

SAS Q3 2015/2016

08.09.2016



Q3 development largely in accordance with our expectations

Q3 update

Most of Q3 developed as expected...

- FX adjusted revenues up by MSEK 428
 - 226,000 more passengers in Q3 vs. LY
- 120,000 more EuroBonus members
- Jet fuel costs down SEK 0.6bn
- Cost program on track to deliver SEK 0.7bn in FY16

...with exception for

- Pilot strike in June affected result by MSEK -140
- Negative currency effects of SEK 0.4bn

Q3	Change vs. LY
EBT	
MSEK 1,036	MSEK +5
Traffic, RPK in millions	
9,913	+9.8%
Unit cost, SEK	
0.65	-8.1%
PASK, SEK	
0.71	-3.5%

SAS' strengthened leisure offer during the summer was well received

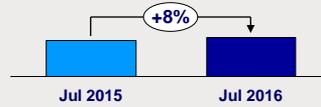
Network adjustments

- Increased leisure production during the summer
 - Capacity up 7% in July vs. LY
- ~60 seasonal routes operated
- Wet lease enables re-allocation of larger aircraft to leisure routes

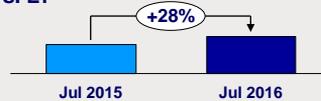
Product news/updates

- SAS Plus Saver
- SAS Go Light

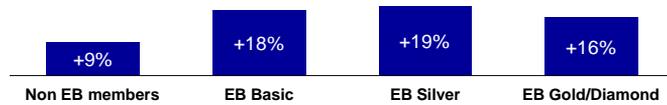
Number of passengers vs. LY



Number of SAS Plus passengers vs. LY



Revenue on leisure routes in Q3 vs. LY, currency adjusted



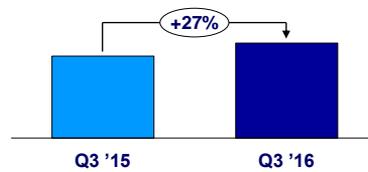
3



Strong response on long-haul expansion

- Fleet expanded from 12 to 16 aircraft
 - Low capital investment
- New destinations and more frequencies
 - Boston, Hong Kong and Los Angeles
 - Frequencies increased to New York and Shanghai
- All SAS long-haul aircraft now upgraded with new cabin interior

Number of passengers vs. LY



Customer satisfaction Business Class Index



4

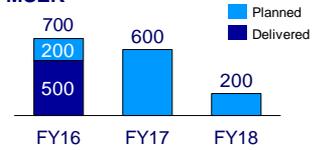


Cost reduction program on track to deliver SEK 700m in FY16 – objective to lower the cost base and to increase flexibility

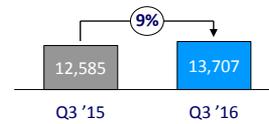
Selected implemented examples

Flight operations	<ul style="list-style-type: none"> Increased wet lease operation enabling lower trip cost Improved utilization on long-haul routes following simplified agreement in 2015
Ground handling	<ul style="list-style-type: none"> Outsourced line stations in Norway to Widerøe New agreements allow for more flexible processes at main hubs
Technical maintenance	<ul style="list-style-type: none"> New IT system enables more efficient tech maintenance planning Closure of base maintenance at OSL/ARN
Commercial	<ul style="list-style-type: none"> Sales organization transformation Agent commission review

Expected earnings impact, MSEK



Capacity, ASK in millions



Payroll expenses, MSEK



5

A STAR ALLIANCE MEMBER 

Moving forward, SAS's innovation focus is directed towards two key areas



A STAR ALLIANCE MEMBER 

SAS is developing digital touch points with customers throughout the travel chain



DIGITAL PLATFORM

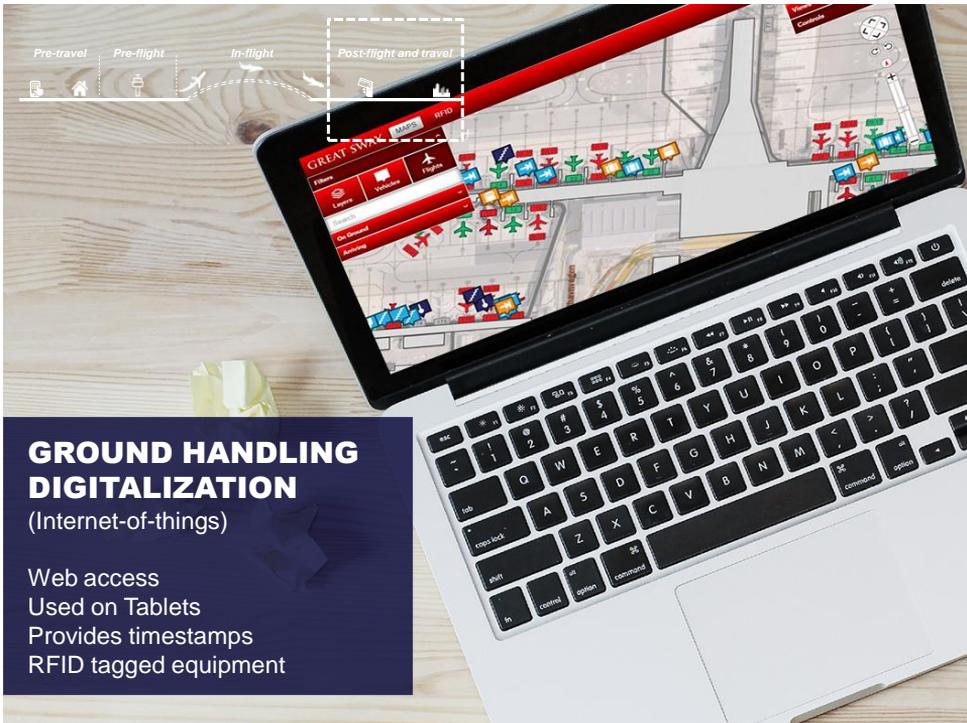
- Seamless experience and communication
- New customer interface
- Open architecture with possibility to add new functionalities

The collage includes a flight map showing routes, an entertainment menu with options like 'WE ARE TRAVELERS', 'DISCOVER COPENHAGEN', and 'GUARDIANS OF THE GALAXY', and a booking interface with options like 'BOOKING REFERENCE', 'CREDIT CARD', 'TRAVEL PASS', 'SMART PASS', and 'BARCODE'.

NEW DEVICES
Electronic bag tags and wearables – new and innovative way of challenging current ‘pain points’

State-of-the-art Wifi
High speed Wifi service suitable for both work and entertainment onboard
Empowers passengers and crew to act and interact – instant updates both ways

Cabin crew device
A mobile workplace developed with focus on customer experience and an efficient workplace



SAS is breaking new ground in the establishment of an external wet lease market in Europe

Why does SAS use wet lease?

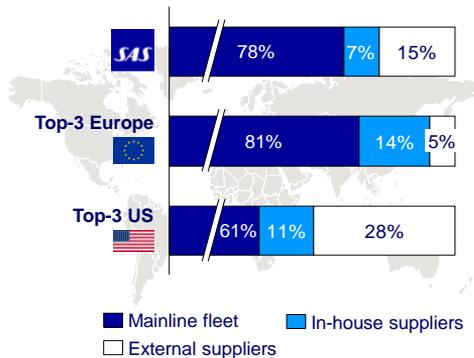
- Scandinavian market is fragmented – large share of frequent travelers fly on many thin routes
- Large aircraft good for large routes – thin routes require small aircraft for profitable operations
- SAS has established strategic relations with 4 external partners



Source: Companies' annual reports and websites

SAS breaking new ground in Europe

Fleet size, % aircraft



Wet lease supports SAS in creating an efficient operating platform



A STAR ALLIANCE MEMBER 



Breakdown of the income statement

Income statement	May-Jul 16	May-Jul 15	Change vs LY	Currency
Total operating revenue	11,133	10,973	+160	-268
Payroll expenditure	-2,275	-2,386	+111	
Jet fuel	-1,765	-2,344	+579	
Government charges	-1,090	-1,093	+3	
Other operating expenditure	-3,829	-3,066	-763	
Total operating expenses*	-8,959	-8,889	-70	-170
EBITDAR before non-recurring items	2,174	2,084	+90	-438
EBITDAR-margin*	19.5%	19.0%	+0.5 p.u.	
Leasing costs, aircraft	-737	-659	-78	
Depreciation	-337	-343	+6	
Share of income in affiliated companies	25	25	0	
EBIT before non-recurring items	1,125	1,107	+18	-434
EBIT-margin*	10.1%	10.1%	+0.0 p.u.	
Financial items	-122	-111	-11	
EBT before non-recurring items	1,003	996	+7	-433
Non-recurring items	33	35	-2	
EBT	1,036	1,031	+5	-433

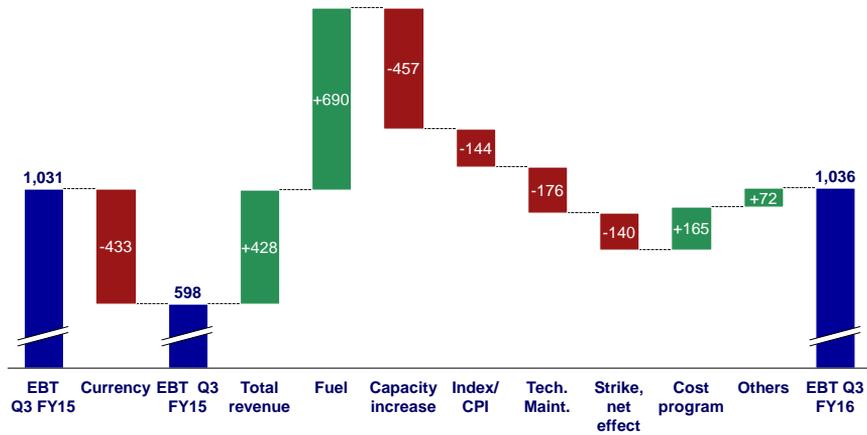
* = Before non-recurring items

15

A STAR ALLIANCE MEMBER 

Earnings analysis of Q3

EBT
MSEK

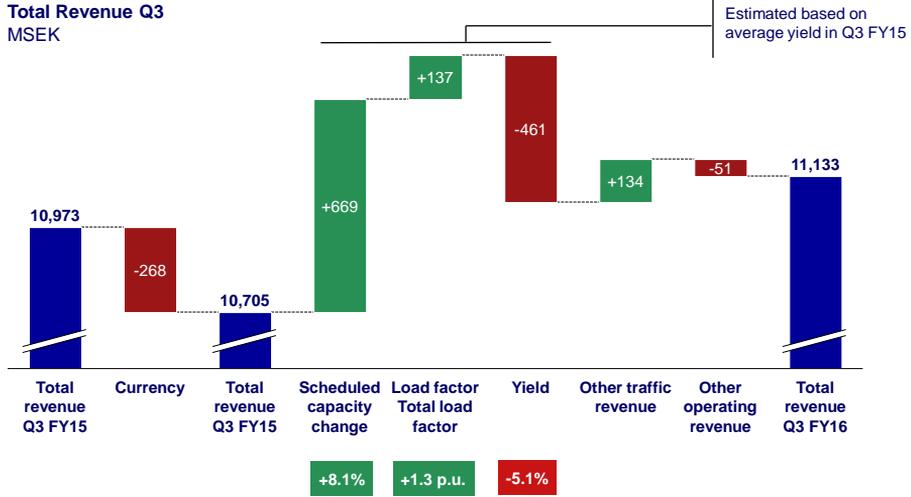


16

A STAR ALLIANCE MEMBER 

Revenue analysis

Total Revenue Q3
MSEK

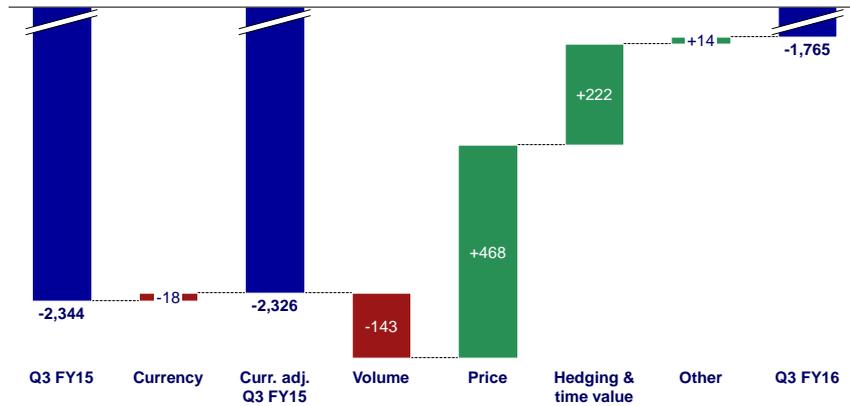


17

A STAR ALLIANCE MEMBER

Jet fuel costs MSEK 579 lower in Q3

Fuel cost Q3
MSEK



18

A STAR ALLIANCE MEMBER

Jet fuel and currencies

Jet fuel

- Hedge position as at 31 July 2016
 - 93% of jet fuel hedged in Q4 FY16 - mostly swaps
 - 26% participation in lower prices to USD 500/MT in Q4 FY16
 - 47% of jet fuel hedged in FY17 – mix of call options and swaps at \$450/MT on average
- Hedging position increased early August
- Jet fuel cost expected to be approximately SEK 2.1bn lower in FY16 vs. LY

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	6.4
USD 400/MT	6.2	6.4
USD 600/MT	6.3	6.5

Currency and hedges

- 51% of USD hedged next 12 months
- 60% of NOK hedged next 12 months

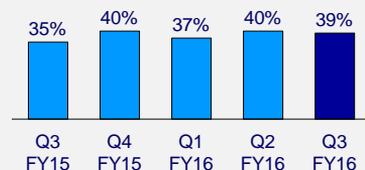
* Based on actual jet fuel costs during Q1 to Q3 FY16 and hedge position as at 31 July 2016

19

A STAR ALLIANCE MEMBER 

Capital optimization – liquidity, equity and investments

Financial preparedness



Equity ratio



Financial preparedness at 39%

- Cash position at SEK 8.4bn
- Unutilized credit facilities of SEK 2.8bn

Optimization of financing cost

- Buy-back of 6 operating leased aircraft in FY16 - FY17 to reduce overall financing costs
 - Net investment guidance for FY16 raised to SEK 2-2.5bn

SEK 5.2bn in equity

- Revaluation of pensions due to lower discount rates affected total comprehensive income and the equity negatively in Q3 by SEK 0.6

20

A STAR ALLIANCE MEMBER 

Outlook and upcoming highlights

Increased uncertainty

- Brexit and geo-political uncertainty
- Volatile currency and jet fuel prices
- Terror threats and attacks
- Introduction of air related taxes

Assumptions for FY16

- SAS to increase ASK by 10%
- Substantially lower PASK and unit cost
- Efficiency program to deliver about SEK 0.7bn

Outlook FY16

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

Capacity outlook into FY17

- Market winter capacity: lower growth than winter 2016
- SAS FY17 capacity: lower growth than FY16

First delivery of
Airbus A320neo



Launch of
Miami route –
28 September



Roll-out of new
digital solutions



SAS

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 • Focus on Scandinavia's frequent travelers
Operational platform	<ul style="list-style-type: none"> • One type fleet, operate traffic flows that fit fleet • Fleet designed to fit best network and schedule for customers
Growth	<ul style="list-style-type: none"> • New destinations, anywhere • Improve offer for primary customer base to increase loyalty

23

A STAR ALLIANCE MEMBER 

Appendices

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

A STAR ALLIANCE MEMBER 

24

SAS fleet – July 2016

Aircraft in traffic under SK traffic license	Age	Owned	Leased	Total	Firm order	Lease order
Airbus A330/A340/A350	11.1	9	7	16	8	
Airbus A321/A320/A319	11.5	6	19	25	30	
Boeing 737 NG	13.5	18	63	81		
Total	12.8	33	89	122	38	

Aircraft in service under a license other than SAS's (SK)	Age	Owned	Wet lease	Total	Wet lease order
Boeing 737-700	10.9		1	1	
Bombardier CRJ900	4.1	11	8	19	4
ATR-72	2.8		15	15	
Total	3.7	11	24	35	4

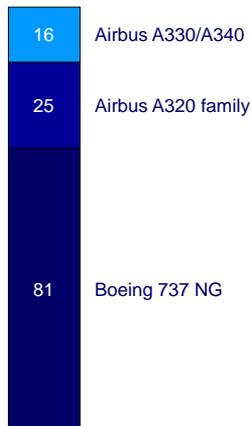
Leased/phased out aircraft	Age	Owned	Leased	Total	In service	Parked
Bombardier Q400	8.6		1	1	1	
Bombardier CRJ900	7.4	1		1		1
Total		1	1	2	1	1

25

A STAR ALLIANCE MEMBER 

SAS investing in renewal and simplification of the aircraft fleet

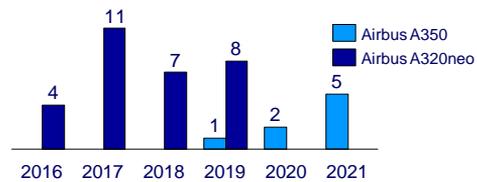
Current fleet in traffic with SK traffic license, 31 July 2016



New orders



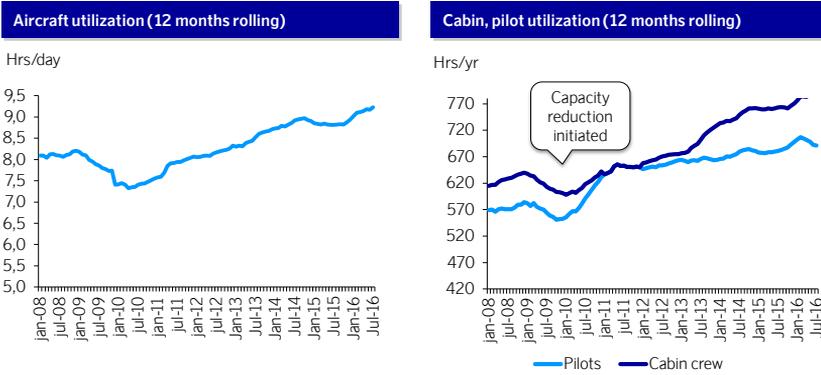
Firm order aircraft deliveries as at 31 Jul 2016



A STAR ALLIANCE MEMBER 

26

Productivity development

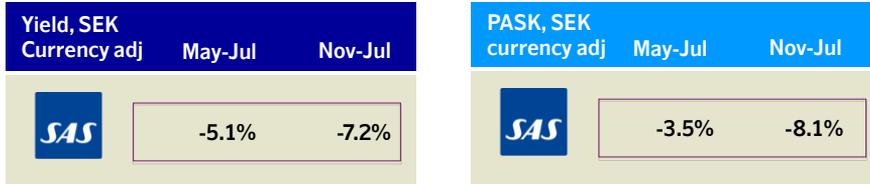


Block hours, 12 months rolling, July 2016	Aircraft, hours/day	Pilots, hours/year	Cabin, hours/year
SAS	9.2	691	771

Appendices

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

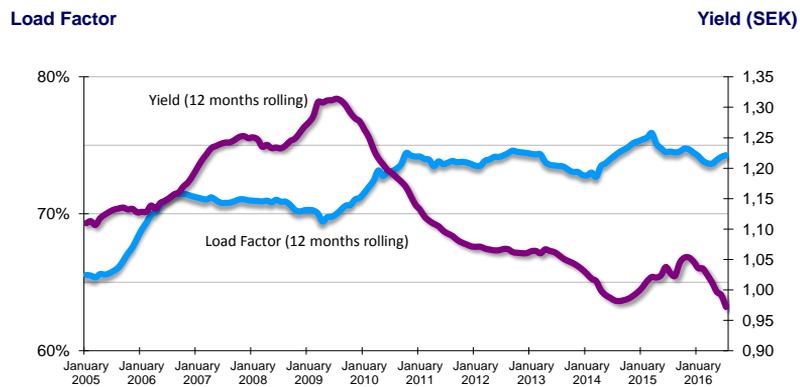
Yield and PASK development



29

A STAR ALLIANCE MEMBER 

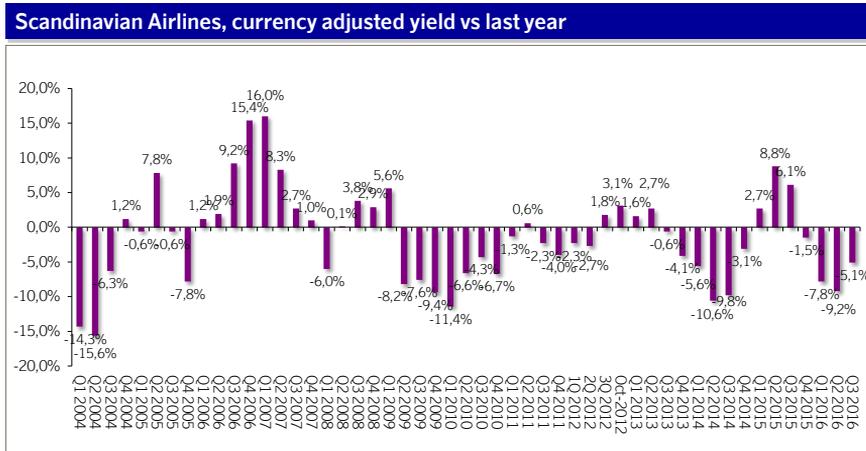
Long term yield and passenger load development



30

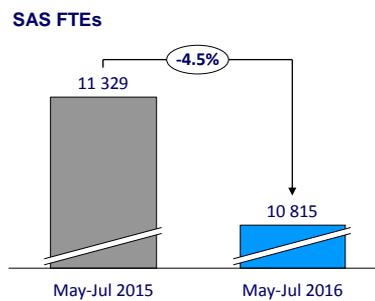
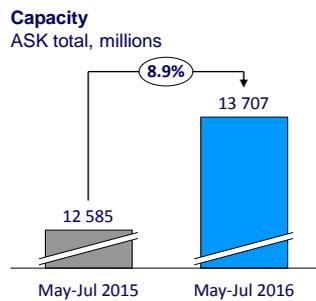
A STAR ALLIANCE MEMBER 

Quarterly yield development

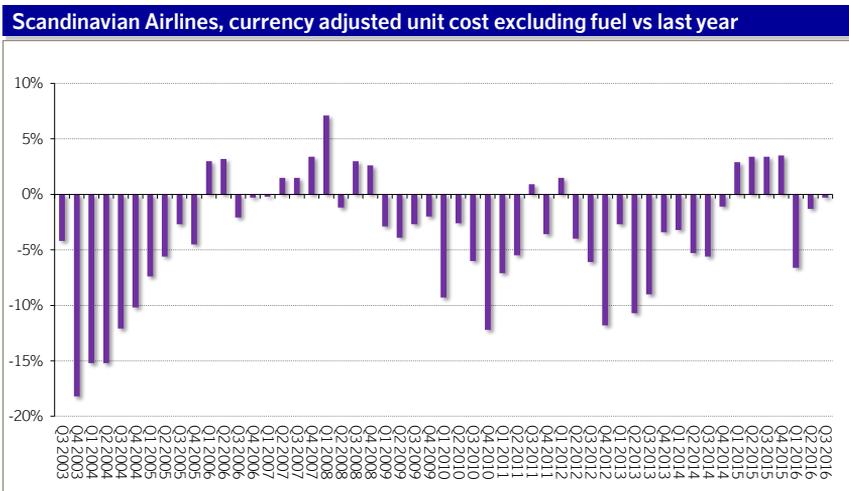


Note: Including Blue1 from March 2012

Capacity and FTE



Quarterly unit cost development



Breakdown of unit cost, May-July 2016

SAS, SEK, currency adjusted

Unit cost breakdown	May 2015 – Jul 2016	May 2014 – Jul 2015	Var, %	Share of total var, %
Payroll expenses	-2,270	-2,536	-10.5%	-2.7%
Jet fuel	-1,765	-2,533	-30.3%	-7.9%
Government user fees	-1,090	-1,160	-6.0%	-0.7%
Selling and distribution costs	-590	-691	-14.6%	-1.0%
Handling costs	-646	-569	+13.5%	+0.8%
Technical aircraft maint.	-799	-653	+22.3%	+1.5%
Net other operating expenses	-738	-526	+38.5%	+2.1%
Total operating expenses	-7,888	-8,667	-9.0%	-8.0%
Leasing costs for aircraft	-738	-713	+3.5%	+0.3%
Depreciation	-337	-373	-9.7%	-0.4%
Adjusted EBIT	-8,963	-9,754	-8.1%	-8.1%

Breakdown of unit cost, Nov- Jul 2016

SAS, SEK, currency adjusted

Unit cost breakdown	Nov 2015 – Jul 2016	Nov 2014 – Jul 2015	Var, %	Share of total var, %
Payroll expenses	-6,899	-7,782	-11.4%	-3.1%
Jet fuel	-4,490	-7,591	-40.8%	-10.7%
Government user fees	-2,978	-3,204	-7.0%	-0.8%
Selling and distribution costs	-1,741	-1,979	-12.0%	-0.8%
Handling costs	-1,794	-1,573	+14.1%	+0.8%
Technical aircraft maint.	-2,422	-2,068	+17.1%	+1.2%
Net other operating expenses	-1,775	-1,370	+29.6%	+1.4%
Total operating expenses	-22,101	-25,566	-13.6%	-12.0%
Leasing costs for aircraft	-2,143	-2,190	-2.1%	-0.2%
Depreciation	-990	-1,133	-12.6%	-0.5%
Adjusted EBIT	-25,234	-28,889	-12.7%	-12.7%

35

A STAR ALLIANCE MEMBER



Summary of key drivers

SAS

	Q4 2014/15	Q1 2015/16	Q2 2015/16	Q3 2015/16
Scheduled traffic (RPK)	↑ +1.1%	↑ +9.6%	↑ +7.9%	↑ +9.8%
Passenger load factor	↑ +0.8p.u.	↓ 1.7p.u.	↓ -1.8 p.u.	↑ +1.3 p.u.
Passenger yield	↓ -1.5%	↓ -7.8%	↓ -9.2%	↓ -5.1%
Total unit revenue (PASK)	↓ -0.5%	↓ -10.0%	↓ -11.5%	↓ -3.5%
Total unit cost (excluding fuel)	↑ +3.5%	↑ -6.6%	↓ -1.3%	↓ -0.3%

A STAR ALLIANCE MEMBER



36

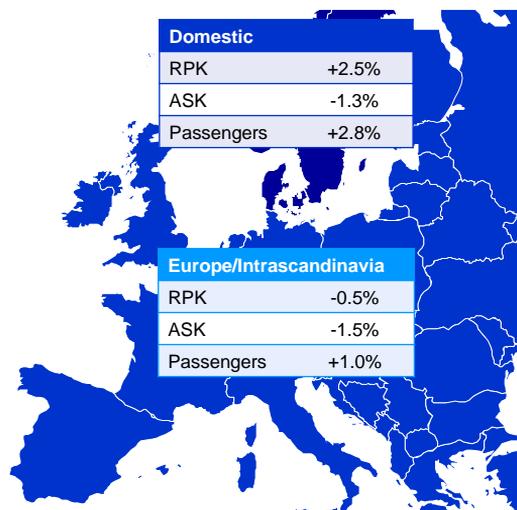
Appendices

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

SAS geographical traffic development in Q3

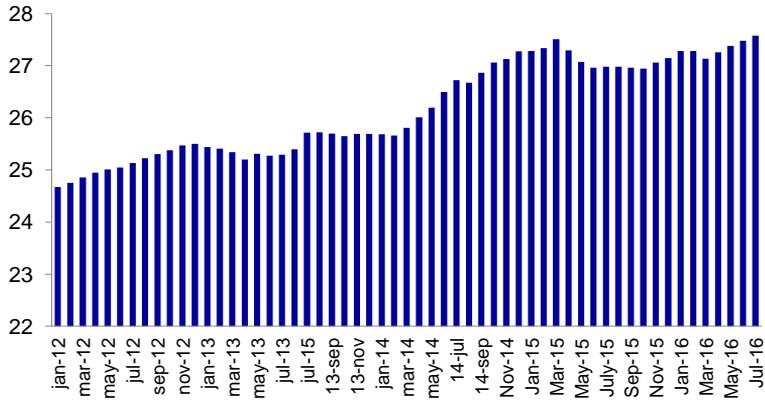
Total scheduled traffic, Q3	
RPK	+9.8%
ASK	+8.1%
Passengers	+3.1%
PASK	-3.5%

Intercontinental routes	
RPK	+30.7%
ASK	+31.7%
Passengers	+3.1%



SAS passenger development

Scheduled passenger, 12 months rolling
(Million)



A STAR ALLIANCE MEMBER

SAS grows its long-haul operation to

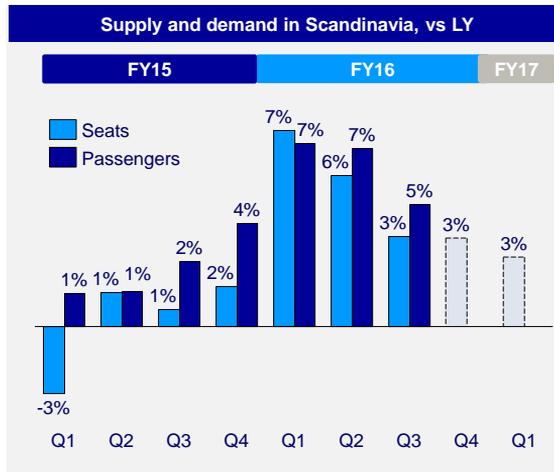
- From 12 to 16 aircraft
 - More frequencies on existing routes
 - New routes to Hong Kong, Los Angeles, Miami and Boston
- Capacity increase in FY16 of 25%
- Destinations and an attractive product for the frequent traveler



40

A STAR ALLIANCE MEMBER

Market seat capacity



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

41 Source: Innovata Schedule data



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%



42

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 – Jul 2016

Income statement	Nov15-Jul 16	Nov14-Jul15	Change vs LY	Currency
Total operating revenue	28,324	28,747	-423	-638
Payroll expenditure	-6,917	-7,291	+374	
Jet fuel	-4,490	-6,666	+2,176	
Government charges	-2,978	-2,969	-9	
Other operating expenditure	-10,461	-8,652	-1,809	
Total operating expenses*	-24,846	-25,578	+732	-603
EBITDAR before non-recurring items	3,478	3,169	+309	-1,241
<i>EBITDAR-margin*</i>	12.3%	11.0%	+1.3 p.u.	
Leasing costs, aircraft	-2,143	-1,922	-221	
Depreciation	-990	-1,030	+40	
Share of income in affiliated companies	11	13	-2	
EBIT before non-recurring items	356	230	+126	-1,310
<i>EBIT-margin*</i>	1.3%	0.8%	+0.5 p.u.	
Financial items	-358	-394	+36	
EBT before non-recurring items	-2	-164	+162	-1,322
Non-recurring items	856	714	+142	
EBT	854	550	+304	-1,322

* = Before non-recurring items

45

A STAR ALLIANCE MEMBER 

Overview of credit facilities – April 2016

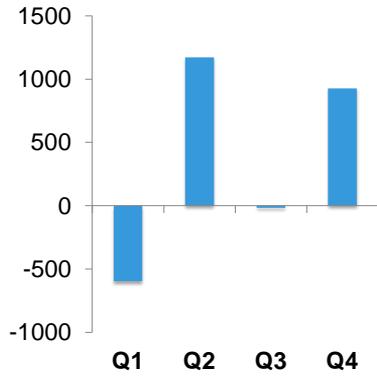
Available funds, SEK billion	Jul 2016	Maturity
Undrawn portion of credit facilities		
Revolving Credit Facility, MEUR 150	1.4	Jan 2019
Credit Facility, MUSD 137 & 29	1.2	Jun 2018, Oct 2017
Credit Facility, MUSD 50	0.0	Sep 2021
PDP Credit facility, MUSD 54 & 46	0.2	Feb 2017, Jun 2018
Others, MUSD 69	0.0	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	

A STAR ALLIANCE MEMBER 

46

Cash seasonality

Seasonality of SAS cash flow from operating activities, MSEK



- 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

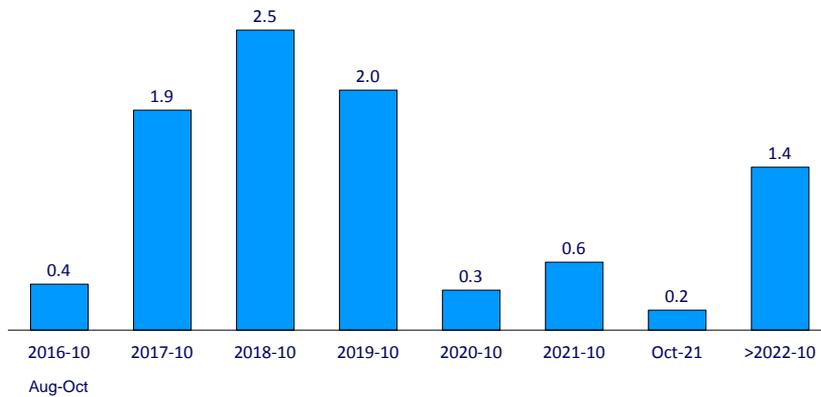
A STAR ALLIANCE MEMBER



47

Amortization profile

Scheduled amortization profile as of 31 July 2016, SEK billion

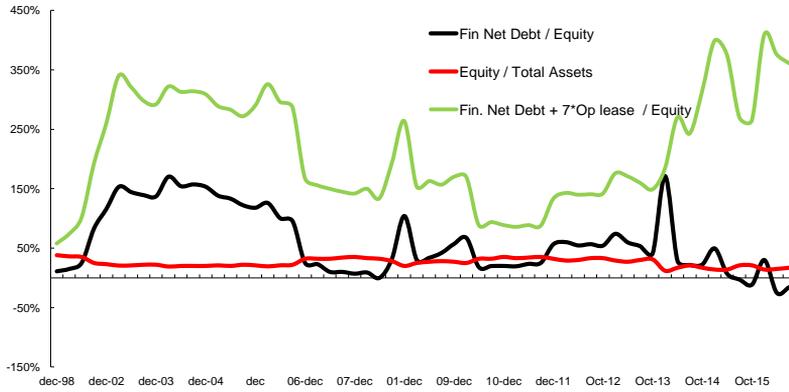


A STAR ALLIANCE MEMBER



48

Gearing ratios



SAS Group

Financial Net November- April

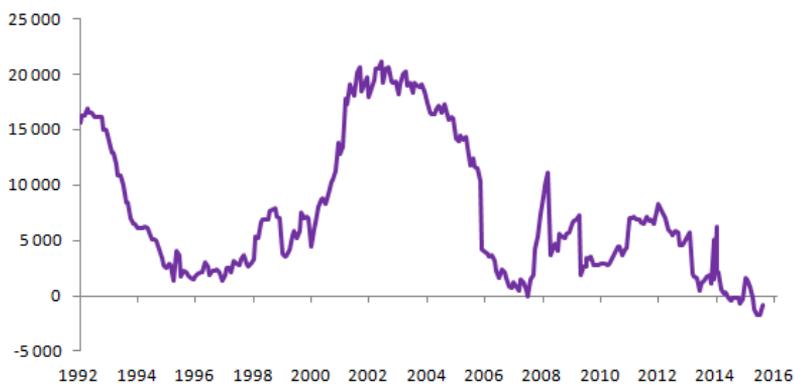
MSEK	May 16 – Jul 16	May 15– Jul 15	Difference
Interest net and others	-124	-112	-12
Exchange rate differences	+2	+1	+1
Financial net	-122	-111	-11

MSEK	Nov 15 – Jul 16	Nov 14 – Jul 15	Difference
Interest net and others	-358	-407	+49
Exchange rate differences	-1	+11	-12
Financial net	-359	-396	+37

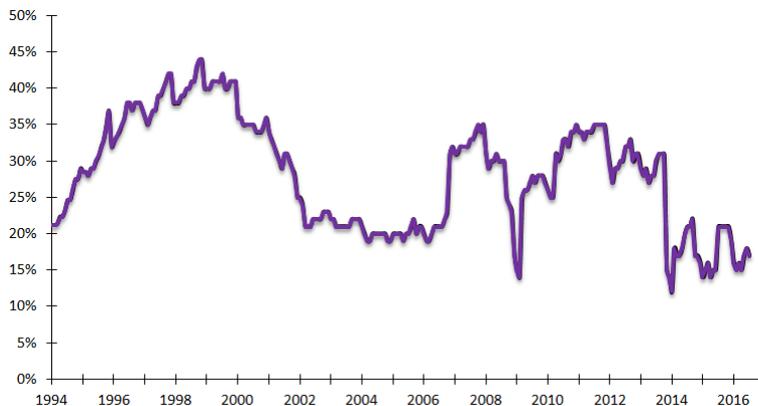
Development and Break Down
Financial Net Debt

MSEK	31 Jul 2016	31 Oct 2015	Difference
Cash	8,449	8,198	+251
Other interest bearing assets	2,282	2,273	+9
Interest bearing liabilities	-9,921	-9,745	-176
Financial net debt	+810	+726	+84

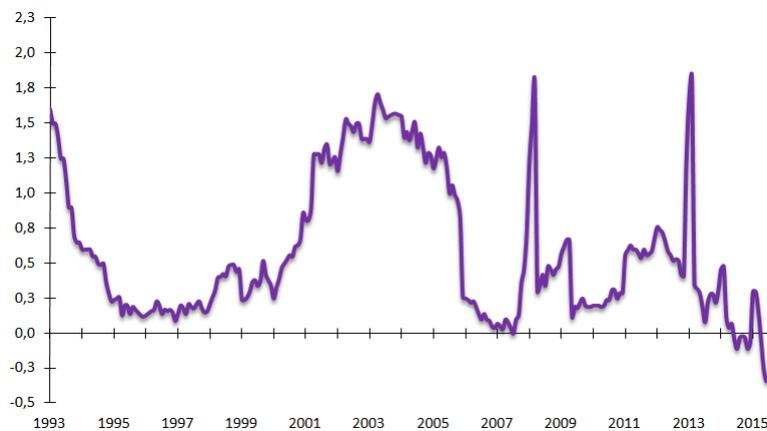
Development of financial net debt
1992-2016 as reported on a quarterly basis



Equity / Assets Ratio 1993-2016 as report on a quarterly basis



Financial Net Debt / Equity 1993-2016 as reported on a quarterly basis



Appendices

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

Breakdown of currency effects SAS Group

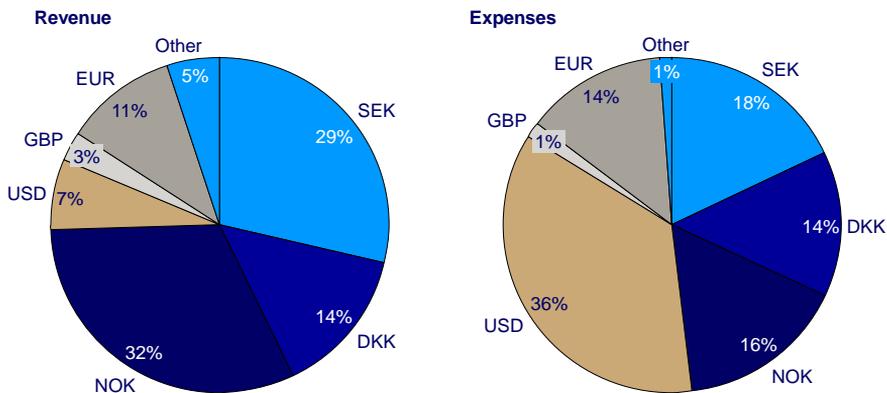
Total revenues & costs currency effects		May-Jul 2016 vs LY	Nov 2015-Jul 2016 vs LY
Total revenues & costs	USD	21	-306
	DKK	2	7
	NOK	-137	-351
	EUR	1	1
	Asian currencies	3	17
	All others	-19	-19
	Total	-129	-651
Forward cover costs	2015	182	905
	2016	-26	95
	Difference	-208	-810
Working capital	2015	-5	-175
	2016	-102	-24
	Difference	-97	151
Financial items	2015	1	11
	2016	2	-1
	Difference	1	-12
Total currency effects		-433	-1,322

Changes in currency exchange rates

affected the result by MSEK –1,322 in Nov 2015-Jul 2016 vs Nov 2014-Jul 2015

Currency effects MSEK on SAS Group 2015/2016 vs 2014/2015		May-Jul 16	Nov 15-Jul 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	– 268	– 638
	Total costs	139	– 13
	Forward cover costs & working capital	– 305	– 659
	Income before depreciation	– 434	– 1,310
	Financial items	1	– 12
	Income before tax	– 433	– 1,322

SAS currency distribution - Nov 2014 – Oct 2015



SAS hedging position for FY16-FY17

Max jet fuel price	Q4 FY16	Q1 FY17	Q2 FY17	Q3 FY17
\$401-500	-	46%	57%	39%
\$501-600	93%	-	-	-

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 5.9 bn	SEK 6.1 bn	SEK 6.4 bn	SEK 6.6 bn
400 USD/MT	SEK 6.0 bn	SEK 6.2 bn	SEK 6.4 bn	SEK 6.6 bn
600 USD/MT	SEK 6.1 bn	SEK 6.3 bn	SEK 6.5 bn	SEK 6.8 bn
800 USD/MT	SEK 6.2 bn	SEK 6.4 bn	SEK 6.7 bn	SEK 6.9 bn