

SAS Q2 2015/2016 TELECONFERENCE

10.06.2016

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More passengers in a weak quarter

Positives

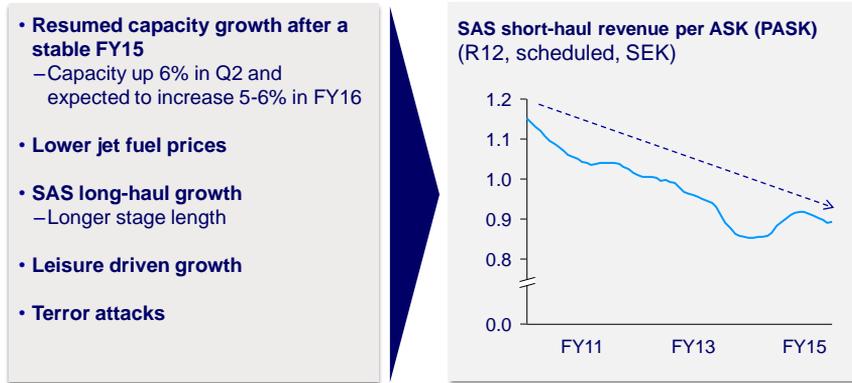
- + More passengers than last year, with record number of passengers on long-haul routes
- + Strong response on SAS upgraded Business Class
- + SEK 0.8bn lower jet fuel cost
- + EU-fee reversal

Negatives

- Yield down 9.2% vs. last year
- Negative currency effect of SEK 0.5bn vs. last year
- Only SEK 0.2bn in impact from efficiency program
- Additional technical maintenance costs and engine provisions SEK 0.3bn

Q2	Q2 vs. LY
EBT bef. non-recurring items	Change
MSEK -601	MSEK -270
Traffic, RPK	Change
7,424	+7.9%
Unit cost excl. fuel, SEK	Change
0.62	-1.3%
PASK, SEK	Change
0.64	-11.5%

Intensified yield pressure in the market as expected



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SAS strategy is to focus on Scandinavia's frequent travelers

	Typical low cost carrier strategy	Strategy of SAS
Market	<ul style="list-style-type: none"> • Multimarket focus, general low yield, especially leisure 	<ul style="list-style-type: none"> • Focus on Scandinavia's frequent travelers
Operational platform	<ul style="list-style-type: none"> • One type fleet, operate traffic flows that fit fleet 	<ul style="list-style-type: none"> • Fleet designed to fit best network and schedule for customers
Growth	<ul style="list-style-type: none"> • New destinations, anywhere 	<ul style="list-style-type: none"> • Improve offer for primary customer base to increase loyalty

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SAS's most frequent travelers increase their travel with SAS

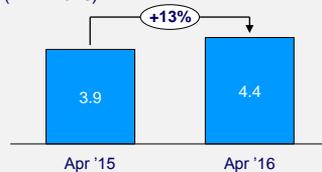
EuroBonus important to grow customer loyalty

- 4.4 million EuroBonus members
 - 500,000 additional members since last year
 - 75,000 additional Silver/Gold/Diamond members since last year
- Silver/Gold/Diamond members increased their travelling with SAS by 6% in Q2 vs LY
 - Revenue for this customer group up MSEK 100 in Q2 vs. LY
- EuroBonus members account for over 50% of SAS passenger revenue and contribute with more ancillary revenue than non-EB members

Passenger revenue FX adjusted (MSEK)



EuroBonus members (in millions)



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SAS long-haul expansion – strong response in Business Class

Background

- Growing demand for more direct long-haul routes to/from Scandinavia
- SAS improved crew productivity
- Fleet expansion from 12 to 16 aircraft at minimal investment

Product investments

- Upgraded cabin interior
- New destinations and more frequencies



Strongly improved customer satisfaction and external awards



- Record number of passengers on long-haul routes in Q2
- Strong response on SAS upgraded Business Class - load factor up to close to 75% in Q2
- Cabin now upgraded on all long-haul aircraft in traffic

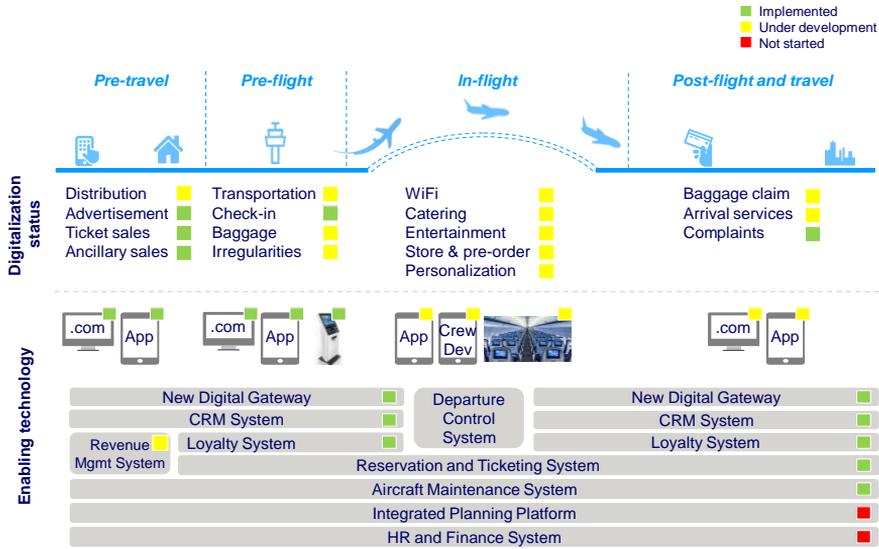
Business Class and SAS Plus revenue FX adjusted



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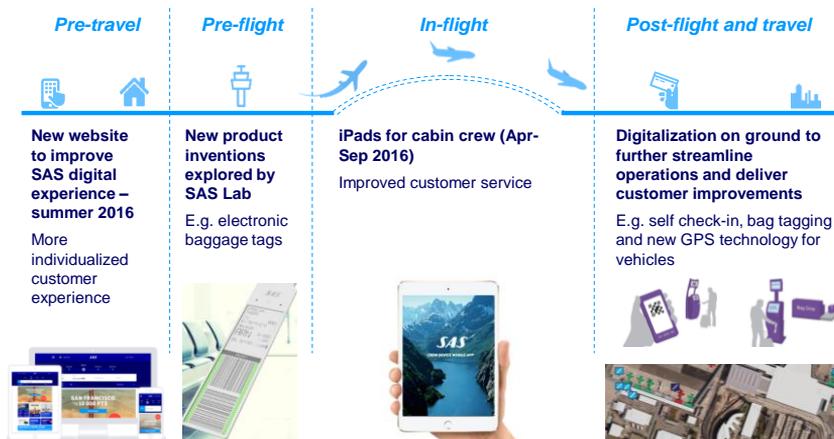
Digitalization of SAS processes and customer offering



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Digitalization and innovation of SAS customer interface – making life easier for Scandinavia’s frequent travelers



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SAS production model enables SAS to offer the frequent travelers a better network

Significant wet lease operation established

- Enables SAS to offer a better network
 - ~20 destinations that otherwise could not be served
 - More off peak flights on larger traffic flows
- About 8% of ASK and 20% of flights and more than 1 million passengers in Q2
 - 6 CRJ900 phased into traffic with CityJet during Q2
- Wet lease production 15-20% more cost efficient than internal operation*
 - Collective agreements in Scandinavia



Wet lease aircraft in operation



SAS two tier production model



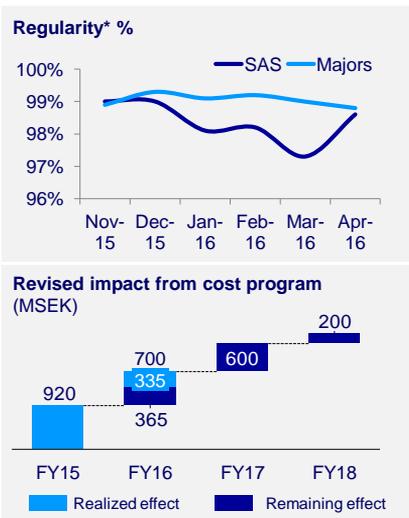
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* Excludes jet fuel, airport/overflight charges, ground handling and overhead costs

Focus on improving quality in operations delays cost program

- SAS has had unsatisfactory regularity and punctuality levels in Q1-Q2 FY16
 - Abnormal level of unscheduled maintenance
 - Technical resources tied up in system migration
- Prioritization of quality standards to protect customer satisfaction and loyalty
 - Additional spare aircraft
 - Reprioritization of resources



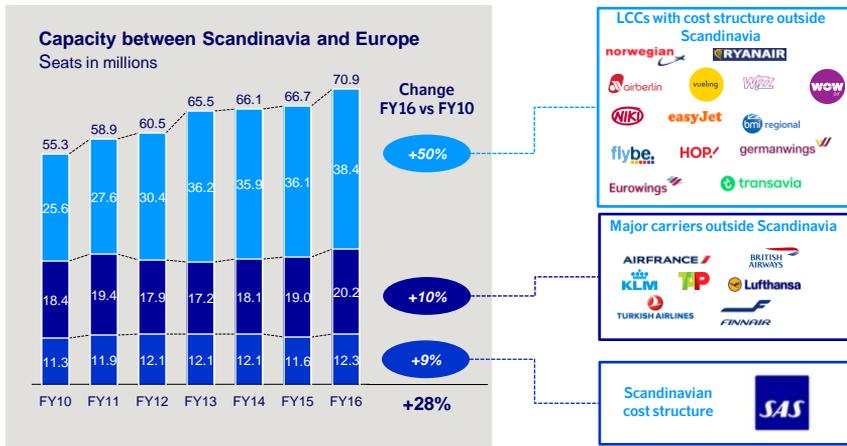
- Completion of cost program prolonged to FY18

* Source: Based on Flightstats Monthly Reports

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European routes is driven by non-Scandinavian LCC platforms



SAS must explore additional measures to stay competitive

11 Source: Innovata Schedule data

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FINANCIALS

eBreakdown of the income statement

Income statement	Feb-Apr 16	Feb-Apr 15	Change vs LY	Currency
Total operating revenue	8,916	9,403	-487	-291
Payroll expenditure	-2,308	-2,427	+119	
Jet fuel	-1,497	-2,299	+802	
Government charges	-977	-993	+16	
Other operating expenditure	-3,602	-2,843	-759	
Total operating expenses*	-8,384	-8,562	+178	-139
EBITDAR before non-recurring items	532	841	-309	-430
EBITDAR-margin*	6.0%	8.9%	-2.9 p.u.	
Leasing costs, aircraft	-706	-662	-44	
Depreciation	-312	-405	+93	
Share of income in affiliated companies	-2	-2	0	
EBIT before non-recurring items	-488	-228	-260	-429
EBIT-margin*	-5.5%	-2.4%	-3.1 p.u.	
Financial items	-113	-103	-10	
EBT before non-recurring items	-601	-331	-270	-463
Non-recurring items	728	686	+42	
EBT	127	355	-228	-463

* = Before non-recurring items

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Extraordinary items in Q2

Extraordinary items and unplanned events	MSEK
Currency effect	-463
<i>Spot currency changes on operation net vs. last year</i>	-135
<i>Hedging effects vs. last year</i>	-383
<i>Working capital and net financial items</i>	+55
EU- fee reversal	+655
Engine reservations, return conditions and airframe	-273
Brussels attack	-50 to -60

Positive net effect from strikes in Q2 FY15 of about SEK 0.2bn

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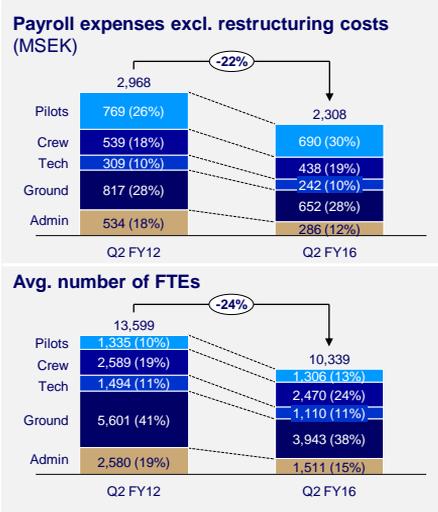
Breakdown of payroll expenses

Payroll expenses significantly reduced

- New pension and remuneration agreements in November 2012
- Outsourcing significant parts of operation and administration
- Increased productivity in all areas

Opportunities going forward

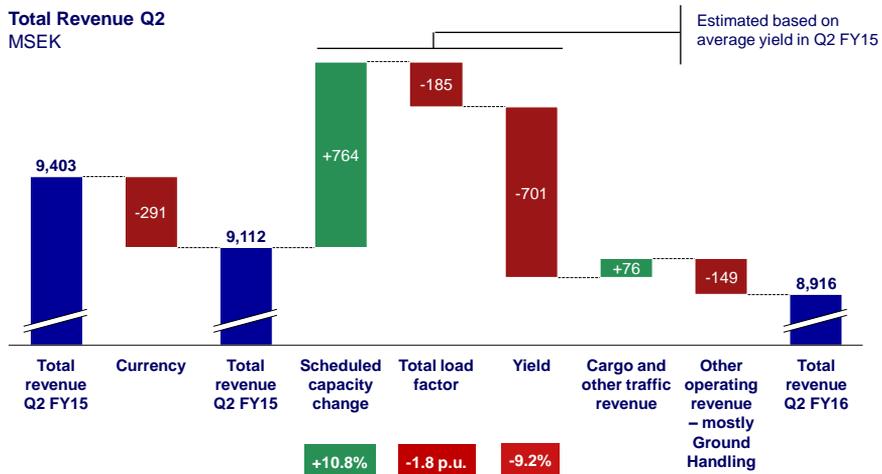
- Digitalization and automation of operation on the ground and administration and where possible also for flying personal



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Revenue primarily affected by lower yield in Q2

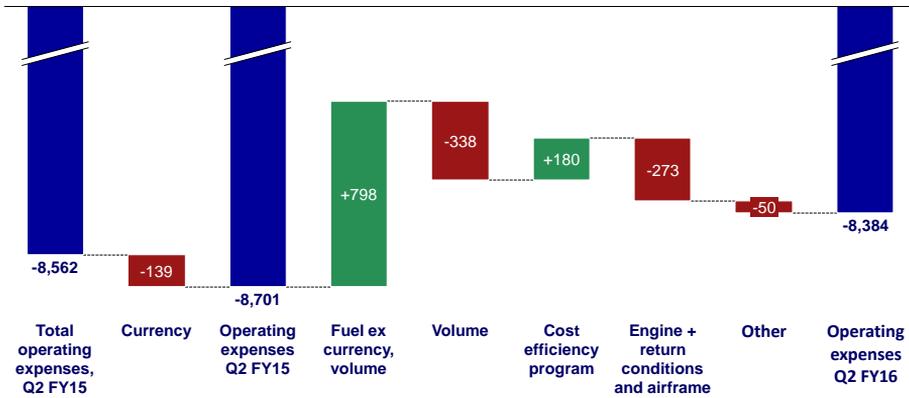


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Operating expenses down due to fuel costs and efficiency measures

Total Operating Expenses Q2
MSEK



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Jet fuel costs MSEK 802 lower in Q2

Fuel cost Q2
MSEK



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Jet fuel and currencies

Jet fuel

- Policy to hedge 40-80% of expected consumption next 12 months and up to 50% for the next 6 months
- Hedge position as at 30 April 2016
 - 68% of jet fuel hedged next twelve months
 - Mostly swaps in Q3-Q4 FY16
 - Only call options in FY17 below USD 500/MT

Currency

- Policy to hedge 40-80% of expected currency deficit/surplus next 12 months

Jet fuel cost sensitivity FY16, SEK bn*

Average spot price	8.0 SEK/USD	9.0 SEK/USD
USD 300/MT	6.1	6.5
USD 400/MT	6.2	6.6
USD 600/MT	6.3	6.8
USD 800/MT	6.5	6.9

* Based on actual jet fuel costs during Q1 FY16 and hedge position as at 30 April 2016

Currency and hedges

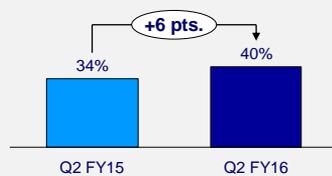
- 60% of USD hedged next 12 months
- 60% of NOK hedged next 12 months

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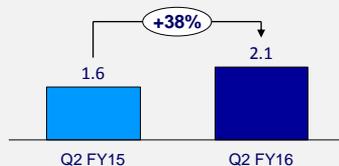
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Liquidity, cash flow and investments

Financial preparedness



Change in working capital (SEK bn)



- **Financial preparedness at 40%**
 - Cash of SEK 9.1bn
 - Unutilized credit facilities of SEK 2.7bn
- **Cash flow from operating activities up SEK 1bn in Q2**
 - Reversal of EU fee SEK 0.6bn
 - Unearned transportation revenue up SEK 0.3bn vs. last year
- **Net investments to be SEK 2bn in FY16**
 - Engine replacement investments

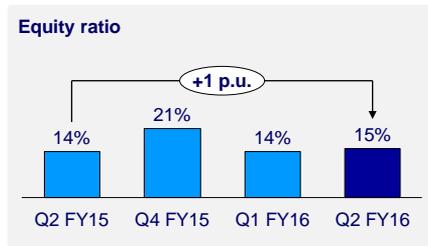
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Optimization of capital structure and risk exposure – equity and optimization of aircraft investments

Total comprehensive income Q2

- Net income SEK 0.2bn
- Revaluation of pensions SEK -0.5bn
- Revaluation of hedge portfolio SEK 0.5bn
 - Jet fuel SEK 0.3bn
 - Cash flow SEK 0.2bn



Optimization of funding and fleet

- Cabin refresh and growth of long-haul fleet with 4 aircraft at very cost efficient investment
- Transactions during Q2
 - Final Airbus A330E delivered during Q2 on sale/leaseback
 - 4 MD90 sold
 - Airbus A321 – one lease extension and one sale/leaseback on more attractive terms
- Airbus A320neo
 - LOI regarding financing of 7 Airbus A320neo on sale/leaseback terms

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Summary and outlook

Summary of Q2 FY16

- More passengers in a weak quarter
- Significant extraordinary items and FX effects
 - Increased competitive pressure

Commercial progress

- More passengers and traffic up 7.9%
- Strong development in Business Class
- EuroBonus customers up 130,000

MSEK 180 in effect from the efficiency program

- SAS prioritizes production quality and defers impact from cost savings program

FY16 outlook

Market seat capacity expected to increase 5-6%

SAS to increase ASK by 10%

Number of flights up 1%

Lower PASK and unit cost

Efficiency program to deliver about SEK 0.7bn

Net investments of about SEK 2bn

Outlook remains firm:

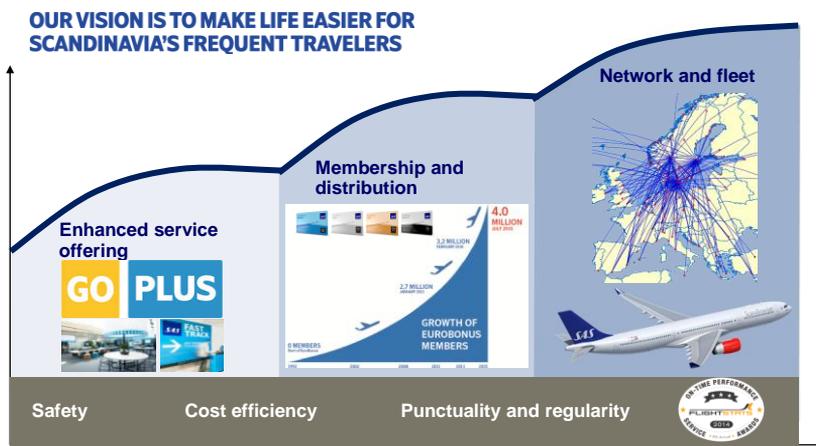
SAS expects to post a positive EBT before non-recurring items

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We are building a strong product offering



SAS has improved customer offering in all areas

Product:

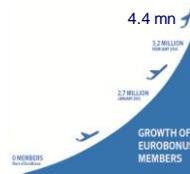
- New café Lounges (e.g. Trondheim) and Self Service Bag Drops
- SAS City Lounge in Stockholm
- Upgraded Lounges at Arlanda, Copenhagen and Gardemoen
- New EuroBonus features and partners

Route network:

- Improved leisure offering, incl. ~50 seasonal routes
- New short-haul point-to-point routes
- More long-haul destinations, Hong Kong, Miami, Los Angeles, Boston

Fleet:

- New long-haul cabin
- From 12 to 16 aircraft, incl. new A330 Enhanced aircraft
- More wetleased aircraft



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Appendices

Fleet & productivity

-  Unit revenue (yield & PASK) & Unit cost
-  Traffic & capacity outlook
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SAS fleet – April 2016

Aircraft in traffic under SK traffic license	Age	Owned	Leased	Total	Firm order	Lease order
Airbus A330/A340/A350	10.9	8	8	16	8	
Airbus A321/A320/A319	11.2	6	19	25	30	
Boeing 737 NG	13.2	17	65	82		
Total	12.6	31	92	123	38	

Aircraft in service under a license other than SAS's (SK)	Age	Owned	Wet lease	Total	Wet lease order
Boeing 737-700	10.7		1	1	
Bombardier CRJ900	4.8	11	6	17	5
ATR-72	2.5		15	15	
Total	3.9	11	22	33	5

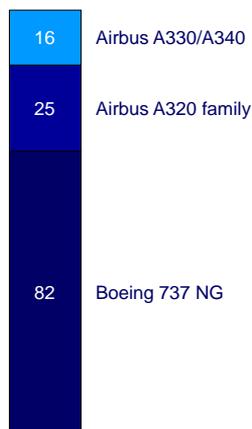
Leased/phased out aircraft	Owned	Leased	Total	In service	Parked
Douglas MD-90-series	2		2	2	
Bombardier Q400		1	1	1	
Bombardier CRJ900	1		1		1
Total	3	1	4	3	1

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SAS investing in renewal and simplification of the aircraft fleet

Current fleet in traffic with SK traffic license, 30 April 2016



New orders

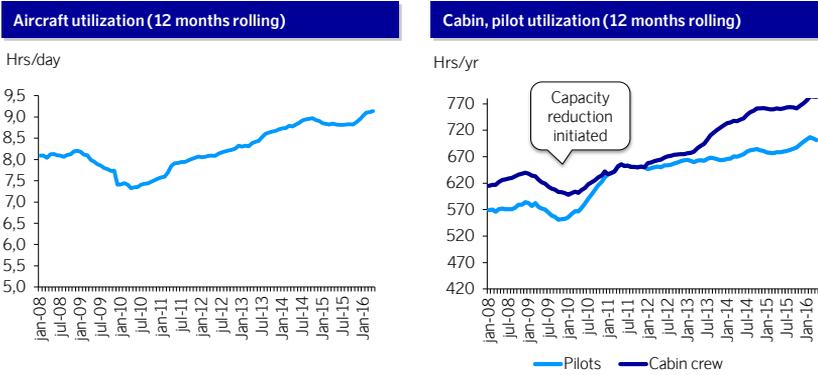


Firm order aircraft deliveries as at 30 Apr 2016

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Productivity development

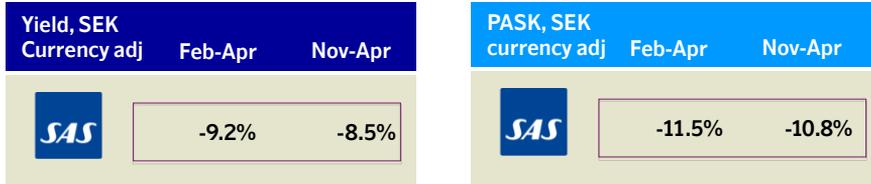


Block hours, 12 months rolling, April 2016	Aircraft, hours/day	Pilots, hours/year	Cabin, hours/year
SAS	9.1	701	783

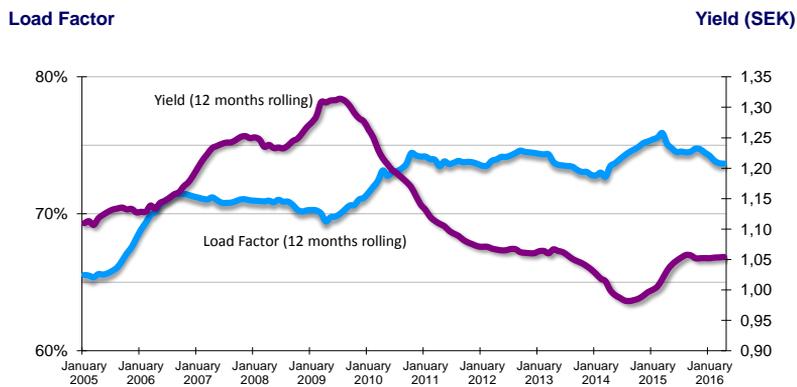
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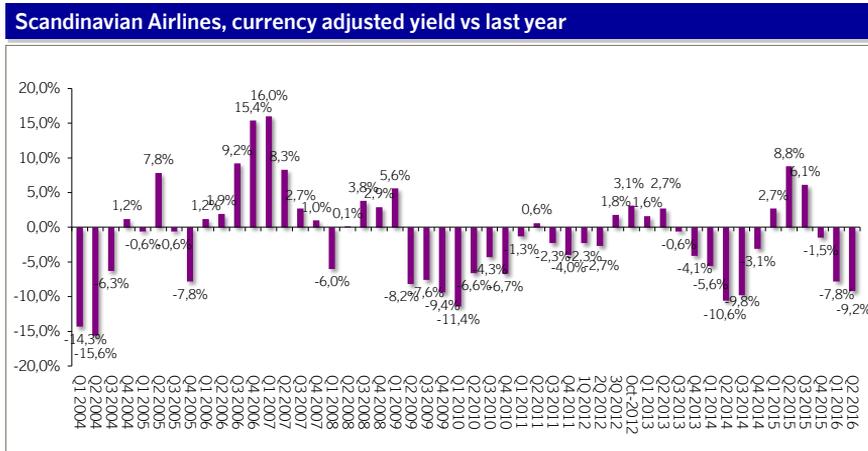
Yield and PASK development



Long term yield and passenger load development



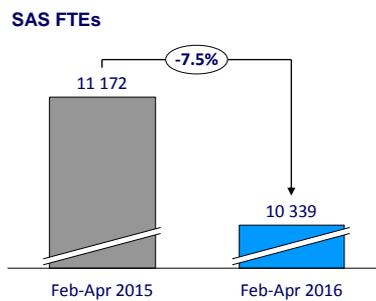
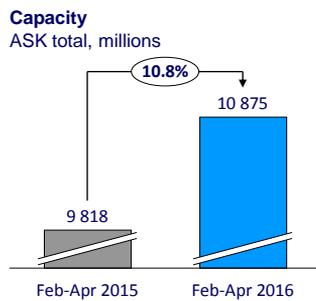
Quarterly yield development



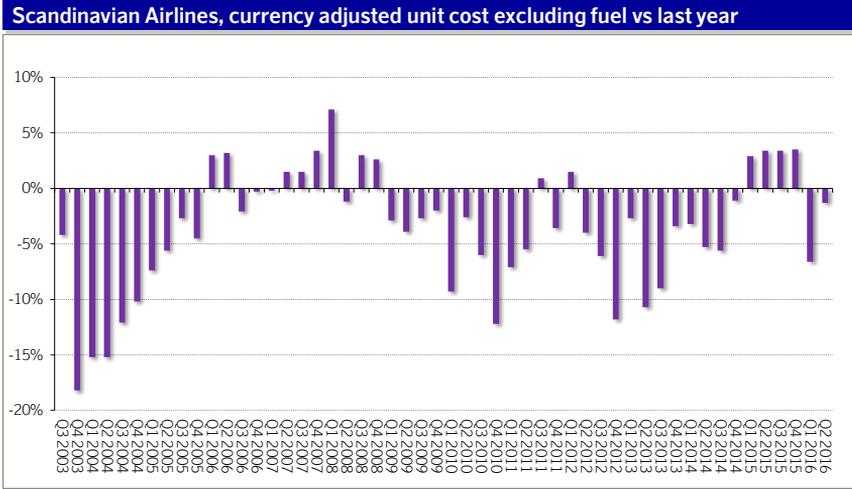
Note: Including Blue1 from March 2012



Capacity and FTE



Quarterly unit cost development



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Breakdown of unit cost, Feb - Apr 2016

SAS, SEK, currency adjusted

Unit cost breakdown	Feb 2015 – Apr 2016	Feb 2014 – Apr 2015	Var, %	Share of total var, %
Payroll expenses	-2,303	-2,588	-11.0%	-3.0%
Jet fuel	-1,497	-2,528	-40.8%	-10.7%
Government user fees	-977	-1,061	-7.9%	-0.9%
Selling and distribution costs	-616	-685	-10.1%	-0.7%
Handling costs	-641	-548	+16.9%	+1.0%
Technical aircraft maint.	-927	-666	+39.1%	+2.7%
Net other operating expenses	-574	-428	+34.0%	+1.5%
Total operating expenses	-7,535	-8,505	-11.4%	-10.0%
Leasing costs for aircraft	-706	-728	-3.0%	-0.2%
Depreciation	-311	-447	-30.3%	-1.4%
Adjusted EBIT	-8,553	-9,680	-11.6%	-11.6%

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Breakdown of unit cost, Nov- Apr 2016

SAS, SEK, currency adjusted

Unit cost breakdown	Nov 2015 – Apr 2016	Nov 2014 – Apr 2015	Var, %	Share of total var, %
Payroll expenses	-4,629	-5,255	-11.9%	-3.3%
Jet fuel	-2,725	-5,065	-46.2%	-12.2%
Government user fees	-1,888	-2,046	-7.7%	-0.8%
Selling and distribution costs	-1,151	-1,289	-10.7%	-0.7%
Handling costs	-1,148	-1,005	+14.3%	+0.7%
Technical aircraft maint.	-1,623	-1,417	+14.5%	+1.1%
Net other operating expenses	-1,047	-844	+24.0%	+1.1%
Total operating expenses	-14,213	-16,921	-16.0%	-14.1%
Leasing costs for aircraft	-1,406	-1,479	-5.0%	-0.4%
Depreciation	-653	-761	-14.2%	-0.6%
Adjusted EBIT	-16,271	-19,161	-15.1%	-15.1%

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Summary of key drivers

SAS

	Q3 2014/15	Q4 2014/15	Q1 2015/16	Q2 2015/16
Scheduled traffic (RPK)	↓ -3.5%	↑ +1.1%	↑ +9.6%	↑ +7.9%
Passenger load factor	↓ -1.9 p.u.	↑ +0.8 p.u.	↓ -1.7 p.u.	↓ -1.8 p.u.
Passenger yield	↑ +6.1%	↓ -1.5%	↓ -7.8%	↓ -9.2%
Total unit revenue (PASK)	↑ +3.6%	↓ -0.5%	↓ -10.0%	↓ -11.5%
Total unit cost (excluding fuel)	↑ +3.4%	↑ +3.5%	↓ -6.6%	↓ -1.3%

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Appendices

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

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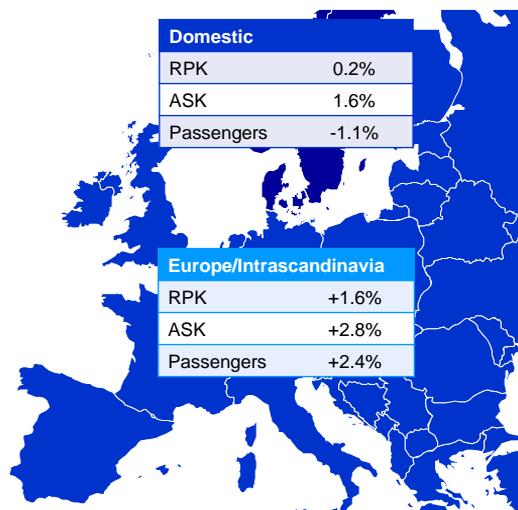


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SAS geographical traffic development in Q2

Total scheduled traffic, Q2	
RPK	+7.9%
ASK	+10.8%
Passengers	+1.7%
PASK	-11.5%

Intercontinental routes	
RPK	+22.2%
ASK	+30.9%
Passengers	+19.4%



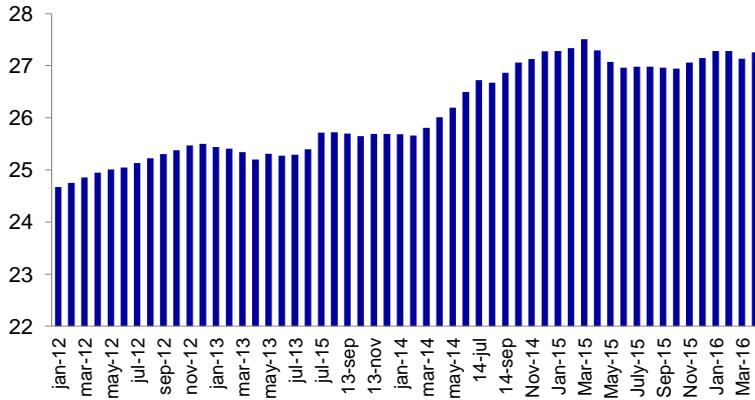
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SAS passenger development

Scheduled passenger, 12 months rolling
(Million)



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SAS grows its long-haul operation to

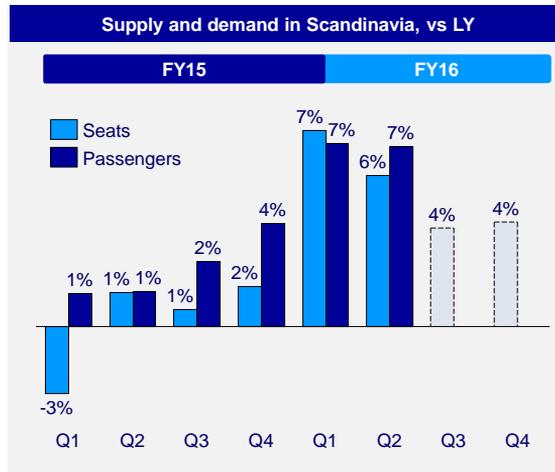
- From 12 to 16 aircraft
 - More frequencies on existing routes
 - New routes to Hong Kong, Los Angeles, Miami and Boston
- Capacity increase in FY16 of 25%
- Destinations and an attractive product for the frequent traveler



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Market seat capacity increased 6% in Q2



• Seat capacity in Scandinavia mostly increased by LCCs

- Ultra LCCs
- Middle East airlines

• Market capacity to/from and within Scandinavia expected to grow 5-6% in FY16

43 Source: Innovata Schedule data

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ASK outlook for financial year 2015/2016

ASK outlook for November 2015 – October 2016

SAS – scheduled	Circa +10%
Long-haul	Circa +25%
Number of flights	Circa +1%

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Appendices

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

Financial targets

The SAS Group's overriding goal is to create value for its shareholders*

Financial preparedness

Cash & unutilized credit facilities / Fixed cost >20%
(70 days)

To reach this, SAS pursues three strategic priorities to meet trends and industry developments, ensure competitiveness and create the prerequisites for long-term sustainable profitability, in line with previously announced financial targets.

Income statement Nov 2015 – Apr 2016

Income statement	Nov15-Apr 16	Nov14-Apr15	Change vs LY	Currency
Total operating revenue	17,191	17,774	-583	-369
Payroll expenditure	-4,642	-4,905	+263	
Jet fuel	-2,725	-4,322	+1,597	
Government charges	-1,888	-1,876	-12	
Other operating expenditure	-6,632	-5,586	-1,046	
Total operating expenses*	-15,887	-16,689	+802	-433
EBITDAR before non-recurring items	1,304	1,085	+219	-802
<i>EBITDAR-margin*</i>	7.6%	6.1%	+1.5 p.u.	
Leasing costs, aircraft	-1,406	-1,263	-143	
Depreciation	-653	-687	+34	
Share of income in affiliated companies	-14	-12	-2	
EBIT before non-recurring items	-769	-877	+108	-875
<i>EBIT-margin*</i>	-4.5%	-4.9%	+0.4 p.u.	
Financial items	-236	-283	+47	
EBT before non-recurring items	-1,005	-1,160	+155	-888
Non-recurring items	823	679	+144	
EBT	-182	-481	+299	-888

* = Before non-recurring items

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Overview of credit facilities – April 2016

Available funds, SEK billion	Apr 2016	Maturity
Undrawn portion of credit facilities		
Revolving Credit Facility, MEUR 150	1.4	Jan 2017
Credit Facility, MUSD 137 & 32	1.1	Jun 2018, Oct 2017
Credit Facility, MUSD 51	0.0	Sep 2021
PDP Credit facility, MUSD 54 & 46	0.3	Feb 2017, Jun 2018
Others, MUSD 73	0.0	Feb 2020
Total undrawn credit facilities	2.7	
Total credit facilities	4.5	
Drawn portion of credit facilities	1.8	
Undrawn portion of credit facilities	2.7	

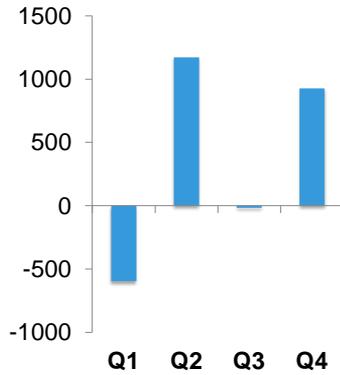
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Cash seasonality

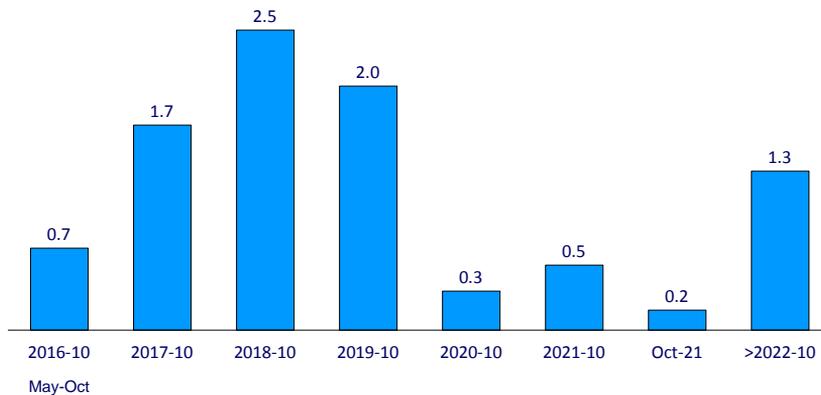
Seasonality of SAS cash flow from operating activities



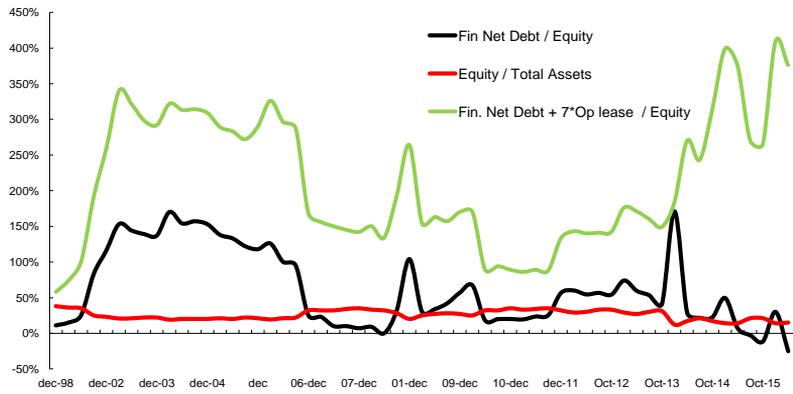
- Cash flow from operating activities strongest in Q2 and Q4
- Seasonality has increased
 - Leisure travelling generates a higher degree of early bookings
 - Business bookings closer to departure
- Change in working capital positive in Q2 FY16 due to increase in unearned transportation revenue

Amortization profile

Scheduled amortization profile as of 30 April 2016, SEK billion



Gearing ratios



SAS Group

Financial Net November- April

MSEK	Feb 16 – Apr16	Feb 15– Apr 15	Difference
Interest net and others	-111	-135	+24
Exchange rate differences	-2	+32	-34
Financial net	-113	-103	+10

MSEK	Nov 15 – Apr16	Nov 14 – Apr 15	Difference
Interest net and others	-234	-295	+61
Exchange rate differences	-3	+10	-13
Financial net	-237	-285	+48

Development and Break Down

Financial Net Debt

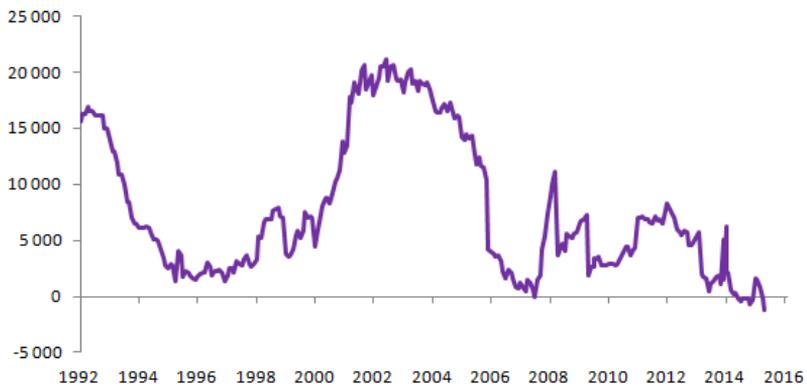
MSEK	30 Apr 2016	31 Oct 2015	Difference
Cash	9,121	8,198	+923
Other interest bearing assets	2,054	2,273	-219
Interest bearing liabilities	-9,993	-9,745	+1,060
Financial net debt	-1,182	726	+456

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Development of financial net debt

1992-2016 as reported on a quarterly basis



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Equity / Assets Ratio

1993-2016 as report on a quarterly basis

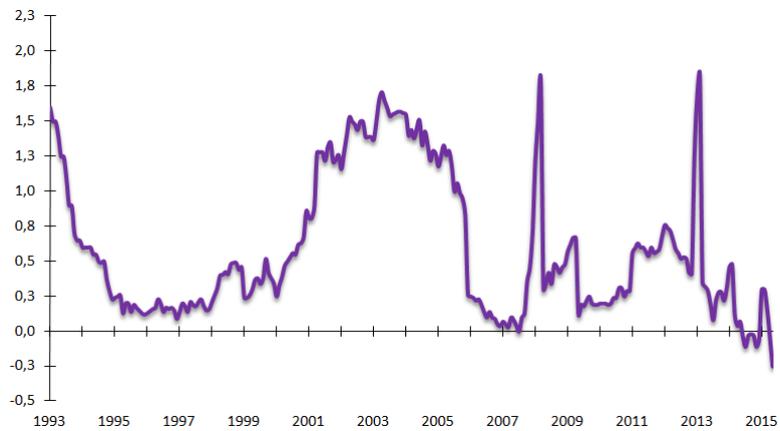


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Financial Net Debt / Equity

1993-2016 as reported on a quarterly basis



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Appendices

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

Breakdown of currency effects SAS Group

Total revenues & costs currency effects		Feb-Apr 2016 vs LY	Nov 2015-Apr 2016 vs LY
Total revenues & costs	USD	5	-327
	DKK	1	5
	NOK	-123	-214
	EUR	-1	0
	Asian currencies	-4	15
	All others	-13	0
	Total	-135	-521
Forward cover costs	2015	373	723
	2016	-10	121
	Difference	-383	-602
Working capital	2015	-39	-170
	2016	50	78
	Difference	89	248
Financial items	2015	32	10
	2016	-2	-3
	Difference	-34	-13
Total currency effects		-463	-888

Changes in currency exchange rates

affected the result by MSEK –888 in Nov 2015-Apr 2016 vs Nov 2014-Apr 2015

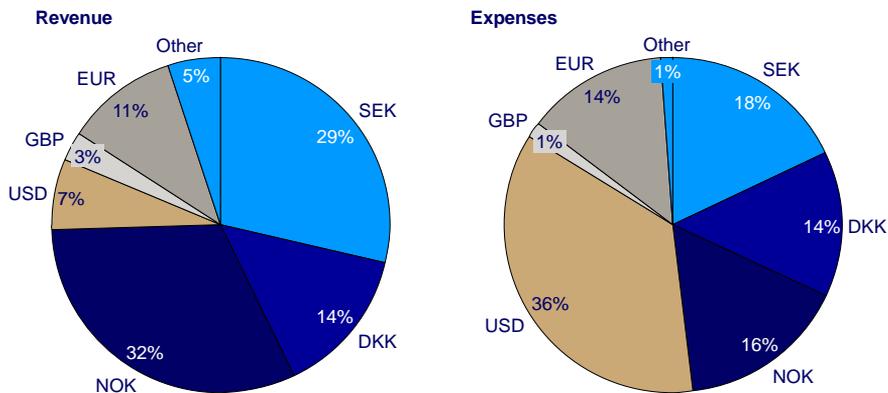
Currency effects MSEK on SAS Group 2015/2016 vs 2014/2015		Feb-Apr 16	Nov 15-Apr 16
<ul style="list-style-type: none"> Negative impact on revenue due to the weaker NOK. Positive impact on other operating costs due to the weaker NOK, offset by an even larger negative impact due to the stronger USD in (Q1). 	Total revenue	– 291	– 369
	Total costs	156	– 152
	Forward cover costs & working capital	– 294	– 354
	Income before depreciation	– 429	– 875
	Financial items	– 34	– 13
	Income before tax	– 463	– 888

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SAS currency distribution - Nov 2014 – Oct 2015



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SAS hedging position for FY16-FY17

Max jet fuel price	Q3 FY16	Q4 FY16	Q1 FY17	Q2 FY17	Q3 FY17
\$401-500	-	-	62%	47%	31%
\$501-600	70%	91%	-	-	-

SAS' jet fuel costs in 2015/16 (annual average values)	7.0 SEK/USD	8.0 SEK/USD	9.0 SEK/USD	10.0 SEK/USD
Market price				
300 USD/MT	SEK 5.7 bn	SEK 6.1 bn	SEK 6.5 bn	SEK 7.0 bn
400 USD/MT	SEK 5.7 bn	SEK 6.2 bn	SEK 6.6 bn	SEK 7.0 bn
600 USD/MT	SEK 5.9 bn	SEK 6.3 bn	SEK 6.8 bn	SEK 7.2 bn
800 USD/MT	SEK 6.0 bn	SEK 6.5 bn	SEK 6.9 bn	SEK 7.4 bn

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