

ANNUAL GENERAL MEETING

RICKARD GUSTAFSON, PRESIDENT & CEO

22.02.2017



SAS

Agenda

1 Serving Scandinavia's frequent travelers

2 FY16 delivery and performance

3 Challenging environment requires accelerated transformation



**TRAVELERS
MAKE HISTORY**

#SAS70



SAS is a fundamental part of the Scandinavian infrastructure

80,000

Journeys
per day



263

Routes
served



813

Daily
departures



1,300

Destinations via
Star Alliance



300

Tones cargo
daily



11,000

Avg. number
of employees



SAS vision: To make life easier for Scandinavia's frequent travelers



The first choice for frequent travelers



Create an efficient operating platform



Secure the right capabilities

The first choice for frequent travelers



EFFICIENCY	SERVICE	GLOBAL FOOTPRINT	LOYALTY
<p>Automation & self-service</p> <p>Connected all way through</p> <p>Punctuality</p>	<p>On ground – lounge, fast track, 1st bag</p> <p>On board – Business, Plus, Go Light</p> <p>One-to-one interaction</p>	<p>Dynamic & customer-oriented network – most departures and direct flights from Scandinavia</p> <p>Star Alliance</p>	<p>Leading loyalty program, with >4.7 million EuroBonus members (and growing!)</p>

Create an efficient operating platform



FLIGHT OPS	GROUND	TECH	SUSTAINABILITY
<p>2 tier production model</p> <p>Standardization & flexibility</p> <p>Efficient asset management</p>	<p>Excel on primary airports</p> <p>The Internet of Things</p>	<p>Outsourcing of heavy maintenance</p> <p>Lean processes</p>	<p>Bio fuel blends</p> <p>Upgrade of fleet & engines</p> <p>Push for Single European Sky</p>

Secure the right capabilities



Strengthen employee commitment

Frequent **surveys** of employee **commitment & satisfaction**

Highlighting **achievements** – SAS Award



Develop leadership

Emphasis on **Communicative leadership**

Investing in leadership **training programs**



Secure talent supply

Offering **mentorship programs**

Proactive **succession planning**



Create an attractive workplace

Investments in **tools & work environment**

Focus on **sick leave** reduction

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Further improved our customer offering...



...and an extended intercontinental footprint

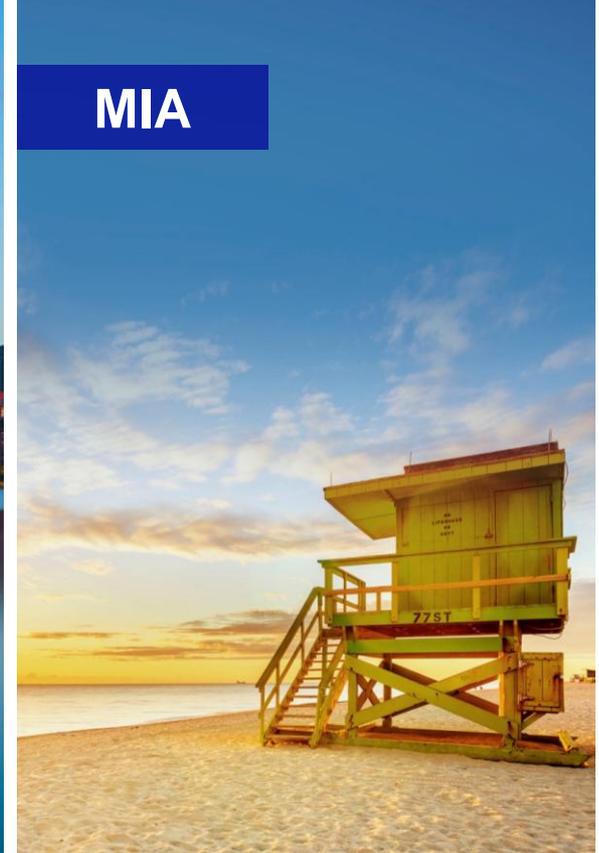
LAX



BOS



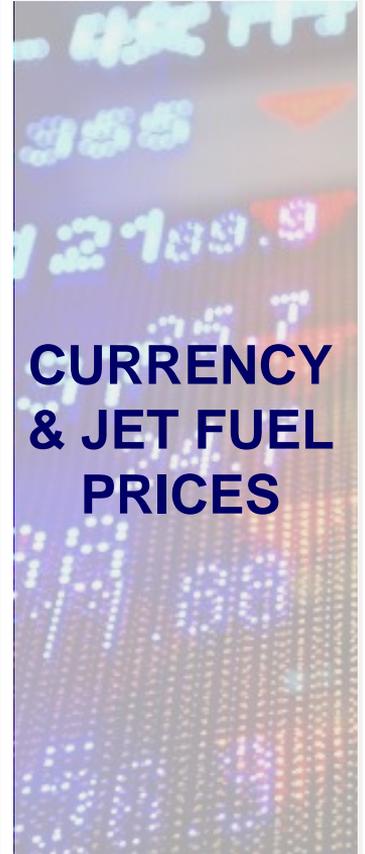
MIA



In addition, we continued to make SAS production model more efficient



But we also encountered some head winds...



Financial development in line with forecast

SEK 39.5bn

Operating
revenue



SEK 0.9bn

Income before tax
and non-recurring
items



SEK 3.7bn

Cash flow from
operating activities



SEK -1.7bn

FX rate effect on
earnings before tax



-9%

Yield (passenger
revenue/revenue
passenger km)

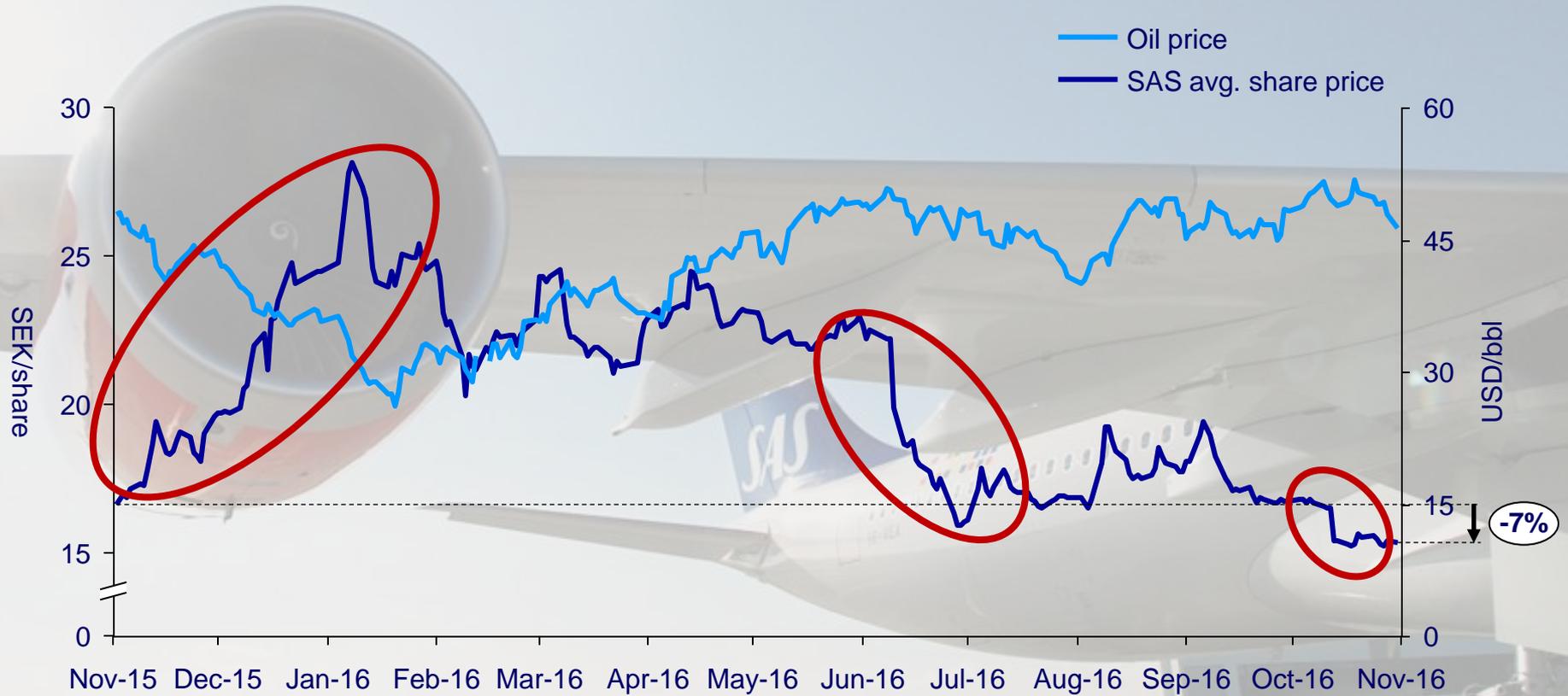


-11%

CASK (unit cost; per
available seat km)



SAS share price development in FY16



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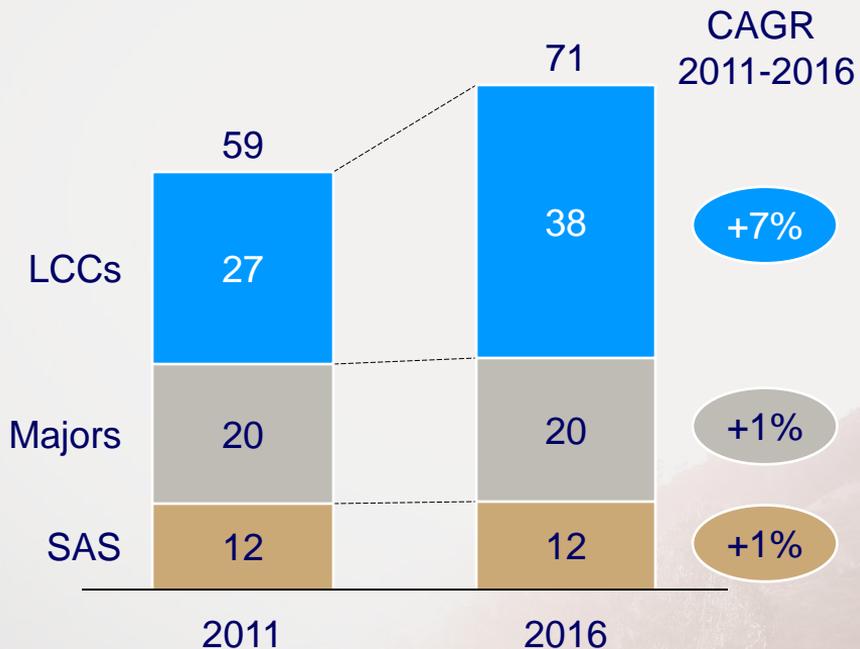
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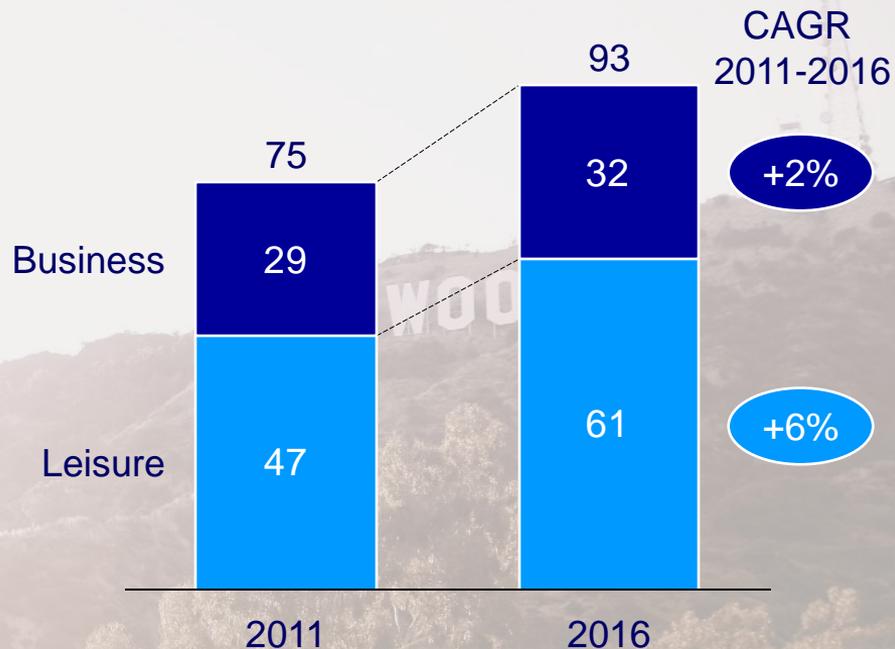


In recent years, growth has come from the leisure segment driven by increased LCC capacity

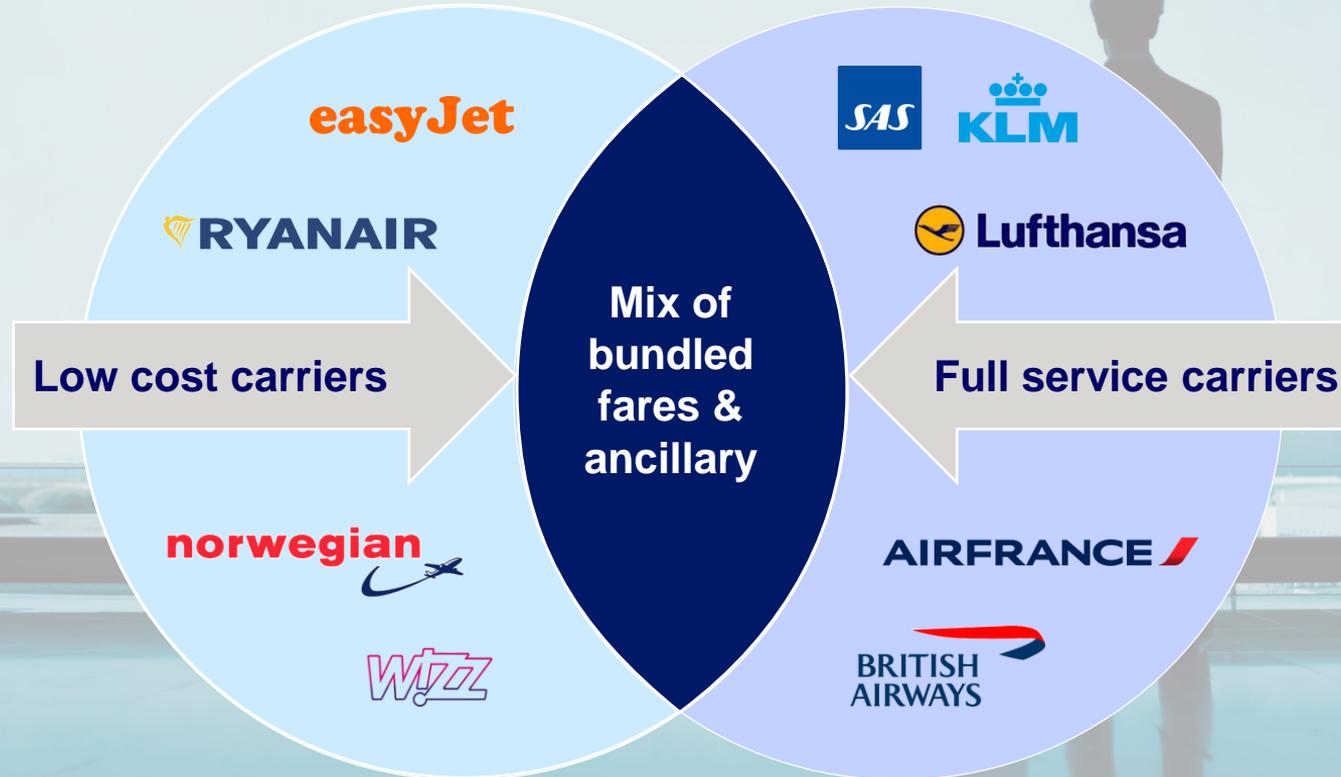
Capacity Scandinavia-Europe (Seats in millions)



Purpose of travel – Scandinavia (Passengers in millions; CAGR %)



LCC and traditional carriers are now converging towards a mix of full bundled fares and ancillary services to increase total revenues



With several factors amplifying each other, SAS is heading into a “perfect storm”



**Yield
pressure**

Intense competition and converging business models



**Taxes &
charges**

New aviation tax introduced in Norway – Sweden considering to do the same



**Currency
& jet fuel**

Exposure towards unfavorable currency and jet fuel price development



**Capital
need**

Maturing loans and financing needs for aircraft



**State sell-
down**

Swedish and Norwegian states have cut their holdings – creating uncertainty



Fleet

Ageing and declining aircraft fleet that needs to be renewed

Continuous operational improvements and new structural measures are being planned and implemented



SEK 1.3bn

SEK 1.5bn
Initiated activities

Under
development

OPTIMIZE COMMERCIAL
OFFERING

ESTABLISH NEW
PRODUCTION UNIT

STREAMLINE GROUND HANDLING

OPTIMIZE TECHNICAL MAINTENANCE

SIMPLIFY ADMINISTRATION SETUP

IMPROVE WORKFORCE PRODUCTIVITY & FLEXIBILITY

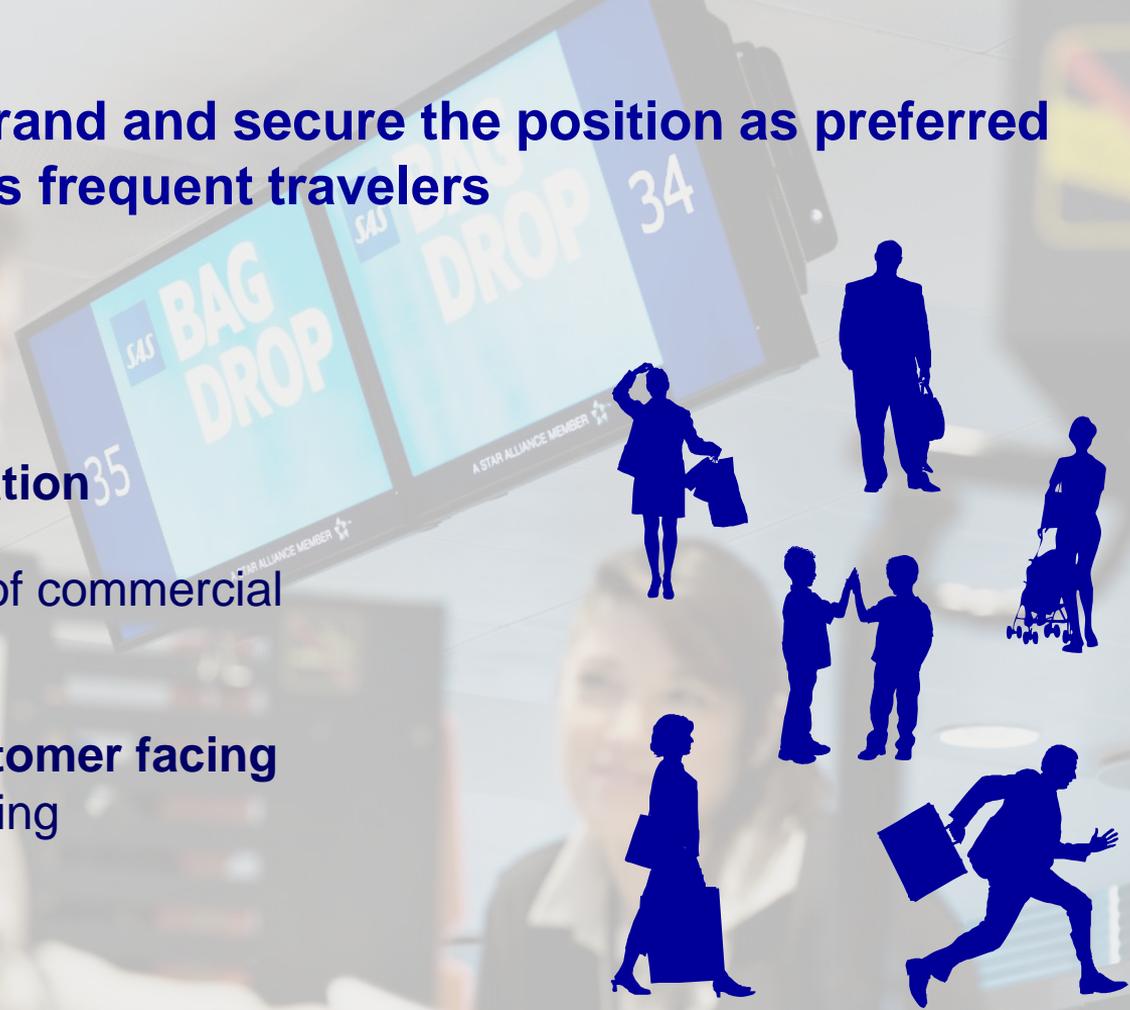
FY15 - FY16

FY17 – FY19

FY18 →

Build on SAS' strong brand and secure the position as preferred airline for Scandinavia's frequent travelers

- Invest in further **digitalization**
- Increase **differentiation** of commercial **product offering**
- Reduce cost for **non-customer facing elements** of product offering



SAS needs to further transform its operational platform to secure competitiveness and take part of the growing leisure market

- **Leisure** segment exhibits **rapid growth**, but is **price sensitive**
- **Intense competition** and **converging business models**
- SAS is the **only airline** operating with **Scandinavian based crew** – **cost disadvantage** due to higher average labor cost



As a complement to SAS' Scandinavian based production, a new company with headquarters in Ireland to be established

KEY PRINCIPLES

- **New bases** to be set up in London & Spain
- Fleet of **A320neo**
- **Locally employed crew**
- **Safety standard** comparable to SAS
- **1st flight** during winter program 2017/2018

OUTCOME: CONTINUE BEING A VITAL PART OF SCANDINAVIAN SOCIETY & INFRASTRUCTURE

SAS is a fundamental part of the Scandinavian infrastructure





“To move from the old to what is about to come is the only tradition worth keeping”

WE ARE TRAVELERS

