

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

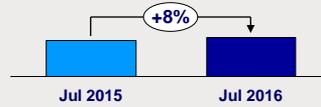
Network adjustments

- 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

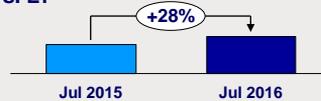
Product news/updates

- SAS Plus Saver
- SAS Go Light

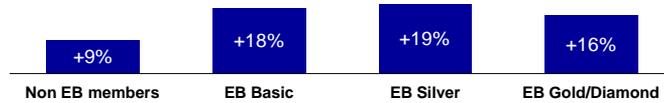
Number of passengers vs. LY



Number of SAS Plus passengers vs. LY



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



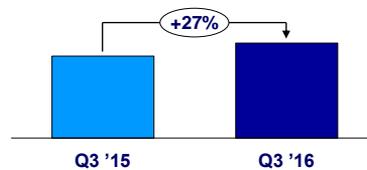
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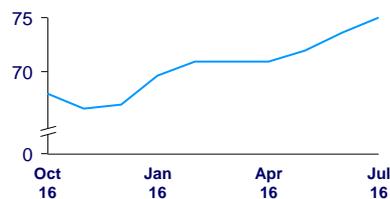
Strong response on long-haul expansion

- 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



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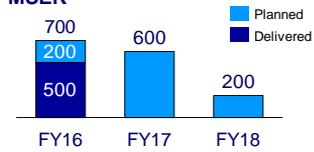


Cost reduction program on track to deliver SEK 700m in FY16 – objective to lower the cost base and to increase flexibility

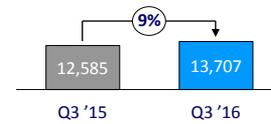
Selected implemented examples

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



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



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



DIGITAL PLATFORM

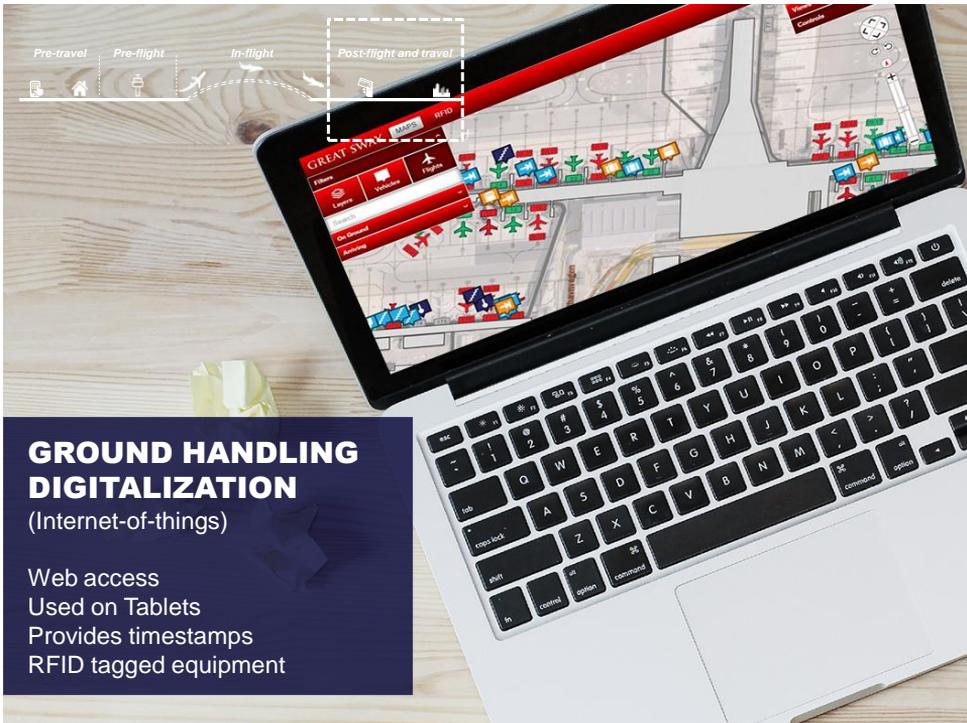
- Seamless experience and communication
- New customer interface
- Open architecture with possibility to add new functionalities

The collage features a flight map showing routes between SFO and CPH, an entertainment screen with content like 'WE ARE TRAVELERS' and 'DISCOVER COPENHAGEN', and a mobile app 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?

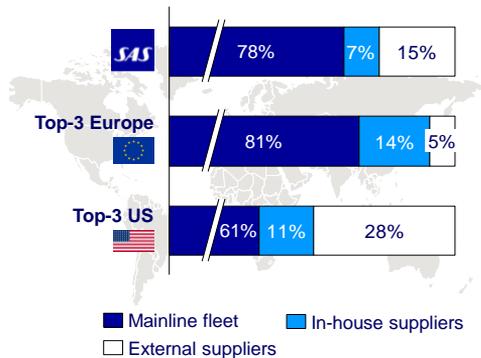
- Scandinavian market is fragmented – large share of frequent travelers fly on many thin routes
- Large aircraft good for large routes – thin routes require small aircraft for profitable operations
- SAS has established strategic relations with 4 external partners



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



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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
<i>EBITDAR-margin*</i>	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
<i>EBIT-margin*</i>	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

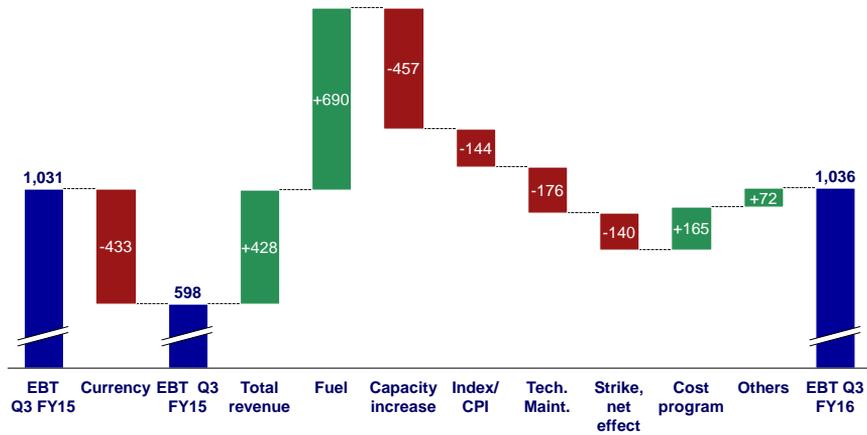
* = Before non-recurring items

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Earnings analysis of Q3

EBT
MSEK

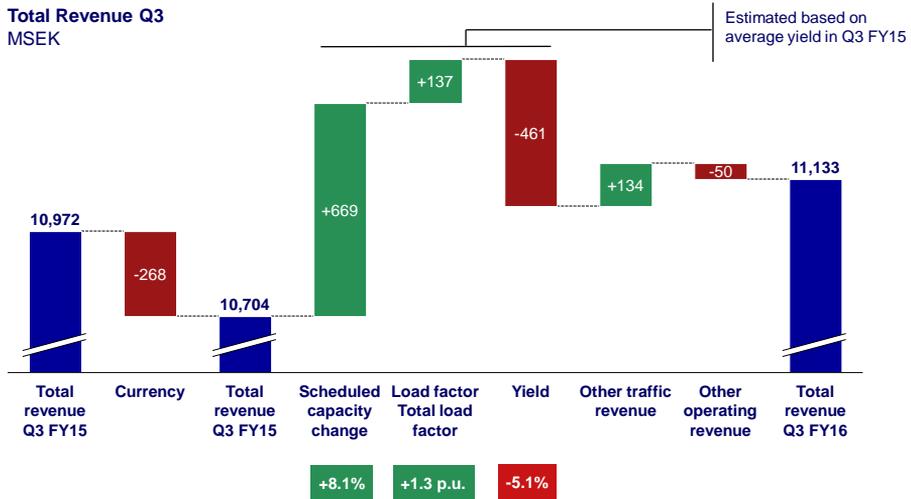


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Revenue analysis

Total Revenue Q3
MSEK

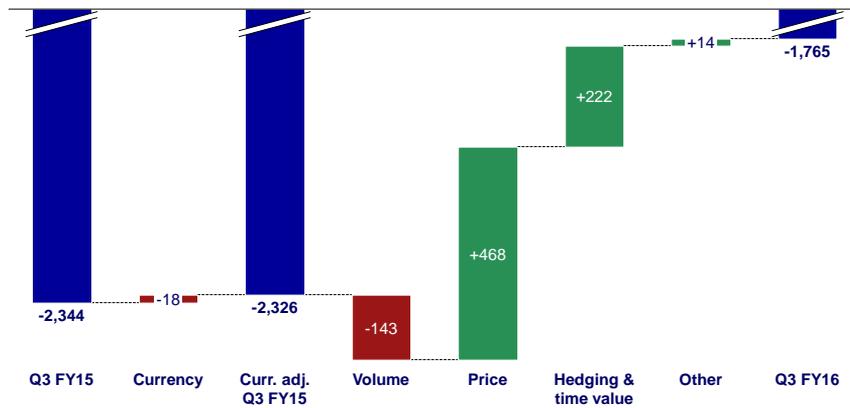


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Jet fuel costs MSEK 579 lower in Q3

Fuel cost Q3
MSEK



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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	6.2	6.4

Currency and hedges

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

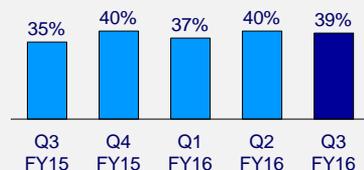
* Based on actual jet fuel costs during Q1 to Q3 FY16 and hedge position as at 31 July 2016

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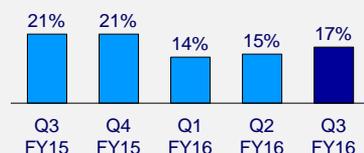
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Capital optimization – liquidity, equity and investments

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

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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