

# **SAS Q3 2014/2015 TELECONFERENCE**

**08.09.2015**

# Q3 brief summary

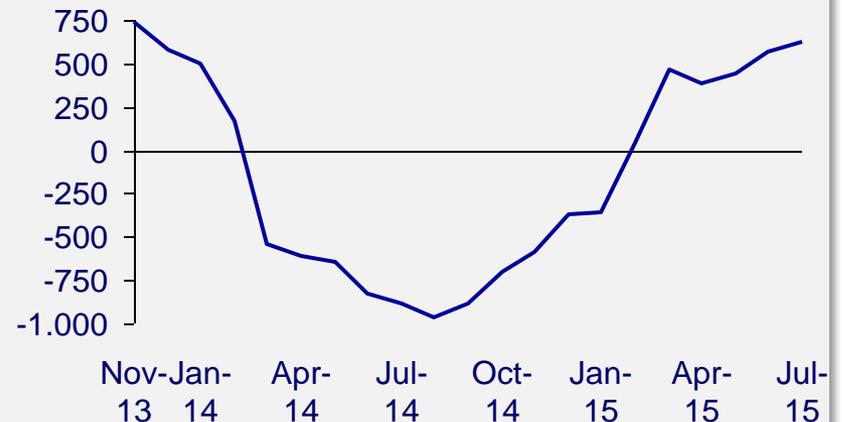
## Q3 update

- Commercial initiatives paying off
  - EuroBonus members up 15% - now 4 million
  - Summer program with 47 seasonal routes well received by customers
- Initiatives to improve efficiency implemented with letter of intent with Widerøe and Aviator to outsource SAS Ground handling
- Decision to grow long haul fleet with three aircraft – three new routes to open in 2016
- Tender to wet lease 8 regional jet aircraft to rightsize fleet to fit network and schedule

## Financial performance Q3 FY15

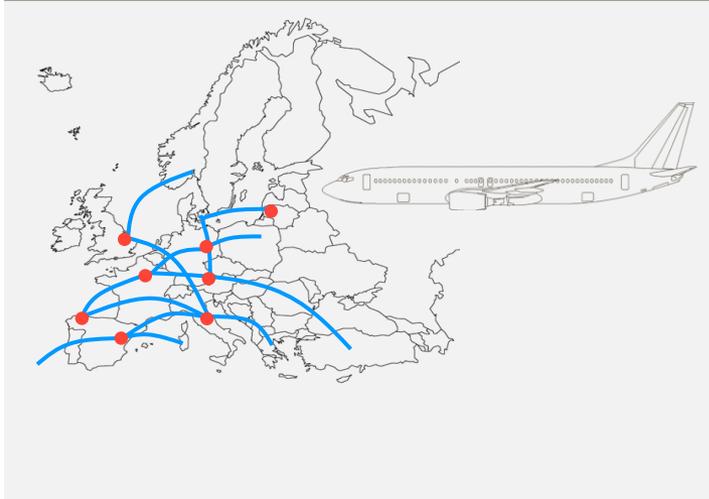
- EBT before nonrecurring items MSEK 996 improved 31% (MSEK 759)
- Financial net debt positive
- Currency adj. unit revenue (PASK) up 3.6%
- Currency adj. unit cost excl. fuel up 3.4%
- Total ASK down 2.9%

**EBT before nonrecurring items, MSEK, 12 months rolling**

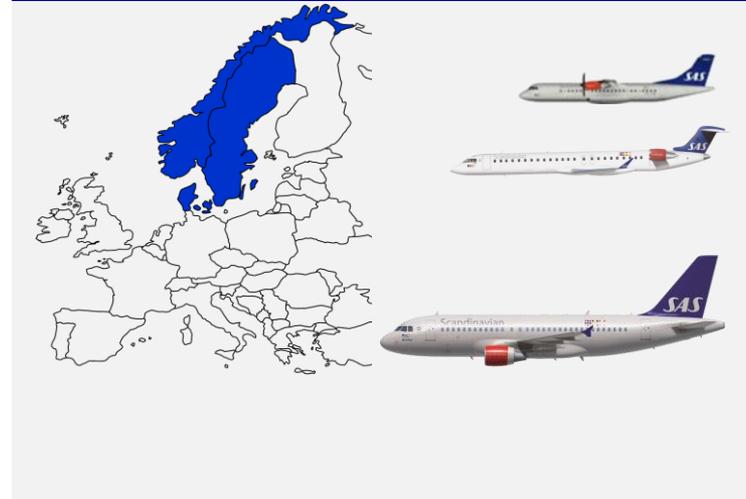


# SAS strategy is to focus on Scandinavia's frequent travelers

## Typical low cost carrier strategy



## Strategy of SAS



### Market

- Multimarket focus, general low yield, especially leisure

- Focus on Scandinavia's frequent travelers

### Operational platform

- One type fleet, operate traffic flows that fit fleet

- Fleet designed to fit best network and schedule for customers

### Growth

- New destinations, anywhere

- Improve offer for primary customer base to increase loyalty

# Summer program well received by customers

Strategic shift last few years – secure offering to frequent travelers also during summer



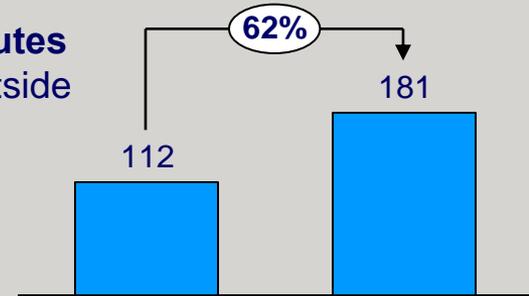
Increased number of attractive leisure routes

Customers have responded particularly well, all-time-high cabin factor in July 2015

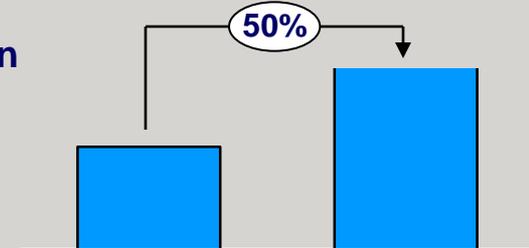
Capacity driven by improved utilization



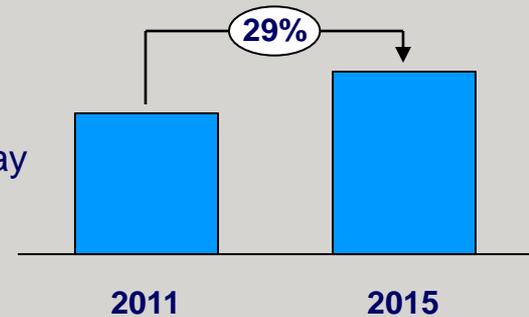
No of int'l routes in July, to outside Scandinavia



Award trips in July, millions

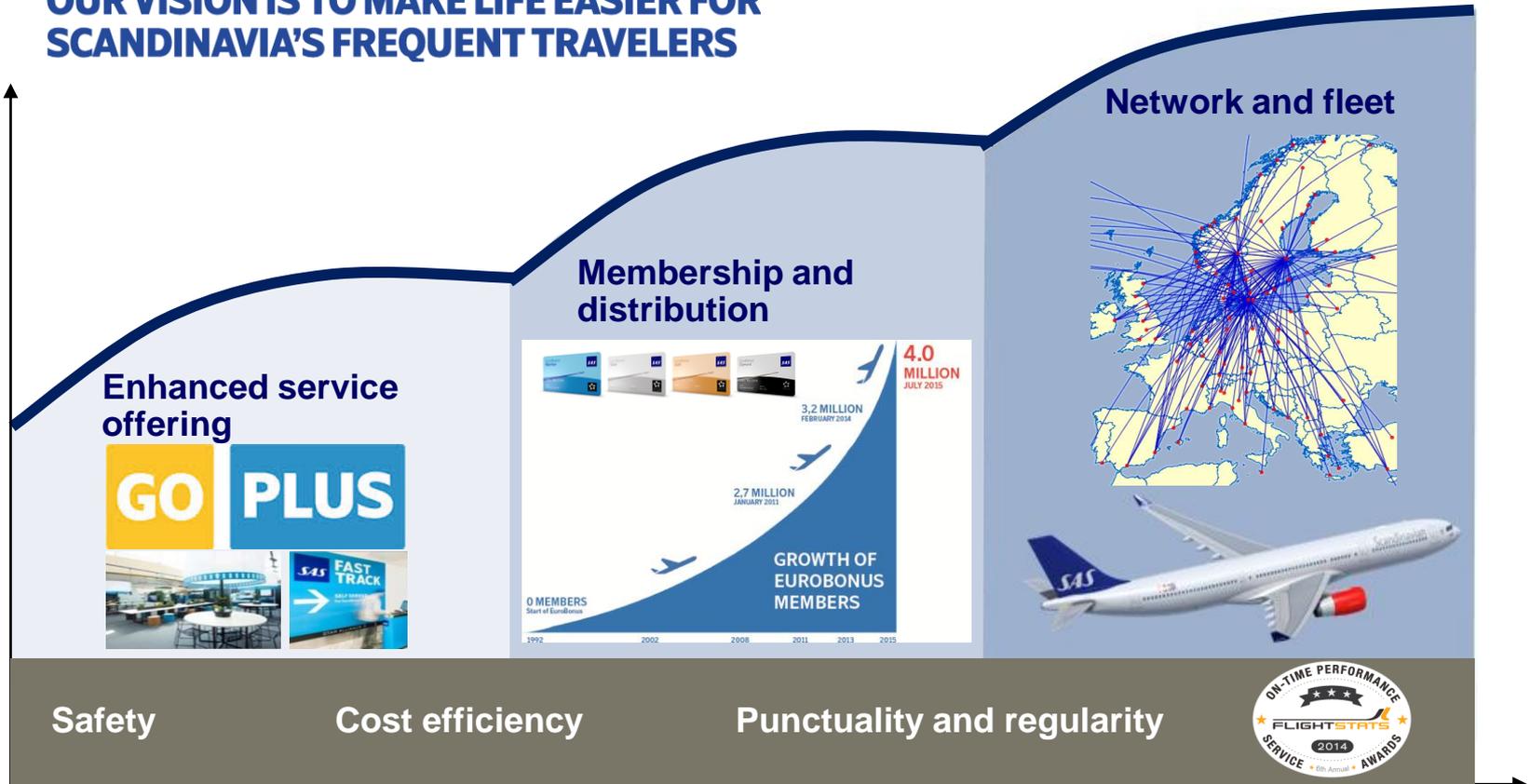


Aircraft utilization in July, hours/day



# We are building a strong product offering

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



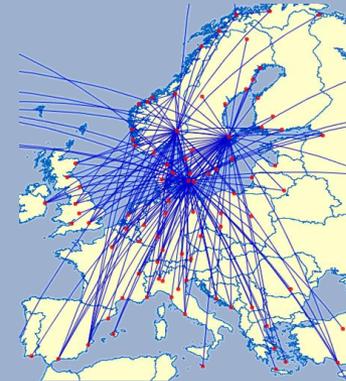
**Enhanced service offering**



**Membership and distribution**



**Network and fleet**



**Safety**

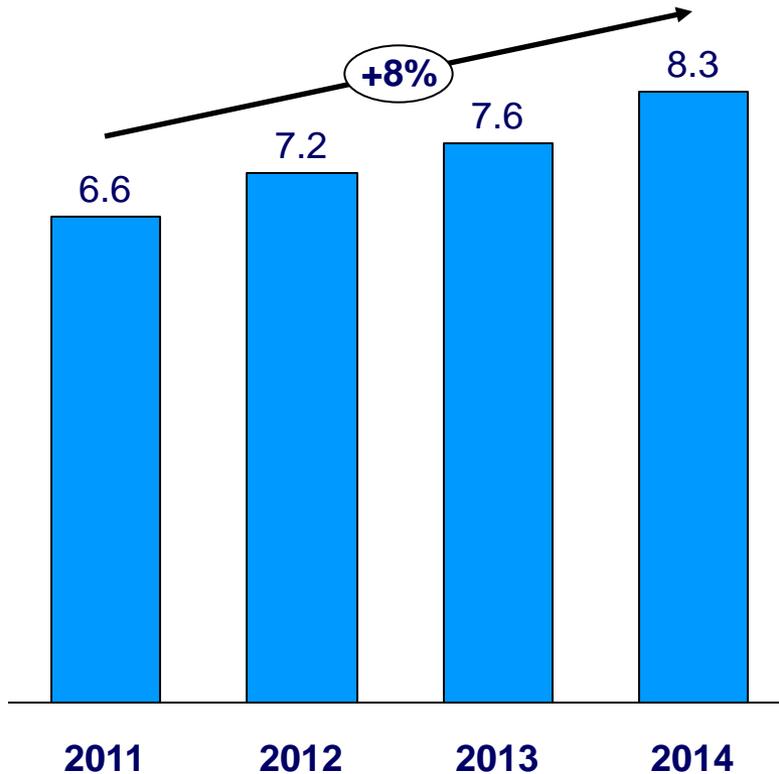
**Cost efficiency**

**Punctuality and regularity**



# Meeting Scandinavian long haul demand

The Scandinavian long haul market is large with growing demand...  
Passengers (mn)



...and SAS is now in a position to expand the long haul network

- Reduced cost and increased productivity
- Growing long haul fleet
- New long haul product well received

Source: DDS; Innovata

# SAS long haul strategy is based on frequent traveler demand

- Focus on the Northern hemisphere
- Operate with frequent departures to secure flexibility for customers
- Serve large traffic flows with high share of frequent travelers



# Next wave of SAS long haul expansion



**HONG KONG**  
Stockholm–Hong Kong 5 days a week  
Book at [flysas.com](http://flysas.com)

**September '15**

Stockholm –  
Hong Kong

5 days a week



**NEWS!  
LOS ANGELES**  
Stockholm–Los Angeles 7 days a week  
Book at [flysas.com](http://flysas.com)

**March '16**

Stockholm –  
Los Angeles

7 days a week

2015

2016



**SHANGHAI**  
Book at [flysas.com](http://flysas.com)

**October '15**

Increased frequencies

- Shanghai
- New York
- Chicago
- San Francisco



**NEWS!  
MIAMI**  
Oslo–Miami 4 days a week  
Copenhagen–Miami 3 days a week  
Book at [flysas.com](http://flysas.com)

**Autumn '16**

Oslo – Miami  
4 days a week

Copenhagen  
– Miami  
3 days a week

# Initiatives to improve efficiency

## Examples

---



### Fleet and production

- Simplified fleet: Boeing 717 aircraft phased out by end of FY15
- Rightsize the short haul fleet to be able to offer strong network and schedule: RFP to wet lease 8 regional jet aircraft from next year being finalized



### IT

- Progressing IT transformation, however high complexity in IT legacy - cost reductions trailing plan, MSEK 300 delayed to FY16
- Increased focus with new organizational structure and CIO



### Personnel

- Optimized sales and administration; reduction by 285 employees during 2015
- Outsourcing of services, including maintenance and ground handling

# Outsourcing of SAS ground handling

## Completed ~1,500 FTEs

- Central Departure Control both outside Scandinavia and within Scandinavia (2015)
- Cleaning outsourced in Copenhagen (2015)
- Ground Service Equipment outsourced in Scandinavia (2013-2015)
- Line stations in Sweden and Denmark outsourced (2014)
- SAS Flybussen outsourced in Oslo (2012)
- Stations outside Scandinavia outsourced (2009-2010)



## In progress ~4,400 FTEs

- Letter of intent with Widerøe to outsource 14 line stations in Norway
- Letter of intent with Aviator to outsource remaining operations at Copenhagen, Oslo, Arlanda, Gothenburg and Malmö

# GÖRAN JANSSON

## CFO

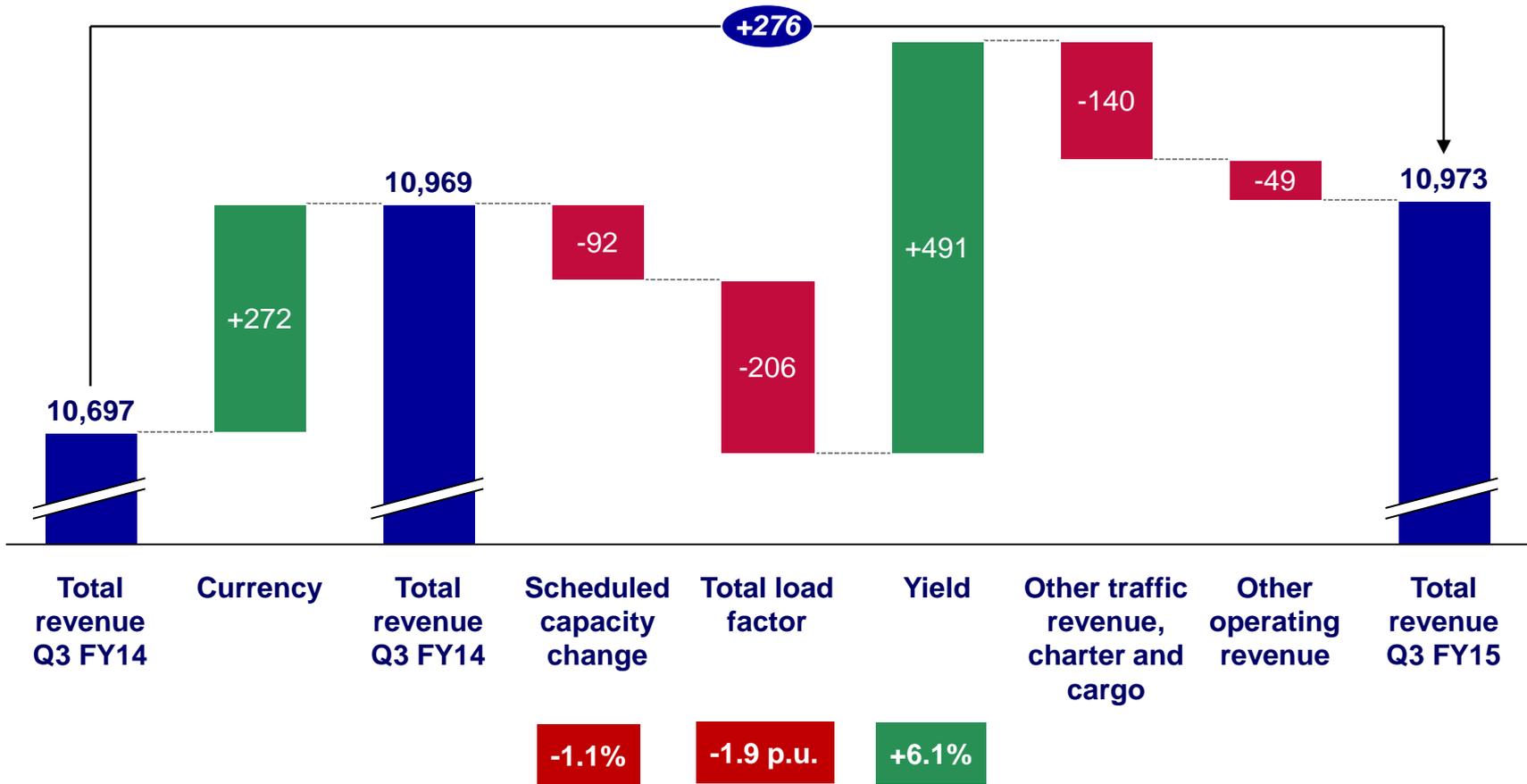
## EBT before non-recurring items up 31% vs. last year

Income statement	May-Jul 2015	May-Jul 2014	Change vs LY	Currency
<b>Total operating revenue</b>	<b>10,973</b>	<b>10,697</b>	<b>+276</b>	<b>+272</b>
Payroll expenditure	-2,386	-2,494	+108	
Jet fuel	-2,344	-2,458	+114	
Government charges	-1,093	-1,068	-25	
Other operating expenditure	-3,066	-2,887	-179	
<b>Total operating expenses*</b>	<b>-8,889</b>	<b>-8,907</b>	<b>+18</b>	<b>-748</b>
<b>EBITDAR before non-recurring items</b>	<b>2,084</b>	<b>1,790</b>	<b>+294</b>	<b>-476</b>
<i>EBITDAR-margin*</i>	19.0%	16.7%	+2,3 p.u.	
Leasing costs, aircraft	-659	-525	-134	
Depreciation	-343	-354	+11	
Share of income in affiliated companies	25	24	+1	
<b>EBIT before non-recurring items</b>	<b>1,107</b>	<b>935</b>	<b>+172</b>	<b>-602</b>
<i>EBIT-margin*</i>	10.0%	8.7%	+1.3 p.u.	
Financial items	-111	-176	+65	
<b>EBT before non-recurring items</b>	<b>996</b>	<b>759</b>	<b>+237</b>	<b>-607</b>
Non-recurring items	35	-3	+38	
<b>EBT</b>	<b>1,031</b>	<b>756</b>	<b>+275</b>	<b>-607</b>

\* = Before non-recurring items

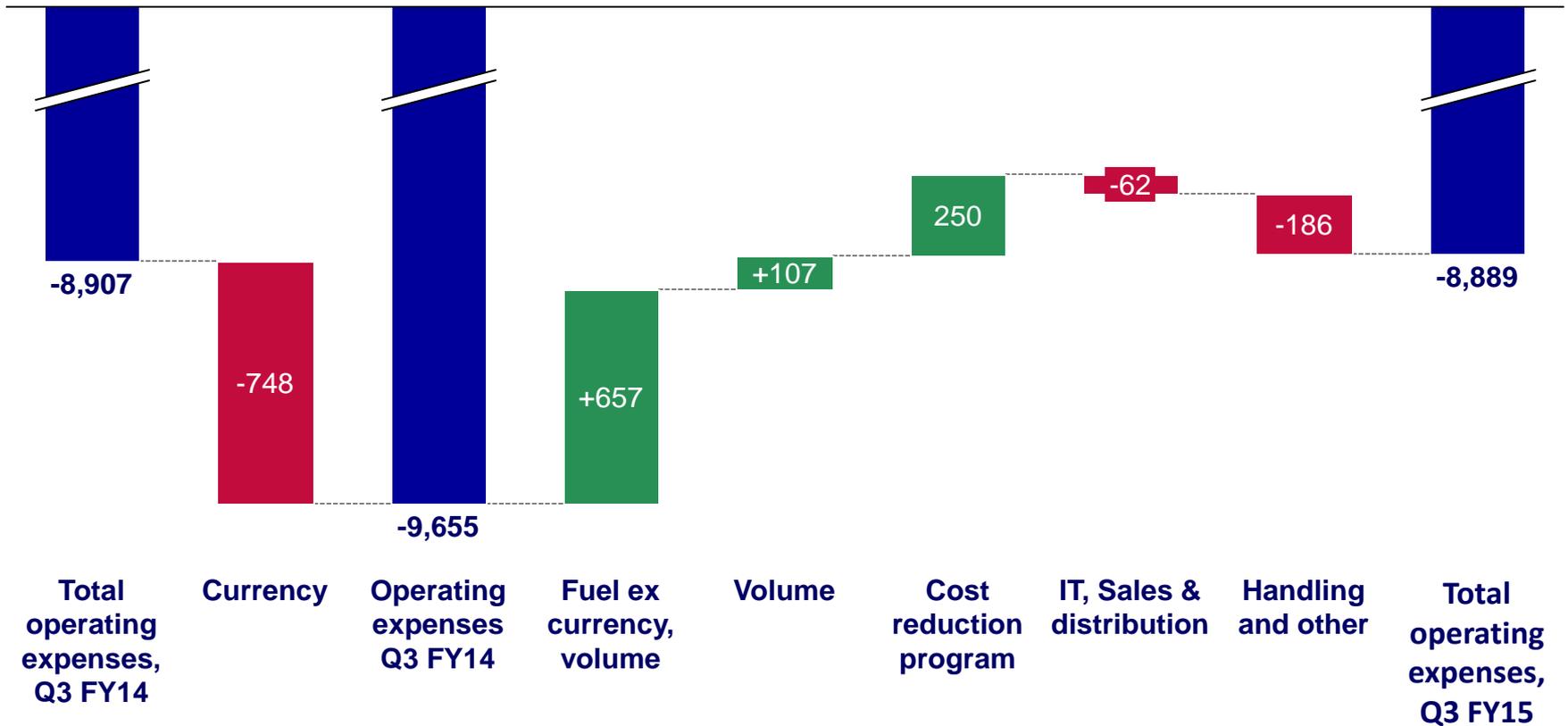
# Yield and currency contribute to higher revenue in Q3

Total Revenue Q3  
MSEK



# Operating expenses analysis

## Total Operating Expenses Q3 MSEK

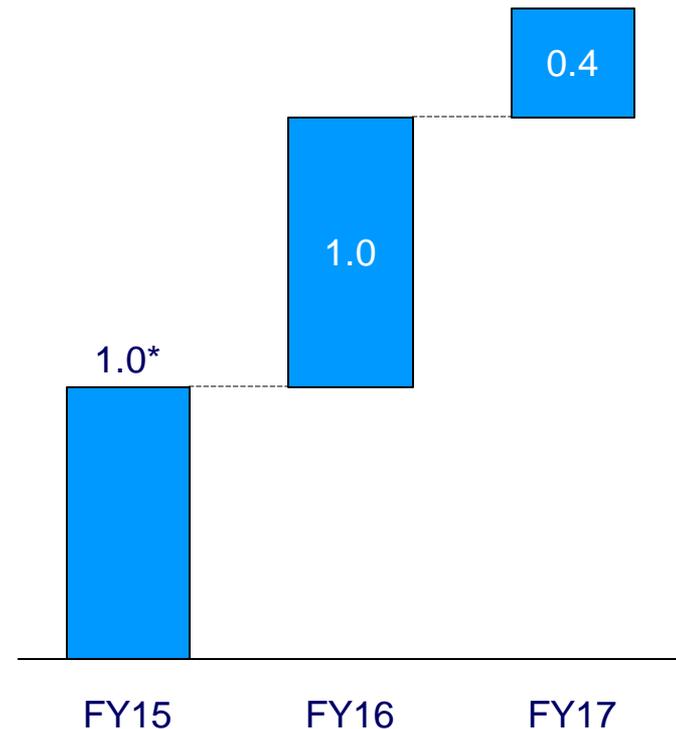


# Cost reduction programs in progress

## Q3 update

- MSEK 250 earnings impact in Q3
  - MSEK 120 - flight operation and maintenance
  - MSEK 70 – ground operation
  - MSEK 20 – facilities
  - MSEK 40 – admin, sales, supply chain and other
- Implementation of IT measures complex
  - MSEK 300 in earnings now expected in FY16 instead of FY15
- Potentially MSEK 450 in restructuring costs for pilots in FY15 and FY16

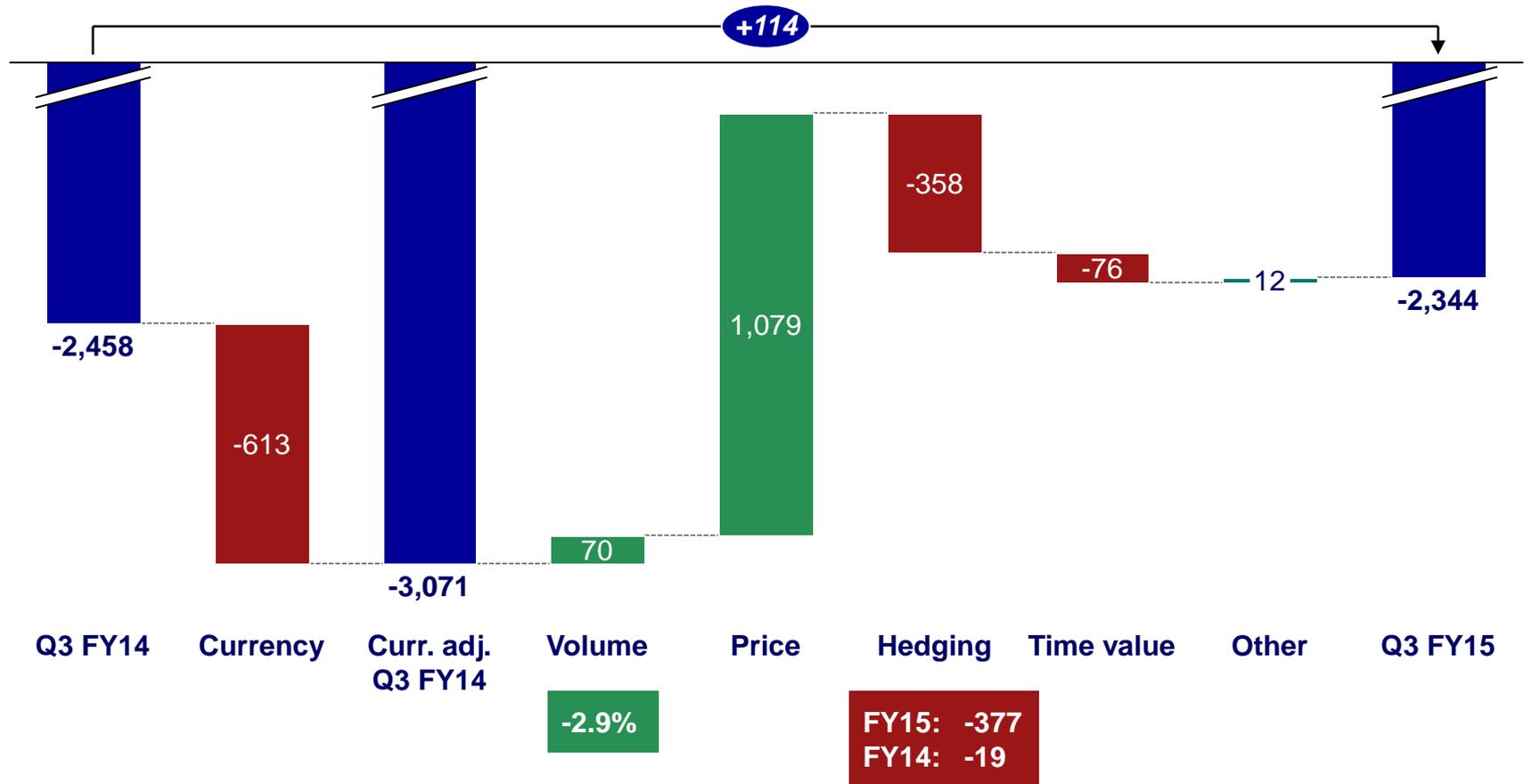
## Expected earnings impact, SEK bn



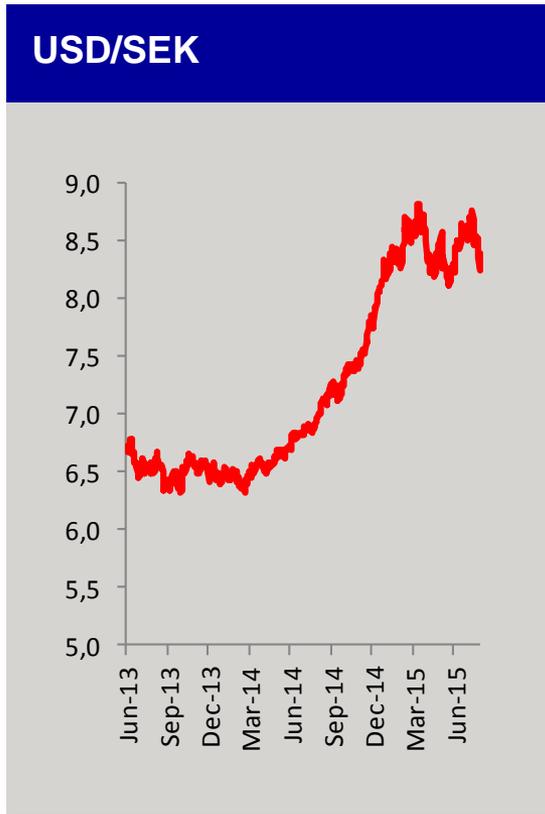
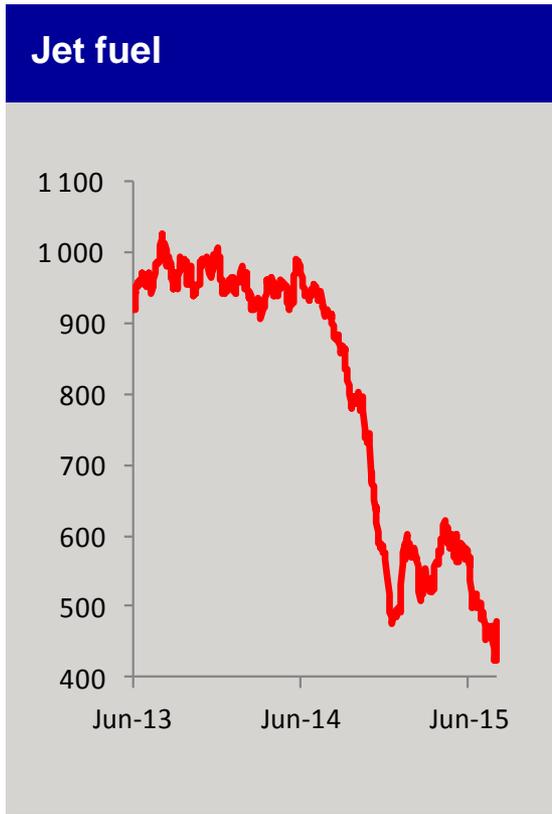
\* Includes SEK 0.3 bn from the restructuring program (4XNG), launched in November 2012

# Limited net impact from lower jet fuel prices in Q3

Fuel cost Q3  
MSEK



# Jet fuel, currency and hedges

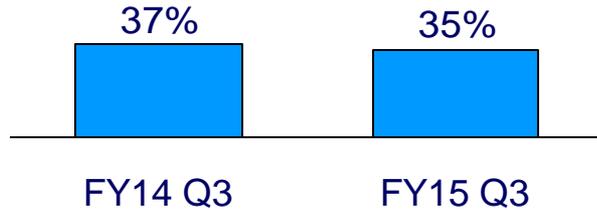


- ### Current hedges
- 72% of the consumption hedged next 12 months
  - FY15 jet fuel cost with USD at SEK 8.3
    - USD 560/MT
    - SEK 8.5 bn
  - 69% of USD hedged Aug15 to Jul 16
  - 66% of NOK hedged Aug15 to Jul 16

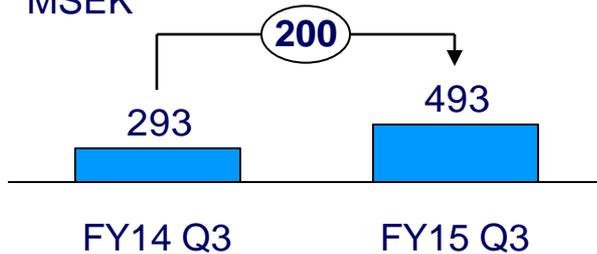
Max jet fuel price	Q4 FY15	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16	Q1 FY17
\$600-700	83%	81%	71%	54%	53%	18%

# Stronger financial position

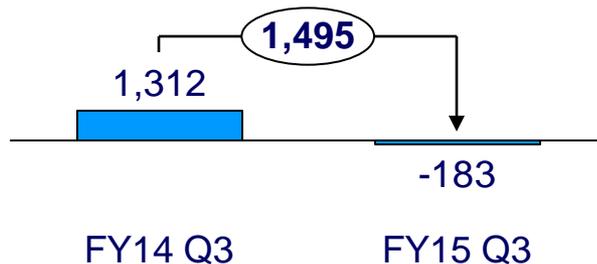
## Financial preparedness



## Cash flow from operating activities MSEK



## Financial net debt, MSEK



- Cash flow from operating activities improved SEK 1.3 bn during Nov 14 – Jul 15
- Cash of SEK 7.5 bn
- Unutilized credit facilities of SEK 2.7 bn
- Financial preparedness maintained despite repayment of SEK 1.6 bn convertible
- Financing of aircraft deliveries in place until 2<sup>nd</sup> Quarter 2016 and pre deliveries of 8 aircraft until early 2017
- SAS financial net debt positive
- Shareholders' equity improved SEK 1.4 bn
- Equity/total asset improved to 21%

# Summary and outlook

## Q3 Summary

EBT before non-recurring items is up by 31%

Commercial initiatives paying off

- PASK up 3.6%
- EuroBonus members up 15% - now 4 million
- Summer program well received by our customers
- July cabin factor all time high

Decision to expand long haul with opening of new routes to Los Angeles and Miami

Implementation of SAS' strategy to outsource SAS ground handling in progress

Tender to wet lease 8 regional jet aircraft to rightsize fleet to fit network and schedule

## FY15 outlook

SAS total ASK expected to decrease by approximately 2% in FY15 vs. last year

Opening of Stockholm – Hong Kong in September

SAS expects to post a positive EBT before tax and non-recurring items in FY15

SEK 1.0 bn earnings impact from cost program

**THANK YOU**