



SAS Q1 2014/2015
5 March 2015

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



Product improvements:
lounges, service concepts

Erik Viking in traffic

Launch of new Hong Kong route

Delivery on cost program

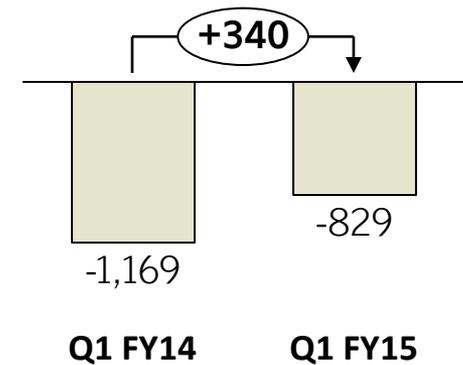
Seasonal production
adjustments

Low capacity growth

Q1 result

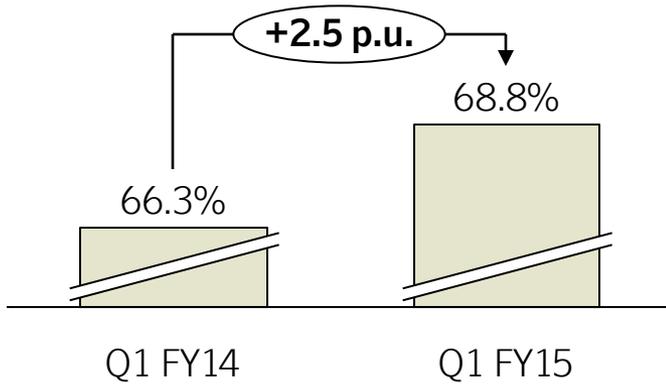
Positive short term
development on revenues and
profitability

**EBT before non-recurring
items, MSEK**

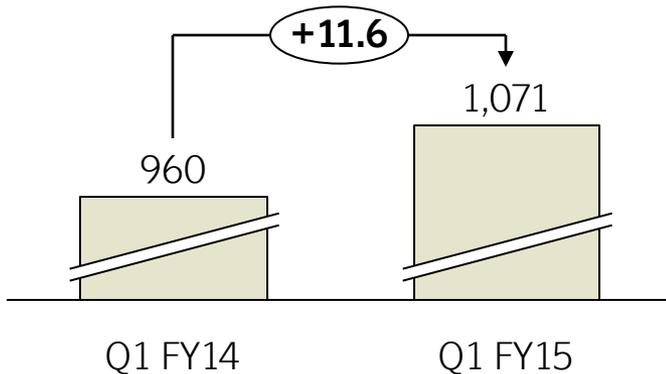


Commercial initiatives deliver result and revenue growth in Q1

Load factor up

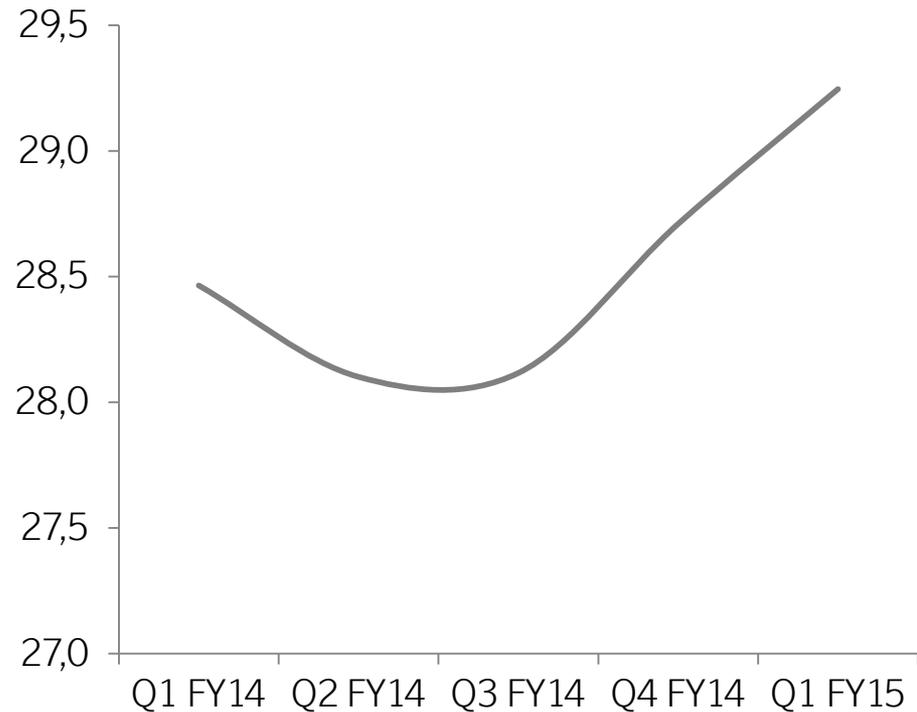


PLUS passengers up 110,000



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

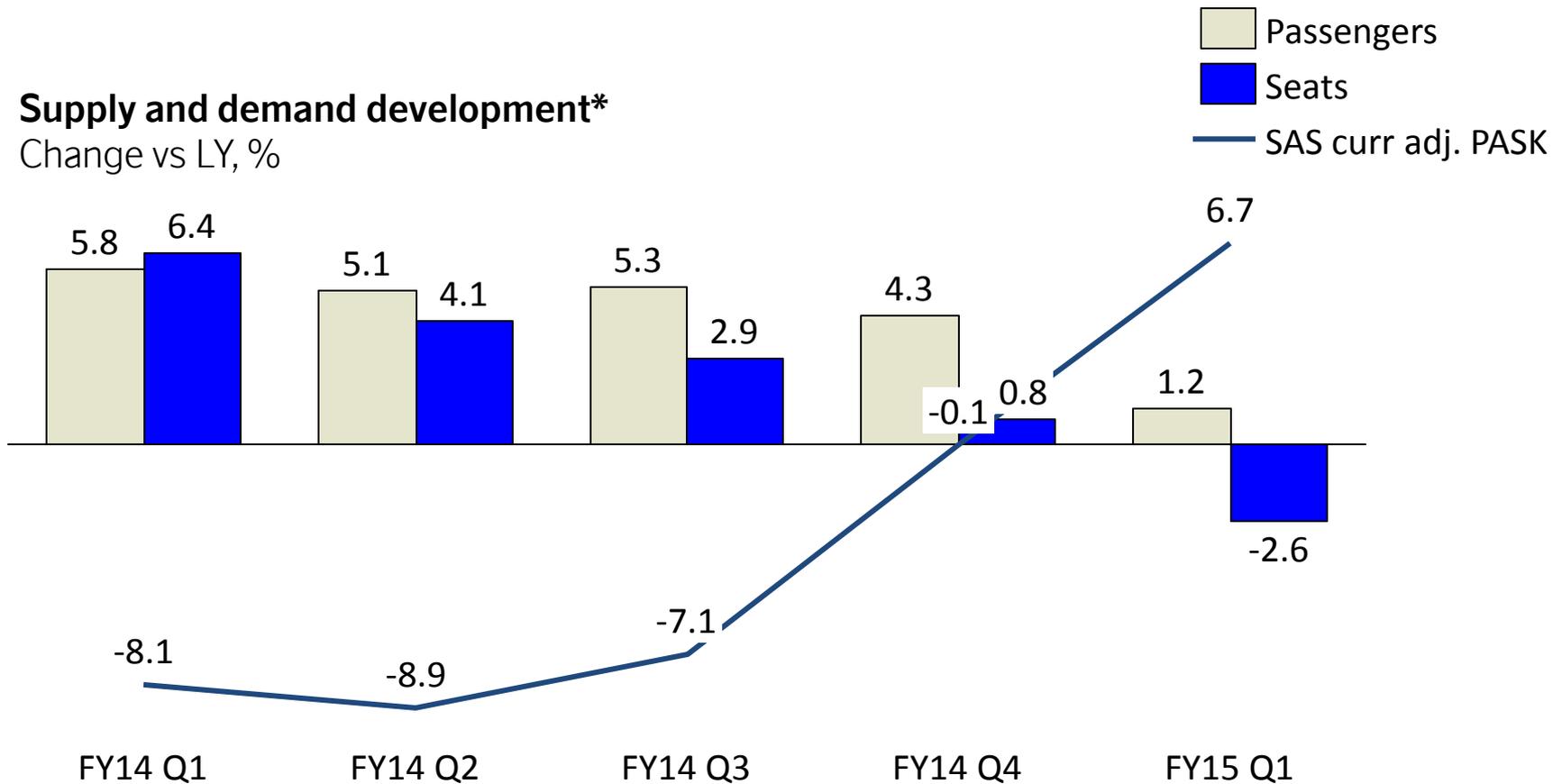
Passenger revenues, 12 months rolling, SEK billion



Market capacity stabilizing in the short term

Supply and demand development*

Change vs LY, %



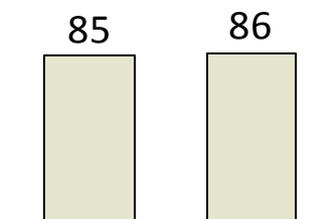
* To, from and within Scandinavia

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

Quality

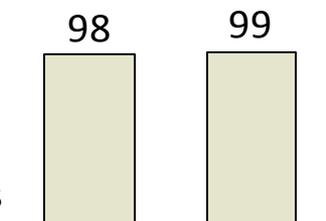
Punctuality

Percent SK, arrivals within 15 minutes



Regularity

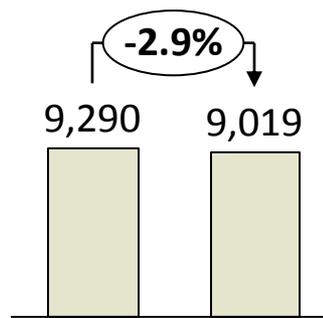
Percent SK, departure within 72 hours



Q1 FY14 Q1 FY15

ASK

ASK
mn
Scandinavian Airlines vs. LY*

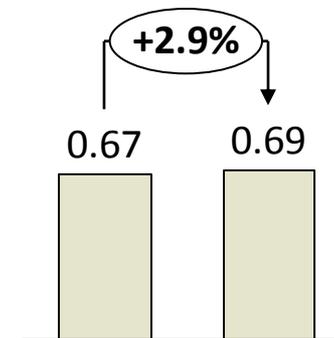


Q1 FY14 Q1 FY15

Unit cost

Unit cost

SEK
SK, FX & Fuel
adjusted unit
cost vs. LY



Q1 FY14 Q1 FY15

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

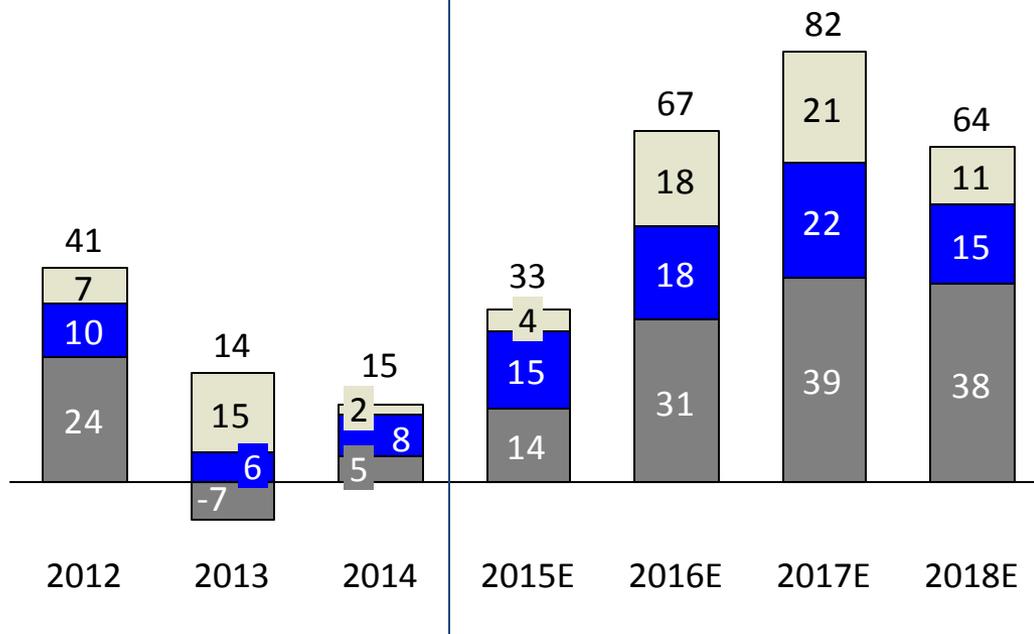
Short haul fleet development for selected European LCC

Net increase per year

Aircraft in service by end of year

Planned fleet expansion

Expected annual growth in fleet sizes



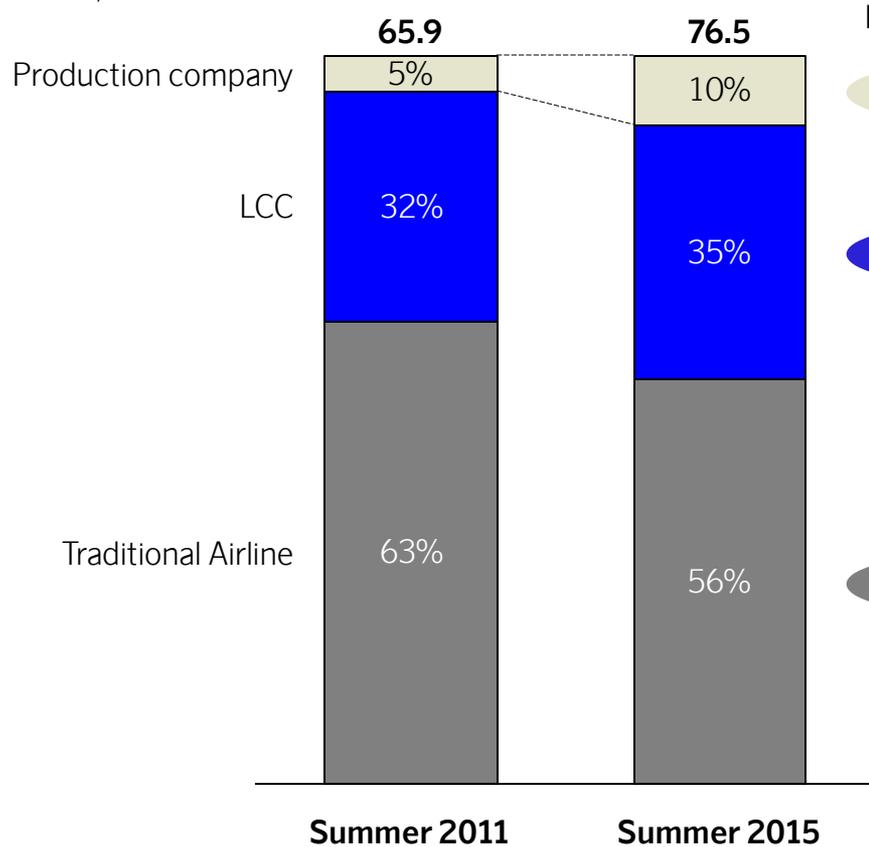
Step change in LCC capacity expected to create considerable PASK pressure

Source: Ascend, OAG, Company Information, Analyst Presentations

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

Capacity by form of operation

To, from & within Scandinavia
Seats, million



New seats

- +4.1 mn
- +5.8 mn
- +0.7 mn



Source: Innovata schedule data

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



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



1

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



1

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

Network and schedule



Service concepts



Lounges



Digitalization



Cabin refresh



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 är 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

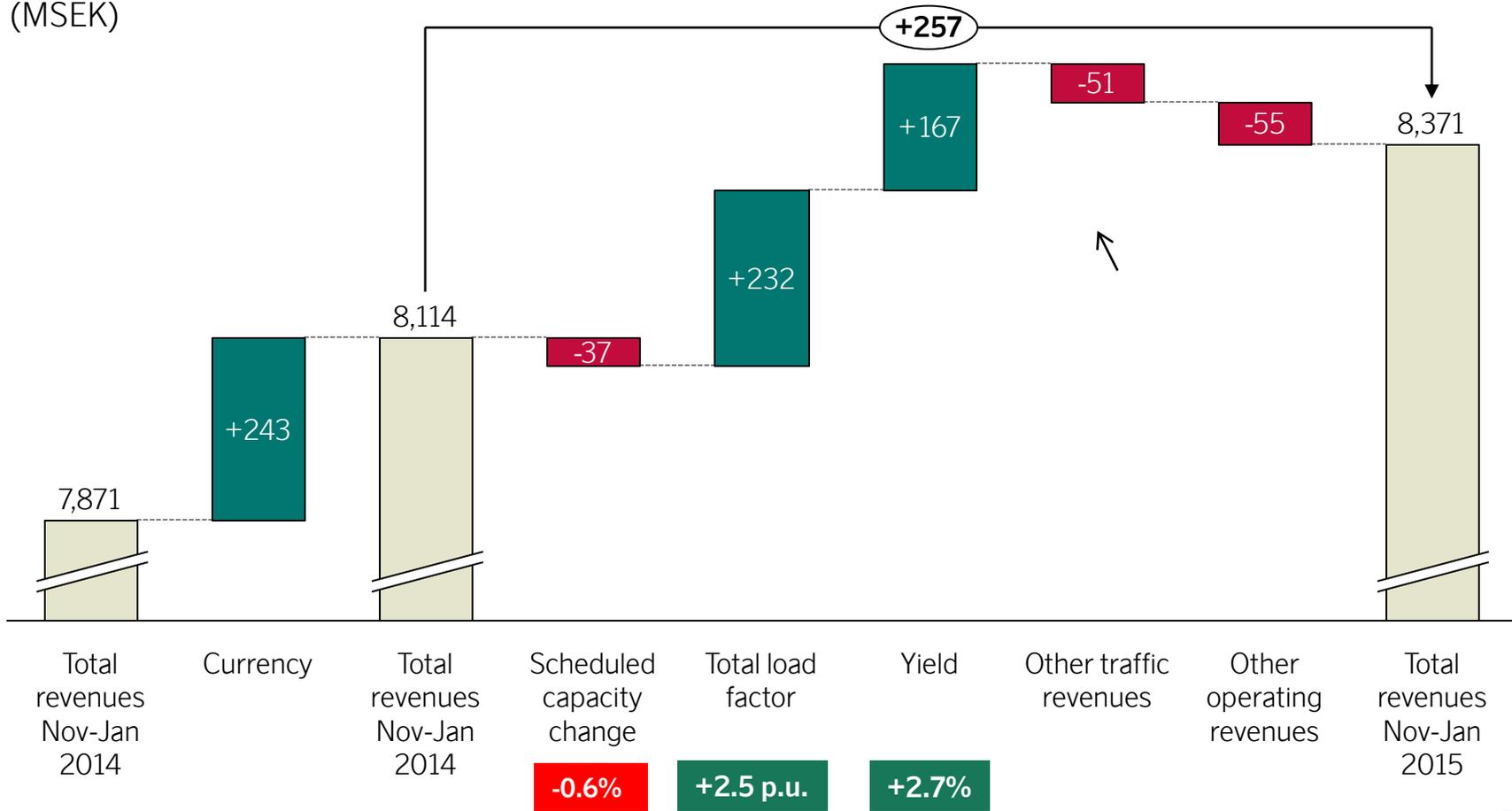
Revenues grew SEK 0.5 bn in Q1

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

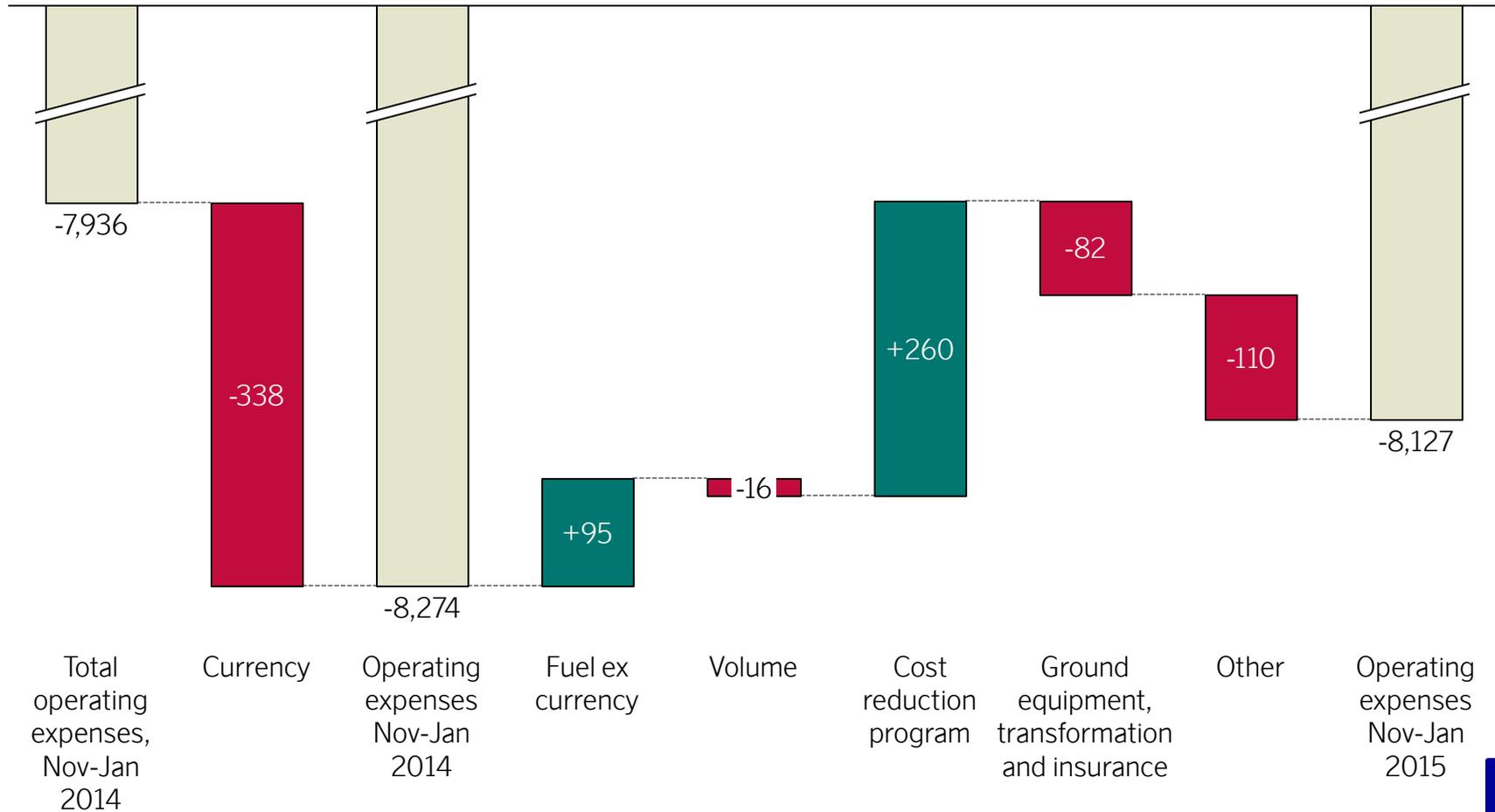
Positive yield and load factor development drive higher revenues in Q1

Total Revenues Q1
(MSEK)

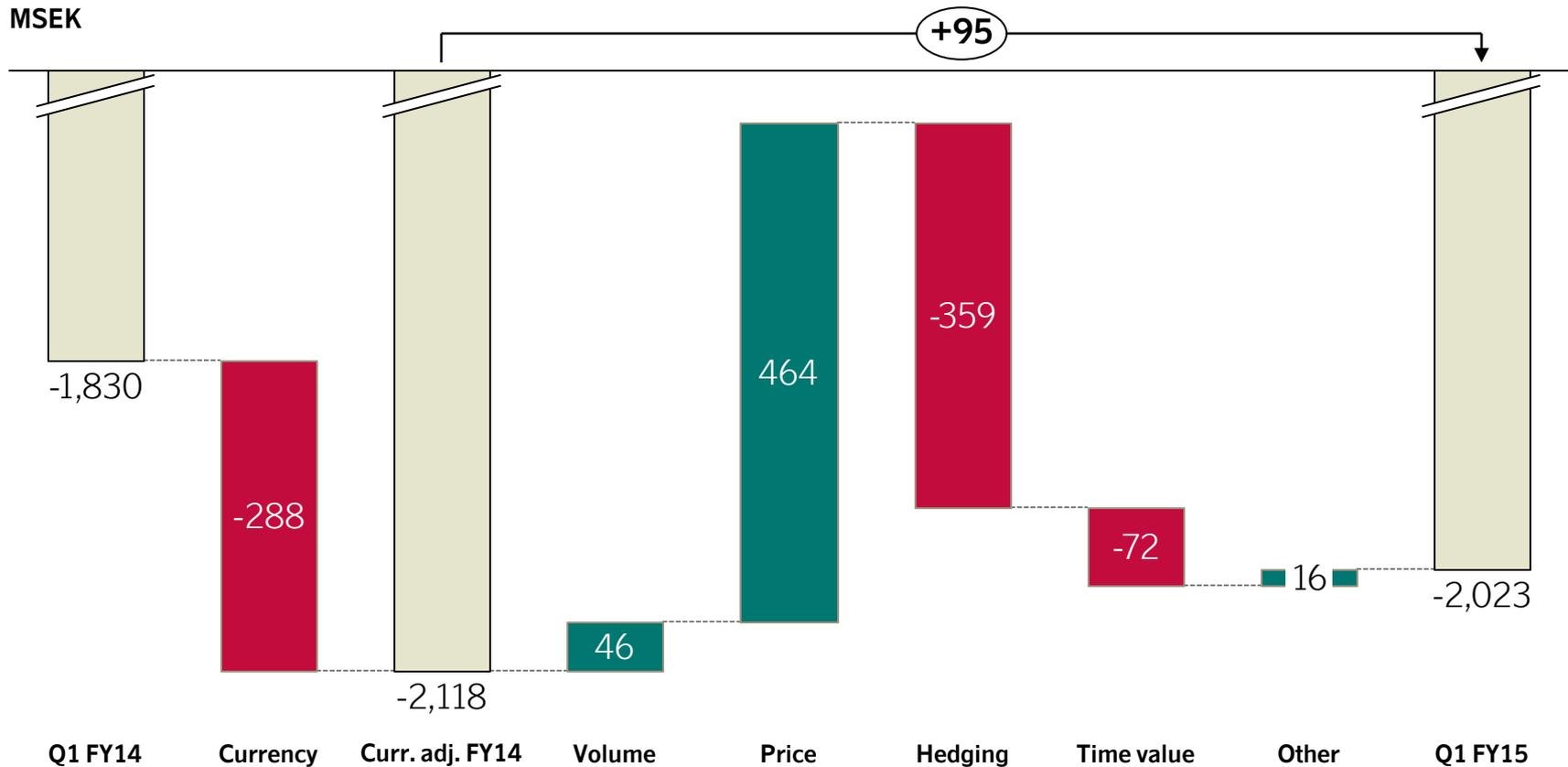


Increased costs driven by currency - limited positive effect from lower fuel prices

Total Operating Expenses Q1
(MSEK)



Fuel cost down MSEK 95 in Q1 adjusted for currency

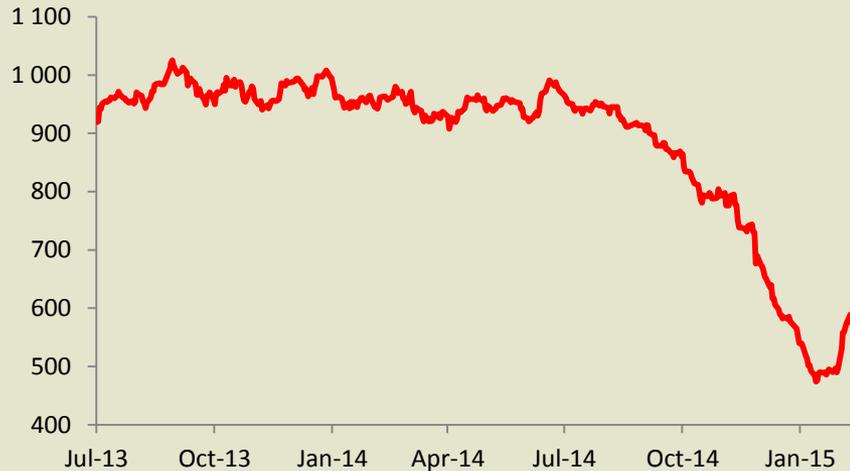


Ton +2.6%

FY15: -360
FY14: +1

Jet fuel and currency update

Jet fuel, spot price development, USD



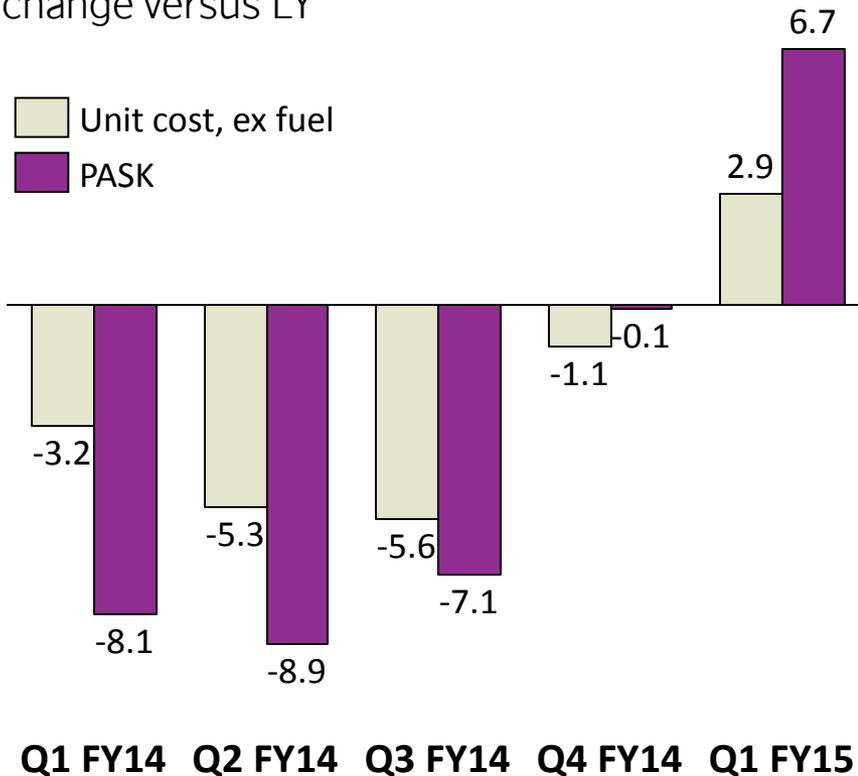
Current hedges

- SAS jet fuel costs in FY14 SEK 8.8bn
 - 73% of the consumption hedged remaining FY15
 - FY15 jet fuel cost with USD at SEK 8.5
 - USD 600/MT => SEK 8.6 bn
 - USD 800/MT => SEK 9.0 bn
- 68% of USD deficit hedged Feb 15 – Jan 16
- 73% of NOK surplus hedged Feb 15 – Jan 16

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%

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

PASK and unit cost (ex fuel)
change versus LY



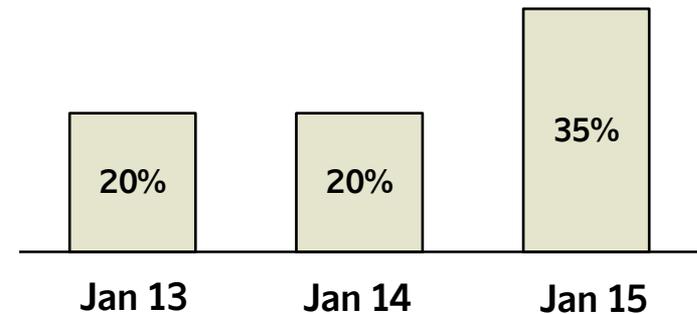
Focus on implementing efficiency measures

- 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

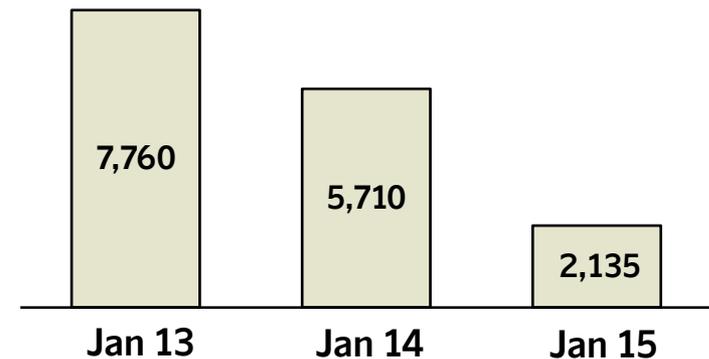
SAS financial position stronger

- 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!

