

SAS Q1 2017/2018

27.02.2018



SAS

Q1 in Summary: Improved earnings

POSITIVES

- + Passenger revenue up 1% (FX adj.)
- + Cargo and EB-point sale revenue increased MSEK 109
- + Efficiency program delivered MSEK 165
- + Positive currency effects of MSEK 205
- + Operation from the new London base commenced
- + Positive cash flow from operating activities
- + 70% redemption of the preference shares completed

NEGATIVES

- Lower passenger numbers and load factor
- Low punctuality and regularity due to very challenging weather conditions

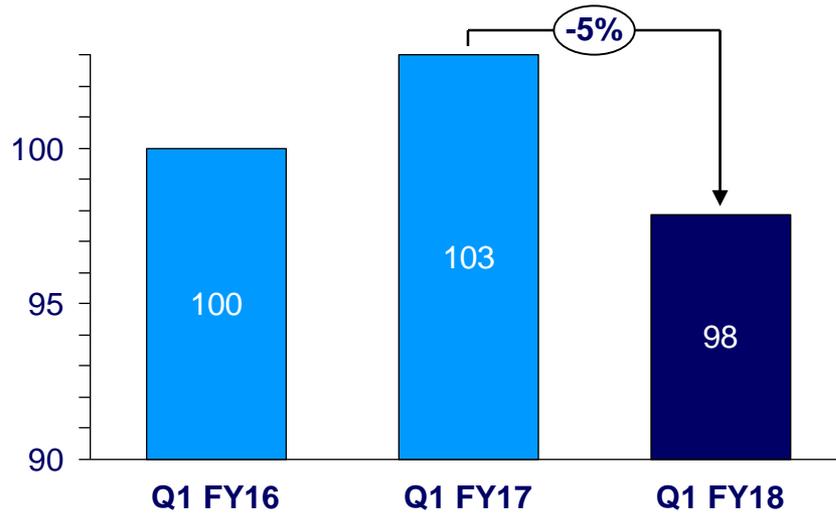
| Q1 | CHANGE VS. Q1 FY17 |
|-------------------------------------|-----------------------|
| EBT bef. non-recurring items | |
| MSEK -373 | MSEK +334 |
| Capacity, ASK in millions | |
| 11,139 | -0% |
| Unit cost¹, SEK | |
| 0.61 | -1% |
| PASK², SEK | |
| 0.63 | 0% |

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

Improved earnings due to seasonal adjustments

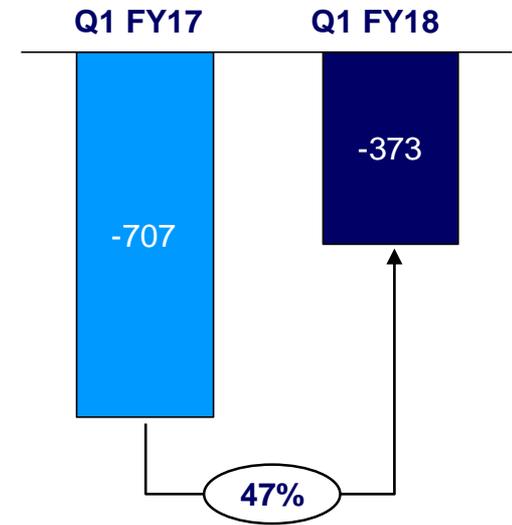
DEPARTURES IN Q1 FY16 – FY18

Q1 FY16 = Index 100



EBT BEFORE NONRECURRING ITEMS

MSEK



| | | | |
|--------------------------|-------|-------|-------|
| EBT¹ | -404 | -707 | -373 |
| PAX | 5,976 | 6,513 | 6,141 |
| YIELD² | 0.97 | 0.90 | 0.94 |

Note: 1) EBT before non-recurring items; MSEK 2) Nominal; SEK

Implementation of efficiency program according to plan

EXAMPLES OF SAVING INITIATIVES

Q1



Flight operation, charges and fuel, MSEK 80

- Cimber divestment, long haul manning reduction, increased crew productivity and fuel efficiencies



Ground handling and technical, MSEK 55

- Renegotiated line station contracts, digitalization of ticket office & arrival service
- Optimization of engine maintenance, improved scheduling and admin reduction



Commercial and overhead, MSEK 30

- Ban of wholesale cards, reduced logistical costs for catering and marketing
- Renegotiated facility contracts

Q1 savings

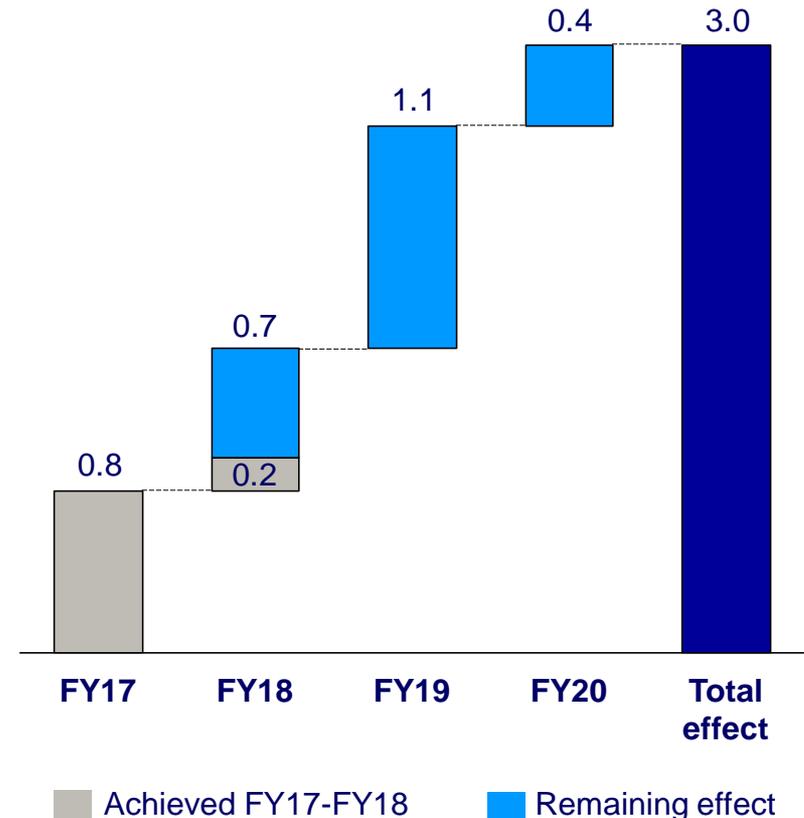
MSEK 165

CASK, nom.

-5.6%

EFFICIENCY PROGRAM GROSS EARNINGS IMPACT

SEK bn



Successful launch of SAS Ireland in Q1

KEY HIGHLIGHTS

- AOC approved in December
- First commercial flight on 20 Dec 2017 – now four aircraft in traffic
- 80,000 passengers transported until mid February 2018
- 800 flights completed
- Positive customer response in line with SAS's Scandinavian based production
- Punctuality in line with the Scandinavian based operation

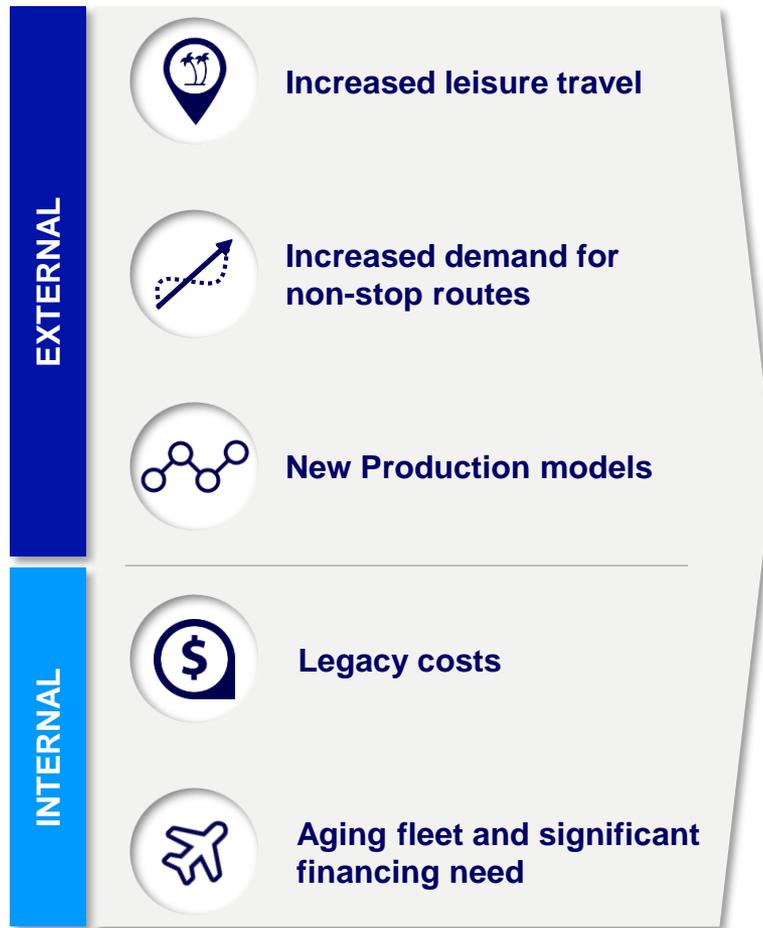
MALAGA BASE UNDERWAY

- First flight expected during summer 2018

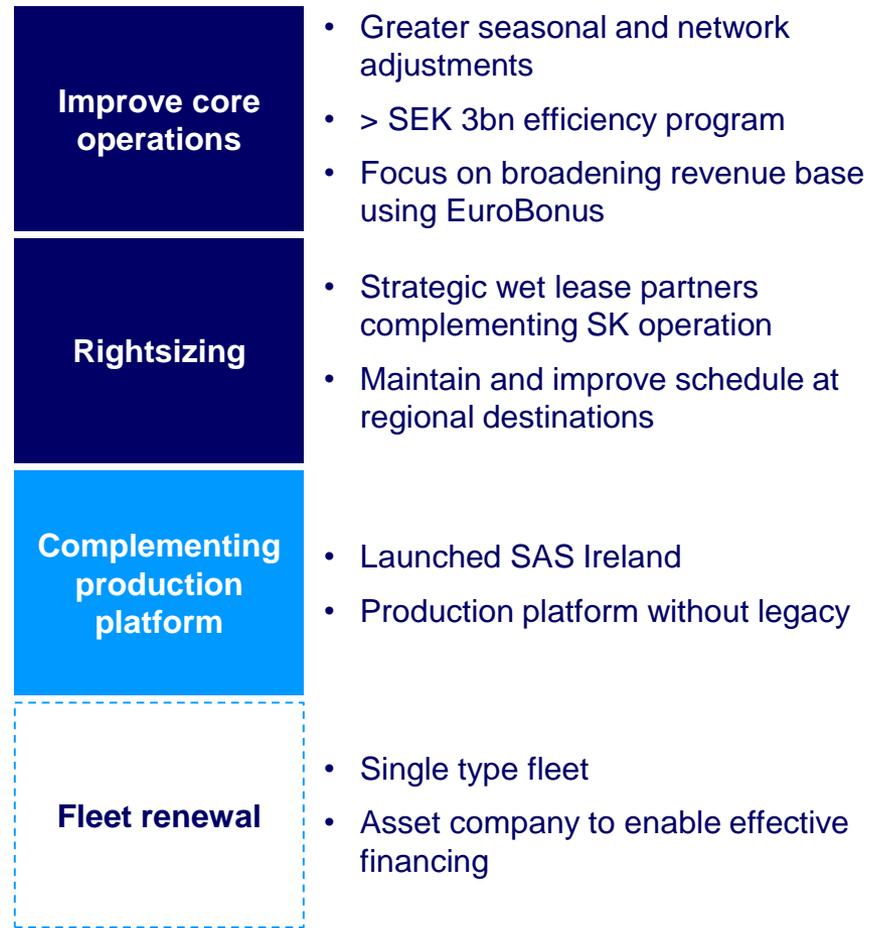


Looking ahead, SAS maintains its strategic direction and steers towards a single type fleet

MARKET TRENDS AND SAS CONDITIONS

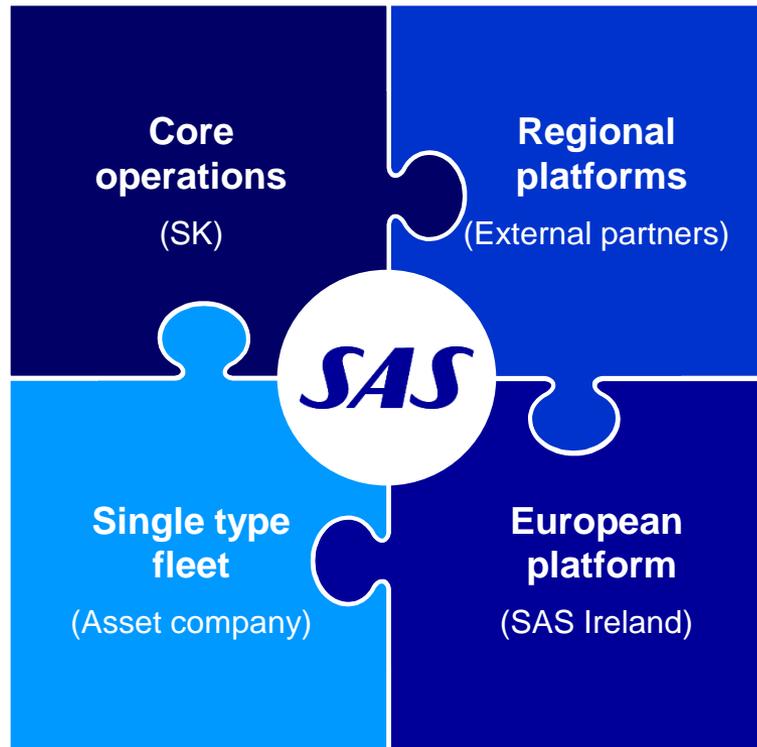


SAS ACTIONS



Building blocks to future proof SAS beyond 2020

PRODUCTION OPTIMIZATION



OUTCOME



Increased competitiveness

Improved efficiency and product offering.



Growth and flexibility

Greater seasonal adjustments and participate in growing markets.



Sustainability

A step toward lower emissions for a sustainable future.

FINANCIALS



SAS

Breakdown of the income statement – Q1

| Income statement | Nov 17-Jan 18 | Nov 16-Jan 17 | Change vs. LY | Currency |
|---|---------------|---------------|---------------|-------------|
| Total operating revenue | 8,978 | 8,957 | +21 | -225 |
| Payroll expenditure | -2,268 | -2,398 | +130 | |
| Jet fuel | -1,555 | -1,579 | +24 | |
| Government charges | -921 | -970 | +49 | |
| Other operating expenditure | -3,383 | -3,526 | +143 | |
| Total operating expenses* | -8,127 | -8,473 | +346 | +372 |
| EBITDAR before non-recurring items | 851 | 484 | +367 | +147 |
| <i>EBITDAR-margin*</i> | 9.5% | 5.4% | +4.1 p.u. | |
| Leasing costs, aircraft | -760 | -733 | -27 | |
| Depreciation | -353 | -327 | -26 | |
| Share of income in affiliated companies | -9 | -11 | +2 | |
| EBIT before non-recurring items | -271 | -587 | +316 | +201 |
| <i>EBIT-margin*</i> | -3.0% | -6.6% | +3.6 p.u. | |
| Financial items | -102 | -120 | +18 | |
| EBT before non-recurring items | -373 | -707 | +334 | +205 |
| Non-recurring items | 100 | 10 | +90 | |
| EBT | -273 | -697 | +424 | +205 |

Note: * Before non-recurring items

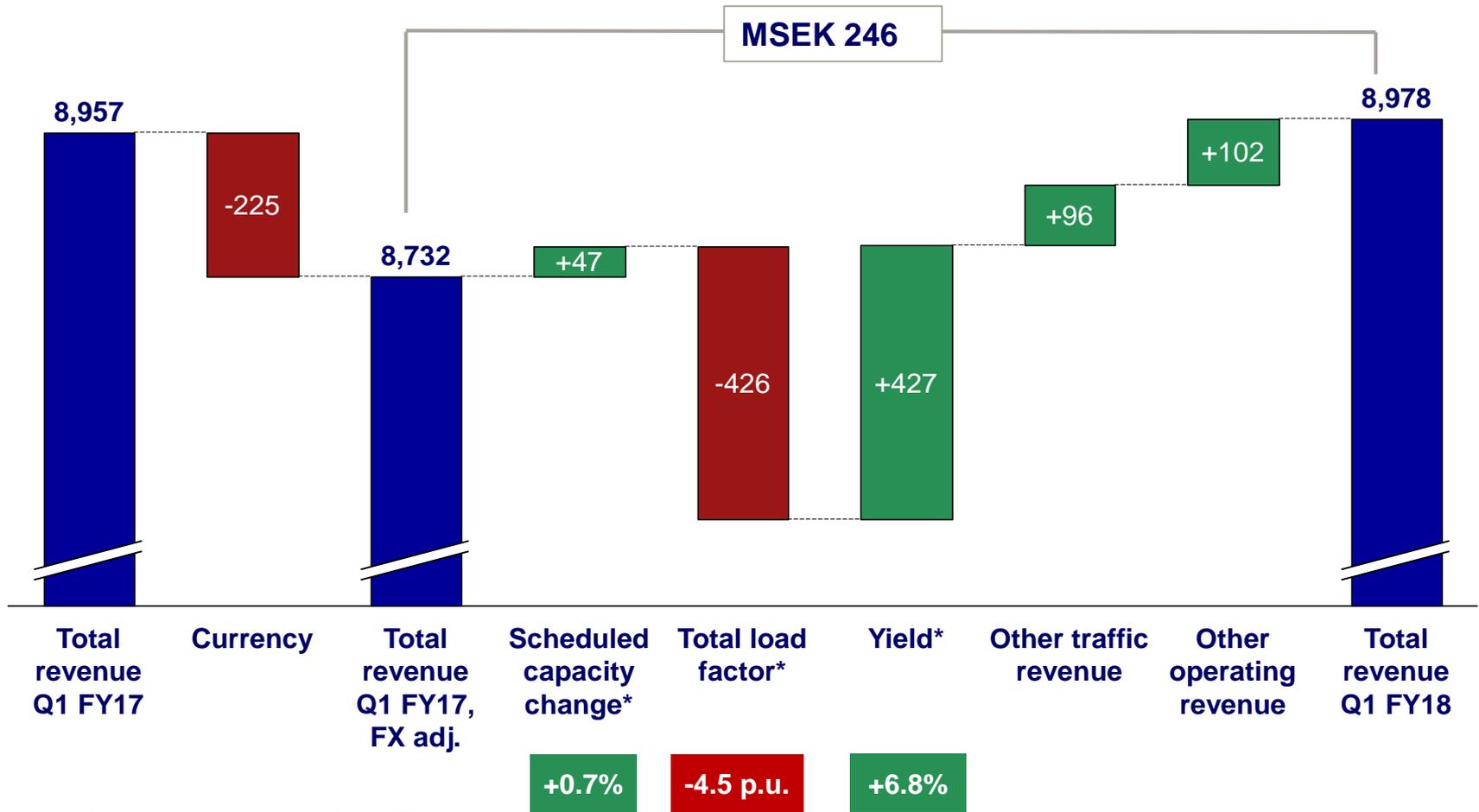
Breakdown of the income statement – rolling 12 months

| Income statement | Feb 17-Jan 18 | Feb 16-Jan 17 | Change vs. LY | Currency |
|---|----------------|----------------|---------------|-------------|
| Total operating revenue | 42,675 | 40,141 | +2,534 | +184 |
| Payroll expenditure | -9,001 | -9,135 | +134 | |
| Jet fuel | -6,812 | -6,800 | -12 | |
| Government charges | -4,213 | -4,165 | -48 | |
| Other operating expenditure | -15,330 | -14,816 | -514 | |
| Total operating expenses* | -35,356 | -34,916 | -440 | +197 |
| EBITDAR before non-recurring items | 7,319 | 5,225 | +2,094 | +381 |
| <i>EBITDAR-margin*</i> | 17.1% | 13.0% | +4.1 p.u. | |
| Leasing costs, aircraft | -3,143 | -2,873 | -270 | |
| Depreciation | -1,453 | -1,298 | -155 | |
| Share of income in affiliated companies | 6 | 40 | -34 | |
| EBIT before non-recurring items | 2,729 | 1,094 | +1,635 | +396 |
| <i>EBIT-margin*</i> | 6.4% | 2.7% | +3.7 p.u. | |
| Financial items | -444 | -458 | +14 | |
| EBT before non-recurring items | 2,285 | 636 | +1,649 | +409 |
| Non-recurring items | -136 | 407 | -543 | |
| EBT | 2,149 | 1,043 | +1,106 | +409 |

Note: * Before non-recurring items

Revenue analysis

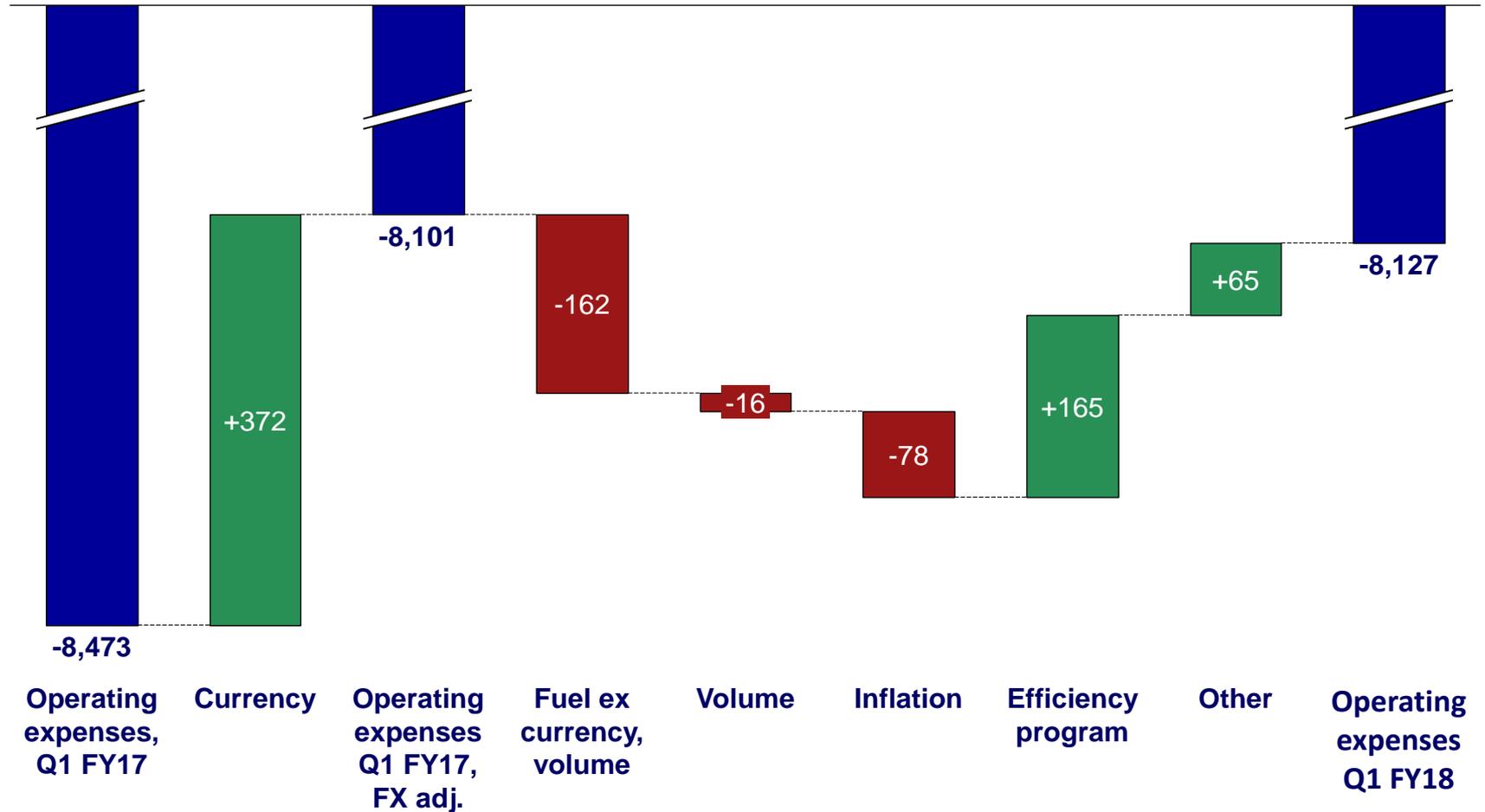
Total Revenue Q1
MSEK



Note: * Based on average yield in Q1 FY17

Operating expense analysis

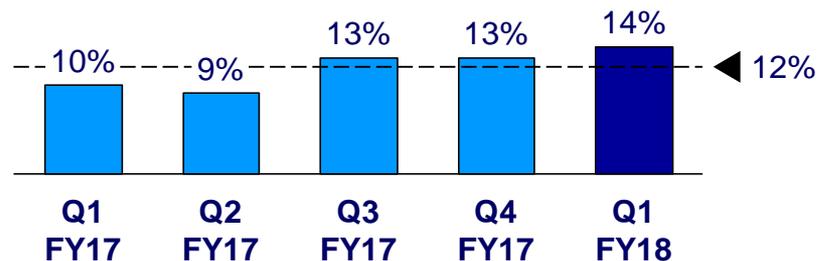
Total Operating Expenses Q1
MSEK



SAS meets all its financial targets, rolling 12 months

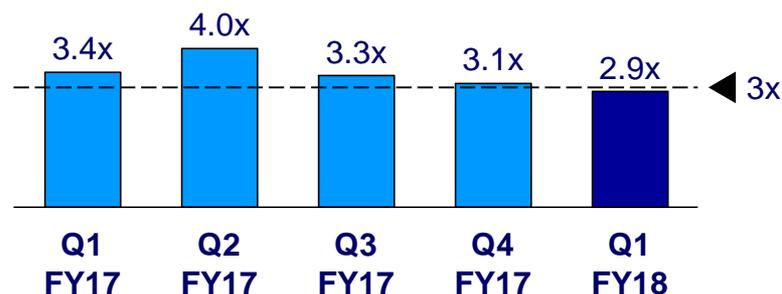
Return on Invested Capital (ROIC) at 14%

- Improved in line with earnings during Q1
- Capital base to increase going forward
 - Requires improved earnings to maintain ROIC above target



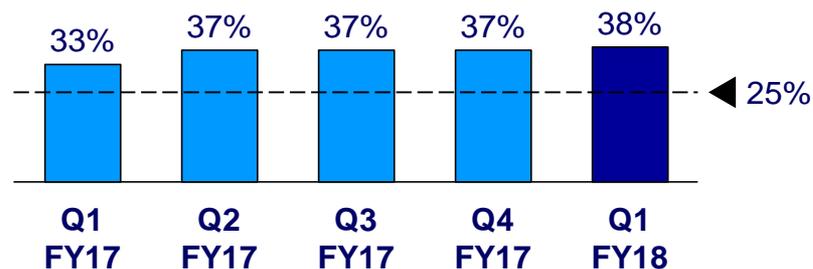
Adjusted financial Net Debt/EBITDAR at 2.9x

- Improved 0.2 units during Q1
 - 12 months rolling EBITDAR up SEK 0.9bn
- Aircraft deliveries to increase the adjusted financial net debt going forward



Financial preparedness at 38%

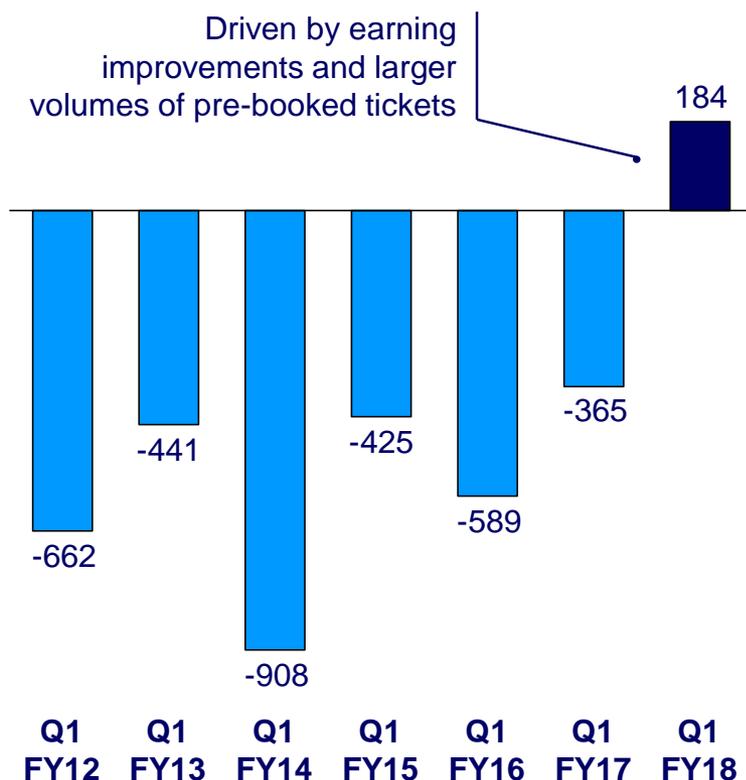
- Stable level in Q1
 - Cash position at SEK 9.3bn
 - Unutilized credit facilities of SEK 2.5bn
- Financial preparedness to decrease following the redemption of SEK 2.6bn in preference shares in Feb 18



Positive cash flow in Q1 – in addition, financing spend being reduced

IMPROVED CASH FLOW¹ BY MSEK 549

MSEK



LOWER FINANCING SPEND; MSEK ~300

Credit rating upgraded following equity private placement in November 2017

- Moody's and S&P upgraded SAS's credit rating to B1 and B+

New non-secured bond of MSEK 1,500 issued

- Replaces an existing bond and reduces interest costs annually by more than MSEK 50

Redemption of SEK 2.6bn preference shares in February 2018 completed

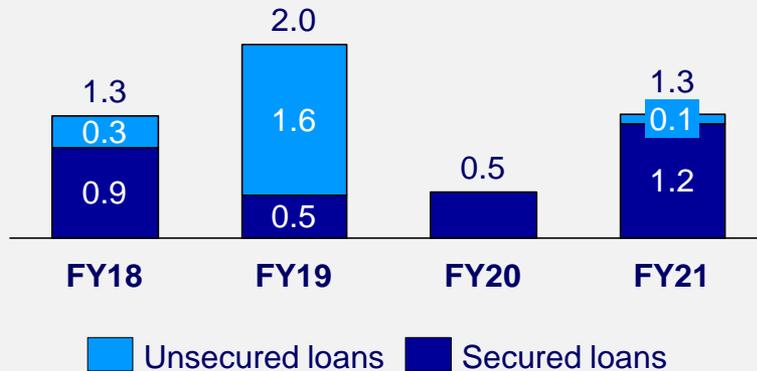
- Reduces dividend payment by MSEK 245 annually
- Ambition to redeem remaining preference shares using retained earnings

Note: 1) Cash flow from operating activities

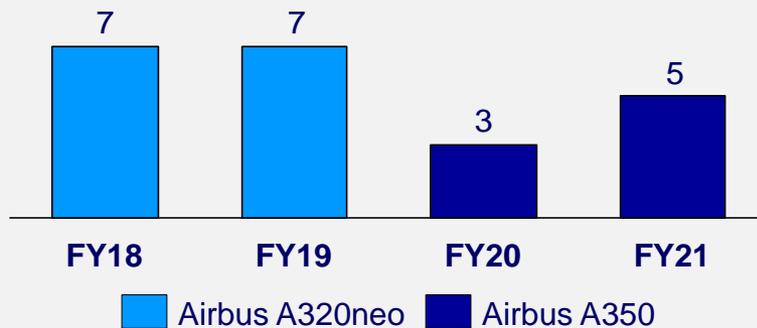
Debt profile and capex

Interest bearing liabilities repayments

SEK bn



Aircraft firm order deliveries as at 31 Jan 2018



Maturity profile

- Financing options for the convertible bond in FY19 of SEK 1.6 bn being considered
- SEK 0.2bn of secured maturing loans in FY18 relates to pre-delivery payments

Investments and aircraft financing

- SAS to finance last ten A320neo and Airbus A350
- Gross investment expected at SEK 6bn
 - Non-aircraft capex of SEK ~0.5bn

Further aircraft investments considered

- Final negotiations being held with Airbus and lessors
 - Need to invest in about 50 aircraft from FY19

SAS has evolved over the last seven years

| | MAR 2011 | JAN 2018 |
|------------------------------------|----------|----------|
| CASK, SEK | 0.85 | 0.75 |
| Revenue/passenger, SEK | 1,120 | 1,120 |
| Pension liabilities, SEK bn | 32 | 17 |
| FTE | 14,972 | 9,929 |
| Aircraft | 229 | 155 |
| Interest bearing liabilities, MSEK | 13,843 | 8,234 |
| Interest expenses (quarter), MSEK | 210 | 136 |
| Passengers (SK), LTM, million | 23.3 | 28.3 |

Maintained outlook for FY18 - Despite increased jet fuel prices

Market environment

- Aviation industry undergoes significant change
- Geo-political uncertainty
- Introduction of aviation taxes
- Volatile USD and jet fuel prices

Main assumptions

- Slightly less negative earnings than expected in Q1 FY18
- ASK +1-3%
- Fuel 580 USD/MT¹⁾ (550 USD/MT)
- FX rate 8 SEK/USD
- Gross investments of approximately SEK 6bn
- The introduction of an aviation tax in Sweden
- Continued stable macro trend

**SAS expects to deliver
income before tax and
nonrecurring items in
the interval of SEK
1.5–2.0 billion**

Note: The outlook is based on no unexpected events occurring

1) Including SAS hedge portfolio.

SAS