



Extended structural measures to strengthen profitability

Q2 IN SUMMARY

Positives

- + Currency adjusted passenger revenue up 4.4%
- + Passengers up by more than 300,000
- + Load factor up 3.1 p.u. to 71.3%
- + Strong development of ancillary revenues
- + Cargo revenue up 18% (MSEK 68)
- + Efficiency program delivered MSEK 175

Negatives

- Currency adjusted yield down 7.5%
- Jet fuel costs up MSEK 162
- Norwegian aviation tax MSEK 154

Q2	Change vs. Q2 FY16
EBT bef. nonrecurring items	
MSEK -259	MSEK +342
Traffic, RPK in millions	
8,381	+12.9%
Unit cost¹⁾, SEK	
0.60	-7.4%
PASK²⁾, SEK	
0.64	-3.3%

Note: 1) Excluding jet fuel and adjusted for currency; 2) Adjusted for currency

Delivering on SAS's strategy to be the first choice for Scandinavia's frequent travelers

ACTIVITIES IN Q2

Increased long-haul and leisure production

- Long-haul up by 14% (MIA, LAX)
- Leisure up by 21% – more frequencies on existing routes (e.g. Spain, Portugal, Croatia)

Improved customer offer

- 6 Airbus A320neo in operation
- "New Nordic by SAS" – upgraded food & beverage concept on short-haul

EuroBonus development

- >100,000 more members
- New IT platform rolled out – individualized customer experience and continued growth

Change vs.
Q2 FY16

PASK	↓	-3.3%
SAS Plus & Business	↑	+4%
EB Silver, Gold, Diamond rev	↑	+1%
EB members	↑	+11%

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Delivering on SAS's strategy to create an efficient operating platform

ACTIVITIES IN Q2

Reduced CASK

- MSEK 175 in effect from the efficiency program
- New wet lease contract to operate four ATR 72
- Completion of centralized Tech organization
- Finalization of Cimber transition to CityJet

Improved productivity

- Increased leisure and long-haul production
- Digitalization driving improved planning

Punctuality & regularity

- Punctuality affected by weak April – weather
- Regularity at 98.9%, up 0.6 p.u. vs. LY

Change vs.
Q2 FY16

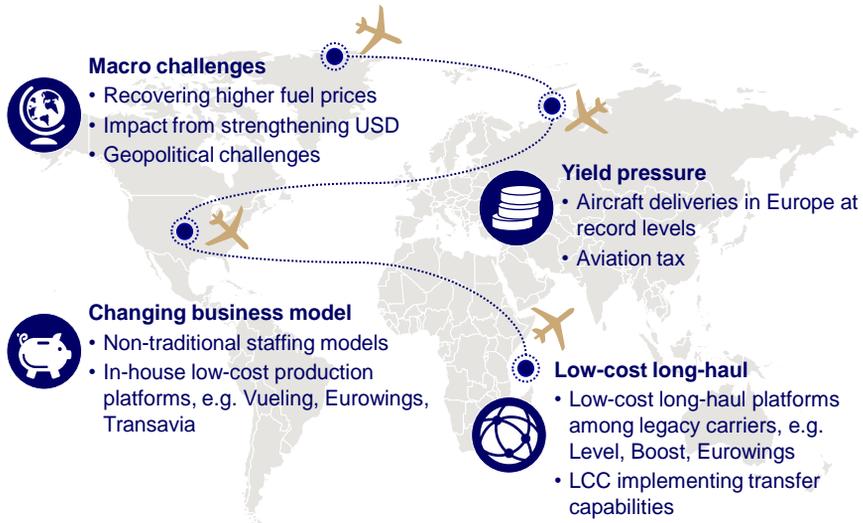
CASK ¹⁾	↓	-7.4%
Aircraft utilization	↑	+4%
Crew block hours	↑	+1%
Punctuality	↓	-2.0 p.u.

Note: 1) Currency adjusted and excluding jet fuel costs

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Challenging market conditions



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Three focus areas to strengthen SAS's long term competitiveness

FOCUS AREAS	OBJECTIVES
<p>1 Further address legacy in core operations – increase flexibility and reduce costs in all areas</p>	<p>SEK 3bn efficiency effect by 2020</p>
<p>2 Establish a complementing production platform to secure critical traffic flows and participate in the growing leisure market</p>	<p>COMPETITIVENESS to maintain important routes and take part in leisure market</p>
<p>3 Strengthen customer loyalty and develop new revenue streams by utilizing SAS strong brand and EuroBonus program</p>	<p>GROW Passenger and lifestyle related revenues</p>

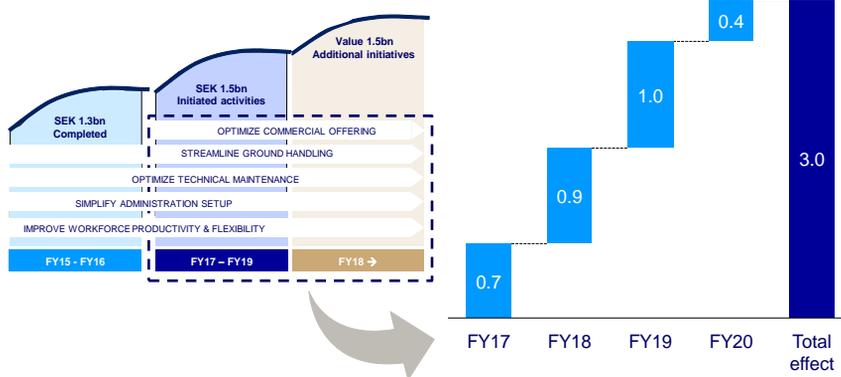
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1 SAS doubles the efficiency measures to SEK 3bn with full effect in FY20

SAS's previous efficiency improvement program has been extended...

...to include >200 additional initiatives – total efficiency effect of SEK 3 bn



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1 Comprehensive savings throughout SAS

FOCUS AREA	EXAMPLES OF INITIATIVES	EST. POTENTIAL
Flight ops, wet lease, charges & fuel	<ul style="list-style-type: none"> Increase use of resource pool amongst cabin attendants Increase flexibility in flight deck scheduling Align manning on long-haul flights to industry standard Address demographic cost 	SEK -1.2bn
Ground handling & Technical maintenance	<ul style="list-style-type: none"> Increase work task flexibility and mobility within ground handling Increased ambition on external spend Full role out of lean within Tech Minimize aircraft phase out maintenance cost 	SEK -0.9bn
Admin & IT	<ul style="list-style-type: none"> Increased use of lean processes and system improvements Improve IT contracts and license management Transform IT (e.g. cloud migration, infrastructure consolidation) 	SEK -0.4bn
Product, sales and distribution	<ul style="list-style-type: none"> Differentiate product offering to increase individualization Reduce distribution and wholesale card costs Reduce logistic costs for onboard catering Reduce back-office and call centre expenditure 	SEK -0.5bn

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2 As a complement to SAS's Scandinavian-based production, a new company with headquarters in Ireland is being established

KEY PRINCIPLES

- To secure **competitiveness** and capture the **growing leisure market**
- **New bases** to be set up in London & Malaga
- Fleet of **A320neo**
- **Local crew**
- **Safety standard** comparable to SAS
- **1st flight** during winter program 2017/2018

MAIN ACHIEVEMENTS UP TO DATE

AOC

- AOC application submitted to the Irish authorities

Network

- Malaga chosen as location for the Spanish base

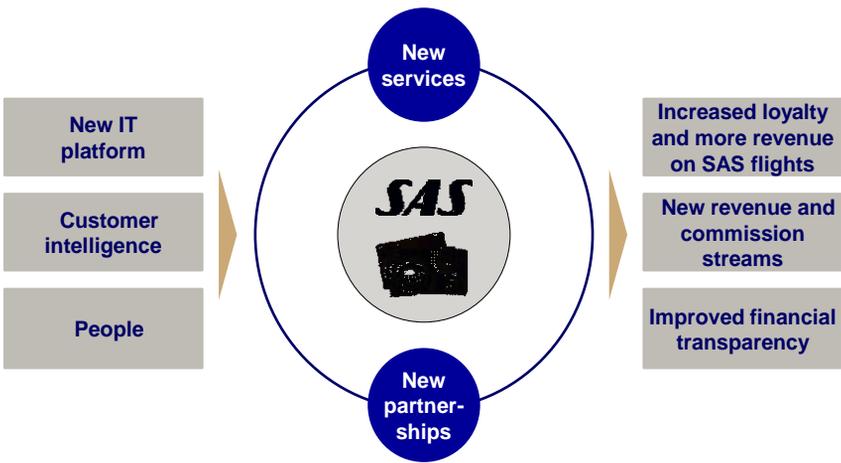
People

- Management team in Ireland secured
- Recruitment of crew initiated, using an external manning company

OUTCOME: Underlying **CASK** in line with key competitors

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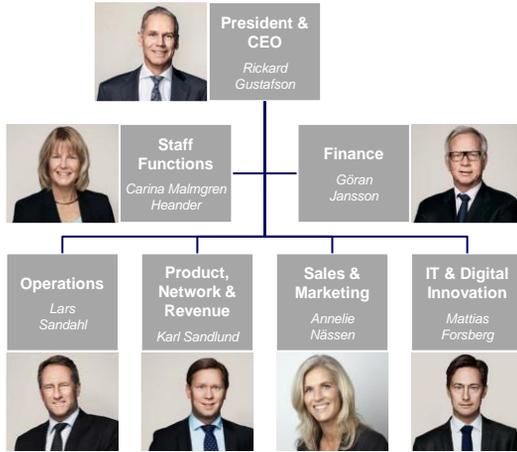
3 New revenue streams to be generated through capitalization on SAS's strong brand and EuroBonus



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Organizational changes to drive financial transparency, achieve greater business focus and secure innovative culture for new areas

Group Management



New business units



Breakdown of the income statement

Income statement	Feb-Apr 17	Feb-Apr 16	Change vs LY	Currency
Total operating revenue	9,843	8,916	+927	+316
Payroll expenditure	-2,302	-2,308	+6	
Jet fuel	-1,659	-1,497	-162	
Government charges	-1,041	-977	-64	
Other operating expenditure	-3,816	-3,602	-214	
Total operating expenses*	-8,818	-8,384	-434	-299
EBITDAR before non-recurring items	1,025	532	+493	+17
<i>EBITDAR-margin*</i>	10.4%	6.0%	+4.4 p.u.	
Leasing costs, aircraft	-801	-706	-95	
Depreciation	-388	-312	-76	
Share of income in affiliated companies	3	-2	+5	
EBIT before non-recurring items	-161	-488	+327	-26
<i>EBIT-margin*</i>	-1.6%	-5.5%	+3.9 p.u.	
Financial items	-98	-113	+15	
EBT before non-recurring items	-259	-601	+342	-17
Non-recurring items	51	728	-677	
EBT	-208	127	-335	-17

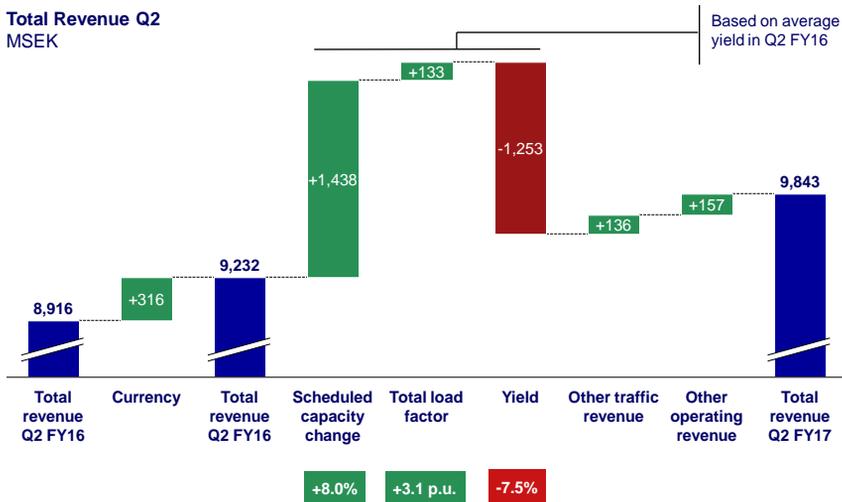
* = Before non-recurring items

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Revenue analysis

Total Revenue Q2
MSEK

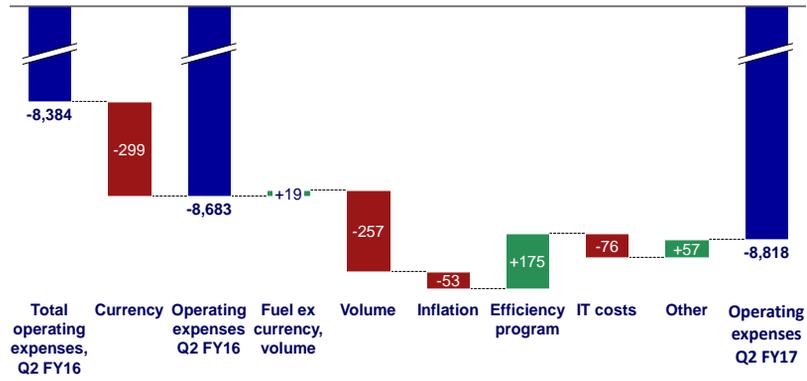


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Operating expenses analysis

Total Operating Expenses Q2
MSEK

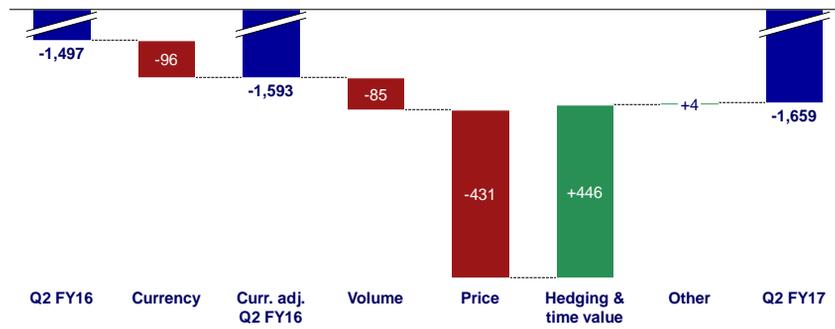


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Jet fuel costs increased MSEK 162 in Q2

Fuel cost Q2
MSEK



2017: +53
2016: -393

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SAS introduces ROIC as financial target to focus on the capital structure and create a clear return target

Return on Invested Capital (ROIC)

- Consistent with an external and internal view of SAS's pre-tax WACC
- **Target:** >12% over a cycle

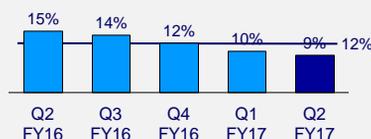
Declining ROIC last twelve months

- Lower EBIT driven by non-recurring items (EU fine, gains & restructuring etc.)
- Invested capital has increased (capitalized leasing costs and lower financial net debt)

MSEK	April 2017
EBIT (12 months)	1,151
+ 1/3 of operating lease costs	959
Adjusted EBIT	2,110
Equity*	5,573
Financial net debt*	-1,162
Capitalized aircraft leasing costs (x7)*	19,673
Invested Capital	24,083
ROIC, pre-tax	9%

* Calculated as an average over the last 12 months

Return on invested capital (ROIC)



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SAS introduces Adjusted financial net debt/EBITDAR as financial target and adjusts the target for financial preparedness to 25%

Adjusted financial net debt/EBITDAR

- Core ratio for credit rating
- **Target:** Below 3x

Higher Adjusted financial net debt/ EBITDAR

- Adjusted financial net debt up due to phase-in of new aircraft
- EBITDAR negatively affected by non-recurring items

Financial preparedness

- Cash in relation to fixed cost
- **Target:** Increased to 25% due to more long-haul and leisure production

MSEK	April 2017
Financial net debt*	-1,162
Capitalized aircraft leasing costs (x7)*	19,673
Adjusted financial net debt	18,511
EBITDAR (12 months)	4,638
Adjusted financial net debt/EBITDAR	4.0

* Calculated as an average over the last 12 months

Adjusted financial net debt/EBITDAR



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Sufficient liquidity position in the short term, but significant upcoming maturities



Currently sufficient liquidity position...

- SEK 9.1 bn in cash
- Unutilized credit facilities of SEK 3.2 bn
- Seasonal variations of SEK 2 bn during the fiscal year

...but significant upcoming maturities

- SEK 5.6 bn in maturities until Oct 2019, whereof SEK 1.5 bn unsecured bond in Nov 2017
- In addition, need to handle preference share

Net investments in FY17 now expected to be close to zero

- Two slot-pair transactions at LHR
- Disciplined capex management
- Overhaul of engine program during FY17-FY18 will negatively affect working capital

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Outlook FY17 and upcoming highlights

High market uncertainty

- European aviation industry undergoes significant change
- Geo-political uncertainty
- Introduction of aviation taxes

Assumptions for FY17

- ASK to increase by 6-8% and frequencies up ~1%
- Lower PASK and unit cost
- Efficiency program to deliver SEK 0.7bn
- Higher jet fuel costs
- Net investments to be close to zero

Outlook FY17

SAS expects to post a positive EBT before non recurring items

Implementation of structural measures

→ SEK 0.7 during FY17



1st flight from base outside Scandinavia

→ Winter program 2017



Airbus A320neo to be delivered

→ 12 during FY17

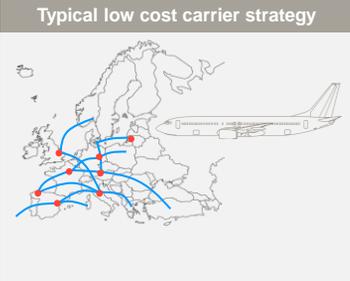


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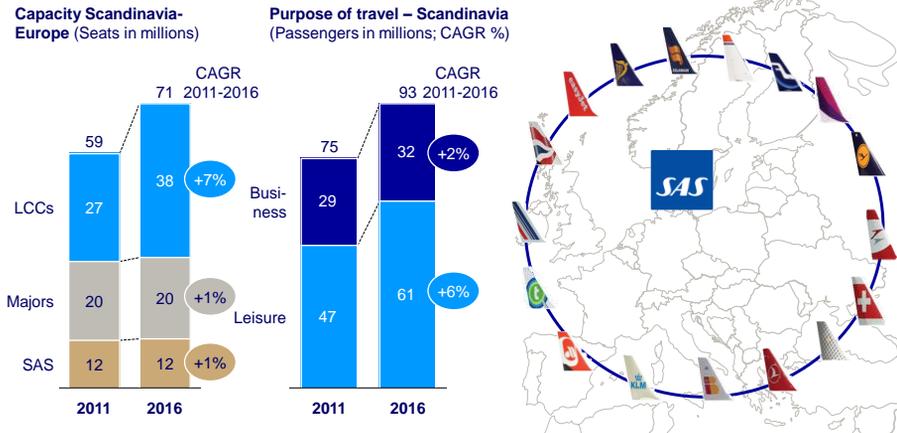
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SAS

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 	<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

In recent years, growth has come from the leisure segment driven by increased LCC capacity



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Appendices

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

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SAS fleet – April 2017

Aircraft in traffic under SK traffic license	Age	Owned	Leased	Total	Firm order	Lease order
Airbus A330/A340/A350	11.9	10	6	16	8	
Airbus A321/A320/A319	9.7	8	22	30	24	
Boeing 737 NG	13.9	25	52	77		
Total	12.7	43	80	123	32	

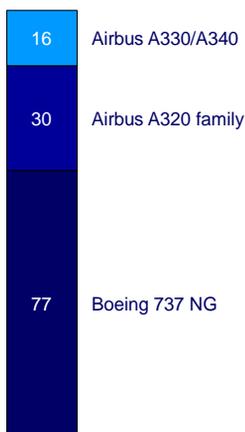
Aircraft in service under a license other than SAS's (SK)	Age	Owned	Wet lease	Total	Wet lease order
Boeing 737-700 BBJ	11.7		1	1	
Bombardier CRJ900	4.2	7	16	23	10
ATR-72	2.4		10	10	
Total	3.9	7	27	34	10

Leased/phased out aircraft	Owned	Leased	Total	In service	Parked
Bombardier Q400	9.3	1	1	1	
	9.3	1	1	1	



SAS investing in renewal and simplification of the aircraft fleet

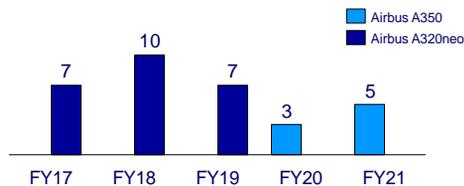
Current fleet in traffic with SK traffic license, 30 April 2017



New orders

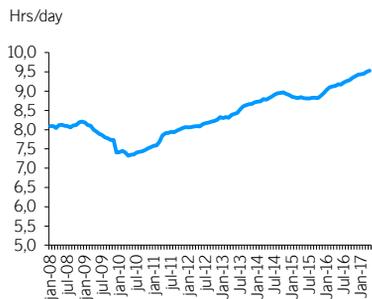


Firm order aircraft deliveries as at 30 Apr 2017

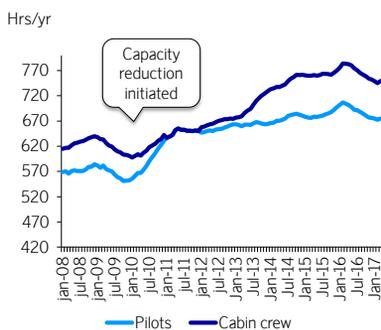


Productivity development

Aircraft utilization (12 months rolling)



Cabin, pilot utilization (12 months rolling)



Block hours, 12 months rolling, April 2017	Aircraft, hours/day	Pilots, hours/year	Cabin, hours/year
SAS	9.5	675	751

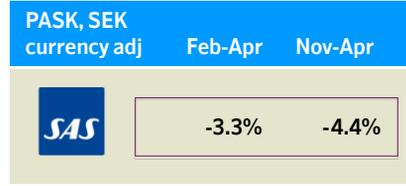
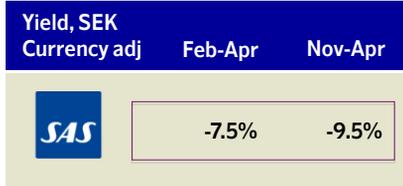


Appendices

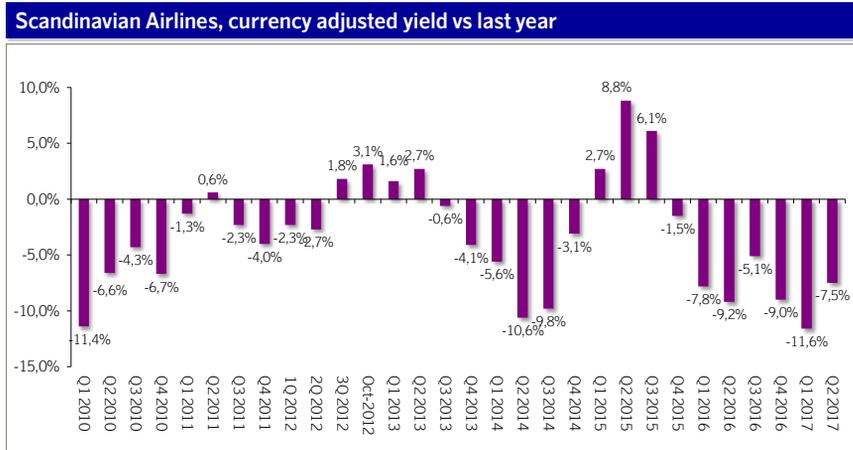
- Fleet & productivity
- Unit revenue (yield & PASK) & unit cost**
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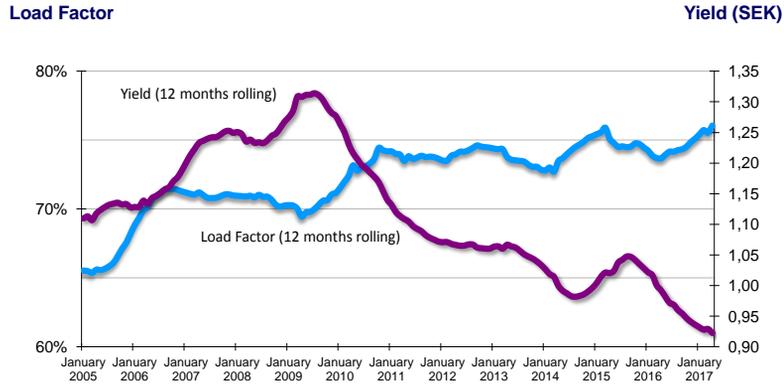
Yield and PASK development vs. last year



Quarterly yield development



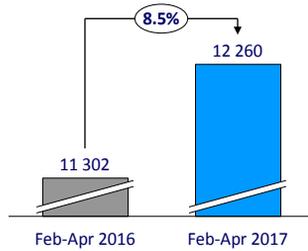
Long term yield and passenger load development



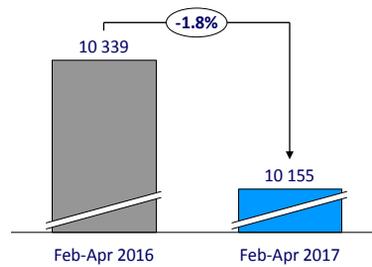
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Capacity and FTE

Capacity
ASK total, millions

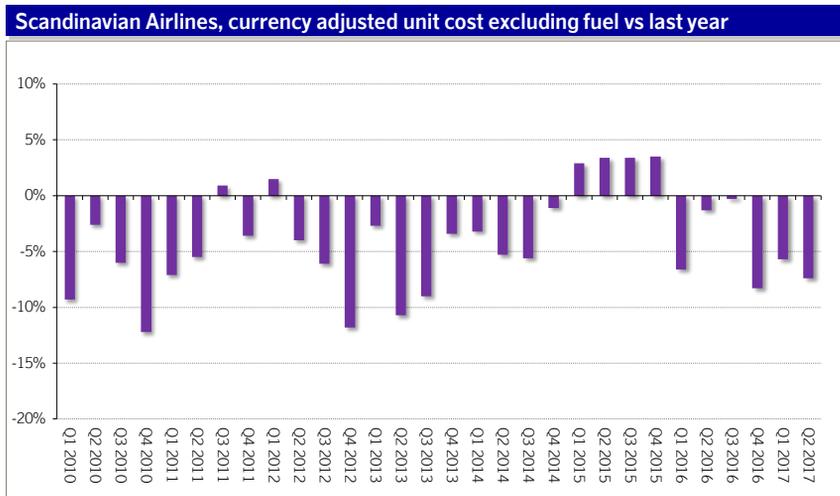


SAS FTEs



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Quarterly unit cost development



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Breakdown of unit cost, Feb – Apr 2017

SAS, SEK, currency adjusted

Unit cost breakdown	Feb 2017 – Apr 2017	Feb 2016 – Apr 2016	Var, %	Share of total var, %
Payroll expenses	-2,295	-2,583	-11.2%	-3.0%
Jet fuel	-1,659	-1,727	-4.0%	-0.7%
Government user fees	-1,042	-1,096	-4.9%	-0.6%
Selling and distribution costs	-595	-689	-13.6%	-1.0%
Handling costs	-699	-721	-3.1%	-0.2%
Technical aircraft maint.	-831	-1,047	-20.7%	-2.2%
Net other operating expenses	-665	-612	+8.6%	+0.5%
Operating expenses	-7,785	-8,475	-8.1%	-7.2%
Leasing costs for aircraft	-801	-813	-1.5%	-0.1%
Depreciation	-388	-338	+14.9%	+0.5%
Cost base for CASK	-8,974	-9,626	-6.8%	-6.8%

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Breakdown of unit cost, Nov 2016 – Apr 2017

SAS, SEK, currency adjusted

Unit cost breakdown	Nov 2016 – Apr 2017	Nov 2015 – Apr 2016	Var, %	Share of total var, %
Payroll expenses	-4,683	-5,288	-11.4%	-3.3%
Jet fuel	-3,238	-3,180	+1.8%	+0.3%
Government user fees	-2,011	-2,147	-6.3%	-0.7%
Selling and distribution costs	-1,153	-1,307	-11.8%	-0.8%
Handling costs	-1,360	-1,313	+3.6%	+0.3%
Technical aircraft maint.	-1,686	-1,858	-9.3%	-0.9%
Net other operating expenses	-1,270	-1,155	+9.9%	+0.6%
Operating expenses	-15,400	-16,247	-5.2%	-4.6%
Leasing costs for aircraft	-1,534	-1,640	-6.5%	-0.6%
Depreciation	-715	-717	-0.2%	0.0%
Cost base for CASK	-17,649	-18,603	-5.1%	-5.1%

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Summary of key drivers

SAS

	Q3 2015/16	Q4 2015/16	Q1 2016/17	Q2 2016/17
Scheduled traffic (RPK)	↑ +9.8%	↑ +10.8%	↑ +18.9%	↑ +12.9%
Passenger load factor	↑ +1.3 p.u.	↑ +1.0p.u.	↑ +4.6p.u.	↑ +3.1 p.u.
Passenger yield	↓ -5.1%	↓ -9.0%	↓ -11.6%	↓ -7.5%
Total unit revenue (PASK)	↓ -3.5%	↓ -7.7%	↓ -5.6%	↓ -3.3%
Unit cost (excluding fuel)	↓ -0.3%	↓ -8.3%	↓ -5.6%	↓ -7.4%

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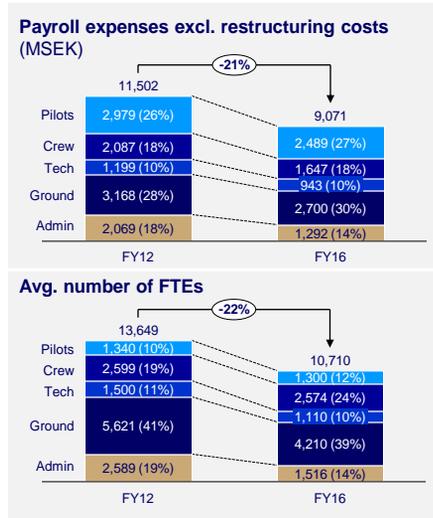
Breakdown of payroll expenses

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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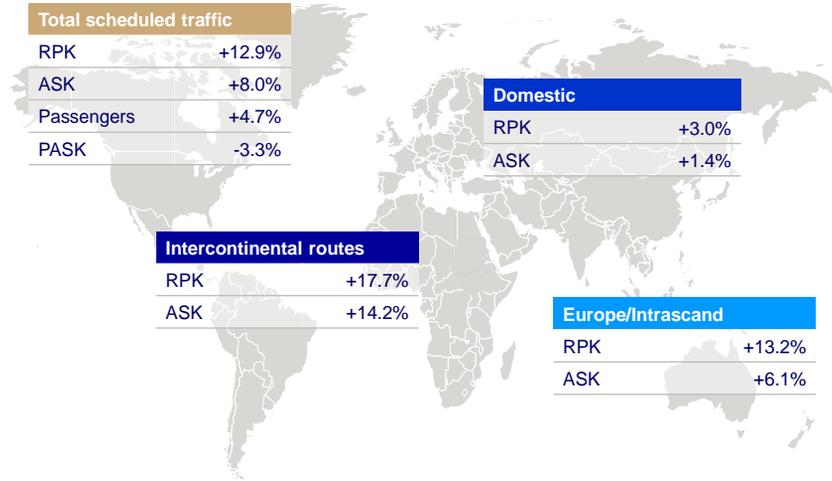
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SAS geographical traffic development in Q2 FY17

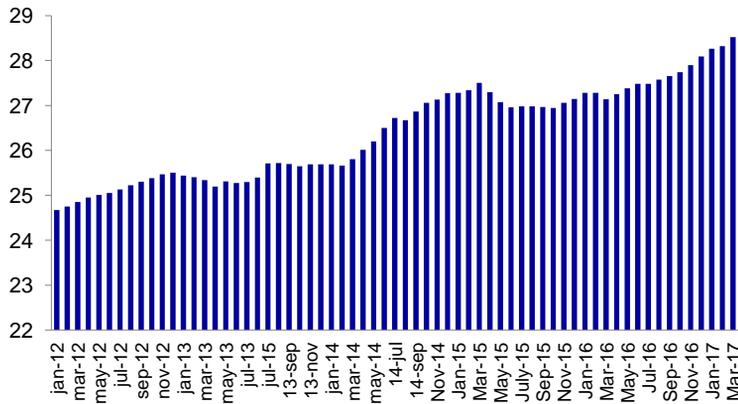


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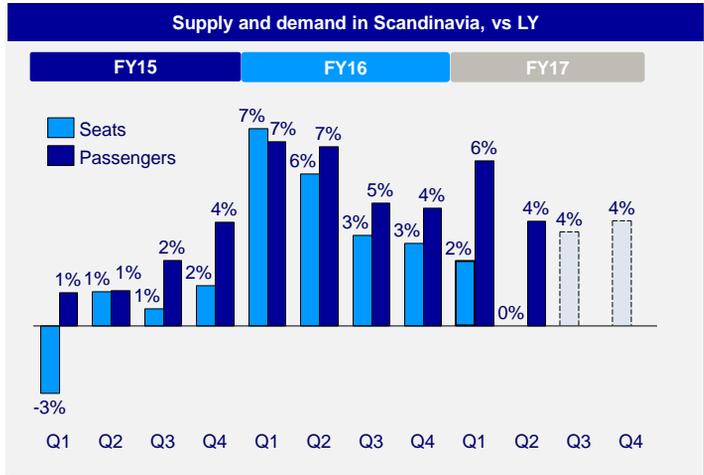


SAS passenger development

Scheduled passenger, 12 months rolling
(Million)



Market seat capacity



41 Source: Innovata Schedule data, June 2017



ASK outlook for financial year 2016/2017

ASK outlook for November 2016 – October 2017	
SAS – scheduled	+6% to +8%
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

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Financial targets

SAS's overriding goal is to create value for its shareholders	
Return on Invested Capital (ROIC) (EBIT+(1/3) aircraft leasing costs) / (Equity+Financial net debt+capitalized aircraft leasing costs (x7))	>12% over a cycle
Adj. financial net debt/EBITDAR (Financial net debt incl. capitalized aircraft leasing costs/EBITDAR)	< 3x
Financial preparedness Cash & unutilized credit facilities / Annual fixed cost	>25%

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.

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Breakdown of the income statement

Income statement	Nov 16-Apr 17	Nov 15-Apr 16	Change vs LY	Currency
Total operating revenue	18,800	17,191	+1,609	+675
Payroll expenditure	-4,700	-4,642	-58	
Jet fuel	-3,238	-2,725	-513	
Government charges	-2,011	-1,888	-123	
Other operating expenditure	-7,342	-6,632	-710	
Total operating expenses*	-17,291	-15,887	-1,404	-653
EBITDAR before non-recurring items	1,509	1,304	+205	+22
<i>EBITDAR-margin*</i>	8.0%	7.6%	+0.4 p.u.	
Leasing costs, aircraft	-1,534	-1,406	-128	
Depreciation	-715	-653	-62	
Share of income in affiliated companies	-8	-14	+6	
EBIT before non-recurring items	-748	-769	+21	-66
<i>EBIT-margin*</i>	-4.0%	-4.5%	+0.5 p.u.	
Financial items	-218	-236	+18	
EBT before non-recurring items	-966	-1,005	+39	-54
Non-recurring items	61	823	-762	
EBT	-905	-182	-723	-54

* = Before non-recurring items

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Overview of credit facilities – April 2017

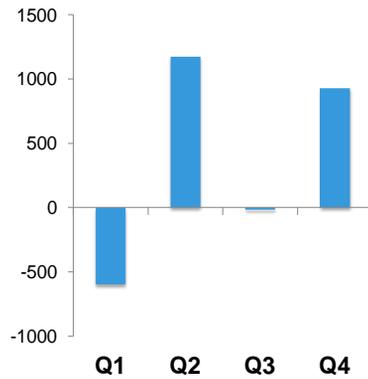
Available funds, SEK billion	Apr 2017	Maturity
Undrawn portion of credit facilities		
Revolving Credit Facility, MEUR 150	1.4	Jan 2019
Credit facility, MUSD 137 & 37	1.2	Jun 2018, Dec 2020
Credit facility, MUSD 39	0.0	Sep 2021
Credit facility, MUSD 55	0.0	Feb 2020
Credit facility, MUSD 46	0.1	Jun 2018
Credit facility, MUSD 75	0.5	Jan 2023
Total undrawn credit facilities	3.2	
Drawn portion of credit facilities	1.7	
Total credit facilities	4.9	

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Cash seasonality

Seasonality of SAS cash flow from operating activities, MSEK



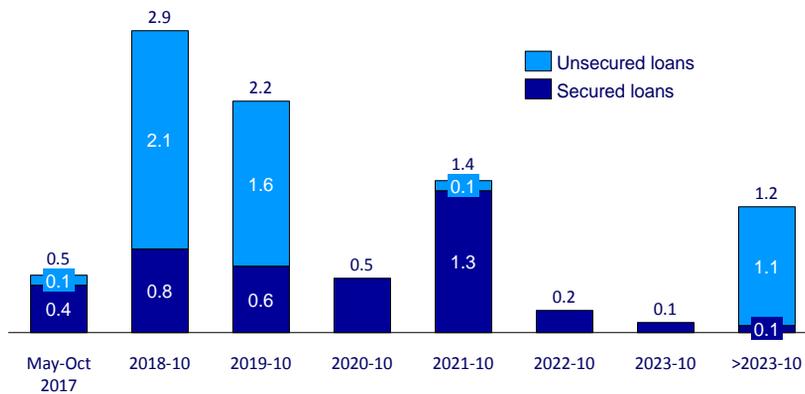
- Cash flow from operating activities strongest in Q2 and Q4
- Seasonality has increased
 - Leisure travelling generates a higher degree of early bookings
 - Business bookings closer to departure

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Amortization profile

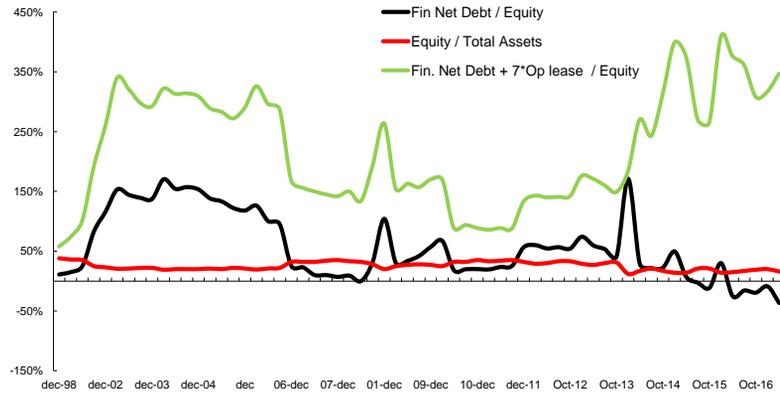
Scheduled amortization profile as of 30 April 2017, SEK billion



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Gearing ratios



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SAS Group

Financial Net November- April

MSEK	Feb 17 – Apr17	Feb 16– Apr 16	Difference
Interest net and others	-106	-111	+5
Exchange rate differences	+7	-2	+9
Financial net	-99	-113	+14

MSEK	Nov 16 – Apr17	Nov 15 – Apr 16	Difference
Interest net and others	-228	-234	+6
Exchange rate differences	+9	-3	+12
Financial net	-219	-237	+18

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Development and Break Down

Financial Net Debt

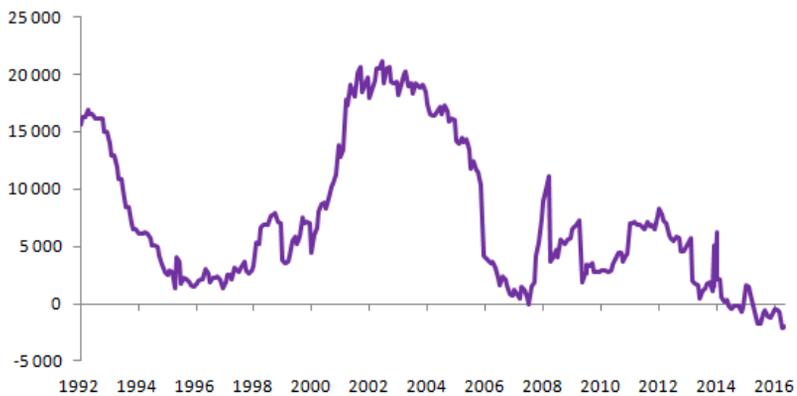
MSEK	30 Apr 2017	31 Oct 2016	Difference
Cash	9,077	8,370	+707
Other interest bearing assets	2,298	2,676	-378
Interest bearing liabilities	-9,426	-9,880	+454
Financial net debt	+1,949	+1,166	+783

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Development of financial net debt

1992-2017 as reported on a quarterly basis



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Equity / Assets Ratio

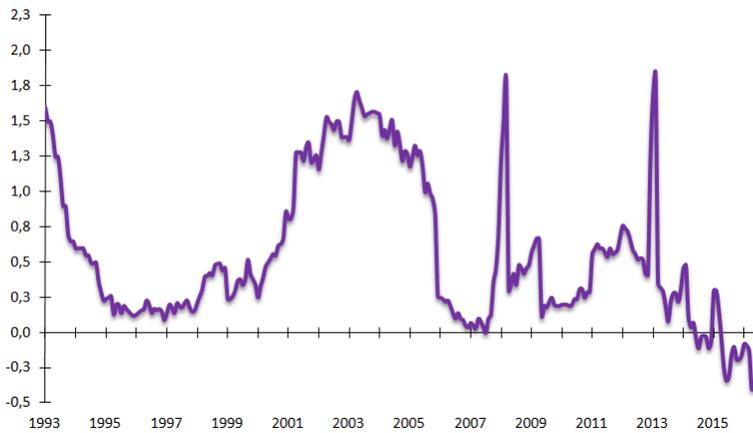
1993-2017 as report on a quarterly basis



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Financial Net Debt / Equity

1993-2017 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

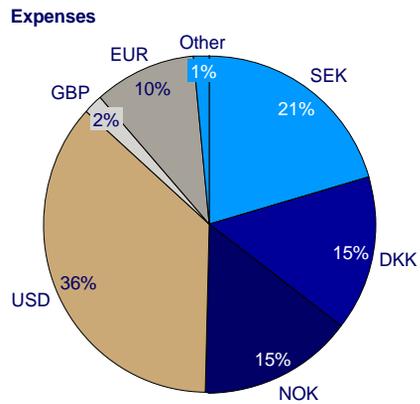
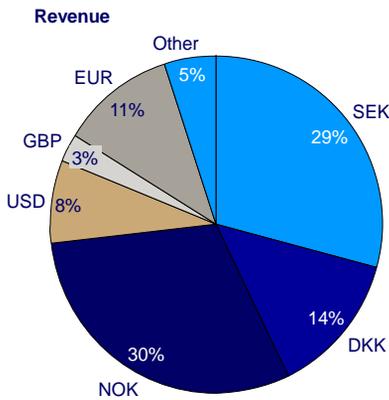
Total revenues & costs currency effects		Feb-Apr 2017 vs LY	Nov 2016-Apr 2017 vs LY
Total revenues & costs	USD	-165	-300
	DKK	-6	-20
	NOK	85	171
	EUR	36	52
	Asian currencies	12	27
	All other	5	2
Total	-33	-68	
Forward cover costs	2016	-10	121
	2017	57	143
	Difference	67	22
Working capital	2016	50	78
	2017	-10	58
	Difference	-60	-20
Financial items	2016	-2	-3
	2017	7	9
	Difference	9	12
Total currency effects	-17	-54	

Changes in currency exchange rates

affected the result by MSEK -54 in Nov 2016-Apr 2017 vs Nov 2015-Apr 2016

Currency effects MSEK on SAS Group 2016/2017 vs 2015/2016		Feb-Apr 17	Nov 16-Apr 17
<ul style="list-style-type: none"> Positive impact on revenue due to the weaker SEK. Negative impact on other operating costs due to the weaker SEK. 	Total revenue	316	675
	Total costs	- 349	- 743
	Forward cover costs & working capital	7	2
	Income before depreciation	- 26	- 66
	Financial items	9	12
	Income before tax	- 17	- 54

SAS currency distribution - Nov 2015 – Oct 2016



Jet fuel and currencies

Jet fuel

- Policy to hedge 40-80% of expected fuel consumption for the next 12 months and up to 50% for the following six months
- Hedge position as at 30 April 2017
 - 42% of expected jet fuel consumption hedged next 12 months
 - Mixture of call options and swaps until June and swaps beyond
 - Small volumes hedged until March 2018 after end of Q2 FY17

Currency

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

Jet fuel cost sensitivity FY17, SEK bn*			
Average spot price	8.0 SEK/USD	9.0 SEK/USD	10.0 SEK/USD
USD 400/MT	6.5	6.9	7.3
USD 600/MT	6.9	7.4	7.8

Currency hedges*	
•	46% of USD hedged next twelve months
•	49% of NOK hedged next twelve months

* Based on hedge position as at 30 April 2017

Max jet fuel price	Q3 FY17	Q4 FY17	Q1 FY18	Q2 FY18
\$500-530/MT	93%	75%	-	-