

SAS Q2 2014/2015 TELECONFERENCE

18.06.2015

Q2 brief summary

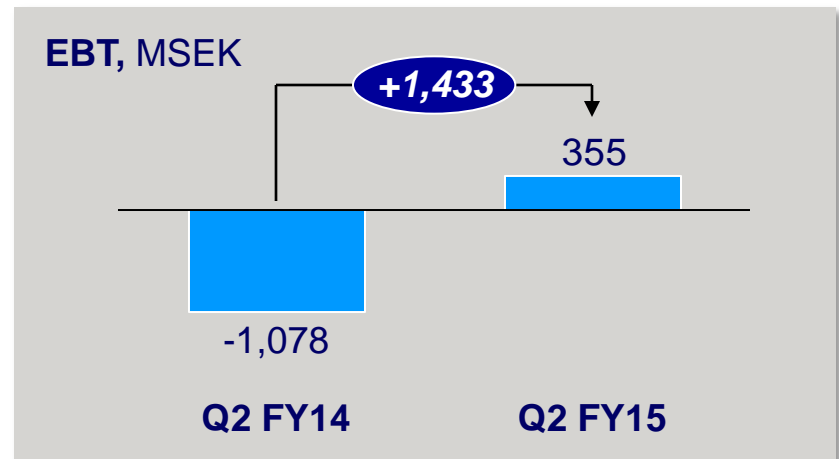
Events

- CRJ900 transferred to Cimber operation
- Transfer of two LHR slots generated a capital gain of MSEK 678
- Awarded “Best customer service”, air travel in Sweden (ServiceScore 2015)
- New and modern collective agreements signed with all pilot unions
- Wild cat strikes in Copenhagen (MSEK 50) and pilot conflict (MSEK 50 in Q3)
- Swissport 10% holding in SAS ground handling reversed. Discussions and MoU signed with new partners

Q2 Result

Q2FY15 vs. Q2FY14:

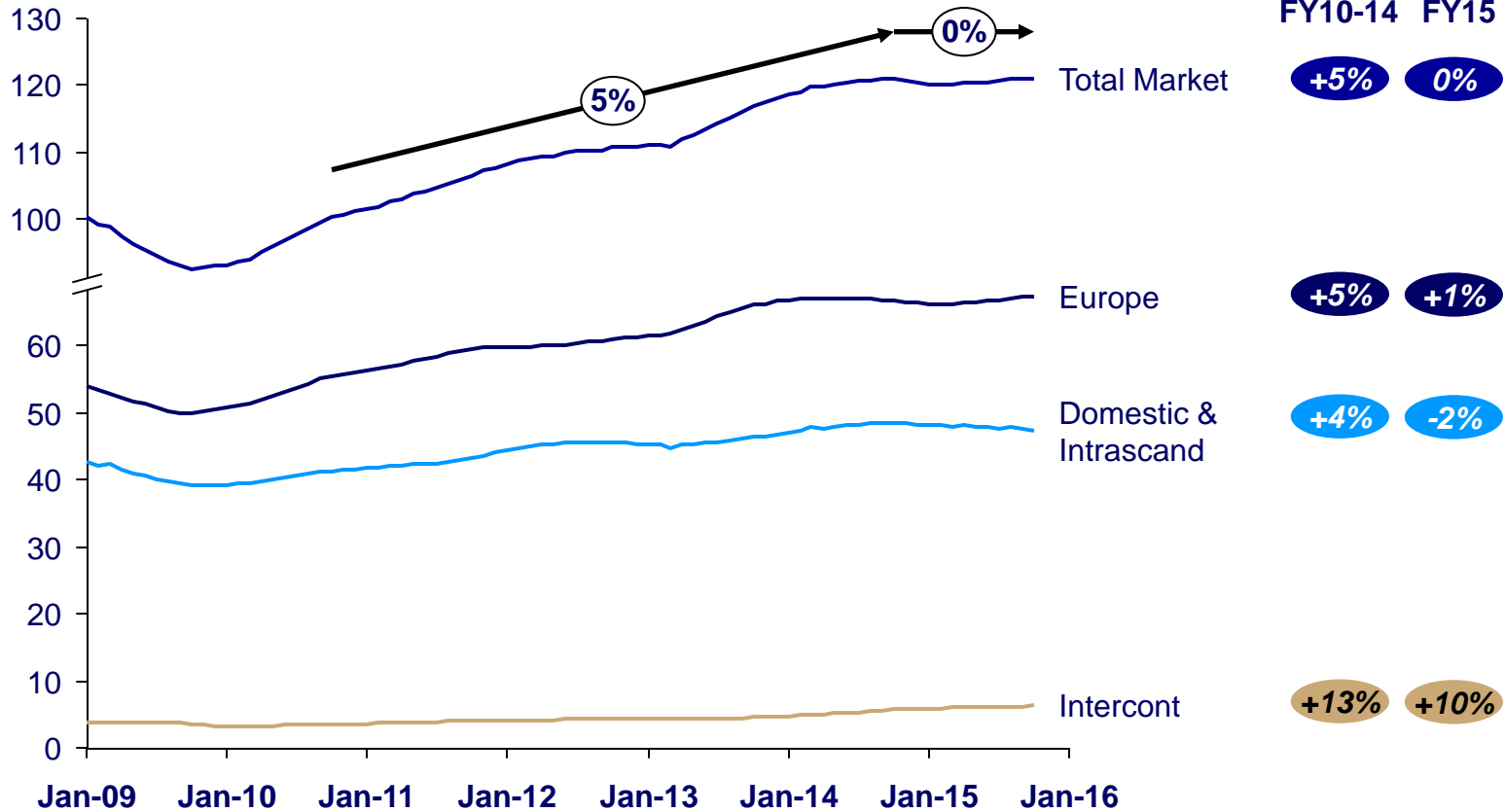
- Currency adj. unit revenue (PASK) up 6.8%
- Currency adj. unit cost excl. fuel up 3.4%
- ASK down 1.8%
- Number of SAS Plus passengers up 15%
- EuroBonus members up 15% and revenue from members up 21%



Low capacity growth in the Scandinavian market

Market capacity to/from/within Scandinavia

R12, Seats mn

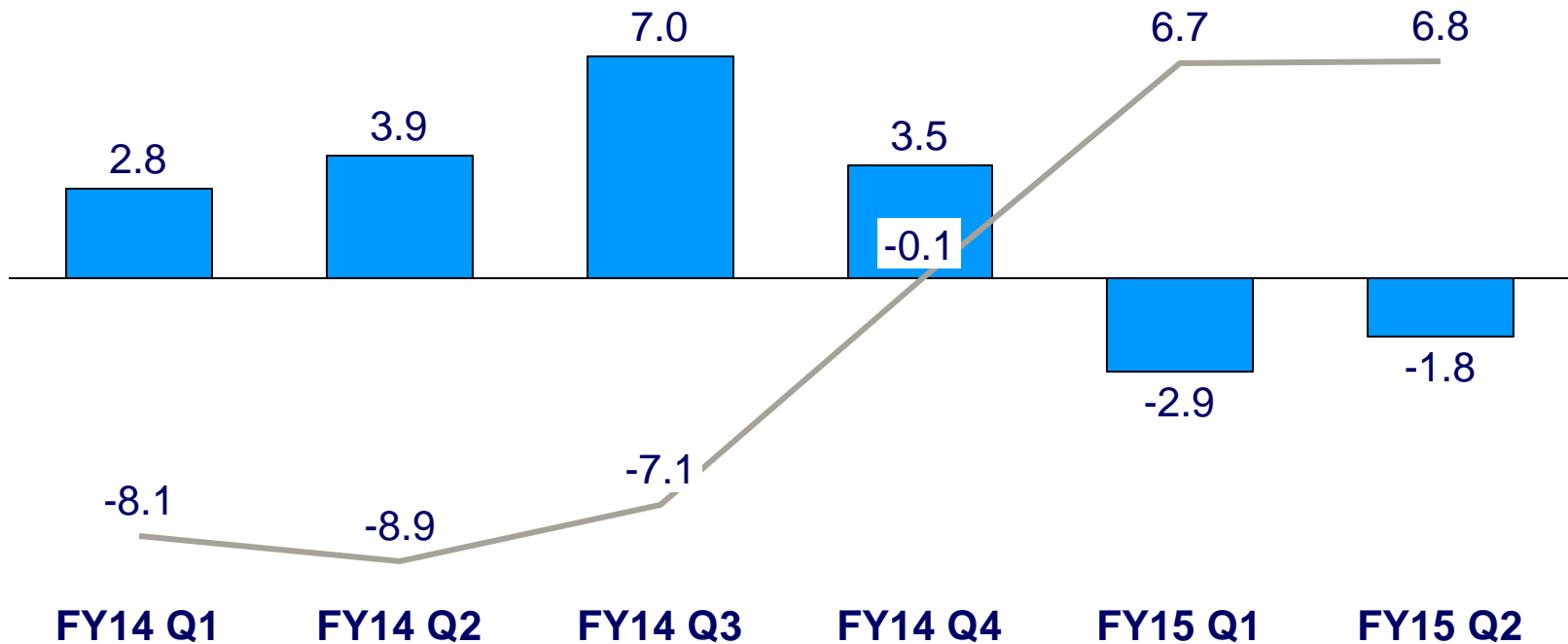


Source: Innovata schedule data

Improved unit revenue (PASK) second quarter in a row

SAS capacity (ASK) and unit revenue (PASK) development vs. last year
Percent

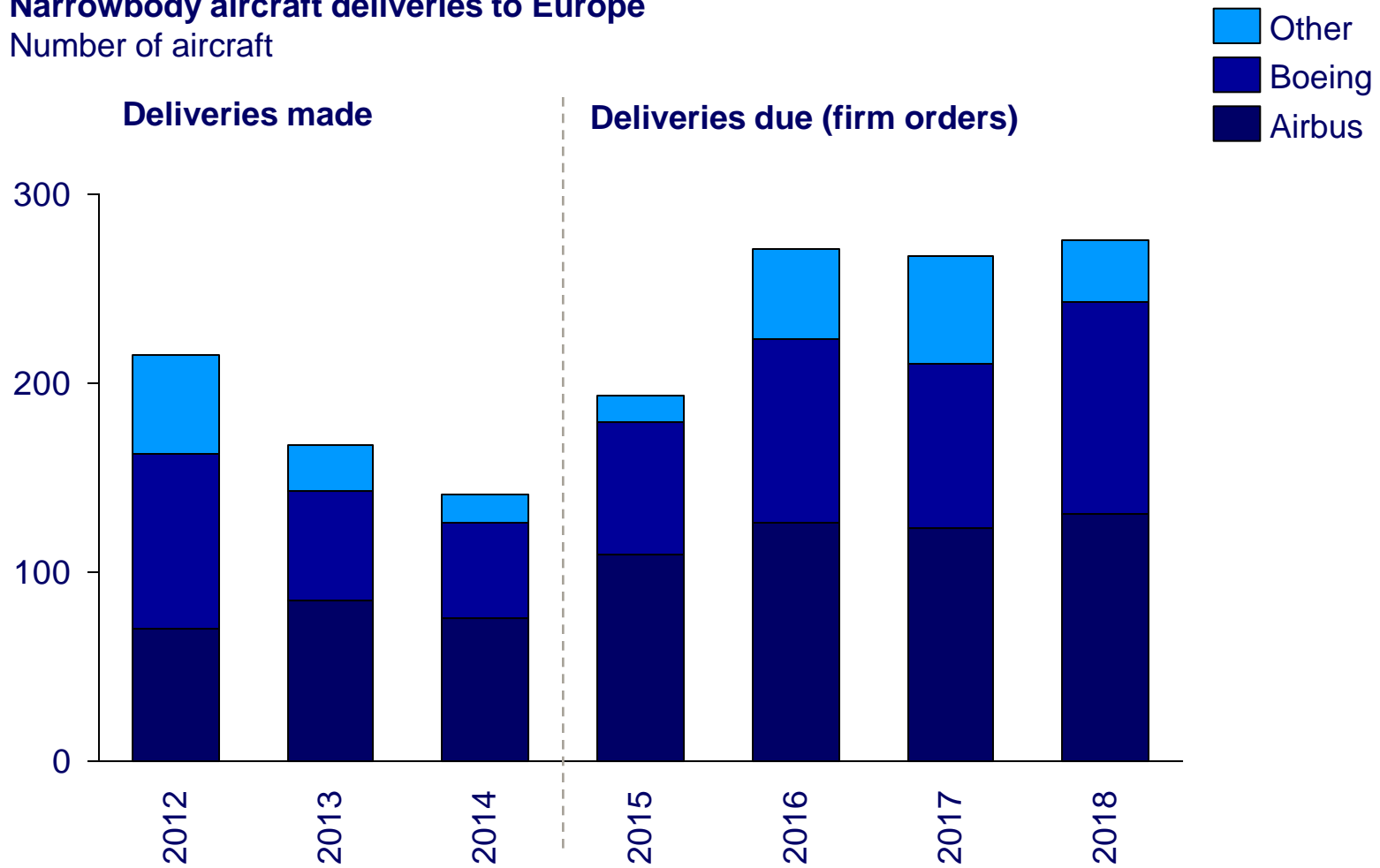
ASK
PASK



Aircraft deliveries will increase from low levels in 2013-15

Narrowbody aircraft deliveries to Europe

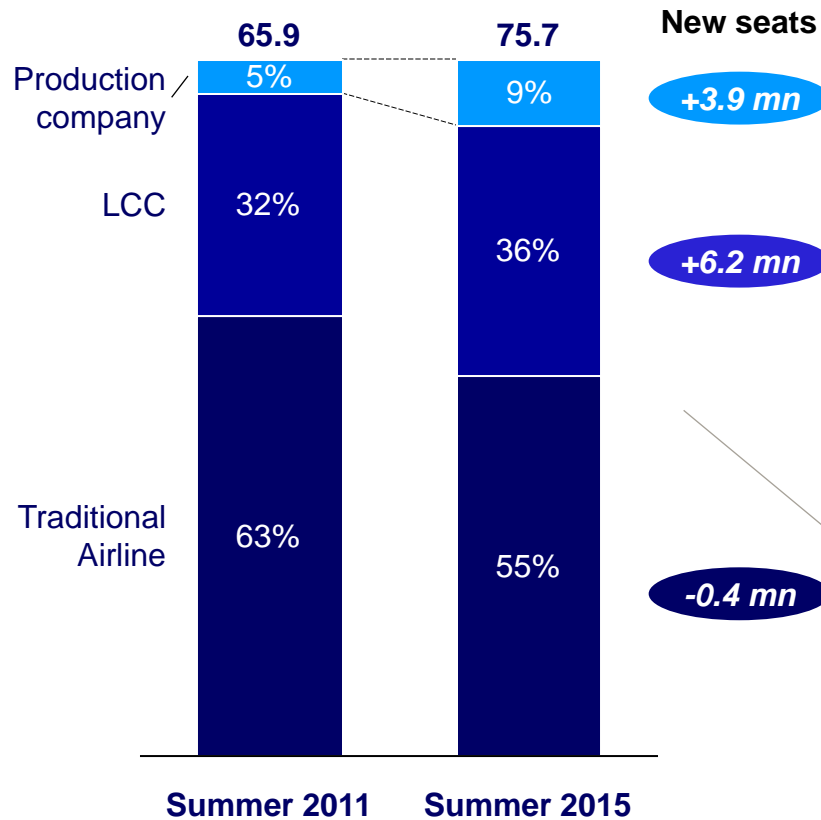
Number of aircraft



Source: Ascend

LCCs and Network Carriers increasingly using alternative production platforms

Capacity by form of operation
To, from and within Scandinavia
Seats, million



Source: Innovata schedule data as of June15

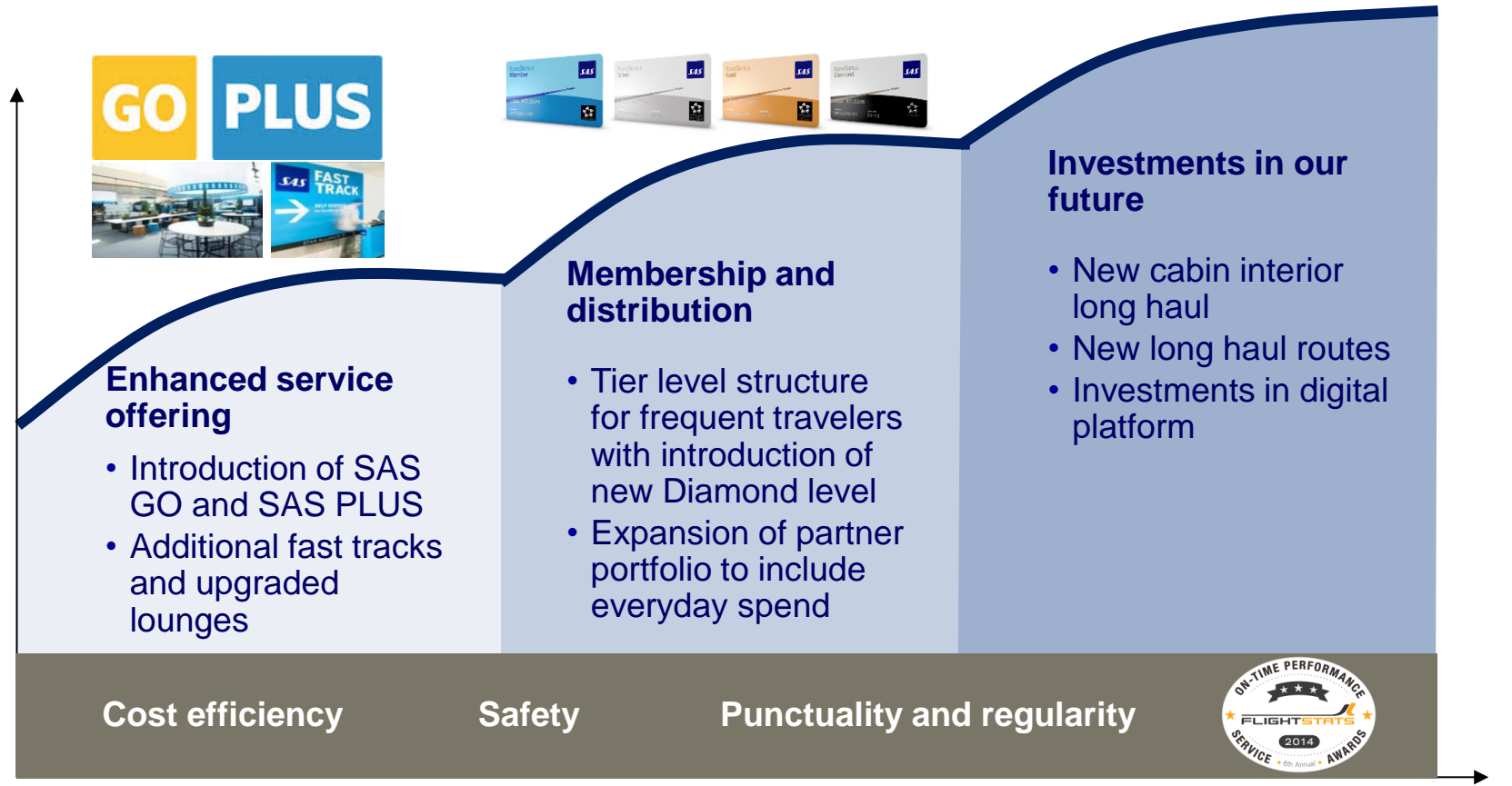
Our vision is to make life easier for Scandinavia's frequent travelers



We are building a strong product offering for Scandinavia's frequent travelers



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



Positive customer response to new cabins

SAS Business



SAS Plus

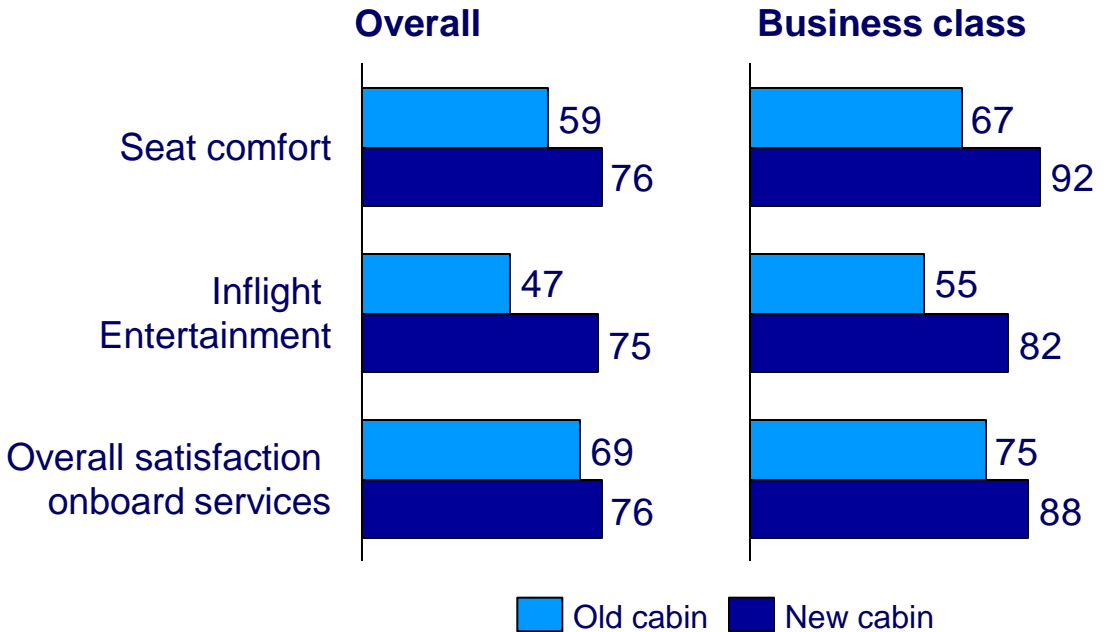


SAS Go



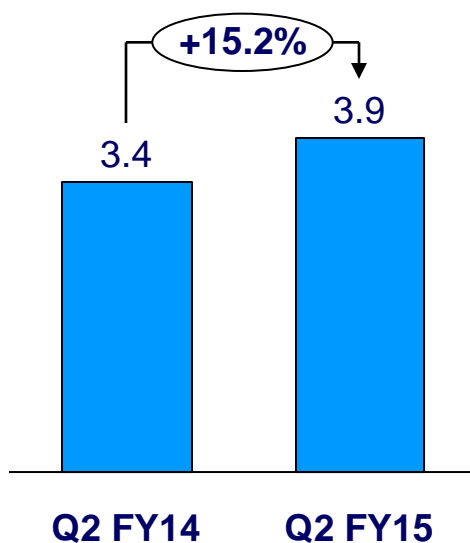
- 4 out of 12 aircraft with new cabin in traffic
- Remaining aircraft to be upgraded in the coming quarters
- Positive customer reception

Customer survey long haul

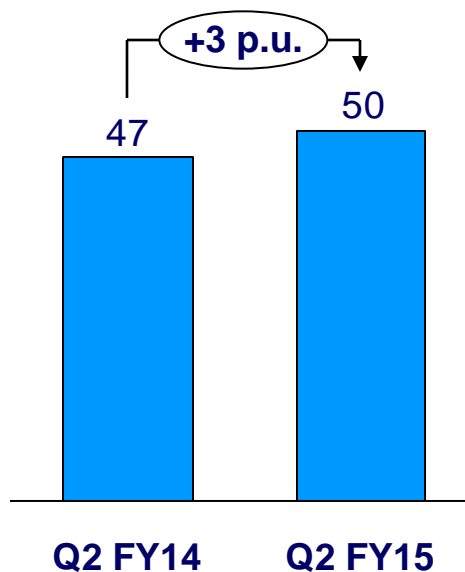


Commercial improvements have resulted in growth in membership and revenue

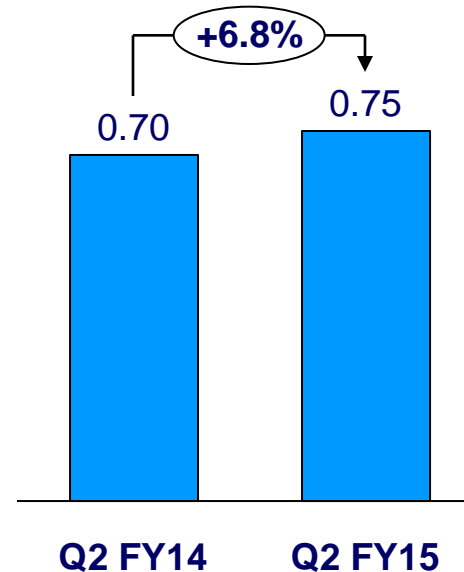
EuroBonus members
(millions)



Share of revenues from EuroBonus members, %



Unit revenue (PASK)
SEK, currency adjusted



SAS continues to make traveling easier for the frequent travelers

Examples of initiatives

- 13 new routes in FY15
 - Stockholm - Hong Kong in September
 - More seasonal routes
- Further long haul expansion
- Investment in lounge experience
 - SAS Café lounge concept launched in Trondheim and Tromsø
 - Arlanda and Gardermoen lounges to be expanded
- Increased digitalization
 - New site to be launched late 2015
 - New functions for youth booking app
 - Download of digital papers and magazines

Cost initiatives being implemented according to plan

Examples



Fleet and production optimization

- Transfer of CRJ900 fleet to Cimber



Supply chain and logistics

- Improved catering logistics and contracting



Administration and sales

- Redundancy process finalized, 285 less employees by end of 2015



Facilities and rental agreements

- New agreements at Kastrup, Arlanda and Gardermoen resulting in MSEK 200 lower annual cost



Crew agreement

- Modernized pilot agreements



Ground handling

- MoU with Widerøe regarding line stations in Norway
- Discussions with other partners



New pilot agreements



New collective bargaining agreements signed in Apr-May

- Local/national agreements with all four pilot unions
 - Competitive productivity, especially on long haul
 - Increased flexibility to handle seasonal variations
 - Simplicity and less bureaucracy (from ~240 to ~40 pages)
 - No major changes to compensation model
- Quantified direct effects from productivity improvements amount to **MSEK ~100**
 - Indirect benefits
 - Necessary pre-requisites in place for long haul expansion
 - Agility / improved time-to-market
 - Simplified internal administration

“Kompetensutvecklingscenter” to create career paths and address demographics

Progress in ground handling

- Ground handling market in Scandinavia has evolved and created new and more attractive opportunities
- Outsourcing strategy maintained
- Successful efficiency agenda continued



- Discussion and MoU with new partner
- Swissport 10% holding reversed
- Finalization of strategy ongoing
 - MoU with Widerøe for outsourcing of all line stations in Norway
- More ambitious automation and digitalization agenda will further improve efficiency
 - New customer benefits
 - Additional cost improvements

GÖRAN JANSSON

CFO

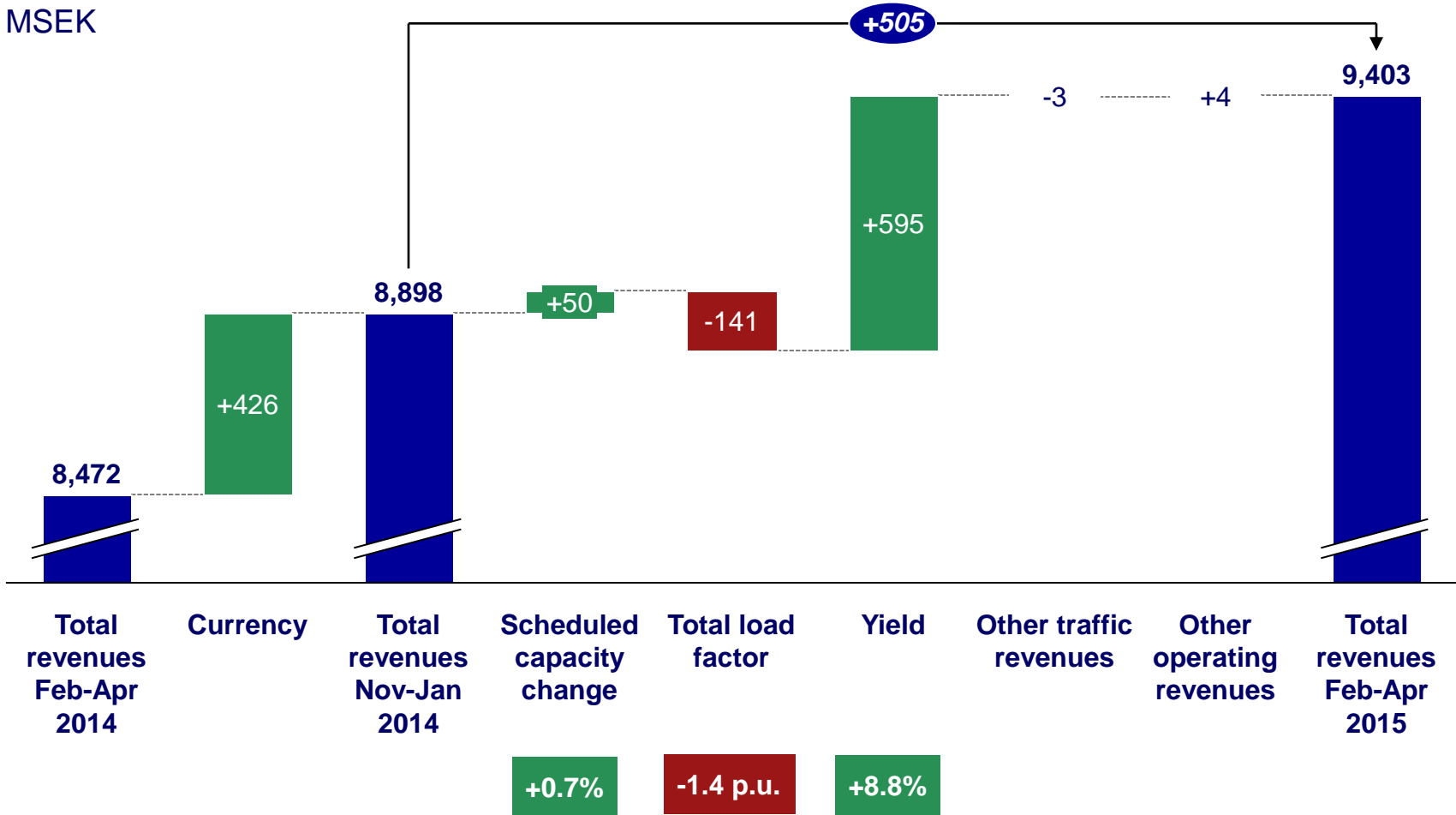
Revenue grew SEK 0.9 bn in Q2

SAS income statement	Feb-Apr15	Feb-Apr14	Change vs LY	Currency
Total operating revenue*	9,403	8,472	+931	+426
Payroll expenses	- 2,427	- 2,466	+39	
Fuel	- 2,299	- 1,985	-314	
Government charges	- 993	- 940	-53	
Other operating expenses	-2,843	- 2,903	+60	
Total operating expenses*	- 8,562	- 8,294	-268	-526
EBITDAR before non-recurring items	841	178	+663	-100
Leasing costs, aircraft	- 662	- 500	-162	
Depreciation	- 405	- 338	-67	
Share of income in affiliated companies	- 2	1	-3	
EBIT before non-recurring items	- 228	- 659	+431	-240
Financial items	- 103	- 417	+314	
EBT before non-recurring items	- 331	- 1,076	+745	-244
Non-recurring items	686	- 2	+688	
EBT	355	- 1,078	+1,433	-244

* = Before non-recurring items

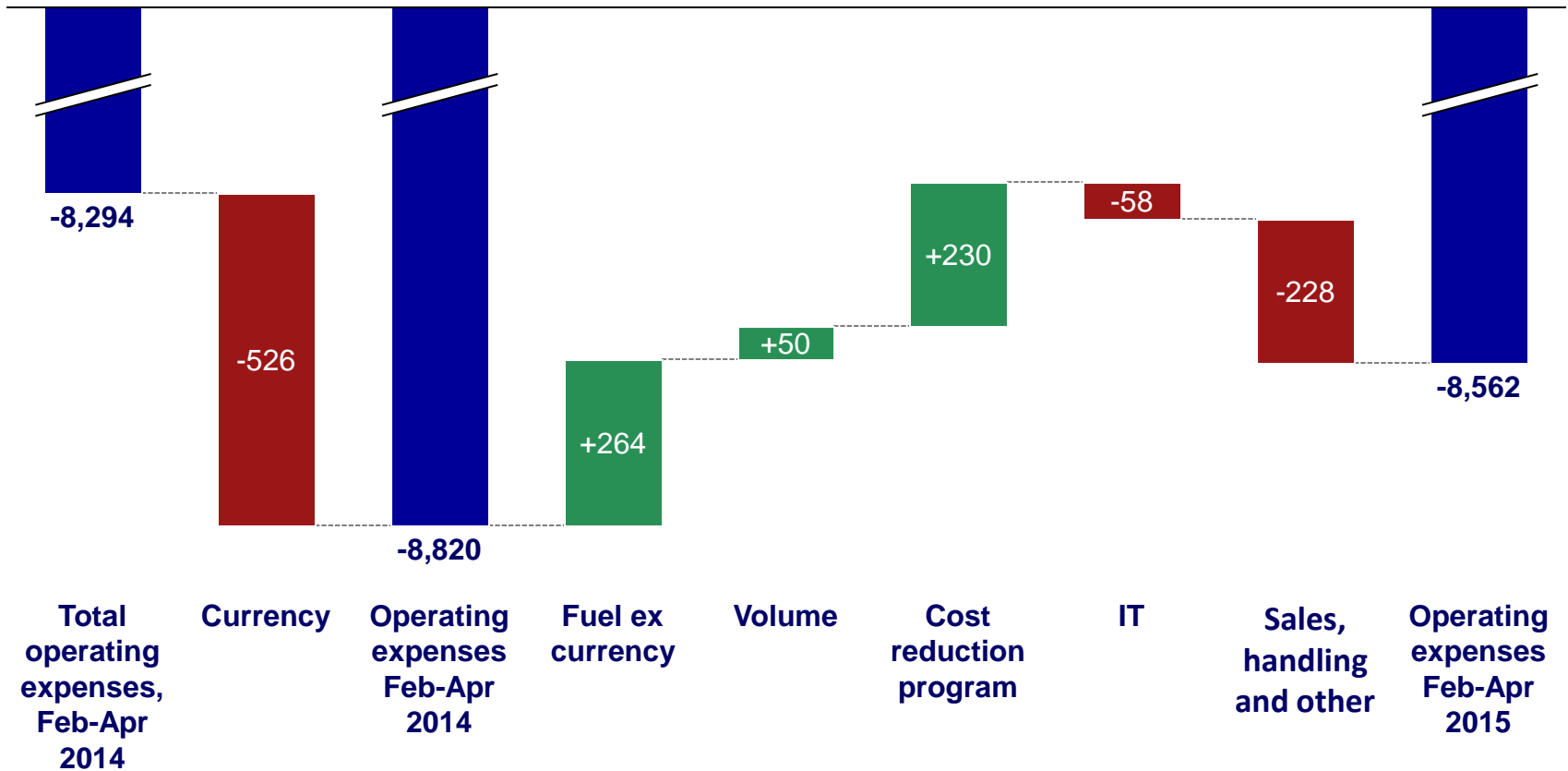
Positive yield contributes to MSEK 505 in higher revenue in Q2

Total Revenue Q2
MSEK



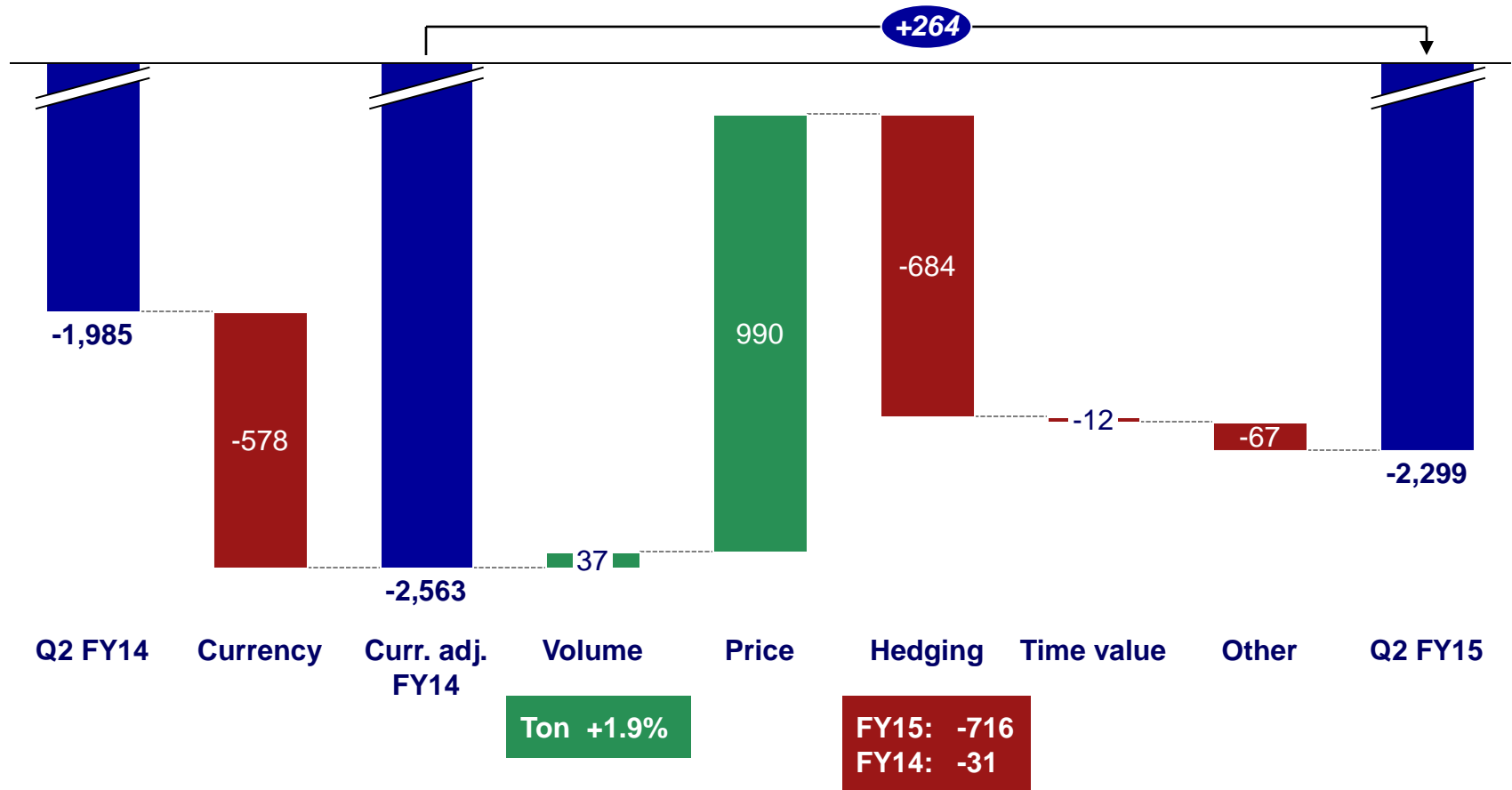
Increased costs driven by currency – limited positive effect from lower fuel prices

Total Operating Expenses Q2
MSEK



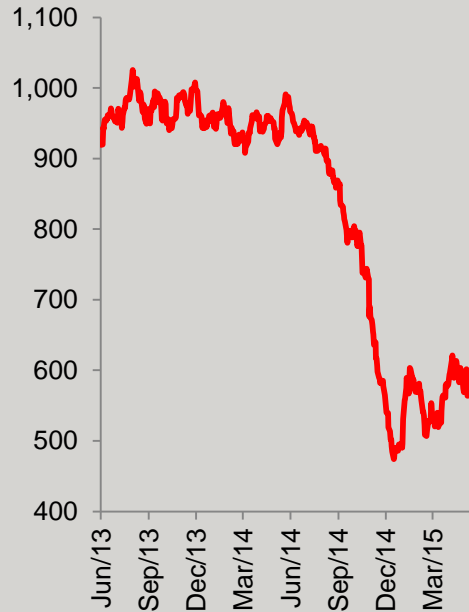
Fuel cost down in Q2 adjusted for currency

Fuel cost Q2
MSEK

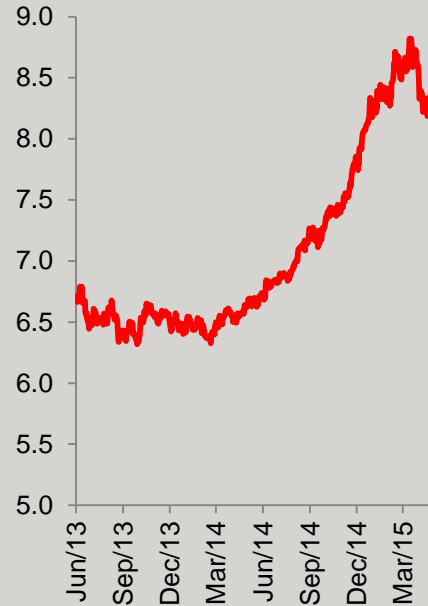


Jet fuel, currency and hedges

Jet fuel



USD/SEK



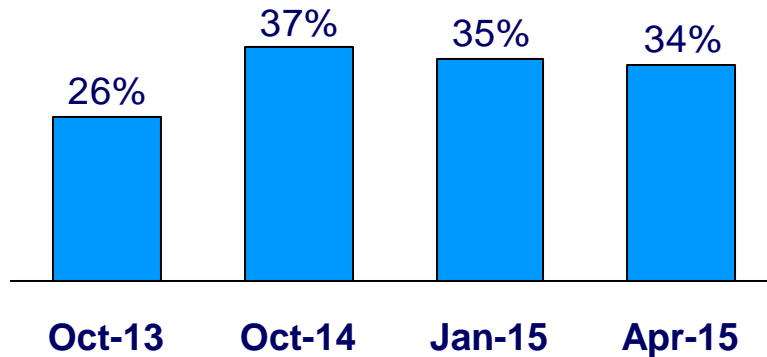
Current hedges

- 77% of the consumption hedged remaining FY15
- FY15 jet fuel cost with USD at SEK 8.5
 - USD 600/MT → SEK 8.5 bn
 - USD 800/MT → SEK 9.1 bn
- Currency gains accounted for under 'Other expenses'
- 69% of USD hedged May 15 to Apr 16
- 80% of NOK hedged May 15 to Apr 16

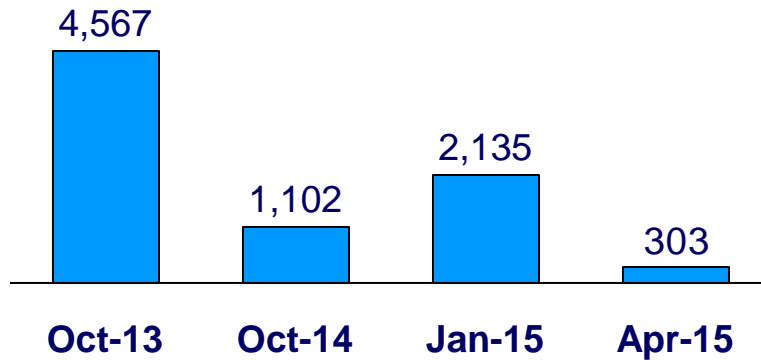
Max jet fuel price	Q3 FY15	Q4 FY15	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16
\$701-800	72%					
\$600-700		83%	81%	60%	50%	28%

SAS financial position stronger

Financial preparedness



Financial net debt, MSEK



- Cash flow from operating activities up MSEK 600 in Q2 FY15
- Positive cash flow effects from financial derivatives
- Cash of SEK 7.4 bn in Q2 FY15
- Repayment of SEK 1.6 bn convertible bond in April
- Unutilized credit facilities of SEK 2.7 bn in Q2 FY15
- Financial net debt at lowest point since 2008
- Financing of maturing debt and delivery of aircraft in place until 2nd Quarter 2016

Summary and outlook

Q2 Summary

- MSEK 745 improvement in EBT bef. nonrecurring items
- Commercial initiatives paying off
 - PASK up 6.8%
 - SAS Plus passengers up 15%
 - EuroBonus revenues up 21% and members up 15%
- Short term stabilization in market capacity
- SEK 2.1 bn cost reductions being implemented according to plan
- New modern pilot collective bargain agreements in place

FY15 Outlook

- 2 long haul aircraft to be delivered
- SAS total ASK expected to decrease by 1-2% in FY15 vs. last year
- Opening of Stockholm - Hong Kong
- SAS expects to post a positive EBT before tax and nonrecurring items in FY15

Long term financial targets

- Volatility and uncertainty in the market; fuel, currency, capacity
- Strategic priorities to create long-term profitability at levels in line with previously communicated financial targets
- Financial preparedness target at least 20%

THANK YOU