Q1 2019

FINANCIAL DEVELOPMENT IN LINE WITH GUIDANCE

NOVEMBER 2018–JANUARY 2019

- Revenue: MSEK 9,534 (8,978)
- Earnings before tax and nonrecurring items: MSEK -724 (-385)
- EBT: MSEK -576 (-285)
- Net income for the period: MSEK -469 (-249)
- Earnings per common share: SEK -1.25 (-0.88)

SIGNIFICANT EVENTS DURING THE QUARTER

- Order for three Airbus 321 Long Range
- Redemption of remaining preference shares

SIGNIFICANT EVENTS AFTER JANUARY 31, 2019

- Carbon offsetting for all Eurobonus members implemented

+1.7%
UNIT REVENUE VS LAST YEAR[1]

+0.8%
UNIT COST VS LAST YEAR[2]

+0.4%
PASSENGERS VS LAST YEAR

"In the face of challenges, SAS is continuing its transition towards a viable and sustainable future."

Rickard Gustafson, President and CEO

1) PASK, Currency adjusted
2) CASK, Currency adjusted and excluding jet fuel

FINANCIAL SUMMARY

MSEK, unless noted	Q1	Q1	Rolling 12 months	Rolling 12 months
	Nov–Jan 2018–19	Nov–Jan 2017–18	Feb–Jan 2018–19	Feb–Jan 2017–18
Revenue	9,534	8,978	45,274	42,675
EBIT margin	-4.8%	-2.0%	5.0%	6.1%
Earnings before tax and nonrecurring items	-724	-385	1,797	2,285
EBT	-576	-285	1,759	2,149
Net income for the period	-469	-249	1,375	1,466
Cash flow from operating activities	-682	184	3,693	2,992

	Jan 31, 2019	Oct 31, 2018	Jan 31, 2018	Jan 31, 2017
Equity/assets ratio	14%	21%	27%	20%
Adjusted financial net debt/EBITDAR	3.0x	2.7x	2.9x	3.4x
Financial preparedness	33%	42%	38%	33%
Return on invested capital, 12-month rolling	12%	14%	14%	10%
Earnings per common share (SEK), 12-month rolling	3.35	3.71	3.25	2.00
Shareholders' equity per common share, SEK	12.41	16.11	13.98	7.48

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 27 February 2019 at 8:00 a.m. CET.

COMMENTS BY THE CEO

In a competitive market with continuously increasing capacity, SAS reports an increase in both unit revenue and passenger yield. In addition, we are continuing to take important steps toward a sustainable future for aviation, which plays such an important role in Scandinavia.

In the first quarter of 2019, SAS reported earnings before tax and nonrecurring items of MSEK -724. The first quarter is seasonally SAS' weakest quarter and the increased loss is in line with our year-end report 2018 guidance. The lower result versus last year was driven by higher jet-fuel costs, a weak Swedish krona and underlying cost inflation. However, in a competitive market with increasing capacity, we were pleased to report improved unit revenue and passenger yield. During the quarter, we redeemed all outstanding preference shares, which paves the way for future dividends according to our policy. During the first quarter, the efficiency program generated a positive earnings impact of approximately MSEK 200. For the 2019 fiscal year, our efficiency program is expected to deliver MSEK 900 in cost savings.

KEEPING SCANDINAVIA CONNECTED AND CATERING FOR SUSTAINABLE OPERATIONS

Aviation is a vital part of Scandinavia's infrastructure, keeping the region connected and enabling travel to, from and within the three countries. SAS plays an important role in developing this infrastructure and enabling Scandinavian companies to gain access to their global markets. This has created a strong regional trade and industry heritage, which is the foundation for the welfare to which we have become accustomed. Furthermore, aviation enables people from different places and cultures to meet and interact, and thereby making the world a better place.

Going forward, I want Scandinavian companies to continue to have access to their global markets, and people to have the freedom to continue to explore and enjoy new countries, places and cultures. But to make this happen, we must push for a more sustainable aviation industry.

At SAS, we continuously work to minimize the environmental impact of our flight operations. We share our customers' desire for more sustainable travel, and we are strongly committed to enhance the sustainability of our operations and to reduce our carbon footprint.

Related to sustainability, reducing emissions is our first priority. To actively address this, we have set targets to reduce total CO_2 emissions by 25% and to use biofuel on traffic equivalent to our total domestic production by 2030. To reach our targets, we work to reduce emissions throughout our entire value chain.

Our roadmap is comprised of major and minor initiatives and improvements. Clearly, the renewal of our fleet to modern aircraft, thereby reducing emissions up to 18% is a major initiative and investment in the future. Further, our biofuel collaboration with Preem is an important step to ensure production of bio-based jet fuel to secure carbon neutrality on our domestic production. In addition to our major improvement initiatives, we are also working on smaller but important improvements. For example, we are changing the interior of our aircraft to lightweight material and have introduced pre-ordering of breakfasts in our GO cabin. These minor, but important, initiatives help reduce both waste and weight. As a result, our aircraft consume less fuel and thereby reduce our environmental footprint.

Until it is technically possible to conduct climate neutral flying, we want to limit the impact of the CO_2 emissions. For the emissions that cannot be eliminated, SAS is part of the EU Emissions Trading System (ETS), which is a cornerstone of the EU's policy to combat climate change and is its key tool for reducing greenhouse gas emissions. Moreover, we continue our own carbon offsetting activities. Starting last year, we are offsetting our carbon footprint on all youth tickets as well as staff journeys. From the beginning of February, we are also carbon offsetting all tickets booked with an attached EuroBonus number. I'd like to encourage all our customers to become EuroBonus members to ensure carbon neutral travel – it is free of charge!

We note that the Swedish government has decided not to follow the previous decision of the parliament to abolish the aviation tax from July 2019. As a result, the tax will remain in place. Both opponents and supporters of the tax agree that it will not have any environmental impact as the tax is not linked to emissions. Furthermore, the tax is not earmarked for the necessary investments in infrastructure and innovation to further accelerate the journey towards a climate neutral airline industry. I urge all the Scandinavian governments to create incentives that support, rather than hamper, the airline industry in becoming more environmentally friendly. This way, we can ensure the long-term sustainability and viability of the infrastructure that is so important for the people and companies of Scandinavia.

INVESTING TO FURTHER STRENGTHEN OUR OPERATING MODEL

Although we deliver a consistent customer offering as one SAS, we have an operating model based on our three production platforms – SAS Scandinavia, SAS Ireland and our regional partners operating smaller aircraft. The model secures an attractive network connecting all of Scandinavia with a timetable adapted to variations in demand.

During the quarter, we decided to expand our fleet with an additional three Airbus A321 Long Range aircraft. Starting the summer 2020, this new aircraft type will enable us to increase the number of direct intercontinental routes from Scandinavia and to better adapt our production to seasonal variations in demand.

In order to ensure stability also in our regional operation, we have introduced a stand-by aircraft ready to be put into production to mitigate unforeseen operational challenges in the ordinary fleet. This extra aircraft increases the robustness of our operations, with an objective of further strengthening flight regularity and punctuality for our customers.

ENHANCING OUR PRODUCT OFFERING

The ongoing investment in digitalization is important both as a part of enhancing our services and in making our operations more efficient and sustainable. We offer high-speed WiFi onboard and can provide real-time travel information to make journeys smoother. In our operations, we can enhance our planning capabilities and simplify collaboration throughout the company, which enables a better experience for customers.

SAS always strives to pioneer the next generation of travel. Our vision is to continuously develop and explore new ways to make life easier for our travelers by offering innovative and sought-after services. One example is that SAS EuroBonus introduces two new features: the option to collect and share EuroBonus points with family & friends and Lifetime Gold membership to reward the most dedicated members.

Furthermore, we are proud to have entered into a unique cross border partnership with the National Olympic Committees of Denmark, Norway and Sweden. Through this initiative, we will support Scandinavian Olympians on their journey toward the Olympic Summer Games in Tokyo 2020 and the Olympic Winter Games in Beijing 2022.

SECURING THE RIGHT CAPABILITIES TO FURTHER STRENGTHEN OUR COMPETITIVENESS

Our customers rate their interaction with SAS staff highly and we know that our people truly make a difference in the eye of the customer. Committed and motivated employees are prerequisites for satisfied customers and therefore better business.

As an acknowledgement to our professional staff and our service concept, SAS was recently awarded "Best Transport Domestic" and "Best Airline Europe" at the Grand Travel Awards in Sweden.

We are proud of the recognition we get from our customers and travel agencies. The awards are a result of strong teamwork and I am grateful to all SAS employees who make this possible. I want to take the opportunity to thank all of our dedicated staff for taking care of our passengers in the best possible way.

In the coming years, we need to make substantial investments in fleet renewal, as well as in sustainability and digitalization. To secure a high return on these investments, we need to be an attractive employer with the ability to secure the right capabilities and competences to build a competitive company going forward.

As part of this work, I am pleased that the Board of Directors has proposed a stock-based long-term incentive program to SAS' employees in the notice to the Annual General Meeting. The program is designed to promote employee engagement and loyalty as well as to align the interests of the employees with those of our investors. The criteria to allocate funds to the long-term incentive program requires dividend distribution.

OUTLOOK

In the presentation of our Q4/18 results, we said we would revert with future updates on the outlook for FY2019.

While jet fuel prices have declined from the peak in early October 2018 we see continued volatility and intra-quarter movements in the price of jet fuel. Furthermore, we see continued depreciation of the Swedish krona, as well as concerns driven by economic and political tensions.

We note that the competition has lowered the aspirations in terms of capacity growth, which could lead to an improved supply/demand balance and price stabilization. However, to date we have not seen any such developments in our main markets.

Accordingly, the present market conditions are not conducive to firmer guidance on SAS' earnings before tax and nonrecurring items for FY2019. Hence we reaffirm our outlook, which is that SAS expects to deliver a positive result before tax and nonrecurring items in fiscal year 2019.

The outlook based on current market conditions, the assumptions outlined on page six and no unexpected events occurring during the year.

Welcome on board!

Rickard Gustafson,
President and CEO
Stockholm, 27 February 2019

"We are continuing to take important steps toward a sustainable future for aviation, which plays such an important role in Scandinavia."

Rickard Gustafson, President and CEO

COMMENTS ON SAS' FINANCIAL STATEMENTS

MARKET AND TRAFFIC TRENDS

Capacity in the Scandinavian market, measured in the number of seats offered, increased 4.4% compared to the same quarter last year. At the same time the total number of passengers in the Scandinavian market increased with 2.1% .

Looking ahead the number of offered seats in the Scandinavian market is expected to increase with approximately 1% in the second quarter.

EARNINGS ANALYSIS - Q1 2019

Net income for the period

Operating income amounted to MSEK -461 (-183). EBT amounted to MSEK -576 (-285) and income after tax was MSEK -469 (-249). The tax income was MSEK 107 (36).

Year-on-year, foreign exchange rates had a positive impact on revenue of MSEK 356 and a negative effect on operating expenses of MSEK 518. Foreign exchange rates thus had a negative impact on operating income of MSEK 162. Net financial items were negatively impacted by currency items amounting to MSEK 7. In total, currency effects had a net negative impact of MSEK 169 on EBT.

Revenue

Revenue totaled MSEK 9,534 (8,978), see Note 2. After adjustment for currency effects, revenue was up MSEK 200 year-on-year. Currency-adjusted passenger revenue rose 1.2%. The increase was a result of lower scheduled capacity (ASK) which, based on the preceding year's circumstances, had a negative impact on revenue of MSEK 42. The higher load factor had a positive effect of MSEK 49. Revenue was positively impacted by an amount of MSEK 74 as a result of the higher yield.

Currency-adjusted cargo revenue decreased MSEK 12. Charter revenue (currency-adjusted) was MSEK 30 higher, primarily relating to higher volumes. Other traffic revenue (currency-adjusted) rose MSEK 63, mainly relating to unused tickets.

Other operating revenue (currency-adjusted) was MSEK 38 higher year-on-year, mainly relating to higher revenues from EuroBonus credit card partners.

Operational and financial expenses

Payroll expenses amounted to MSEK -2,401 (-2,268). After adjustment for currency and nonrecurring items payroll expenses increased MSEK 52 year-on-year. The increase relates to normal salary increases and higher number of employees, partly offset by efficiency measures.

Other operating expenses amounted to MSEK -6,387 (-5,871), see Note 3. These expenses largely comprised of jet fuel, which amounted to MSEK -1,961 (-1,570). Adjusted for currency, jet fuel costs increased 15.0%. The cost was negatively impacted by an amount of MSEK 133 due to higher jet fuel prices. Hedge effects had a negative impact of MSEK 123 year-on-year and volume effects had a positive impact on costs of MSEK 19.

Technical maintenance costs amounted to MSEK -682 (-693). Adjusted for currency, technical maintenance costs decreased MSEK 68. The decrease year-on-year is mainly relating to less engine repairs and buy-outs of Boeing 737s. Wet-lease costs amounted to MSEK -309 (-261). Adjusted for currency wet-lease costs year-on-year increased MSEK 29, mainly due to higher volumes.

During the period, the ongoing efficiency program resulted in cost reductions of about MSEK 197.

Leasing costs amounted to MSEK -787 (-760). Adjusted for currency effects, leasing costs decreased MSEK 39.

Financial revenue and expenses amounted to MSEK -115 (-102), of which net interest expense was MSEK -101 (-96). The increase in mainly relating to a higher gross debt.

Nonrecurring items

Total nonrecurring items amounted to MSEK 148 (100) during the period. Of nonrecurring items, MSEK 8 (104) pertained to capital gains from aircraft transactions. The other nonrecurring items relates to restructuring costs for personnel, a contractual settlement and a release of a fiscal-related provision for indirect taxes in China.

BALANCE SHEET & FINANCIAL POSITION

Assets

Intangible and tangible fixed assets increased MSEK 1,429 during the period. Changes for the period included investments of MSEK 1,840, amortization and depreciation of MSEK -419, divestments of MSEK -17, as well as currency and other effects of MSEK 25. The amount for investments includes three new Airbus A320neos on finance leases. Other aircraft investments comprised capitalized expenditures for engine maintenance, modifications, spare parts and advance payments to Airbus.

Financial fixed assets decreased MSEK 18, mainly due to a decrease in SAS' long term receivables and restricted accounts partly offset by an increase in deferred tax assets.

Current receivables decreased MSEK 113. This decrease was mainly attributable to lower interest bearing receivables partly offset by higher accounts receivable.

Cash and cash equivalents were MSEK 7,247 (9,251) at 31 January 2019. Unutilized contracted credit facilities amounted to MSEK 2,760 (2,511). Financial preparedness amounted to 33% (38%) of SAS' fixed costs.

Shareholders' equity and liabilities

Shareholders' equity decreased MSEK 2,519. The decrease mainly relates to a redemption of preference shares of MSEK -1,086, net income for Q1 of MSEK -469 and changes in cash-flow hedges of MSEK -842. For the condensed changes in shareholders' equity – refer to page 9.

Long-term liabilities increased MSEK 923 and *current liabilities* increased MSEK 380. The increase in liabilities was mainly due to new financial leases for aircraft.

Interest-bearing liabilities

On 31 January 2019 interest-bearing liabilities amounted to MSEK 11,735, an increase with MSEK 1,643 since 31 October 2018. New loans and amortization for the period were MSEK 1,418 and MSEK 172 respectively. The change in gross debt since 31 October 2018 included a negative trend in the fair value of financial derivatives, which increased liabilities by MSEK 501. Currency revaluations decreased liabilities by MSEK 63, and accrued interest and other items decreased liabilities by MSEK 41.

In 2014, SAS issued a convertible bond, which was valued at MSEK 1,570 at 31 January 2019. This bond matures on 1 April 2019, and will be repaid unless holders convert their convertible bonds into shares. Any conversion notices must be submitted by the holders of the convertible bond no later than 11 March 2019.

Financial net debt
At 31 January 2019 the financial net debt amounted to MSEK 2,432, an increase of MSEK 4,864 since 31 October 2018. The increase was primarily due to the redemption of preference shares, cash flow from operating activities, investments and changes in financial derivatives.

Key ratios
At 31 January 2019, the equity/assets ratio was 14%, down 7 percentage points from 31 October 2018. The decline was primarily due to the redemption of preference shares for MSEK 1,086, a decrease in total comprehensive income of MSEK 1,406, and new financial leases for aircraft (which increased Total Assets).

The adjusted financial net debt/EBITDAR ratio changed to a multiple of 3.0. At 31 October 2018 it was a multiple of 2.7. The change primarily relates to an increased financial net debt.

For the balance sheet - refer to page 9.

CASH-FLOW STATEMENT

Cash flow for the first quarter amounted to MSEK -2 508 (415). Cash and cash equivalents amounted to MSEK 7,247 according to the balance sheet, compared with MSEK 9,756 at 31 October 2018.

Cash flow from operating activities
Cash flow from operating activities before changes in working capital amounted to MSEK -418 (-72) in the first quarter of the fiscal year. The change compared to the previous year was primarily attributable to lower earnings before tax.

Changes in working capital amounted to -264 (256). This year's figure is more in line with previous years which tend to be negative in the first quarter. Last year's positive change in working capital was mainly due to a large increase in the unearned transportation liability.

Investing activities
Investments totaled MSEK 1,840 (2,022), of which MSEK 1,815 (1,999) pertained to aircraft. These include delivery payments for three new Airbus A320neos. Other aircraft investments comprised capitalized expenditures for aircraft maintenance, modifications, spare parts and advance payments to Airbus.

Financing activities
New loans amounted to MSEK 1,346 (1,575), while repayments totaled MSEK 172 (1,875). In December a compulsory redemption of all preference shares for a total amount of MSEK 1,112 was implemented. For the cash-flow statement — refer to page 10.

SEASONAL VARIATIONS

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

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

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

FINANCIAL TARGETS

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

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

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

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

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

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

Considerable uncertainty continues in the macro environment with regard to foreign exchange-rates, jet-fuel prices and changes within the European airline industry, with intensified competition. In conjunction with the transition to IFRS 16 from 2019/2020, under which the lessee recognizes an asset (the right to use an asset) and a financial liability in the balance sheet, SAS will review the targets to ensure their continued relevance.

EVENTS AFTER 31 JANUARY 2019

- Carbon offsetting for all Eurobonus members implemented
- Announcement of notice to annual general meeting

OUTLOOK FOR FISCAL YEAR 2019

SAS expects to deliver a positive result before tax and nonrecurring items in fiscal year 2019. The outlook is based on no unexpected events or material changes in the business environment.

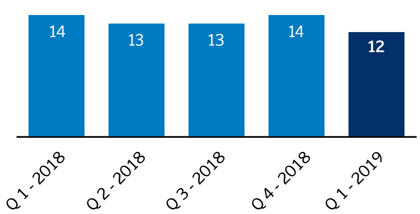
The outlook is based on the following preconditions:

- 2-3% scheduled capacity growth (ASK) for SAS in FY19
- Volatile, but increasing jet fuel price
- Unfavorable FX development, in particular SEK/USD
- Expected earnings impact of efficiency enhancement measures of SEK 0.9 billion
- Gross investments expected to be around SEK 7 billion

RETURN ON INVESTED CAPITAL (ROIC)

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

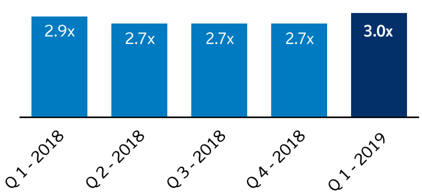
ROIC, 12-MONTH ROLLING, %



ADJUSTED FINANCIAL NET DEBT/ EBITDAR

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

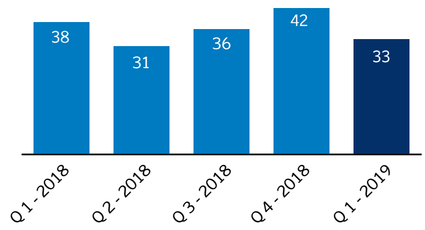
ADJUSTED FINANCIAL NET DEBT/EBITDAR



FINANCIAL PREPAREDNESS

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

FINANCIAL PREPAREDNESS, %



RISKS AND UNCERTAINTIES

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

CURRENCY AND JET-FUEL HEDGING

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

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

Hedging of SAS' future jet-fuel consumption is conducted through a combination of swaps and options. Under current plans for flight capacity, the cost of jet fuel during the fiscal year 2019 is expected to be in line with the table below, taking into account different fuel prices and USD rates as well as including jet-fuel hedging.

For foreign currency, the policy is to hedge 40–80%. At the end of the quarter, SAS had hedged 40% of its anticipated USD deficit for the next 12 months. SAS has hedged the USD deficit using forward contracts. In terms of NOK, which is SAS' largest surplus currency, 51% 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 48, excluding hedge effects. A weakening of the USD against the SEK of 1% would generate a positive earnings impact of MSEK 95, excluding hedge effects.

Hedging of jet fuel

Hedge level (max price)	Feb–Apr 2019	May–July 2019	Aug–Oct 2019	Nov 2019-Jan 2020	Feb 2020-Apr 2020
USD 701-750/tonne		99%			
USD 650-700/tonne	96%		68%		37%
USD 601-649/tonne				24%	

Sensitivity analysis, jet-fuel cost Nov 2018-Oct 2019, SEK billion[1]

	Exchange rate SEK/USD			
Market price	7.0	8.0	9.0	10.0
USD 500/tonne	7.3	8.1	8.8	9.6
USD 600/tonne	7.5	8.3	9.1	9.9
USD 700/tonne	7.7	8.6	9.4	10.2
USD 800/tonne	7.9	8.7	9.6	10.4

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.

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. The appeal process could take several years.

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

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

STATEMENT OF INCOME

STATEMENT OF INCOME INCLUDING STATEMENT OF OTHER COMPREHENSIVE INCOME

MSEK	Note	Q1	Q1	Rolling 12 months	Rolling 12 months
		Nov–Jan 2018–19	Nov–Jan 2017–18	Feb–Jan 2018–19	Feb–Jan 2017–18
Revenue	2	9,534	8,978	45,274	42,675
Payroll expenses		-2,401	-2,268	-9,574	-9,052
Other operating expenses	3	-6,387	-5,871	-28,854	-27,243
Leasing costs for aircraft		-787	-760	-3,183	-3,143
Depreciation, amortization and impairment		-419	-353	-1,829	-1,661
Share of income in affiliated companies		-9	-9	35	6
Income from the sale of shares in subsidiaries, affiliated companies and operations		0	-4	0	-4
Income from the sale of aircraft, buildings and slot pairs		8	104	383	1,015
EBIT		**-461**	**-183**	**2,252**	**2,593**
Income from other securities holdings		0	0	0	1
Financial revenue		44	34	139	141
Financial expenses		-159	-136	-632	-586
EBT		**-576**	**-285**	**1,759**	**2,149**
Tax		107	36	-384	-683
Net income for the period		**-469**	**-249**	**1,375**	**1,466**
Other comprehensive income					
Items that may later be reversed to net income:					
Exchange-rate differences in translation of foreign operations		-21	-1	127	-23
Cash-flow hedges — hedging reserve, net after tax		-842	-48	-960	71
Items that will not be reversed to net income:					
Revaluations of defined-benefit pension plans, net after tax		-74	31	-1,020	484
Total other comprehensive income, net after tax		**-937**	**-18**	**-1,853**	**532**
Total comprehensive income		**-1,406**	**-267**	**-478**	**1,998**
Net income for the period attributable to:					
Parent Company shareholders		-469	-249	1,375	1,466
Non-controlling interests		0	0	0	0
Earnings per common share (SEK)[1]		-1.25	-0.88	3.35	3.25
Earnings per common share after dilution (SEK)[1]		-1.25	-0.88	2.95	2.84

1) Earnings per common share are calculated as net income for the period attributable to Parent Company shareholders less preference-share dividends in relation to 382,582,551 (382,582,551) common shares outstanding during the November–January period and 382,582,551 (343,207,551) common shares outstanding during the February–January period. SAS has no option or share programs. Convertible bonds only have a dilution effect if conversion to common shares would result in lower earnings per share. At the balance sheet date, there was one convertible bond of MSEK 1,574, covering 66,329,543 shares.

EARNINGS BEFORE TAX AND NONRECURRING ITEMS

MSEK	Q1	Q1	Rolling 12 months	Rolling 12 months
	Nov–Jan 2018–19	Nov–Jan 2017–18	Feb–Jan 2018–19	Feb–Jan 2017–18
EBT	-576	-285	1,759	2,149
Impairment[1]	0	0	206	208
Restructuring costs[2]	8	0	263	87
Capital gains/losses[3]	-8	-100	-383	-1,011
Other nonrecurring items[4]	-148	0	-48	852
Earnings before tax and nonrecurring items	**-724**	**-385**	**1,797**	**2,285**

1) Impairment pertains to aircraft, MSEK 0 (206) and IT systems MSEK 0 (208).
2) Restructuring costs were charged to earnings as payroll expenses of MSEK 8 (0) in the first quarter. The February–January period included payroll expenses of MSEK 113 (51) and property costs of MSEK 150 (36).
3) Capital gains include aircraft sales amounting to MSEK 8 (104) in the first quarter and sale of subsidiaries for MSEK 0 (-4). The February–January period included aircraft gains amounting to MSEK 383 (337), slot pairs for MSEK 0 (678) and the sale of subsidiaries for MSEK 0 (-4).
4) Other nonrecurring items comprises a contractual settlement and a release of a fiscal-related provision for indirect taxes of MSEK 148 (0) in the first quarter. The February–January period included contractual settlement and a release of a fiscal-related provision for indirect taxes of MSEK 148 (0), provision to be distributed to our employees as a one-time award of MSEK 100 (0), costs related to aircraft of MSEK 0 (180) and negative earnings impact of MSEK 0 (672) from fines in the third quarter of 2016/2017 for breaches of air cargo competition rules.

BALANCE SHEET

CONDENSED BALANCE SHEET

MSEK	Jan 31, 2019	Oct 31, 2018	Jan 31, 2018	Jan 31, 2017
Intangible assets	1,463	1,498	1,553	1,906
Tangible fixed assets	13,704	12,240	10,736	10,870
Financial fixed assets	7,371	7,389	8,114	7,199
Total fixed assets	**22,538**	**21,127**	**20,403**	**19,975**
Other current assets	396	401	334	313
Current receivables	2,802	2,915	3,129	3,386
Cash and cash equivalents[1]	7,247	9,756	9,251	7,226
Total current assets	**10,445**	**13,072**	**12,714**	**10,925**
Total assets	**32,983**	**34,199**	**33,117**	**30,900**
Shareholders' equity[2]	4,749	7,268	9,024	6,143
Long-term liabilities	12,934	12,011	10,613	8,242
Current liabilities	15,300	14,920	13,480	16,515
Total shareholders' equity and liabilities	**32,983**	**34,199**	**33,117**	**30,900**
Shareholders' equity per common share, (SEK)[3]	12.41	16.11	13.98	7.48
Interest-bearing assets	13,309	16,549	16,929	13,477
Interest-bearing liabilities	11,735	10,092	8,234	9,231
Working capital	-12,401	-13,347	-12,322	-11,254

1) At 31 January 2019, including receivables from other financial institutions, MSEK 403 (1029).
2) Including non-controlling interests.
3) Shareholders' equity attributable to Parent Company shareholders excluding total preference share capital in relation to the 382,582,551 (382,582,551) common shares outstanding. The SAS Group has not carried out any buyback programs.

SPECIFICATION OF FINANCIAL NET DEBT, 31 JANUARY 2019

	According to balance sheet	Of which financial net debt
Financial fixed assets	7,371	1,876
Current receivables	2,802	180
Cash and cash equivalents	7,247	7,247
Long-term liabilities	12,934	8,761
Current liabilities	15,300	2,974
Financial net debt		2,432

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

CONDENSED CHANGES IN SHAREHOLDERS' EQUITY

MSEK	Share capital[1]	Other contributed capital[2]	Hedging reserves	Translation reserve	Retained earnings[3]	"Total shareholders' equity attributable to Parent Company shareholders"	Total share-holders' equity
Opening shareholders' equity in accordance with approved balance sheet, 1 November 2017	**6,776**	**327**	**1,472**	**-198**	**-319**	**8,058**	**8,058**
Effect of new accounting policy, IFRS 9			-20		20	0	0
Adjusted opening shareholders' equity, 1 November 2017	**6,776**	**327**	**1,452**	**-198**	**-299**	**8,058**	**8,058**
New issue	1,055				178	1,233	1,233
Comprehensive income November-January			-48	-1	-218	-267	-267
Closing balance, 31 January 2018	**7,831**	**327**	**1,404**	**-199**	**-339**	**9,024**	**9,024**
Redemption of preference shares	-99				-2,480	-2,579	-2,579
Preference share dividend					-105	-105	-105
Comprehensive income February-October			-118	148	898	928	928
Closing balance, 31 October 2018	**7,732**	**327**	**1,286**	**-51**	**-2,026**	**7,268**	**7,268**
Effect of new accounting policy, IFRS 9 and IFRS 15					-27	-27	-27
Adjusted opening shareholders' equity, 1 November 2018	**7,732**	**327**	**1,286**	**-51**	**-2,053**	**7,241**	**7,241**
Redemption of preference shares	-42				-1,044	-1,086	-1,086
Comprehensive income November-January			-842	-21	-543	-1,406	-1,406
Closing balance, 31 January 2019	**7,690**	**327**	**444**	**-72**	**-3,640**	**4,749**	**4,749**

1) Number of shares in SAS AB: 382,582,551 (382,582,551) common shares with a quotient value of SEK 20.10 and 0 (2,101,552) preference shares with a quotient value of SEK 20.10.
2) The amount comprises share premium reserves and the equity share of convertible loans.
3) No dividends were paid on common shares for 2017/2018.

CASH-FLOW STATEMENT

CONDENSED CASH-FLOW STATEMENT

MSEK	Q1	Q1	Rolling 12 months	Rolling 12 months
	Nov–Jan 2018–19	Nov–Jan 2017–18	Feb–Jan 2018–19	Feb–Jan 2017–18
EBT	-576	-285	1,759	2,149
Depreciation, amortization and impairment	419	353	1,829	1,661
Income from sale of aircraft, buildings and shares	-8	-100	-383	-1,011
Adjustment for other non-cash items, etc.	-206	2	11	206
Tax paid	-47	-42	-50	-68
Cash flow from operations before change in working capital	**-418**	**-72**	**3,166**	**2,937**
Change in working capital	-264	256	527	55
Cash flow from operating activities	**-682**	**184**	**3,693**	**2,992**
Investments including advance payments to aircraft manufacturers	-1,840	-2,022	-6,658	-7,823
Acquisition of subsidiaries	-16	0	-16	0
Sale of subsidiaries and operations	0	-3	0	1
Sale of fixed assets, etc.	-28	1,628	2,508	7,341
Cash flow before financing activities	**-2,566**	**-213**	**-473**	**2,511**
New issue	0	1,222	1	1,222
Dividend on preference shares	-26	-87	-167	-350
Redemption of preference shares	-1,112	0	-3,691	0
External financing, net	1,196	-507	2,324	-1,357
Cash flow for the period	**-2,508**	**415**	**-2,006**	**2,026**
Translation difference in cash and cash equivalents	-1	0	2	-1
Change in cash and cash equivalents according to the balance sheet	**-2,509**	**415**	**-2,004**	**2,025**
Cash flow from operating activities per common share (SEK)	-1.78	0.48	9.65	8.72

FINANCIAL KEY RATIOS

	Jan 31, 2019	Oct 31, 2018	Jan 31, 2018	Jan 31, 2017
Return on shareholders' equity, 12-month rolling	21%	22%	20%	19%
Return on invested capital (ROIC), 12-month rolling	12%	14%	14%	10%
Adjusted financial net debt/EBITDAR	3.0x	2.7x	2.9x	3.4x
Financial preparedness	33%	42%	38%	33%
Equity/assets ratio	14%	21%	27%	20%
Adjusted equity/assets ratio	9%	13%	17%	12%
Financial net debt, MSEK	2,432	-2,432	-3,668	-546
Debt/equity ratio	0.51	-0.33	-0.41	-0.09
Adjusted debt/equity ratio	5.2	2.70	1.97	3.17
Interest-coverage ratio	3.8	4.4	4.7	2.8

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.

PARENT COMPANY SAS AB

The number of common shareholders in SAS AB amounted to 60,984 at 31 January 2019. The average number of employees amounted to four (four). In December 2018, 2,101,552 preference shares were redeemed.

CONDENSED STATEMENT OF INCOME

MSEK	Q1 Nov–Jan 2018–19	Q1 Nov–Jan 2017–18
Revenue	13	8
Payroll expenses	-10	-8
Other operating expenses	-6	-4
EBIT	**-3**	**-4**
Income from participations in Group companies	0	0
Income from other securities holdings	0	0
Net financial items	-17	6
EBT	**-20**	**2**
Tax	4	0
Net income for the period	**-16**	**2**
Net income for the period attributable to:		
Parent Company shareholders	-16	2

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

CONDENSED BALANCE SHEET

MSEK	Jan 31, 2019	31 Oct 2018	Jan 31, 2018
Financial fixed assets	14,644	14,643	14,664
Other current assets	181	134	1,560
Cash and cash equivalents	1	2	0
Total assets	**14,826**	**14,779**	**16,224**
Shareholders' equity	9,227	10,329	13,055
Long-term liabilities	2,251	2,252	3,021
Current liabilities	3,348	2,198	148
Total shareholders' equity and liabilities	**14,826**	**14,779**	**16,224**

CHANGES IN SHAREHOLDERS' EQUITY

MSEK	Share capital[1]	Restricted reserves	Unrestricted equity[2]	Total shareholders' equity
Opening balance, 1 November 2018	7,732	405	2,192	10,329
Redemption of preference shares	-42	42	-1,086	-1,086
Net income for the period			-16	-16
Shareholders' equity, 31 January 2019	**7,690**	**447**	**1,090**	**9,227**

1) Number of shares: 382,582,551 (382,582,551) common shares with a quotient value of SEK 20.10 and 0 (2,101,552) preference shares with a quotient value of SEK 20.10.
2) No dividends were paid on common shares for 2017/2018.

NOTES

NOTE 1 ACCOUNTING POLICIES AND FINANCIAL STATEMENTS

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

The accounting policies follow those described in the 2017/2018 Annual Report. Preparations are ongoing for the implementation of IFRS16 , Leases. SAS Group will apply the standard starting 1 November 2019, and has an ongoing project to analyze the transition. Since 1 November 2018, SAS Group applies the new accounting standards IFRS 15, Revenue from Contracts with Customers, and IFRS 9, Financial Instruments. The table below shows the impact of the implementation of IFRS 9 and IFRS 15 on equity and other balance sheet items at the transition date of 1 November 2018. IFRS 15 is applied using the modified retrospective approach, meaning the opening balance at 1 November 2018 is adjusted to reflect the impact of IFRS 15, but the previous periods have not been restated. IFRS 9 is applied from 1 November 2018. The hedge accounting guidance is applied prospectively apart from the accounting guidance relating to changes in time value of options that is applied retrospectively meaning comparative periods have been recalculated and the opening balance per 1 November 2017 has been adjusted. The comparative figures for rolling 12 months, February 2016 - January 2017, have not been recalculated since requirements in IFRS 9 do not result in recalculation of periods before 1 November 2017. All other changes following IFRS 9 are applied retrospectively but without adjustment of comparative periods. This means that the opening balances at 1 November 2018 are adjusted to reflect the impact of IFRS 9 but the previous periods have not been restated.

IMPACT OF IFRS 9 AND IFRS 15

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

IFRS 9 — FINANCIAL INSTRUMENTS

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

Classification and measurement

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

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

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

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

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

IFRS 15 — REVENUE FROM CONTRACTS WITH CUSTOMERS

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

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

The only change identified relates to rebooking fees that, under IAS 18, was recognized as income when the rebooking took place. In the new guidance this fee is a contract modification that is recognized when the ticket is used. This means that revenue is recorded later than in the previous standards. At the date of transition unearned transportation revenue increased with MSEK 21, with a corresponding reduction of equity with MSEK 16, net of tax.
As a result of IFRS 15 the net income for the period is 0,1 MSEK lower than it would have been if SAS would have continued with IAS 18 and IAS 11.

IFRS 16 — LEASES

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

SAS Group continues to analyze the effects of IFRS 16 on the financial statements. The standard is expected to have a material impact on SAS' financial reporting, since the Group has significant leasing commitments for, inter alia, aircraft, premises and ground equipment. The standard enters force on 1 January 2019 and was adopted by the EU in November 2017. SAS will apply the standard for the fiscal year starting 1 November 2019.

NOTE 2 REVENUE

	Q1	Q1	Rolling 12 months	Rolling 12 months
	Nov–Jan 2018–19	Nov–Jan 2017–18	Feb–Jan 2018–19	Feb–Jan 2017–18
Passenger revenue	7,110	6,749	34,438	32,514
Charter	227	192	1,992	1,920
Freight and mail	430	420	1,642	1,517
Other traffic revenue	625	546	2,780	2,486
Other operating revenue	1,142	1,071	4,422	4,238
Total	**9,534**	**8,978**	**45,274**	**42,675**

GEOGRAPHICAL BREAKDOWN

	Domestic		Intra-Scandinavian		Europe		Intercontinental		Total	
	Nov–Jan 2018–19	Share[1]	Nov–Jan 2018–19	Share[1]	Nov–Jan 2018–19	Share[1]	Nov–Jan 2018–19	Share[1]	Nov–Jan 2018–19	Share[2]
Passenger revenue	2,143	30%	811	11%	2,317	33%	1,839	26%	7,110	85%
Freight and mail revenue	2	0%	2	0%	15	3%	411	97%	430	5%
Charter revenue	0	0%	0	0%	227	100%	0	0%	227	3%
Other traffic revenue	188	30%	71	11%	204	33%	162	26%	625	7%
Total traffic revenue	**2,333**	**28%**	**884**	**10%**	**2,763**	**33%**	**2,412**	**29%**	**8,392**	**100%**

1) Share of revenue category.
2) Share of total traffic revenue.

	Denmark		Norway		Sweden		Europe		Other countries		Total	
	Nov–Jan 2018–19	Share	Nov–Jan 2018–19	Share	Nov–Jan 2018–19	Share	Nov–Jan 2018–19	Share	Nov–Jan 2018–19	Share	Nov–Jan 2018–19	Share
Other operating revenue	**175**	**15%**	**350**	**31%**	**226**	**20%**	**217**	**19%**	**174**	**15%**	**1,142**	**100%**

NOTE 3 OTHER OPERATING EXPENSES

	Q1	Q1	Rolling 12 months	Rolling 12 months
	Nov–Jan 2018–19	Nov–Jan 2017–18	Feb–Jan 2018–19	Feb–Jan 2017–18
Sales and distribution costs	-626	-565	-2,644	-2,424
Jet fuel	-1,961	-1,570	-8,385	-6,812
Government user fees	-916	-921	-4,154	-4,213
Catering costs	-262	-267	-1,258	-1,103
Handling costs	-660	-603	-2,720	-2,646
Technical aircraft maintenance	-682	-693	-2,886	-3,353
Computer and telecommunication costs	-404	-364	-1,594	-1,567
Wet-lease costs	-309	-261	-1,331	-1,203
Other	-567	-627	-3,882	-3,922
Total	**-6,387**	**-5,871**	**-28,854**	**-27,243**

NOTE 4 QUARTERLY BREAKDOWN

STATEMENT OF INCOME

MSEK	2016–17					2017–18					2018–19
	Q1	Q2	Q3	Q4	Full-year	Q1	Q2	Q3	Q4	Full-year	Q1
	Nov–Jan	Feb–Apr	May–Jul	Aug–Oct	Nov–Oct	Nov–Jan	Feb–Apr	May–Jul	Aug–Oct	Nov–Oct	Nov–Jan
Revenue	8,957	9,843	12,210	11,644	42,654	8,978	9,916	13,146	12,678	44,718	9,534
Payroll expenses	-2,421	-2,302	-2,293	-2,189	-9,205	-2,268	-2,355	-2,385	-2,433	-9,441	-2,401
Other operating expenses	-6,105	-7,188	-6,778	-7,418	-27,489	-5,871	-6,835	-7,431	-8,201	-28,338	-6,387
Leasing costs for aircraft	-733	-801	-808	-774	-3,116	-760	-765	-814	-817	-3,156	-787
Depreciation, amortization and impairment	-327	-388	-343	-577	-1,635	-353	-374	-404	-632	-1,763	-419
Share of income in affiliated companies	-11	3	-4	16	4	-9	-8	29	23	35	-9
Income from the sale of shares in subsidiaries, affiliated companies and operations	-21	0	0	0	-21	-4	0	0	0	-4	0
Income from the sale of aircraft, buildings and slot pairs	84	723	110	78	995	104	47	26	302	479	8
EBIT	**-577**	**-110**	**2,094**	**780**	**2,187**	**-183**	**-374**	**2,167**	**920**	**2,530**	**-461**
Income from other securities holdings	0	1	0	0	1	0	0	0	0	0	0
Financial revenue	41	43	29	35	148	34	30	34	31	129	44
Financial expenses	-161	-142	-150	-158	-611	-136	-144	-167	-162	-609	-159
EBT	**-697**	**-208**	**1,973**	**657**	**1,725**	**-285**	**-488**	**2,034**	**789**	**2,050**	**-576**
Tax	141	-112	-438	-167	-576	36	139	-464	-166	-455	107
Net income for the period	**-556**	**-320**	**1,535**	**490**	**1,149**	**-249**	**-349**	**1,570**	**623**	**1,595**	**-469**
Attributable to:											
Parent Company shareholders	-556	-320	1,535	490	1,149	-249	-349	1,570	623	1,595	-469
Non-controlling interests	0	0	0	0	0	0	0	0	0	0	0

EARNINGS-RELATED KEY RATIOS AND AVERAGE NUMBER OF EMPLOYEES

MSEK	Q1	Q1	Q2	Q2	Q3	Q3	Q4	Q4	Rolling 12 months	Rolling 12 months
	Nov–Jan 2018–19	Nov–Jan 2017–18	Feb–Apr 2018	Feb–Apr 2017	May–Jul 2018	May–Jul 2017	Aug–Oct 2018	Aug–Oct 2017	Feb–Jan 2018–19	Feb–Jan 2017–18
Revenue	9,534	8,978	9,916	9,843	13,146	12,210	12,678	11,644	45,274	42,675
EBITDAR	746	839	726	353	3,330	3,139	2,044	2,037	6,846	6,380
EBITDAR margin	7.8%	9.3%	7.3%	3.6%	25.3%	25.7%	16.1%	17.5%	15.1%	15.0%
EBIT	-461	-183	-374	-110	2,167	2,094	920	780	2,252	2,593
EBIT margin	-4.8%	-2.0%	-3.8%	-1.1%	16.5%	17.1%	7.3%	6.7%	5.0%	6.1%
Earnings before tax and nonrecurring items	-724	-385	-309	-259	2,008	1,863	822	1,054	1,797	2,285
EBT	-576	-285	-488	-208	2,034	1,973	789	657	1,759	2,149
Net income for the period	-469	-249	-349	-320	1,570	1,535	623	490	1,375	1,466
Earnings per common share (SEK)	-1.25	-0.88	-1.00	-1.23	4.03	4.39	1.56	1.22	3.35	3.25
Cash flow before financing activities	-2,566	-213	1,238	1,799	197	452	658	473	-473	2,511
Average number of employees (FTE)	10,292	9,929	9,990	10,155	10,332	10,404	10,334	10,199	10,237	10,172

NOTE 5 FINANCIAL ASSETS AND LIABILITIES

FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES

	Jan 31, 2019			Oct 31, 2018	
MSEK	Carrying amount	Fair value		Carrying amount	Fair value
Financial assets					
Hedged derivatives at fair value	149	149	Financial assets at fair value	636	636
Financial assets FVTPL	19	19	Financial assets held for trading	3,641	3,641
Financial assets at amortized cost	11,110	11,110	Other assets	10,057	10,049
Total	**11,278**	**11,278**		**14,334**	**14,326**
Financial liabilities					
Hedged derivatives at fair value	655	655	Financial liabilities at fair value	141	141
Financial liabilities FVTPL	16	16	Financial liabilities held for trading	29	29
Financial liabilities at amortized cost	12,493	11,947	Financial liabilities at amortized cost	11,675	10,977
Total	**13,164**	**12,618**		**11,845**	**11,147**

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

	Jan 31, 2019				Oct 31, 2018		
MSEK	Level 1	Level 2	Total		Level 1	Level 2	Total
Financial assets							
Hedged derivatives at fair value	-	149	149	Financial assets at fair value	-	636	636
Financial assets FVTPL	-	19	19	Financial assets held for trading	287	3,354	3,641
Total	-	**168**	**168**		**287**	**3,990**	**4,277**
Financial liabilities							
Hedged derivatives at fair value	-	655	655	Financial liabilities at fair value	-	141	141
Financial liabilities FVTPL	-	16	16	Financial liabilities held for trading	-	29	29
Total	-	**671**	**671**		-	**170**	**170**

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, February 27, 2019

Carsten Dilling
Chairman of the Board

Dag Mejdell Vice Chairman	Monica Caneman Board member	Lars-Johan Jarnheimer Board member
Oscar Stege Unger Board member	Liv Fiksdahl Board member	Sanna Suvanto-Harsaae Board member
Endre Røros Board member	Cecilia van der Meulen Board member	Janne Wegeberg Board member

Rickard Gustafson
President and CEO

This interim report is unaudited

TRAFFIC DATA INFORMATION

SCHEDULED PASSENGER TRAFFIC

	Nov–Jan 2018–19	Nov–Jan 2017–18	Year-on-year change
Number of passengers (000)	6,033	6,023	+0.2%
RPK, Revenue Passenger Kilometers (mill)	7,219	7,210	+0.1%
ASK, Available Seat Kilometers (mill)	10,673	10,733	-0.6%
Load factor	67.6%	67.2%	+0.5[1]
Passenger yield, currency-adjusted	0.98	0.97	+1.0%
Passenger yield, nominal	0.98	0.94	+5.2%
Unit revenue, PASK, currency-adjusted	0.67	0.65	+1.7%
Unit revenue, PASK, nominal	0.67	0.63	+5.9%
RASK, currency adjusted	0.75	0.74	+1.8%
RASK, nominal	0.75	0.71	+6.0%

1) Figures given in percentage points

TOTAL TRAFFIC (SCHEDULED AND CHARTER TRAFFIC)

	Nov–Jan 2018–19	Nov–Jan 2017–18	Year-on-year change
Number of passengers (000)	6,165	6,141	+0.4%
RPK, Revenue Passenger Kilometers (mill)	7,661	7,592	+0.9%
ASK, Available Seat Kilometers (mill)	11,155	11,139	+0.1%
Load factor	68.7%	68.2%	+0.5[1]
Unit cost, CASK, currency-adjusted	-0.83	-0.80	+3.5%
Unit cost, CASK, nominal incl. nonrecurring items	-0.79	-0.73	+8.0%
Unit cost, CASK, excluding jet fuel, currency-adjusted	-0.65	-0.64	+0.8%
Unit cost, CASK, excluding jet fuel, nominal incl. nonrecurring items	-0.62	-0.59	+4.1%

1) Figures given in percentage points

SCHEDULED TRAFFIC TREND FOR SAS BY ROUTE SECTOR

	Nov–Jan 2018–19 vs. Nov–Jan 2017–18	
	Traffic (RPK)	Capacity (ASK)
Intercontinental	1.8%	-3.1%
Europe/Intra-Scandinavia	-2.0%	0.1%
Domestic	1.7%	3.4%

PRODUCTIVITY AND ENVIRONMENTAL EFFICIENCY

12-month rolling	January, 2019	January, 2018	Year-on-year change
Aircraft, block hours/day	9.5	9.6	-0.8%
Cabin crew, block hours/year	764	782	-1.0%
Pilots, block hours/year	680	687	-2.4%

Environmental efficiency	Nov–Jan 2018–19	Nov–Jan 2017–18	Year-on-year change
CO_2 emissions per passenger kilometer, grams	104.7	104.9	-0.2%

AIRCRAFT FLEET

THE SAS AIRCRAFT FLEET AT JANUARY 31, 2019

SAS Group Aircraft Fleet	Age	Owned	Leased	Wet Lease	Total	SAS Scandinavia	SAS Ireland	Wet Lease	In SAS Group Traffic	Firm Order Purchase	Firm Order Lease
Airbus A330/340/350	13.6	11	5		16	16			16	9	
Airbus A320 family	7.3	14	33		47	38	9		47	41	18
Boeing 737NG	14.8	25	37		62	62			62		
Bombardier CRJ	2.0			24	24			24	24		
ATR-72	3.9			9	9			9	9		
Total	**9.9**	**50**	**75**	**33**	**158**	**116**	**9**	**33**	**158**	**50**	**18**

Aircraft to be phased out	Age	Owned	Leased	Total
Bombardier Q400	11.1	1		1
Total	**11.1**	**1**		**1**

Aircraft on firm order 2019-2023 at 31 January 2019	FY19	FY20	FY21	FY22	FY23
Airbus A320neo	11	10	3	17	15
A321 LR		2	1		
Airbus A330	1				
Airbus A350		4	4		
Total	**12**	**16**	**8**	**17**	**15**

DEFINITIONS & CONCEPTS

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

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

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

Adjusted debt/equity ratio — The net of financial net debt plus capitalized leasing costs (x7) in relation to equity.

Adjusted equity/assets ratio — The net of equity in relation to total assets plus capitalized leasing costs (x7).

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

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

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

Capitalized leasing costs (×7) — The net annual operating lease costs for aircraft multiplied by seven.

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

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 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 — Earnings before tax.

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

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

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

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

FTE — Number of employees, full time equivalents.

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

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

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

PASK, Unit revenue — Passenger revenue/ASK (scheduled).

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

RASK — Total traffic revenue/total ASK (scheduled+charter).

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.

RPK, Revenue passenger kilometers — Number of paying passengers multiplied by the distance they are 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 less preference share capital in relation to the total number of common shares outstanding on the balance-sheet date.

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

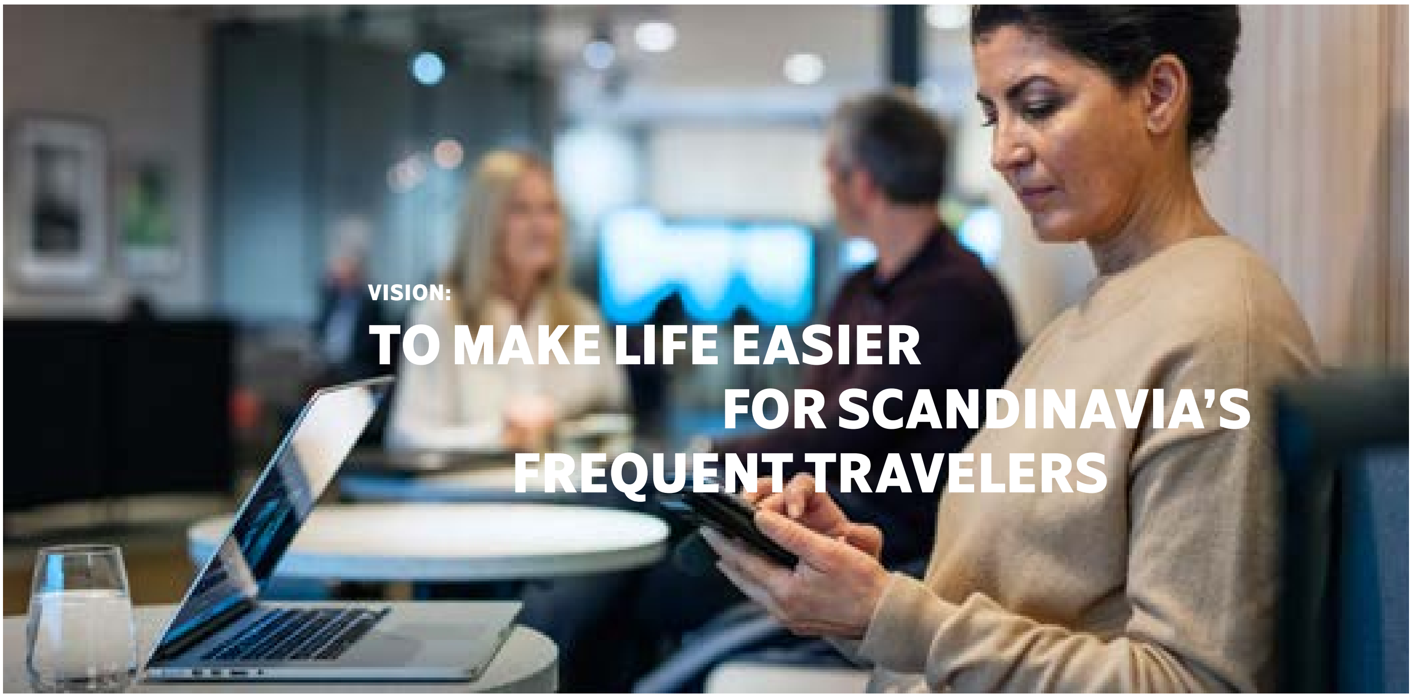
Working capital — The total of non-interest-bearing current assets and non-interest-bearing financial fixed assets excluding equity in affiliated companies and other securities holdings less non-interest-bearing liabilities.

Yield — Passenger revenue divided by RPK (scheduled).

A more detailed list of definitions & concepts is available at www.sasgroup.net under Investor Relations/Financial data/Financial definitions.

SAS flies more than 30 million passengers each year and is Scandinavia's leading airline with more than 800 flights per day on 288 routes serving 125 destinations in Scandinavia, Europe, the US and Asia. SAS is a member of Star Alliance™ and together with 27 other partner airlines is able to offer over more than 18,800 daily departures to around 1,300 destinations in 193 countries. In addition to airline operations, activities at SAS include ground handling services, technical maintenance and air cargo services.

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 TARGETS

RETURN ON INVESTED CAPITAL (ROIC)

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

ADJUSTED FINANCIAL NET DEBT/EBITDAR

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

FINANCIAL PREPAREDNESS

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

STRATEGY

WIN SCANDINAVIA'S FREQUENT TRAVELERS

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

CREATE AN EFFICIENT AND SUSTAINABLE OPERATING MODEL

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

SECURE THE RIGHT CAPABILITIES

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

FINANCIAL CALENDAR

13 March 2019 - Annual General Shareholders' Meeting
28 May 2019 - Q2 Interim Report February 2019–April 2019
27 August 2019 - Q3 Interim Report May 2019–July 2019
5 December 2019 - Year-end report November 2018–October 2019

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

Contact

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