



**Q2 2018/2019**

**28.05.2019**



A STAR ALLIANCE MEMBER



# Highlights Q2/19

## Financial drivers

- Approximately 4 000 cancelled flights and over 370,000 passengers affected due to pilot strike in April and May
- Estimated earnings effect of some 650 MSEK, whereof 430 MSEK reflected in Q2
- Continued headwind from jet fuel prices and currency movements
- Underlying result comparable to last year if adjusted for strike, increased fuel costs and unfavorable FX-rates

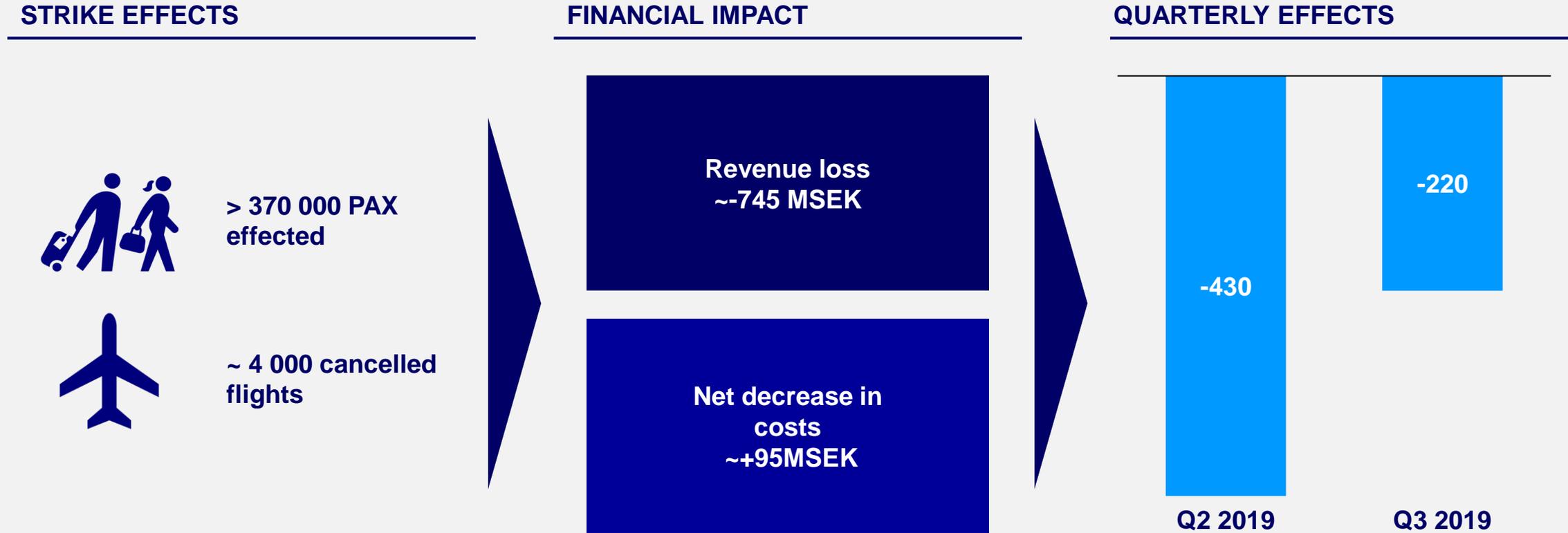
## Opportunities and challenges

- + Reduced capacity growth in Scandinavia
- + Continued positive underlying trend in yield and unit revenue
- Weak Swedish krona and increasing fuel prices
- Climate concerns shifting travel towards other modes of transportation

Q2-19	CHANGE VS. Q2-18
<b>EBT</b>	
<b>MSEK -1,216</b>	<b>MSEK -728</b>
<b>Capacity (ASK, mill. km)</b>	
<b>11,220</b>	<b>-5.1%</b>
<b>Unit Revenue, PASK<sup>1</sup> (SEK)</b>	
<b>0.69</b>	<b>+3.4%</b>
<b>Passenger yield<sup>1</sup> (SEK)</b>	
<b>0.98</b>	<b>+4.3%</b>
<b>CASK<sup>2</sup> (SEK)</b>	
<b>0.67</b>	<b>+9.8%</b>

2 1) Currency adjusted 2) Excluding jet fuel, currency-adjusted

# The pilot strike resulted in an estimated earnings loss of 650 MSEK



# Significant efforts across the organization to support affected customers

## CONFLICT RELATED INITIATIVES

### Before

- New disruption module to increase efficiency in rebooking
- Boosted digital self service capabilities
- Mobilized and trained 400 administrative colleagues to man disruption center

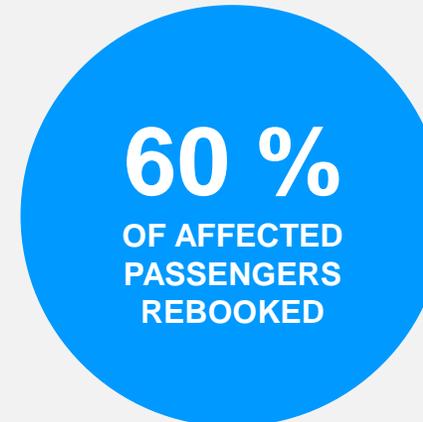
### During

- 1,100 additional employees mobilized at airports
- >300 tablets distributed among airport “floor walkers”
- 24/7 customer service to answer questions and rebook passengers
- >500,000 messages sent to customers

### After

- Maintained staffing to manage back log of customer queries
- Regularity quickly restored to levels preceding the strike

## RESULTS



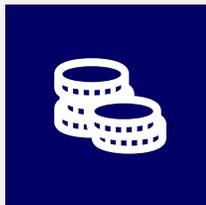
# Positive underlying development offset by strike and macro environment

## UNDERLYING DEVELOPMENT



Punctuality

81.1%  
(+3.3 p.p.)



Ticket revenue per passenger

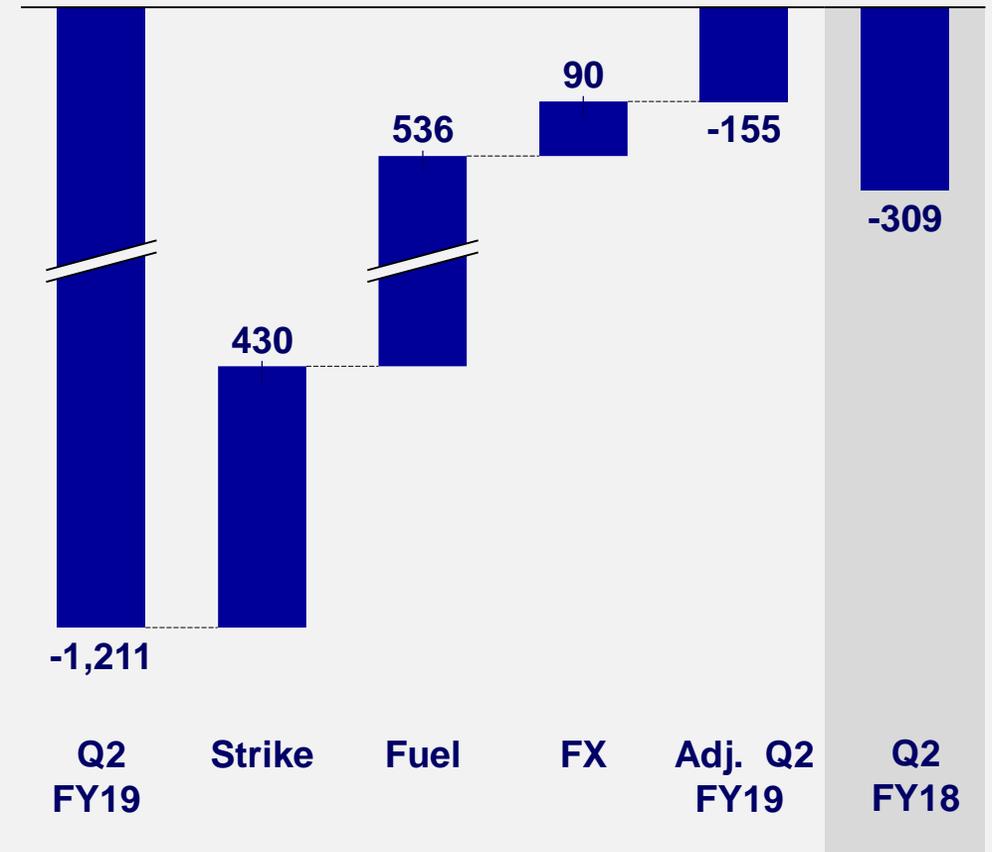
~1,250 SEK  
(+2 %)



Customer satisfaction

73  
(+2 p.p.)

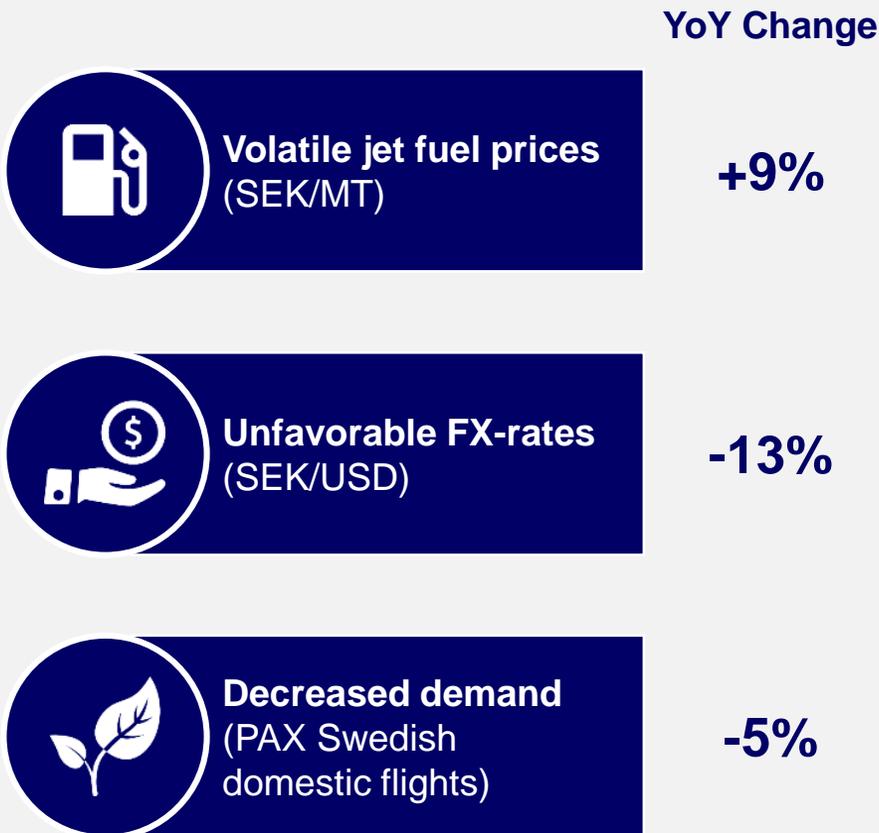
## ADJUSTED EBT\* DEVELOPMENT, MSEK



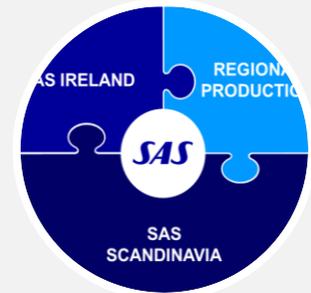
\*Before items affecting comparability

# Looking ahead, focus on strategy execution and transformation effects to mitigate negative effects from macro environment

## CHALLENGES



## EFFICIENT AND FLEXIBLE OPERATING MODEL



- Efficiency program delivered MSEK 400 year to date
- Increased resilience and flexibility
- Fleet renewal
- Digitalization

## SUSTAINABILITY



- Collaboration for large-scale biofuel production in Sweden together with Swedavia and RISE
- Joint research partnership with Airbus for next generation electrified aircraft
- Over 3.4 million trips CO<sub>2</sub> compensated

# FINANCIALS



# Summary Results

MSEK, except per cent

Key Financials	Q2/19	Q2/18	Change %	Currency
Total operating revenue	10,187	9,918	+2.7	+352
Total operating expenses*	-10,008	-8,965	+11.6	-343
EBITDAR*	179	952	-81.2	9
EBITDAR margin, %	1.8%	9.6%	-7.8 p.p.	
EBT*	-1,211	-309	<100	-90
Items affecting comparability	-5	-179	-97.2	
EBT	-1,216	-488	---	-90
<b>Key Metrics</b>				
ASK	11,220	11,817	-5.1	
RPK	7,897	8,393	-5.9	
Cabin Factor	70.4%	71.0%	-0.6 p.p.	
PASK**	0.69	0.67	+3.4	
CASK excl Fuel**	0.67	0.61	+9.8	

\* Before items affecting comparability

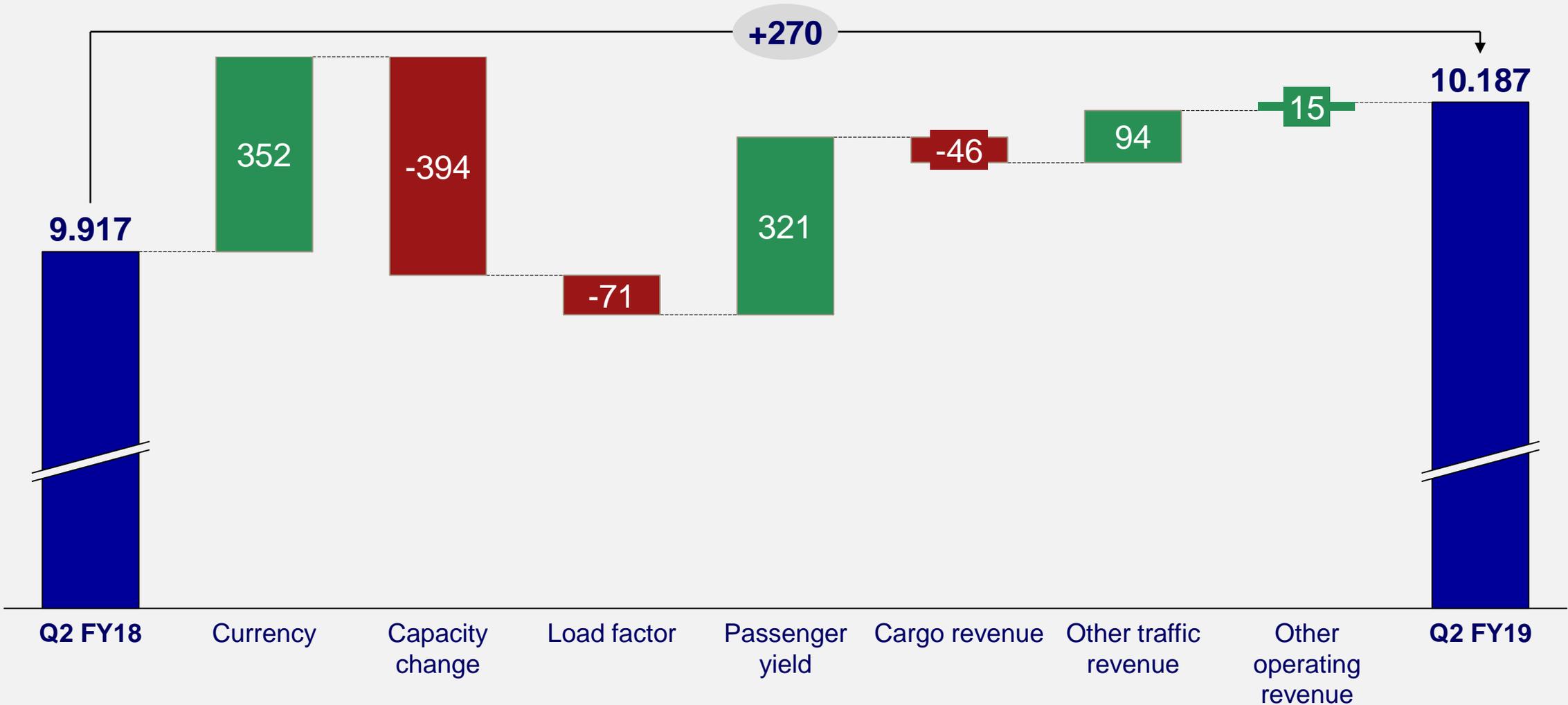
\*\*Currency adjusted

## Comments

- Pilot strike affecting all key financial metrics negatively
- 5 per cent lower capacity yielding lower revenues and weak EBT development
- Jet fuel as well as continued depreciation of SEK vs. USD adding additional pressure on earnings
- Positive trend in unit revenue (PASK) continues

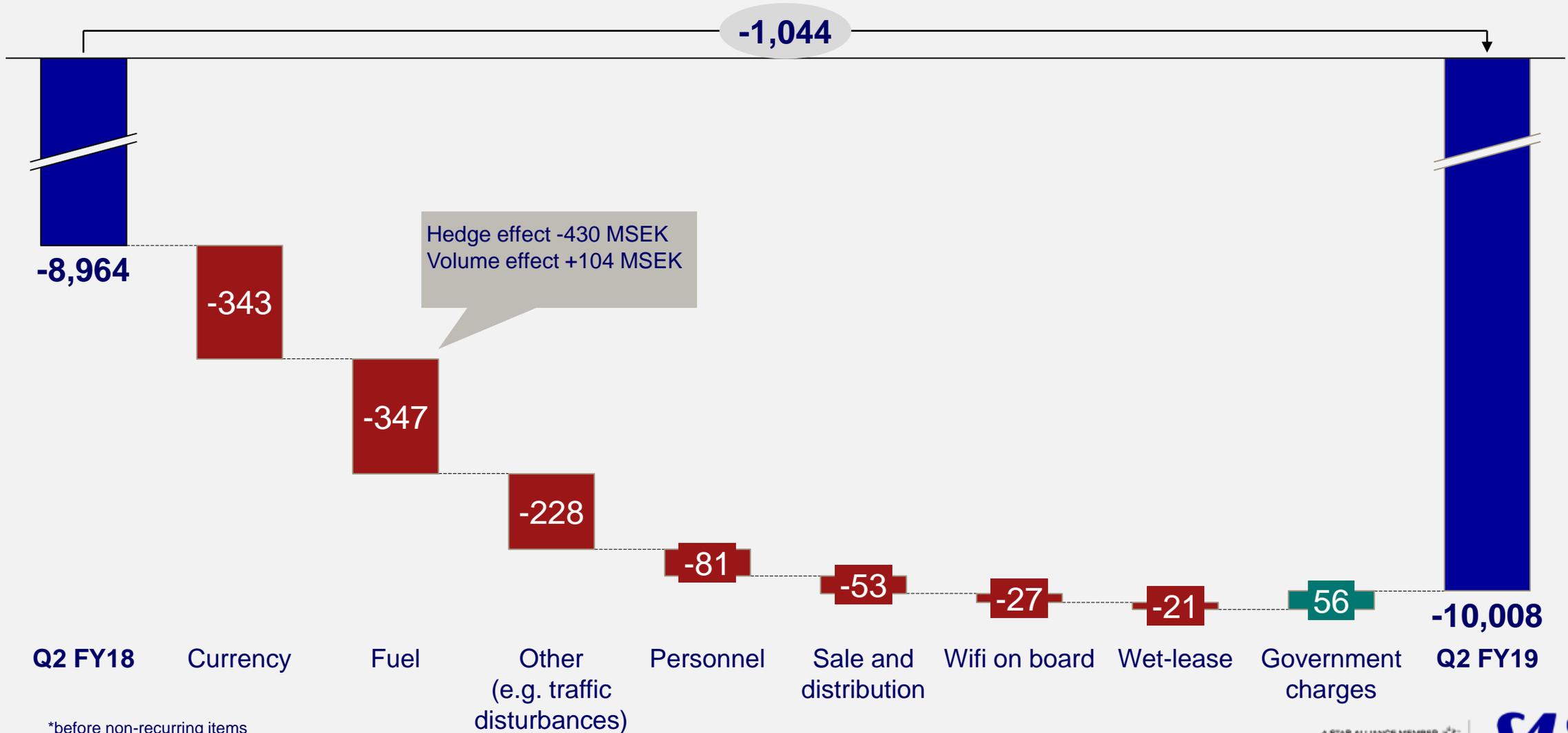
# Revenue Development

MSEK



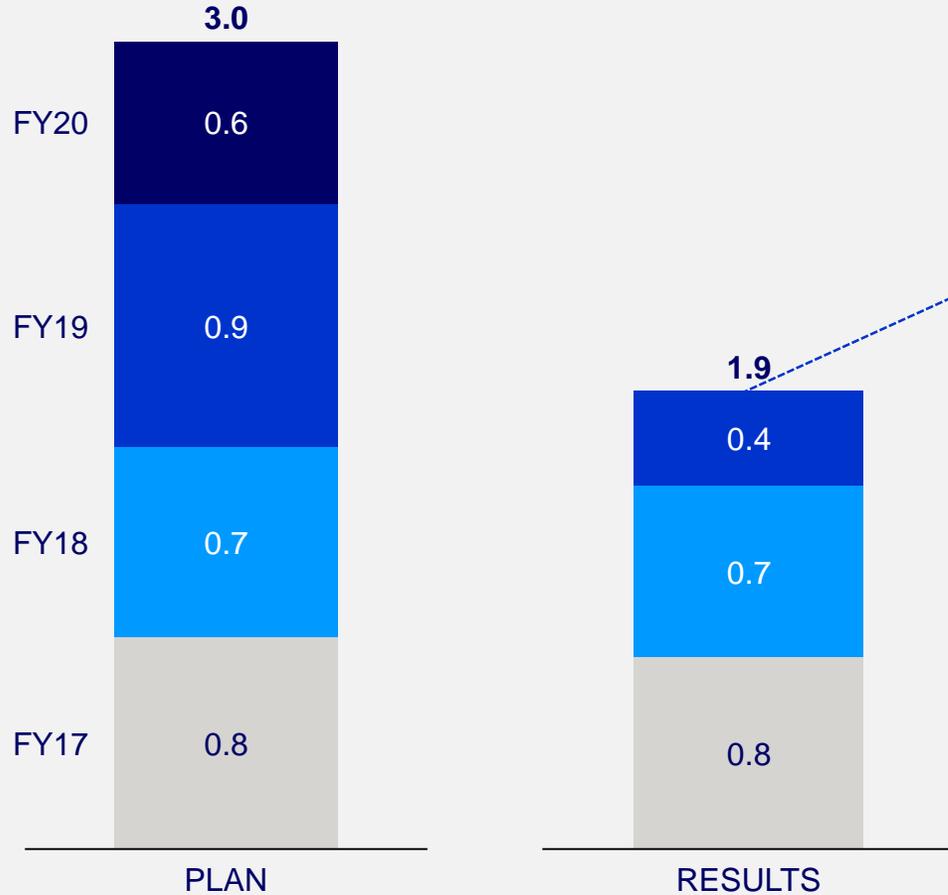
# Development in Operating Expenses\*

MSEK



# Status - Efficiency Programme

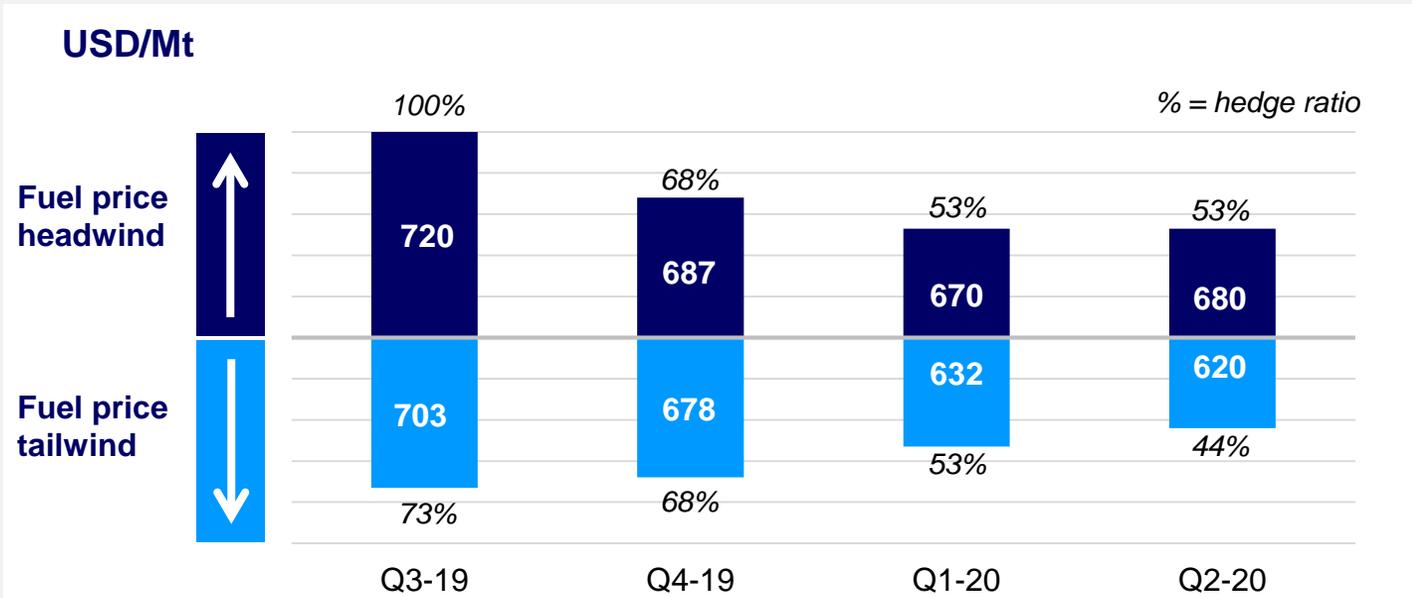
Efficiency Programme (SEKbn)



Main contributing initiatives, MSEK

	Q1	Q2
<b>Charges</b> • Renegotiated charges at CPH	20	15
<b>Fuel</b> • Improved fuel efficiency	15	15
<b>Sales &amp; Marketing</b> • Brand and marketing efficiency	10	10
<b>Planning</b> • Improved crew sourcing	10	20

# Jet fuel and currency hedges



## Sensitivity analysis, jet fuel cost May 2018-Oct 2019

Market price	Exchange rate USD/SEK				
	8.5	9.0	9.5	10.0	10.5
USD 500/tonne	8.6	8.9	9.2	9.4	9.7
USD 600/tonne	8.8	9.1	9.4	9.7	9.9
USD 700/tonne	9.1	9.4	9.6	9.9	10.2
USD 800/tonne	9.2	9.5	9.8	10.1	10.4

### Jet fuel

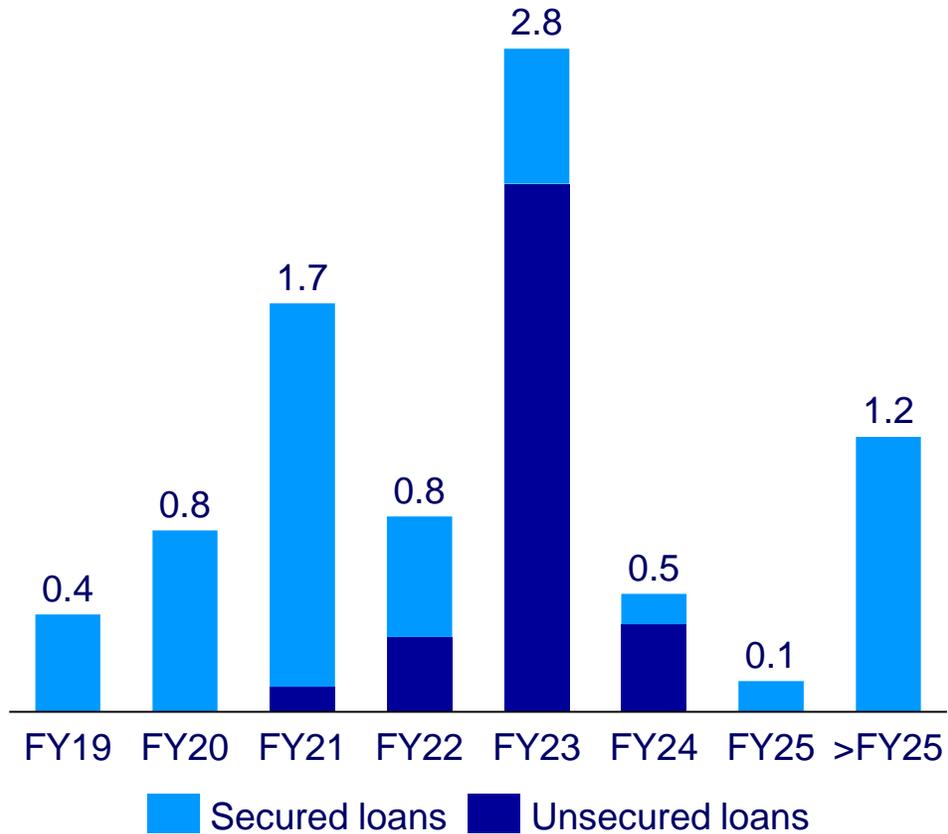
- Policy to hedge 40-80% of expected fuel consumption for the next 12 months and up to 50% for the following six months
- Position consists of a mixture of call options, collars and swaps
- In Q3-19, SAS has 100% of the fuel consumption hedged at a maximum price of 720 USD/Mt.
- If fuel price goes below 703 USD/Mt. 27% of SAS' consumption would benefit from a lower fuel price
- No hedging beyond Q2-20

### Currency

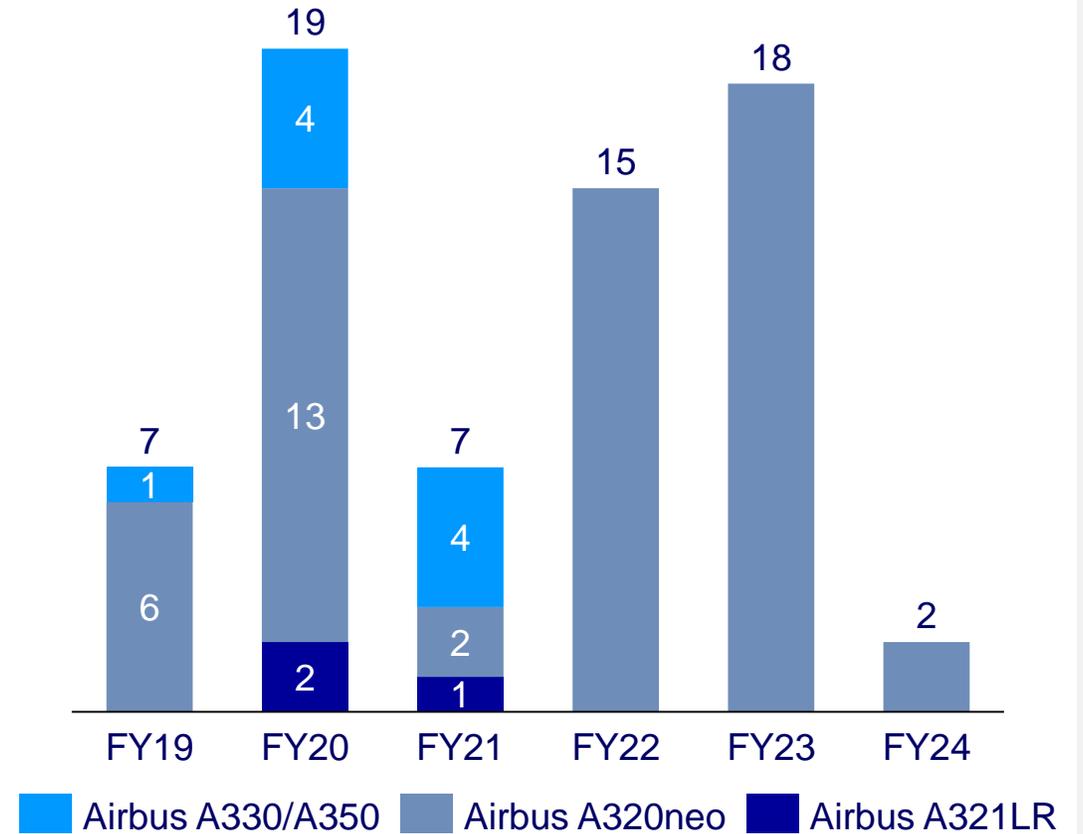
- Policy to hedge 40-80% of expected currency deficit/surplus for the next 12 months
  - 40% of USD hedged next twelve months
  - 66% of NOK hedged next twelve months

# Debt Maturity Profile and Aircraft Orders

Maturity profile, SEKbn

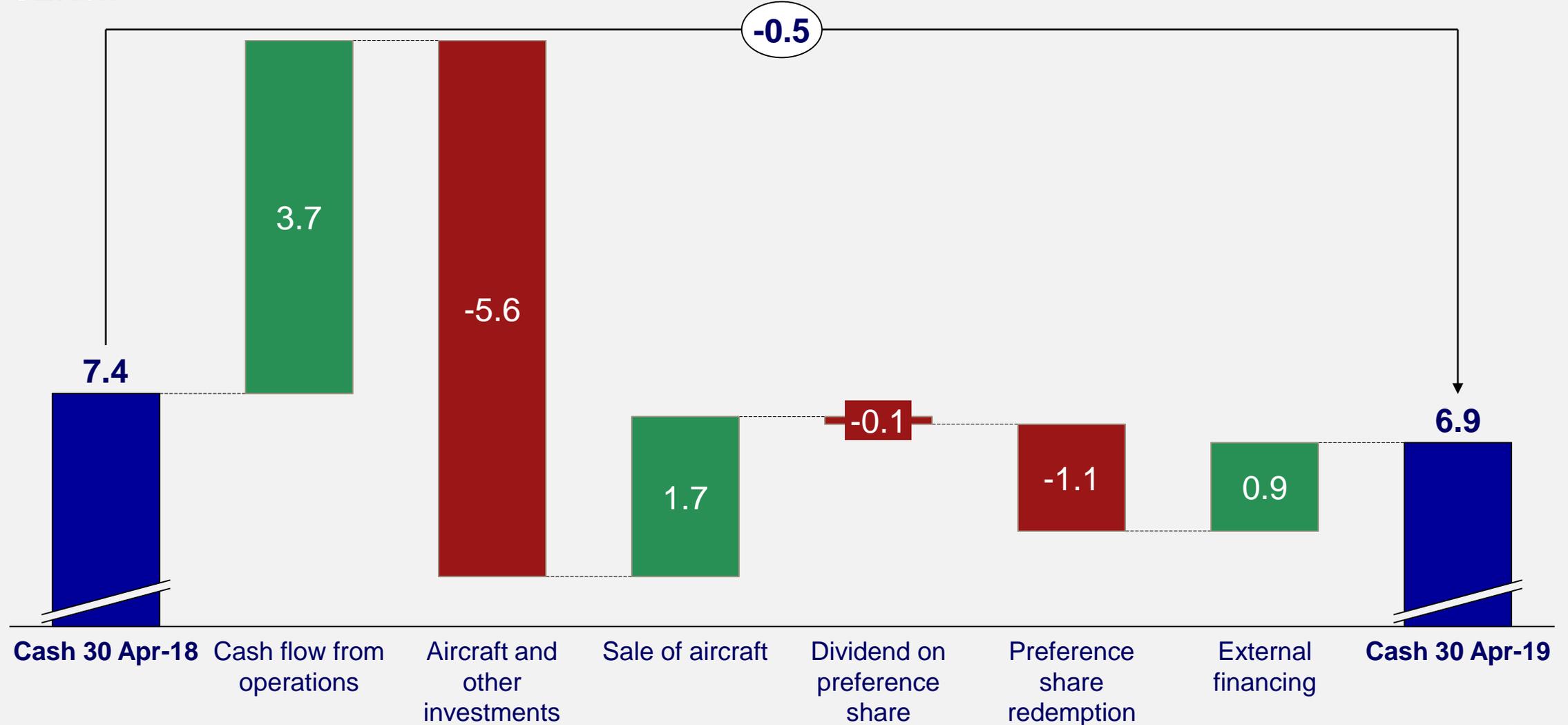


Aircraft orders, #



# Development in Cash & Cash Equivalents

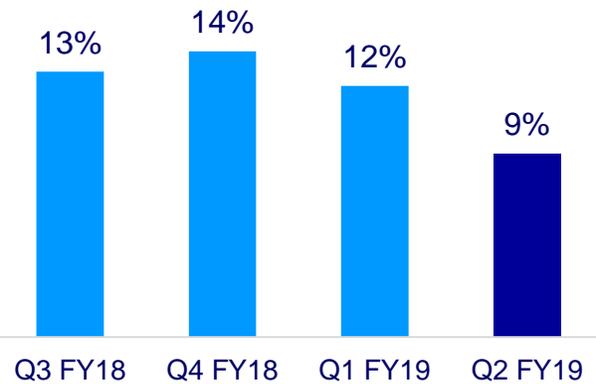
SEKbn



# Financial Targets

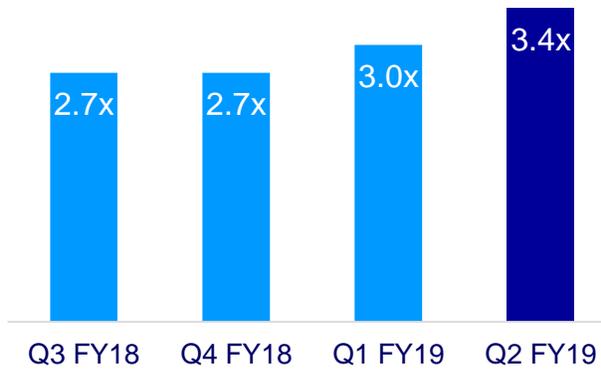
## RETURN ON INVESTED CAPITAL (ROIC)

 >12%



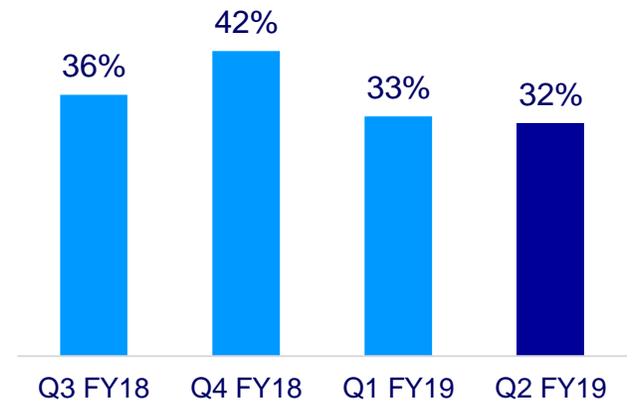
## ADJUSTED NET DEBT /EBITDAR

 <3x



## FINANCIAL PREPAREDNESS

 >25%



# Outlook

## PREVIOUS ASSUMPTIONS FY19

## UPDATES

- 
  - 2-3% scheduled capacity growth (ASK)
- 
  - Volatile, but increasing jet fuel prices
- 
  - Unfavorable FX development, in particular SEK/USD
- 
  - Efficiency measures of SEK 0.9 bn
  - Gross investments expected to be around SEK 7 billion
- 
  - No unexpected events

- FY19 Scheduled capacity growth (ASK) reduced to -1 %
- 8% increase in jet fuel prices in quarter
- 5% depreciation of SEK vs. USD in quarter
- Nearly SEK 0.4 bn delivered to date
  - Unchanged
- Negative earnings impact of - 650 MSEK FY19 due to strike

***Challenging to reach a positive result before tax and items affecting comparability in fiscal year 2019***

# Summary and Key Takeaways



Disappointing results in second quarter



430 MSEK hit on earnings due to pilot union strike in Q2



Positive underlying trends offset by negative macro environment



Increased pace of transformation necessary



Previous outlook challenging to meet

*SAS*

# Income Statement Q2

Income statement, MSEK	Feb-Apr 19	Feb-Apr 18	Change vs LY	Currency
<b>Total operating revenue</b>	<b>10,187</b>	<b>9,916</b>	<b>+271</b>	<b>+352</b>
Payroll expenditure	-2,415	-2,279	-136	
Jet fuel	-2,181	-1,645	-536	
Government charges	-961	-972	+11	
Other operating expenditure	-4,451	-4,068	-383	
<b>Total operating expenses*</b>	<b>-10,008</b>	<b>-8,964</b>	<b>-1,044</b>	<b>-343</b>
<b>EBITDAR before items affecting comparability</b>	<b>179</b>	<b>952</b>	<b>-773</b>	<b>+9</b>
<i>EBITDAR-margin*</i>	1.8%	9.6%	-7.8 p.p.	
Leasing costs, aircraft	-846	-765	-81	
Depreciation	-455	-374	-81	
Share of income in affiliated companies	-3	-8	+5	
<b>EBIT before items affecting comparability</b>	<b>-1,125</b>	<b>-195</b>	<b>-930</b>	<b>-79</b>
<i>EBIT-margin*</i>	-11.0%	-2.0%	-9.0 p.p.	
Financial items	-86	-114	+28	
<b>EBT before items affecting comparability</b>	<b>-1,211</b>	<b>-309</b>	<b>-902</b>	<b>-90</b>
Items affecting comparability	-5	-179	+174	
<b>EBT</b>	<b>-1,216</b>	<b>-488</b>	<b>-728</b>	<b>-90</b>

\*before items affecting comparability

# Balance Sheet April 30 April 2019

Balance sheet, MSEK	30 Apr, 2019	31 October, 2018	Change vs Y18
Intangible assets	1,456	1,498	-42
Tangible fixed assets	14,423	12,240	2,183
Financial fixed assets	6,925	7,389	-473
<b>Total fixed assets</b>	<b>22,804</b>	<b>21,127</b>	<b>+1,677</b>
Other current assets	367	401	-34
Current receivables	3,025	2,915	110
Cash and cash equivalents	6,912	9,756	-2,844
<b>Total current assets</b>	<b>10,304</b>	<b>13,072</b>	<b>-2,768</b>
<b>TOTAL ASSETS</b>	<b>33,108</b>	<b>34,199</b>	<b>-1,091</b>
Shareholders' equity	3,365	7,268	-3,903
Long-term liabilities	13,054	12,011	1,043
Current liabilities	16,689	14,920	1,769
<b>Total shareholders' equity and liabilities</b>	<b>33,108</b>	<b>34,199</b>	<b>-1,091</b>
<i>Financial net debt</i>	917	-2,432	+3,349

# Income Statement – six months

Income statement. MSEK	Nov18- Apr19	Nov17- Apr18	Change vs LY	Currency
<b>Total operating revenue</b>	<b>19,721</b>	<b>18,894</b>	<b>+827</b>	<b>+708</b>
Payroll expenditure	-4,808	-4,547	-261	
Jet fuel	-4,142	-3,215	-927	
Government charges	-1,877	-1,893	+16	
Other operating expenditure	-8,109	-7,448	-661	
<b>Total operating expenses*</b>	<b>-18,936</b>	<b>-17,103</b>	<b>-1,833</b>	<b>-794</b>
<b>EBITDAR before items affecting comparability</b>	<b>785</b>	<b>1,791</b>	<b>-1,006</b>	<b>-86</b>
<i>EBITDAR-margin*</i>	4.0%	9.5%	-5.5 p.u.	
Leasing costs, aircraft	-1,633	-1,525	-108	
Depreciation	-874	-727	-147	
Share of income in affiliated companies	-12	-17	+5	
<b>EBIT before items affecting comparability</b>	<b>-1,734</b>	<b>-478</b>	<b>-1,256</b>	<b>-240</b>
<i>EBIT-margin*</i>	-8.8%	-2.5%	-6.3 p.u.	
Financial items	-201	-216	+15	
<b>EBT before items affecting comparability</b>	<b>-1,935</b>	<b>-694</b>	<b>-1,241</b>	<b>-258</b>
Items affecting comparability	143	-79	+222	
<b>EBT</b>	<b>-1,792</b>	<b>-773</b>	<b>-1,019</b>	<b>-258</b>

\*before items affecting comparability

# Income Statement – Rolling 12 Months

Income statement, MSEK	May18-Apr19	May17-Apr18	Change vs LY	Currency
<b>Total operating revenue</b>	<b>45,545</b>	<b>42,748</b>	<b>+2,797</b>	<b>+1,858</b>
Payroll expenditure	-9,497	-8,978	-519	
Jet fuel	-8,921	-6,803	-2,118	
Government charges	-4,143	-4,144	+1	
Other operating expenditure	-16,696	-15,588	-1,108	
<b>Total operating expenses*</b>	<b>-39,257</b>	<b>-35,513</b>	<b>-3,744</b>	<b>-1,532</b>
<b>EBITDAR before items affecting comparability</b>	<b>6,288</b>	<b>7,235</b>	<b>-947</b>	<b>+326</b>
<i>EBITDAR-margin*</i>	13.8%	16.9%	-3.1 p.u.	
Leasing costs, aircraft	-3,264	-3,107	-157	
Depreciation	-1,704	-1,439	-265	
Share of income in affiliated companies	40	-5	+45	
<b>EBIT before items affecting comparability</b>	<b>1,360</b>	<b>2,684</b>	<b>-1,324</b>	<b>+76</b>
<i>EBIT-margin*</i>	3.0%	6.3%	-3.3 p.u.	
Financial items	-465	-460	-5	
<b>EBT before items affecting comparability</b>	<b>895</b>	<b>2,224</b>	<b>-1,329</b>	<b>+15</b>
Items affecting comparability	136	-366	+502	
<b>EBT</b>	<b>1,031</b>	<b>1,858</b>	<b>-827</b>	<b>+15</b>

\*before items affecting comparability

# Investor Relations

## Most recent stock recommendations

Date	Institution	Recommendation	TP
2019-02-25	Sparebank1	Buy	SEK 20
2019-02-22	Sydbank	Hold	-
2019-02-21	Nordea	Hold	-
2019-02-21	HSBC	Hold	SEK 16
2019-02-18	DNB	Hold	SEK 18
2019-02-15	Pareto	Buy	SEK 20
Average			SEK 18,5

## Recommendations



## Analyst coverage

Institution	Analyst
DNB	Ole Martin Westgaard
HSBC	Andrew Lobbenberg and Achal Kumar
Nordea	Hans-Erik Jacobsen
Pareto Securities	Kenneth Sivertsen
Sparebank 1 Markets	Lars-Daniel Westby
Sydbank	Jacob Pedersen

## Selected Investor Relations events

- Q2 Roadshow, Oslo, 28 May
- Analyst meeting, Oslo, 28 May
- DNB Nordic Consumer Conference 2019, Oslo, 3 September

### For more information:

**Web:** <https://www.sasgroup.net/en/category/investor-relations/>

## Vice President Investor Relations:

-  Michel Fischier
-  [michel.fischier@sas.se](mailto:michel.fischier@sas.se)
-  +46 (0)70 997 0673
-  @MichelTW1