



More passengers chose SAS in a challenging market



Q3 EBT MSEK 756

Operating platform improving

- SK unit cost down 5.6% in Q3*
- New organization in place to speed up transformation

Commercial initiatives deliver

- Record high load factor at ~82%
- Increasing number of passengers: 7.6 million or 700,000 more than last year

Continued tough market

- Market capacity up 6% Q3 vs LY
- PASK -7.1% in Q3 vs LY**

* Currency adjusted and excluding jet fuel ** Currency adjusted



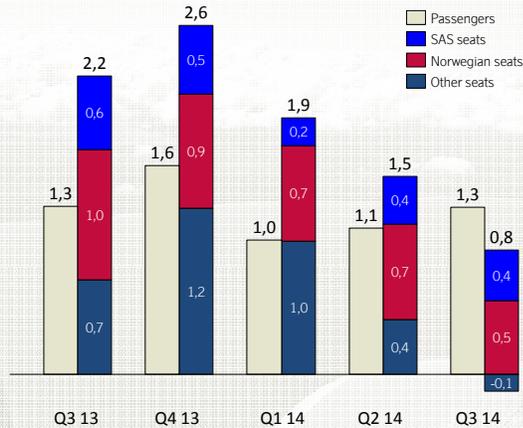


Significant capacity has been added to the market



Market growth to/from/within Scandinavia, R12

Additional millions of passengers and seats



- Seat growth during last 12 months ~50% higher than passenger growth
- In Q3 14 the trend was reversed for the first time, though accumulated overcapacity still significant

Source: Innovata schedule data (seats); Transportation authorities (passengers)

Numerous initiatives launched to make life easier for Scandinavia's frequent travelers



- **40 new routes** launched during 2014
- **New fast tracks opened** in Bergen, Trondheim, Stavanger and Arlanda T4 domestic
- **New lounge opened** at Oslo Gardermoen, domestic section
- **Enabled access to SAS lounge** at Gothenburg Landvetter also for domestic passengers
- **Improved menus** in all classes on long haul flights



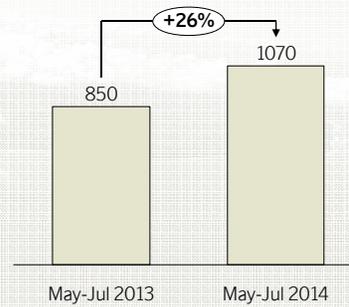
As a result, we have seen record load factors and passengers in Q3...



SAS load factor (scheduled)



Number of passengers traveling in PLUS* (thousands)



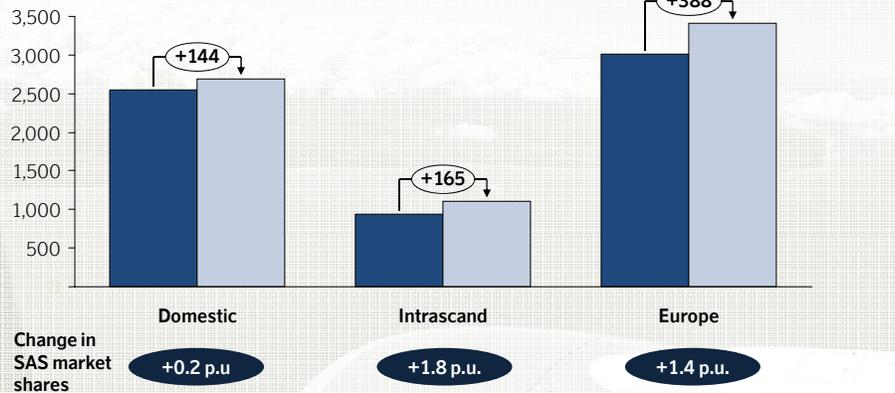
- Record high load factor in Q3 ~82%
- Increasing number of passengers in Q3: 7.6 million passengers or 700,000 more than last year

* On short haul flights

...as well as increased market shares



Total number of scheduled passengers on routes operated by SAS
Thousands



Source: Innovata schedule data; Airports

Forceful actions on our 3 strategic priorities



Strategic priorities

- 1 Establish an efficient operating platform
- 2 Win the battle for Scandinavia's frequent travelers
- 3 Invest in our future

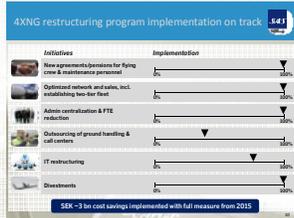


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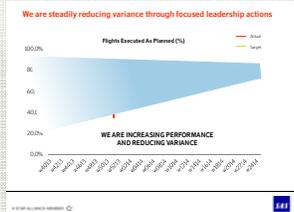
1 Strong operating platform improvement



Nov-12 restructuring on track



LEAN driving process implemented



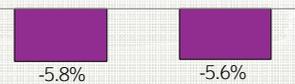
Punctuality

Scandinavian Airlines



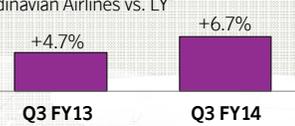
Unit cost

SK, FX & Fuel adjusted unit cost vs. LY



Cabin crew productivity

Scandinavian Airlines vs. LY*



* 12 months rolling

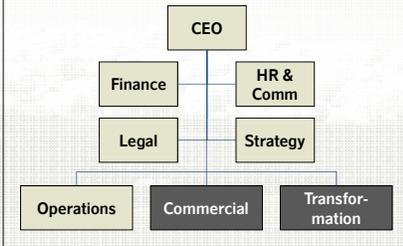
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New organization to speed up transformation



New organization implemented



- Accelerating our abilities to transform cost structure
- Shaping a strong commercial muscle to maximize revenue generation while maintaining our solid operational capabilities

Delivering SEK ~1 bn additional earnings impact in 2015:

- Reduction of 300 white collar FTEs to yield ~250 MSEK savings
- Self service and resource utilization Ground, expected to yield ~200 MSEK
- Operations in Blue1 to be reduced by 50%, leading to annual savings of ~150 MSEK
- Right-sizing our production model

Additional "billion range" improvements to be presented by end of year 2014

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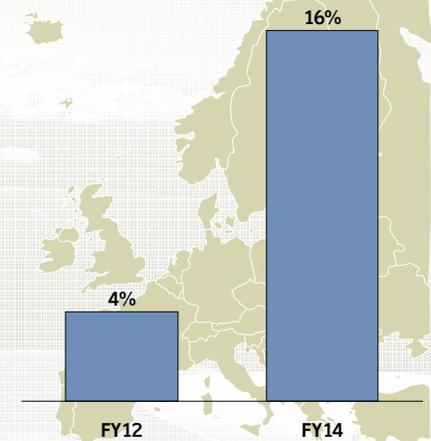
Wet lease platform enables SAS to both right-size and expand its network



- Our **wet lease platform** enables us to both **right-size and expand our network** by switching some of our larger aircraft to smaller ones.
- As a consequence, SAS will **decrease its total capacity** in winter 14/15 while **maintaining frequencies**.
- Enables **trial and development of new routes with reduced risk**, e.g. Oslo-Billund and Stavanger-Houston



Share of production with wet lease



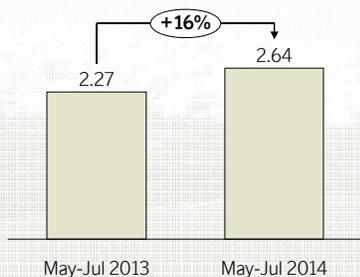
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SAS continues to make life easier for Scandinavia's frequent travelers



EuroBonus member traveling with SAS
(millions)



Next steps

- Expand Arlanda and Gardermoen lounges to accommodate increased demand
- Sign additional EuroBonus "earn and burn" partnerships
- Open 10 new routes in 2015
- Launch an ancillary revenue "e-shop" platform
- Extend CRM communication to new digital channels (app, tablet, kiosk)
- Enable personalized messages on SAS website
- Enable mobile check in and passport registration to/from US
- Launch automatic boarding and baggage drop at additional airports

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We invest in our future



New Stavanger-Houston nonstop route

- Launch of Stavanger-Houston nonstop route on Aug 20th, focused on serving oil industry executives
- All business product with SAS service standard operated by PrivatAir



New long haul aircraft financing

- SAS has secured financing of 4 Airbus A330-300 Enhanced through the signing of a sale and leaseback agreement with the Chinese bank Bocomm
- The aircraft will be delivered in the later part of 2015 and the beginning of 2016



New intercont destinations

- SAS is reviewing options to add new intercont nonstop destinations from ARN/OSL by expanding fleet with 3 long haul aircraft in 2015-16



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GÖRAN JANSSON

CFO

Result reflects a market under strong price pressure

(MSEK)	May-Jul 14	Share of revenue	May-Jul 13	Share of revenue	Change (pts)
Total operating revenue	10,697		10,624		+ 0.7
Payroll expenses	- 2,494	23.3%	- 2,526	23.8%	- 0.5
Fuel	- 2,458	23.0%	- 2,245	21.1%	+ 1.9
Government charges	- 1,068	10.0%	- 1,032	9.7%	+ 0.3
Other operating expenses	- 2,887	27.0%	- 2,814	26.5%	+ 0.5
Total operating expenses*	- 8,907	83.3%	- 8,617	81.1%	+ 2.2
EBITDAR before non-recurring items	1,790	16.7%	2,007	18.9%	- 2.2
Leasing costs, aircraft	- 525	4.9%	- 446	4.2%	+ 0.7
Depreciation	- 354	3.3%	- 378	3.6%	- 0.3
Share of income in affiliated companies	24	0.2%	19	0.2%	+ 0.0
EBIT before non-recurring items	935	8.7%	1,202	11.3%	- 2.6
Financial items	- 176	1.6%	- 224	2.1%	- 0.5
EBT before non-recurring items	759	7.1%	978	9.2%	- 2.1
Non-recurring items	- 3		147		- 150
EBT	756	7.1%	1,125	10.6%	- 3.5

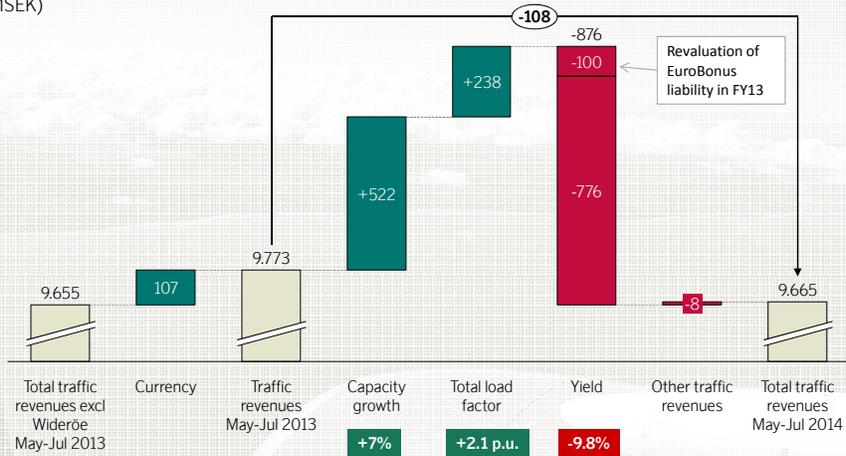
* = before non-recurring items and excluding Wideröe

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Capacity growth and improved load factor offset by negative yield



Total Traffic Revenues Q3, SAS
(MSEK)

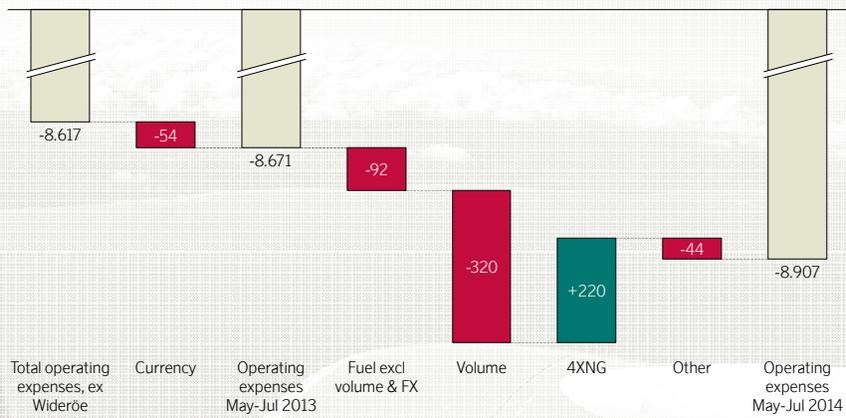


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Nov-12 restructuring delivers



Total Operating Expenses Q3, SAS Group
(MSEK)



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Nov-12 restructuring program on track



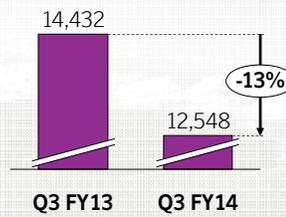
Decreased unit cost

SK unit cost excl fuel, index vs. LY R12



- Unit cost reduced by approximately 10% since 2012
- Unit cost down 5.6% in Q3 FY14

FTE reduction according to plan



- Sale of Wideröe
- Centralization of administration
- Outsourcing
- Network and fleet optimization

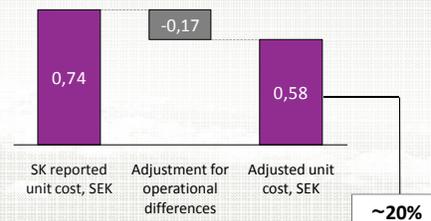
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SAS unit cost vs. Norwegian

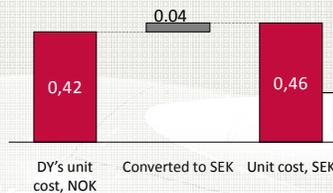


- SAS cost competitiveness significantly improved
- SAS vs. Norwegian's reported unit cost difference ~40%
- Adjusted to reflect "like-for-like" comparison, i.e. B737-800

SAS' unit cost, Aug 13 – Jul 14



Norwegian's unit cost, Jul 13- Jun 14



Unit cost = (Operating expenditure + leasing + depreciation - other revenues)/total ASK

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Significant cost measures being implemented



Cost measures 2013-2015

- **SEK 3 bn** in cost measures launched in 2012
 - Effect during FY2014: SEK 1.2 bn
 - Additional effect FY2015: SEK 0.3 bn
- Implemented with full effect from 2015



Additional cost measures 2014-2017

- **SEK 1 bn** identified in June 2014
- Additional measure in the **billion range** to be announced in SAS year end report 2014

Earnings impact

2014/15
2015-17

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Financial position



SAS equity ratio 21%

Cash position Q3

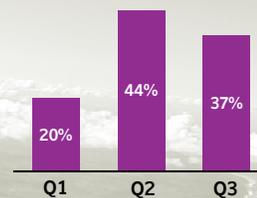
- Cash position of SEK 6.9 bn
 - Improved operating cash flow of MSEK 569
 - Net investments MSEK 58
 - Bond repayment of SEK 1.9 bn in Q3

Financing of aircraft order

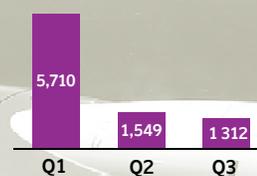
- Financing secured for delivery of 4 Airbus A330E

Financial preparedness

Per cent of last 12 months fixed cost



Financial net debt, MSEK



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Summary and outlook



- Market capacity growth expected to slow down but yield pressure will continue
- SAS will further right-size capacity while maintaining frequencies
- The increasing number of passengers that chose to travel with SAS proves that our strategy delivers, we will continue to make life easier for Scandinavia's frequent travelers
- Implementation of SEK~1.0 bn cost saving measures announced in June 2014 commenced, additional measures will be announced by end of 2014
- Outlook FY 2013/14:
 - Positive EBT in FY14 incl. pension effects and excl. restructuring provision (not yet defined)

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Thank you!



Fleet & productivity

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

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SAS Group fleet – July 2014

Aircraft in traffic	Age	Owned	Leased	Total	Firm order	Lease order
Airbus A330/A340/A350	12.6	5	7	12	12	
Airbus A321/A320/A319	9.5	6	19	25	30	
Boeing 737 NG	11.8	17	67	84		2
Boeing 717	13.9	4	5	9		
Bombardier CRJ900 NG	5.2	12	0	12		
Total	11.0	44	98	142	42	2

Leased/phased out aircraft	Owned	Leased	Total	In service	Parked
Douglas MD-90-series	8	0	8	8	
Bombardier Q400	0	1	1	1	
Boeing 737 Classic	0	2	2	0	2
Douglas MD-80 series	3	0	3	0	3
	11	3	14	9	5

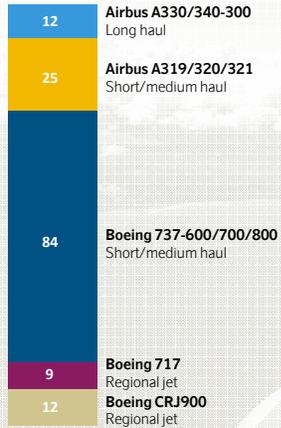
*In addition SAS wet leases the following aircraft: four CRJ200, seven ATR and four S2000.

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SAS investing in renewal and simplification of the aircraft fleet



Current fleet in traffic, 31 Jul 2014



New orders



- Order value of approx. USD 3bn
- Intention to use mix of financing (e.g. bank debt, sale and lease-back and export financing) including an equity portion

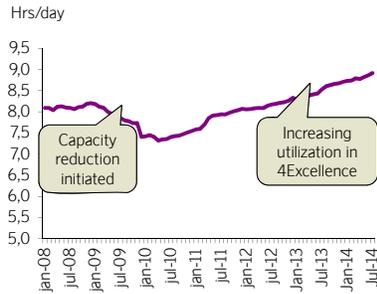


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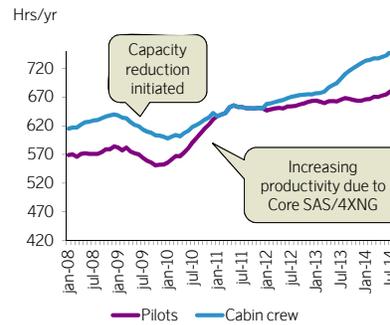
Productivity development



Aircraft utilization (12 months rolling)



Cabin, pilot utilization (12 months rolling)



Block hours, 12 months rolling, Jul 2014

SAS

Aircraft, hours/day

8.9

Pilots, hours/year

680

Cabin, hours/year

749

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Appendices



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

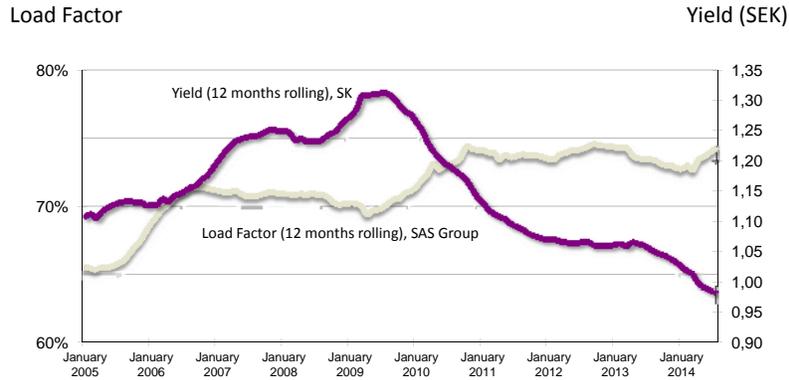


Yield, SEK Currency adj	Q3	Nov-Jul
 Scandinavian Airlines	-9.8%	-9.1%

PASK, SEK currency adj	Q3	Nov-Jul
 Scandinavian Airlines	-7.1%	-7.9%

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Negative yield development Positive load factor trend

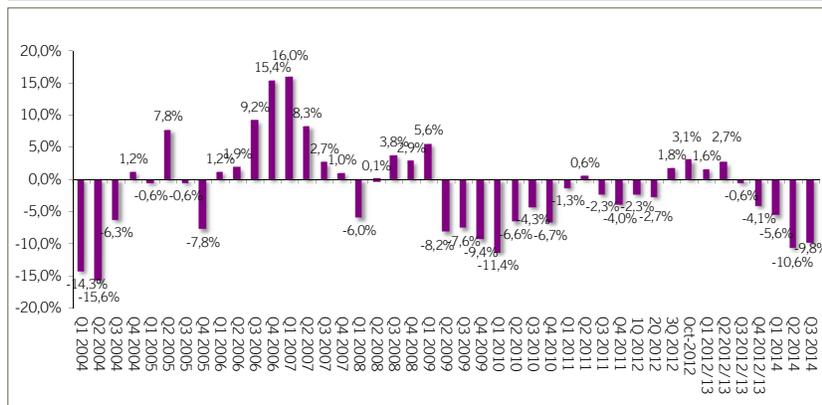


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Quarterly yield development



Scandinavian Airlines, currency adjusted yield vs last year



Note: Including Blue1 from March 2012

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Summary of key drivers



SAS Group

Scheduled traffic (RPK)

Passenger load factor

Scandinavian Airlines

Passenger yield

Total unit revenue (RASK/PASK)*

Total unit cost (excluding fuel)

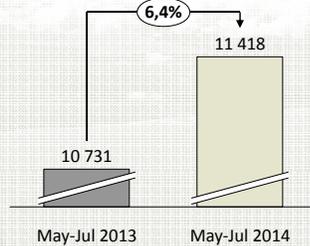
	Q4 2012/13	Q1 2013/14	Q2 2013/14	Q3 2013/14
Scheduled traffic (RPK)	↑ +3.1%	↑ +0.7%	↑ +6.2%	↑ +9.6%
Passenger load factor	↓ -1.7 p.u.	↓ -1.8 p.u.	↑ +1.4 p.u.	↑ +2.4 p.u.
Passenger yield	↓ -4.1%	↓ -5.6%	↓ -10.6%	↓ -9.8%
Total unit revenue (RASK/PASK)*	↓ -5.8%	↓ -8.1%	↓ -8.9%	↓ -7.1%
Total unit cost (excluding fuel)	↓ -3.3%	↓ -3.2%	↓ -5.3%~	↓ -5.6%

* RASK for Q4 and PASK from Q1 2013/14
~Excludes MSEK 450 in amended pension terms, Feb-Apr 2013

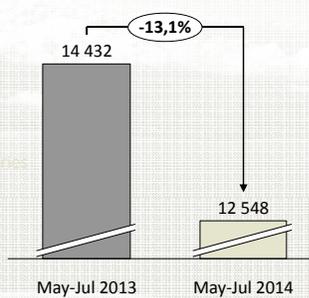
Number of FTEs down 13.1% due to restructuring program and sale of Wideröe



Capacity, Scandinavian Airlines
ASK scheduled, millions



SAS FTEs

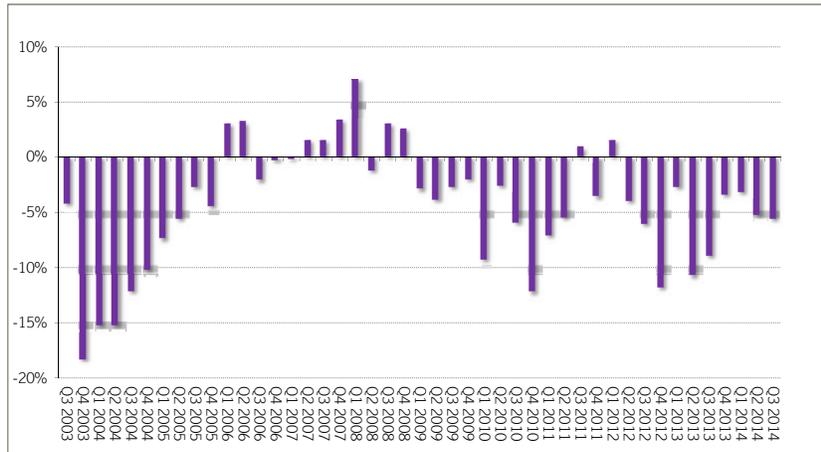


Scandinavian Airlines

Quarterly unit cost development



Scandinavian Airlines, currency adjusted unit cost excluding fuel vs last year



Note: Including Blue1 from March 2012

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Breakdown of unit cost, May– Jul 2014



Scandinavian Airlines, SEK, currency adjusted

Unit cost breakdown	May 2014 – Jul 2014	May 2013 – Jul 2013	Var, %	Share of total var, %
Payroll expenses	-2,492	-2,715	-8.2%	-2.4%
Jet fuel	-2,457	-2,419	1.6%	0.4%
Government user fees	-1,068	-1,141	-6.4%	-0.8%
Selling and distribution costs	-553	-604	-8.4%	-0.5%
Handling costs	-441	-470	-6.2%	-0.3%
Technical aircraft maint.	-577	-634	-9.0%	-0.6%
Other operating expenses	-385	-301	28.2%	+0.9%
Total operating expenses	-7,974	-8,284	-3.7%	-3.4%
Leasing costs for aircraft	-524	-504	4.1%	+0.2%
Depreciation	-354	-405	-12.5%	-0.5%
Adjusted EBIT	-8,852	-9,192	-3.7%	-3.7%

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Breakdown of unit cost, Nov 2013 – Jul 2014



Scandinavian Airlines, SEK, currency adjusted

Unit cost breakdown	Nov 2013 – Jul 2014	Nov 2012 – Jul 2013	Var, %	Share of total var, %
Payroll expenses	-7,430	-7,756	-4.2%	-1.3%
Jet fuel	-6,273	-6,527	-3.9%	-1.0%
Government user fees	-2,851	-3,032	-6.0%	-0.7%
Selling and distribution costs	-1,595	-1,764	-9.6%	-0.7%
Handling costs	-1,221	-1,267	-3.6%	-0.2%
Technical aircraft maint.	-1,811	-1,836	-1.4%	-0.1%
Other operating expenses	-946	-684	38.2%	1.0%
Total operating expenses	-22,126	-22,866	-3.2%	-2.9%
Leasing costs for aircraft	-1,510	-1,331	13.4%	0.7%
Depreciation	-1,021	-1,193	-14.4%	-0.7%
Adjusted EBIT	-24,657	-25,390	-2.9%	-2.9%*

*Excluding changes in pension conditions that reduced payroll expenses by MSEK 450 during FY13, the adjusted EBIT unit cost was down 4.7%.

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Appendices



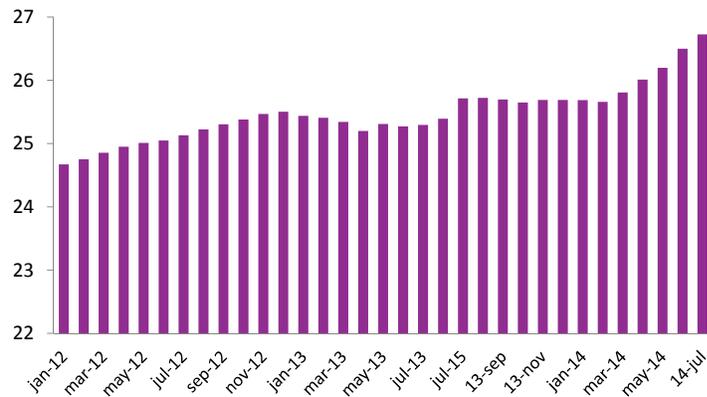
- Fleet & productivity
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SAS passenger development



Scheduled passenger Scandinavian Airlines, 12 months rolling
(Million)



Improved operating platform enables SAS to launch 53 new routes in 2014



- Unit cost down 10% since 2012
- 52 new routes launched in 2013
- In addition, 53 new routes will commence in 2014
 - Seasonal routes during the summer season
 - New business routes such as Stavanger-Houston
- In 2015, new intercontinental direct routes being considered



Scandi

ASK outlook for financial year 2013/14



ASK outlook for November 2013 – October 2014

Financial year 2013/14 vs 2012/13	
SAS – scheduled	+4%
SAS - total	+4% to +5%

Capacity outlook for winter program 2014/2015

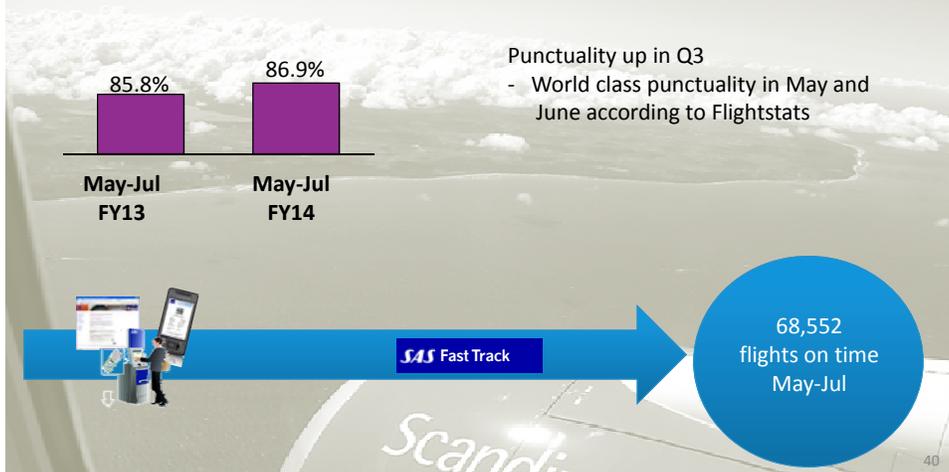
	Frequencies	ASK
SAS – scheduled	➔	➔

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Punctuality continues to improve



Punctuality (15 min) May-Jul 2013/14 vs May-Jul 2012/13, % Departures



Appendices



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Financial targets



Long term

Profitability EBIT-margin%	>8%
Equity ratio Equity/Assets, %	>35%
Financial preparedness Cash & unutilized credit facilities / Fixed cost	>20% (70 days)

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Overview of credit facilities – July 2014



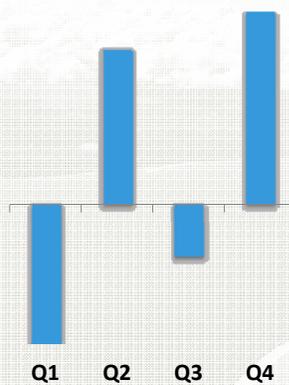
Available funds, SEK billion	Jul 2014	Maturity
Undrawn portion of credit facilities		
Revolving Credit Facility, MEUR 150	1.4	Jan 2017
Credit Facility, MUSD 137 & 51	0.9	Jan 2016, Oct 2017
Credit Facility, MUSD 62	0.0	Sep 2021
Others (MUSD 104)	0.0	Feb 2020
Total undrawn credit facilities	2.3	
Total credit facilities	3.8	
Drawn portion of credit facilities	1.5	
Undrawn portion of credit facilities	2.3	

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Cash seasonality



Seasonality of SAS cash flow from operating activities



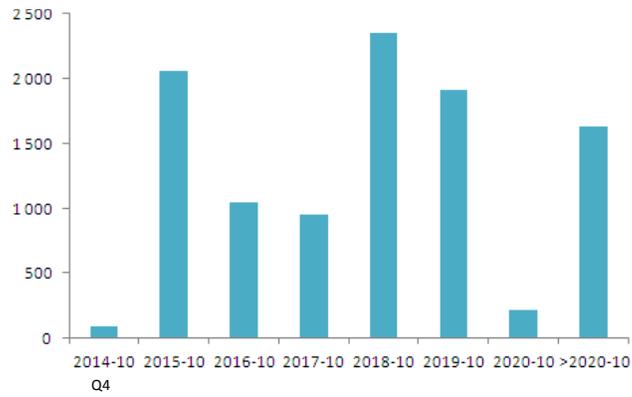
- Cash flow from operating activities strongest in Q2 and Q4
- Seasonality has increased as proportion of pre bookings has increased ahead of the summer period
 - Leisure travelling generates a higher degree of early bookings
 - Business bookings closer to departure
- Positive change in working capital in Q3 FY14 due to higher booking levels than last year

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Amortization profile

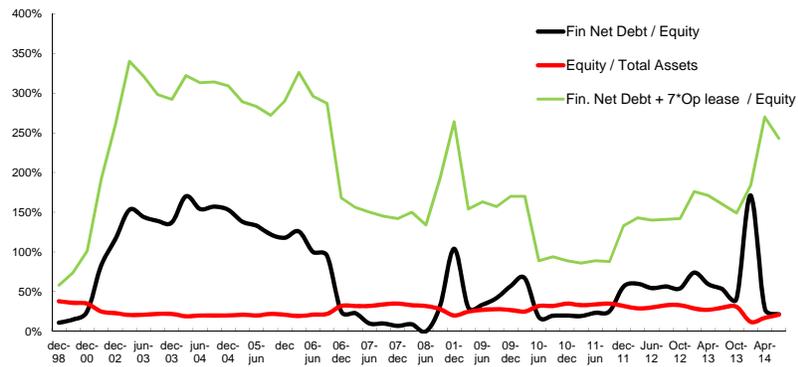


Scheduled amortization profile as of 31 July 2014, MSEK



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Gearing ratios



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SAS Group

Financial Net November-July



MSEK	May-Jul 14	May-Jul 13	Difference
Interest net and others	-183	-226	+43
Exchange rate differences	+6	+1	+5
Financial net	-177	-225	+48

MSEK	Nov 13 – Jul 14	Nov 12- Jul 13	Difference
Interest net and others	-900	-695	-205
Exchange rate differences	+23	+7	+16
Financial net	-877	-688	-189

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Development and Break Down

Financial Net Debt

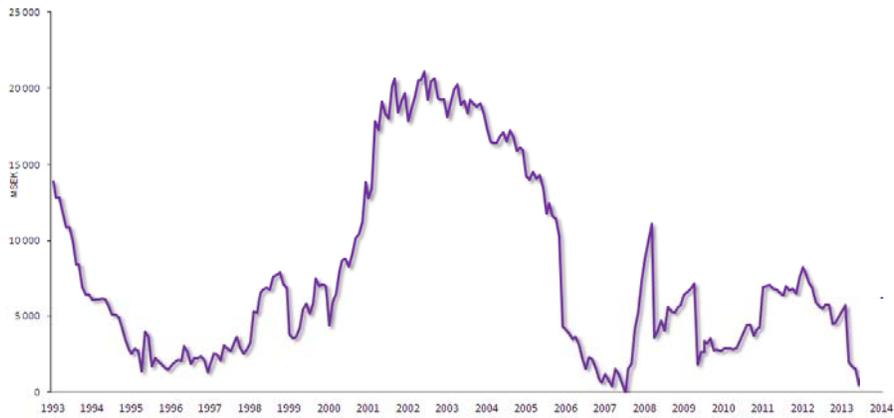


MSEK	31 Jul 2014	31 Oct 2013	Difference
Cash	6,930	4,751	+2,179
Other interest bearing assets	2,125	2,192	-67
Interest bearing liabilities	-10,367	-11,510	+1,143
Financial net debt	-1,312	-4,567	+3,255

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Development of financial net debt

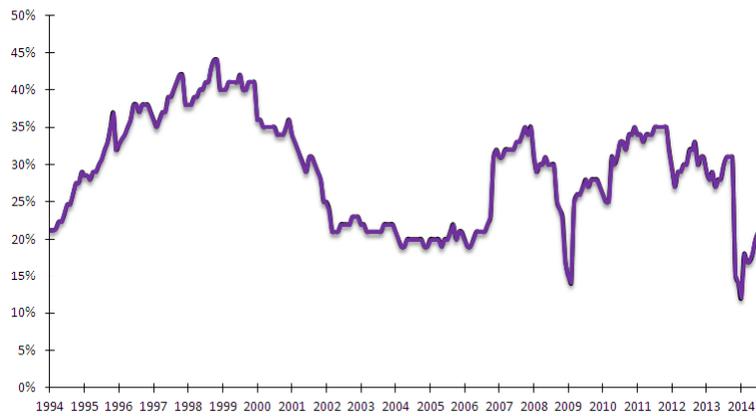
1993-2014 as reported on a quarterly basis



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Equity / Assets Ratio

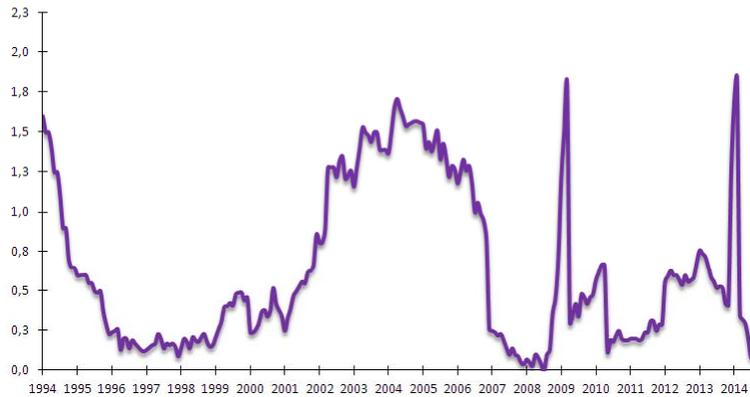
1993-2014 as report on a quarterly basis



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Financial Net Debt / Equity Ratio

1993-2014 as reported on a quarterly basis



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Appendices



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

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Breakdown of currency effects SAS Group



Total revenues & costs currency effects		May-Jul 2014 vs LY	Nov 2013-Jul 2014 vs LY
Total revenues & costs	USD	-15	-4
	DKK	9	8
	NOK	-37	-263
	EUR	-5	-21
	Asian currencies	-5	-39
	All others	29	45
	Total	-24	-274
Forward cover costs	2013	36	-36
	2014	126	147
	Difference	90	183
Working capital	2013	-11	-14
	2014	-15	-60
	Difference	-4	-46
Financial items	2013	1	7
	2014	6	23
	Difference	5	16
Total currency effects		67	-121

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Changes in currency exchange rates

affected the result by MSEK -121 in Nov 2013-Jul 2014 vs Nov 2012-Jul 2013



Currency effects MSEK on SAS Group 2013/2014 vs 2012/2013		May-Jul 14	Nov 13-Jul 14
<p>ⓘ Negative impact on revenue primarily due to the weaker NOK in the first half. In Q3 that has largely been offset by a strengthening of most other currencies.</p> <p>ⓘ Positive impact on other operating costs due to the weaker NOK. However, in Q2 and Q3 a strengthening of other currencies have impacted costs negatively.</p>	Total revenue	113	-235
	Total costs	-137	-39
	Forward cover costs & working capital	86	137
	Income before depreciation	62	-137
	Financial items	5	16
	Income before tax	67	-121

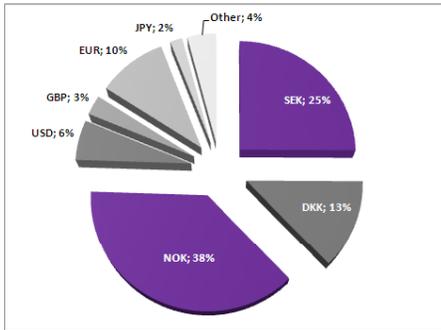
54

Currency distribution in SAS Group

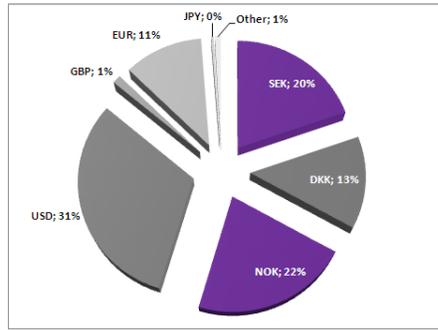
Nov 2012 – Oct 2013



Revenue

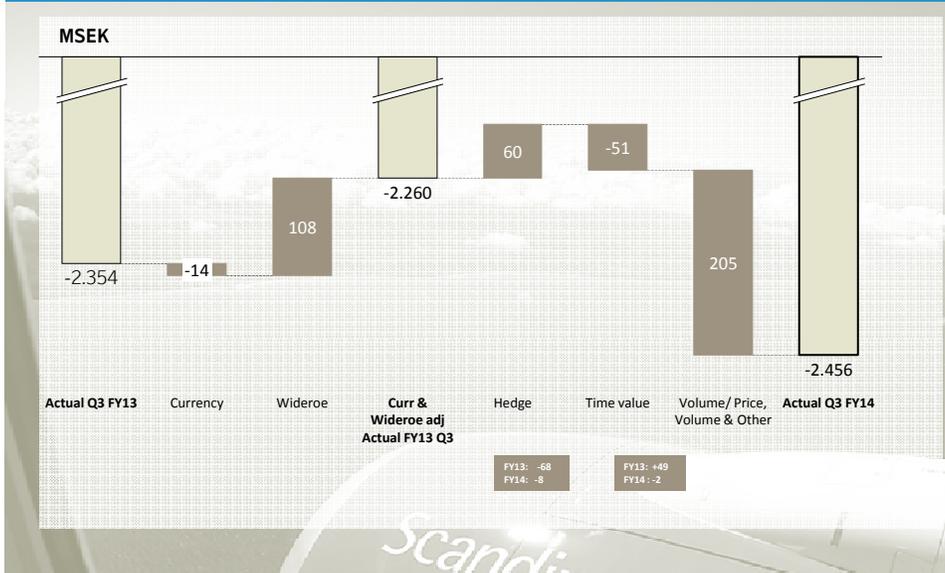


Expenses



55

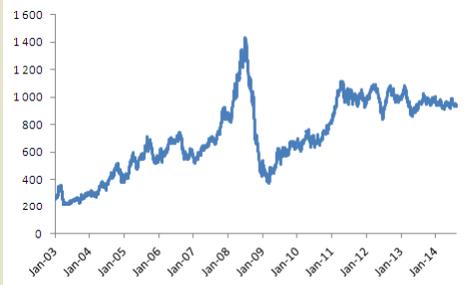
Development of jet fuel costs



Limited fuel price exposure



Jet fuel, spot price development, USD



Current hedges

- 54% of the consumption hedged for next twelve months
- 100% of consumption hedged during Q4 2013/14 and Q1 2014/15
- SAS hedge portfolio a mixture of swaps and call options

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SAS hedging position for FY14



SAS' jet fuel hedging portfolio Aug-Oct 2014 Nov-Jan 2015 Feb-Apr 2015 May-Jul 2015

Jet fuel hedging proportion 100% 100% 15% 1%

SAS' jet fuel costs in 2013/14 (annual average values) 5.0 SEK/USD 6.0 SEK/USD 7.0 SEK/USD 8.0 SEK/USD

Market price	5.0 SEK/USD	6.0 SEK/USD	7.0 SEK/USD	8.0 SEK/USD
800 USD/MT	SEK 7.8 bn	SEK 8.1 bn	SEK 8.4 bn	SEK 8.7 bn
1,000 USD/MT	SEK 7.9 bn	SEK 8.3 bn	SEK 8.6 bn	SEK 8.9 bn
1,200 USD/MT	SEK 8.0 bn	SEK 8.4 bn	SEK 8.7 bn	SEK 9.1 bn
1,400 USD/MT	SEK 8.1 bn	SEK 8.4 bn	SEK 8.8 bn	SEK 9.2 bn

