



SAS Q4 2013/2014
December, 2014

SAS delivers in line with guidance and introduces further efficiency measures

Q4 EBT
Full year EBT

SEK 789* million
SEK 347 million**

Commercial initiatives deliver in Q4

- Passenger revenue +8%
- Number of passengers +8%
- Stabilized PASK

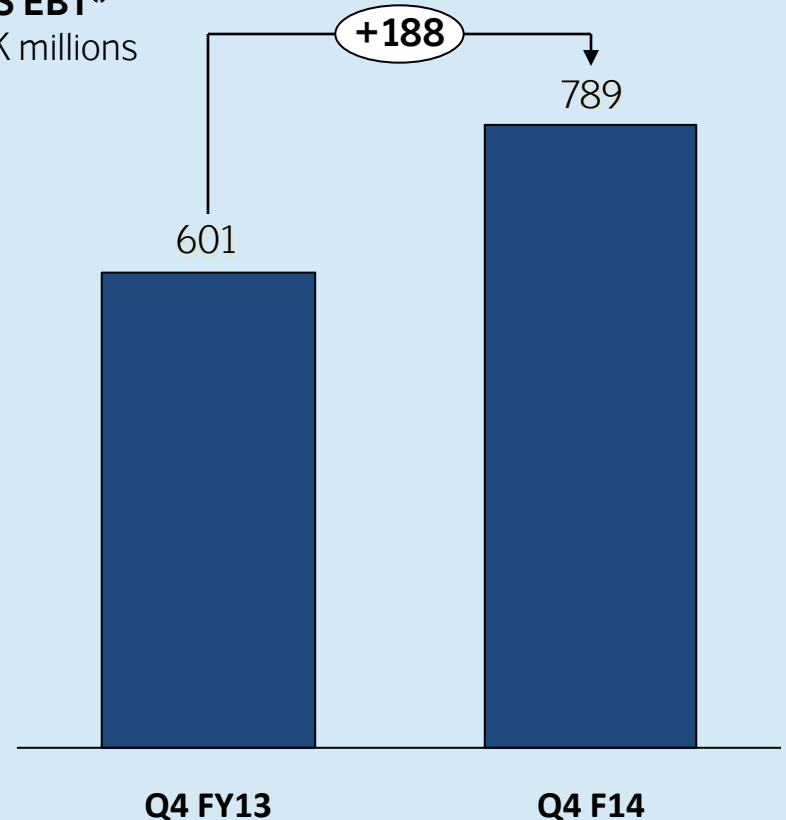
Operating platform

- Unit cost down 1% in Q4 and 4% FY 2014
- Number of FTEs reduced by 10% in Q4

European aviation industry developing towards a new norm

- Additional efficiency measures of SEK 2.1 billion 2015-2017
- Restructuring cost of SEK 1.3 billion 2013/2014

SAS EBT*
SEK millions



* Excluding non-recurring items

* Before non-recurring items, ** Before non-recurring items and including positive effect from changed pension conditions

Building a strong product offering for Scandinavia's frequent travelers

OUR VISION IS TO MAKE LIFE EASIER FOR SCANDINAVIA'S FREQUENT TRAVELERS

With SAS you are part of a community experiencing easy, joyful and reliable services, delivered the Scandinavian way.

- Introduction of SAS GO and SAS PLUS
- Adopting network to seasonal demand



- Aligned Tier level structure to match focus on frequent travelers
- Introduction of new premium level – Diamond
- Expansion of partner portfolio to include everyday spend



- New fast tracks in Bergen, Stavanger, Trondheim and Arlanda
- Upgrade of SAS lounges
- New domestic lounges opened in Oslo and Gothenburg
- Increased self service; bag drop, boarding etc.



Schedule

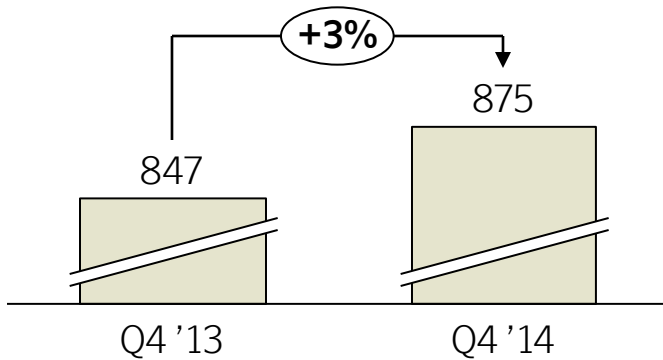
Punctuality

Regularity

Strengthened network and strong operational quality

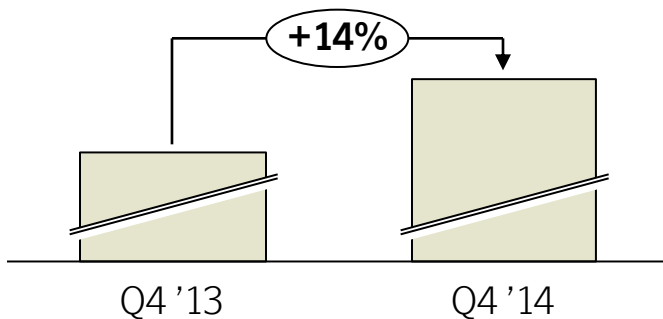
More daily departures

Departures per day (schedule); average



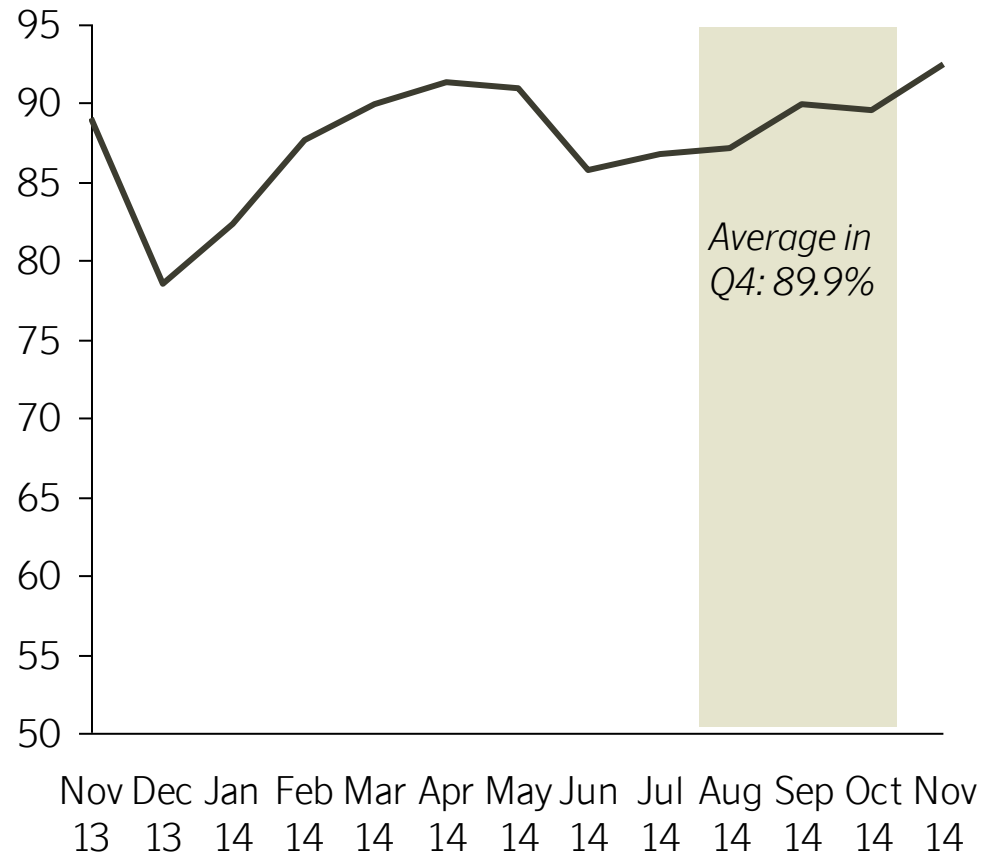
Increased use of wetlease

Wetlease; Block hours



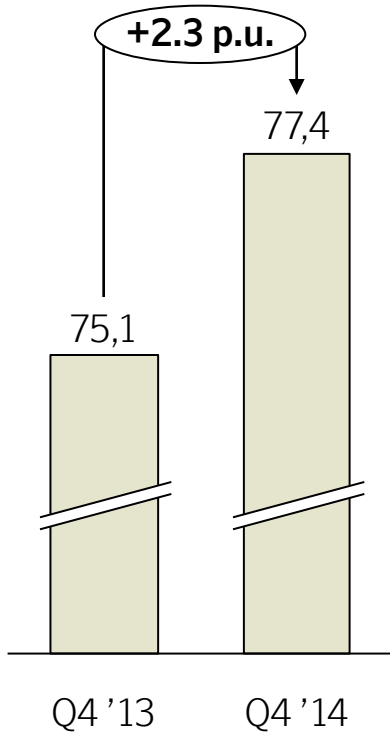
High punctuality maintained

15 min arrival punctuality; Percent

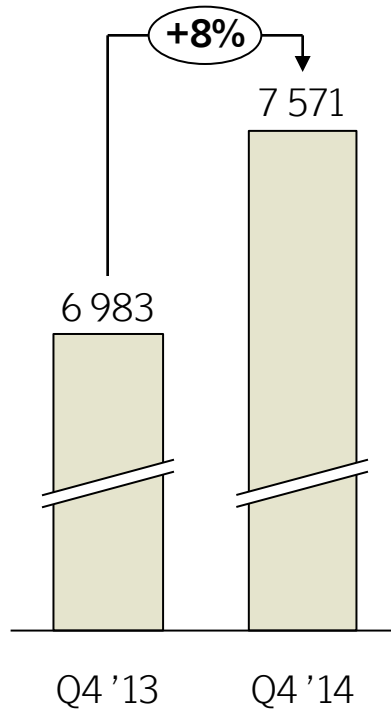


The commercial initiatives deliver results

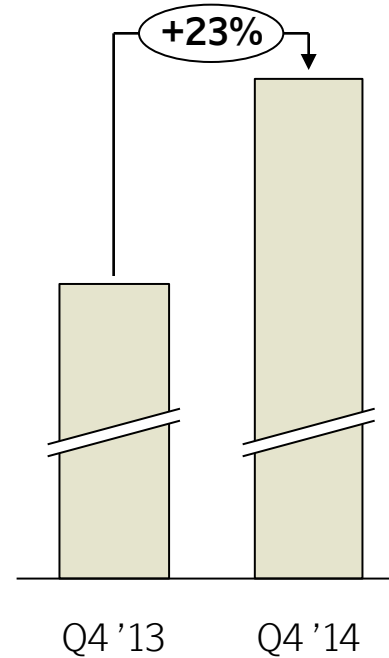
Cabin factor improved by 2.3 p.u.
Percent



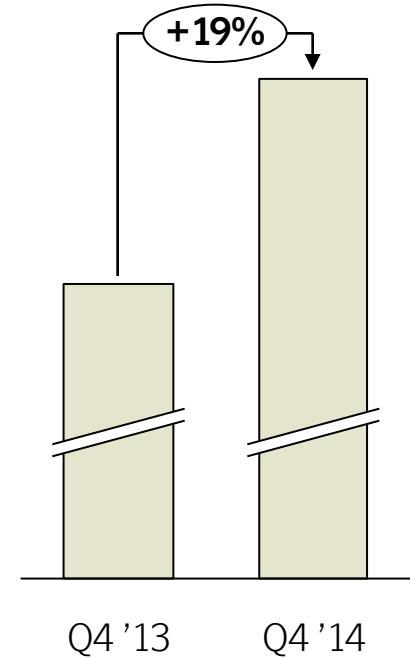
590 000 more passengers than last year
Total passengers, '000



Strong demand for PLUS product
PLUS passengers, '000



Increased revenue from EuroBonus members
Flight revenue



New intercontinental route and more product improvements in pipeline

September 2015 we launch a new intercontinental route Stockholm–Hong Kong

- 5 roundtrips per week with efficient connections
- 3 class product



Continued focus on developing lounges and Fast Tracks

- New Fast Track in Aalborg end of 2014
- Introducing Café lounges – smaller lounges in connection to gates



First renovated long haul aircraft in traffic February 2015

- New seats, a complete interior upgrade, new entertainment system and WiFi
- Our A330 “Erik Viking” now out of traffic for installment of new cabin



Continue to develop EuroBonus

- Several new partners in pipeline
- More attractive benefits



SAS has made significant improvements to the operating platform

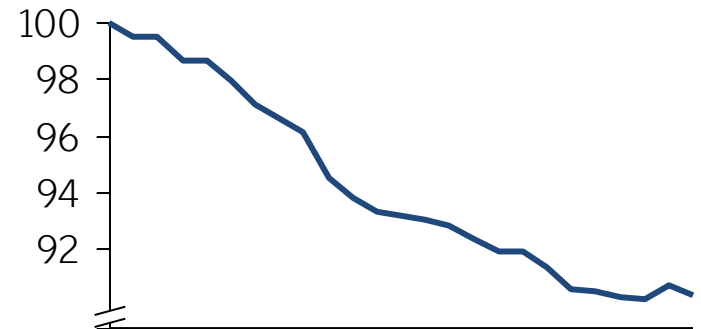
SEK 3 billion restructuring program initiated 2012 completed, e.g.

- Admin centralization and reduction
- New pension schemes
- Divestment of non-core businesses
- Improved union agreements
- Increased use of wetlease

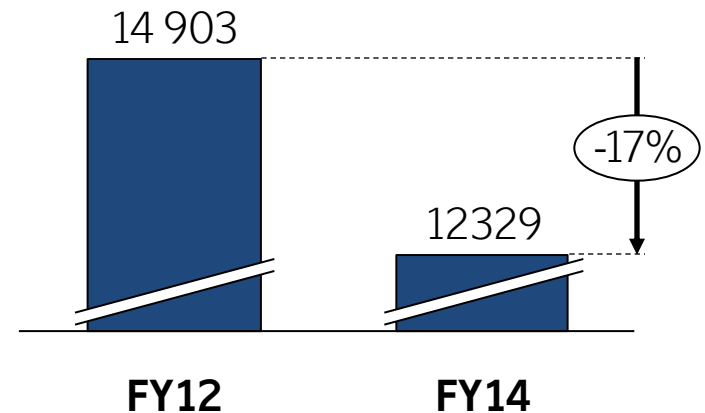
SAS has delivered on restructuring program resulting in decreased unit costs, a more flexible cost base and increased productivity

Decreased unit cost

SK unit cost excl. fuel, index vs. LY R12



FTE reduction according to plan



SEK 2.1 billion in additional cost savings will be implemented FY15-17

Key examples



Administration, sales and distribution – 300 FTE and simplifications

SEK 250 million

- Commercial functions in one unit
- Actions on distribution model



Ground handling – flexibility and improved processes

SEK 200 million

- Improved scheduling and more flexible staffing
- Increased automatization, e.g. bag drops, boarding



Supply chain and logistics – improved steering of external spend

SEK 250 million

- Renegotiations of contracts
- Improved logistics, better optimization of costs



Facilities and rental agreements – increased utilization of premises

SEK 200 million

- Divestments and renegotiations of rental agreements
- Leasing of available office space

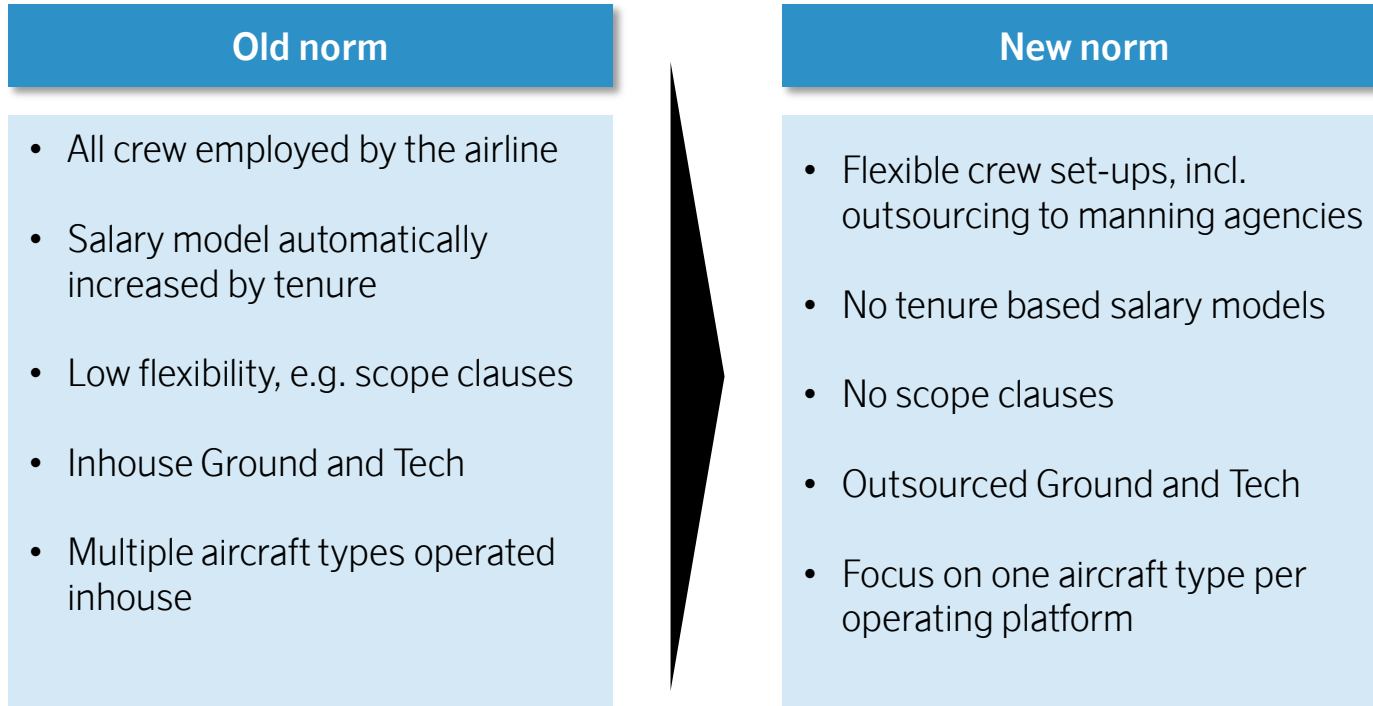


Maintenance – optimization of technical maintenance

SEK 300 million

- New maintenance program for B737
- Changes in engine/components agreements

European aviation industry developing towards a new norm



SAS needs to address the new norm and pave the way to secure future competitiveness

Cimber and Blue1 – additional steps towards an efficient operating platform



Acquisition of Cimber

- Current CRJ200 and ATR will be phased out by April 2015
- Cimber has fully competitive union agreements – cost and flexibility
- Transfer of CRJ900 operation – creating a focused and efficient regional jet platform
- Access to CO2 emission allowances at a discount



Reboot of Blue1

- Divestment of 717 aircraft by end of FY15 – “odd bird” with high unit costs
- New union agreements – fully competitive, both cost and flexibility
- Reboot Blue1 and operate as a flexible wetlease provider to SAS
- The current hypotheses is that the last 5 B717 will be replaced with B737-600

Structural changes of SAS production platform – deliver on long term fleet strategy

To serve Scandinavia's frequent travelers, SAS' short haul fleet needs

- **Flexibility** – different capacity during the year
- **Low complexity** – few aircraft types
- **Rightsizing** – access to small aircraft



Flexibility

- Blue1 will be a fully competitive and wetlease provider of flexible 737 capacity

Low complexity

- SK focus on A320 and 737 operation
- Continuous reduction of sub-types

Rightsizing

- All “small” aircraft operated by competitive and flexible production companies

GÖRAN JANSSON

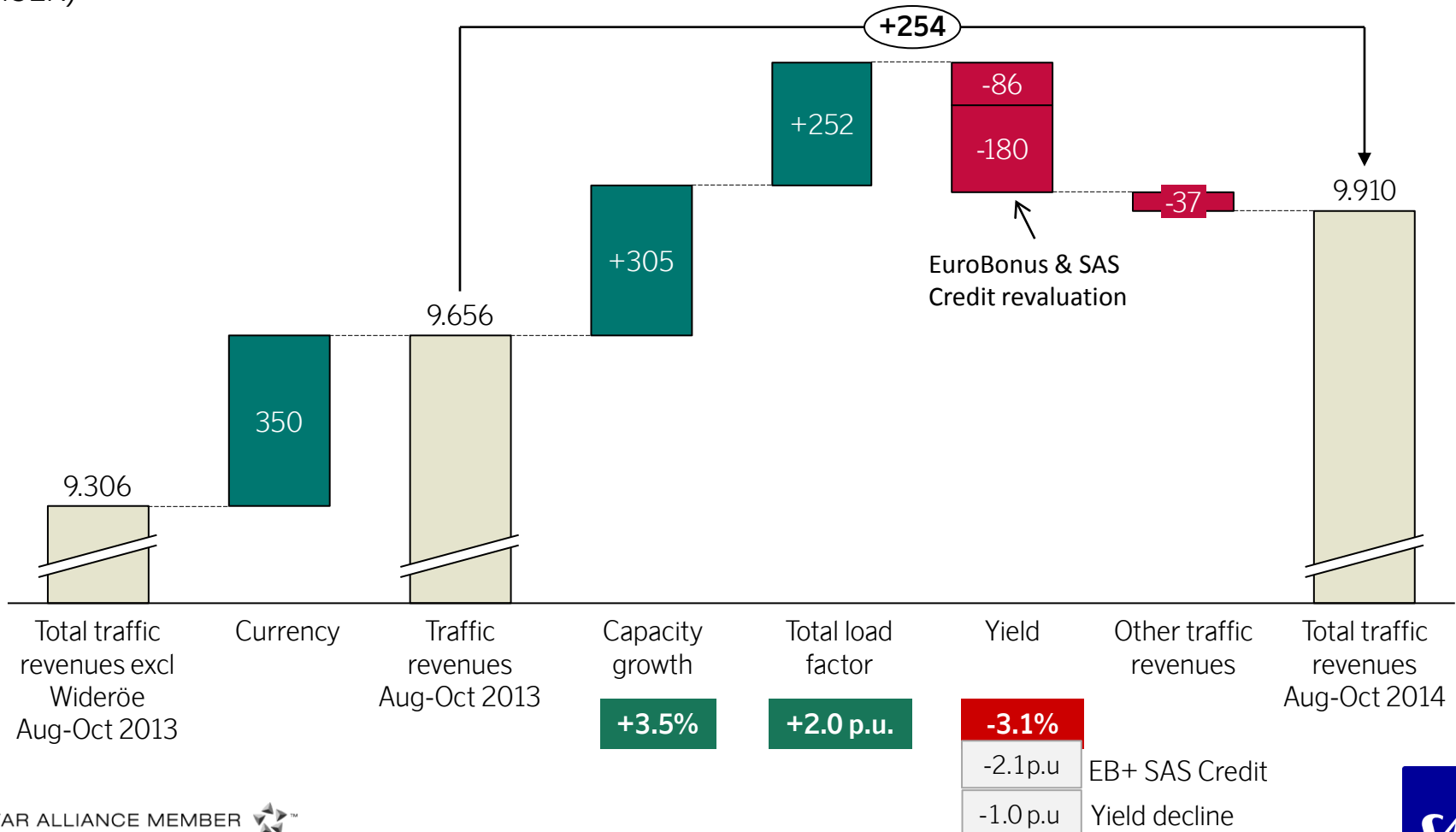
CFO

Improved top line in Q4

SAS income statement, ex Wideröe	Aug-Oct 14	Aug-Oct 13	Nov13-Oct 14	Nov12-Oct 13
Total operating revenue*	10,966	10,343	38,006	38,479
Payroll expenses	- 2,381	- 2,423	- 9,831	- 9,910
Fuel	- 2,533	- 2,420	- 8,806	- 8,639
Government charges	- 1,111	- 1,027	- 3,962	- 3,866
Other operating expenses	- 3,169	- 2,884	- 11,732	- 11,273
Total operating expenses*	- 9,194	- 8,754	- 34,331	- 33,688
EBITDAR before non-recurring items	1,772	1,589	3,675	4,791
Leasing costs, aircraft	- 550	- 476	- 2,060	- 1,671
Depreciation	- 299	- 353	- 1,320	- 1,491
Share of income in affiliated companies	17	19	30	25
EBIT before non-recurring items	940	779	325	1,654
Financial items	- 151	- 252	- 1,022	- 941
EBT before non-recurring items	789	527	- 697	713
Non-recurring items	- 1,239	967	- 221	729
EBT	- 450	1,494	- 918	1,442
Non-recurring items in FY14	-1,239		-221	
Facilities	-561		-561	
Payroll and pensions	-375		+650	
Fleet, tech	-248		-262	
Other	-55		-48	

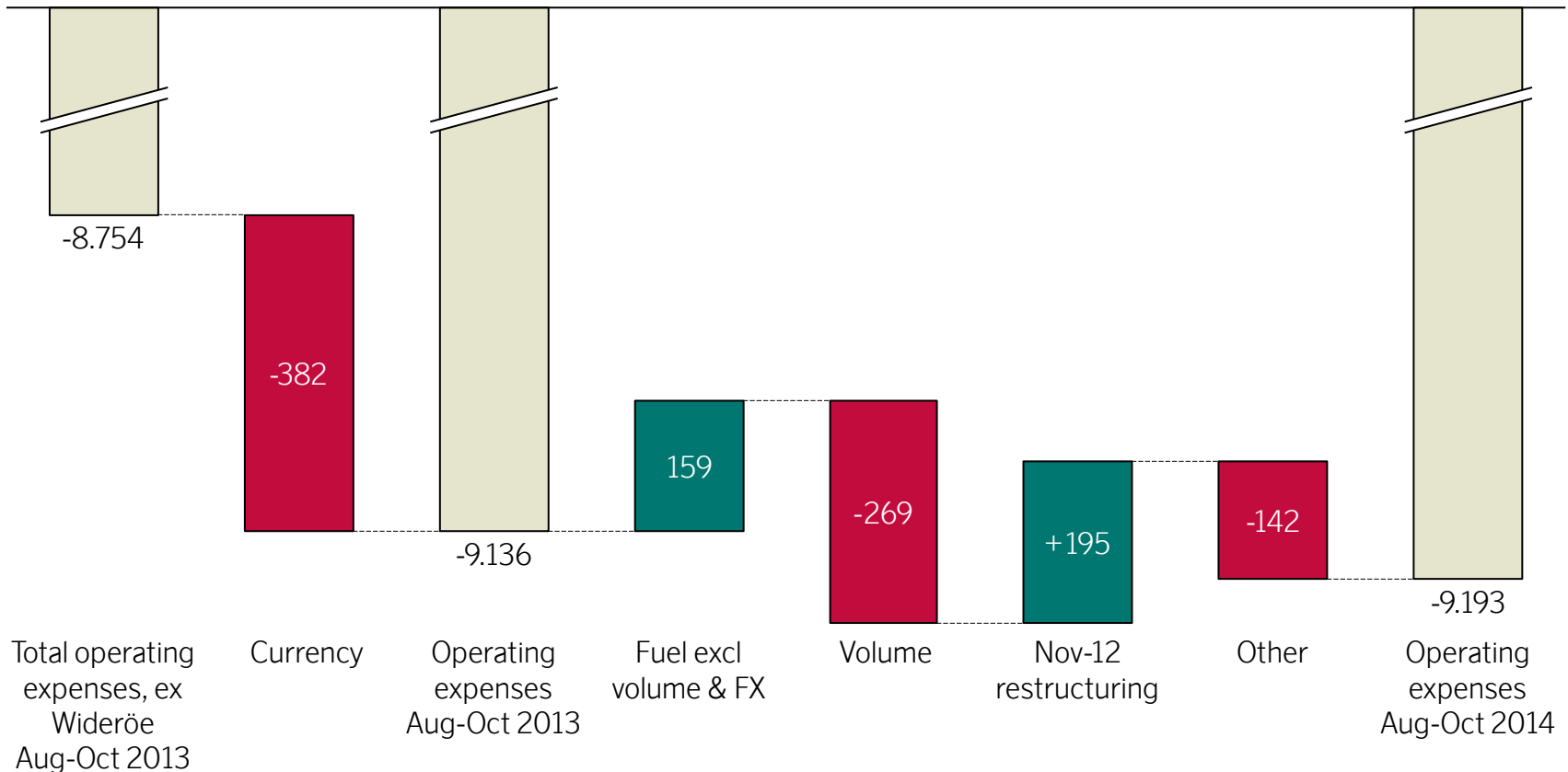
Capacity growth and improved load factor outweigh yield decline in Q4

Total Traffic Revenues Q4, SAS (MSEK)



Increased costs driven by currency and volume - limited positive effect from lower fuel prices

Total Operating Expenses Q4, SAS Group
(MSEK)



Jet fuel and currency update

Jet fuel, spot price development, USD



Current hedges

- SAS jet fuel costs in FY14 SEK 8.8bn
 - 43% of the consumption hedged for FY15
 - FY15 jet fuel cost with USD at SEK 7.5
 - USD 600/MT => SEK 7.4 bn
 - USD 700/MT => SEK 8.0 bn
 - USD 800/MT => SEK 8.6 bn
- 49% of USD deficit hedged for FY15
 - 1% appr. of USD/SEK = -100MSEK
- 57% of NOK surplus hedged for FY15
 - 1% depr. of NOK/SEK = -60MSEK

SAS' jet fuel hedging portfolio

Nov-Jan 2015

Feb-Apr 2015

May-Jul 2015

Aug-Oct 2015

Jet fuel hedging, USD 951-1,000/MT

79%

Jet fuel hedging, USD 901-950/MT

72%

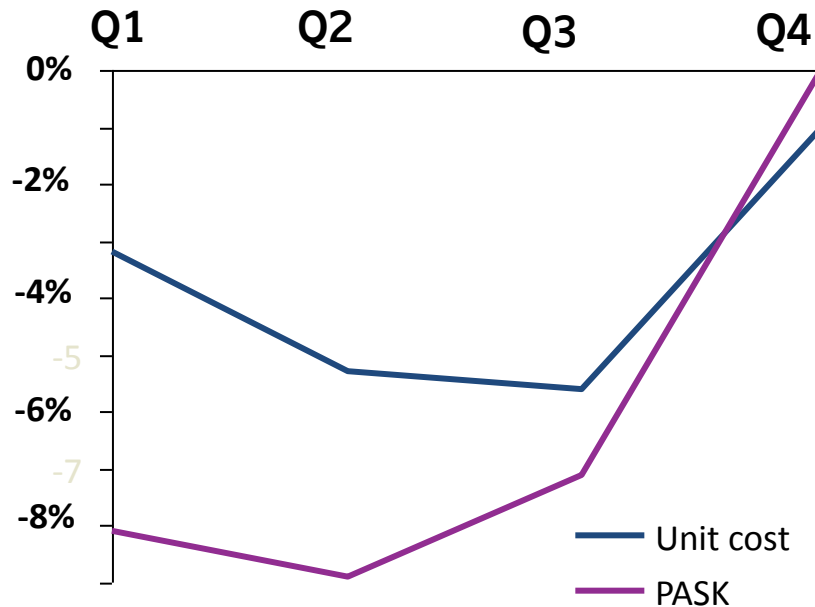
26%

6%

Efficiency measures on track and PASK stabilized in Q4

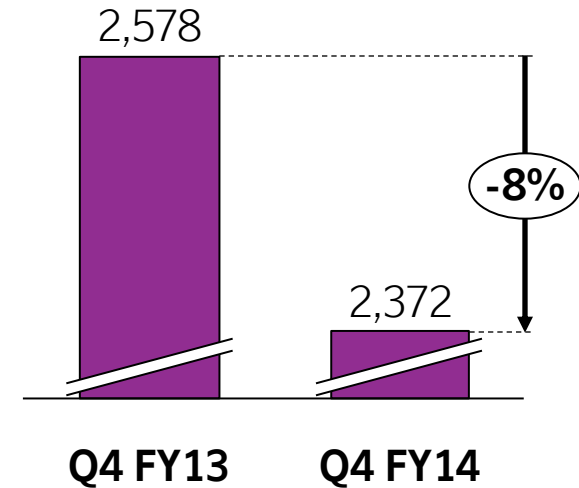
PASK and unit cost (ex fuel)

SK, change versus LY



SAS payroll unit cost, MSEK

SK, currency and ASK adjusted



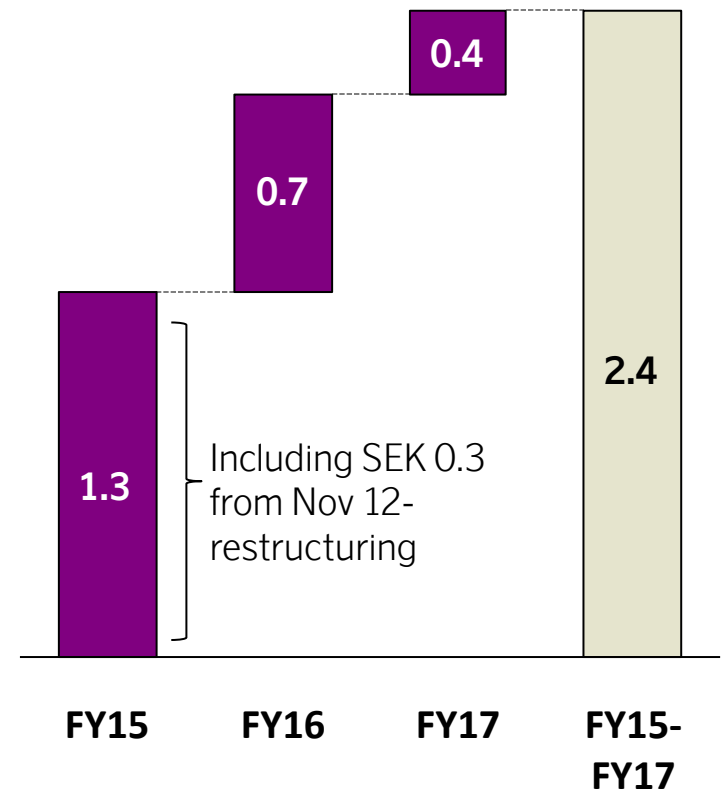
- Improved utilization of crew
- Centralization of administration
- Network and fleet optimization

Significant additional cost measures being implemented

Additional cost measures 2014-2017

- Additional measures of SEK 2.1 bn identified throughout 2014
- Restructuring costs of SEK 1.3 bn affecting 2013/2014
 - Facilities
 - FTE reduction
 - Simplification of fleet

Earnings impact from cost measures SEK bn

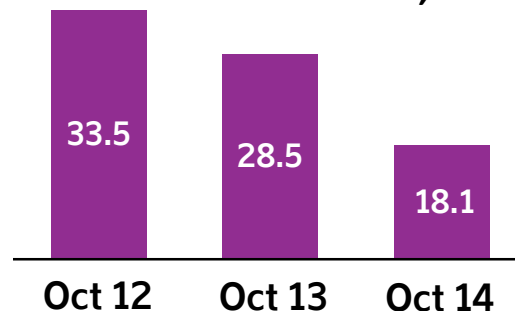


SAS financial risk exposure reduced in FY14

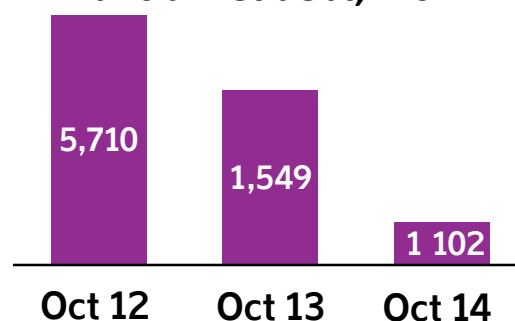
Significant achievements during FY14

- Pension commitments reduced by SEK 10.4bn
 - Lowered discount rate partly offset by return on pension assets - equity SEK 1.2 bn adjustment in Oct 2014
- Preference share issue of SEK 3.5 bn
- Convertible bond issue of SEK 1.6 bn
- Repayment of bond in June of SEK 1.8 bn
- Financing of 4 Airbus A330E secured
- PDP secured for 8 Airbus aircraft
- Working capital improved SEK 1.2 bn
 - Higher booking levels than last year

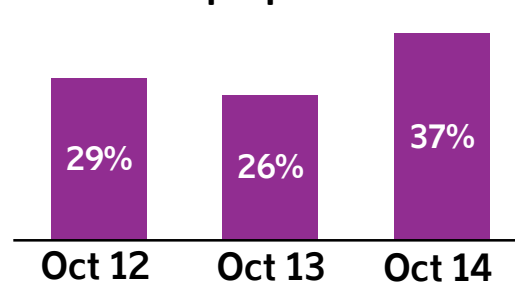
Pension commitments, SEK bn



Financial net debt, MSEK



Financial preparedness



Summary and outlook

Outlook

- SAS intensive efforts to strengthen cost competitiveness continues
- SAS expects positive EBT excluding non-recurring items in FY15 subject to:
 - current positive development in terms of reduced capacity and jet fuel
 - no further deterioration of currencies and no unexpected events

Outlook assumptions and conditions

- SEK~1.3 bn in cost savings
- Net investments SEK 1 bn in FY15
- Total capacity reduction of -1% to -2%
- Jet fuel hedged at 43% for FY15

Financial targets

- Due to extensive changes in European airline industry with intensified competition, SAS has initiated discussions with unions how to respond to the new industry requirements relating to flexibility and the need to reduce complexity
- SAS to review its EBIT-margin and Equity/Assets ratio pending the outcome of the discussions
- SAS reiterates its 20% financial preparedness target

Thank you!



A STAR ALLIANCE MEMBER 

