

SAS Q3 2017/2018

31 August 2018



SAS

Strong earnings in peak season

POSITIVES

- Record number of passengers
- Total revenue up MSEK 936 vs. LY
- Currency adjusted yield up 1.1% vs. LY
- EB point sale up 27% vs. LY
- Efficiency program delivered MSEK 195
- MSEK 750 tap issue of unsecured bond completed

ISSUES

- Operational issues due to staff shortages, unscheduled maintenance, air congestion and late aircraft deliveries
- Jet fuel costs up SEK 0.5bn vs. LY

Q3-18 CHANGE
VS. Q3-17

EBT	
MSEK 2,004	MSEK +31
Capacity (ASK, mill.)	
13,418	+2.0%
Unit Cost ¹ (SEK)	
0.52	-1.2%
PASK ² (SEK)	
0.75	+1.2%

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

Our strategy has delivered one of SAS' best quarterly results ever



Improved customer offering



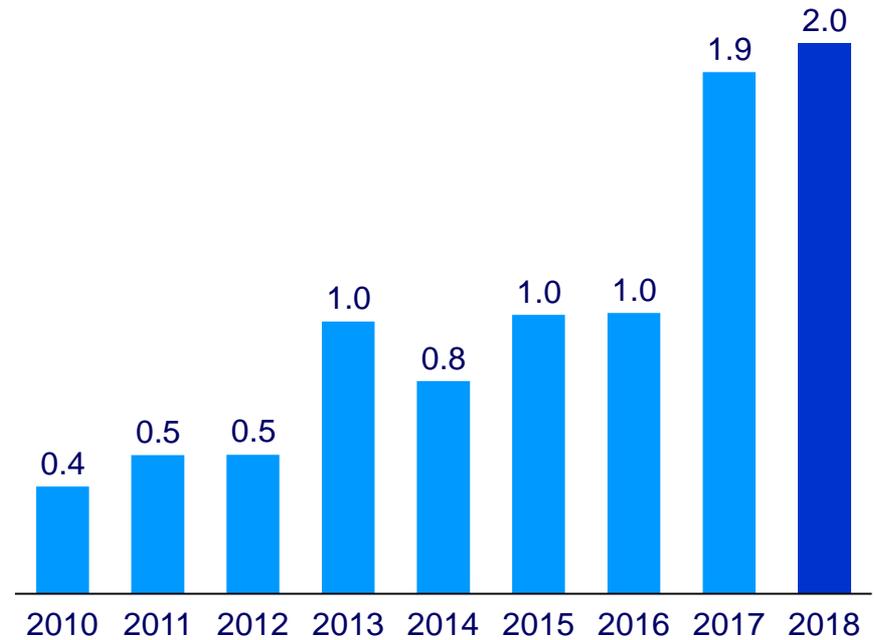
Increased seasonal adjustments



Enhanced operating model

EBT BEFORE NON-RECURRING ITEMS, Q3

(SEK bn)



Continuous improvements in our customer offering

Lounges



Fast Track



“New Nordic“
food



High-speed
WiFi



New aircraft



New cabin



New digital
platform



New EB
features



Great people

Q3 DELIVERABLES VS. LAST YEAR

+719 MSEK
PASSENGER
REVENUE

+5.5%
YIELD
(NOMINAL)

+210,000
PASSENGERS

+17%
ANCILLARY
REVENUE

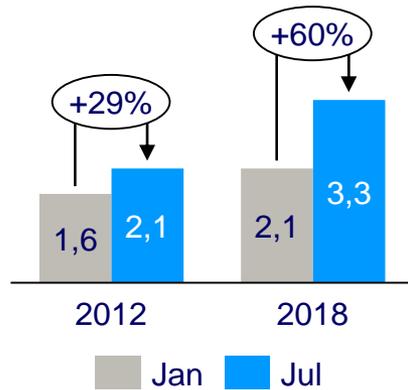
SAS has responded to new travel patterns through seasonal adjustments and a broader network

INCREASED SEASONAL DEMAND

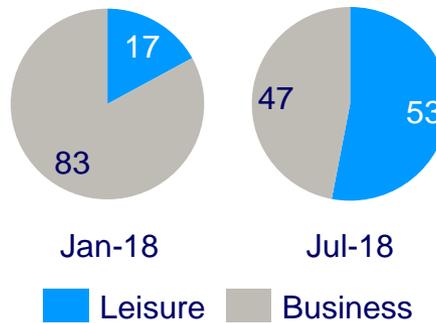
HIGHER LEISURE GROWTH

DEMAND FOR NON-STOP FLIGHTS

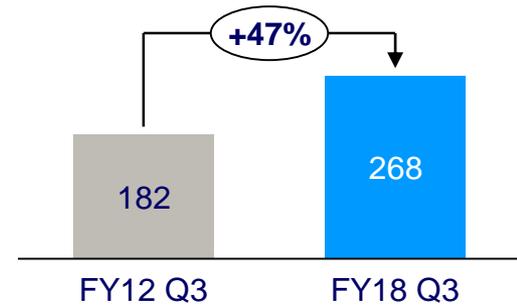
SCHEDULED ASK (billion)
Short haul



SCHEDULED ASK, %
Short haul



NUMBER OF ROUTES



Delivered through an efficient and flexible operating model

SAS' operating model has increased flexibility and efficiency

PURPOSE

SAS Scandinavia

- Serving larger traffic flows with a single-type fleet
- Efficiency measures of SEK >5bn since 2012

Regional production

- Enables SAS to offer a larger network
- Enables rightly sized aircraft for each departure

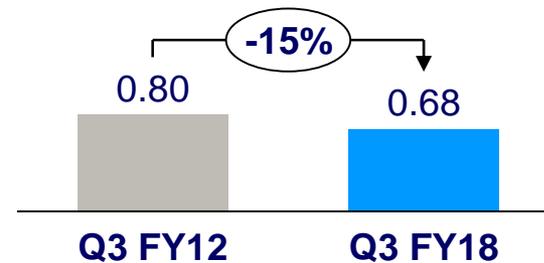
SAS Ireland

- Ensuring a “level playing field” with other carriers operating from Europe to Scandinavia
- Maintain presence on highly competitive and price sensitive routes
- Take part in the growing leisure market

SAS OPERATING MODEL



UNIT COST, SEK



However, regularity has not reached SAS' normal standard during the summer

CHALLENGES

- Crew and staff shortages
- Exceptional increase in special tech events (bird strikes, lightning, damages etc.)
- Congested airspace and airports
- Delayed aircraft deliveries from Airbus

MITIGATING ACTIONS

- Network adjustments to increase buffers
- Extra pay for additional crew production days
- Reallocation of upcoming aircraft deliveries from SAS Ireland to SAS Scandinavia
- Ad-hoc use of additional wet-lease providers
- New integrated planning processes between SAS Scandinavia, SAS Ireland and CityJet

REGULARITY JULY

	SAS Scandinavia	SAS Ireland	CityJet	Total
# cancelled flights	258	61	144	530
% regularity	98.4	92.3	97.0	97.8
Est. extraord. IRR costs, MSEK ¹	90	25	15	130

Regularity back to normal standards in August

Note: 1) Net MSEK 90 included in Q3. Additional MSEK 40 expected in Q4.

SAS' strategy remains firm



Improved customer offering



Increased seasonal adjustments



Enhanced operating model



Accelerated sustainability efforts

Accelerated sustainability efforts

STRATEGY & ACTIONS

- **Renewal of fleet**
 - 80 A320neo to be phased in by end of 2023
- **Drive towards increase use of biofuel**
 - Letter of intent with Preem to investigate large scale biofuel supply from 2022
 - Option to pay extra for biofuel to be launched
- **“Green” product development**
 - Lighter materials
 - Increased recycling
 - All youth tickets carbon compensated by SAS since April 2018

SAS

2030 TARGETS



25% reduction
of CO₂
emissions



SAS domestic
flights 100%
biofuel powered

FINANCIALS



Q3 financial summary

TRAFFIC

+2.1%

RPK vs. LY

PASK

+1.2%

FX adjusted vs. LY

CASK EXCL. FUEL

-1.2%

FX adjusted vs. LY



REVENUE

13,146

MSEK

+936

MSEK vs. LY

EBT

2,004

MSEK

+31

MSEK vs. LY

CASH FLOW FROM OPERATIONS

1,164

MSEK

+1,191

MSEK vs. LY

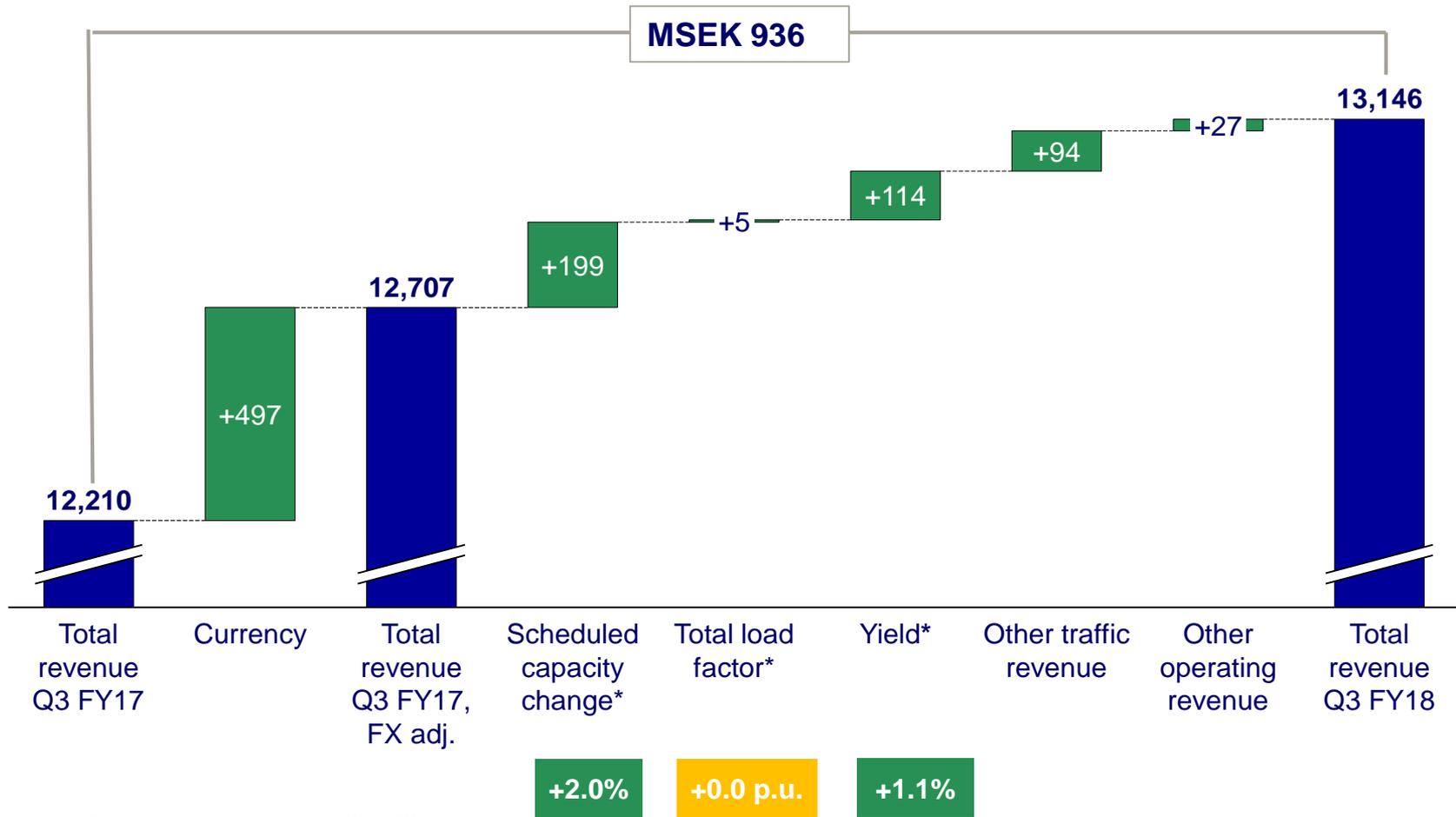
Income statement – Q3

Income statement	May-Jul 18	May-Jul 17	Change vs LY	Currency
Total operating revenue	13,146	12,210	+936	+497
Payroll expenditure	-2,385	-2,293	-92	
Jet fuel	-2,348	-1,824	-524	
Government charges	-1,149	-1,148	-1	
Other operating expenditure	-3,964	-3,806	-158	
Total operating expenses*	-9,846	-9,071	-775	-250
EBITDAR before non-recurring items	3,300	3,139	+161	+247
<i>EBITDAR-margin*</i>	25.1%	25.7%	-0.6 p.u.	
Leasing costs, aircraft	-814	-808	-6	
Depreciation	-404	-343	-61	
Share of income in affiliated companies	29	-4	+33	
EBIT before non-recurring items	2,111	1,984	+127	+229
<i>EBIT-margin*</i>	16.0%	16.2%	-0.2 p.u.	
Financial items	-133	-121	-12	
EBT before non-recurring items	1,978	1,863	+115	+187
Non-recurring items	26	110	-84	
EBT	2,004	1,973	+31	+187

Note: * Before non-recurring items

Revenue analysis

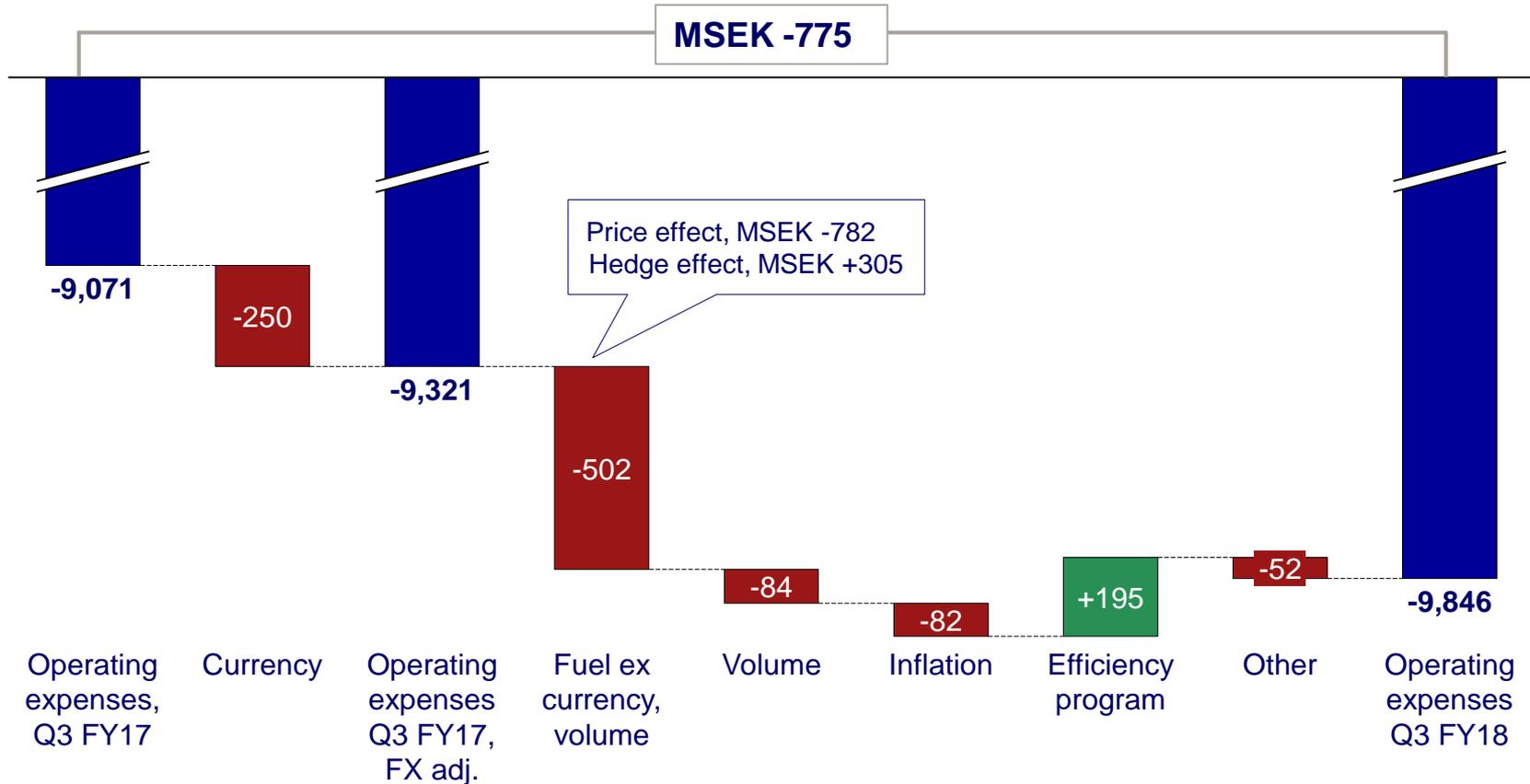
Total Revenue Q3
MSEK



Note: * Based on average yield in Q3 FY17

Operating expense analysis

Total Operating Expenses Q3
MSEK



Income statement – rolling 12 months

Income statement	Aug 17-Jul 18	Aug 16-Jul 17	Change vs LY	Currency
Total operating revenue	43,684	42,145	+1,539	+124
Payroll expenditure	-9,070	-9,147	+77	
Jet fuel	-7,327	-7,021	-306	
Government charges	-4,145	-4,287	+142	
Other operating expenditure	-15,746	-15,007	-739	
Total operating expenses*	-36,288	-35,462	-826	+40
EBITDAR before non-recurring items	7,396	6,683	+713	+164
<i>EBITDAR-margin*</i>	16.9%	15.9%	+1.0 p.u.	
Leasing costs, aircraft	-3,113	-3,039	-74	
Depreciation	-1,500	-1,380	-120	
Share of income in affiliated companies	28	16	+12	
EBIT before non-recurring items	2,811	2,280	+531	+296
<i>EBIT-margin*</i>	6.4%	5.4%	+1.0 p.u.	
Financial items	-472	-442	-30	
EBT before non-recurring items	2,339	1,838	+501	+238
Non-recurring items	-450	-193	-257	
EBT	1,889	1,645	+244	+238

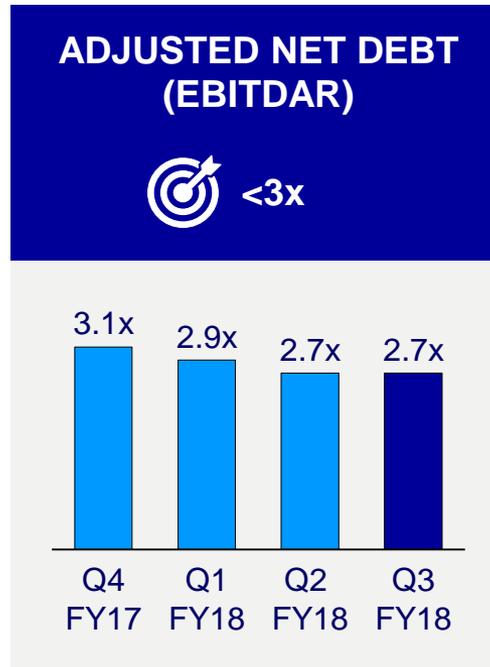
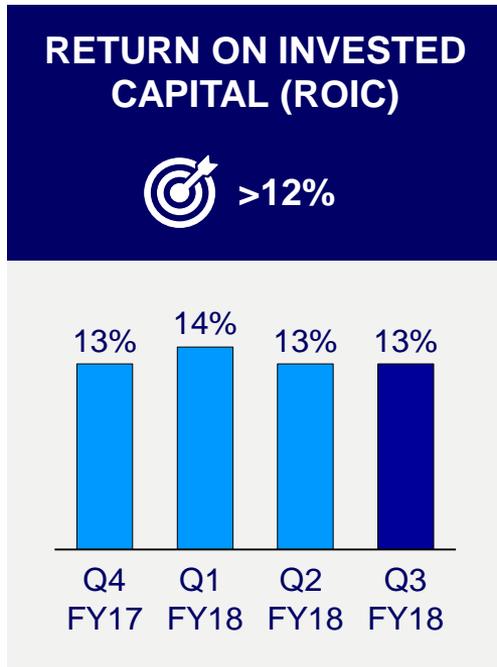
Note: * Before non-recurring items

Cash flow and cash position

MSEK	May- July 18	May-July 17	Change vs LY	
Cash flow from operating activities	1,164	-27	+1,191	Accounts payable and payment of EU fine LY
Net investment activities	-967	+479	-1,446	Aircraft pre-payments. LY affected by sale of aircraft
Cash flow before financing activities	197	452	-255	
Financing activities ¹	907	-909	+1,816	Tap issue of MSEK 750 LY repayments of loans.
Change in cash according to the balance sheet	1,104	-457	+1,561	
Cash at end of period	8,525	8,620	-95	

Note: 1) Including translation difference in cash and cash equivalents

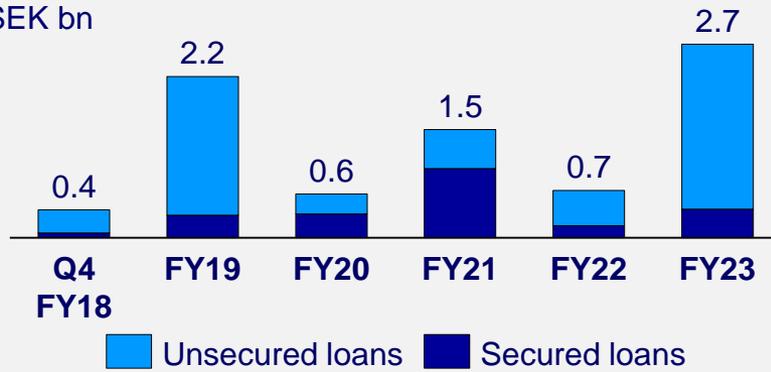
SAS continues to meet all its financial targets



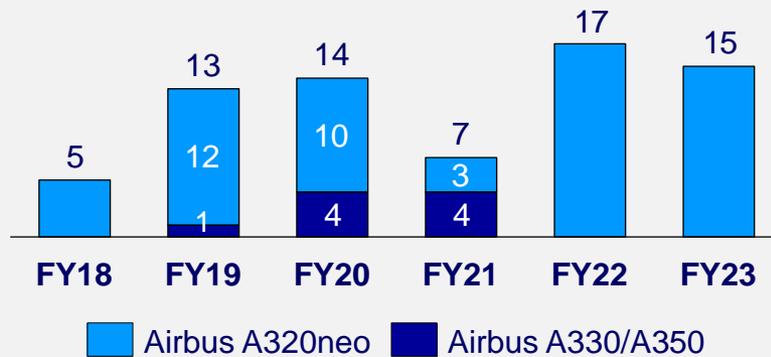
Debt profile and aircraft orders

Maturity profile

SEK bn



Aircraft orders as at 31 July 2018



MATURITIES AND FINANCING

- Private placement and derivatives of SEK 0.4bn in FY18
- Convertible bond maturing of SEK 1.6bn in FY19
- Tap issue of MSEK 750 completed in Q3 with yield of 4.73% with maturity in FY23

AIRCRAFT FINANCING

- Final negotiations regarding financing of 10 A320neo with deliveries until mid 2019
- First 15 A320neo from the new order of 50 aircraft will be on operating leases
- Financing of A350 to kick off early 2019

Beyond FY18, jet fuel prices & weak SEK represent a concern

JET FUEL PRICE, USD/MT



SEK/USD



JET FUEL PRICE, SEK/MT



Jet fuel costs in FY19 expected to be at SEK 9.5 - 10bn¹

Note: 1) Assuming ASK up 2%, average jet fuel price of USD 700/MT and SEK/USD of 9 SEK

Revised outlook for FY18 and guidance for Q4

OUTLOOK FY18

KEY ASSUMPTIONS

- Continued stable macro and demand trend
- ASK (scheduled) +1-2% vs. LY
- Gross investments of SEK ~7bn
- Fuel 580 USD/MT1
- FX rate 8.3 SEK/USD1
- Efficiency program: SEK 0.7 bn

GUIDANCE FOR Q4

KEY ASSUMPTIONS

- Jet fuel costs SEK ~0.6 – 0.7bn higher vs LY
- SEK ~0.1 bn negative impact from revaluation of the maintenance liability with SEK/USD at SEK 9



SAS expects to deliver EBT before nonrecurring items of around SEK 2 billion

Note: The outlook is based on no unexpected events occurring 1) Including SAS hedges. 2) Fuel price at USD 700/MT and SEK/USD at SEK 9

SAS