

# **SAS Q4 2014/2015 TELECONFERENCE**

**16.12.2015**

# Q4 brief summary

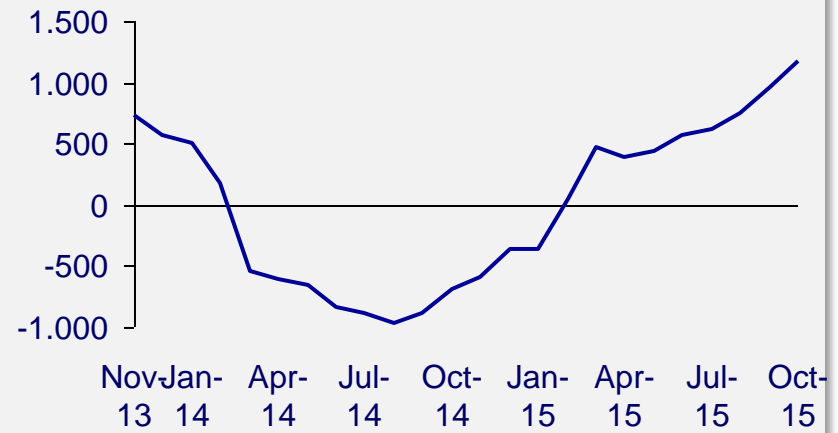
## Q4 update

- Commercial initiatives paying off
  - Traffic up 1.1%
  - 0.8 p.u. higher load factor
  - 140,000 new EuroBonus members
- Agreement to transfer line stations in Norway to Widerøe
- Blue1 sold to Cityjet and SAS to wetlease 8 regional jet aircraft from spring 2016
- SAS responds to increased demand for SAS long haul and leisure routes
- Customer satisfaction index at 74 vs. 72 last year

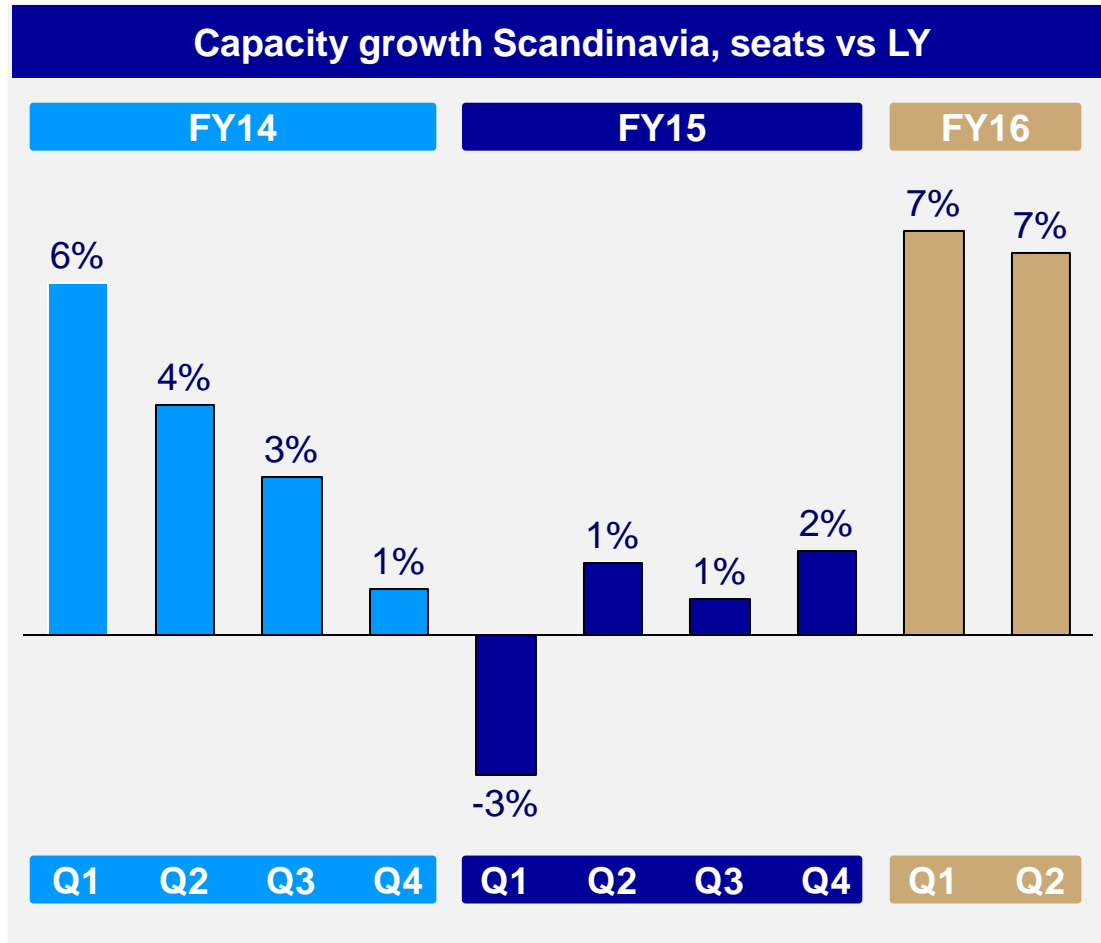
## Financial performance Q4 FY15

- EBT before nonrecurring items MSEK 1,338 improved 70% vs. last year
- Jet fuel costs down MSEK 769
- Currency adj. unit cost incl fuel down 10.7%
- Currency adj. unit revenue (PASK) down 0.5%

**EBT before nonrecurring items, MSEK, 12 months rolling**



# After a temporary stabilization in FY15, market capacity expected to grow in FY16



- Overall **capacity up 0.3%** in FY15
- **Passenger growth up 2.3%** in FY15
- **Market capacity expected to grow by 5-7%** in FY16 – highest growth during the winter



SAS focus will

- Further improve offer for **frequent travelers**
- Continue to increase **operational efficiency and flexibility**

# SAS has improved customer offering in all areas

## Product:

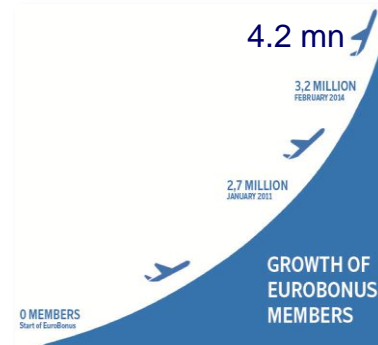
- New café Lounges (e.g. Trondheim) and Self Service Bag Drops
- Upgraded Lounges at Arlanda, Copenhagen and Gardemoen
- New EuroBonus features and partners

## Route network:

- Improved leisure offering, incl. ~50 seasonal routes
- New short haul point-to-point routes
- More long haul destinations, Hong Kong, Miami, Los Angeles, Boston

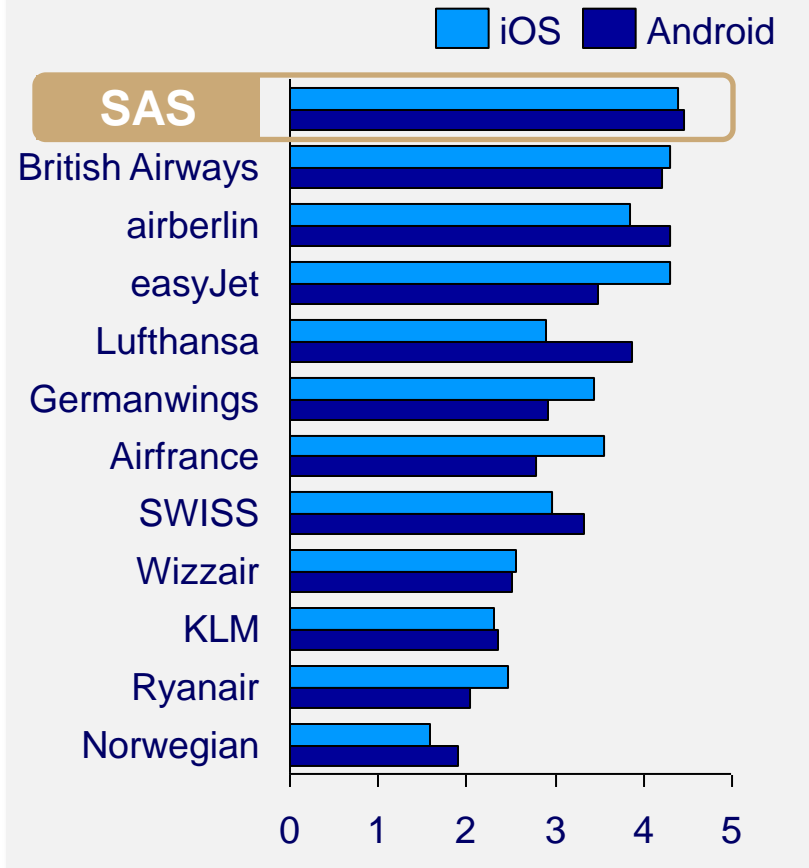
## Fleet:

- New long-haul cabin
- From 12 to 16 aircraft, incl. new A330 Enhanced aircraft
- More wetleased aircraft



# Digitalization provides opportunities to enhance customer experience

## Airline average app ratings last 6 months



Source: Apple App Store and Google Play, 1 April 2015 – 30 September 2015

New app highest rated for both iOS and Android

Newspaper at gate through app

New IT platform to enable greater degree of personalization for the frequent travelers



# Dedicated employees key driver to improved customer satisfaction

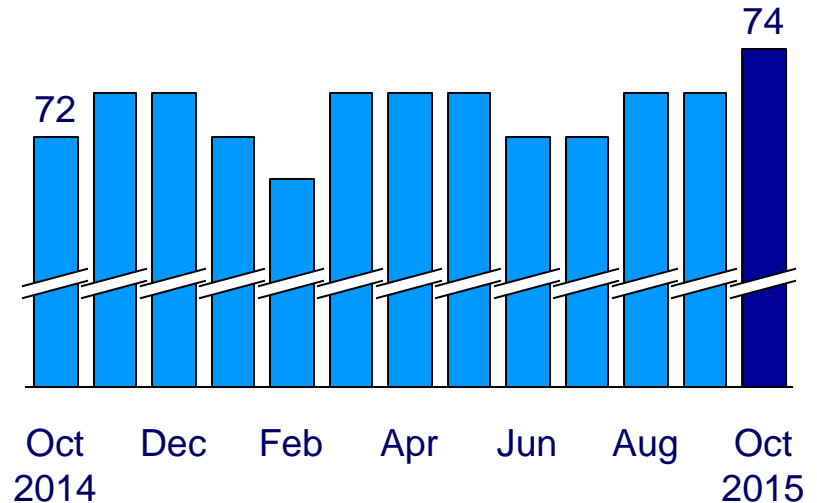
## Dedicated employees key driver to improved customer satisfaction

- Cabin crew at all-time-high
- Onboard services at all-time-high
- Intercont at all-time-high

## In addition, new tools will further improve customer personalization

- Hand held devices for crew to be rolled out
- Direct customer feedback in SAS app
- Electronic flight bag for pilots

## SAS customer satisfaction index



# Several structural changes implemented during FY15

## Selected examples



### New pilot agreement

- New collective bargaining agreements signed in Apr-May
- Alternative career opportunities explored through 'pilot career centre'



### Technical maintenance improving

- Maintenance schedule for Boeing fleet improved
- Base maintenance contracts renegotiated



### Increased efficiency and outsourcing of ground handling

- Efficiency improvements and automation
- Agreement to transfer line stations in Norway to Widerøe
- Letter of intent with Aviator to outsource remaining operations at Copenhagen, Oslo, Arlanda, Gothenburg and Malmö



### Overhead

- Optimized sales and administration; reduction by 285 employees during 2015
- 140,000 sqm of facilities re-negotiated



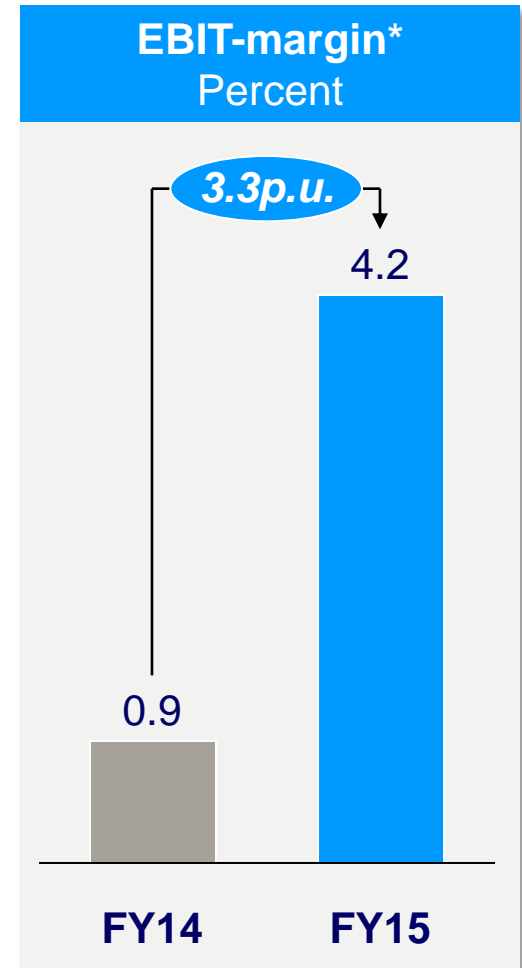
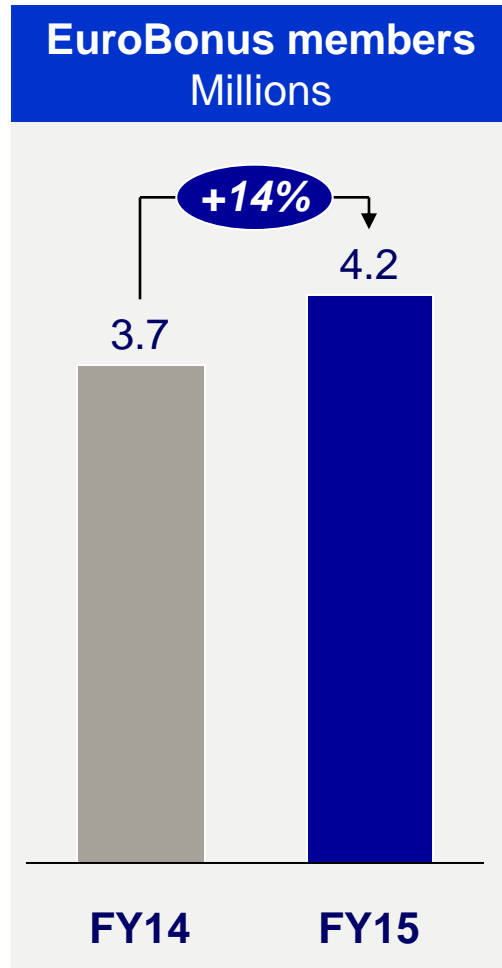
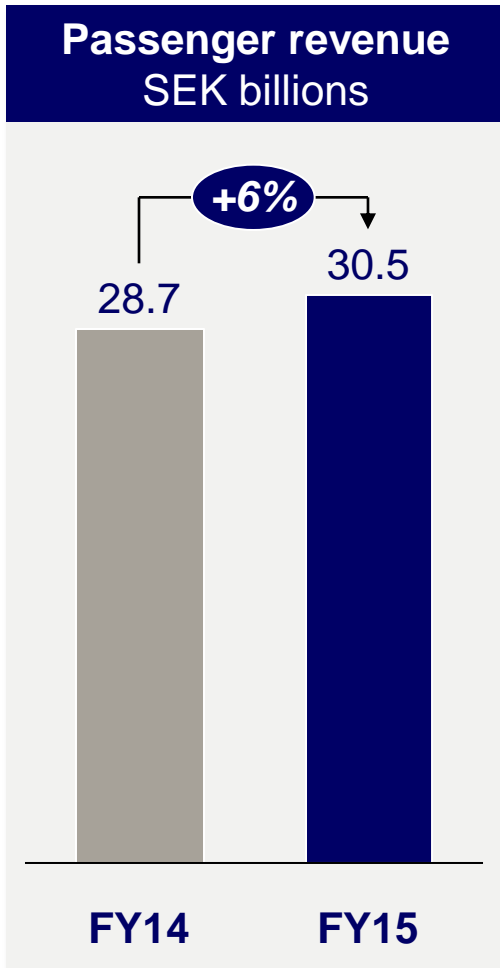
### Continued simplification of fleet

- Sale of Blue1 to Cityjet
- Phase out of Boeing 717 simplifies SAS fleet
- More wetlease, incl. 8 CRJ900 from spring 2016 from Cityjet

Effect  
in FY15  
**920**  
MSEK



# SAS delivers on its strategy



8 \* = Before non-recurring items



# GÖRAN JANSSON

## CFO

# Income statement FY15

Income statement	Nov14-Oct15	Nov13-Oct14	Change vs LY	Currency
<b>Total operating revenue</b>	<b>39,650</b>	<b>38,006</b>	<b>+1,644</b>	<b>+963</b>
Payroll expenditure	-9,492	-9,831	+339	
Jet fuel	-8,430	-8,806	+376	
Government charges	-4,087	-3,962	-125	
Other operating expenditure	-11,939	-11,732	-207	
<b>Total operating expenses*</b>	<b>-33,948</b>	<b>-34,331</b>	<b>+383</b>	<b>-1,997</b>
<b>EBITDAR before non-recurring items</b>	<b>5,702</b>	<b>3,675</b>	<b>+2,027</b>	<b>-1,034</b>
<i>EBITDAR-margin*</i>	14.4%	9.7%	+4.7 p.u.	
Leasing costs, aircraft	-2,593	-2,060	-533	
Depreciation	-1,466	-1,320	-146	
Share of income in affiliated companies	37	30	+7	
<b>EBIT before non-recurring items</b>	<b>1,680</b>	<b>325</b>	<b>+1,355</b>	<b>-1,493</b>
<i>EBIT-margin*</i>	4.2%	0.9%	+3.3 p.u.	
Financial items	-506	-1,022	+516	
<b>EBT before non-recurring items</b>	<b>1,174</b>	<b>-697</b>	<b>+1,871</b>	<b>-1,511</b>
Non-recurring items	243	-221	+464	
<b>EBT</b>	<b>1,417</b>	<b>-918</b>	<b>+2,335</b>	<b>-1,511</b>

\* = Before non-recurring items

## EBT before non-recurring items up 70% vs. last year in Q4

Income statement	Aug-Oct 2015	Aug-Oct 2014	Change vs LY	Currency
<b>Total operating revenue</b>	<b>10,903</b>	<b>10,966</b>	<b>-63</b>	<b>+22</b>
Payroll expenditure	-2,201	-2,381	+180	
Jet fuel	-1,764	-2,533	+769	
Government charges	-1,118	-1,111	-7	
Other operating expenditure	-3,287	-3,169	-118	
<b>Total operating expenses*</b>	<b>-8,370</b>	<b>-9,194</b>	<b>+824</b>	<b>-385</b>
<b>EBITDAR before non-recurring items</b>	<b>2,533</b>	<b>1,772</b>	<b>+761</b>	<b>-363</b>
<i>EBITDAR-margin*</i>	23.2%	16.2%	+7.0 p.u.	
Leasing costs, aircraft	-671	-550	-121	
Depreciation	-436	-299	-137	
Share of income in affiliated companies	24	17	+7	
<b>EBIT before non-recurring items</b>	<b>1,450</b>	<b>940</b>	<b>+510</b>	<b>-482</b>
<i>EBIT-margin*</i>	13.3%	8.6%	+4.7 p.u.	
Financial items	-112	-151	+39	
<b>EBT before non-recurring items</b>	<b>1,338</b>	<b>789</b>	<b>+549</b>	<b>-488</b>
Non-recurring items	-471	-1,239	+768	
<b>EBT</b>	<b>867</b>	<b>-450</b>	<b>+1,317</b>	<b>-488</b>

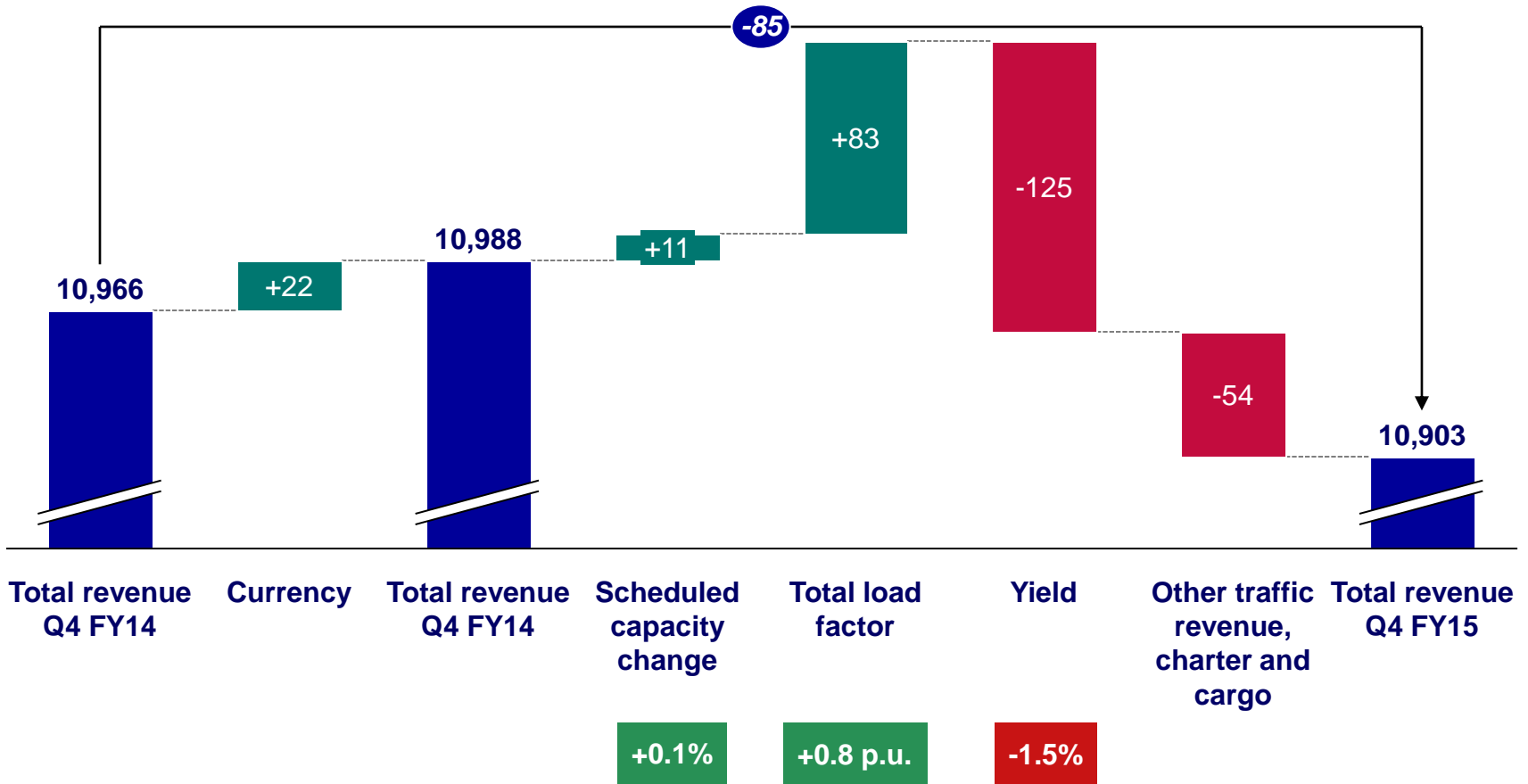
\* = Before non-recurring items

## Non-recurring items in Q4

<b>Non-recurring items</b>		<b>MSEK</b>
Impairments/write down		-314
<i>Wideröe</i>	-270	
<i>Estonian Air</i>	-33	
<i>Blue1</i>	-11	
Restructure costs		-165
<i>Pilot restructure</i>	-210	
<i>Disolve previous restructure</i>	+45	
Capital gain, aircraft		+44
Other non-recurring items		-36
<b>Total non-recurring items</b>		<b>-471</b>

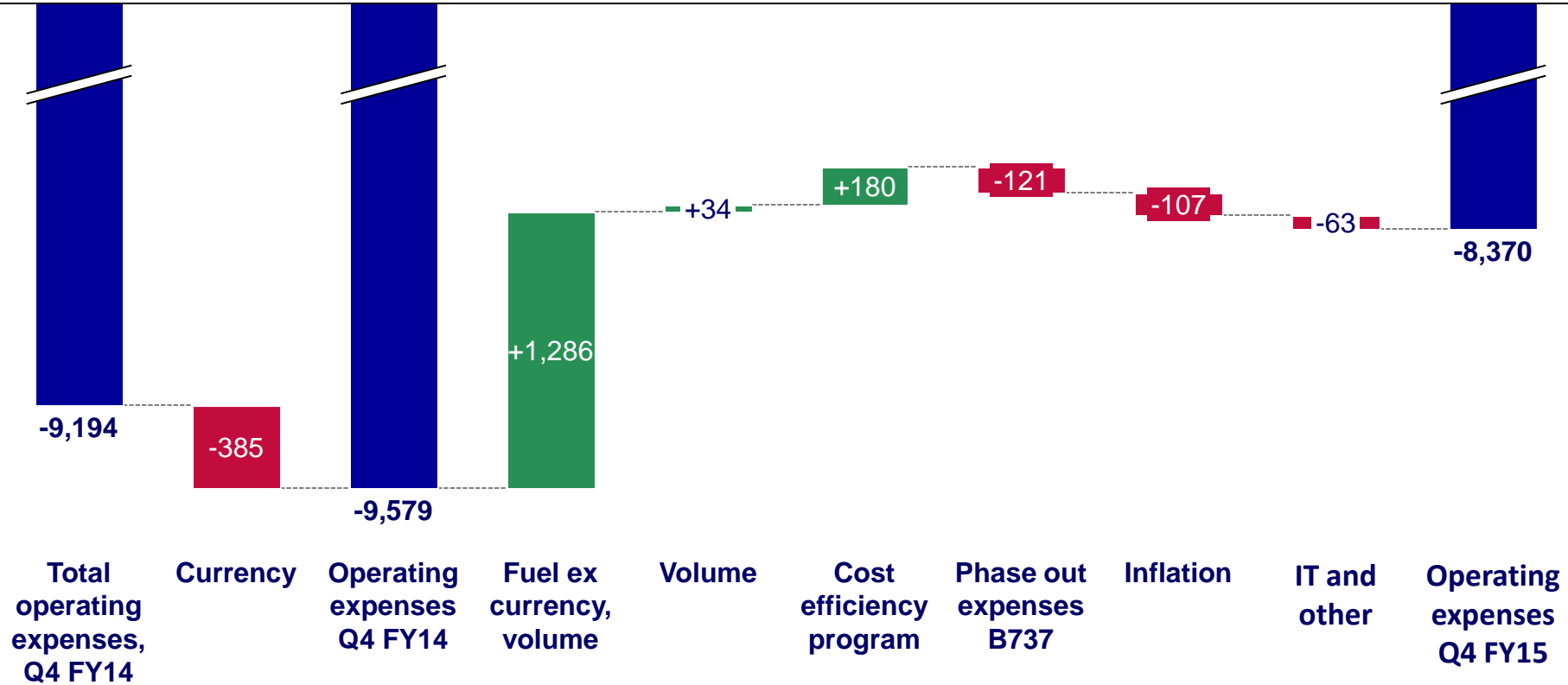
# Revenue analysis Q4

Total Revenue Q4  
MSEK



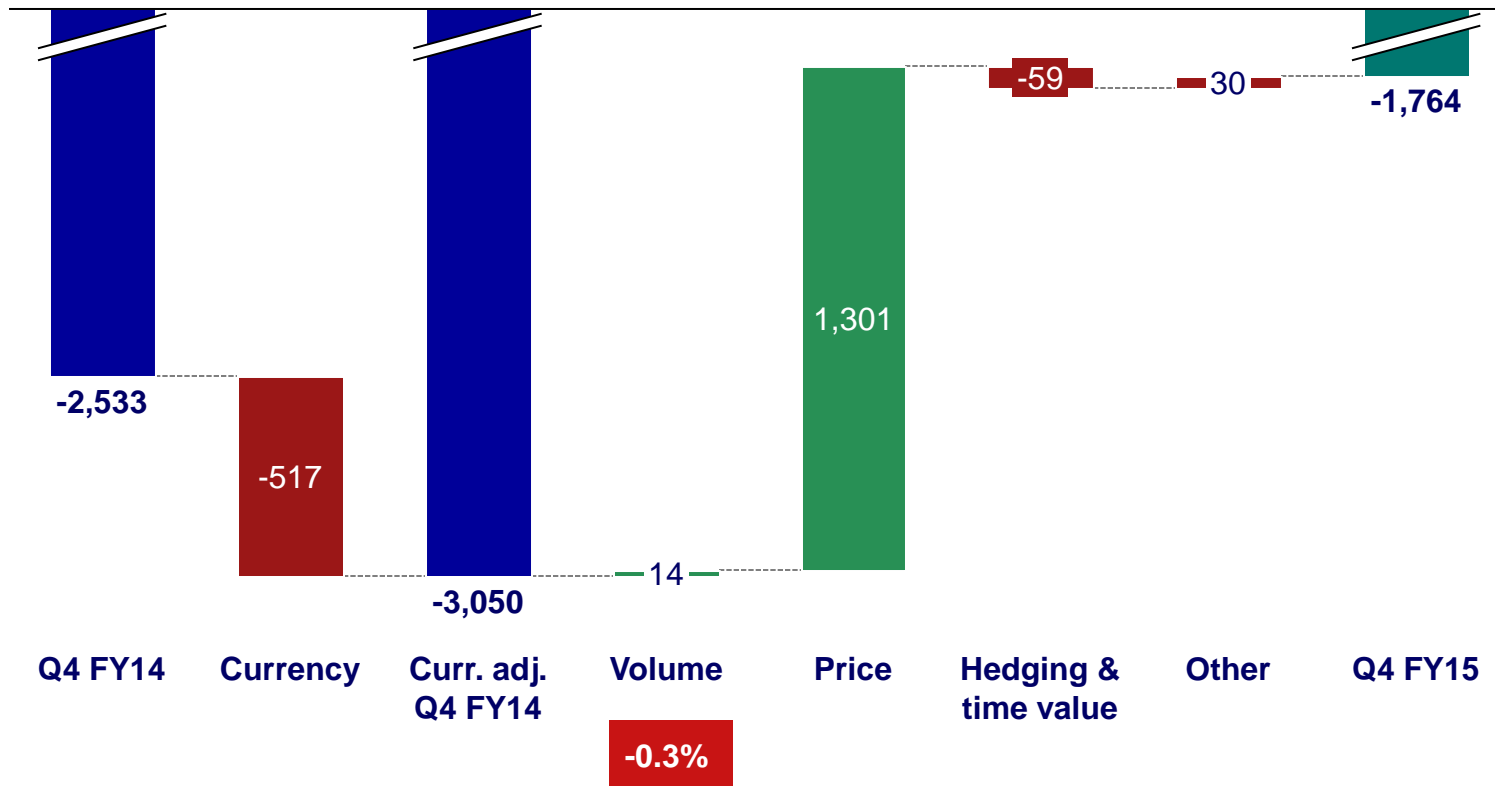
# Operating expenses down due to fuel costs and efficiency measures

**Total Operating Expenses Q4**  
MSEK

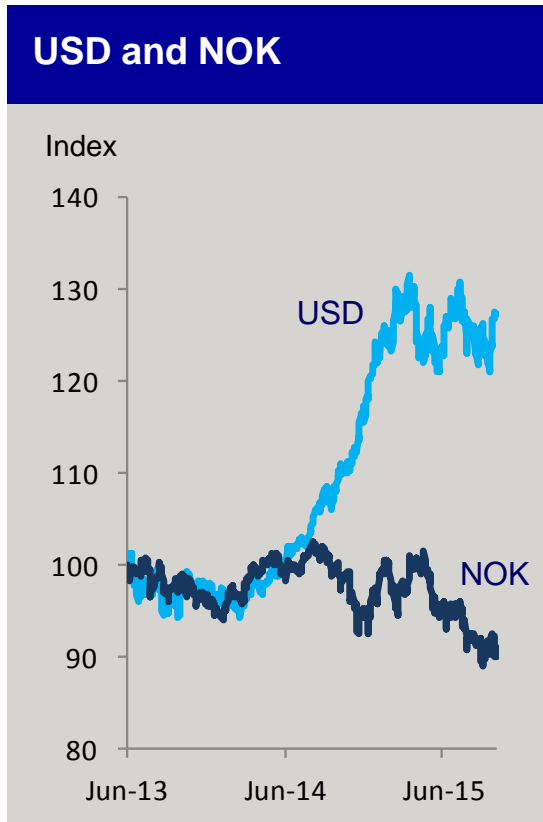
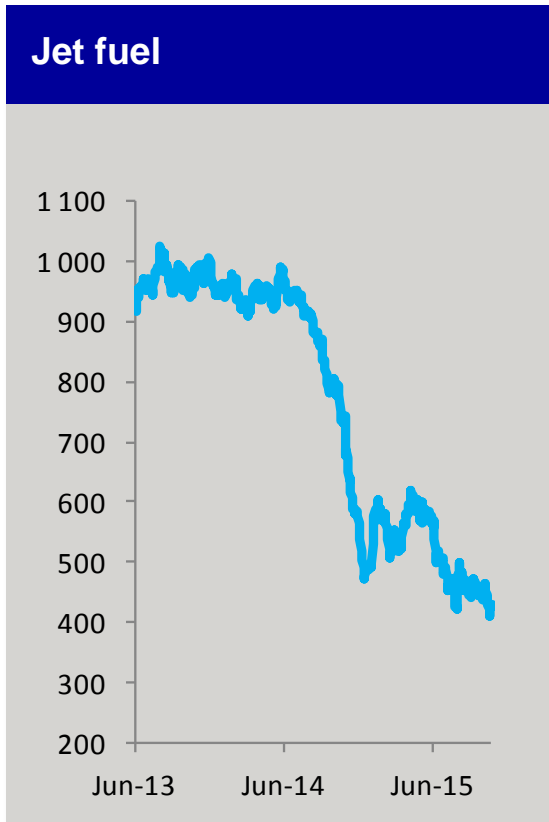


# Jet fuel costs MSEK 769 lower in Q4

Fuel cost Q4  
MSEK



# Jet fuel and currencies



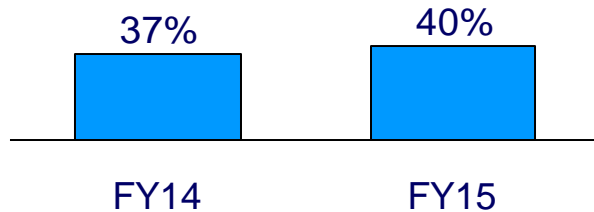
- ### Current hedges
- 80% of jet fuel consumption hedged for FY16
  - Hedge portfolio mostly with swaps from Q2 FY16
  - FY16 jet fuel to be significantly lower than FY15
  - 67% of USD hedged in FY16
  - 70% of NOK hedged in FY16

Max jet fuel price	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16	Q1 FY17	Q2 FY17
\$450-600/MT	68%	80%	80%	93%	-	-
\$600-700/MT	-	-	-	-	17%	-

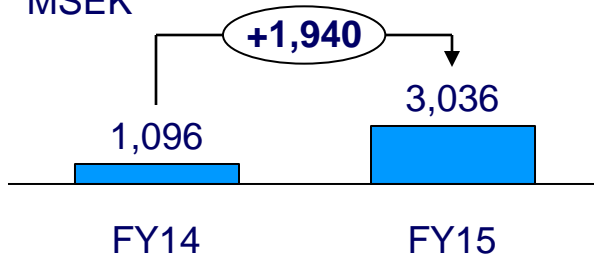


# Stronger financial position

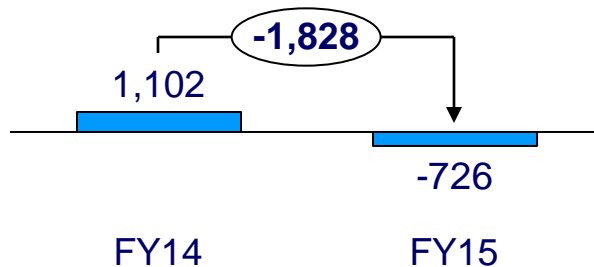
## Financial preparedness



## Cash flow from operating activities MSEK



## Financial net debt, MSEK



- Cash flow from operating activities improved SEK 1.9 bn during in FY15
- Cash of SEK 8.2 bn
- Unutilized credit facilities of SEK 2.7 bn
- Financial preparedness improved to 40%
- Financing of aircraft deliveries in place until 2<sup>nd</sup> Quarter 2016 and pre deliveries of aircraft until early 2017
- SAS financial net debt positive
- Shareholders' equity improved SEK 1.4 bn
- Equity/total asset improved by 4 p.u. to 21%

# Summary and outlook

## FY15 Summary

EBT before non-recurring items is up by 70% in Q4 and SEK 1.9 bn in FY15

Commercial initiatives paying off

- PASK up 3.8%
- EuroBonus members up 14%
- New and upgraded lounges

Long haul expansion kicked off

MSEK 920 in earnings impact from efficiency program

Implementation of SAS' strategy to outsource SAS ground handling in progress

## FY16 outlook

Market capacity expected to increase

SAS to increase ASK by 10%, whereoff 9% long haul

Number of flights up 1%

Lower PASK and unit cost due to stage length effect

Efficiency program to deliver SEK 1 bn in earnings impact

SAS expects to post a positive EBT before tax and non-recurring items in FY16

**THANK YOU**