



SAS Q1 2014/2015

- A. FY15 Q1 overview
- B. Industry development
- C. SAS strategic priorities
- D. Financials
- E. Outlook

Q1 at a glance

Q1 highlights



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Product improvements:
lounges, service concepts

Erik Viking in traffic

Launch of new Hong Kong route

Delivery on cost program

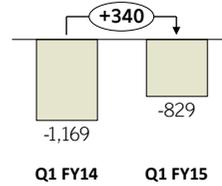
Seasonal production adjustments

Low capacity growth

Q1 result

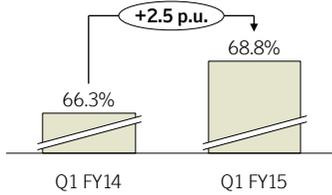
Positive short term development on revenues and profitability

EBT before non-recurring items, MSEK

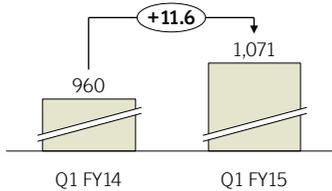


Commercial initiatives deliver result and revenue growth in Q1

Load factor up

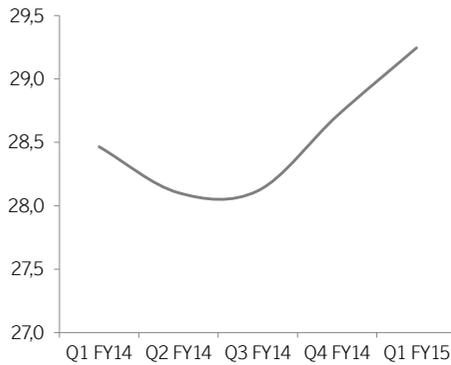


PLUS passengers up 110,000



R12 Passenger revenues growing by 2.7% in Q1 FY15 vs. LY

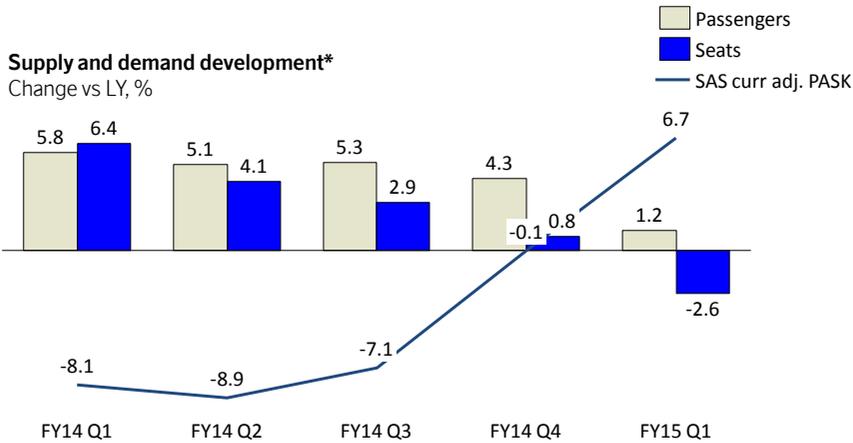
Passenger revenues, 12 months rolling, SEK billion



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Market capacity stabilizing in the short term



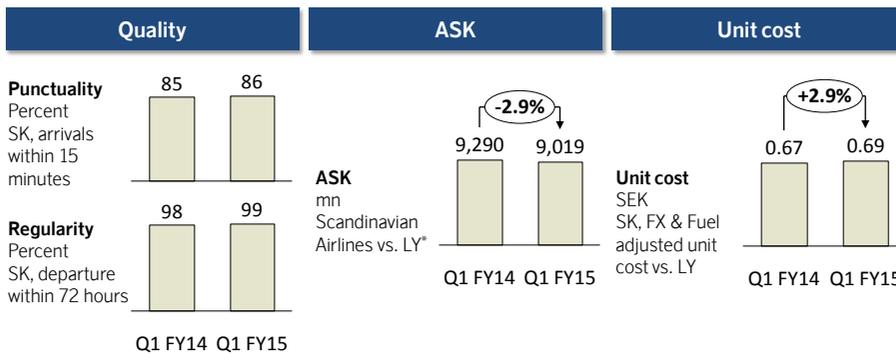
* To, from and within Scandinavia

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Production platform is stable, but production adjustments have contributed increased unit cost



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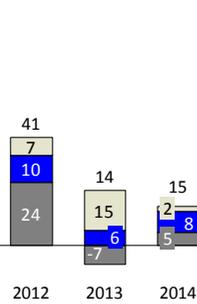
B. Industry development

Within the next years, European LCC fleet is expected to grow substantially

Short haul fleet development for selected European LCC

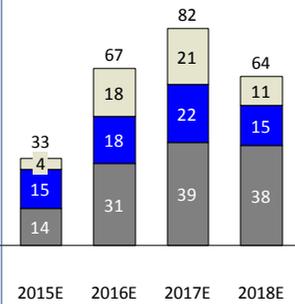
Net increase per year

Aircraft in service by end of year



Planned fleet expansion

Expected annual growth in fleet sizes



Norwegian
 easyJet
 Ryanair

Step change in LCC capacity expected to create considerable PASK pressure

Source: Ascend, OAG, Company Information, Analyst Presentations

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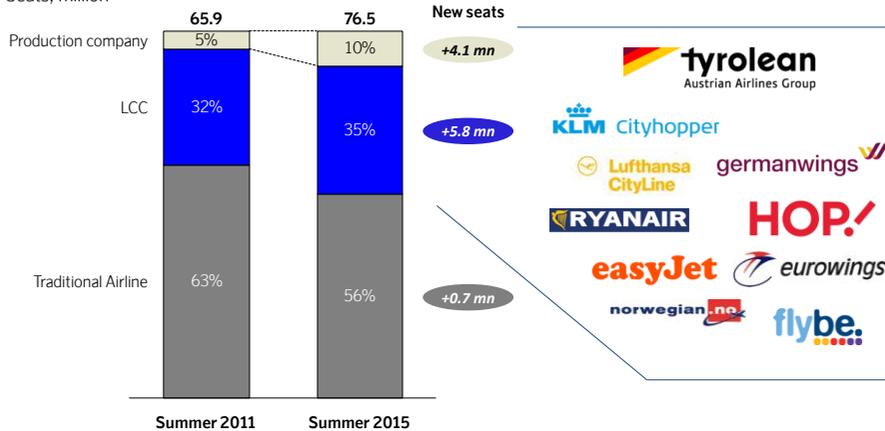


B. Industry development

Competition is driven by LCCs and Network Carriers increasingly using new production platforms

Capacity by form of operation

To, from & within Scandinavia
Seats, million



Source: Innovata schedule data

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B. Industry development

All airlines need to increase efficiency – European aviation industry developing towards a new norm

Staffing agencies



OSM Aviation



Wet lease



Own low cost carriers



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OUR VISION IS TO MAKE LIFE EASIER FOR SCANDINAVIA'S FREQUENT TRAVELERS

Our three strategic priorities

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



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SEK 2.1 billion in cost savings being implemented

Selected areas



Fleet and production optimization

- Acquisition of Cimber or transfer of CRJ900 fleet
- Phase out of Boeing 717 fleet from Blue1



Administration, sales and distribution

- 300 FTE and simplifications
- Commercial functions and distribution model



Ground handling

- Improved scheduling and more flexible staffing
- Increased automation, e.g. bag drops, boarding



Supply chain and logistics

- Improved steering of external spend
- Improved logistics, contracts and optimization of costs



Facilities and rental agreements

- Increased utilization of premises
- Divestments and renegotiations of rental agreements



Maintenance

- Optimization of technical maintenance
- New maintenance program for B737

Ongoing and coming developments

- Cimber transition
- New Blue1 union agreement
- Initiation of 717 phase-outs
- Re-negotiation of facility agreements
- New maintenance agreement
- Implementation of admin reduction



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SAS has initiated discussions with the unions addressing how to respond to the new norm

Internal triggers

Pilot collective agreements expire March 31st

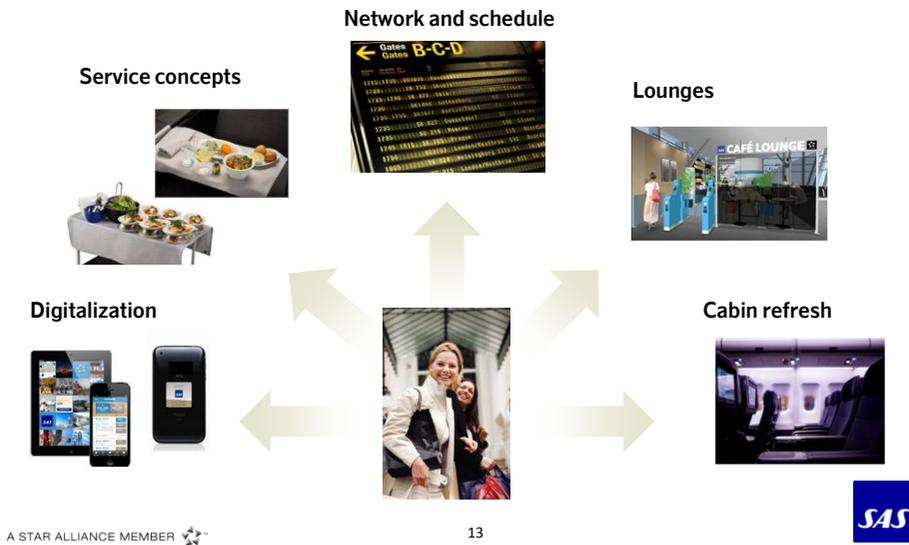
Objective

New modern agreements that

- Regulates terms of employment according to Scandinavian principles and standards
- Enables SAS to be agile and decreases time to market
- Allows flexibility to scale up/down, e.g., winter vs. summer season



2 Several upcoming developments to make life easier for frequent travelers



2 New Stockholm to Hong Kong route

- First flight September 10, 2015, 5 weekly frequencies
- The route will be operated with Airbus 330 Enhanced (Sep-Oct mix of A330E and A340)
- Hong Kong is the fourth SAS destination in the Asia
- The timetable will provide efficient connections from major cities in Scandinavia and important points in Europe
- Hong Kong is the largest airfreight airport in the world



2 New cabin interior being rolled out on long-haul aircraft



"Skal du flyve med SAS – så se her omkring deres helt nye kabine. Det er en kæmpe opgradering SAS har lavet"

"Kjære @SAS. Tusen takk for de nya langdistanskabinene. Vil bli en stor forbedring for oss hemma!"



3 New aircraft ordered – A320neo, A330 Enhanced and A350 XWB



A320neo

- Firm orders 30
- First delivery year 2016

A330 Enhanced

- Firm orders 4
- First delivery year 2015

A350 XWB

- Firm orders 8
- First delivery year 2018

Total order value, USD ~3 bn



GÖRAN JANSSON

CFO

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D. Financials

Revenues grew SEK 0.5 bn in Q1

| SAS income statement | Nov14-Jan15 | Nov13-Jan14 | Change vs LY | Currency |
|-----------------------------------------|---------------|---------------|--------------|-------------|
| Total operating revenue* | 8,371 | 7,871 | +500 | +243 |
| Payroll expenses | -2,478 | -2,490 | +12 | |
| Fuel | -2,023 | -1,830 | -193 | |
| Government charges | -883 | -843 | -40 | |
| Other operating expenses | -2,743 | -2,773 | +30 | |
| Total operating expenses* | -8,127 | -7,936 | -191 | -338 |
| EBITDAR before non-recurring items | 244 | -65 | +309 | -95 |
| Leasing costs, aircraft | -601 | -485 | -116 | |
| Depreciation | -282 | -329 | +47 | |
| Share of income in affiliated companies | -10 | -12 | +2 | |
| EBIT before non-recurring items | -649 | -891 | +242 | -169 |
| Financial items | -180 | -278 | +98 | |
| EBT before non-recurring items | -829 | -1,169 | +340 | -172 |
| Non-recurring items | -7 | 1,023 | -1,030 | |
| EBT | -836 | -146 | -690 | -172 |

* = Before non-recurring items

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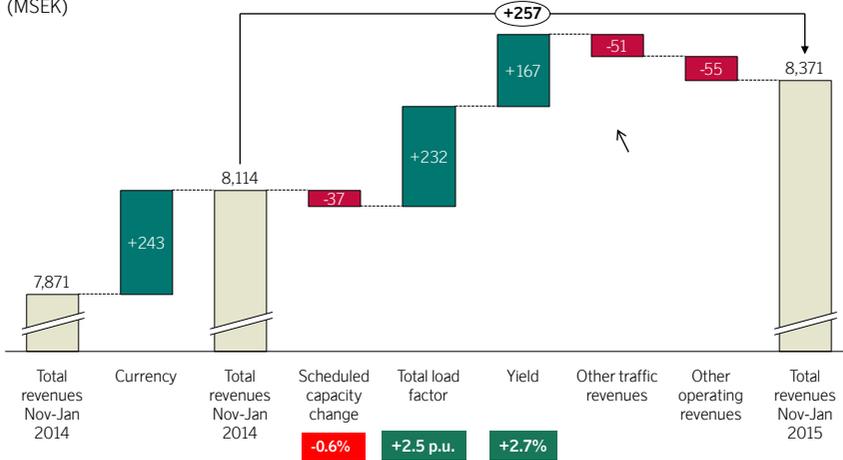
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D. Financials

Positive yield and load factor development drive higher revenues in Q1

Total Revenues Q1
(MSEK)



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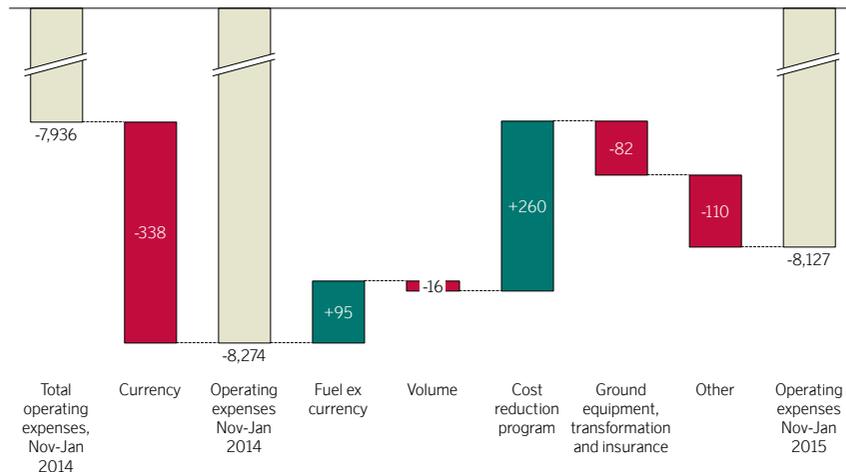
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D. Financials

Increased costs driven by currency - limited positive effect from lower fuel prices

Total Operating Expenses Q1
(MSEK)



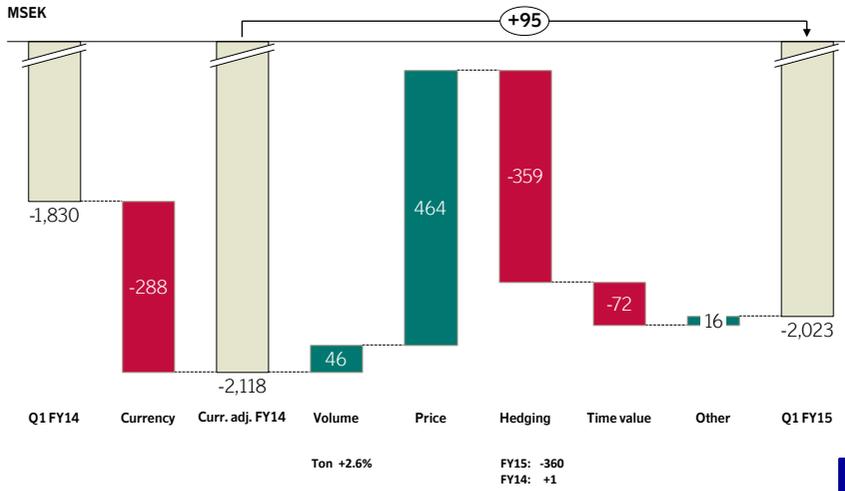
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D. Financials

Fuel cost down MSEK 95 in Q1 adjusted for currency

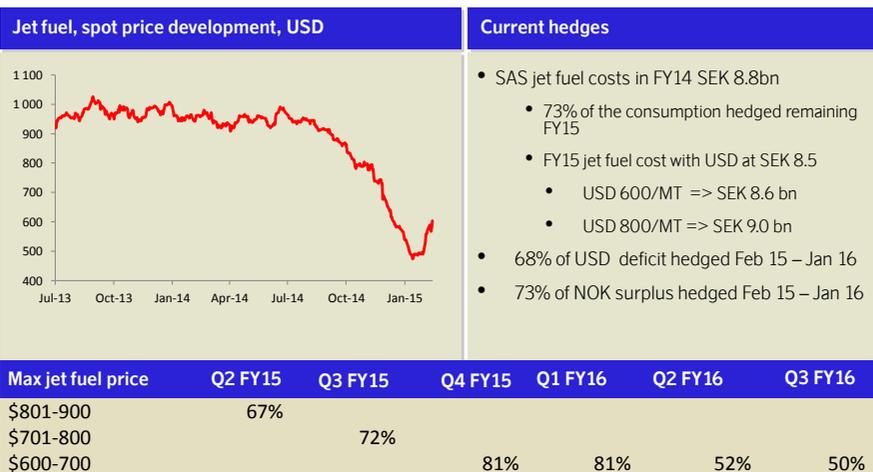


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D. Financials

Jet fuel and currency update

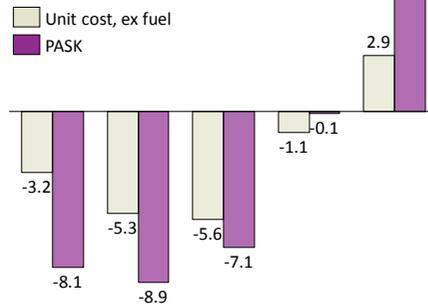


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"Right sizing" and optimization of fleet drive strong PASK in Q1

PASK and unit cost (ex fuel) change versus LY



Q1 FY14 Q2 FY14 Q3 FY14 Q4 FY14 Q1 FY15

Focus on implementing efficiency measures

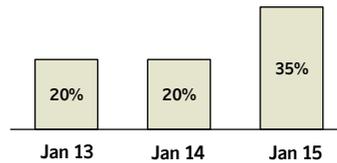
- Reduced capacity affecting unit cost negatively due to fixed costs
- Initiated measures to increase flexibility in SAS cost base
- Efficiency effect in FY15 of SEK 1.3 bn



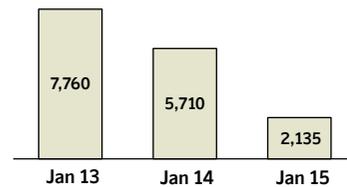
SAS financial position stronger

- Cash flow from operating activities up MSEK 483 in Q1 FY15
- Working capital improved MSEK 159
 - Higher booking levels than last year
- Cash of SEK 7.1 bn in Q1 FY15
- Unutilized credit facilities of SEK 2.8 bn in Q1 FY15
- Financing of maturing debt and delivery of aircraft in place until 2nd Quarter 2016

Financial preparedness



Financial net debt, MSEK



Summary and outlook

Summary of Q1

- Seasonally weak quarter, but underlying earnings improved in Q1
- Short term stabilization in market capacity
- New industry norm requires further action
 - SEK 2.1 bn cost reductions being implemented according to plan
 - Commercial initiatives to deliver more passengers and increased PASK
 - Investment in fleet underway
- Union dialogue initiated with the objective to sign new modern agreements

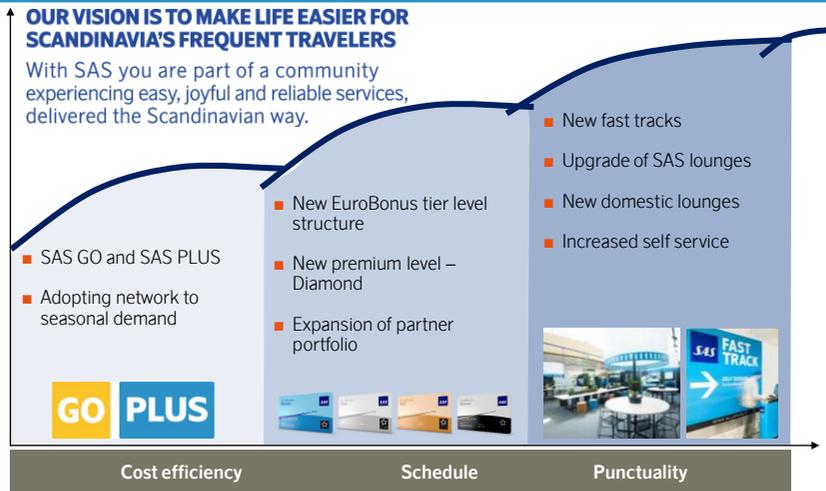
FY15 Outlook

- 6 aircraft to undergo cabin refreshments
- 2 long haul aircraft to be delivered
- SAS total ASK expected to decrease by 1-2% in FY15 vs. LY
- 12 new destinations to be opened in calendar year 2015
- Potential exists for SAS to post a positive EBT before tax and nonrecurring items in FY15

Thank you!



We are building a strong product offering for Scandinavia's frequent travelers



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Appendices

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

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SAS Group fleet – January 2015

| Aircraft in traffic | Age | Owned | Leased | Total | Firm order | Lease order |
|-----------------------|-------------|-----------|-----------|------------|------------|-------------|
| Airbus A330/A340/A350 | 13.1 | 5 | 7 | 12 | 12 | |
| Airbus A321/A320/A319 | 10.0 | 6 | 19 | 25 | 30 | |
| Boeing 737 NG | 12.2 | 16 | 67 | 83 | | 1 |
| Boeing 717 | 14.4 | 0 | 5 | 5 | | |
| Bombardier CRJ900 NG | 5.7 | 12 | 0 | 12 | | |
| Total | 11.4 | 39 | 98 | 137 | 42 | 1 |

| 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 717 | 4 | 0 | 4 | 0 | 4 |
| Boeing 737 NG | 0 | 2 | 2 | 0 | 2 |
| | 12 | 3 | 15 | 9 | 6 |

*In addition SAS wet leases the following aircraft: four CRJ200, eight ATR 72, four SAAB 2000 and one Boeing 737-700.

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Structural changes of SAS production platform – deliver on long term short haul fleet strategy



Flexibility

- Blue1 will be a wetlease provider of flexible Boeing 737 capacity, B717 will be phased-out



Low complexity

- Scandinavian Airlines focus on A320 and Boeing 737 operation



Rightsizing

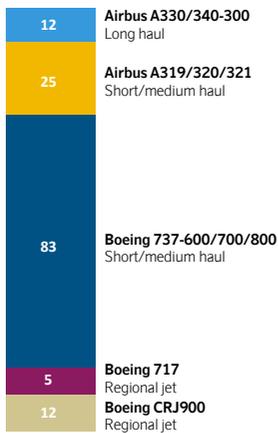
- All “small” aircraft operated by production companies

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SAS investing in renewal and simplification of the aircraft fleet

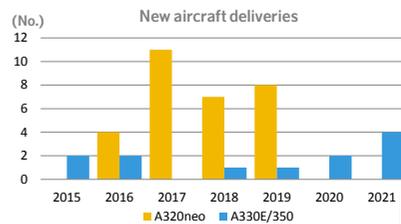
Current fleet in traffic, 31 Jan 2015



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)



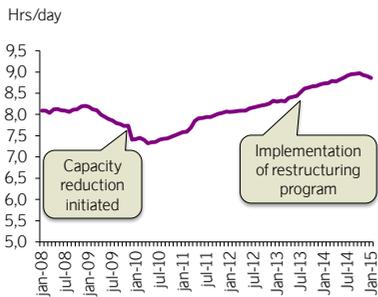
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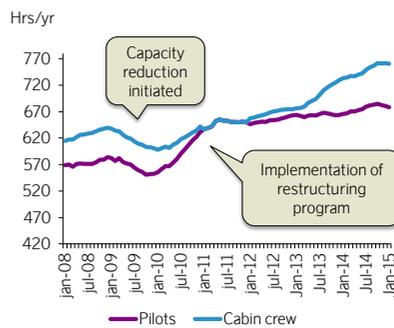
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Productivity development

Aircraft utilization (12 months rolling)



Cabin, pilot utilization (12 months rolling)



Block hours, 12 months rolling, Jan 2015

| | Aircraft, hours/day | Pilots, hours/year | Cabin, hours/year |
|-----|---------------------|--------------------|-------------------|
| SAS | 8.9 | 678 | 761 |

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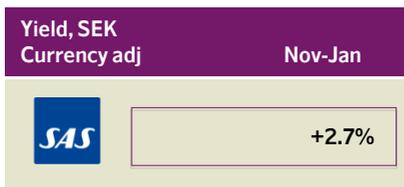
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Appendices

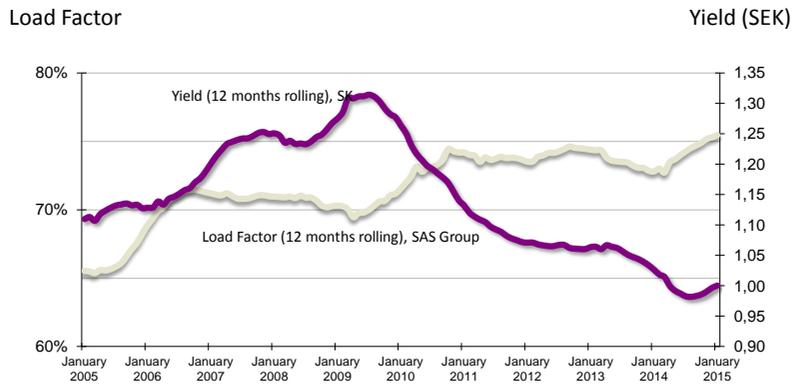
- Fleet & productivity
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Yield and PASK development



Long term yield and passenger load development

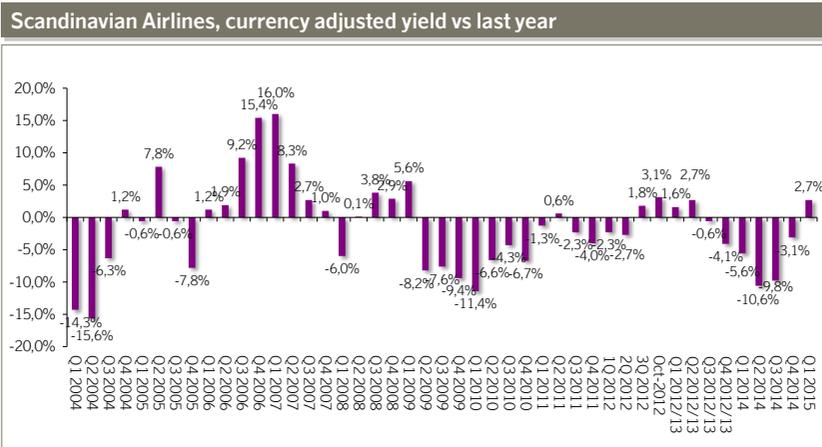


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Quarterly yield development



Note: Including Blue1 from March 2012

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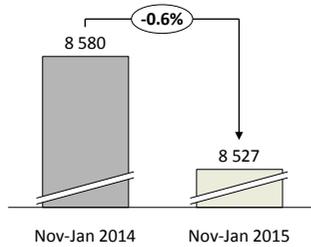
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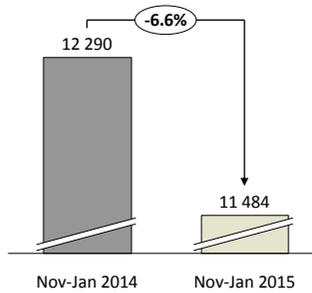
Capacity and FTE

Capacity

ASK scheduled, millions



SAS FTEs



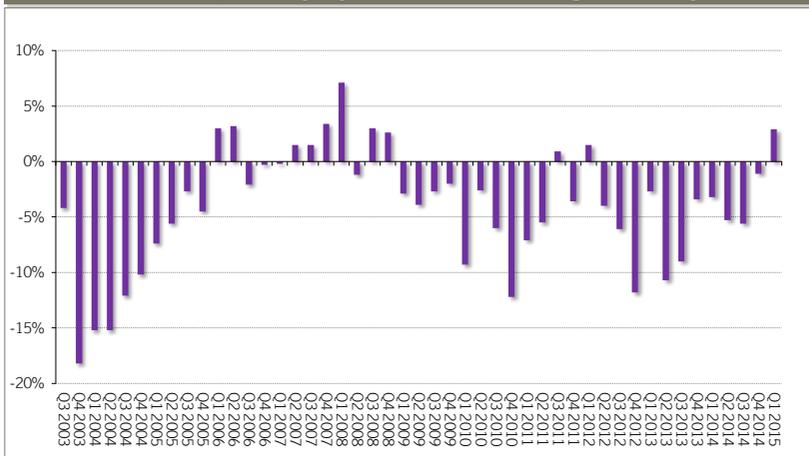
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Quarterly unit cost development

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, Nov-Jan 2015

SAS, SEK, currency adjusted

| Unit cost breakdown | Nov 2014 – Jan 2015 | Nov 2013 – Jan 2014 | Var, % | Share of total var, % |
|---------------------------------|------------------------|------------------------|--------------|--------------------------|
| Payroll expenses | -2,469 | -2,455 | +0.6% | +0.2% |
| Jet fuel | -2,023 | -2,057 | -1.6% | -0.4% |
| Government user fees | -883 | -862 | +2.5% | +0.3% |
| Selling and distribution costs | -537 | -496 | +8.2% | +0.5% |
| Handling costs | -404 | -391 | +3.5% | +0.2% |
| Technical aircraft maint. | -649 | -659 | -1.5% | -0.1% |
| Other operating expenses | -360 | -289 | +24% | +0.9% |
| Total operating expenses | -7,326 | -7,209 | +1.6% | +1.5% |
| Leasing costs for aircraft | -601 | -543 | +10.8% | +0.7% |
| Depreciation | -282 | -320 | -11.8% | -0.5% |
| Adjusted EBIT | -8,210 | -8,071 | +1.7% | +1.7% |

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Summary of key drivers

SAS

| | Q2 2013/14 | Q3 2013/14 | Q4 2013/14 | Q1 2014/15 |
|----------------------------------|---------------|---------------|---------------|---------------|
| Scheduled traffic (RPK) | ↑ +6.2% | ↑ +9.6% | ↑ +7.0% | ↑ +3.2% |
| Passenger load factor | ↑ +1.4 p.u. | ↑ +2.4 p.u. | ↑ +2.3 p.u. | ↑ +2.5 p.u. |
| Passenger yield | ↓ -10.6% | ↓ -9.8% | ↓ -3.1% | ↑ +2.7% |
| Total unit revenue (PASK) | ↓ -8.9% | ↓ -7.1% | → -0.1% | ↑ +6.7% |
| Total unit cost (excluding fuel) | ↓ -5.3%~ | ↓ -5.6% | ↓ -1.1% | ↑ +2.9% |

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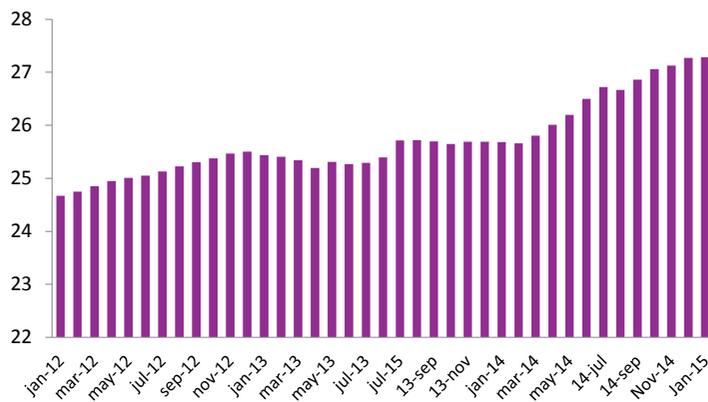
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SAS passenger development

Scheduled passenger, 12 months rolling
(Million)



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SAS PLUS sets new benchmark

PLUS makes life easier for frequent travelers

| | SAS app | Free baggage | Premium bag drop | Mobile check-in | Fast Track | Lounge | Seat in front | Breakfast | Coffee & tea | Food & drinks | WiFi | Priority baggage | Euro Bonus | SAS Credits |
|-------------|---------|--------------|------------------|-----------------|------------|--------|---------------|-----------|--------------|---------------|------|------------------|------------|-------------|
| GO | ✓ | 1x23kg | | ✓ | | | | | ✓ | ✓ | ✓ | | ✓ | ✓ |
| PLUS | ✓ | 2x23kg | ✓* | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓** | ✓*** | ✓ | ✓ |

SAS Go booking classes: E, M, H, Q, V, W, U, K, L, T, D, G, X
SAS Plus booking classes: C, D, Z, I, J, T, S, B, P, A

* Subject to availability
** Rollout of SAS WiFi in progress
*** Not applicable on SAS domestic flights in Denmark, Finland, Norway and Sweden.

Strong demand for PLUS product
Number of PLUS passengers up 11.6% during Q1 vs. last year

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Improved operating platform enables SAS to launch new routes

- 52 new routes launched in 2013
- More than 50 new routes launched in 2014
- 12 new routes to be launched in 2015
 - Stockholm-Hong Kong
 - Stockholm-Riga
 - Copenhagen-Edinburgh
 - Bergen-Gothenburg



Scandi

ASK outlook for financial year 2014/15

ASK outlook for November 2014 – October 2015

| Financial year 2013/14 vs 2012/13 | |
|-----------------------------------|------------|
| SAS – scheduled | -1% |
| SAS - total | -1% to -2% |



Appendices

-  Fleet & productivity
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-  **Financial update**
-  Currency & Fuel



Financial targets

Long term

Financial preparedness

Cash & unutilized credit facilities / Fixed cost

>20%
(70 days)

Given the ongoing extensive changes to the European airline industry with intensified competition as a result, SAS has initiated discussions with its unions addressing how to respond to the new industry requirements relating to flexibility and the need to reduce complexity.

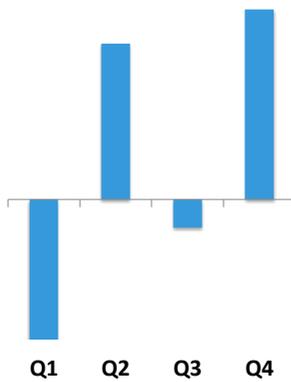
It is of major importance that these discussions lead to a general strengthening of competitiveness and improvement in financial performance. SAS intends to review its target for EBIT margin and equity/ assets ratio pending the outcome of the discussions.

Overview of credit facilities – January 2015

| Available funds, SEK billion | Jan 2015 | Maturity |
|---------------------------------------------|------------|--------------------|
| Undrawn portion of credit facilities | | |
| Revolving Credit Facility, MEUR 150 | 1.4 | Jan 2017 |
| Credit Facility, MUSD 137 & 46 | 1.1 | Jan 2016, Oct 2017 |
| Credit Facility, MUSD 59 | 0.0 | Sep 2021 |
| PDP Credit facility, MUSD 54 | 0.3 | May 2016 |
| Others, MUSD 96 | 0.0 | Feb 2020 |
| Total undrawn credit facilities | 2.8 | |
| Total credit facilities | 4.7 | |
| Drawn portion of credit facilities | 1.9 | |
| Undrawn portion of credit facilities | 2.8 | |

Cash seasonality

Seasonality of SAS cash flow from operating activities



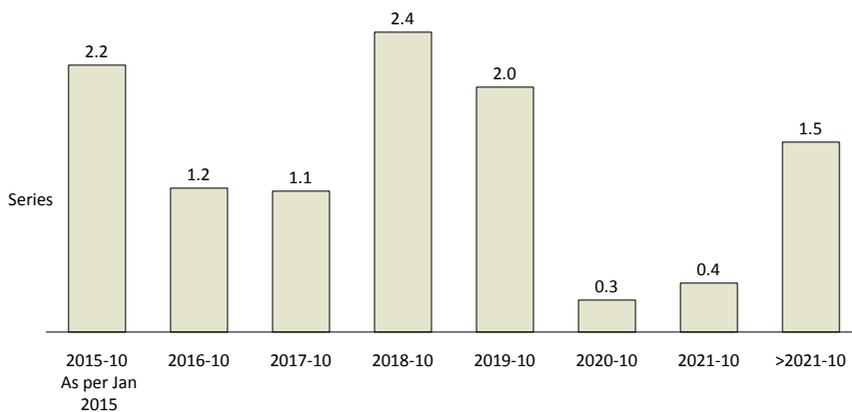
- Cash flow from operating activities strongest in Q2 and Q4
- Seasonality has increased as proportion of pre bookings has increased ahead of the summer period
 - Leisure travelling generates a higher degree of early bookings
 - Business bookings closer to departure
- Working capital improved in Q1 versus last year primarily due to higher booking levels

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Amortization profile

Scheduled amortization profile as of 31 January 2015, SEK billion

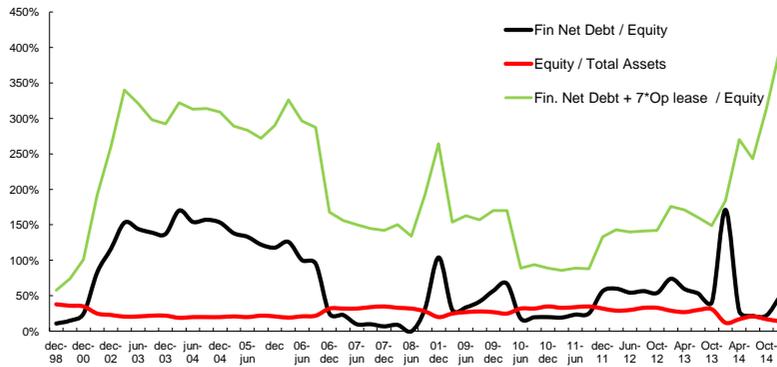


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Gearing ratios



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SAS Group

Financial Net November-January

| MSEK | Nov 14 – Jan 15 | Nov 13 – Jan 14 | Difference |
|---------------------------|-----------------|-----------------|-------------|
| Interest net and others | -160 | -264 | +104 |
| Exchange rate differences | -22 | -19 | -3 |
| Financial net | -182 | -283 | +101 |

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Development and Break Down

Financial Net Debt

| MSEK | 31 Jan 2015 | 31 Oct 2014 | Difference |
|-------------------------------|---------------|---------------|---------------|
| Cash | 7,108 | 7,417 | -309 |
| Other interest bearing assets | 3,223 | 2,286 | +937 |
| Interest bearing liabilities | -12,466 | -10,805 | -1,661 |
| Financial net debt | -2,135 | -1,102 | -1,033 |

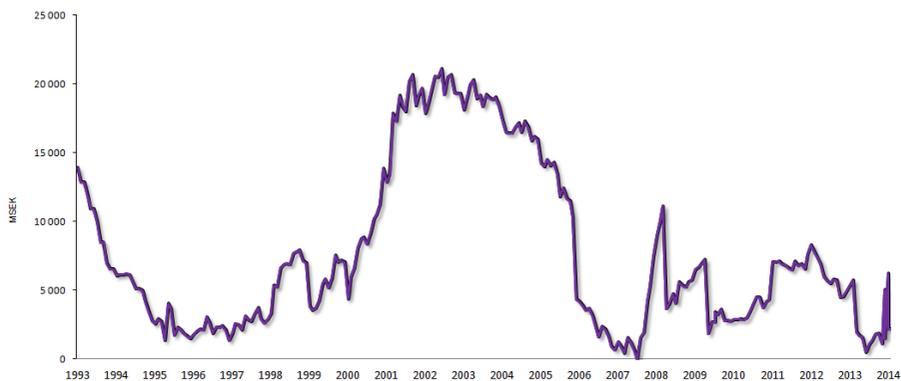
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Development of financial net debt

1993-2015 as reported on a quarterly basis



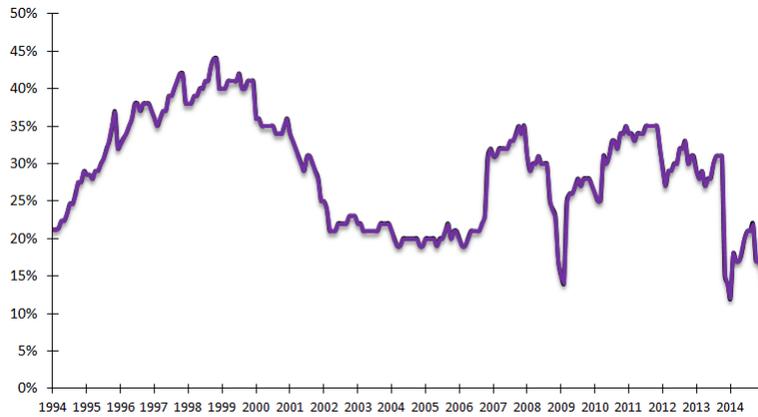
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Equity / Assets Ratio

1993-2015 as report on a quarterly basis



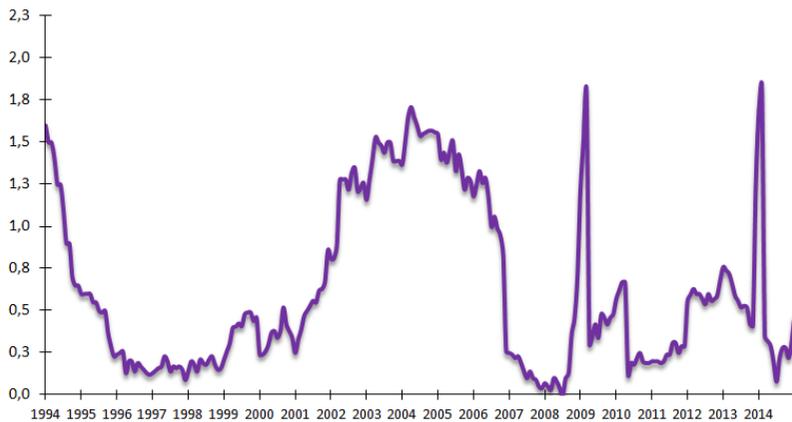
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Financial Net Debt / Equity Ratio

1993-2015 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**

Breakdown of currency effects SAS

| Total revenues & costs currency effects | | Nov 2014-Jan 2015 vs LY |
|-----------------------------------------|-------------------|-------------------------|
| Total revenues & costs | USD | - 360 |
| | DKK | - 9 |
| | NOK | - 2 |
| | EUR | - 14 |
| | Asian currencies | 17 |
| | All others | 21 |
| | Total | - 347 |
| Forward cover costs | 2014 | 43 |
| | 2015 | 350 |
| | Difference | 307 |
| Working capital | 2014 | - 2 |
| | 2015 | - 131 |
| | Difference | - 129 |
| Financial items | 2014 | - 19 |
| | 2015 | - 22 |
| | Difference | - 3 |
| Total currency effects | | - 172 |

Changes in currency exchange rates

affected EBT by MSEK –172 during Nov 2014-Jan 2015 vs Nov 2013-Jan 2014

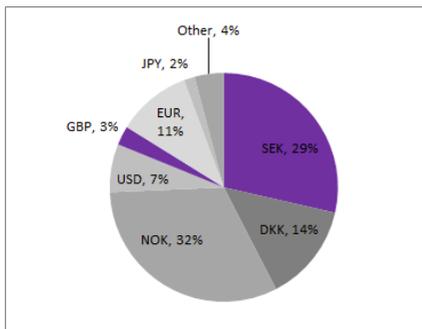
| Currency effects MSEK FY15 vs FY14 | | Nov 2014-Jan 2015 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|-------------------|
| <ul style="list-style-type: none"> Positive impact on revenue due to weaker SEK. Negative impact on other operating costs due to the weaker SEK, primarily in relation to USD. | Total revenue | 243 |
| | Total costs | – 590 |
| | Forward cover costs & working capital | 178 |
| | Income before depreciation | – 169 |
| | Financial items | – 3 |
| | Income before tax | – 172 |

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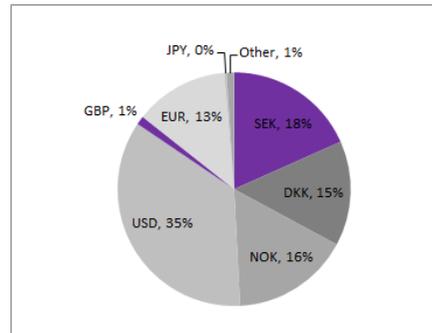


Currency distribution in SAS - Nov 2013 – Oct 2014

Revenue



Expenses



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SAS hedging position for FY15-FY16

| Max jet fuel price | Q2 FY15 | Q3 FY15 | Q4 FY15 | Q1 FY16 | Q2 FY16 | Q3 FY16 |
|--------------------|---------|---------|---------|---------|---------|---------|
| \$801-900 | 67% | | | | | |
| \$701-800 | | 72% | | | | |
| \$600-700 | | | 81% | 81% | 52% | 50% |

| SAS' jet fuel costs in 2013/14 (annual average values) | 6.0 SEK/USD | 7.0 SEK/USD | 8.0 SEK/USD | 9.0 SEK/USD |
|-----------------------------------------------------------|-------------|-------------|-------------|-------------|
| Market price | | | | |
| 600 USD/MT | SEK 6.7 bn | SEK 7.4 bn | SEK 8.2 bn | SEK 9.0 bn |
| 800 USD/MT | SEK 7.0 bn | SEK 7.8 bn | SEK 8.6 bn | SEK 9.4 bn |
| 1,000 USD/MT | SEK 7.3 bn | SEK 8.2 bn | SEK 9.1 bn | SEK 10.0 bn |
| 1,200 USD/MT | SEK 7.7 bn | SEK 8.6 bn | SEK 9.6 bn | SEK 10.5 bn |

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