



SAS Group Q3 2012/13

Strengthened SAS delivers positive result in Q3



Passenger revenues up 5.3% (FX adjusted)

- 32 new routes introduced
- Capacity up 7.7%
- Traffic up 5.6%
- Yield down 0.6%

Restructuring drives improvement

- Operating expenses down 5% while capacity is up 7.7%
- Unit cost down 5,8% (ex fuel)

EBT MSEK 1 120

- EBT before non-recurring items doubled to MSEK 973

Decision taken to renew fleet

Restructuring status

Cost and efficiency



Pension switch over



Financial preparedness



European aviation - an industry in transition

Weak profitability amongst European airlines

- Competition continues to be intense
- High LCC penetration

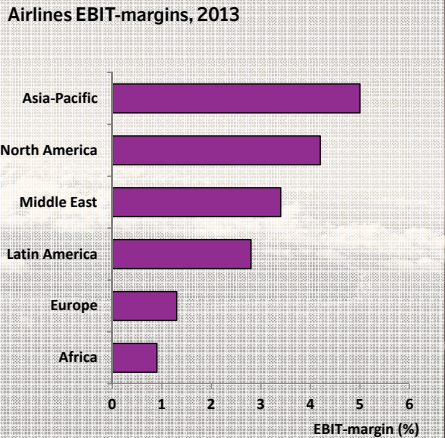
European legacy carriers forced to respond

- Implementation of efficiency measures
- Capacity reductions
- Establishing own LCC subsidiaries to defend position

Sign of convergence of service models in Europe

- Enforced 'lowest price' corporate travel policies enables LCC's to target business passengers
- Airlines need to differentiate above pricing

Airlines EBIT-margins, 2013

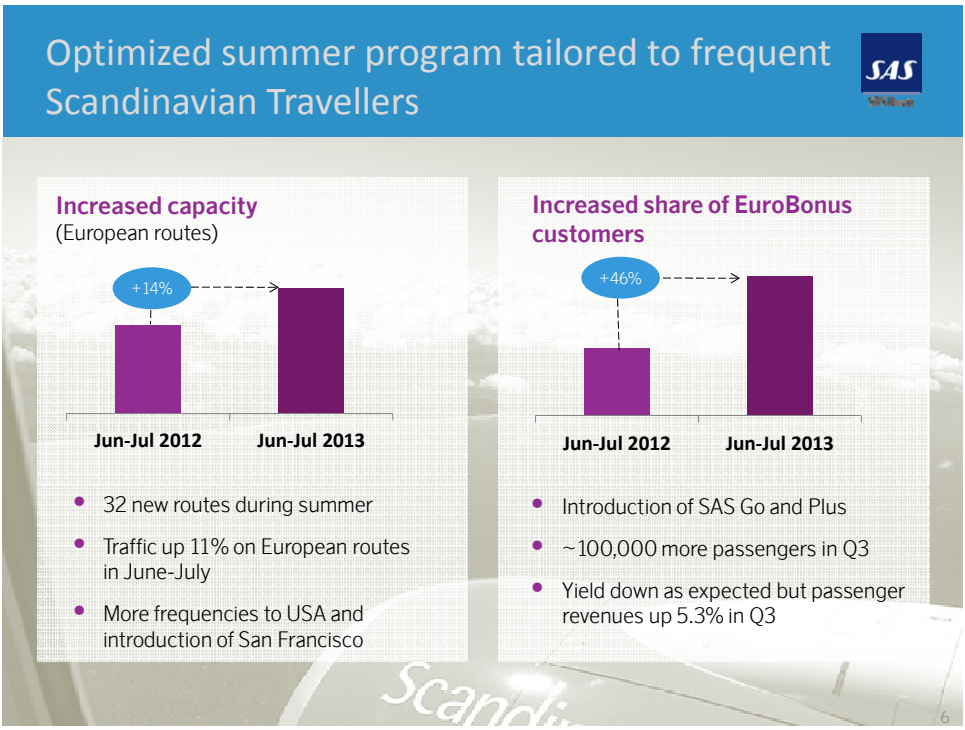
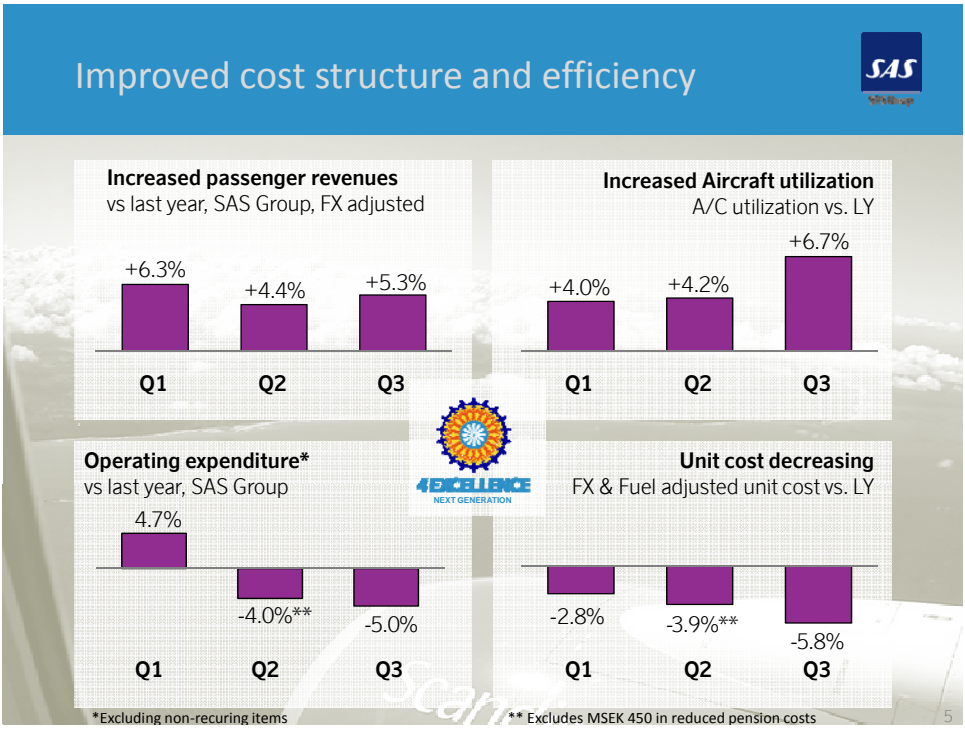


Region	EBIT-margin (%)
Asia-Pacific	~5.2
North America	~4.2
Middle East	~3.2
Latin America	~2.8
Europe	~1.2
Africa	~0.8

Source: IATA

SAS strategic priorities

Objective	Strategic priorities	Q3 - deliverables
<div style="text-align: center;"></div> <p>A viable, profitable and sustainable airline connecting Scandinavia and the world</p>	<ul style="list-style-type: none"> <li style="margin-bottom: 10px;">Establish an efficient operating platform <li style="margin-bottom: 10px;">Be the natural choice for Scandinavian frequent travellers Invest to stay competitive 	<ul style="list-style-type: none"> <li style="margin-bottom: 10px;">Improved cost structure, efficiency and financial preparedness <li style="margin-bottom: 10px;">Optimized summer program and enhanced offering Secured a competitive fleet "roadmap"



Secured a competitive fleet “roadmap”



Renewal of long haul fleet

- 4 A330-300E and 8 A350-900
- First delivery in 2015



Renewal of short haul fleet

- 30 A320neo with first delivery in 2016
- MD80 fully replaced (by B737NG/A320) already in October 2013



Cabin upgrade on existing fleet

- **Long haul:** New IFE-system and new seats (incl. fully flat business seats)
- **Short haul:** New seats for improved comfort and enhanced fuel efficiency



GÖRAN JANSSON
CFO

Restructuring program delivers improved margins



(MSEK)	May-Jul 2013	Share of revenue	May-Jul 2012	Share of revenue	Change (pp)
Total operating revenue	11,593		11,638		
Payroll expenses	-2,943	25.4%	-3,166	27.2%	-1.8
Fuel	-2,354	20.3%	-2,722	23.4%	-3.1
Government charges	-1,109	9.6%	-1,113	9.6%	+0.0
Other operating expenses	-3,102	26.8%	-3,005	25.8%	+1.0
Total operating expenses*	-9,508	82.0%	-10,006	86.0%	-4.0
EBITDAR before non-recurring items	2,085	18.0%	1,632	14.0%	+4.0
Leasing costs, aircraft	-480	4.1%	-411	3.5%	+0.6
Depreciation	-426	3.7%	-432	3.7%	-0.0
Share of income in affiliated companies	19	0.2%	26	0.2%	-0.0
EBIT before non-recurring items	1,198	10.3%	815	7.0%	+3.3
Financial items	-225	1.9%	-318	2.7%	-0.8
EBT before non-recurring items	973	8.4%	497	4.3%	+4.1
Non-recurring items	147	1.3%	229	2.0%	-0.7
EBT	1,120	9.7%	726	6.2%	+3.5

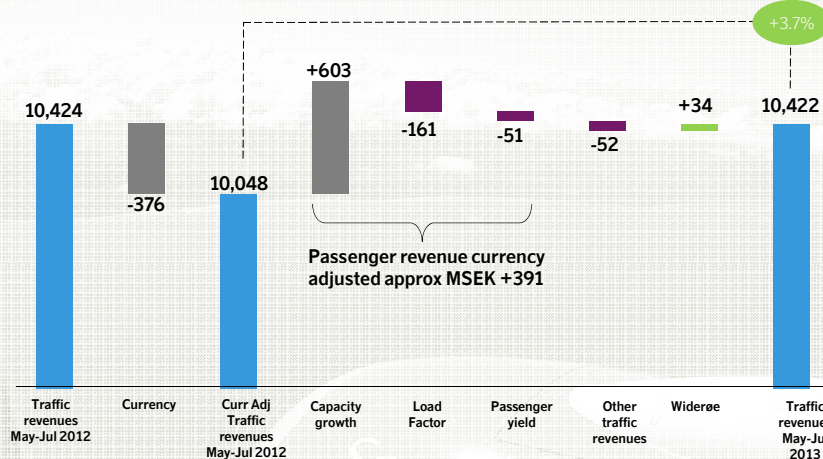
* = before non-recurring items

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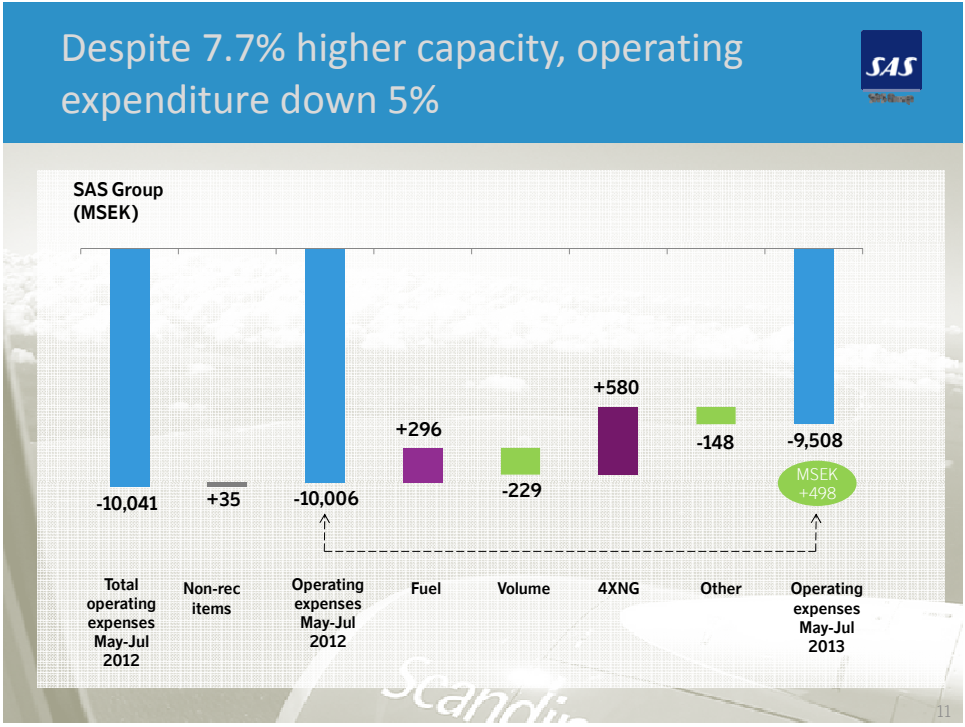
Optimized traffic program growing SAS revenues



SAS Group (MSEK)



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Ongoing restructuring - key building blocks

Cost improvements (SEK, bn)

New collective agreements	0.7
New pension schemes	0.5
Admin centralization	0.7
IT restructuring	0.6
<u>Commercial & Sales</u>	<u>0.5</u>
Total	3.0

Strategically increase proportion of variable costs

- Outsourcing of SAS Ground Handling
 - Reduces exposure of external revenue
 - Switching SEK 5 bn to variable costs
- Increased use of wet lease
- Outsourcing of call centres

Ongoing restructuring - key building blocks

Asset disposals (SEK, bn)

Widerøe	1.0
Aircraft engines	0.7
Aircraft financing	1.0
Total asset disposals	2.7
<hr/>	
Bond issue (MEUR 35)	0.3
Total liquidity enhancement	3.0

Pension switch over

Actuarial gains/losses, Oct 2012	13.5
New pension terms	-3.4
Reversal of tax	-1.5
Annual amortization	-0.7
Widerøe	-1.0
Proforma, 1 Nov 2013	6.9

Reduced defined-benefit pension commitment by 60% (SEK 19.3 bn)

Financial preparedness strengthened

- Cash flow**
 - Improvement in operating cash flow before change in working capital by MSEK 304 in Q3
 - Negative change in working capital due to higher utilization of pre-booked tickets in Q3
 - Asset disposals and positive cash flow strengthening SAS financial preparedness
- SAS accessing the debt market**
 - Issue of MEUR 35 within the EMTN program
 - S&P upgrade of SAS credit rating to B-

Financial preparedness

Per cent of last 12 months fixed cost

Quarter	Percentage
Q1	20%
Q2	18%
Q3	21%

Financial net debt, MSEK

Quarter	Net Debt (MSEK)
Q1	7,760
Q2	5,957
Q3	5,791

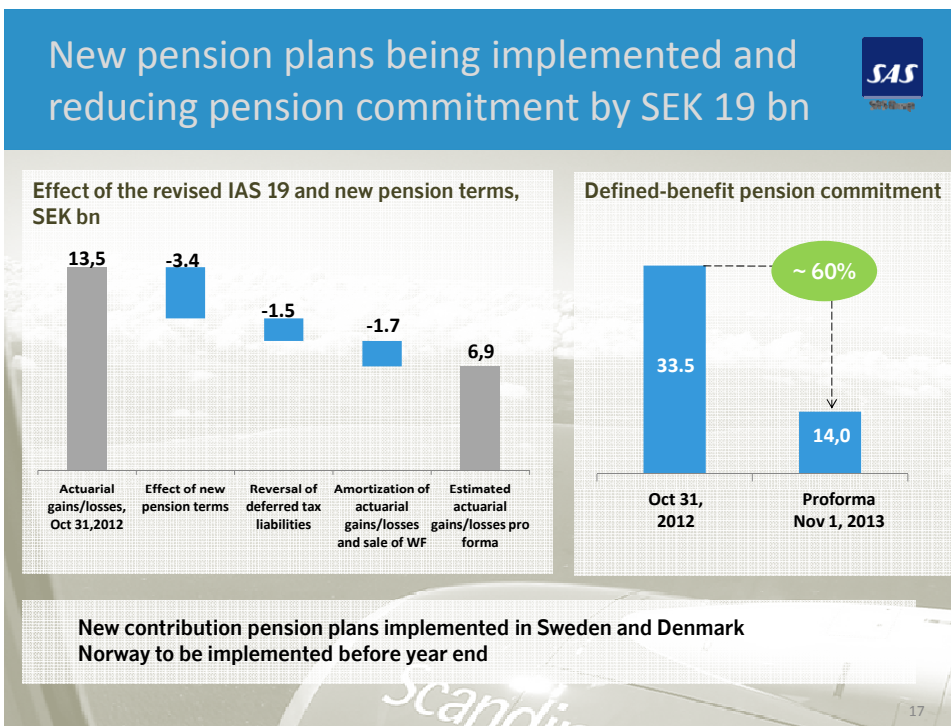
Summary and outlook



- Restructuring measures being implemented swiftly according to plan
 - Cost and efficiency
 - Pension switch over
 - Financial preparedness
- Productivity and efficiency driven growth tailored to Scandinavian frequent travelers
- Renewal of fleet underway – both long and short haul
- Outlook for 2012/2013 remains firm:
 - EBIT-margin of >3% and a positive EBT

Thank you!





4XNG: Delivering on strategic priorities

Pillar	Action	Impact
Cost and flexibility	New collective bargaining agreement	→ Unit cost reduced by 5.8% in Q3
	Administration & IT restructuring	→ Personnel unit cost reduced by 12.5%
	Restructure of sales organization	→ Aircraft utilization up 6.7% in Q3
	Network optimization	→ Capacity up 7.7% in Q3
	Wet lease	→ New wet lease operation
	Outsourcing of Ground Handling	→ Increase flexibility in cost structure
Pension switch over	New agreement on pension schemes	→ Full year effect MSEK 500 from FY14
	Move to contribution plans completed in Sweden/Denmark . Norway to be completed before year end	→ Reduced equity effect of accounting rules, from SEK -13bn to SEK -7bn
		→ Outstanding pension liability reduced by 60%
Financial preparedness	Disposal of non core assets	→ Increased liquidity by SEK 2.7 bn via disposals when the sale of Wideröe has been completed
	Refinancing of aircraft	→ Bond issue of MEUR 35
		→ Reduced net debt
		→ Improved financial preparedness


Appendices




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

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Modernization of fleet well in progress






SAS main aircraft

Airbus A330/340-300
Scandinavian Airlines



Airbus A319/A320/A321
Scandinavian Airlines



Boeing 737-600/700/800
Scandinavian Airlines

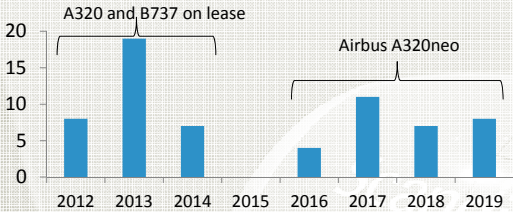
SAS aircraft being phased out

- MD80 and Boeing 737 Classic to be phased out by 2013 and 2014

Aircraft being phased in

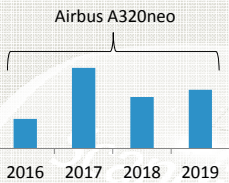
- SAS is phasing in 30 leased aircraft that will completely replace older generation aircraft 2012-2014
- Renewal the long haul fleet with first delivery in 2015 (letter of intent agreed in June 2013)

A320 and B737 on lease



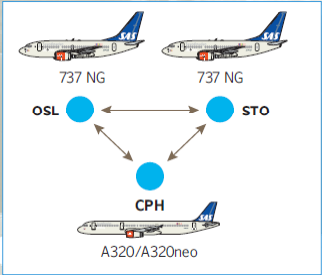
Year	Number of Aircraft
2012	8
2013	18
2014	7
2015	0
2016	4
2017	11
2018	7
2019	8

Airbus A320neo



Year	Number of Aircraft
2016	4
2017	11
2018	7
2019	8

One aircraft type per base from 2014



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graph TD
    OSL((OSL)) <--> STO((STO))
    OSL <--> CPH((CPH))
    STO <--> CPH
    OSL --- NG1[737 NG]
    STO --- NG2[737 NG]
    CPH --- Neo[A320/A320neo]
    
```

SAS Group fleet – July 2013



Aircraft Type	Age	Owned	Leased	Total	Leased out	Order
Airbus A330/340	11.2	5	6	11	0	
Airbus A321/A320/A319	9.0	4	16	20	0	30
Boeing 737 Classic	20.0	0	7	7	0	
Boeing 737 NG	11.4	17	64	81	0	
Boeing 717	12.9	4	5	9	0	
Douglas MD-80-series	22.8	13	0	13	0	
Douglas MD-90-series	-	8	0	8	8	
Avro RJ-85	-	0	1	1	1	
deHavilland Q-series	15.1	30	12	42	0	
Bombardier CRJ900 NG	4.2	12	0	12	0	
Total	12.2	93	111	204	9	30

*In addition SAS wet leases the following Aircraft: four CRJ200, four ATR and four S2000.

SAS and Airbus have also signed a Memorandum of Understanding for the order of 12 new long haul aircraft: eight new A350-900 XWB and four new A330-300 Enhanced

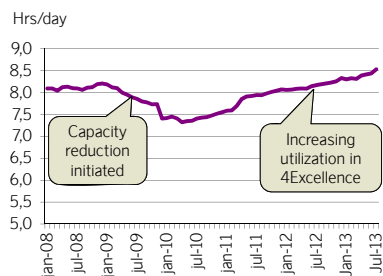
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Productivity development



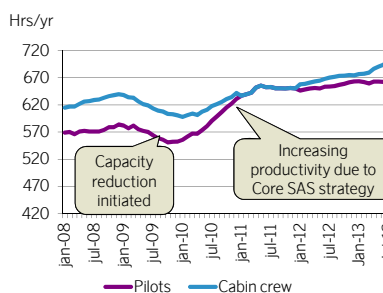
Scandinavian Airlines

Aircraft utilization (12 months rolling)



Scandinavian Airlines

Cabin, pilot utilization (12 months rolling)



Block hours, 12 months rolling, Jul 2013	Aircraft, hours/day	Pilots, hours/year	Cabin, hours/year
Scandinavian Airlines	8.5	666	702
Widerøe	6.5	475	481

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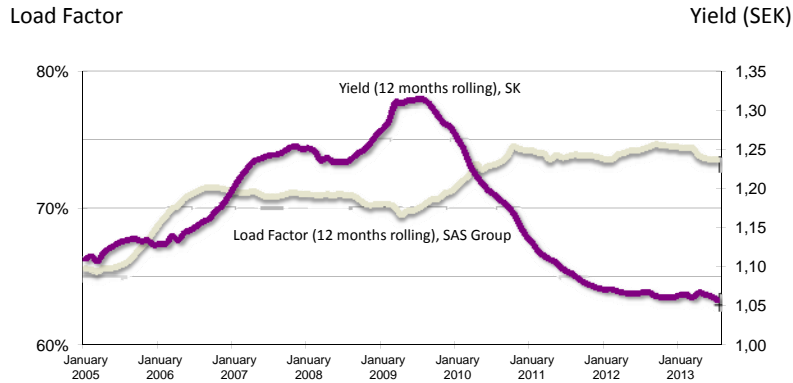
Yield and RASK development



Yield, SEK Currency adj		Q3	Nov-Jul	Yield, SEK Currency adj		Q3	Nov-Jul
		-0.6%	1.0%			7.4%	4.0%
RASK, SEK currency adj		Q3	Nov-Jul	RASK, SEK currency adj		Q3	Nov-Jul
		-4.8%	-2.3%			2.3%	0.9%


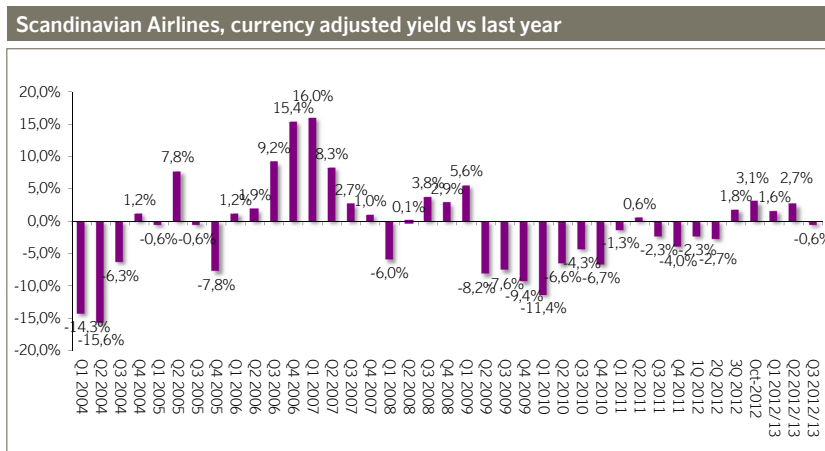
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Stabilizing yield, with strong load factor

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Quarterly yield development

Note: Including Blue1 from March 2012

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Summary of key drivers



SAS Group

Traffic (RPK)

Passenger load factor

Scandinavian Airlines*

Passenger yield

Total unit revenue (RASK)

Total unit cost (excluding fuel)

	Q3'12	Oct'12	Q1 2012/13	Q2 2012/13	Q3 2012/13
Traffic (RPK)	↑ +7.6%	↑ +5.4%	↑ +4.3%	↑ +1.0%	↑ +5.6%
Passenger load factor	↑ +1.5 p.u.	↓ -1.0 p.u.	↓ -0.3 p.u.	↓ -2.3 p.u.	↓ -1.6 p.u.
Passenger yield	↑ +1.8%	↑ +3.1%	↑ +1.6%	↑ +2.7%	↓ -0.6%
Total unit revenue (RASK)	↑ +3.6%	↑ +6.0%	↑ +0.5%	↓ -1.7%	↓ -4.8%
Total unit cost (excluding fuel)	↓ -6.1%	↓ -11.8%	↓ -2.8%	↓ -10.7%	↓ -5.8%

* Including Blue1 from March 2012

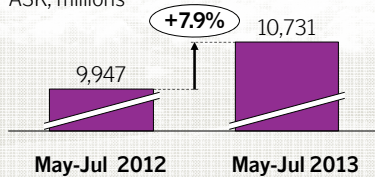
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Unit cost reduced by 9% in Q3

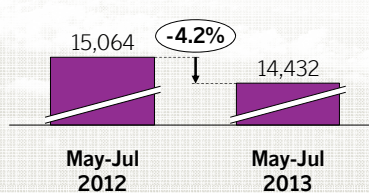


Capacity, Scandinavian Airlines

ASK, millions



SAS Group FTEs



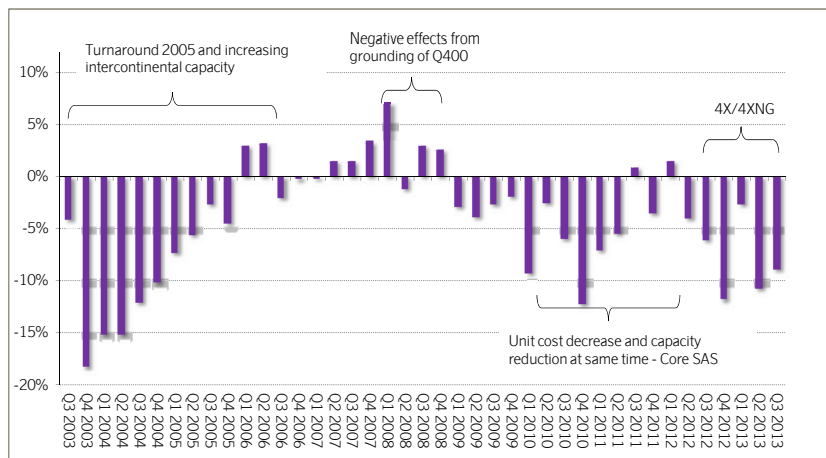
Scandinavian Airlines

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Quarterly unit cost development



Scandinavian Airlines, currency adjusted unit cost excluding fuel vs last year



Note: Including Blue1 from March 2012

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Breakdown of unit cost, Nov 2012 - Jul 2013



Scandinavian Airlines, SEK, currency adjusted

Unit cost breakdown	Nov 2012 - Jul 2013	Nov 2011 - Jul 2012	Var, %	Share of total var, %
Payroll expenses	-7,508	-8,981	-16.4%	-5.7%
Jet fuel	-6,219	-6,702	-7.2%	-1.9%
Government user fees	-2,839	-2,924	-2.9%	-0.3%
Selling and distribution costs	-1,674	-1,599	4.7%	0.3%
Handling costs	-1,185	-1,191	-0.5%	0.0%
Technical aircraft maint.	-1,738	-1,719	1.1%	0.1%
Other operating expenses	-622	-469	32.7%	0.6%
Total operating expenses	-21,785	-23,584	-7.6%	-6.9%
Leasing costs for aircraft	-1,267	-1,176	7.7%	0.4%
Depreciation	-1,138	-1,206	-5.6%	-0.3%
Adjusted EBIT	-24,190	-25,966	-6.8%	-6.8%¹

¹ Excluding changes in pension conditions that reduces payroll expenses by MSEK 450 during Q2, the adjusted EBIT unit cost was down 5.1%

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Breakdown of unit cost, Q3



Scandinavian Airlines, SEK, currency adjusted

Unit cost breakdown	May-Jul 2013	May-Jul 2012	Var, %	Share of total var, %
Payroll expenses	-2,556	-2,921	-12.5%	-3.9%
Jet fuel	-2,245	-2,696	-16.7%	-4.8%
Government user fees	-1,032	-1,084	-4.8%	-0.6%
Selling and distribution costs	-554	-551	0.4%	0.0%
Handling costs	-425	-415	2.6%	0.1%
Technical aircraft maint.	-585	-590	-0.9%	-0.1%
Other operating expenses	-268	-252	6.7%	0.2%
Total operating expenses	-7,666	-8,509	-9.9%	-9.0%
Leasing costs for aircraft	-467	-415	12.5%	0.6%
Depreciation	-378	-427	-11.4%	-0.5%
Adjusted EBIT	-8,511	-9,351	-9.0%	-9.0%

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Brighter outlook but competition remains challenging particularly in the Nordic region




Europe

Following a period of capacity discipline, industry is adding capacity

- Capacity increase strongest in northern Europe

Capacity development Q3 (May-July)



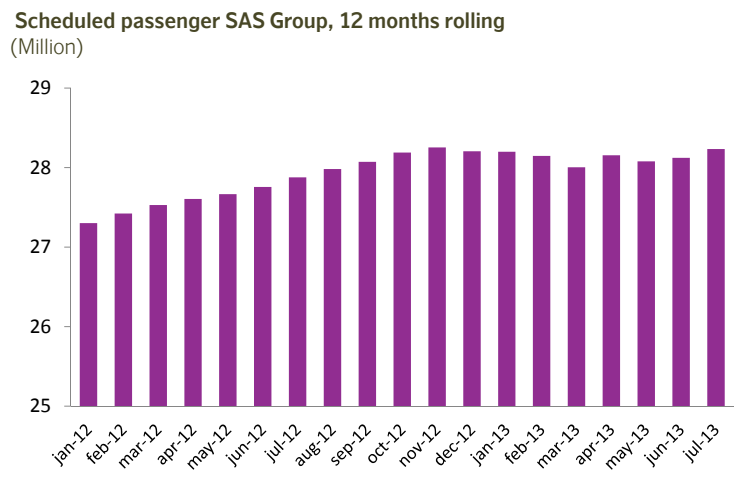
Nordic region

Demand stronger in the Nordic region, but capacity growth is stronger too

- Three major Nordic airlines adding approximately 6% capacity in Q3
- Traffic up approximately 6%
- Increased competition on international routes

SAS Group in a stable growth





ASK outlook for financial year 2012/13



ASK outlook for November 2012 – October 2013

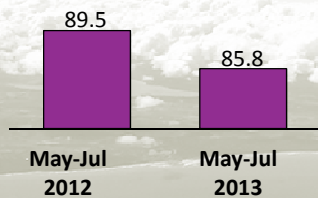
Scheduled	Financial year 2012/13 vs 2011/12
SAS Group	+5-6%
Scandinavian Airlines	+5-6%
Widerøe	6-8%

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Punctuality of 85.8% in Q3



Punctuality (15 min) May-Jul 2012/13 vs May-Jul 2011/12, %
Scandinavian Airlines



Punctuality down in 2013 due to

- implementation of a new ground handling system in February
- Severe weather conditions

SAS Fast Track

ON-TIME PERFORMANCE
FLIGHTSTATS
2013
PERFORMANCE AWARDS

65,158
flights on time
May-Jul 2013

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Appendices



- 🔍 Fleet & productivity
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- 🔍 Currency & Fuel

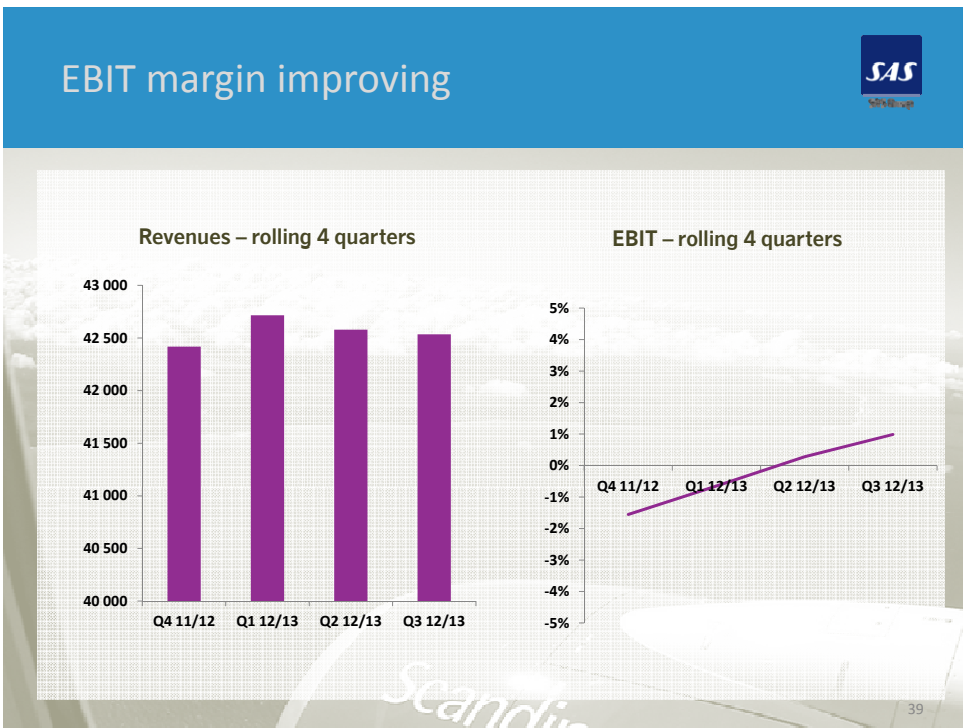
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Financial targets




		Long term: FY15
NEW	Profitability EBIT %	>8%
NEW	Equity ratio Equity/Assets, %	>35%
NEW	Financial preparedness Cash & unutilized credit facilities / Fixed cost	>20% (70 days)

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Overview of credit facilities – July 2013



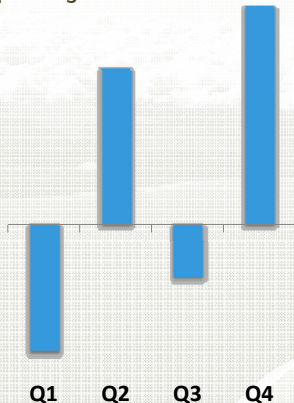
Available funds, SEK billion	Jul 2013	Maturity
Undrawn portion of credit facilities		
Revolving Credit Facility, SEK 2.7 bn	2.7	Mar 2015
Credit Facility, MUSD 125 & 62	0.2	Jan 2016, Oct 2017
Credit Facility, MUSD 67	0.3	Sep 2021
Others (MUSD 120)	0.0	Feb 2020
Total undrawn credit facilities	3.2	
Total credit facilities	5.1	
Drawn portion of credit facilities	1.9	
Undrawn portion of credit facilities	3.2	

Cash seasonality

- Cash flow seasonally weaker in Q3



Seasonality of SAS cash flow from operating activities



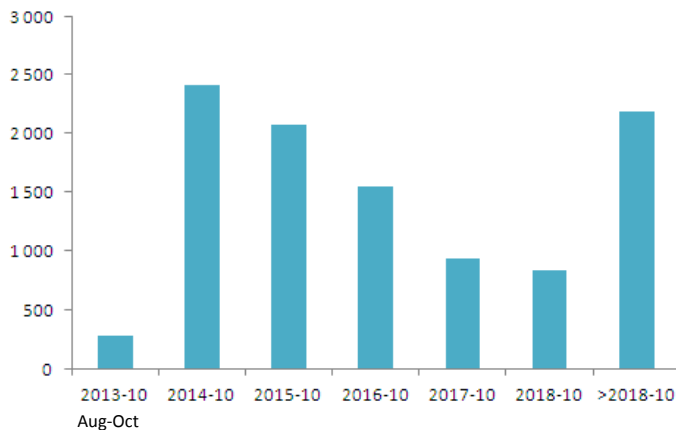
- Cash flow seasonally weaker in Q3 due to negative working capital
- Cash flow has seasonality increased as more passenger pre book tickets ahead of the summer period
 - Leisure travelling generates a higher degree of early bookings
 - Business bookings closer to departure
- However, cash flow from operation improved in Q3 due to improved operating result
- Remaining amortization until October 2013 at approximately SEK 0.3 billion

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Amortization profile


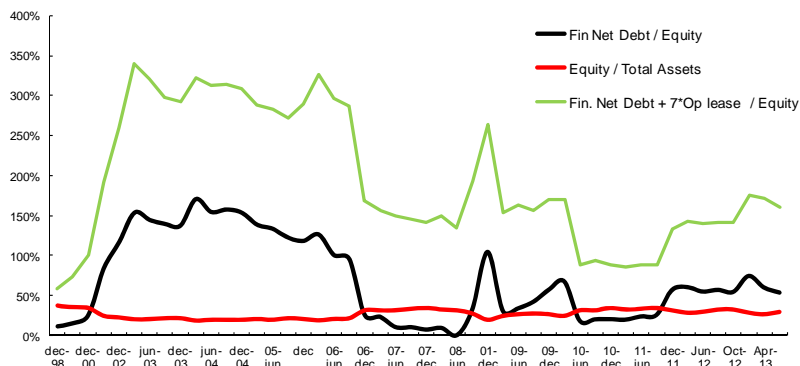


Scheduled amortization profile as of 31 July 2013, MSEK



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Gearing ratios improving

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SAS Group

Financial Net November-July




MSEK	Nov12-Jul13	Nov11-Jul12	Difference
Interest net and others	-695	-796	+101
Exchange rate differences	+7	-19	+26
Financial net	-688	-815	+127

MSEK	May13-Jul13	May12-Jul12	Difference
Interest net and others	-226	-284	+58
Exchange rate differences	+1	-34	+35
Financial net	-225	-318	+93

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Development and Break Down

Financial Net Debt


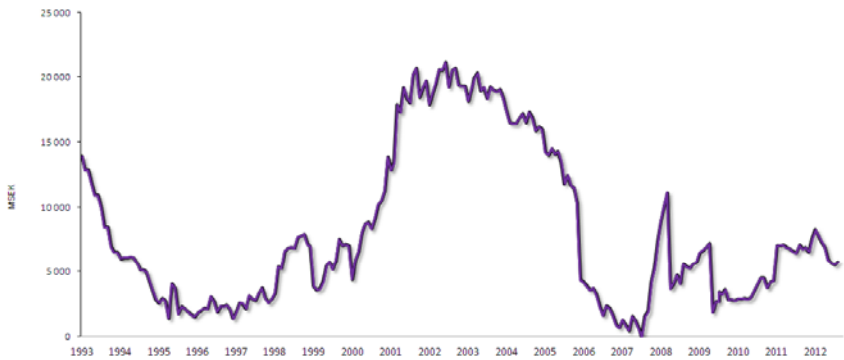


MSEK	31 Jul 2013	31 Oct 2012	Difference
Cash	3,240	2,789	+451
Other interest bearing assets	1,554	1,549	+5
Interest bearing liabilities	-10,585	-10,887	+302
Financial net debt	-5,791	-6,549	+758

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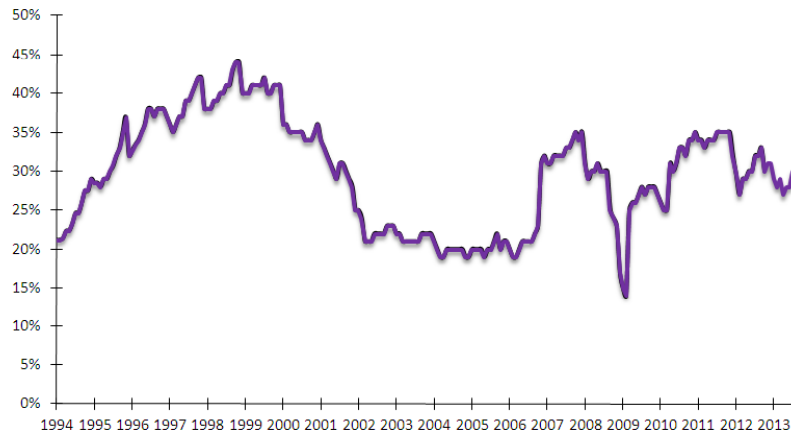
Development of financial net debt

1993-2013

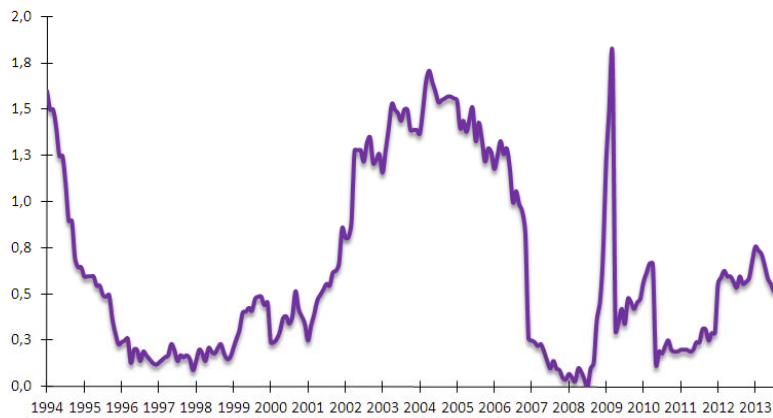
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Equity / Assets Ratio 1993-2013



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Financial Net Debt / Equity Ratio 1993-2013



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Development of the financial net debt

Oct 2012-Jul 2013



SEK billion

Financial net debt October 2012	-6.5
Investments	-1.2
Sales	+1.3
Cash flow from operating activities	+0.5
Others	+0.1

Financial net debt July 2013 **-5.8**

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Breakdown of currency effects SAS Group



Total revenues & costs currency effects		May-Jul 2013 vs LY	Nov 2012-Jul 2013 vs LY
Total revenues & costs	USD	147	274
	DKK	-7	21
	NOK	-103	-156
	EUR	0	16
	Asian currencies	-44	-78
	All others	-26	-44
	Total	-33	33
Forward cover costs	2012	122	188
	2013	36	-36
	Difference	-86	-224
Working capital	2012	-91	-140
	2013	-10	-14
	Difference	81	126
Financial items	2012	-34	-19
	2013	1	7
	Difference	35	26
Total currency effects		-3	-39

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Changes in currency exchange rates

affected the result by MSEK -39 in Nov 2012-Jul 2013 vs Nov 2011-Jul 2012



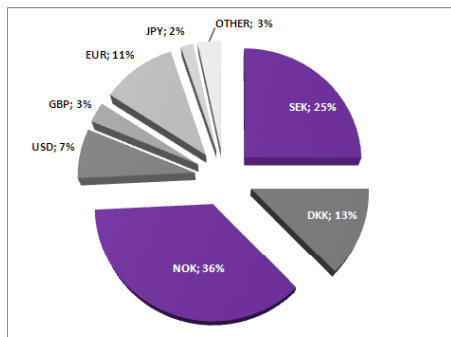
Currency effects MSEK on SAS Group 2012-13 vs 2011-12		May-Jul 13	Nov 12-Jul13
<ul style="list-style-type: none"> Negative impact on revenue due to the stronger SEK Positive impact on other operating costs due to the stronger SEK 	Total revenue	- 413	- 848
	Total costs	380	881
	Forward cover costs & working capital	- 5	- 98
	Income before depreciation	- 38	- 65
	Financial items	35	26
	Income before tax	- 3	- 39

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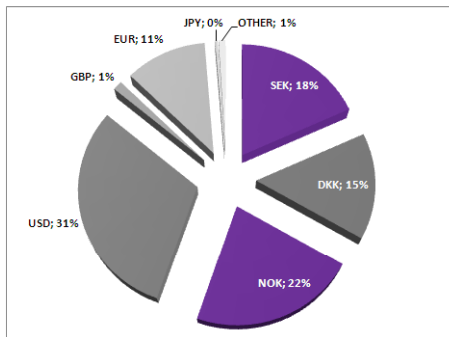
Currency distribution in SAS Group Jan-Oct 2012



Revenue

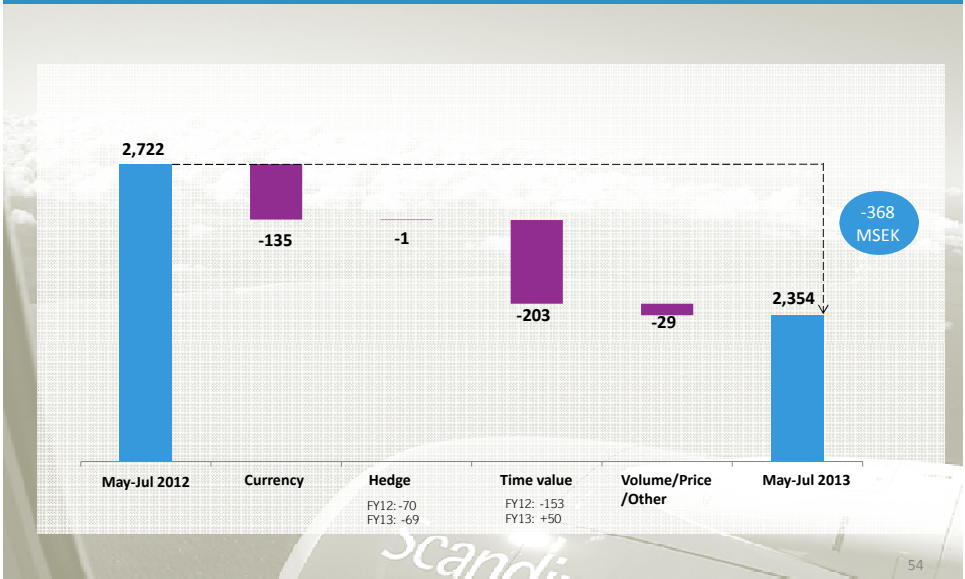


Expenses



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Lower fuel costs due to currency and time value effects

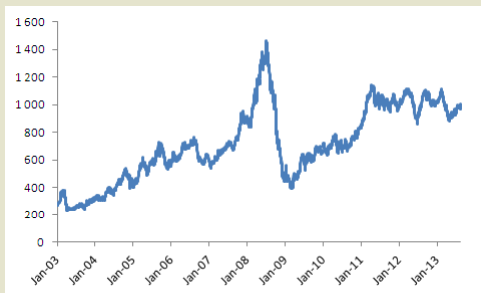



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Limited fuel price exposure



Jet fuel, spot price development, USD



Current hedges

- 41% of the consumption hedged for next 12 months
- 100% of consumption hedged during August- October 2013
- Call options enables SAS to benefit from lower fuel prices

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SAS hedging position



SAS Group's jet fuel hedging portfolio	Aug-Oct 2013	Nov-Jan 2014	Feb-Apr 2014	May-Jul 2014
Jet fuel hedging proportion	100%	34%	24%	7%

SAS Group's jet fuel costs in 2012/13 (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 8.1 bn	SEK 8.4 bn	SEK 8.7 bn	SEK 9.0 bn
1,000 USD/MT	SEK 8.4 bn	SEK 8.8 bn	SEK 9.2 bn	SEK 9.5 bn
1,200 USD/MT	SEK 9.0 bn	SEK 9.5 bn	SEK 10.0 bn	SEK 10.5 bn
1,400 USD/MT	SEK 9.6 bn	SEK 10.2 bn	SEK 10.8 bn	SEK 11.4 bn

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