

SAS Q2 2017/2018

TELECONFERENCE

30 May 2018



SAS

Earnings as expected despite negative currency effect

POSITIVES

- + Total revenue up MSEK 73 vs. LY
- + Currency adjusted yield up 0.6% vs. LY
- + EB-point sale revenue increased 20% vs. LY
- + Efficiency program delivered MSEK 170
- + Cash flow from operating activities improved MSEK 414
- + 70% redemption of the preference shares completed

ISSUES

- Non-recurring items of MSEK -230 vs. LY
- Negative currency effects of MSEK 145 from weaker SEK

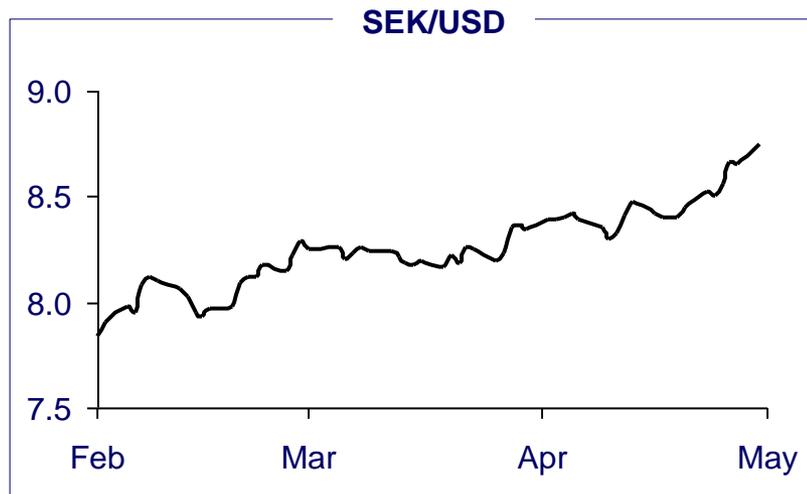
Q2	CHANGE VS. Q2 FY17
EBT bef. non-recurring items	
MSEK -320	MSEK -61
Capacity, ASK in millions	
11,817	0.6%
Unit cost¹, SEK	
0.58	-2.5%
PASK², SEK	
0.64	0.2%

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

Improved earnings in Q2 when adjusted for a weaker SEK

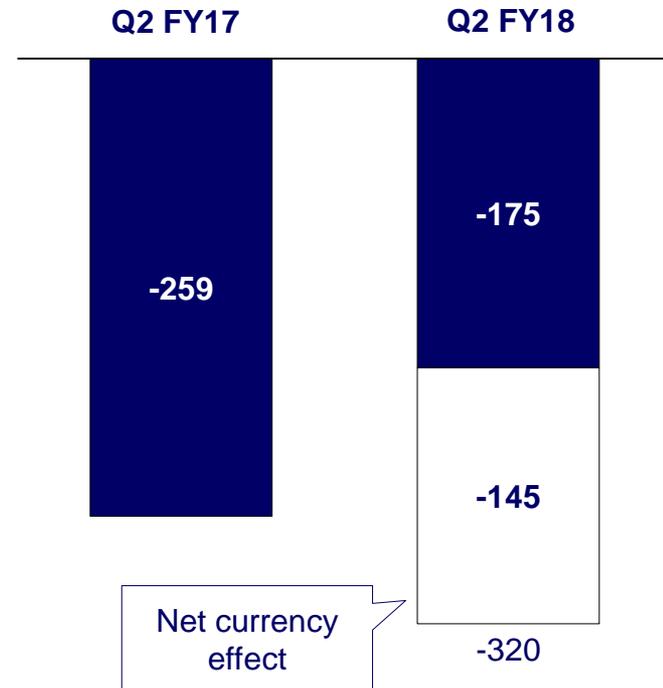
DESPITE NEGATIVE CURRENCY EFFECTS...

- Negative currency effect vs. last year of MSEK 145
- Significant USD exposure
 - Jet fuel, aircraft leasing, technical maintenance
 - Increased costs of MSEK 244 due to revaluation of leased aircraft/engines provision



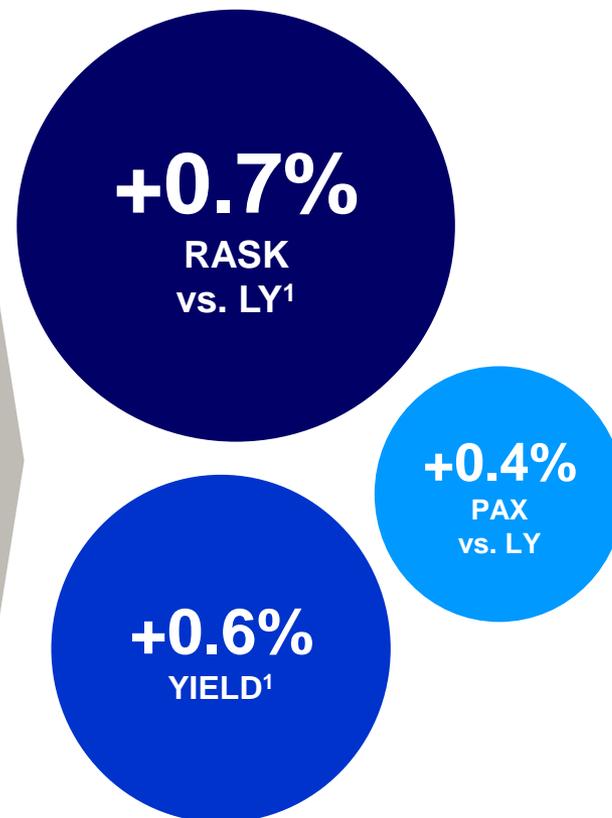
...UNDERLYING EARNINGS IMPROVED

EBT bef. non recurring items, MSEK



Yield pressure mitigated by effective sales and revenue management

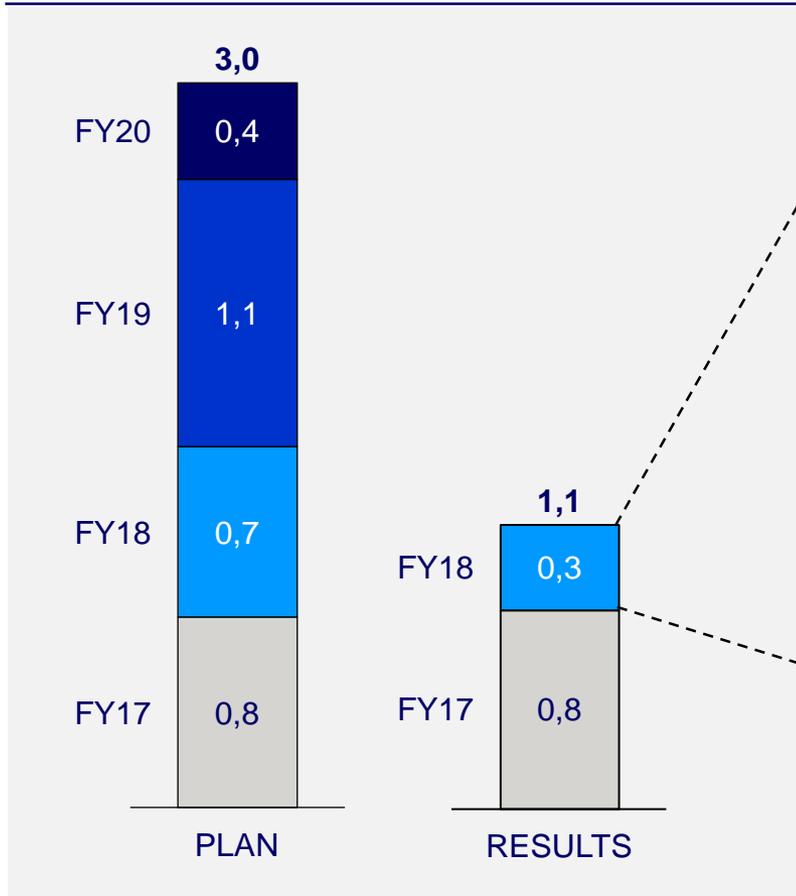
CRM	<ul style="list-style-type: none"> • CRM capabilities start to deliver • >100,000 campaign tickets sold vs. LY
Revenue Management	<ul style="list-style-type: none"> • Increased focus on early volumes • Improved campaign steering & new system features
Seasonal adjustments	<ul style="list-style-type: none"> • 9 new routes during winter program • Departures vs. LY: Feb -3%, Mar -10%, Apr +7%
Cargo & Ground Handling	<ul style="list-style-type: none"> • Cargo and ground handling revenue up MSEK 54 vs. LY
EuroBonus	<ul style="list-style-type: none"> • 20% EuroBonus point sale increase vs. LY



Note: 1) Currency adjusted vs. LY

The efficiency program is progressing according to plan

EFFICIENCY PROGRAM GROSS EARNINGS IMPACT (SEK, BN)



Q2 ACTIVITIES & RESULTS

- ✓ Flight operations, charges and fuel, MSEK 70
 - New agreement with Swedish cabin union
 - Reduced charges at CPH and Swedavia
- ✓ Ground handling and technical, MSEK 50
 - More efficient rosters agreed with unions
 - Renegotiated line station agreements
- ✓ Commercial and overhead, MSEK 50
 - Commission model with agents
 - Renegotiated facility agreements/services

170 MSEK

SAS operating platform proven to be resilient against a challenging operating environment

Q2 CHALLENGES



Extreme weather conditions

- De-icing volumes doubled
- Increased airport restrictions



Delayed aircraft deliveries from Airbus

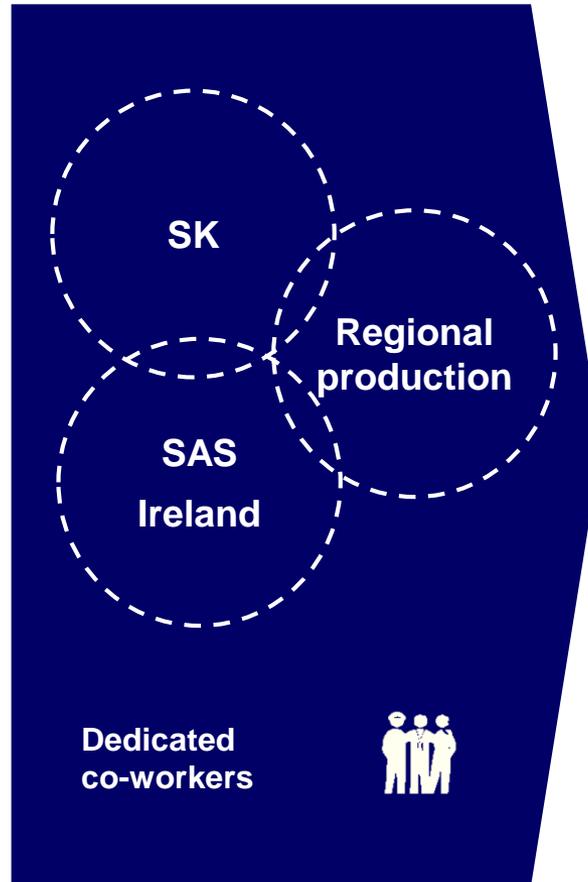
- 5 A320neo aircraft delayed 1-2 months



Irregularities in wet lease production

- 3% cancelled flights by CityJet in Q2

SAS OPERATIONS



OUTCOME vs. LY

-2.5%
unit cost

+0.6%
scheduled capacity growth

Stable
customer satisfaction

Looking ahead we will continue to focus on our frequent travellers while improving our operating platforms



Customer offering



Efficiency





We continue to invest in our customer offering

FOOD

New seasonal menus with organic and locally produced ingredients



NETWORK

27 new routes and 6 new destinations during summer program 2018

NEW INTERIORS

~50% of SAS short haul fleet upgraded



CO₂-OFFSET

SAS CO₂-compensates all youth tickets since April 2018



WIN SCANDINAVIA'S FREQUENT TRAVELERS

WIFI

High-speed WiFi launched and installed on ~30 aircraft



SAS FOR BUSINESS

Launch of "SAS For Business" to simplify for SMEs



LOUNGE

All international lounges upgraded and Copenhagen next in line



SAS GROWTH

New management established to grow EuroBonus and our customer offering



SAS orders 50 additional A320neo, paving the way for improved customer experience and cost efficiency

MODERNIZED FLEET

- Delivery plan of minimum 80 aircraft
- Replacement of older aircraft and flexibility to grow



A320neo

ENHANCED EXPERIENCE

- Modern spacious cabin design with Scandinavian touch
- Individual USB charging outlets
- Increased cabin efficiency with retained seat comfort

SUSTAINABLE AIRCRAFT

- 18% lower carbon dioxide emissions
- 50% lower NOx emissions
- 60% noise reduction

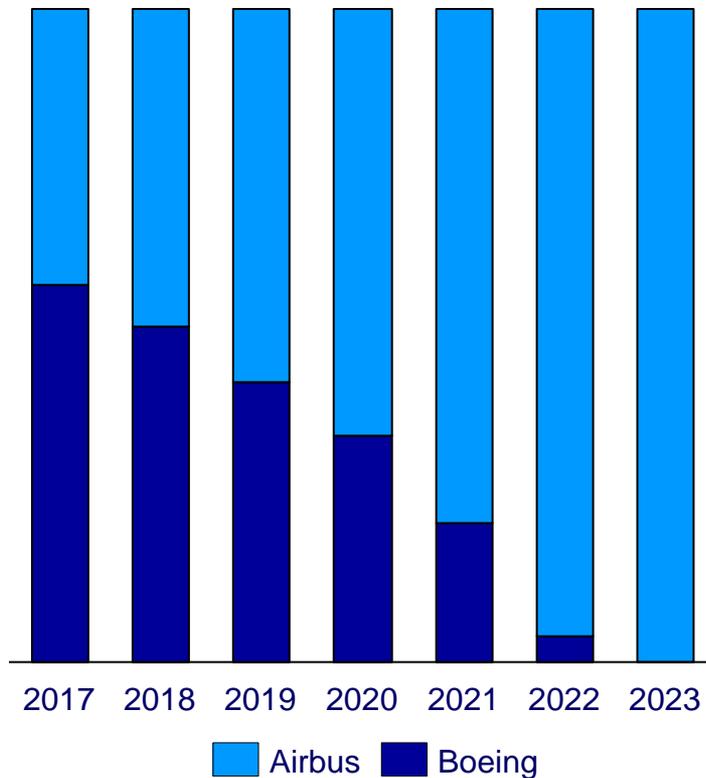
ATTRACTIVE ASSET

- Most ordered short-haul aircraft
- Top operational economics
- Attractive financing terms



A single type fleet will further strengthen SAS' competitiveness

FLEET RENEWAL PLAN EXCL. WETLEASE



ADVANTAGES OF A SINGLE TYPE FLEET



Simplified crew and technical maintenance planning



Increased robustness in traffic execution



Harmonized and improved customer experience

FINANCIALS



SAS

Breakdown of the income statement – Q2

Income statement, MSEK	Feb-Apr 18	Feb-Apr 17	Change vs LY	Currency
Total operating revenue	9,916	9,843	+73	+6
Payroll expenditure	-2,279	-2,302	+23	
Jet fuel	-1,650	-1,659	+9	
Government charges	-972	-1,041	+69	
Other operating expenditure	-4,074	-3,816	-258	
Total operating expenses*	-8,975	-8,818	-157	-208
EBITDAR before non-recurring items	941	1,025	-84	-202
<i>EBITDAR-margin*</i>	9.5%	10.4%	-0.9 p.u.	
Leasing costs, aircraft	-765	-801	+36	
Depreciation	-374	-388	+14	
Share of income in affiliated companies	-8	3	-11	
EBIT before non-recurring items	-206	-161	-45	-146
<i>EBIT-margin*</i>	-2.1%	-1.6%	-0.5 p.u.	
Financial items	-114	-98	-16	
EBT before non-recurring items	-320	-259	-61	-145
Non-recurring items	-179	51	-230	
EBT	-499	-208	-291	-145

Note: * Before non-recurring items

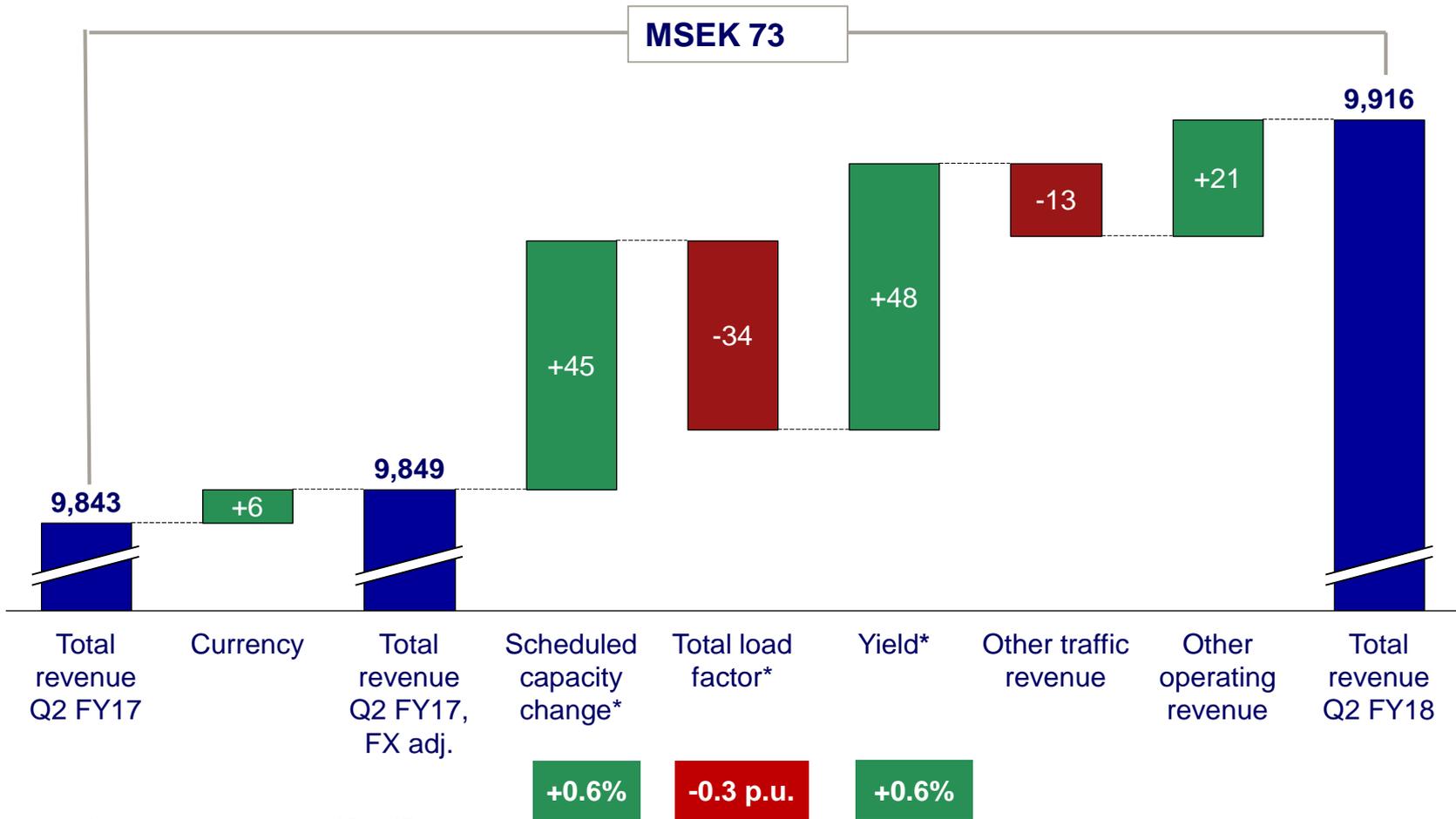
Non-recurring items in Q2

Non-recurring items, MSEK	Feb-Apr 18	Feb-Apr 17	Change vs LY
Restructuring costs	-226	0	-226
<i>Facilities</i>	-150	0	-150
<i>Payroll</i>	-76	0	-76
Capital gain, aircraft	+47	+45	+2
Other non-recurring items	0	+6	-6
<i>EU Commission</i>	0	-672	+672
Slots	0	+678	-678
Total non-recurring items	-179	+51	-230

Note: * Before non-recurring items

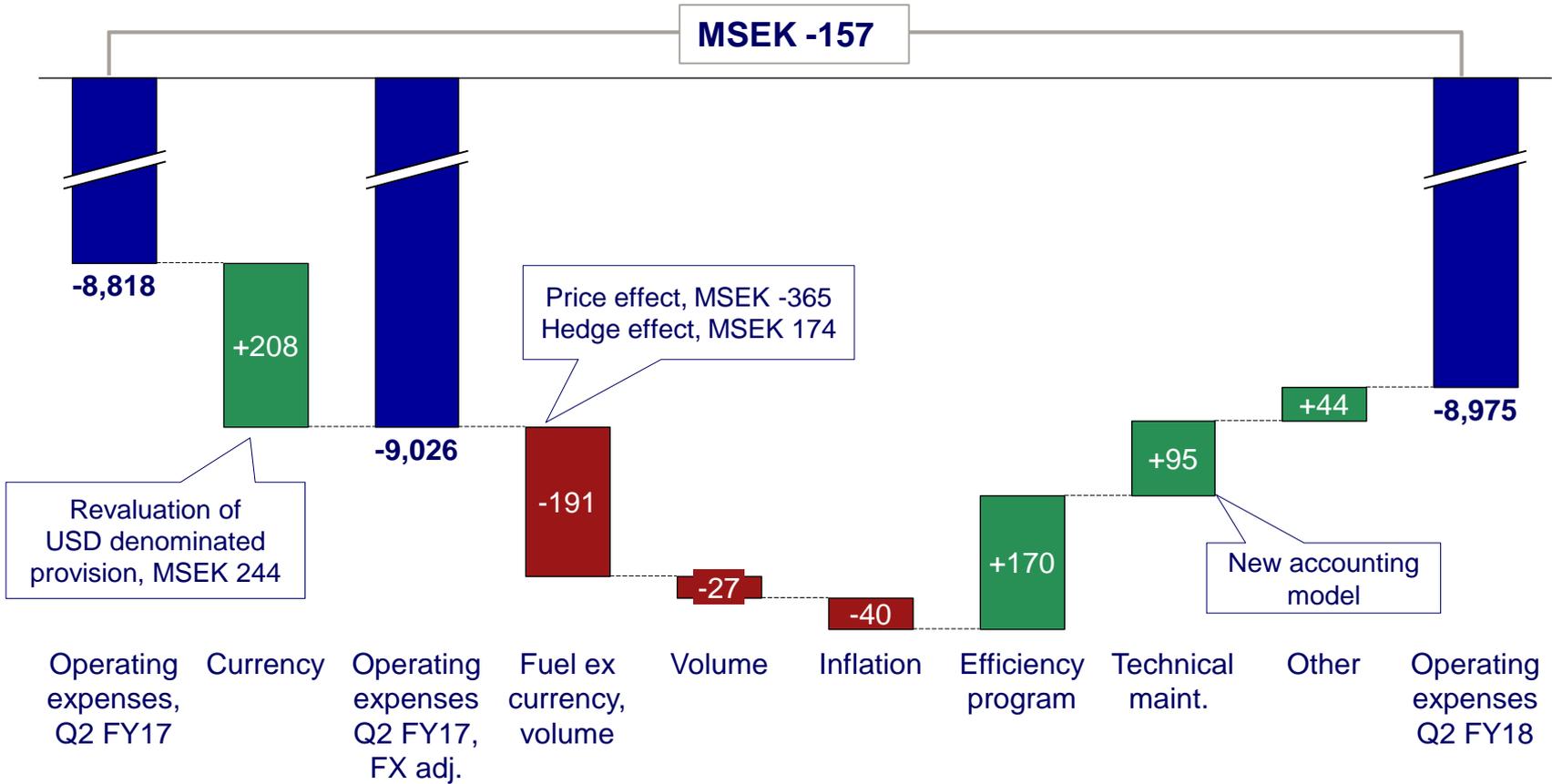
Revenue analysis

Total Revenue Q2
MSEK



Operating expense analysis

Total Operating Expenses Q2
MSEK



Breakdown of the income statement – rolling 12 months

Income statement, MSEK	May 17-Apr 18	May 16-Apr 17	Change vs LY	Currency
Total operating revenue	42,748	41,068	+1,680	-126
Payroll expenditure	-8,978	-9,129	+151	
Jet fuel	-6,803	-6,962	+159	
Government charges	-4,144	-4,229	+85	
Other operating expenditure	-15,588	-15,030	-558	
Total operating expenses*	-35,513	-35,350	-163	+288
EBITDAR before non-recurring items	7,235	5,718	+1,517	+162
<i>EBITDAR-margin*</i>	16.9%	13.9%	+3.0 p.u.	
Leasing costs, aircraft	-3,107	-2,968	-139	
Depreciation	-1,439	-1,374	-65	
Share of income in affiliated companies	-5	45	-50	
EBIT before non-recurring items	2,684	1,421	+1,263	+276
<i>EBIT-margin*</i>	6.3%	3.5%	+2.8 p.u.	
Financial items	-460	-443	-17	
EBT before non-recurring items	2,224	978	+1,246	+281
Non-recurring items	-366	-270	-96	
EBT	1,858	708	+1,150	+281

Note: * Before non-recurring items

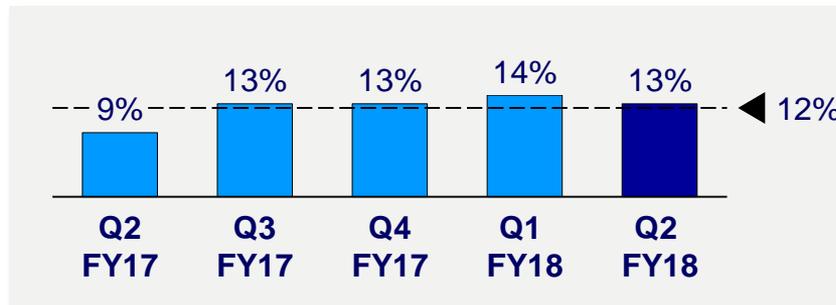
Cash flow and cash position

MSEK	Feb-Apr 18	Feb-Apr 17	Change vs LY	
Cash flow from operating activities	2,366	1,952	+414	Increased sale and pre-bookings
Net investment activities	-1,128	-153	-975	Aircraft payments. LY affected by sale of LHR slots
Cash flow before financing activities	1,238	1,799	-561	
Financing activities	-3,071	52	-3,123	Redemption of pref shares SEK 2.6bn
Cash flow for the period	-1,833	1,851	-3,684	
Translation difference in cash	3	0	+3	
Change in cash according to the balance sheet	-1,830	1,851	-3,681	Lower due to redemption of preference shares and aircraft capex
Cash at end of period	7,421	9,077	-1,656	

SAS continues to meet all its financial targets

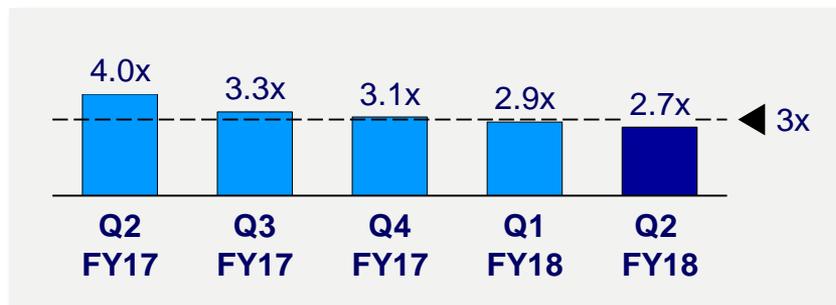
Return on Invested Capital (ROIC) at 13%

- **Declined during Q2 by 1 p.u.**
Slightly lower EBIT due to restructuring costs and increasing capital base
- **Capital base to increase going forward.**
Requires improved earnings to maintain ROIC above target



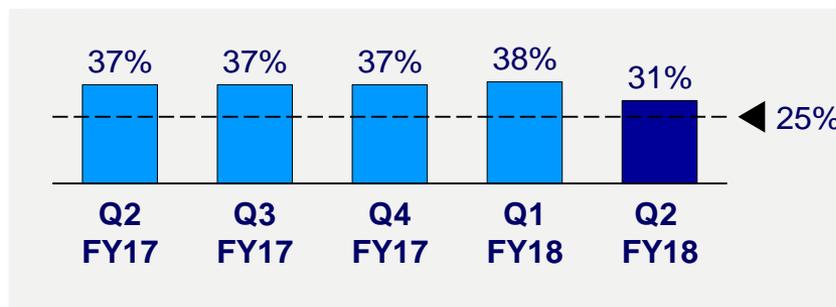
Adjusted financial Net Debt/EBITDAR at 2.7x

- **Improved 0.2x during Q2.**
Twelve months rolling EBITDAR up SEK 0.4bn
- Aircraft deliveries will increase the adjusted financial net debt going forward



Financial preparedness at 31%

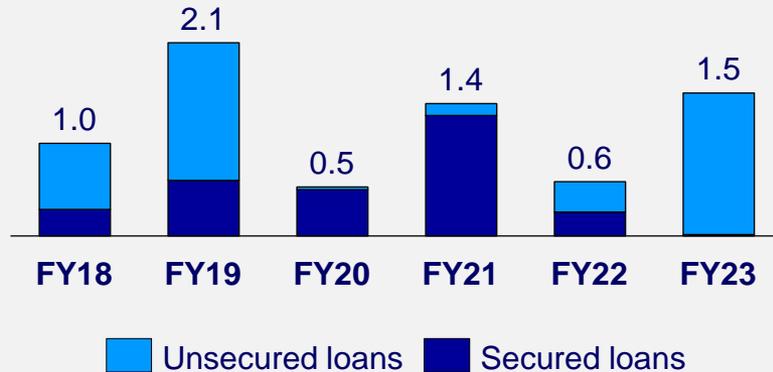
- **Declined by 7 p.u. during Q2**
 - Redemption of preference shares, SEK 2.6bn
 - Prepayment of aircraft deliveries, SEK 0.6bn



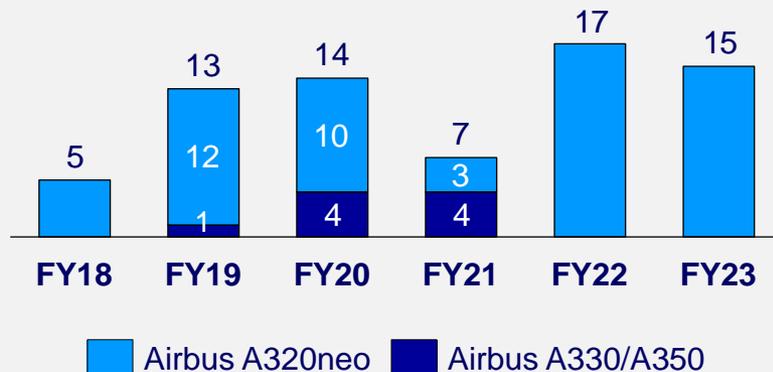
Debt profile and investments

Maturity profile

SEK bn



Aircraft orders as at 30 April 2018



Maturities in FY18-FY19

- Private placement and derivatives of SEK 0.6bn in FY18
- Convertible bond maturing of SEK 1.6bn in FY19

Tap issue of SEK 1bn planned in June

- Increase flexibility in relation to upcoming maturities, aircraft prepayments and general corporate purposes

Investments and aircraft financing

- SAS finalizing financing of 10 A320neo with deliveries until mid 2019
- First 15 A320neo from the new order of 50 aircraft financed through operating leases
- Financing of A350 to be finalized early 2019

Maintained outlook for FY18

EXTERNAL	Operating environment <ul style="list-style-type: none">• Aviation industry undergoes significant change• Geo-political uncertainty• Volatile USD and jet fuel prices• Continued stable macro and demand trend
INTERNAL	Main assumptions <ul style="list-style-type: none">• ASK (scheduled) +1-3% vs. LY• Gross investments of SEK ~7bn (SEK ~6bn in Q1)• Fuel 580 USD/MT¹• FX rate 8.3 SEK/USD¹ (SEK/USD 8.0 in Q1)• Efficiency program: SEK 0.7 bn
YTD PERFORMANCE	EBT before nonrecurring items, Q1-Q2 <ul style="list-style-type: none">• Improved MSEK 273 vs. LY

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 hedges.

SAS