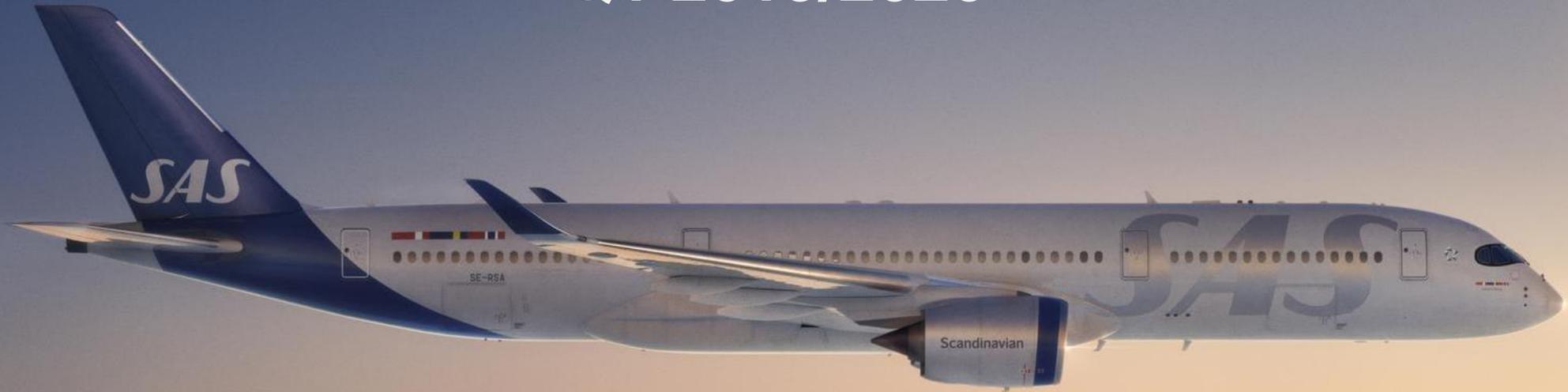


SAS

Q1 2019/2020



February 26, 2020

Key Highlights

Financial drivers

- Positive development of unit revenue driven by higher cabin factor
- Maintained operational quality
- Negative currency effects
- Implementation of IFRS 16
- Increased aircraft and training cost due to phase-in of A320neo and A350XWB

Headwinds and tailwinds

- + Reduced market capacity
- Corona virus (COVID-19) outbreak
- Soft economic indicators
- Weak Swedish and Norwegian krona
- Large European order book of new aircraft

Q1-20	CHANGE VS. Q1-19
EBT *	
MSEK -1 078	MSEK -354
Capacity (ASK, total, mill. km)	
11 258	+0.9%
Unit Revenue, PASK (SEK, currency adjusted)	
0.68	+0.7%
Passenger yield (SEK, currency adjusted)	
0.99	-0.5%
CASK* ex. fuel (SEK, currency adjusted)	
0.66	-0.1%

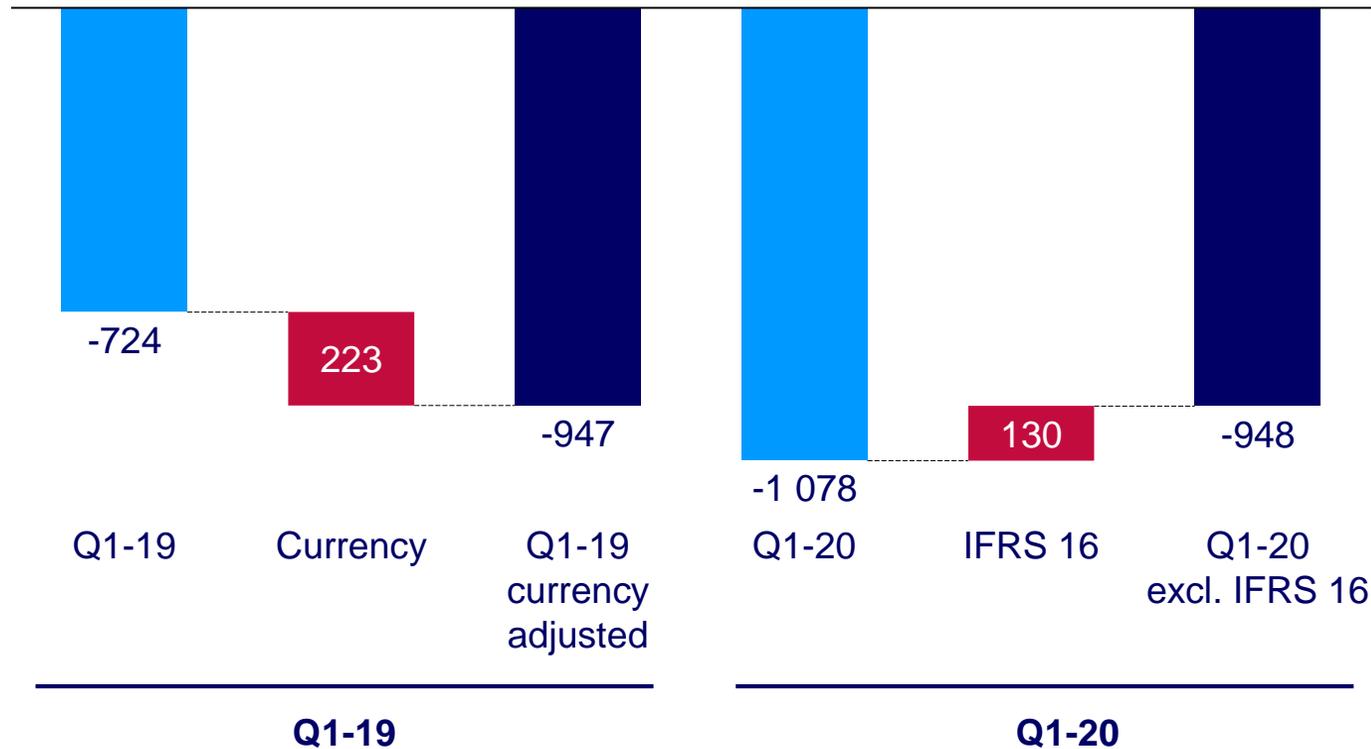
Results in line with guidance, with flat underlying performance

Guidance Q1-20

SAS expects an increased loss in the first quarter of fiscal year 2020 compared to last year

Underlying performance has been flat ...

EBT*, MSEK



...driven by

- 1 Strong commercial development
- 2 Continued focus on sustainability
- 3 Improved operational efficiency and performance

1 Strong commercial development

	Q1-20 Nov-Jan	Q1-19 Nov-Jan	
Passengers (million)	6.3	6.2	(+1.5%)
Yield (SEK, currency adj.)	0.99	1.00	(-0.5%)
Cabin Factor	68.5%	67.6%	(+0.8 p.p.)
PASK (SEK, currency adj.)	0.68	0.68	(+0.7%)
Customer satisfaction	74	71	(+3)

Q1-20 highlights

- Inaugural passenger flight with A350, improved design and customer experience
- Renewed agreement with Apollo
- Preferred choice on larger routes by Norwegian Sykehusinnkjøp HF
- New route to Haneda with Improved access to downtown and better connectivity
- Gained market share in a challenging market

1 As a result, SAS has gained market share in a challenging market

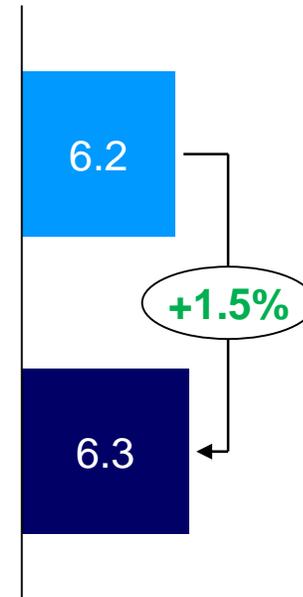
Market passengers

Millions, to/from/within Scandinavia



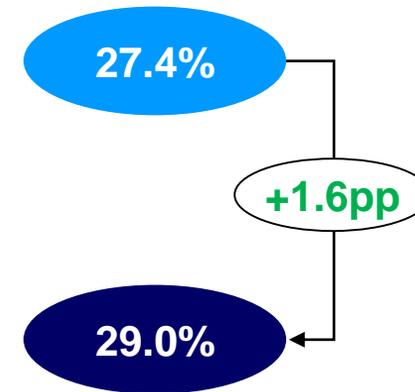
SAS' passengers

Millions



SAS' market share

%



2 Accelerated sustainability efforts

Q1-20 highlights



8 x A320neo phased-in



1 x A350 phased-in



Sustainable Cube packaging – more than 50 tonnes plastic eliminated



Fuel efficiency program in SAS Ireland

Progress (as of January 31st)

Fleet renewal* (% completed)	44%
CO₂-emissions (R12 reduction)	-2.8%
CO₂/ASK (R12 reduction)	-2.6%
Sustainable aviation fuels (R12 sourced)	548mt
CO₂-compensation (% in quarter)	46%

2030 targets

25% reduction of CO₂ emissions

SAS' domestic flights 100% biofuel powered

6 * Percent of fleet orders delivered incl. A320neo, A321LR, A330E, A350XWB

3 Improved operational efficiency and performance

	Q1-20 Nov-Jan	Q1-19 Nov-Jan	
CASK incl. fuel* (SEK, currency adj.)	0.84	0.85	<i>(-0.5%)</i>

Efficiency Program (SEKbn)	0.2	0.2	<i>On target</i>

Regularity (%)	98.7	98.7	<i>(+0.0 p.p.)</i>

Punctuality (%)	84.2	80.0	<i>(+4.2 p.p.)</i>

Q1-20 highlights

- MSEK 180 realized in efficiency improvements
- Improved operational performance – average number of delay minutes down by 34%
- 88.2% punctuality performance in regional platform
- Phase-out of ATR from FlyBe and phase-in ATR from Regional Jet

Recap of future conceptual operating model

Current model



SAS
Scandinavia



Mixed fleet
Boeing & Airbus

Backbone in
SAS' network

SAIL



Single-type
A320neo fleet

Highly
competitive
routes and new
leisure markets

Wetlease
partners



Complementary
ATR & CRJ

Extended
reach, more
frequencies and
right-sizing off-
peak

Future conceptual model



SAS
Scandinavia



Single-type fleet
SH & LH with
mixed fleet flying

Backbone in
SAS' network

SAIL



Single-type
A320neo fleet

Highly
competitive
routes and new
leisure markets

Midsize
platform



Single-type fleet
of midsize aircraft

Right sizing and
fuel efficiency of
thinner flows
from Scandi-
navian bases

Wetlease
partners

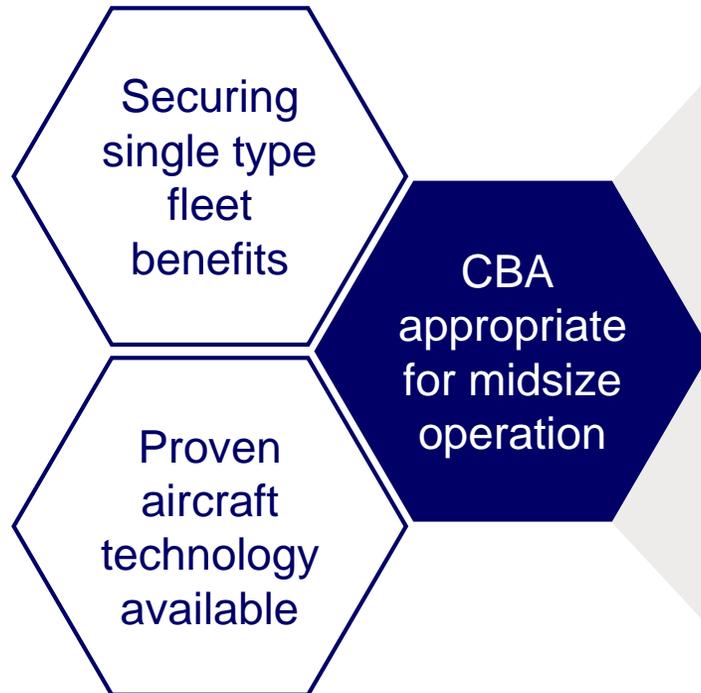


Complementary
ATR & CRJ

Extended
reach, more
frequencies and
right-sizing off-
peak

Future midsize platform: CBA pre-requisite now in place

Pre-requisites



Progress

- New CBAs for both pilots and cabin crew signed for future mid-size operations based in Scandinavia
- New agreement ensures:
 - Scandinavian bases
 - Scandinavian terms
 - Scandinavian jobs
- Agreement is only valid as and when new entity is operational

SAS
FINANCIALS
Q1-20



Summary Results

Key Metrics *

PASSENGERS ¹

↑ 1.4%

CAPACITY (ASK ¹)

↑ 0.8%

TRAFFIC (RPK ¹)

↑ 2.0%

PASK ²

↑ 0.7%

CASK EXCL. FUEL ³

↓ -0.1%

Key Financials (MSEK)

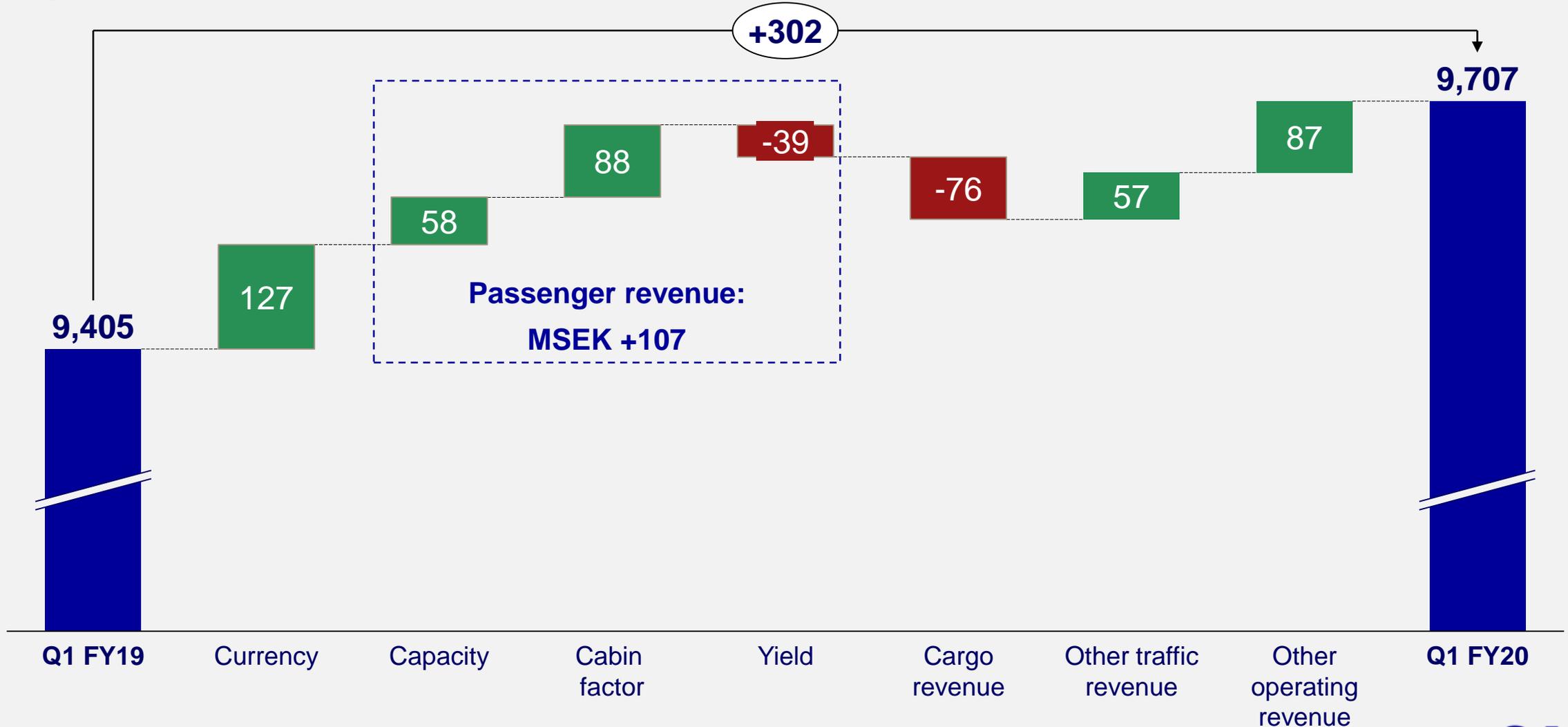
	Q1-20	Q1-19	Pct. Change	Currency
Total Revenues	9,707	9,405	3.2	127
Total opex before i.a.c.	-10,465	-10,014	-4.5	-341
EBIT before i.a.c.	-758	-609	-24.5%	-214
EBIT margin, %	-7.8%	-6,5%	-1.3 p.p.	
EBT before i.a.c.	-1,078	-724	-48.9	-254
Items affecting comparability	-9	148		
EBT	-1,087	-576	-88.7	-254
Cash flow from operating activities	555	-682		

Comments

- Revenue improvement driven by passenger growth and ancillary revenues
- Unfavorable FX drives OPEX-development
- Increase in OPEX leading to decline in EBIT
- EBT negatively impacted by IFRS 16
- Improved operating cash flow driven by increased bookings and IFRS 16 reclassification

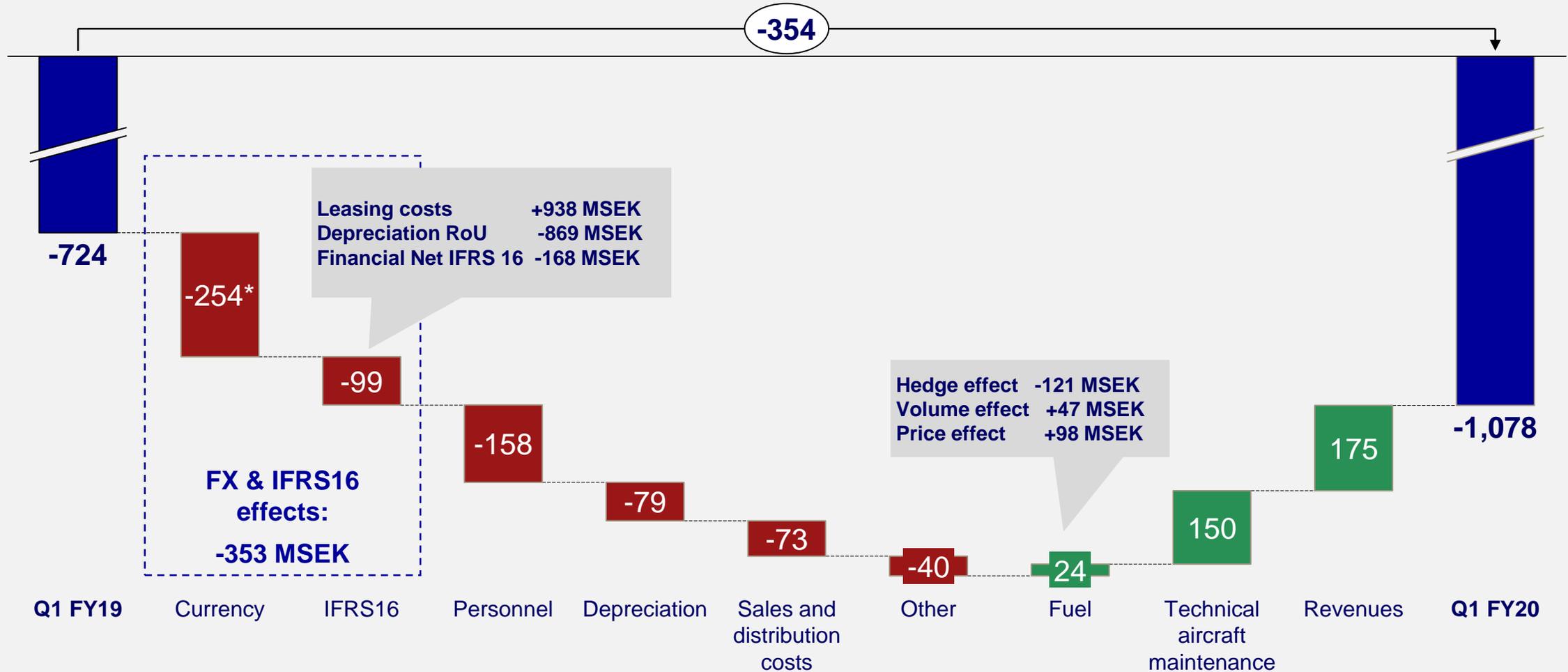
Revenue Development

MSEK

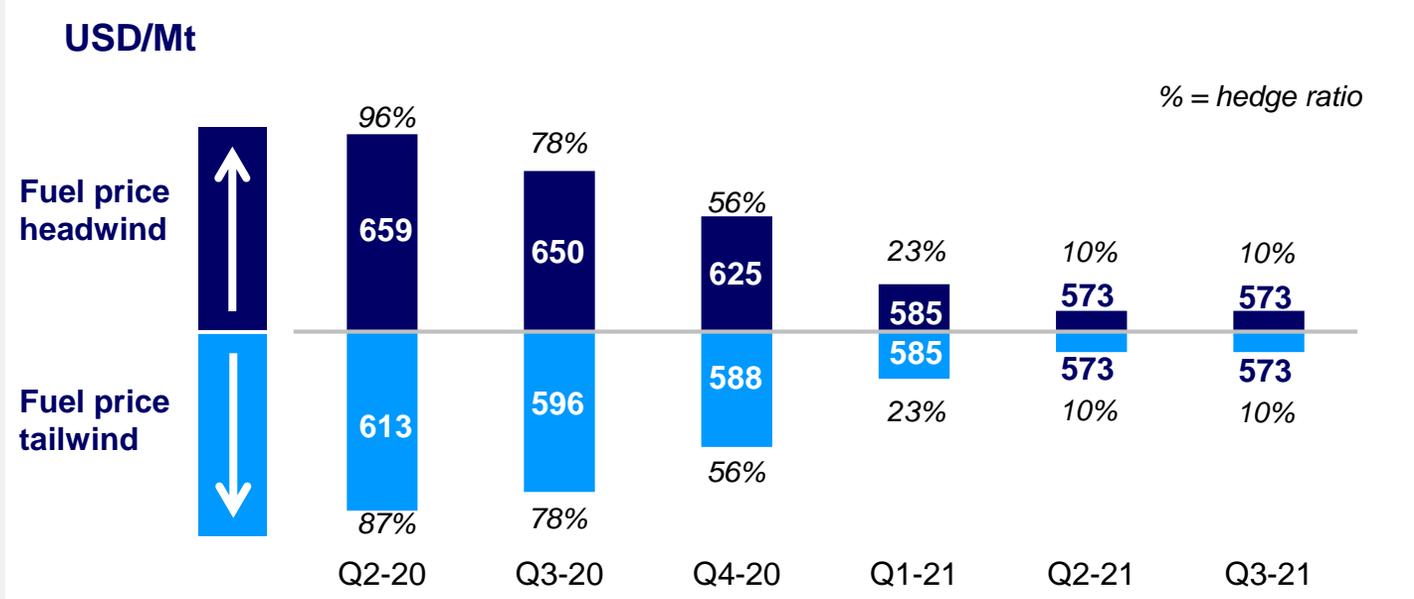


Development in Earnings before taxes and i.a.c.

MSEK



Jet Fuel & Currency Hedges



Sensitivity analysis, jet fuel cost Nov 2019-Oct 2020, SEK billion*

Market price	Exchange rate USD/SEK				
	8.5	9.0	9.5	10.0	10.5
USD 500/tonne	7.9	8.3	8.6	9.0	9.3
USD 600/tonne	8.2	8.5	8.9	9.2	9.6
USD 700/tonne	8.7	9.1	9.5	9.8	10.2
USD 800/tonne	8.9	9.3	9.7	10.1	10.5

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
- For the forthcoming 12 months, SAS has 65% of the fuel consumption hedged at an average maximum price of USD 642/Mt.
- If the fuel price goes below USD 585/MT for the forthcoming 12 months, 63% of SAS' fuel consumption would be hedged at an average price of USD 599/MT
- Beyond the next 12 months 10% of the fuel consumption is hedged at a price of USD 573/Mt. for both second and third quarter of FY21.

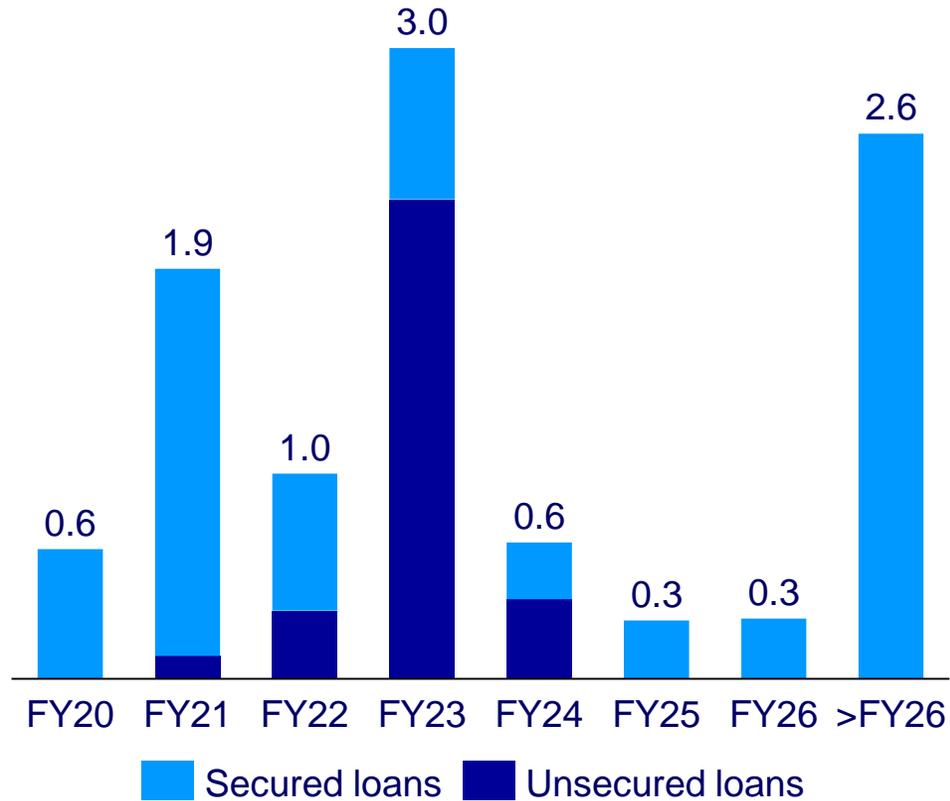
Currency

- Policy to hedge 40-80% of expected currency deficit/surplus for the next 12 months
 - 43% of USD hedged next twelve months
 - 60% of NOK hedged next twelve months

* SAS' current hedging contracts for jet fuel at end of quarter have been taken into account

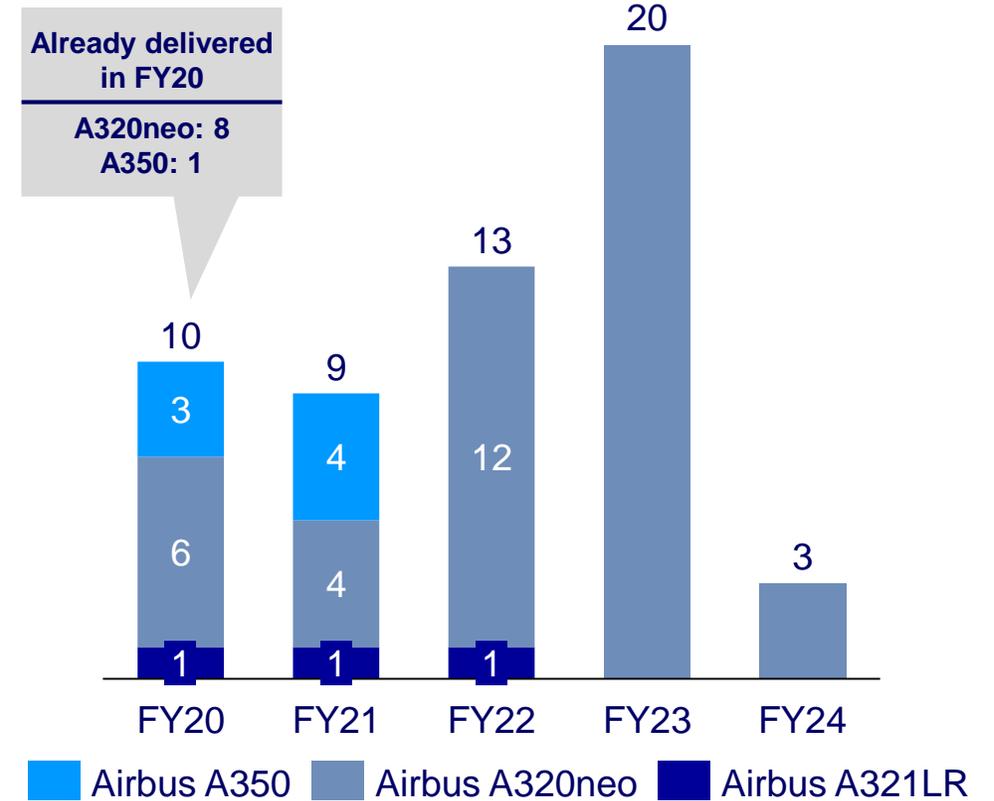
Debt Maturity Profile & Aircraft Orders

Maturity profile, SEKbn



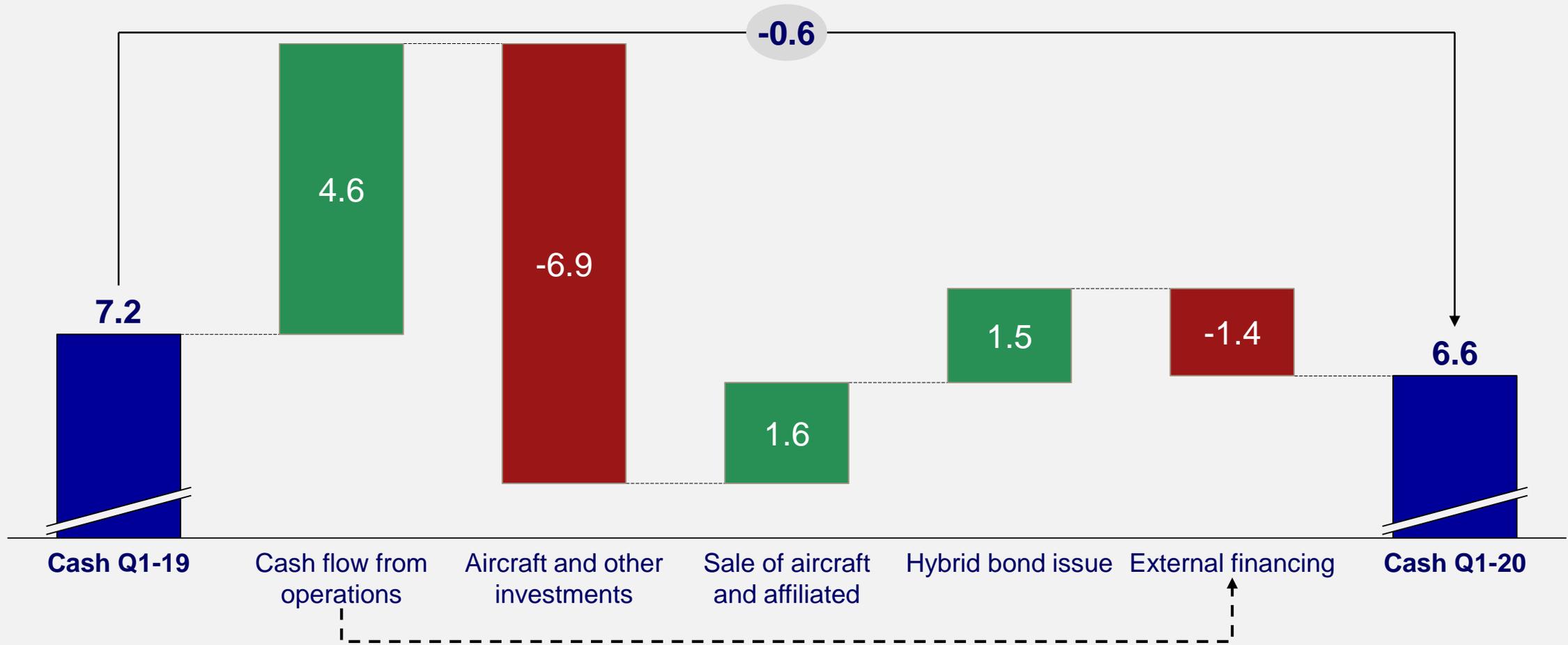
Excluding hybrid, perpetual bond and IFRS 16 debt

Aircraft orders,



Development in Cash & Cash Equivalents

SEKbn

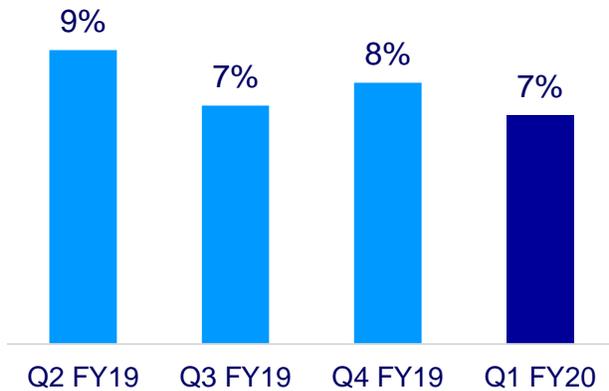


0.8 SEKbn in principal repayments on lease liabilities reclassified from operations to financing activities under IFRS 16

Financial Targets

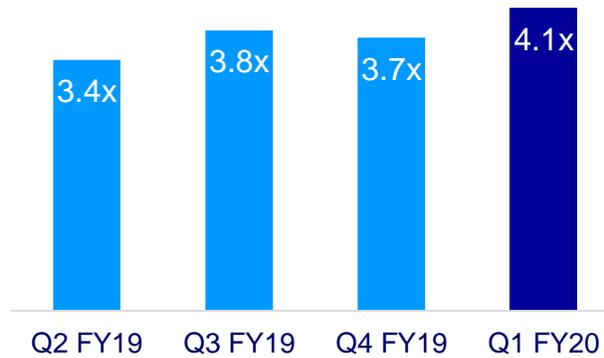
RETURN ON INVESTED CAPITAL (ROIC)

 >12%



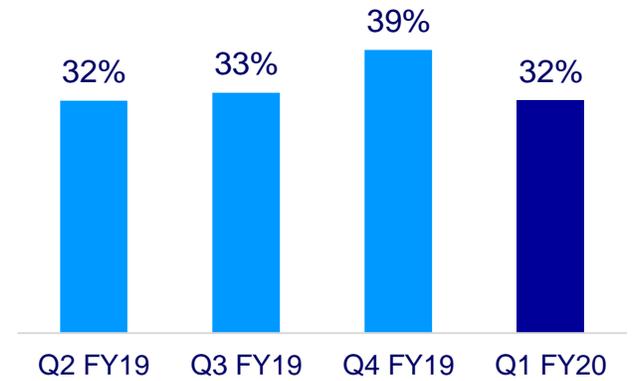
ADJUSTED NET DEBT /EBITDAR

 <3x



FINANCIAL PREPAREDNESS

 >25%



Outlook

FY20 ASSUMPTIONS

	FY20 Scheduled capacity growth (ASK) of ~5%
	Continued weak SEK and NOK USD/SEK of ~9.8 and NOK/SEK ~1.08
	Jet fuel price ~590 USD/Mt
	Stagnant or reduced demand, mitigated in short term by reduced market capacity
	+ Efficiency improvements of SEK 0.6bn - Increased aircraft cost due to large number of phase-ins - Reduced productivity due to high training volumes
	Impact of IFRS 16

Q1-20 UPDATE

• <i>Unchanged</i>
• <i>Slightly worse NOK/SEK rate</i>
• <i>Slightly improved</i>
• <i>Own passenger growth</i> • <i>COVID-19 impact</i>
• <i>Unchanged</i>
• <i>Unchanged</i>

SAS expects to report an EBIT-margin* of 3-5 percent for the fiscal year 2020

* Before items affecting comparability
The outlook is based on no unexpected events or material changes in the business environment and given that we can resume normal operations before the summer season.

Summary and key takeaways



Passenger growth and increased market share in a challenging market



Strong revenue development offset by negative currency and IFRS 16 effects



Improved operational robustness



CBA pre-requisite for future midsize operation in place



Affirmed fiscal year outlook of an EBIT margin of 3-5%, given a marginal impact of COVID-19

SAS

Income Statement

Income statement	Q1-20	Q1-19	Change vs LY	Currency
Total operating revenue	9,707	9,405	+302	+127
Personnel expenses	-2,566	-2,393	-173	
Jet fuel	-2,020	-1,961	-59	
Air traffic charges	-917	-916	-1	
Other operating expenses	-3,533	-3,529	-4	
Total operating expenses	-9,036	-8,799	-237	-307
EBITDAR before items affecting comparability	671	606	+65	-180
<i>EBITDAR-margin</i>	6.9%	6.4%	+0.5 p.u.	
Leasing costs, aircraft	-62	-787	+725	
Depreciation	-500	-419	-81	
Depreciation, Right-of-use	-869	0	-869	
Share of income in affiliated companies	2	-9	+11	
EBIT before items affecting comparability	-758	-609	-149	-214
<i>EBIT-margin*</i>	-7.8%	-6.5%	-1.3 p.u.	
Financial items	-121	-115	-6	
Financial items, IFRS 16	-199	0	-199	
EBT before items affecting comparability	-1,078	-724	-354	-254
Items affecting comparability	-9	148	-157	
EBT	-1,087	-576	-511	-254

Balance Sheet

Q1-20

Balance sheet, MSEK	31-Jan-20	31-Jan-19	Change
Non-current assets			
Intangible assets	1,405	1,463	-58
Tangible fixed assets	17,663	13,704	3,959
Right-of-use assets	17,382	-	17,382
Financial fixed assets	5,023	6,881	-1,858
Deferred tax assets	927	490	437
Total non-current assets	42,400	22,538	19,862
Current assets			
Inventories and expendable spare parts	457	396	61
Current receivables	2,818	2,802	16
Cash and cash equivalents	6,599	7,247	-648
Total current assets	9,874	10,445	-571
TOTAL ASSETS	52,274	32,983	19,291
Equity	4,433	4,749	-316
Non-current liabilities			
Interest-bearing liabilities	10,543	8,761	1,782
Interest-bearing lease liabilities	14,049	-	14,049
Other liabilities	4,292	4,173	119
Total non-current liabilities	28,884	12,934	15,950
Current liabilities			
Interest-bearing liabilities	1,967	2,974	-1,007
Interest-bearing lease liabilities	3,200	-	3,200
Other liabilities	13,790	12,326	1,464
Total current liabilities	18,957	15,300	3,657
Total shareholders' equity and liabilities	52,274	32,983	19,291

Investor Relations

Most recent stock recommendations

Date	Institution	Recommendation	TP
2020-02-25	Nordea	Buy	SEK 18
2020-02-24	SpareBank1	Hold	SEK 15
2020-02-24	DNB	Hold	SEK 15
2020-02-18	Sydbank	Hold	-
<i>Average</i>			<i>SEK 15.8</i>

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

- Nordea Q1 Roadshow, Oslo, 26 February
- Analyst meeting, Oslo, 26 February
- Citi, Airport & Airline field trip Frankfurt, 1 April
- SB1 Markets, Transport seminar, Oslo, 3 June

For more information:

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

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