



**SAS Group Q2 2012**  
**Media/analyst presentation**  
**August 8, 2012**


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**Q2** 4Excellence delivers tangible results  
 - Unit cost down 4%



- EBT (before non-rec.) MSEK 137
- EBT MSEK 371
- Positive cash flow from operating activities MSEK 676
- 4Excellence delivers tangible results - SEK 5 billion under implementation
  - Passenger growth +228,000
  - Passenger revenues up 3% (adjusted for currency/one off)
  - Unit cost down 4%
- Airline industry still heavily challenged
  - Continued high fuel prices
  - Continued competitive market with yield pressure
  - Uncertainties regarding Euro crisis


# New strategy 4Excellence delivers tangible results



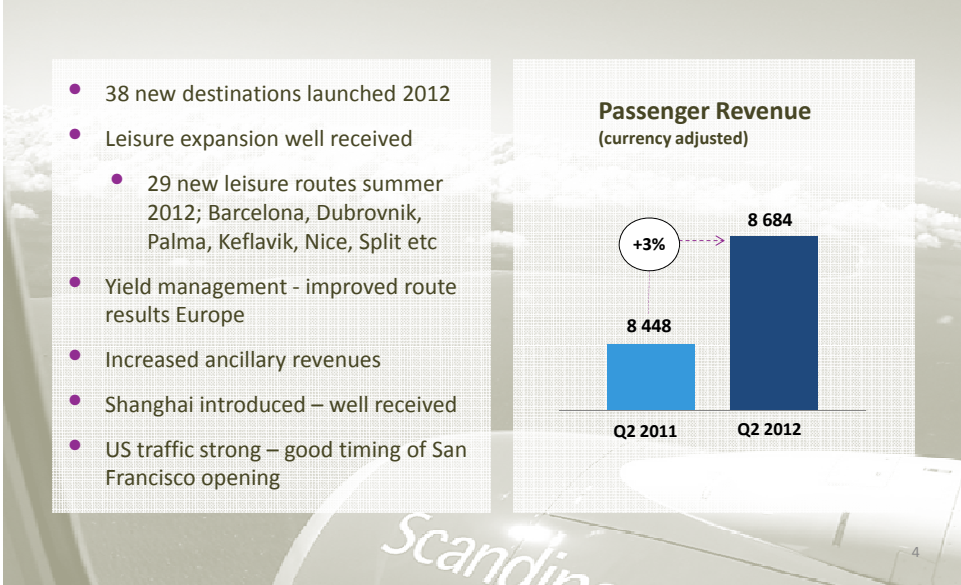
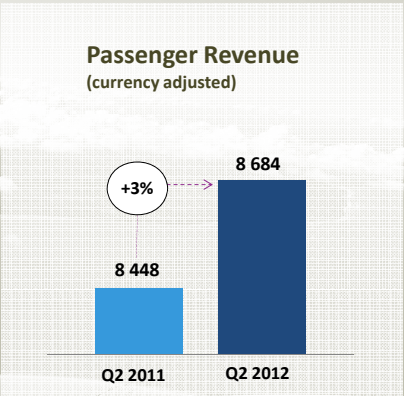

SEK 1,5 bn Revenue activities	<ul style="list-style-type: none"> <li>• New destinations</li> <li>• Network optimization</li> <li>• Ancillary revenues</li> </ul>
SEK 3,5 bn Cost activities	<ul style="list-style-type: none"> <li>• Union agreements</li> <li>• LEAN</li> <li>• Outsourcing / Purchasing</li> <li>• Productivity</li> </ul>

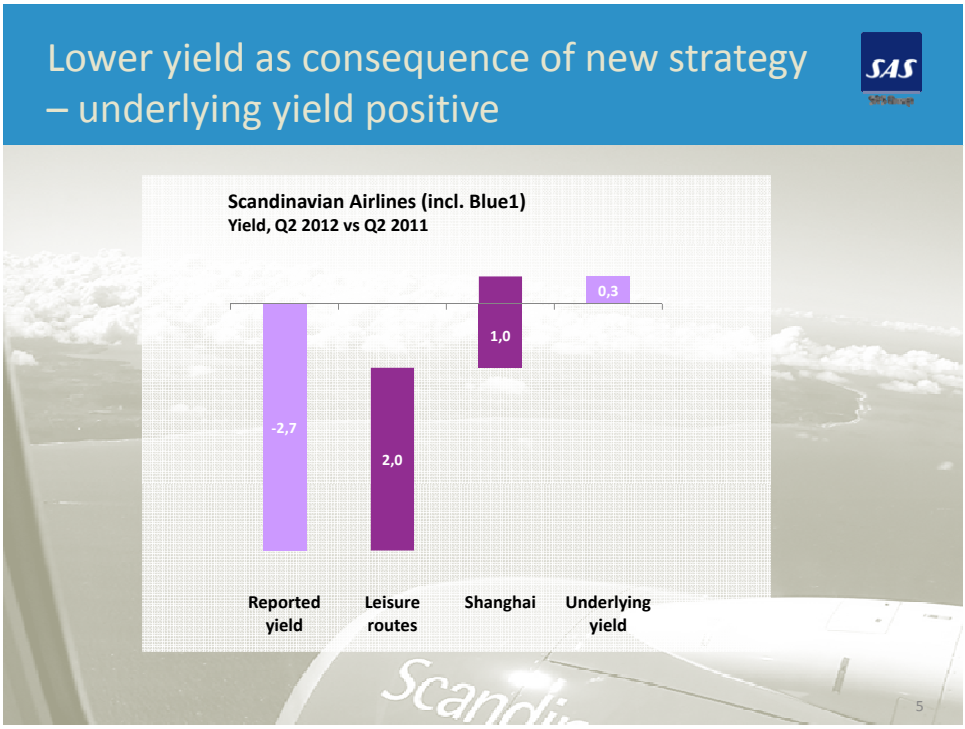
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# Revenue enhancing measures are effective

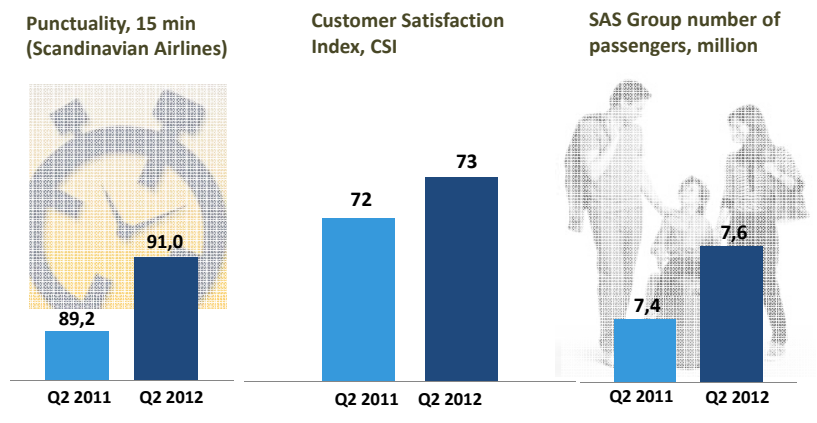


- 38 new destinations launched 2012
- Leisure expansion well received
  - 29 new leisure routes summer 2012; Barcelona, Dubrovnik, Palma, Keflavik, Nice, Split etc
- Yield management - improved route results Europe
- Increased ancillary revenues
- Shanghai introduced – well received
- US traffic strong – good timing of San Francisco opening






### More passengers, improved customer satisfaction and record punctuality



## 4 Excellence delivers unit cost reductions




Union agreements

LEAN

Outsourcing Purchasing


Productivity



Unit cost -4%

- Union agreements
  - Salary freeze
  - Pension schemes
  - Increased flexibility
- LEAN
  - Ground handling
  - Maintenance
  - Crew planning
- Outsourcing /Purchasing
  - New maintenance supply agreement

## Tangible productivity improvements in Q2



**Payroll, ASK and currency adjusted, MSEK**

<b>3 078</b>	
-6.3%	
<b>2 885</b>	
Q2 2011	Q2 2012

- Union agreements
- FTE management
- Admin restructuring

**Scandinavian Airlines block hours, short haul**

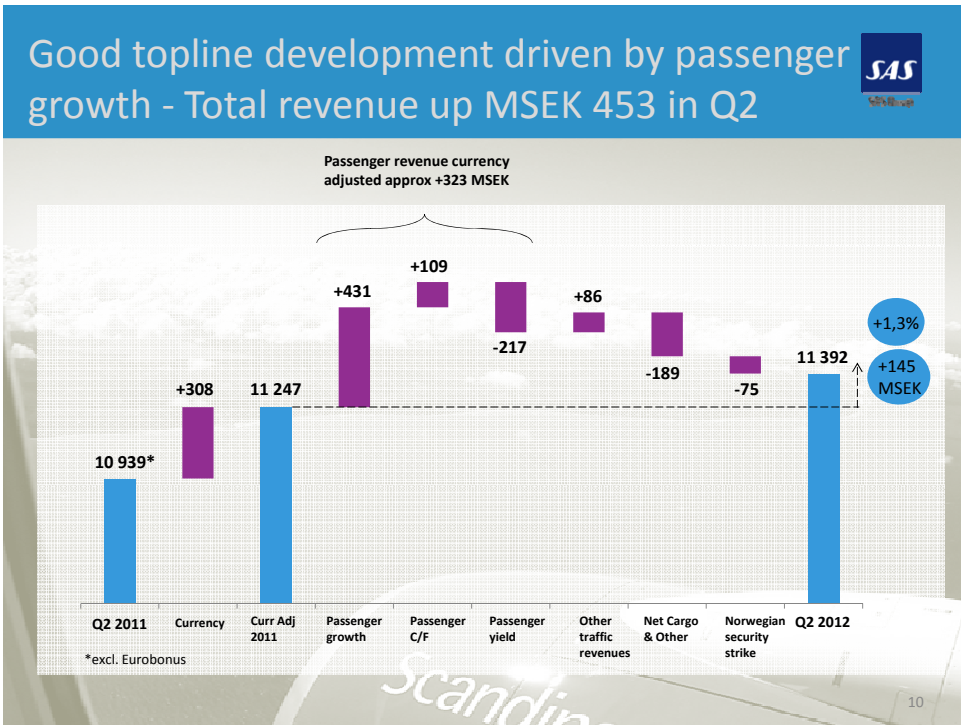
	<b>8,1</b>
+2.4%	
<b>7,9</b>	
Q2 2011	Q2 2012

- Fleet strategy
- Network optimization
- LEAN



# GÖRAN JANSSON

## CFO



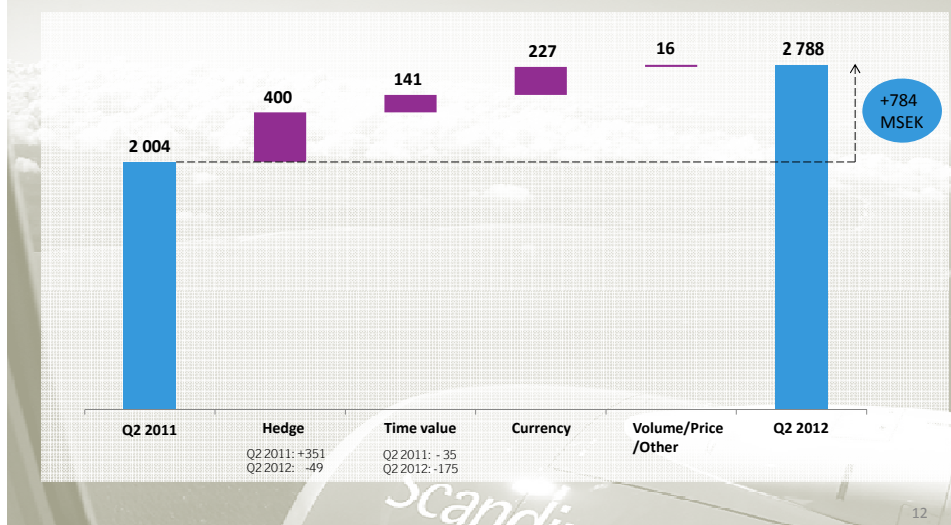
## Good cost control visible in the P/L



(MSEK)	Apr-Jun 2012	Share of revenue	Apr-Jun 2011	Share of revenue	Change (p.u.)
<b>Total operating revenue (excl. Eurobonus)</b>	<b>11,392</b>		<b>10,939</b>		
Payroll expenses	- 3,307	29.0%	- 3,320	30.4%	-1.4
Fuel	- 2,788	24.5%	- 2,004	18.3%	+6.2
Government charges	- 1,115	9.8%	- 1,040	9.5%	+0.3
Other operating expenses	- 2,954	25.9%	- 3,233	29.6%	-3.7
<b>Total operating expenses</b>	<b>- 10,164</b>	<b>89.2%</b>	<b>- 9,597</b>	<b>87.7%</b>	<b>+1.5</b>
<b>EBITDAR before non-recurring items</b>	<b>1,228</b>	<b>10.8%</b>	<b>1,342</b>	<b>12.3%</b>	<b>-1.5</b>
Leasing costs, aircraft	- 413	3.6%	- 369	3.4%	+0.2
Depreciation	- 434	3.8%	- 428	3.9%	-0.1
Share of income in affiliated companies	17	0.1%	2	0.0%	+0.1
<b>EBIT before non-recurring items</b>	<b>398</b>	<b>3.5%</b>	<b>547</b>	<b>5.0%</b>	<b>-1.5</b>
Financial items	- 261	2.3%	-181	1.7%	+0.6
<b>EBT before non-recurring items</b>	<b>137</b>	<b>1.2%</b>	<b>366</b>	<b>3.3%</b>	<b>-2.1</b>
Non-recurring items	234	2.1%	364	3.3%	-1.2
<b>EBT</b>	<b>371</b>	<b>3.3%</b>	<b>730</b>	<b>6.7%</b>	<b>-3.4</b>

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## Approx. MSEK 800 in higher fuel cost Q2 2012

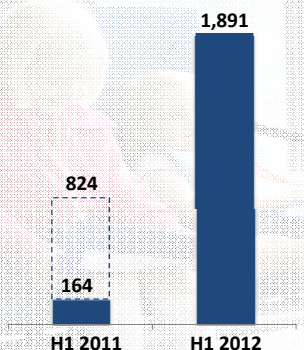


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## Good cash flow driven by improved working capital



Cash flow from operating activities, MSEK



- Strong working capital affected by
  - Sales campaigns
  - Good passenger growth
  - Attractive leisure offering
  - Focus on working capital processes
- Enabled amortizations on gross debt of SEK 2.2 billion

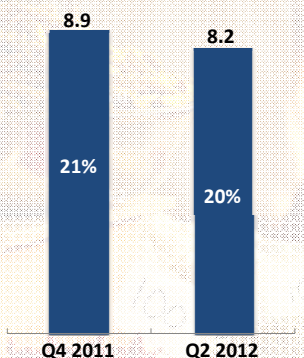
---- Adjusted for EU fine of 660 MSEK

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## SEK 8.2 billion in financial preparedness



Financial preparedness, SEK billion



- SEK 8.2 billion in total financial preparedness
- SEK 5.0 billion credit facilities
- SEK 3.2 billion cash
- Good financial preparedness
  - Cash effect from property transaction, MSEK 440 in Q2

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## RICKARD GUSTAFSON PRESIDENT & CEO

### 2012 Outlook



- Growing in line with the market (approx. 5%)
- Maintained world class operational performance
- Increased earnings effects from accelerated 4Excellence to come in second half of 2012
- Continued high fuel prices
- Continued competitive market with yield pressure
- Uncertainties regarding Euro crisis

Due to uncertainties no earnings forecast will be provided for the full year 2012.

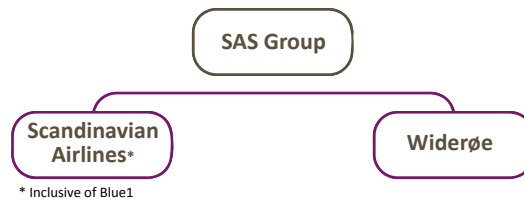


Thank you!



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The SAS Group's business structure  
(reporting segments as from Q1 2011)



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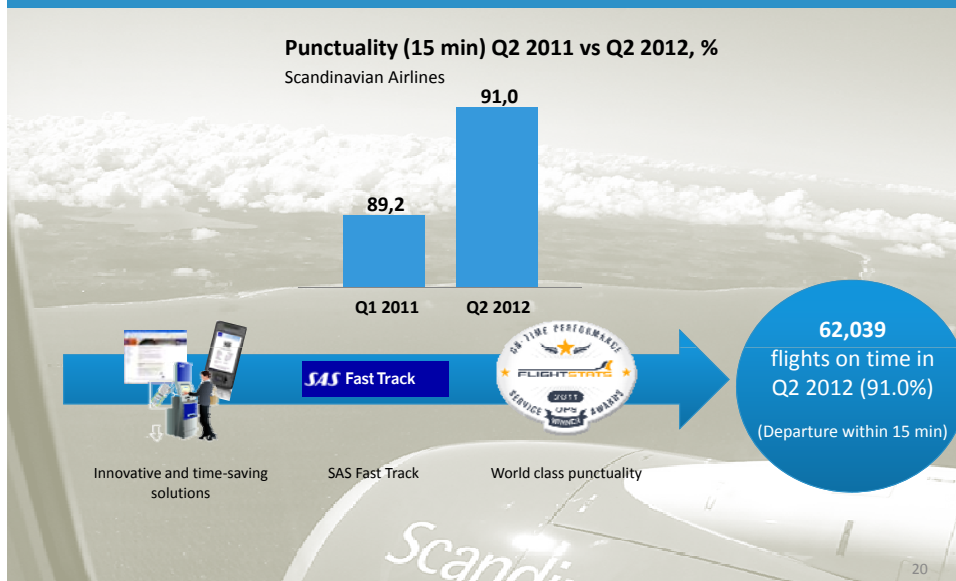
# Appendices




- 🔍 Fleet & productivity
- 🔍 Unit revenue (yield & RASK) & Unit cost
- 🔍 Traffic & capacity outlook
- 🔍 Financial update
- 🔍 Currency & Fuel

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## World's most punctual airline in Q2 2012 -in the category major airline according to Flightstats



# Modernization of fleet well in progress



<b>SAS main</b>	 <b>Airbus A330/340-300</b> Scandinavian Airlines	 <b>Airbus A319/A320/A321</b> Scandinavian Airlines	 <b>Boeing 737-600/700/800</b> Scandinavian Airlines
<b>SAS being phased out, no later than 2013/2014</b>	 <b>Boeing 737-400/500</b> Scandinavian Airlines	 <b>MD-82/87</b> Scandinavian Airlines	
<b>Widerøe &amp; Blue1</b>	 <b>deHavilland Q 100/300/400NG</b> Scandinavian Airlines	 <b>Boeing 717</b> Scandinavian Airlines	

In total, SAS is phasing in 30 modern aircraft that will completely replace older generations during 2013-2014.

2.4% increased short-haul productivity in Q2

# SAS Group fleet – June 2012




Aircraft Type	Age	Owned	Leased	Total	Leased out	Order
Airbus A330/340	10.1	5	6	11	0	
Airbus A321/A320/A319	8.5	4	10	14	0	30
Boeing 737 Classic	19.1	0	10	10	0	
Boeing 737 NG	11.0	23	48	71	0	
Boeing 717	11.8	0	9	9	0	
Douglas MD-80-series	22.7	24	10	34	0	
Douglas MD-90-series	-	8	0	8	8	
Avro RJ-85	-	0	5	5	0	
deHavilland Q-series	14.3	34	10	44	0	
Bombardier CRJ900 NG	3.1	12	0	12	0	
<b>Total</b>	<b>13.0</b>	<b>110</b>	<b>108</b>	<b>218</b>	<b>8</b>	<b>30</b>

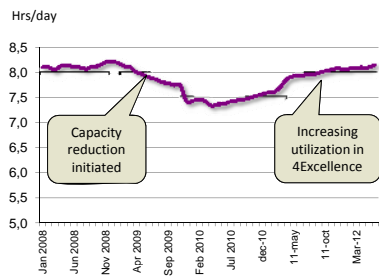
Split per Airline		
SAS (incl Blue1)		171
Widerøe		39
Leased out aircraft		8
<b>Total</b>		<b>218</b>

\*In addition SAS wet leases the following Aircraft: four CRJ for SAS in Denmark, two ATR and four S2000 for Blue1 in Finland.

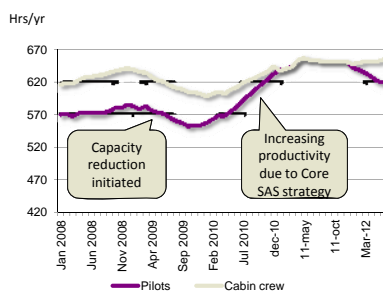
# Productivity development



**Scandinavian Airlines**  
**Aircraft utilization (12 months rolling)**



**Scandinavian Airlines**  
**Cabin, pilot utilization (12 months rolling)**



Block hours, 12 months rolling, June 2012	Aircraft, hours/day	Pilots, hours/year	Cabin, hours/year
Scandinavian Airlines (incl. Blue1)	8.1	653	668
Widerøe	6.8	471	485
Blue1	6.9	605	687

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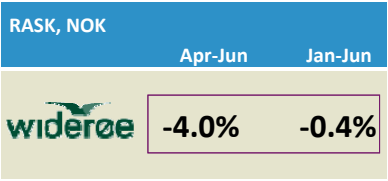
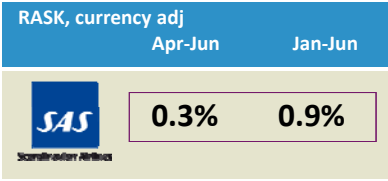
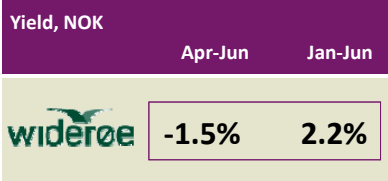
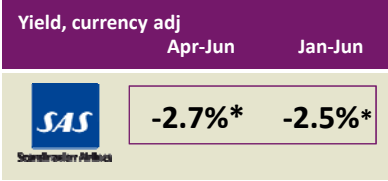
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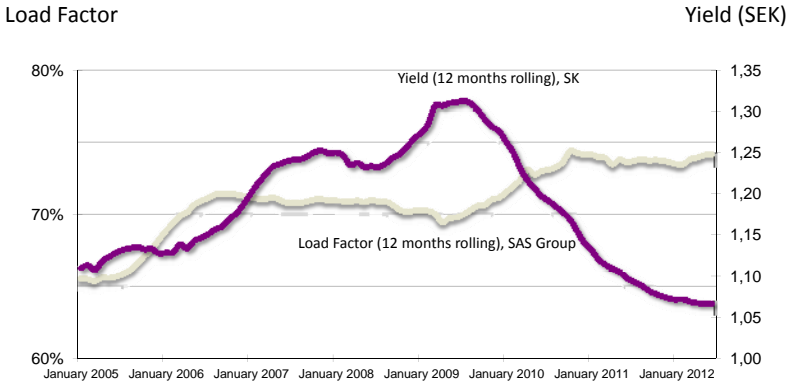
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# Yield and RASK development

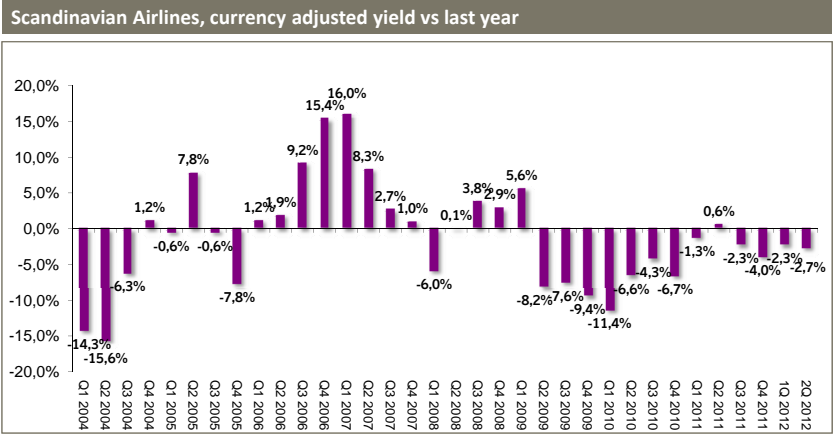
\* 2011 Adjusted for Eurobonus

# Yield at record low levels, but load factor at historic high

# Yield development - Quarterly

Scandinavian Airlines

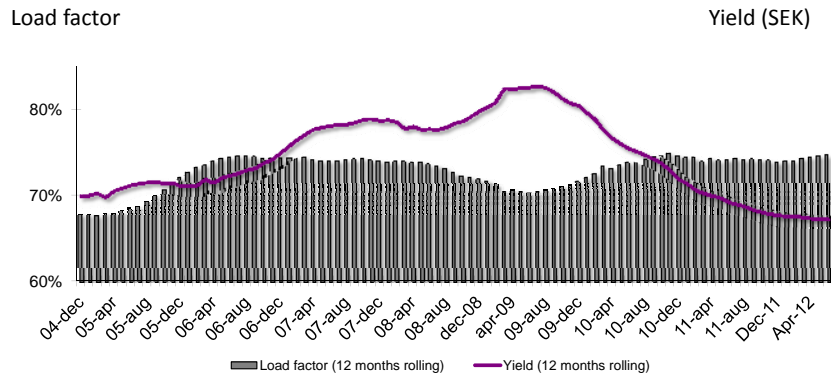



Note: Inclusive of Blue1 from Q1 2012

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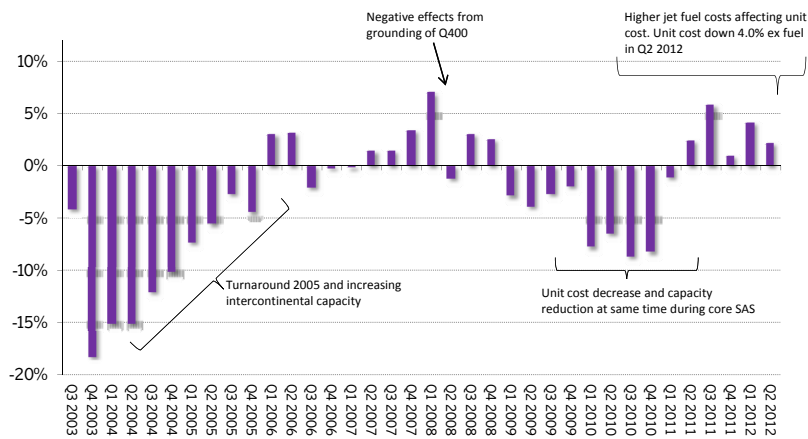
# Scandinavian Airlines

– Continued pressure on yields

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Scandinavian Airlines  
**Total unit cost development**  
 - Unit cost down 4.0% in Q2 excluding jet fuel

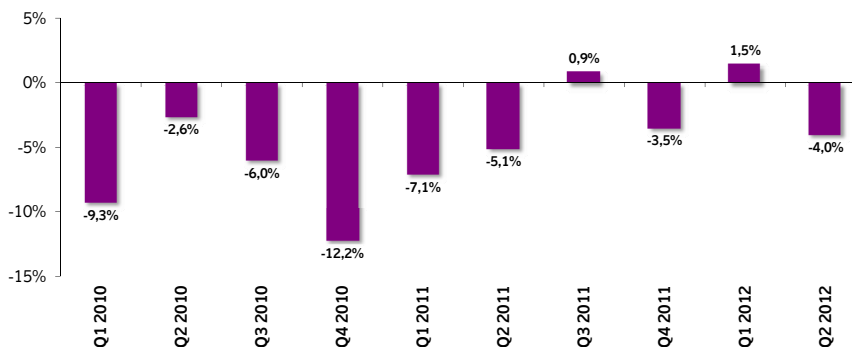



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**Unit cost development excluding jet fuel**



Scandinavian Airlines,  
 Currency adjusted quarterly change vs. last year excluding jet fuel



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Scandinavian Airlines

## Breakdown of unit cost in Q2 2012



Scandinavian Airlines, currency adjusted

Unit cost breakdown	Apr-Jun 2012	Apr-Jun 2011	Var, %	Share of total var, %
Payroll expenses	-2 885	-3 078	-6.3%	-2.2%
Jet fuel	-2 673	-2 208	21.1%	5.2%
Government user fees	-1 035	-1 018	1.6%	0.2%
Selling and distribution costs	-549	-600	-8.6%	-0.6%
Handling costs	-394	-432	-8.9%	-0.4%
Technical aircraft maint.	-522	-597	-12.5%	-0.8%
Other operating expenses <sup>1</sup>	-247	-155	59.5	1.0%
<b>Total operating expenses</b>	<b>-8 305</b>	<b>-8 088</b>	<b>2.7%</b>	<b>2.4%</b>
Leasing costs for aircraft	-403	-414	-2.7%	-0.1%
Depreciation	-394	-406	-2.9%	-0.1%
<b>Adjusted EBIT</b>	<b>-9 102</b>	<b>-8 908</b>	<b>2.2%</b>	<b>2.2%</b>

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Scandinavian Airlines

## Breakdown of unit cost Jan-Jun 2012



Scandinavian Airlines, currency adjusted

Unit cost breakdown	Jan-Jun 2012	Jan-Jun 2011	Var, %	Share of total var, %
Payroll expenses	-5 885	-6 092	-3.4%	-1.2%
Jet fuel	-4 646	-3 941	17.9%	4.2%
Government user fees	-1 949	-1 919	1.6%	0.2%
Selling and distribution costs	-1 071	-1 201	-10.8%	-0.8%
Handling costs	-780	-852	-8.4%	-0.4%
Technical aircraft maint.	-1 109	-1 146	-3.2%	-0.2%
Other operating expenses <sup>1</sup>	-365	-66	-	1.8%
<b>Total operating expenses</b>	<b>-15 806</b>	<b>-15 218</b>	<b>3.9%</b>	<b>3.5%</b>
Leasing costs for aircraft	-762	-812	-6.1%	-0.3%
Depreciation	-777	-793	-2.1%	-0.1%
<b>Adjusted EBIT</b>	<b>-17 345</b>	<b>-16 823</b>	<b>3.1%</b>	<b>3.1%</b>

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## Appendices



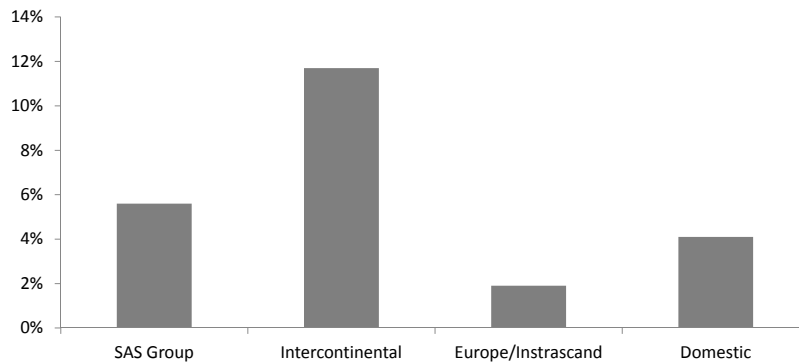
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## Strongest traffic growth on intercontinental routes



RPK Jan-Jun 2012 vs Jan-Jun 2011, SAS Group



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# ASK outlook 2012



Scheduled	2012 vs 2011
SAS Group	+4-5%
Scandinavian Airlines (incl. Blue1)	+4%
Widerøe	+7-8%

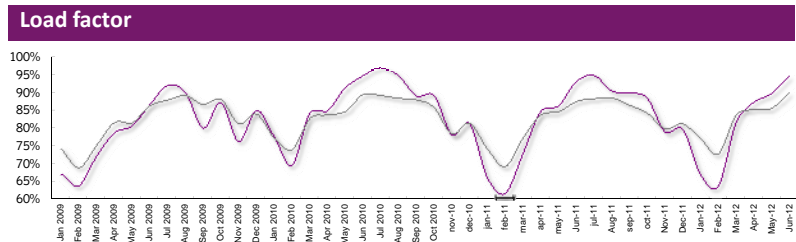
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# North Atlantic

SAS increasing market shares



- Traffic development January – June 2012
  - SK traffic up 8.9
  - AEA traffic up 4.3%
- SAS to launch Copenhagen-San Francisco in April 2013
- SAS improved load factors in 2012
- SAS load factors lower than the AEA



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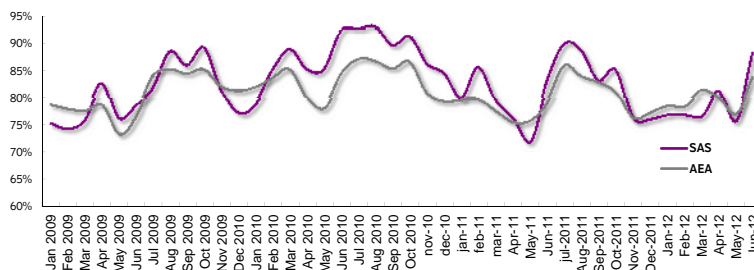
## Asia - strong growth in Q2

- New destination and weak comparables from March 2011



- Scandinavian Airlines serving Bangkok, Beijing and Tokyo from Copenhagen
- Copenhagen-Shanghai opened in March 2012
- Traffic development January-June 2012:
  - AEA traffic up 7.4%
  - SAS traffic down 15.9%

### Load factor



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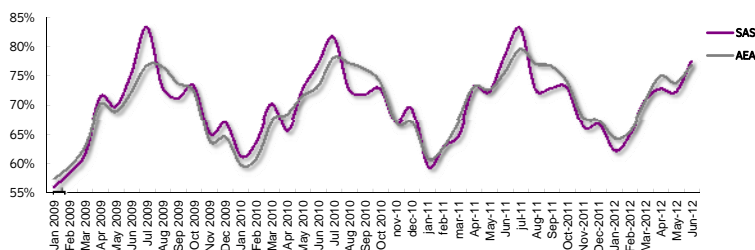
## Cross border European routes

- New routes adding to SAS's growth




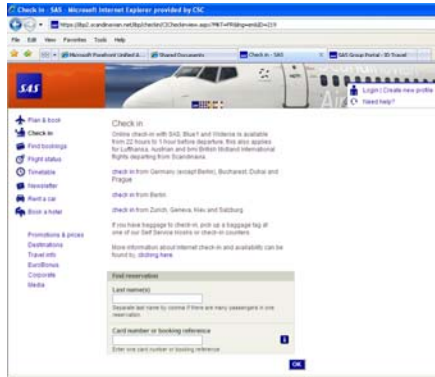
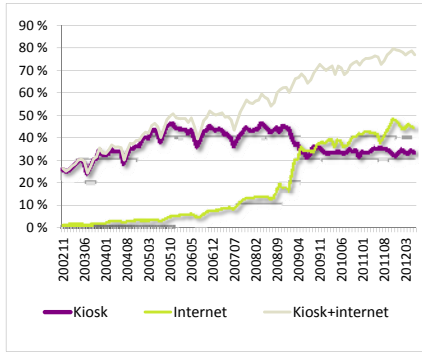
- 38 new routes to be launched in 2012 (including Shanghai)
- Traffic development January-June 2012:
  - AEA traffic up 5.6%
  - SAS traffic up 5.2%
- SAS load factor improving more than the AEA

### Load factor



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# Internet check-in is the most commonly used check-in option by SAS' customers

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## Negative result but strong cash flow generation during January-June 2012



Result, MSEK	Apr-Jun 2012	Apr-Jun 2011	Jan-Jun 2012	Jan-Jun 2011
Revenues	11,392	11,319	20,983	20,632
EBT bef. non-recurring items	137	366	-912	-143
EBT	371	730	-761	172
Cash flow from operations	676	731	1,891	164

Cash flow from operations improved MSEK 1,727

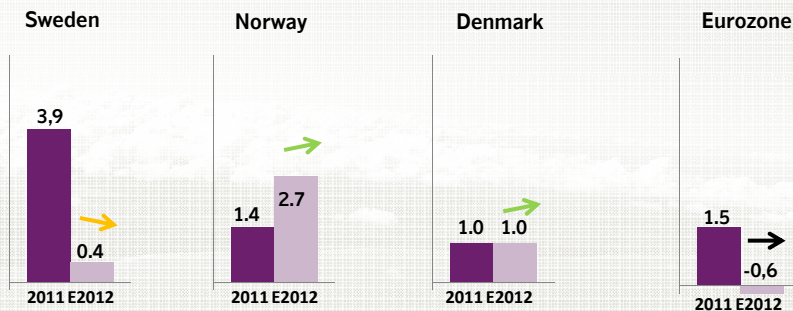
## Positive traffic growth, but yield pressure offset by load factor



	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012
<b>SAS Group</b>					
Traffic (RPK)	↑ +13.3%	↑ +4.7%	↑ +0.9%	↑ +5.1%	↑ +5.9%
Passenger load factor	↑ +0.7 p.u.	→ +0.0 p.u.	↓ -1.5 p.u.	↑ +2.0 p.u.	↑ +1.0 p.u.
<b>SAS<sup>^</sup></b>					
Passenger yield	↑ +0.6%*	↓ -2.8%	↓ -4.0%	↓ -2.3%	↓ -2.7%
Total unit revenue (RASK)	↑ +6.6%	↓ -2.1%	↓ -6.7%	↑ +1.7%	↑ +0.3%
Total unit cost (excluding fuel)	↓ -5.1%	↓ -5.1%**	↓ -3.5%	↑ +1.5%	↓ -4.0%

\* Underlying yield, excluding positive effects from revaluation of EuroBonus liability.  
 \*\* Excluding write down of aircraft  
<sup>^</sup> Including Blue1 from Q2 2012

## GDP is slowing down



Source: Nordea, Bloomberg, Eurostat

- Business travel agents bookings increasing at similar rate as leisure bookings
- Negative mix effect within corporate bookings affecting yields
- 40% have Buy of the Day policy

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## Summary of the SAS Group's balance sheet



MSEK	30 Jun 2012	31 Dec 2011	30 Jun 2011
Aircraft and Spare parts	13 035	13 234	13 339
Other non interest-bearing assets	9 022	8 275	9 100
Interest-bearing assets	13 946	13 868	14 588
Cash and cash equivalents	3 186	3 808	5 658
<b>Total Assets</b>	<b>39 189</b>	<b>39 185</b>	<b>42 685</b>
Total shareholders' equity <sup>1</sup>	11 834	12 433	14 445
Deferred tax	1 771	2 154	1 995
Other interest-bearing liabilities	11 757	13 338	12 882
Operating liabilities	13 827	11 260	13 363
<b>Total shareholders' equity and liabilities</b>	<b>39 189</b>	<b>39 185</b>	<b>42 685</b>

<sup>1</sup> Including minority interests

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## Overview of available funds – June 2012



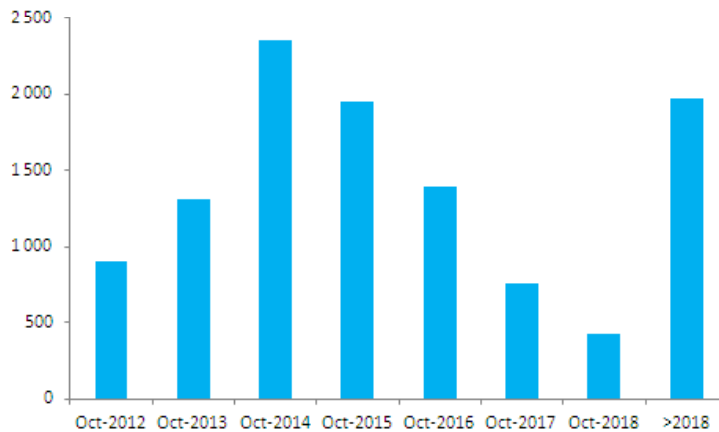
Available funds, SEK billion	Jun 2012	Maturity
<b>Liquid funds</b>	<b>3.2</b>	
<b>Undrawn portion of credit facilities</b>	<b>3.3</b>	<b>Jun 2013</b>
Revolving Credit Facility, MEUR 366 (total SEK 3.3bn)	<b>0.0</b>	<b>Apr 2013</b>
Revolving Credit Facility, MUSD 95 (total SEK 0.7 bn)	<b>0.4</b>	<b>Jan 2016 &amp; Oct 2017</b>
Credit Facility, MUSD 125 & 74 (total SEK 1.4 bn)	<b>1.3</b>	<b>Jun 2013</b>
Bi-lateral Revolving Credit Facilities (total SEK 1.3 bn)	<b>0.0</b>	<b>2012</b>
Others	<b>5.0</b>	
<b>Total undrawn credit facilities</b>	<b>5.0</b>	
<b>Total available funds</b>	<b>8.2</b>	
<b>Total credit facilities</b>	<b>6.5</b>	
<b>Drawn portion of credit facilities</b>	<b>1.5</b>	
<b>Undrawn portion of credit facilities</b>	<b>5.0</b>	

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## Amortization profile updated for financial year ending October

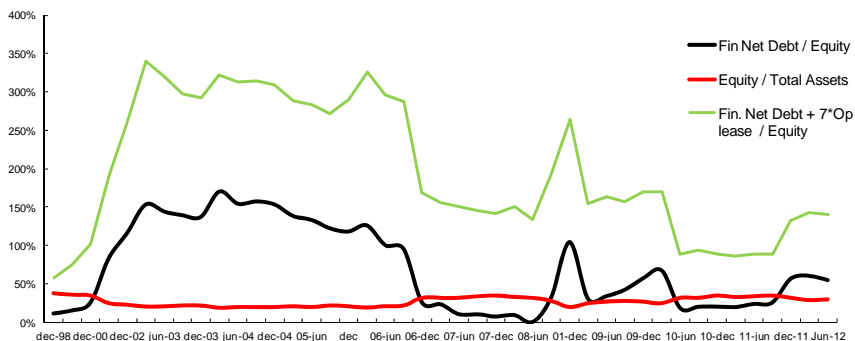


Scheduled amortization profile, SEK billion



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## Gearing ratios impacted by Spanair in Q4 2011, but slightly improved again in Q2



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## SAS Group Financial Net January - June




MSEK	Jan-Jun 2012	Jan-Jun 2011	Difference
Interest net and others	-564	-358	-206
Exchange rate differences	+38	+19	+19
<b>Financial net</b>	<b>-526</b>	<b>-339</b>	<b>-187</b>

MSEK	Apr-Jun 2012	Apr-Jun 2011	Difference
Interest net and others	-283	-208	-75
Exchange rate differences	+22	+22	0
<b>Financial net</b>	<b>-261</b>	<b>-186</b>	<b>-75</b>

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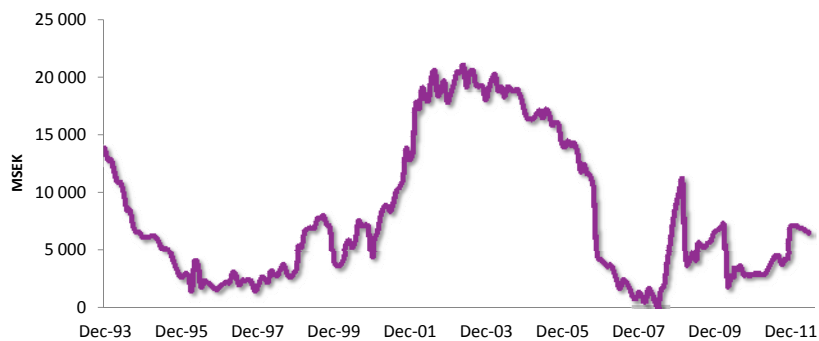
## Development and Break Down of Financial Net Debt



MSEK	2012-06-30	2011-12-31	Difference
Cash	3 186	3 808	-622
Other interest bearing assets	2 126	2 513	-387
Interest bearing liabilities	-11 757	-13 338	+1 581
<b>Financial net debt</b>	<b>-6 445</b>	<b>-7 017</b>	<b>+572</b>

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## Development of financial net debt 1993-2012

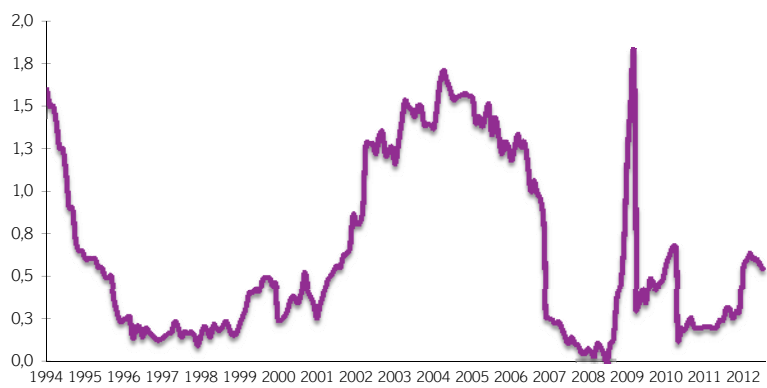
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## Equity / Assets Ratio 1993-2012



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## Financial Net Debt / Equity Ratio 1993-2012



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## Development of the financial net debt

during Jan-Jun 2012



SEK billion	
Financial net debt December 2011	-7.0
Investments	-2.1
Sales	+1.8
Cash flow from operating activities	+1.9
Currency and others *	-1.0
<b>Financial net debt June 2012</b>	<b>-6.4</b>

\* Of this, SEK 0.4 is due to revaluation of financial instruments relating to IAS39 and SEK 0.2 relates to reclassification of assets from interest bearing receivables to aircraft.

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## Appendices



- 🔍 Fleet & productivity
- 🔍 Unit revenue (yield & RASK) & Unit cost
- 🔍 Traffic & capacity outlook
- 🔍 Financial update
- 🔍 Currency & Fuel

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## Breakdown of currency effects SAS Group 2012 vs 2011



Total revenues & costs currency effects		Apr-Jun	Jan-Jun
Total revenues & costs	USD	-253	-306
	DKK	1	1
	NOK	59	94
	EUR	1	1
	Asian currencies	42	57
	All others	21	25
	<b>Total</b>	<b>-129</b>	<b>-128</b>
Forward cover costs	2011	579	674
	2012	117	54
	<b>Difference</b>	<b>-462</b>	<b>-620</b>
Working capital	2011	26	14
	2012	3	-48
	<b>Difference</b>	<b>-23</b>	<b>-62</b>
Financial items	2011	22	19
	2012	22	38
	<b>Difference</b>	<b>0</b>	<b>19</b>
<b>Total currency effects</b>		<b>-614</b>	<b>-791</b>

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## Changes in currency exchange rates

affected the result by MSEK – 791 in Jan-Jun 2012 vs Jan-Jun 2011



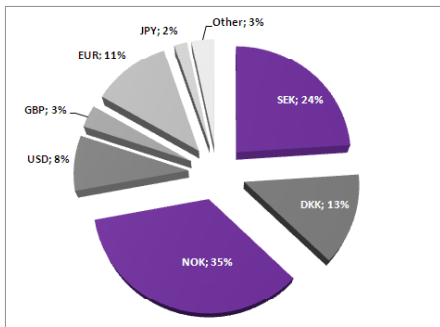
Currency effects MSEK on SAS Group 2012 vs 2011		Apr-Jun 2012	Jan-Jun 2012
<ul style="list-style-type: none"> <li>Positive impact on revenue due to the weaker SEK, mainly in Q2</li> <li>Negative impact on other operating costs due to the weaker SEK, mainly in Q2</li> <li>Dissolution in 2011 of USD-hedges for aircraft amounted to MSEK 970</li> </ul>	Total revenue	308	437
	Total costs	-437	-565
	Forward cover costs & working capital	-485	-682
	<b>Income before depreciation</b>	<b>-614</b>	<b>-810</b>
	Financial items	0	19
	Income before tax	-614	-791

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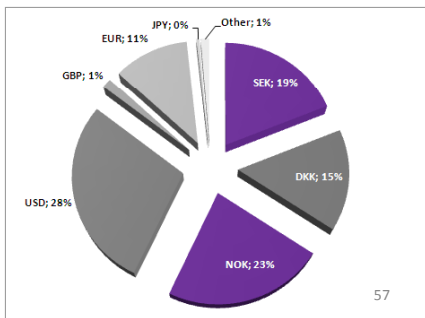
# Currency distribution in the SAS Group 2011



## Revenues


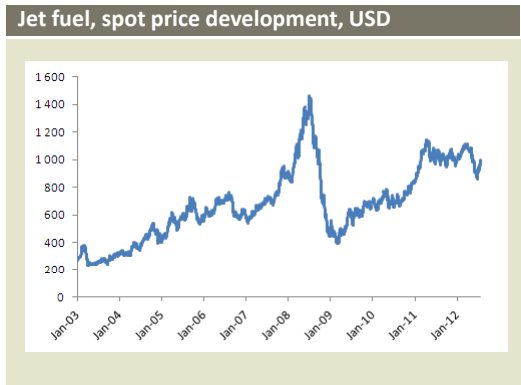


## Expenses



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# Jet fuel prices came down during Q2, but still at high levels

- ### Current hedges
- 58% of the consumption hedged for next 12 months
  - Only swaps and options
  - Due to falling jet fuel prices, the market value of the hedge portfolio was slightly negative in June
- ### Amended policy to offset fuel price volatility
- Hedging 40-80% of expected consumption (12 months rolling)
  - Up to 18 months hedging allowed
  - Yield management
  - Cost initiatives

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## SAS hedging position

- mostly options



SAS Group's jet fuel hedging portfolio	Q3 2012	Q4 2012	Q1 2013	Q2 2013
Jet fuel hedging proportion	67%	61%	54%	50%

SAS Group's jet costs in 2012 (annual average values)	5.0 SEK/USD	6.0 SEK/USD	7.0 SEK/USD	8.0 SEK/USD
Market price				
800 USD/MT	SEK 7.8 bn	SEK 8.4 bn	SEK 9.0 bn	SEK 9.6 bn
1 000 USD/MT	SEK 8.2 bn	SEK 8.9 bn	SEK 9.6 bn	SEK 10.3 bn
1 200 USD/MT	SEK 8.5 bn	SEK 9.2 bn	SEK 9.9 bn	SEK 10.7 bn
1 400 USD/MT	SEK 8.8 bn	SEK 9.6 bn	SEK 10.4 bn	SEK 11.2 bn

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