



**FAST TRACK  
TO EXCELLENCE**

**SAS**  
SAS Group

**SAS Group Q1 2012/13**  
March 8, 2013

**4XNG**  
NEXT GENERATION



**Q1 – Highlights**

**SAS**  
SAS Group

- Seasonally weak Q1: EBT of MSEK -823
- Positive revenue development
- Launch of new competitive restructuring program that secured future financing
- New collective bargain agreements start to take effect
  - Unit cost down 2.7%, 6.9% in Jan Y/Y
- Disposal of assets (Feb-Mar) – important milestones achieved
- New pension terms
  - Significant reduction of exposure
  - Reduced negative equity impact

**4EXCELLENCE**  
NEXT GENERATION

## Significant restructuring plan initiated in November 2012



<i>Initiatives</i>	<b>Main purpose</b>		
	Cost	Flexibility	Cash/Equity
 <b>New agreements for flying crew &amp; maintenance personnel</b>	✓	✓	
 <b>New pension schemes</b>	✓		✓
 <b>Admin centralization &amp; FTE reduction</b>	✓		
 <b>Outsourcing of ground handling &amp; call centers</b>		✓	✓
 <b>IT restructuring</b>	✓	✓	
 <b>Divestments</b>			✓
<b>TOTAL EFFECT, SEK bn</b>	<b>3</b>		<b>3/3</b>

## Tangible progress accomplished



<i>Initiatives</i>	<i>Progress</i>
 <b>New agreements for flying crew &amp; maintenance personnel</b>	<ul style="list-style-type: none"> <li>• Compensation effective as of Dec 12</li> <li>• New schedules effective as of Mar 13</li> </ul>
 <b>New pension schemes</b>	<ul style="list-style-type: none"> <li>• Agreements in place, to be implemented throughout 2013</li> </ul>
 <b>Admin centralization &amp; FTE reduction</b>	<ul style="list-style-type: none"> <li>• Majority of 1,000 FTE reduction to be completed before end of FY2012/13</li> <li>• OCC centralized to Stockholm</li> </ul>
 <b>Outsourcing of ground handling &amp; call centers</b>	<ul style="list-style-type: none"> <li>• Call Centers – Agreement signed with Sykes</li> <li>• Ground Handling – LOI signed with Swissport</li> </ul>
 <b>IT restructuring</b>	<ul style="list-style-type: none"> <li>• Tendering process initiated – to be completed in spring 2013</li> </ul>
 <b>Divestments</b>	<ul style="list-style-type: none"> <li>• Widerøe sales process initiated</li> <li>• Engine transaction completed</li> </ul>

## New operating platform enables growth initiatives



- Capacity to be increased by 5-6% by the Group during FY 2012/13
  - 45 new routes will be opened in 2013
  - Intercontinental – San Francisco
  - 17 regional from Norway, 9 from Denmark, 11 from Sweden and 7 from Finland
- Renewing lounges and fast track
- Launching new partner programs with Singapore Airline and Thai Airways
- 19 aircraft on leasing terms to replace MD80 and Boeing 737 Classic



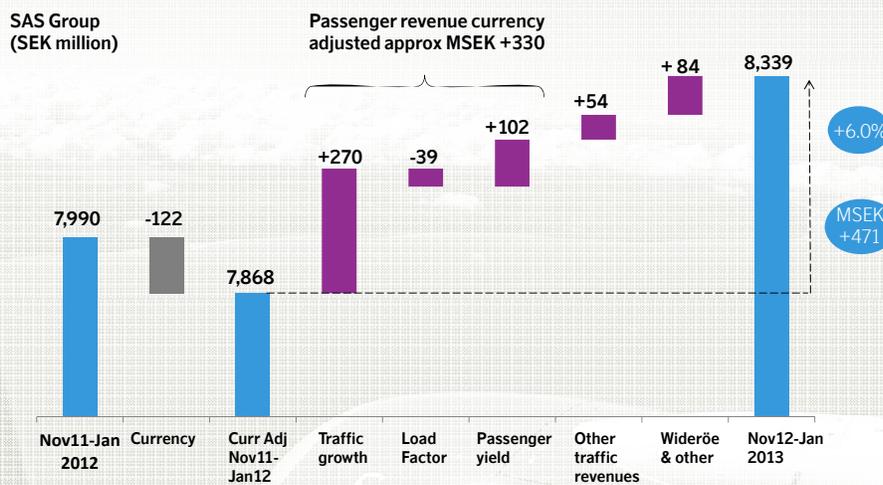
**GÖRAN JANSSON**  
**CFO**

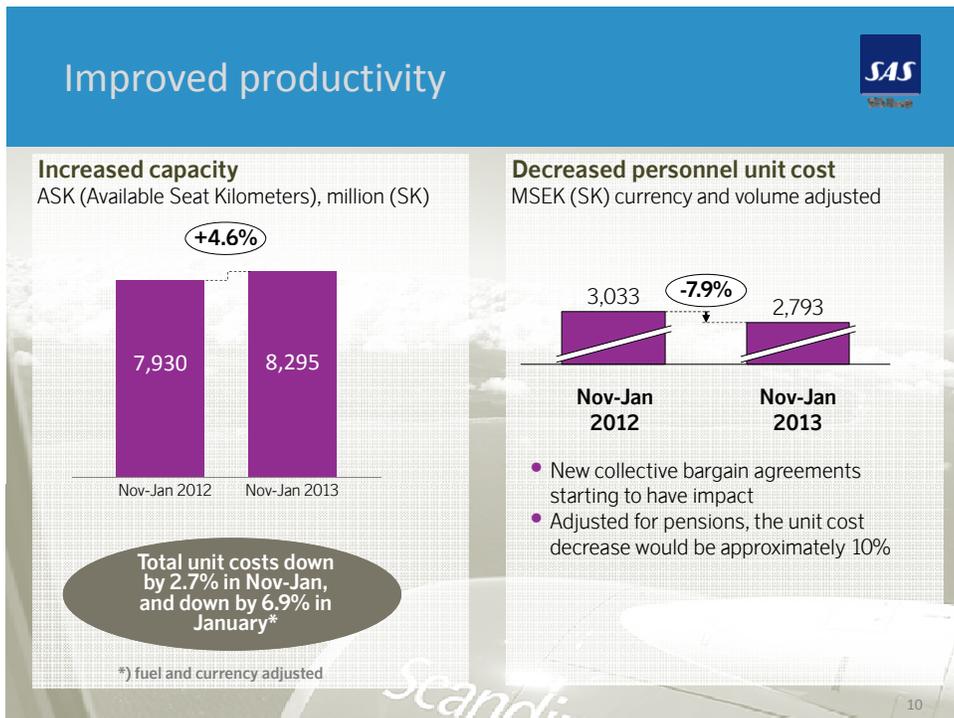
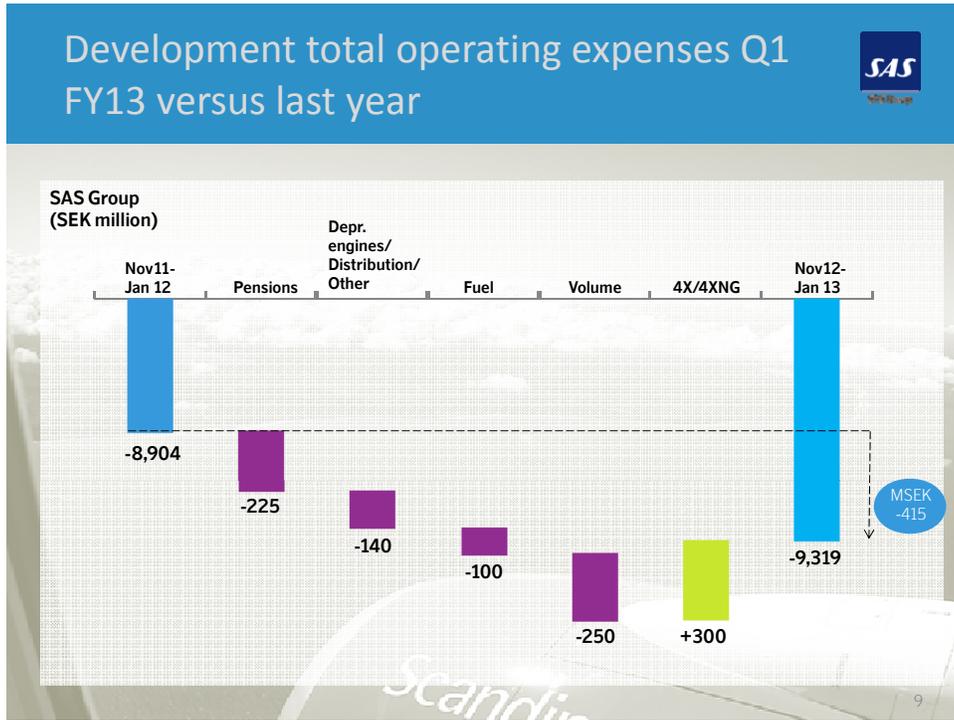
## Seasonally weak Q1 in line with expectations

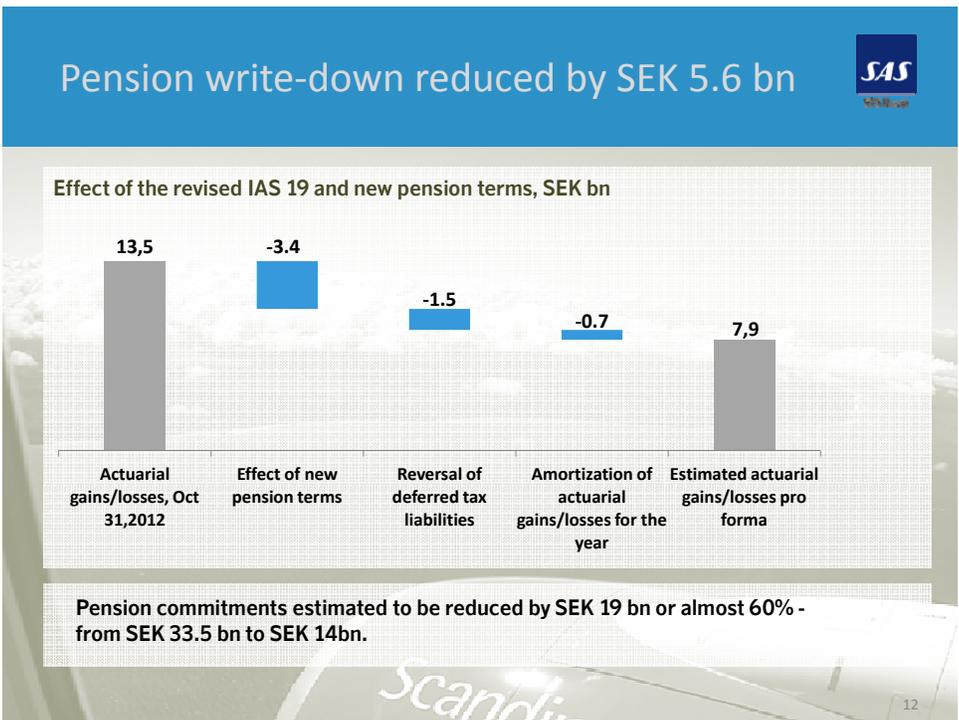
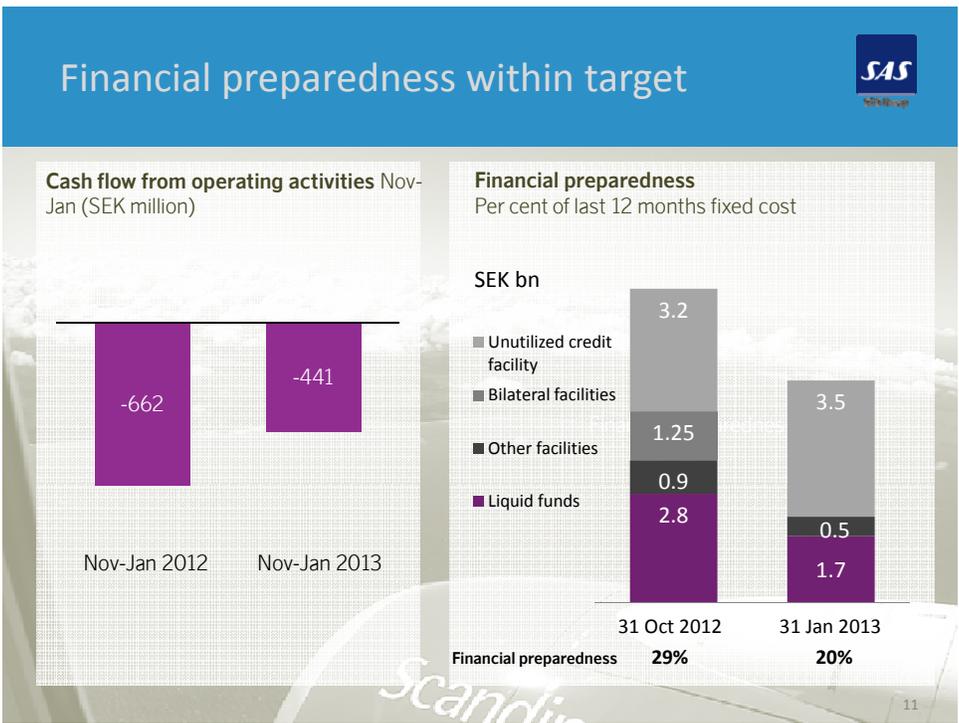


(MSEK)	Nov-Jan 2013	Share of revenue	Nov-Jan 2012	Share of revenue	Change (pp)
<b>Total operating revenue</b>	<b>9,597</b>		<b>9,299</b>		
Payroll expenses	- 3,201	33.4%	- 3,171	34.1%	-0.7
Fuel	- 2,038	21.2%	- 1,932	20.8%	+0.4
Government charges	- 954	9.9%	- 926	10.0%	-0.1
Other operating expenses	- 3,126	32.6%	- 2,875	30.9%	+1.7
<b>Total operating expenses</b>	<b>- 9,319</b>	<b>97.1%</b>	<b>- 8,904</b>	<b>95.8%</b>	<b>+1.3</b>
<b>EBITDAR before non-recurring items</b>	<b>278</b>	<b>2.9%</b>	<b>395</b>	<b>4.2%</b>	<b>-1.3</b>
Leasing costs, aircraft	- 397	4.2%	- 400	4.3%	-0.1
Depreciation	- 426	4.4%	- 400	4.3%	+0.1
Share of income in affiliated companies	- 13	0.1%	- 11	0.1%	+0.0
<b>EBIT before non-recurring items</b>	<b>- 558</b>	<b>-5.8%</b>	<b>- 416</b>	<b>-4.5%</b>	
Financial items	- 243	2.5%	- 240	2.6%	-0.1
<b>EBT before non-recurring items</b>	<b>- 801</b>		<b>- 656</b>		
Non-recurring items	- 22		- 2,030		
<b>EBT</b>	<b>- 823</b>		<b>- 2,686</b>		

## Passenger revenue up 6% during Q1







## Delivering according to plan

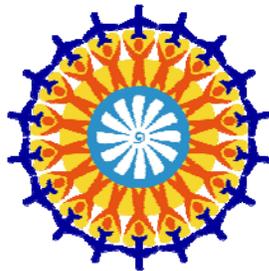


- Measures taken to
  - Secure competitive cost structure
  - Improve financial preparedness
- Important milestones achieved regarding assets disposals
- New initiatives to capture growth opportunities
- Target remains firm: Positive EBIT-margin of >3% and a positive EBT for the full year



Thank you!





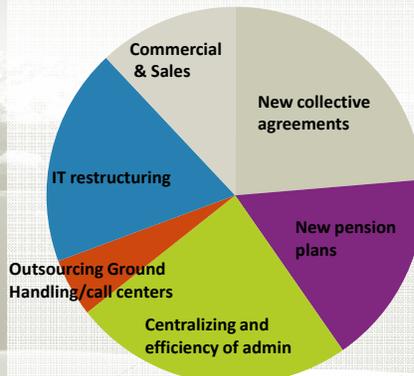
# 4EXCELLENCE

NEXT GENERATION

## Implementation of 4Excellence Next Generation to reduce total costs by SEK 3 bn



- New collective agreements
  - New planning schedules implemented in Q2
- New pension plans
  - To be gradually implemented until year end
- Significant cost saving expected from tendering IT services
- About half of FTE reductions to be implemented before the summer within admin
- Outsourcing initiative to reduce fixed cost base



Scandinavian

## We are on plan to deliver 50% of the financial effects in the current fiscal year



### Incremental EBIT effects

SEK billion



## Appendices



### Fleet & productivity

- Unit revenue (yield & RASK) & Unit cost
- Traffic & capacity outlook
- Financial update
- Currency & Fuel

## Modernization of fleet well in progress



**SAS main aircraft**

**Airbus A330/340-300**  
Scandinavian Airlines



**Airbus A319/A320/A321**  
Scandinavian Airlines



**Boeing 737-600/700/800**  
Scandinavian Airlines

**SAS aircraft being phased out**

- MD80 and Boeing 737 Classic to be phased out by 2013 and 2014

**Aircraft being phased in - no capex until 2016**

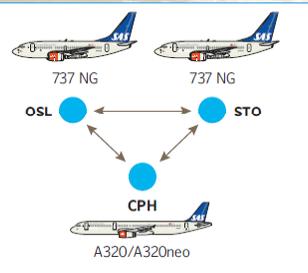
- SAS is phasing in 30 leased modern aircraft that will completely replace older generation aircraft 2012-2014

**A320 and B737 on lease**



Year	Number of Aircraft
2012	8
2013	19
2014	7
2015	0
2016	4
2017	11
2018	7
2019	8

**One aircraft type per base from 2014**



## SAS Group fleet – January 2013

Aircraft Type	Age	Owned	Leased	Total	Leased out	Order
Airbus A330/340	10.7	5	6	11	0	
Airbus A321/A320/A319	8.5	4	13	17	0	30
Boeing 737 Classic	19.7	0	10	10	0	
Boeing 737 NG	11.6	23	52	75	0	
Boeing 717	12.4	3	6	9	0	
Douglas MD-80-series	23.7	16	3	19	0	
Douglas MD-90-series	-	8	0	8	8	
Avro RJ-85	-	0	5	5	1	
deHavilland Q-series	15.0	32	10	42	0	
Bombardier CRJ900 NG	3.7	12	0	12	0	
<b>Total</b>	<b>13.0</b>	<b>103</b>	<b>105</b>	<b>208</b>	<b>9</b>	<b>30</b>

Split per Airline						
SAS	12.4			160	9	30
Wideroe	15.1			39		
Leased out aircraft				9		
<b>Total</b>				<b>208</b>	<b>9</b>	<b>30</b>

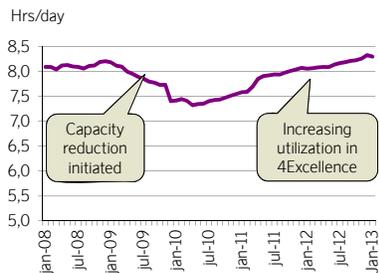
*\*In addition SAS wet leases the following Aircraft: four CRJ and one ATR for SAS in Denmark, two ATR and four S2000 for Blue1 in Finland.*

# Productivity development



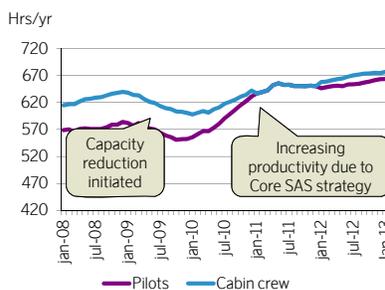
## Scandinavian Airlines

Aircraft utilization (12 months rolling)



## Scandinavian Airlines

Cabin, pilot utilization (12 months rolling)



Block hours, 12 months rolling, Jan 2013	Aircraft, hours/day	Pilots, hours/year	Cabin, hours/year
Scandinavian Airlines	8.3	664	677
Widerøe	6.8	487	492

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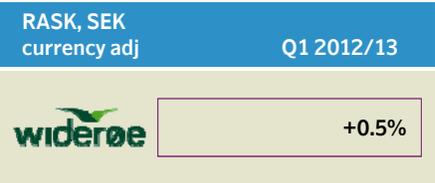
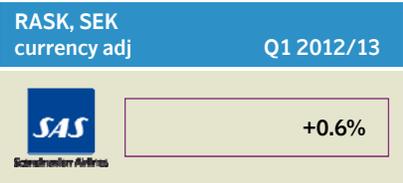
# Appendices



- Fleet & productivity
- Unit revenue (yield & RASK) & unit cost**
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## Yield and RASK development

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## Stabilizing yield, with strong load factor

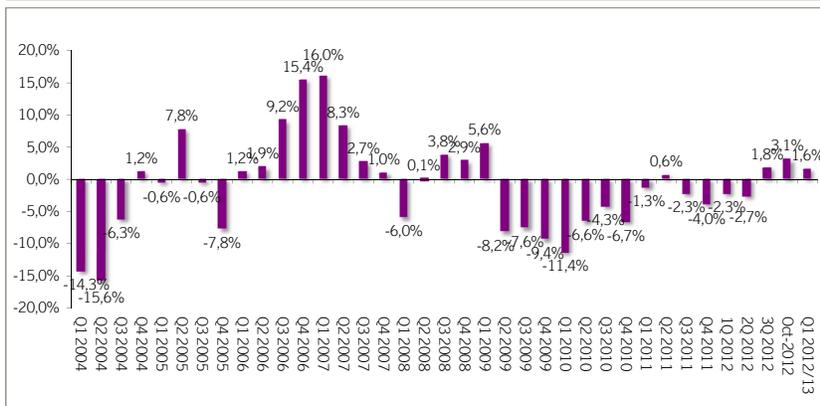



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## Quarterly yield development



Scandinavian Airlines, currency adjusted yield vs last year



Note: Including Blue1 from March 2012

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## Key drivers point in the right direction



### SAS Group

Traffic (RPK)

Passenger load factor

### Scandinavian Airlines\*

Passenger yield

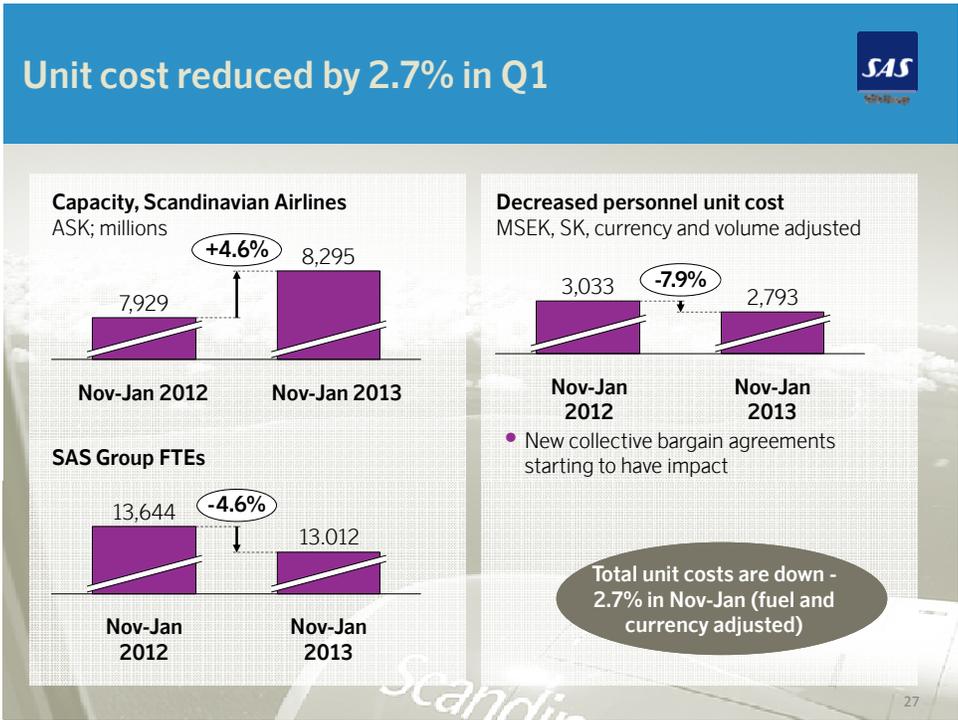
Total unit revenue (RASK)

Total unit cost (excluding fuel)

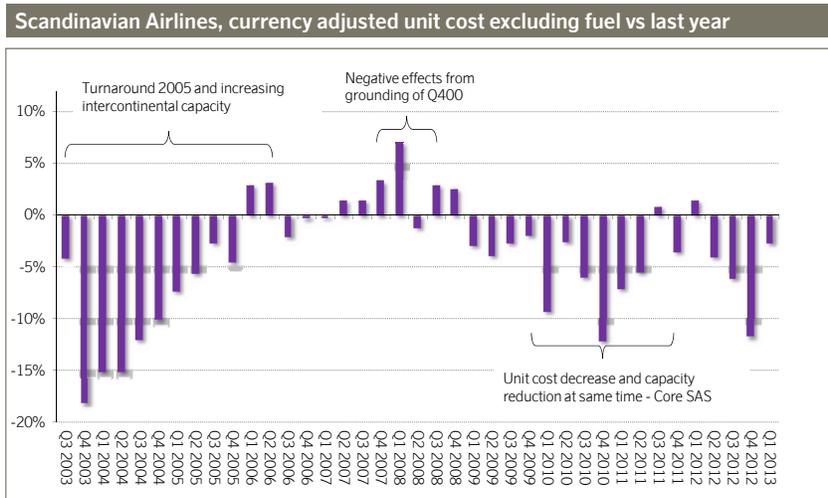
	Q1'12	Q2'12	Q3'12	OCT'12	Q1 2012/13
Traffic (RPK)	↑ +5.1%	↑ +5.9%	↑ +7.6%	↑ +5.4%	↑ +4.3%
Passenger load factor	↑ +2.0 p.u.	↑ +1.0 p.u.	↑ +1.5 p.u.	↓ -1.0 p.u.	↓ -0.3 p.u.
Passenger yield	↓ -2.3%	↓ -2.7%	↑ +1.8%	↑ +3.1%	↑ +1.6%
Total unit revenue (RASK)	↑ +1.7%	→ +0.3%	↑ +3.6%	↑ +6.0%	↑ +0.6%
Total unit cost (excluding fuel)	↑ +1.5%	↓ -4.0%	↓ -6.1%	↓ -11.8%	↓ -2.7%

\* Including Blue1 from March 2012

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## Quarterly unit cost development



Note: Including Blue1 from March 2012

## Breakdown of unit cost, Q1



### Scandinavian Airlines, SEK, currency adjusted

Unit cost breakdown	Nov 2012 – Jan 2013	Nov 2011 – Jan 2012	Var, %	Share of total var, %
Payroll expenses	-2,793	-3,033	-7.9%	-3.0%
Jet fuel	-1,927	-1,878	2.6%	0.6%
Government user fees	-872	-885	-1.4%	-0.2%
Selling and distribution costs	-576	-508	13.5%	0.8%
Handling costs	-371	-390	-4.9%	-0.2%
Technical aircraft maint.	-581	-579	0.4%	0.0%
Other operating expenses	-95	-59	-	0.4%
<b>Total operating expenses</b>	<b>-7,216</b>	<b>-7,331</b>	<b>-1.6%</b>	<b>-1.4%</b>
Leasing costs for aircraft	-387	-400	-3.3%	-0.2%
Depreciation	-383	-377	1.8%	0.1%
<b>Adjusted EBIT</b>	<b>-7,986</b>	<b>-8,108</b>	<b>-1.5%</b>	<b>-1.5%</b>

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## Appendices



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## ASK outlook for financial year 2012/13



ASK outlook for November 2012 – October 2013

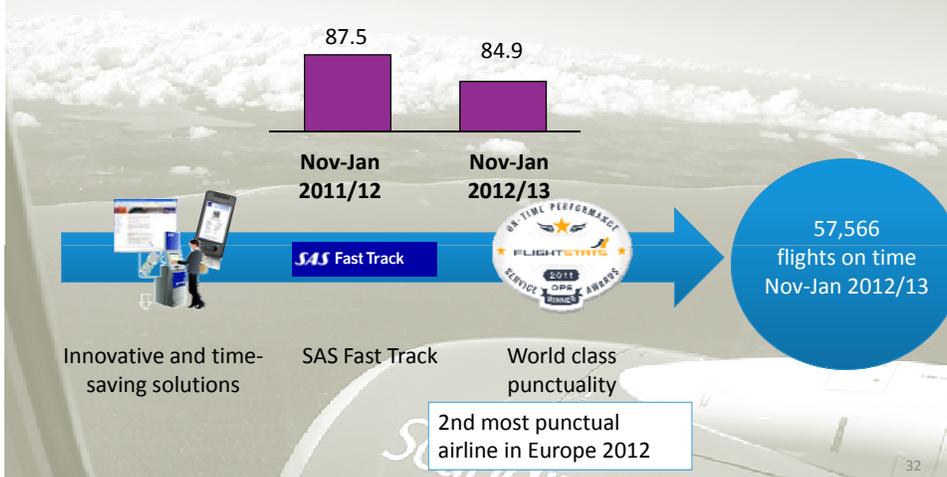
Scheduled	Financial year 2012/13 vs 2011/12
SAS Group	+5-6%
Scandinavian Airlines	+5-6%
Widerøe	6-8%

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## Strong punctuality maintained



Punctuality (15 min) Nov-Jan 2012/13 vs Nov-Jan 2011/12, %  
Scandinavian Airlines



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## Financial targets



		Long term: FY 14/15	
<b>NEW</b>	<b>Profitability</b> EBIT %	>8%	<b>1</b>
<b>NEW</b>	<b>Equity ratio</b> Equity/Assets, %	>35%	<b>2</b>
<b>NEW</b>	<b>Financial preparedness</b> Cash & unutilized credit facilities / Fixed cost	>20% (70 days)	<b>3</b>

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## Overview of available funds – January 2013



Available funds, SEK billion	Jan 2013	Maturity
<b>Liquid funds</b>	<b>1.7</b>	
<b>Undrawn portion of credit facilities</b>		
Revolving Credit Facility, SEK 3.5 bn	3.5	Mar 2015
Revolving Credit Facility, MUSD 77 (total SEK 0.6 bn)	0.0	Apr 2013
Credit Facility, MUSD 125 & 67 (total SEK 1.2 bn)	0.2	Jan 2016 & Oct
Others (MUSD 125)	0.3	Oct 2019
<b>Total undrawn credit facilities</b>	<b>4.0</b>	
<b>Total available funds</b>	<b>5.7</b>	
<b>Total credit facilities</b>	<b>6.0</b>	
<b>Drawn portion of credit facilities</b>	<b>2.0</b>	
<b>Undrawn portion of credit facilities</b>	<b>4.0</b>	

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## Description of new Revolving Credit Facility



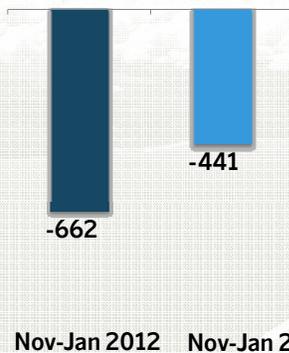
<b>Amount</b>	<ul style="list-style-type: none"> <li>New facility of SEK 3.5 billion replaces old facility of SEK 3.1 billion</li> </ul>
<b>Lenders</b>	<ul style="list-style-type: none"> <li>Seven of the existing RCF banks</li> <li>The Kingdom of Denmark, The Kingdom of Norway, The Swedish state</li> <li>KAW</li> <li>All lenders participate in credit facility pari passu</li> </ul>
<b>Prerequisite Conditions</b>	<ul style="list-style-type: none"> <li>Signed agreement with Flight Deck and Cabin Crew in accordance with the 4XNG business plan</li> <li>Projected gross savings from administration restructuring in line with 4XNG business plan</li> </ul>

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## Cash flow in Q1 2012/13



### Cash flow from operating activities MSEK



- Improved cash flow from operation
  - Up MSEK 2,109 on 12 months rolling basis
- Working capital similar with previous year's quarter
- Net investments at MSEK 175
  - Investment in aircraft of MSEK 513
- Remaining amortization until October 2013 at approximately SEK 1.1 billion

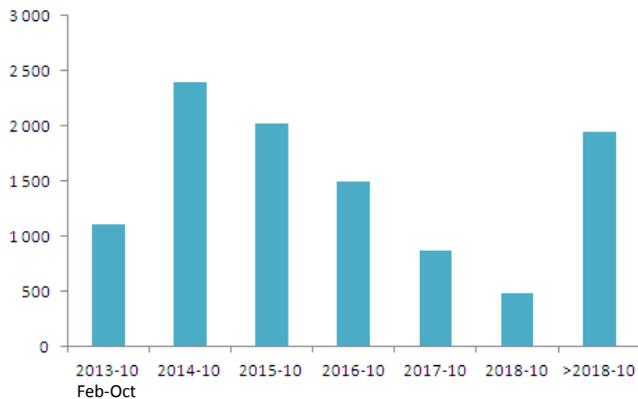
Scandinavian

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## Amortization profile

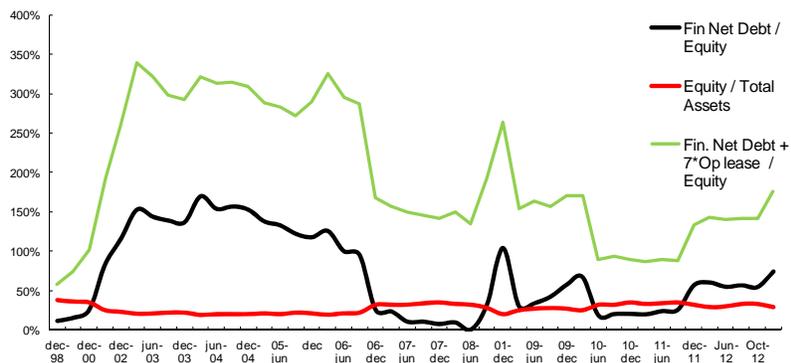


Scheduled amortization profile as of 31 January 2013, MSEK



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## Gearing ratios



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## SAS Group

Financial Net November-January



MSEK	Nov12-Jan13	Nov12-Jan13	Difference
Interest net and others	-239	-230	-9
Exchange rate differences	-4	-15	+11
<b>Financial net</b>	<b>-243</b>	<b>-245</b>	<b>-2</b>

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## Development and Break Down

Financial Net Debt

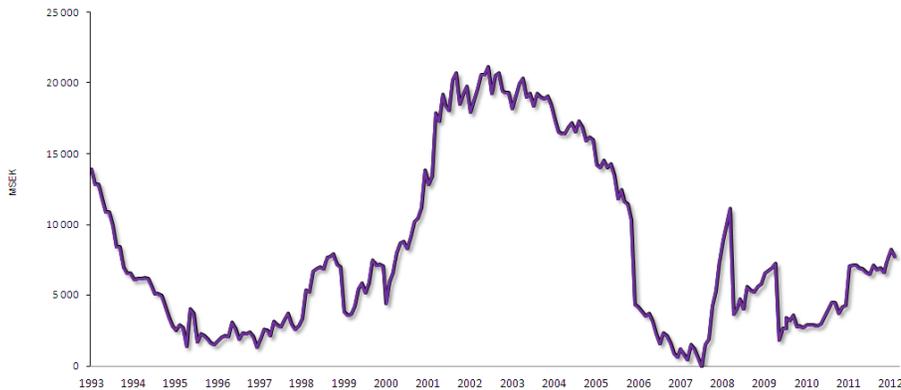


MSEK	31 Jan 2013	31 Oct 2012	Difference
Cash	1,721	2,789	-1,068
Other interest bearing assets	1,373	1,549	-176
Interest bearing liabilities	-10,854	-10,887	+33
<b>Financial net debt</b>	<b>-7,760</b>	<b>-6,549</b>	<b>-1,211</b>

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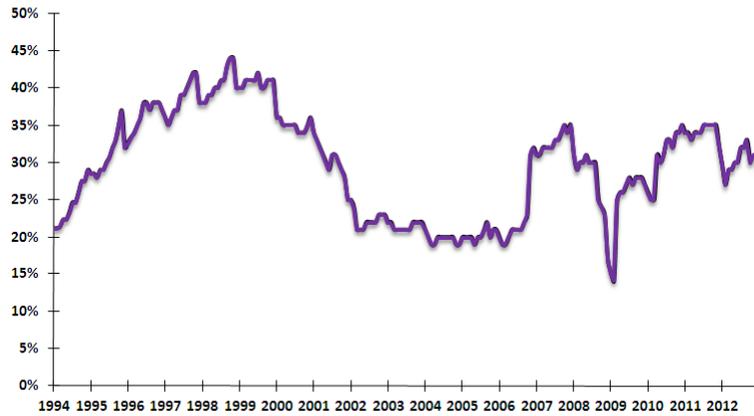
## Development of financial net debt

1993-2013

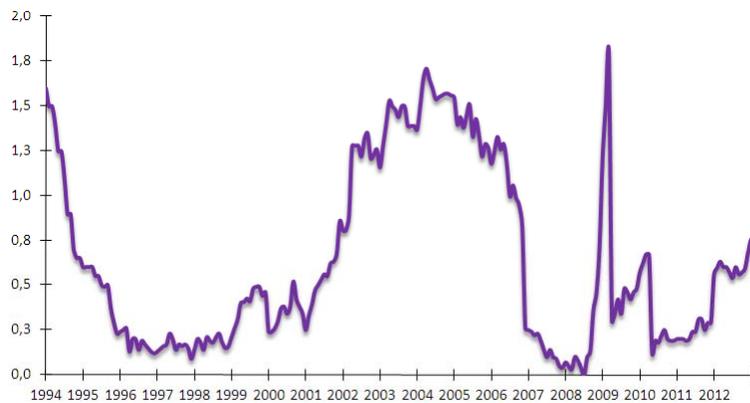
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## Equity / Assets Ratio 1993-2013



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## Financial Net Debt / Equity Ratio 1993-2013



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## Development of the financial net debt

Oct 2012-Jan2013



### SEK billion

Financial net debt October 2012	-6.5
• Investments	-0.7
• Sales	+0.1
• Cash flow from operating activities	-0.4
• Others	-0.3

**Financial net debt January 2013 -7.8**

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## Breakdown of currency effects SAS Group



Total revenues & costs currency effects		Nov 2011-Jan 2012 vs LY
Total revenues & costs	USD	55
	DKK	22
	NOK	-5
	EUR	13
	Asian currencies	-9
	All others	0
	<b>Total</b>	<b>76</b>
Forward cover costs	2011-12	90
	2012-13	-51
	<b>Difference</b>	<b>-141</b>
Working capital	2011-12	-42
	2012-13	-13
	<b>Difference</b>	<b>29</b>
Financial items	2011-12	-15
	2012-13	-4
	<b>Difference</b>	<b>11</b>
<b>Total currency effects</b>		<b>-25</b>

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## Changes in currency exchange rates

affected the result by MSEK -25 in Nov 2012-Jan 2013 vs Nov 2011- Jan 2012



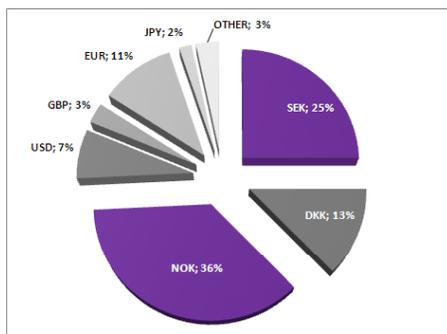
Currency effects MSEK on SAS Group 2012-13 vs 2011-12		Nov 2012-Jan 2013
<ul style="list-style-type: none"> <li>Negative impact on revenue due to the slightly stronger SEK.</li> </ul>	Total revenue	-139
	Total costs	215
<ul style="list-style-type: none"> <li>Positive impact on other operating costs due to the slightly stronger SEK.</li> </ul>	Forward cover costs & working capital	-112
	<b>Income before depreciation</b>	<b>-36</b>
	Financial items	11
	Income before tax	-25

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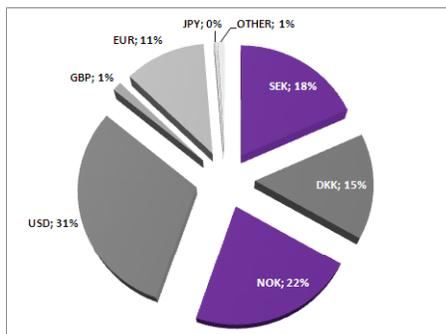
## Currency distribution in SAS Group Jan-Oct 2012



### Revenue

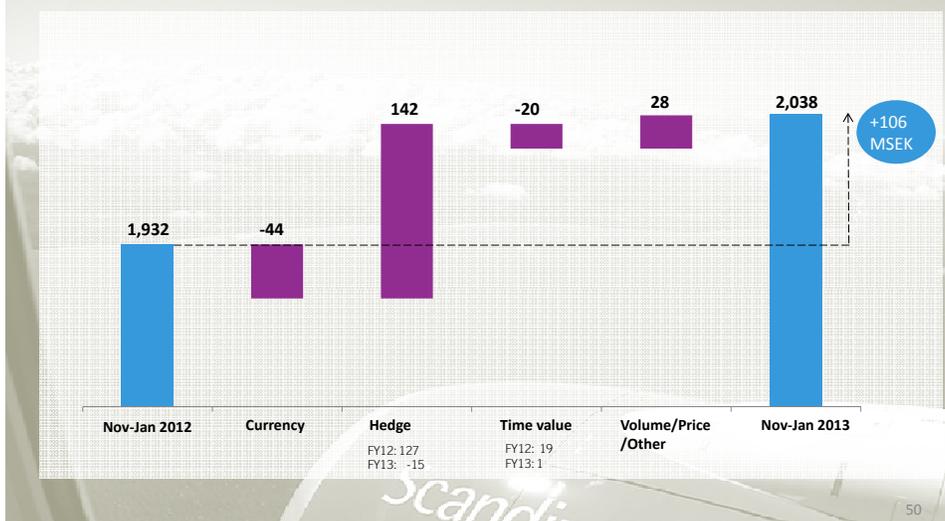


### Expenses



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## Fuel cost increase due to hedging costs and volumes



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## Jet fuel prices have stabilized at high levels



Jet fuel, spot price development, USD



### Current hedges

- 36% of the consumption hedged for next 12 months
- Approved departure from policy
- Only swaps and options

### Amended policy to offset fuel price volatility

- Hedging 40-80% of expected consumption (12 months rolling)
- Up to 18 months hedging allowed
- Yield management
- Cost initiatives

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## SAS hedging position



SAS Group's jet fuel hedging portfolio	Feb-Apr 2013	May-Jul 2013	Aug-Oct 2013	Nov-Jan 2014
Jet fuel hedging proportion	53%	55%	23%	3%

SAS Group's jet fuel costs in 2012/13 (annual average values)	5.0 SEK/USD	6.0 SEK/USD	7.0 SEK/USD	8.0 SEK/USD
Market price				
800 USD/MT	SEK 6.4 bn	SEK 7.4 bn	SEK 8.2 bn	SEK 9.1 bn
1,000 USD/MT	SEK 7.4 bn	SEK 8.4 bn	SEK 9.5 bn	SEK 10.6 bn
1,200 USD/MT	SEK 8.1 bn	SEK 9.3 bn	SEK 10.5 bn	SEK 11.7 bn
1,400 USD/MT	SEK 8.8 bn	SEK 10.1 bn	SEK 11.5 bn	SEK 12.9 bn

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