

**FAST TRACK
TO EXCELLENCE**



SAS Group

SAS Group Q3 2012/13



Strengthened SAS delivers positive result in Q3



Passenger revenues up 5.3% (FX adjusted)

- 32 new routes introduced
- Capacity up 7.7%
- Traffic up 5.6%
- Yield down 0.6%

Restructuring drives improvement

- Operating expenses down 5% while capacity is up 7.7%
- Unit cost down 5,8% (ex fuel)

EBT MSEK 1 120

- EBT before non-recurring items doubled to MSEK 973

Decision taken to renew fleet

Restructuring status

Cost and efficiency



Pension switch over



Financial preparedness



European aviation - an industry in transition



Weak profitability amongst European airlines

- Competition continues to be intense
- High LCC penetration

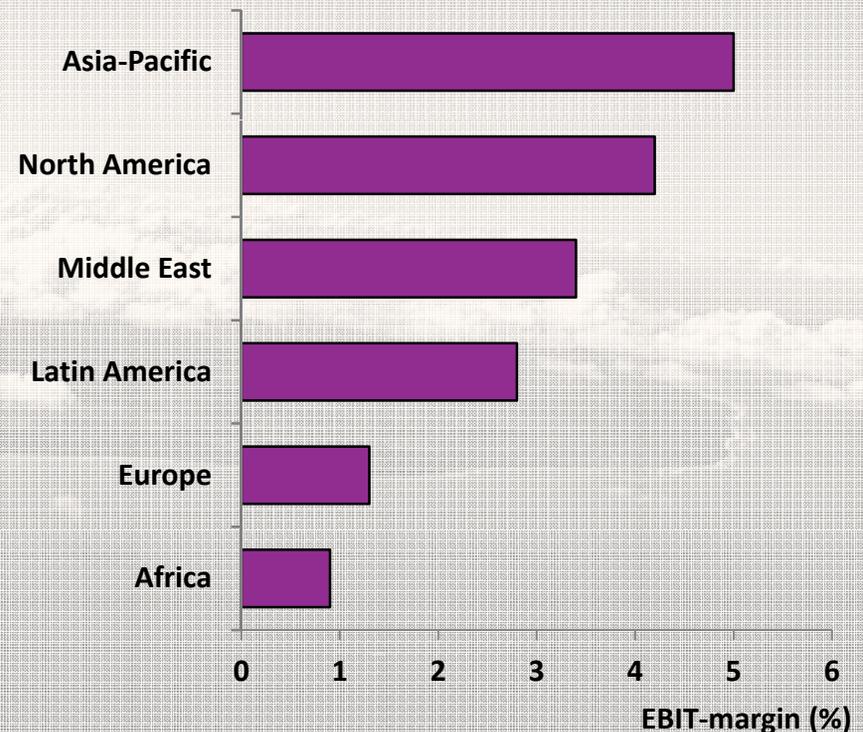
European legacy carriers forced to respond

- Implementation of efficiency measures
- Capacity reductions
- Establishing own LCC subsidiaries to defend position

Sign of convergence of service models in Europe

- Enforced 'lowest price' corporate travel policies enables LCC's to target business passengers
- Airlines need to differentiate above pricing

Airlines EBIT-margins, 2013



Source: IATA

SAS strategic priorities



Objective



SAS

A viable, profitable and sustainable airline connecting Scandinavia and the world

Strategic priorities

Establish an efficient operating platform

Be the natural choice for Scandinavian frequent travellers

Invest to stay competitive

Q3 - deliverables

Improved cost structure, efficiency and financial preparedness

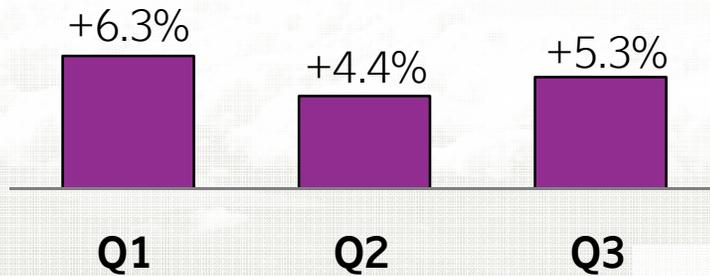
Optimized summer program and enhanced offering

Secured a competitive fleet "roadmap"

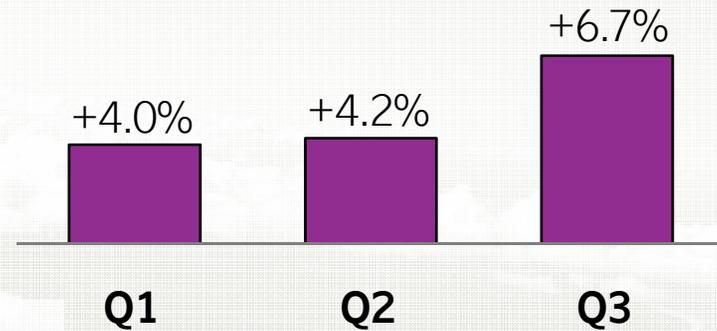
Improved cost structure and efficiency



Increased passenger revenues
vs last year, SAS Group, FX adjusted



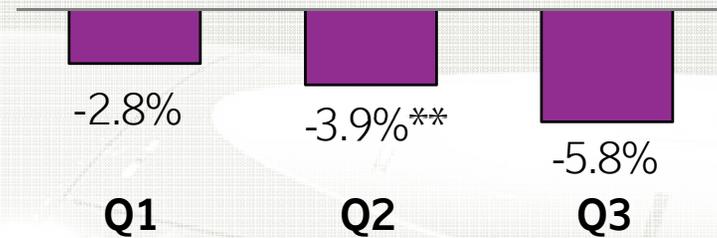
Increased Aircraft utilization
A/C utilization vs. LY



Operating expenditure*
vs last year, SAS Group



Unit cost decreasing
FX & Fuel adjusted unit cost vs. LY



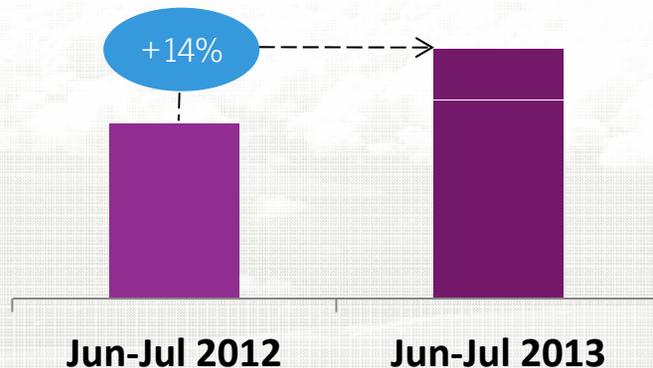
*Excluding non-recurring items

** Excludes MSEK 450 in reduced pension costs

Optimized summer program tailored to frequent Scandinavian Travellers

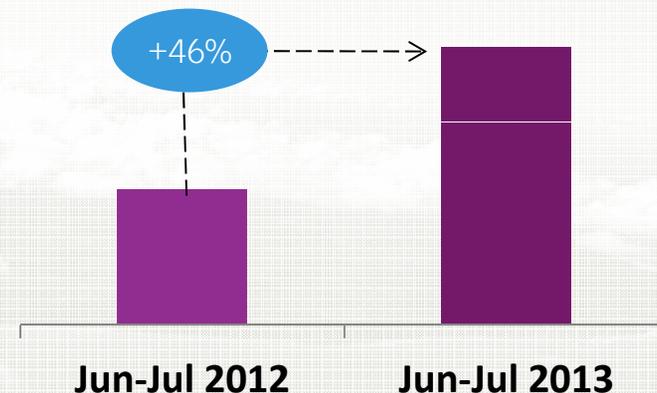


Increased capacity (European routes)



- 32 new routes during summer
- Traffic up 11% on European routes in June-July
- More frequencies to USA and introduction of San Francisco

Increased share of EuroBonus customers



- Introduction of SAS Go and Plus
- ~100,000 more passengers in Q3
- Yield down as expected but passenger revenues up 5.3% in Q3

Scandi

Secured a competitive fleet “roadmap”



Renewal of long haul fleet

- 4 A330-300E and 8 A350-900
- First delivery in 2015



Renewal of short haul fleet

- 30 A320neo with first delivery in 2016
- MD80 fully replaced (by B737NG/A320) already in October 2013



Cabin upgrade on existing fleet

- **Long haul:** New IFE-system and new seats (incl. fully flat business seats)
- **Short haul:** New seats for improved comfort and enhanced fuel efficiency

Scandi

GÖRAN JANSSON

CFO

Restructuring program delivers improved margins



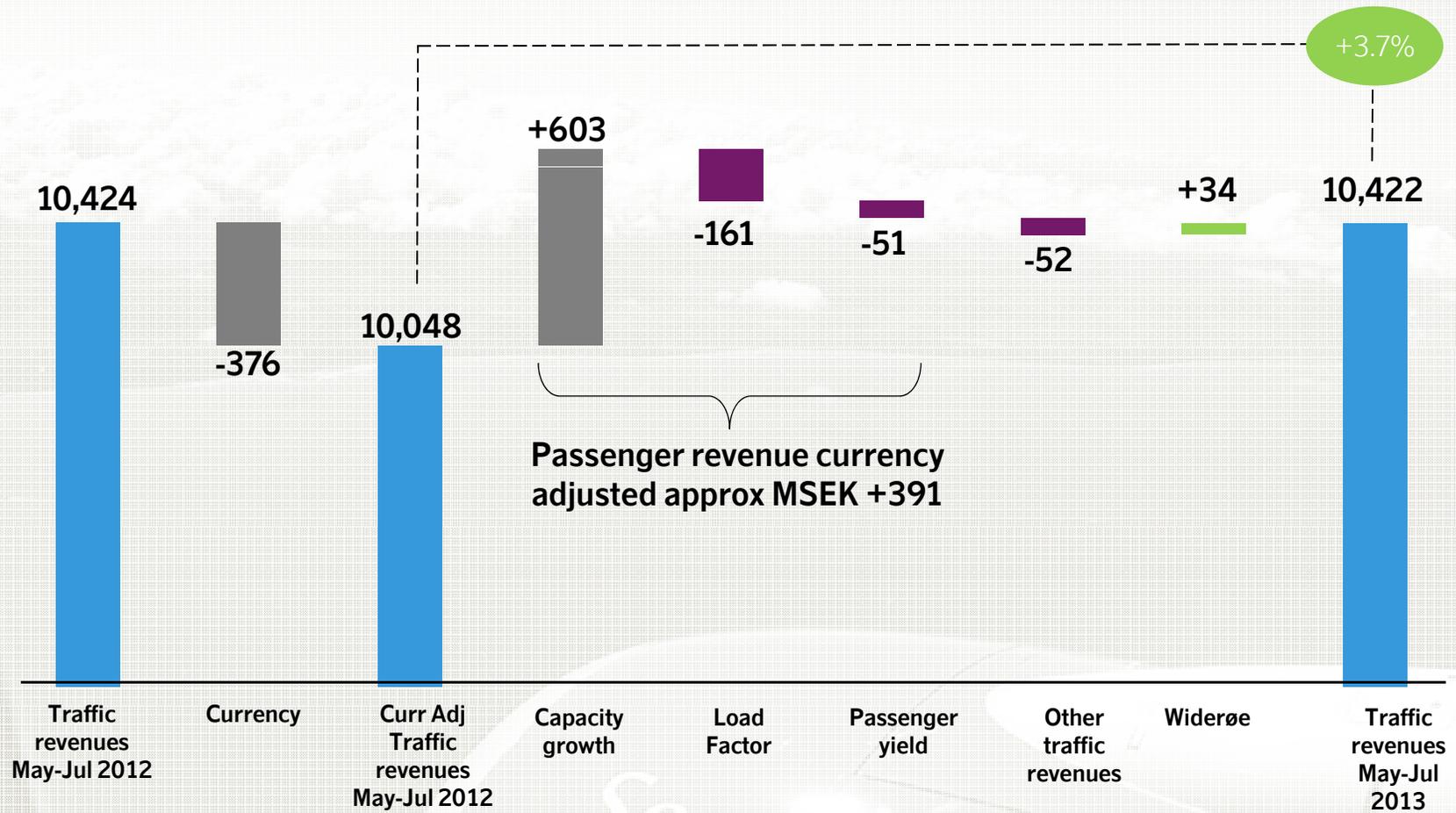
(MSEK)	May -Jul 2013	Share of revenue	May-Jul 2012	Share of revenue	Change (pp)
Total operating revenue	11,593		11,638		
Payroll expenses	- 2,943	25.4%	- 3,166	27.2%	-1.8
Fuel	- 2,354	20.3%	- 2,722	23.4%	-3.1
Government charges	- 1,109	9.6%	- 1,113	9.6%	+0.0
Other operating expenses	- 3,102	26.8%	-3,005	25.8%	+1.0
Total operating expenses*	- 9,508	82.0%	- 10,006	86.0%	-4.0
<i>EBITDAR before non-recurring items</i>	2,085	18.0%	1,632	14.0%	+4.0
Leasing costs, aircraft	- 480	4.1%	- 411	3.5%	+0.6
Depreciation	- 426	3.7%	- 432	3.7%	-0.0
Share of income in affiliated companies	19	0.2%	26	0.2%	-0.0
<i>EBIT before non-recurring items</i>	1,198	10.3%	815	7.0%	+3.3
Financial items	- 225	1.9%	- 318	2.7%	-0.8
<i>EBT before non-recurring items</i>	973	8.4%	497	4.3%	+4.1
Non-recurring items	147	1.3%	229	2.0%	-0.7
<i>EBT</i>	1,120	9.7%	726	6.2%	+3.5

* = before non-recurring items

Optimized traffic program growing SAS revenues



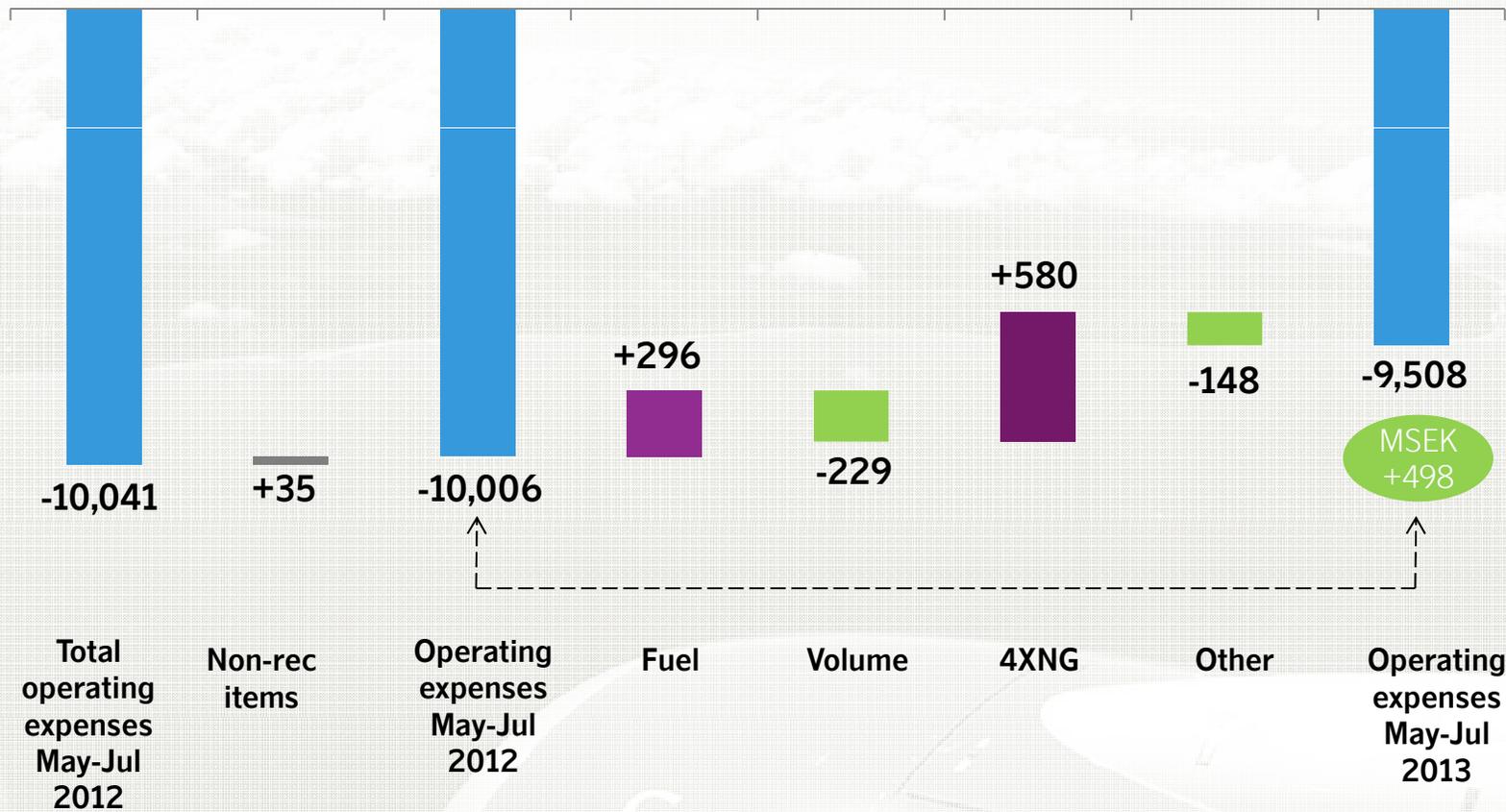
SAS Group
(MSEK)



Despite 7.7% higher capacity, operating expenditure down 5%



SAS Group
(MSEK)



Ongoing restructuring - key building blocks



Cost improvements (SEK, bn)

New collective agreements	0.7
New pension schemes	0.5
Admin centralization	0.7
IT restructuring	0.6
<u>Commercial & Sales</u>	<u>0.5</u>

Total **3.0**

Strategically increase proportion of variable costs

- Outsourcing of SAS Ground Handling
 - Reduces exposure of external revenue
 - Switching SEK 5 bn to variable costs
- Increased use of wet lease
- Outsourcing of call centres

Scandinavian

Ongoing restructuring - key building blocks



Asset disposals (SEK, bn)

Widerøe	1.0
Aircraft engines	0.7
Aircraft financing	1.0
Total asset disposals	2.7
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Bond issue (MEUR 35)	0.3
Total liquidity enhancement	3.0

Pension switch over

Actuarial gains/losses, Oct 2012	13.5
New pension terms	-3.4
Reversal of tax	-1.5
Annual amortization	-0.7
Widerøe	-1.0
Proforma, 1 Nov 2013	6.9

Reduced defined-benefit pension commitment by 60% (SEK 19.3 bn)

Financial preparedness strengthened



- **Cash flow**

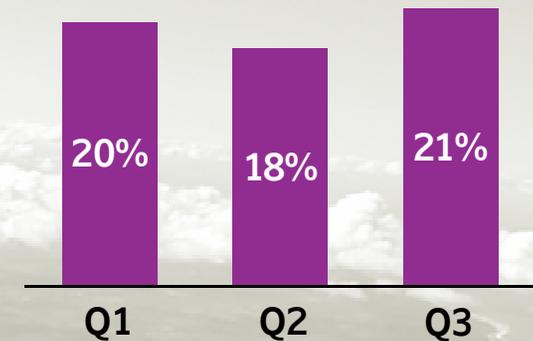
- Improvement in operating cash flow before change in working capital by MSEK 304 in Q3
- Negative change in working capital due to higher utilization of pre-booked tickets in Q3
- Asset disposals and positive cash flow strengthening SAS financial preparedness

- **SAS accessing the debt market**

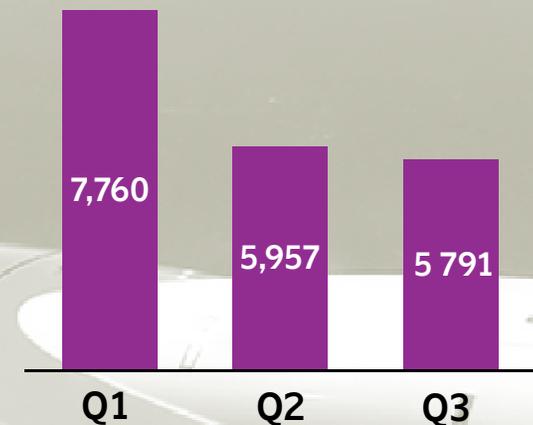
- Issue of MEUR 35 within the EMTN program
- S&P upgrade of SAS credit rating to B-

Financial preparedness

Per cent of last 12 months fixed cost



Financial net debt, MSEK



Summary and outlook



- **Restructuring measures being implemented swiftly according to plan**
 - **Cost and efficiency**
 - **Pension switch over**
 - **Financial preparedness**
- **Productivity and efficiency driven growth tailored to Scandinavian frequent travelers**
- **Renewal of fleet underway – both long and short haul**
- **Outlook for 2012/2013 remains firm:**
 - **EBIT-margin of >3% and a positive EBT**

Thank you!

