASURES

	31 Jul 2020	31 Oct 2019	31 Jul 2019
Return on invested capital (ROIC), 12-month rolling[1]	-14%	8%	7%
Adjusted financial net debt/EBITDAR[1]	50.8x	3.7x	3.8x
Financial preparedness[1]	38%	39%	34%
Return on shareholders' equity, 12-month rolling[1]	-250%	14%	8%
Equity/assets ratio[2]	-3%	16%	10%
Financial net debt, MSEK[2]	28,917	328	1,137
Debt/equity ratio[2]	-21.09	0.06	0.37
Interest-coverage ratio[1]	-9.1	2.5	1.8

1) Calculation based on 12-month rolling numbers. Key ratio is based on financial statements excluding IFRS 16.
2) Key figure 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 FIGURES 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 2020	May–Jul 2019	Aug–Oct 2019	Aug–Oct 2018
Revenue	9,707	9,405	5,264	9,871	2,507	13,401	13,435	12,678
EBITDAR	662	746	-1,890	174	-281	2,998	2,631	2,044
EBITDAR margin	6.8%	7.9%	-35.9%	1.8%	-11.2%	22.4%	19.6%	16.1%
Operating income (EBIT)	-767	-461	-3,315	-1,130	-2,729	1,570	1,187	920
Operating income (EBIT) margin	-7.9%	-4.9%	-63.0%	-11.4%	-108.9%	11.7%	8.8%	7.3%
Income before tax (EBT)	-1,087	-576	-3,722	-1,216	-2,071	1,490	1,096	789
Net income for the period	-861	-469	-3,470	-933	-2,365	1,162	861	623
Income before tax and items affecting comparability	-1,078	-724	-3,714	-1,211	-784	1,495	1,226	822
Earnings per common share (SEK)	-2.33	-1.25	-9.15	-2.44	-6.18	3.04	2.19	1.56
Cash flow before financing activities	-2,060	-2,566	-5,059	1,473	-2,016	140	-309	658
Average number of employees (FTE)	10,364	10,292	7,988	10,260	4,937	10,639	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 (×7) – The net annual operating lease costs for aircraft multiplied by seven.

Carbon dioxide (CO_2) – A colorless gas that is formed in the combustion of all fossil fuels. The airline industry's CO_2 emissions are being reduced based on a changeover to more fuel-efficient aircraft.

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 1 November 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 1 November 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 (×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 1 November 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, flies 30 million passengers to, from and within Scandinavia each year. The airline has three main hubs – Copenhagen, Oslo and Stockholm – with more than 125 destinations in Europe, USA and Asia. Spurred by a Scandinavian heritage and sustainable values, SAS aims to be the global leader in sustainable aviation. We will reduce total carbon emissions by 25 percent by 2025, for example by using more sustainable aviation fuel and our modern aircraft. In addition to flight operations, SAS offers ground handling services, technical maintenance and air cargo services. SAS is a founder member of the Star Alliance™, and together with its partner airlines offers around 19,000 daily flights to over 1,300 destinations worldwide.

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.

3 December 2020	Year-end report (Nov-19–Oct-20)
January/February 2021	SAS Annual and Sustainability Report, fiscal year 2020
25 February 2021	Q1 Interim Report (Nov-20–Jan-21)
27 May 2021	Q2 Interim Report (Feb-21–Apr-21)
1 September 2021	Q3 Interim Report (May-21–Jul-21)
30 November 2021	Year-end report (Nov-20–Oct-21)
January/February 2022	SAS Annual and Sustainability Report, fiscal year 2021

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).