

SAS Q2 2014/2015 TELECONFERENCE

18.06.2015

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Q2 brief summary

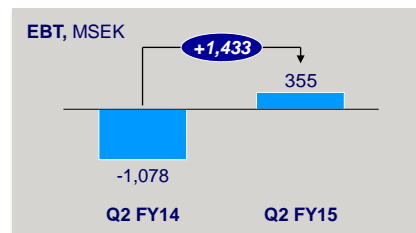
Events

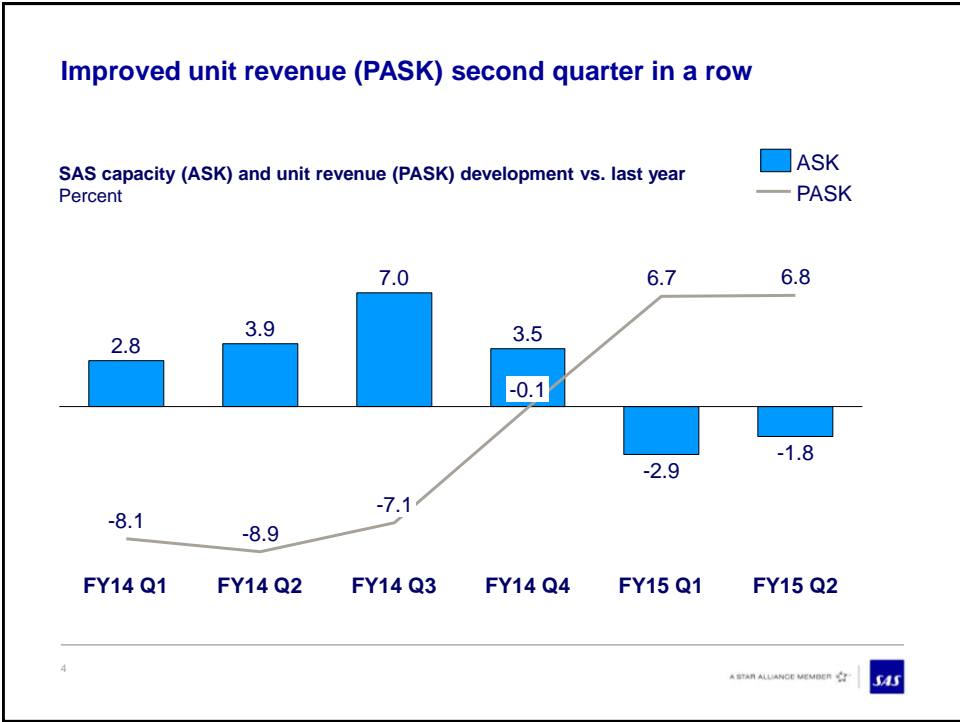
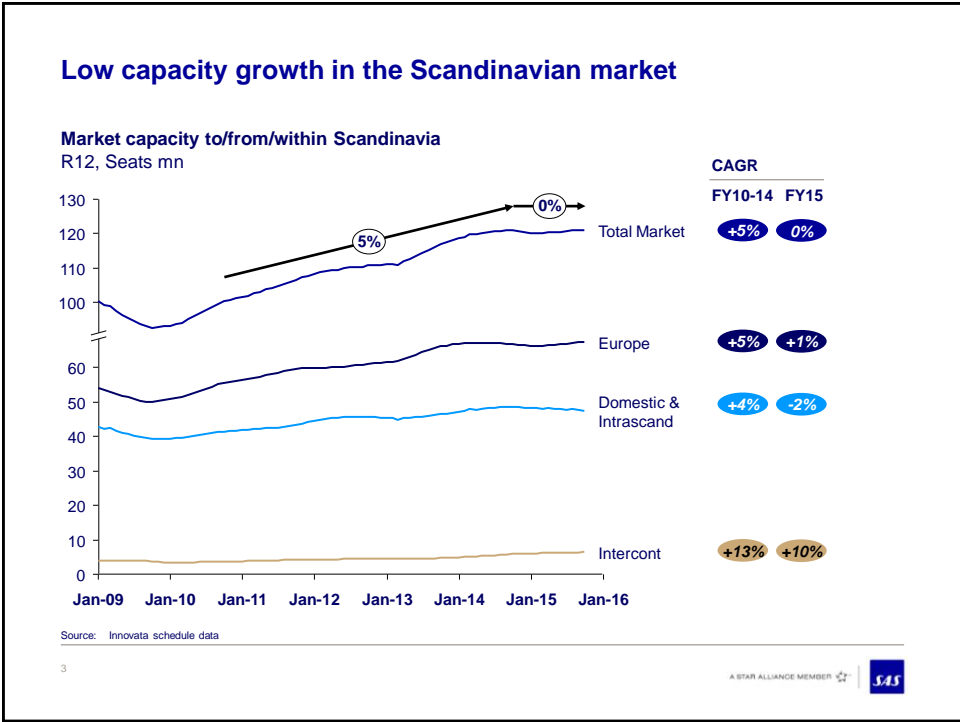
- CRJ900 transferred to Cimber operation
- Transfer of two LHR slots generated a capital gain of MSEK 678
- Awarded "Best customer service", air travel in Sweden (ServiceScore 2015)
- New and modern collective agreements signed with all pilot unions
- Wild cat strikes in Copenhagen (MSEK 50) and pilot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

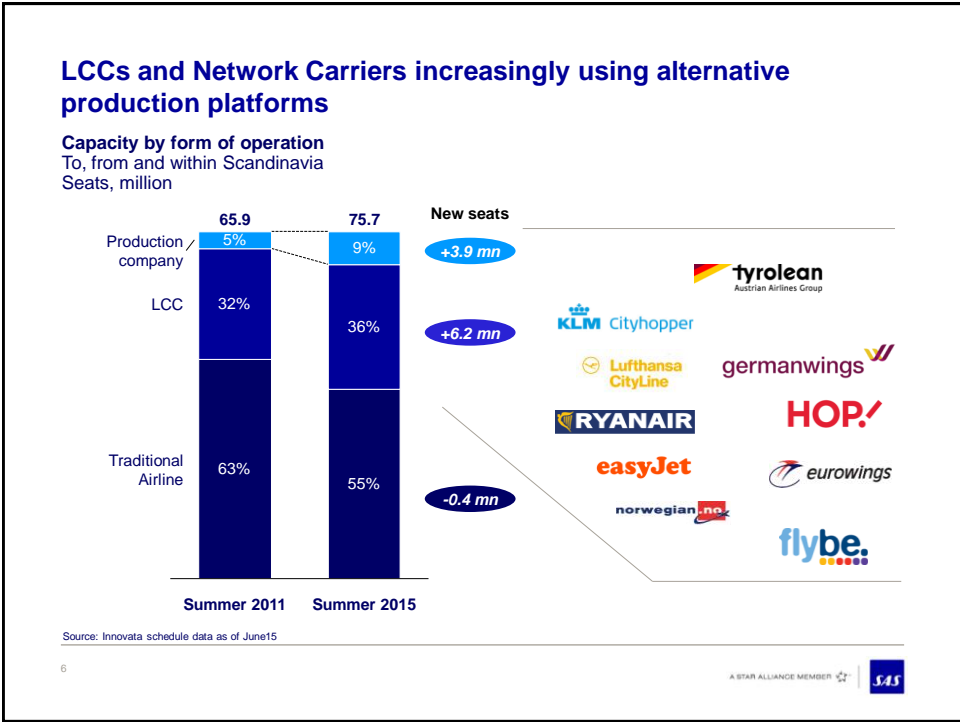
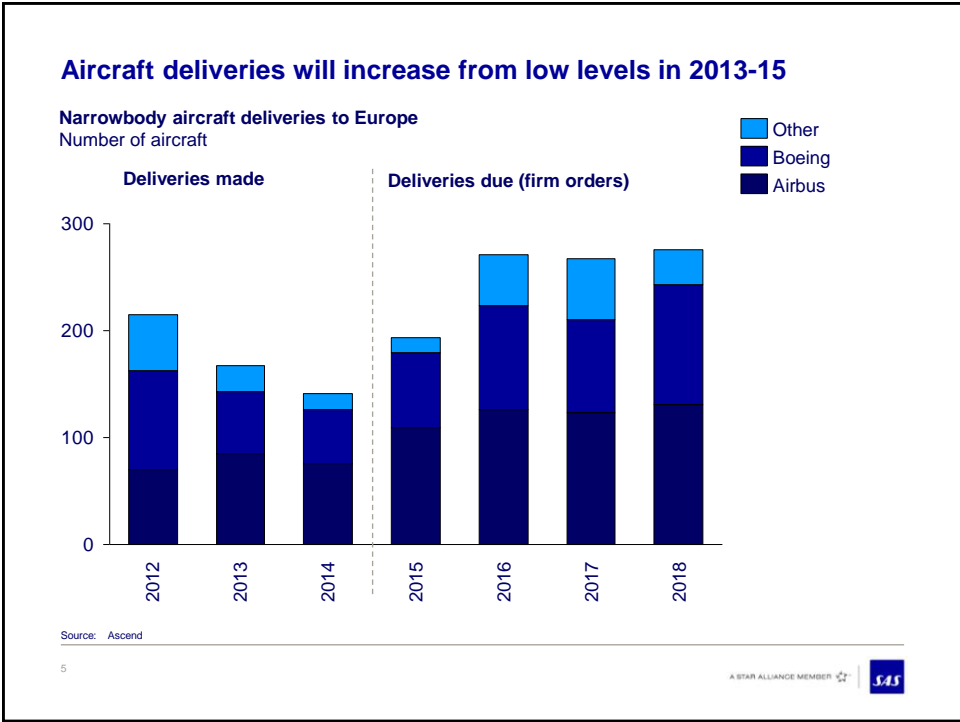
Q2 Result

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%





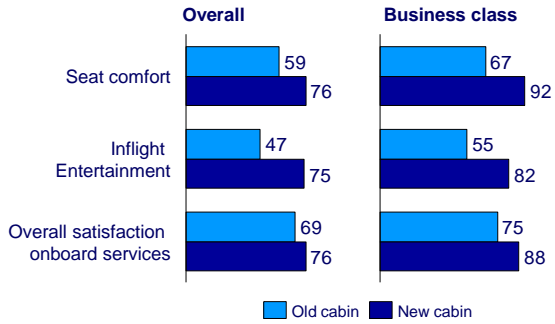


Positive customer response to new cabins



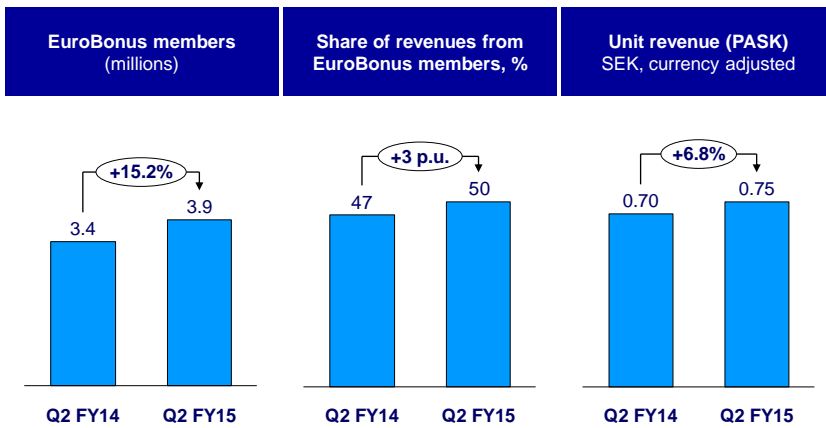
- 4 out of 12 aircraft with new cabin in traffic
- Remaining aircraft to be upgraded in the coming quarters
- Positive customer reception

Customer survey long haul



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Commercial improvements have resulted in growth in membership and revenue



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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

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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

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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

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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

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GÖRAN JANSSON

CFO

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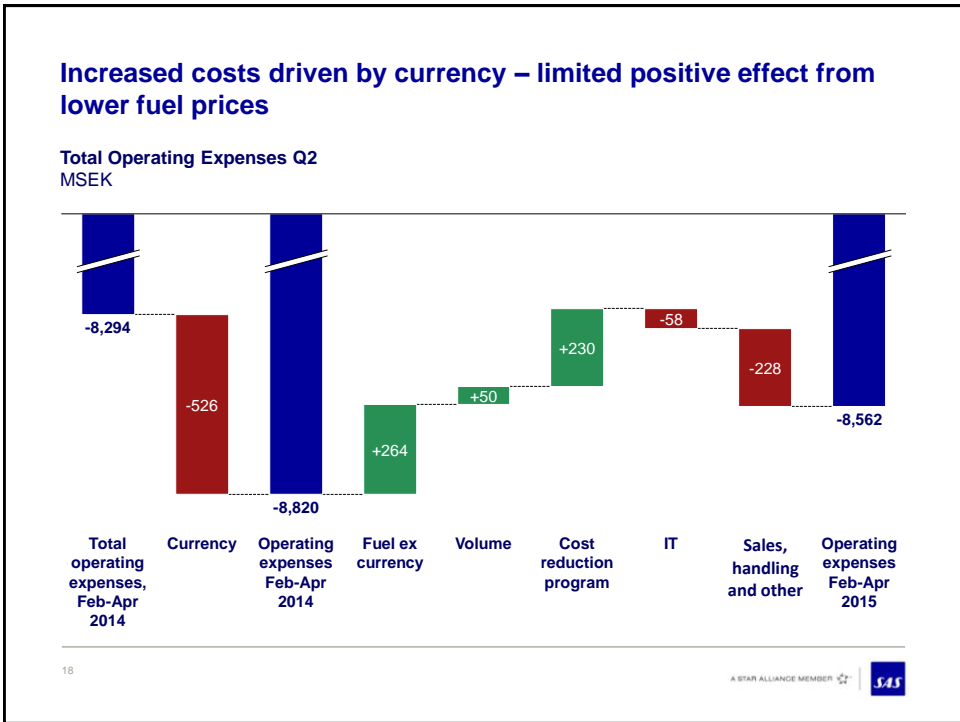
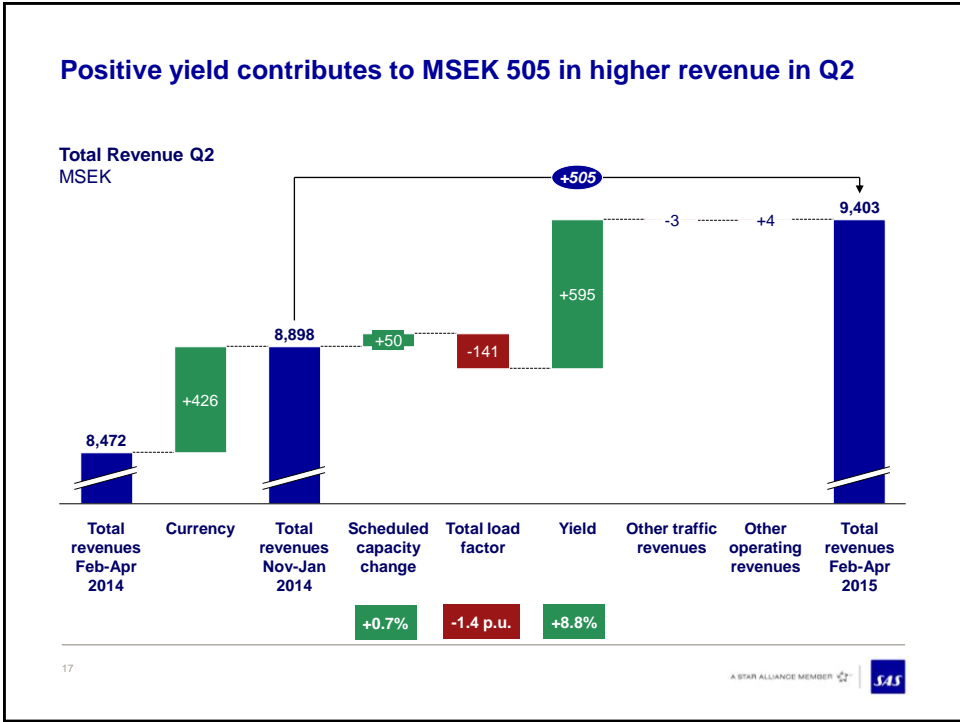
Revenue grew SEK 0.9 bn in Q2

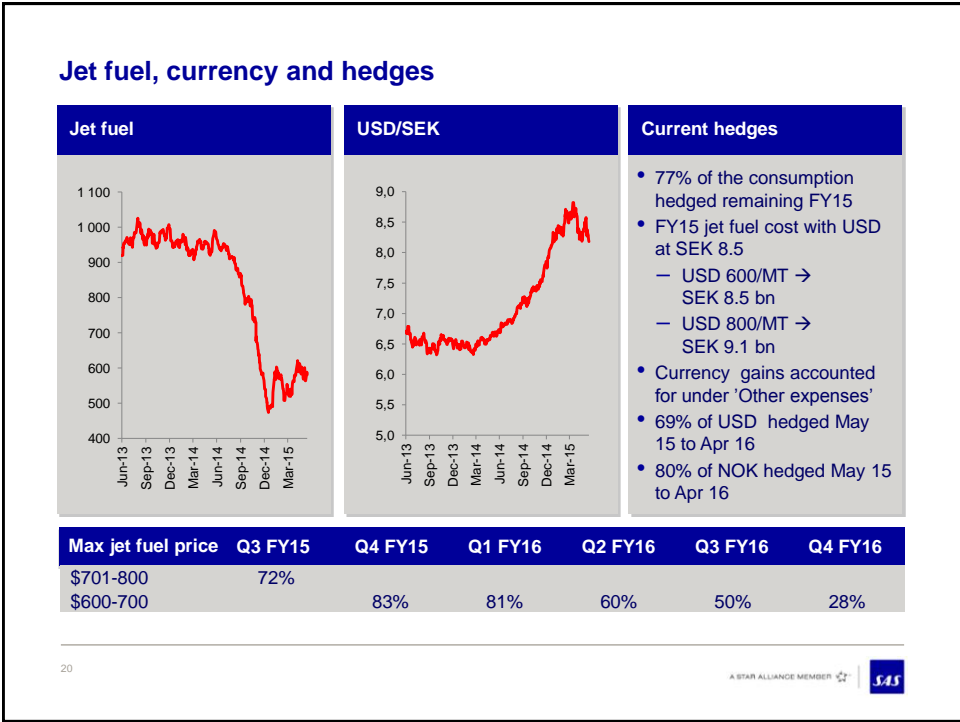
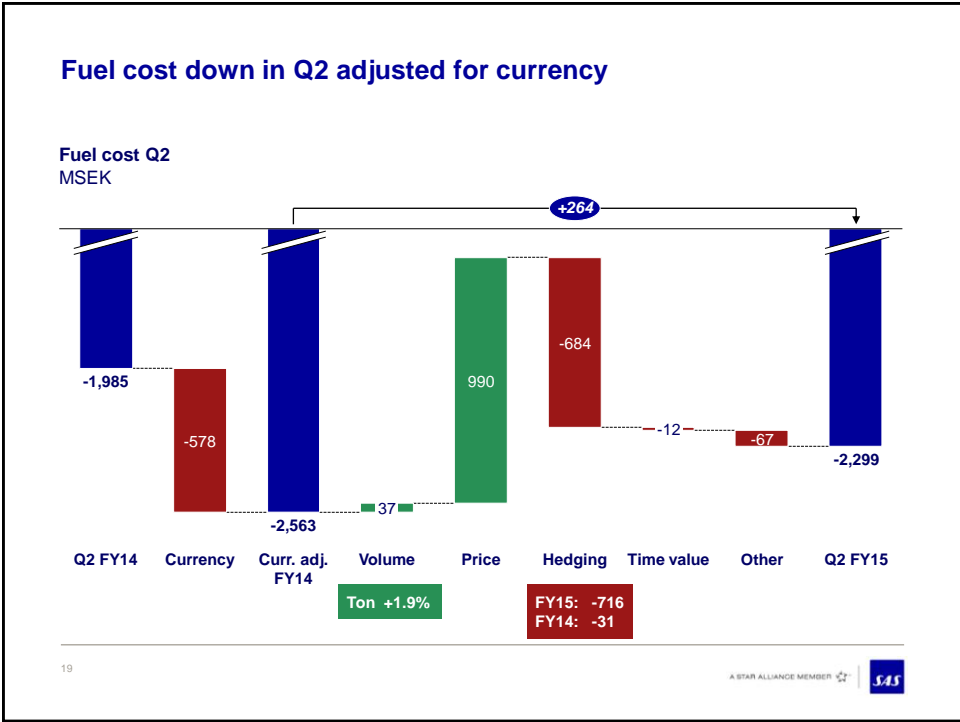
SAS income statement	Feb-Apr15	Feb-Apr14	Change vs LY	Currency
Total operating revenue*	9,403	8,472	+931	+426
Payroll expenses	-2,427	-2,466	+39	
Fuel	-2,299	-1,985	-314	
Government charges	-993	-940	-53	
Other operating expenses	-2,843	-2,903	+60	
Total operating expenses*	-8,562	-8,294	-268	-526
EBITDAR 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

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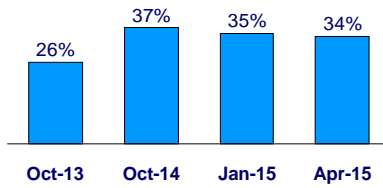
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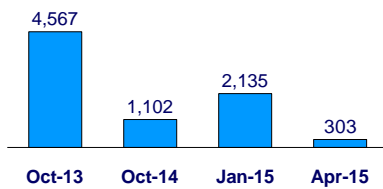


SAS financial position stronger

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

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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%

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THANK YOU

Appendices

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

SAS fleet – April 2015

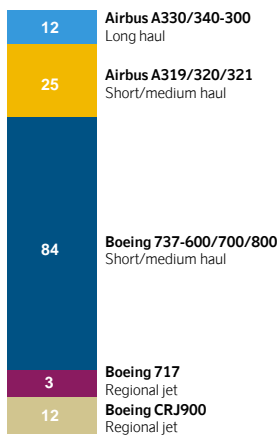
Aircraft in traffic	Age	Owned	Leased	Total	Firm order	Lease order
Airbus A330/A340/A350	13.4	5	7	12	12	
Airbus A321/A320/A319	10.2	6	19	25	30	
Boeing 737 NG	12.4	16	68	84		
Boeing 717	14.7	3	2	5		
Bombardier CRJ900 NG	5.9	12	0	12		
Total	11.6	42	96	138	42	

Leased/phased out aircraft	Owned	Leased	Total	In service	Parked
Douglas MD-90-series	8	0	8	8	
Bombardier Q400	0	1	1	1	
Boeing 717	2	0	2	0	2
Boeing 737 NG	0	2	2	0	2
	10	3	13	9	4

*In addition SAS wet leases the following aircraft: eleven ATR 72, four SAAB 2000 and one Boeing 737-700.

SAS investing in renewal and simplification of the aircraft fleet

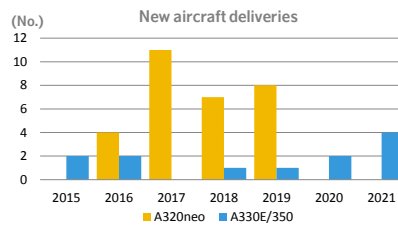
Current fleet in traffic, 30 April 2015



New orders

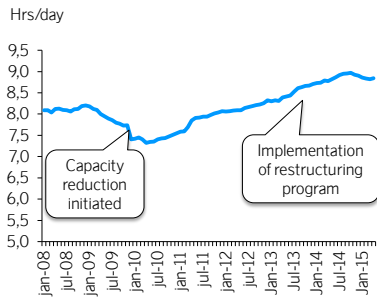


- Order value of approx. USD 3bn
- Intention to use mix of financing (e.g. bank debt, sale and lease-back and export financing)

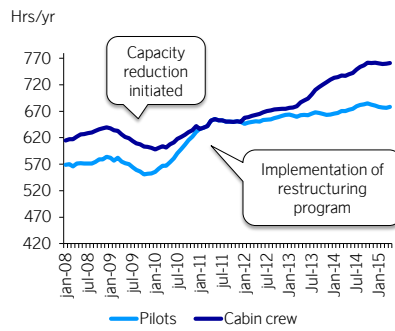


Productivity development

Aircraft utilization (12 months rolling)



Cabin, pilot utilization (12 months rolling)

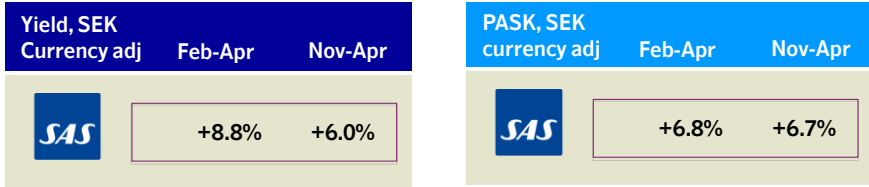


Block hours, 12 months rolling, Apr 2015	Aircraft, hours/day	Pilots, hours/year	Cabin, hours/year
SAS	8.8	679	761

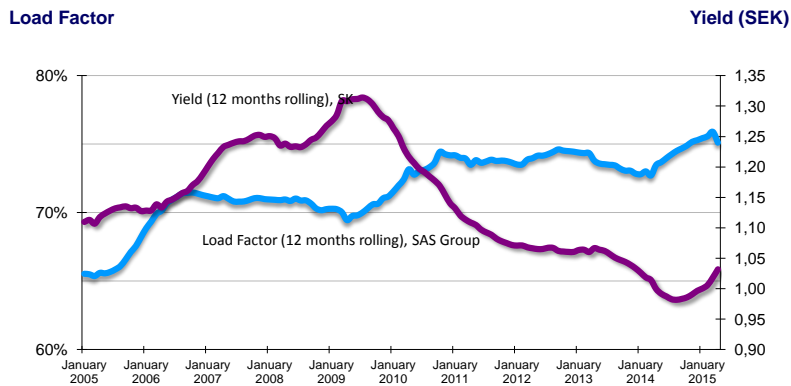
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Yield and PASK development

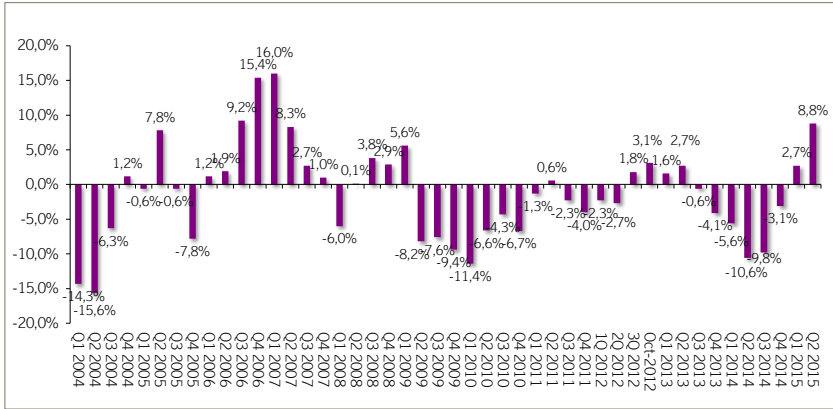


Long term yield and passenger load development



Quarterly yield development

Scandinavian Airlines, currency adjusted yield vs last year



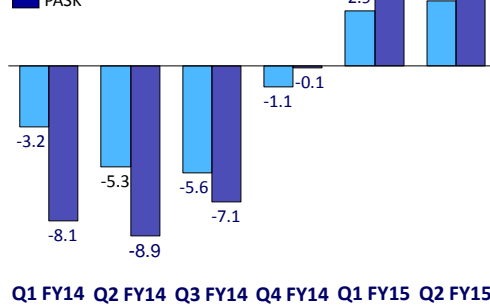
Note: Including Blue1 from March 2012



Positive ratio between PASK and unit cost

PASK and unit cost (ex fuel) change versus LY

Unit cost, ex fuel
PASK



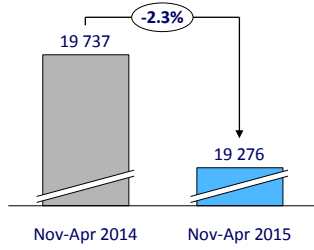
Focus on implementing efficiency measures

- Reduced capacity affecting unit cost negatively due to fixed costs in Q1 and Q2
- Initiated measures to increase flexibility in SAS cost base
- Efficiency effect in FY15 of SEK 1.3 bn

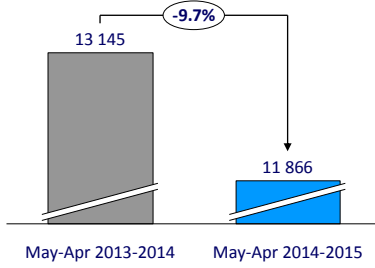


Capacity and FTE

Capacity
ASK total, millions

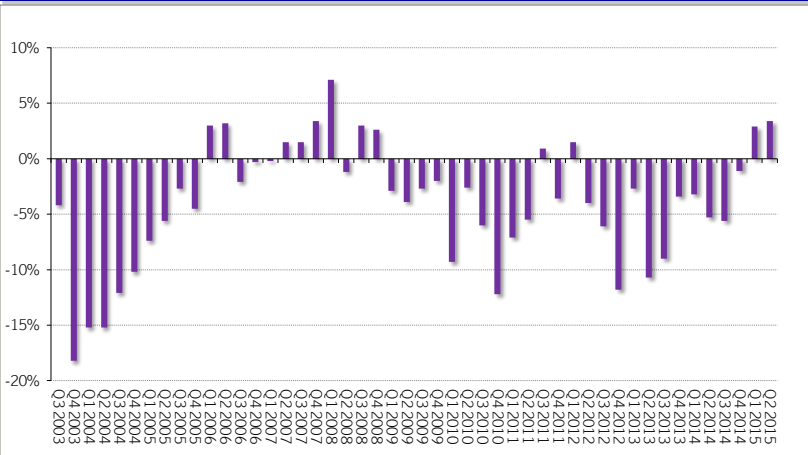


SAS FTEs, 12 months rolling



Quarterly unit cost development

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



Note: Including Blue1 from March 2012

Breakdown of unit cost, Nov-Apr 2015

SAS, SEK, currency adjusted

Unit cost breakdown	Nov 2014 – Apr 2015	Nov 2013 –Apr 2014	Var, %	Share of total var, %
Payroll expenses	-4,890	-4,931	-0.8%	-0.2%
Jet fuel	-4,322	-4,572	-5.5%	-1.5%
Government user fees	-1,876	-1,854	+1.2%	+0.1%
Selling and distribution costs	-1,168	-1,078	+8.3%	+0.5%
Handling costs	-912	-812	+12.3%	+0.6%
Technical aircraft maint.	-1,258	-1,294	-2.8%	-0.2%
Other operating expenses	-750	-622	+20%	+0.8%
Total operating expenses	-15,175	-15,163	+0.1%	+0.1%
Leasing costs for aircraft	-1,263	-1,172	+7.8%	+0.5%
Depreciation	-687	-652	+5.5%	+0.2%
Adjusted EBIT	-17,126	-16,987	+0.8%	+0.8%

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Breakdown of unit cost, Feb-Apr 2015

SAS, SEK, currency adjusted

Unit cost breakdown	Feb 2014 – Apr 2015	Feb 2013 –Apr 2014	Var, %	Share of total var, %
Payroll expenses	-2,420	-2,474	-2.2%	-0.6%
Jet fuel	-2,299	-2,516	-8.7%	-2.4%
Government user fees	-993	-993	+0.1%	0.0%
Selling and distribution costs	-632	-583	+8.4%	+0.6%
Handling costs	-507	-421	+20.4%	+1.0%
Technical aircraft maint.	-608	-634	-4.1%	-0.3%
Other operating expenses	-390	-333	+17%	+0.6%
Total operating expenses	-7,849	-7,953	-1.3%	-1.2%
Leasing costs for aircraft	-662	-629	+5.2%	+0.4%
Depreciation	-405	-332	+22.2%	+0.8%
Adjusted EBIT	-8,916	-8,914	-0.0%	-0.0%

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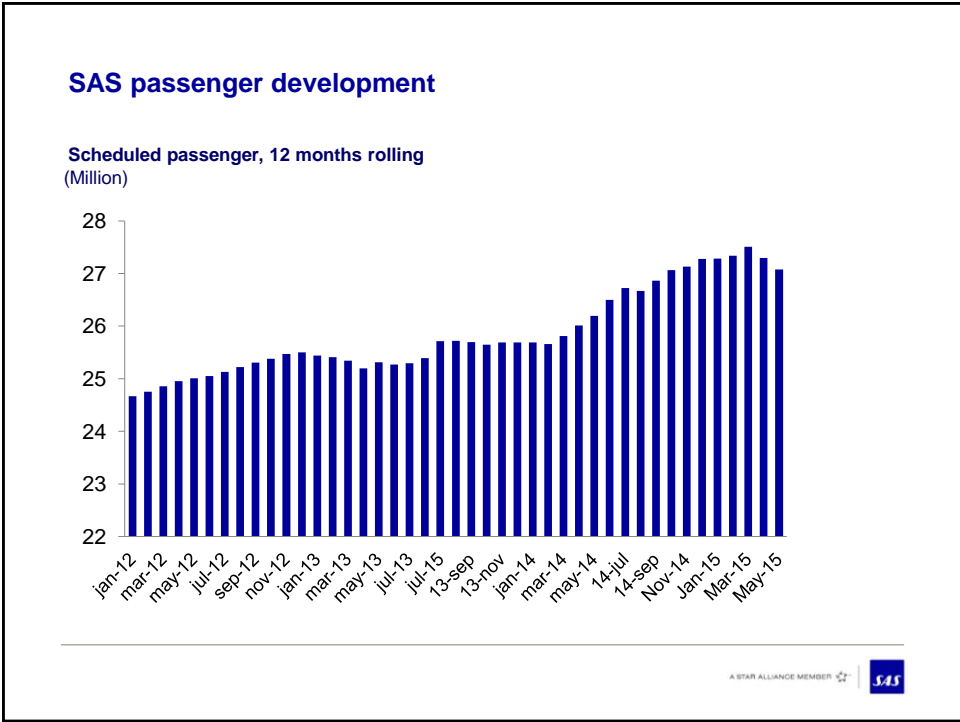
Summary of key drivers

SAS

	Q3 2013/14	Q4 2013/14	Q1 2014/15	Q2 2014/15
Scheduled traffic (RPK)	↑ +9.6%	↑ +7.0%	↑ +3.2%	↓ -1.2%
Passenger load factor	↑ +2.4 p.u.	↑ +2.3 p.u.	↑ +2.5 p.u.	↓ -1.4 p.u.
Passenger yield	↓ -9.8%	↓ -3.1%	↓ +2.7%	↑ +8.8%
Total unit revenue (PASK)	↓ -7.1%	↔ -0.1%	↑ +6.7%	↑ +6.8%
Total unit cost (excluding fuel)	↓ -5.6%	↓ -1.1%	↑ +2.9%	↑ +3.4%

Appendices

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-  **Traffic and capacity outlook**
-  Financial update
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SAS PLUS sets new benchmark

PLUS makes life easier for frequent travelers

	SAS app	Free baggage	Premium bag drop	Mobile check-in	Fast Track	Lounge	Seat in front	Breakfast	Coffee & tea	Food & drinks	WiFi	Priority baggage	Euro Bonus	SAS Credits
GO	✓	1x23kg		✓					☹	☹	☹		✓	✓
PLUS	✓	2x23kg	✓*	✓	✓*	✓	✓	✓	✓	✓	✓**	✓***	✓	✓

Strong demand for PLUS product
Number of PLUS passengers up 15% during Q2 vs. last year

SAS Go booking classes: E, M, H, Q, V, W, U, K, L, T, O, G, X
SAS Plus booking classes: C, D, Z, I, J, Y, S, B, P, A

* Subject to availability
** Rollout of SAS WiFi in progress
*** Not applicable on SAS domestic flights in Denmark, Finland, Norway and Sweden.

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Improved operating platform enables SAS to launch new routes

- 52 new routes launched in 2013
- More than 50 new routes launched in 2014
- 13 new routes to be launched in 2015
 - Stockholm-Hong Kong
 - Stockholm-Riga
 - Copenhagen-Edinburgh
 - Bergen-Gothenburg
- Half a million more seats to be offered for winter program 2015/1

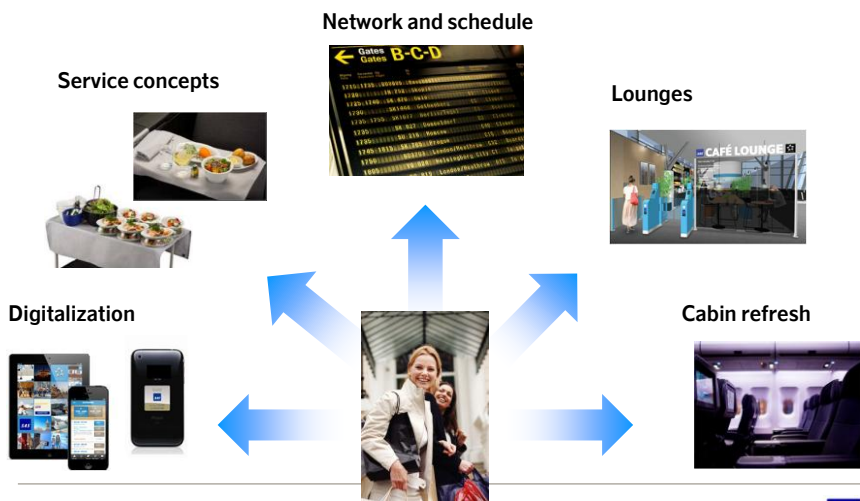
SAS destinations

— Existing routes — New routes for 2015



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Several upcoming developments to make life easier for frequent travelers



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2 New Stockholm to Hong Kong route

- First flight September 10, 2015, 5 weekly frequencies
- The route will be operated with Airbus 330 Enhanced (Sep-Oct mix of A330E and A340)
- Hong Kong is the fourth SAS destination in the Asia
- The timetable will provide efficient connections from major cities in Scandinavia and important points in Europe
- Hong Kong is the largest airfreight airport in the world








ASK outlook for financial year 2014/15

ASK outlook for November 2014 – October 2015

Financial year 2013/14 vs 2012/13	
SAS – scheduled	-1%
SAS - total	-1% to -2%

Appendices

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-  Currency & Fuel

Revenues grew SEK 1.4 bn in the first half

SAS income statement	Nov14-Apr15	Nov13-Apr14	Change vs LY	Currency
Total operating revenue*	17,774	16,343	+1,431	+669
Payroll expenses	-4,905	-4,956	+51	
Fuel	-4,322	-3,815	-507	
Government charges	-1,876	-1,783	-93	
Other operating expenses	-5,586	-5,676	+90	
Total operating expenses*	-16,689	-16,230	-459	-864
EBITDAR before non-recurring items	1,085	113	+972	-195
Leasing costs, aircraft	-1,263	-985	-278	
Depreciation	-687	-667	-20	
Share of income in affiliated companies	-12	-11	-1	
EBIT before non-recurring items	-877	-1,550	+673	-409
Financial items	-283	-695	+412	
EBT before non-recurring items	-1,160	-2,245	+1,085	-416
Non-recurring items	679	1,021	-342	
EBT	-481	-1,224	+743	-416

* = Before non-recurring items

Financial targets

The SAS Group's overriding goal is to create value for its shareholders*

Financial preparedness

Cash & unutilized credit facilities / Fixed cost >20% (70 days)

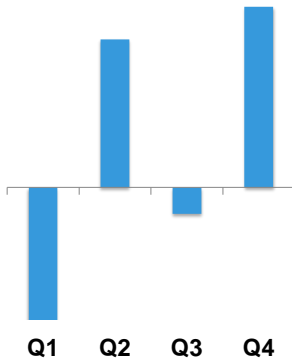
To reach this, SAS pursues three strategic priorities to meet trends and industry developments, ensure competitiveness and create the prerequisites for long-term sustainable profitability, in line with previously announced financial targets.

Overview of credit facilities – April 2015

Available funds, SEK billion	Apr 2015	Maturity
Undrawn portion of credit facilities		
Revolving Credit Facility, MEUR 150	1.4	Jan 2017
Credit Facility, MUSD 137 & 43	1.1	Jan 2016, Oct 2017
Credit Facility, MUSD 57	0.0	Sep 2021
PDP Credit facility, MUSD 54	0.2	May 2016
Others, MUSD 92	0.0	Feb 2020
Total undrawn credit facilities	2.7	
Total credit facilities	4.6	
Drawn portion of credit facilities	1.9	
Undrawn portion of credit facilities	2.7	

Cash seasonality

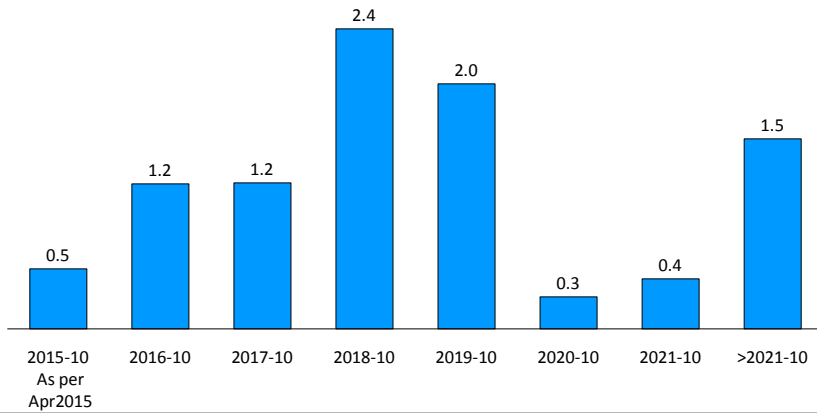
Seasonality of SAS cash flow from operating activities



- Cash flow from operating activities strongest in Q2 and Q4
- Seasonality has increased as proportion of pre bookings has increased ahead of the summer period
 - Leisure travelling generates a higher degree of early bookings
 - Business bookings closer to departure

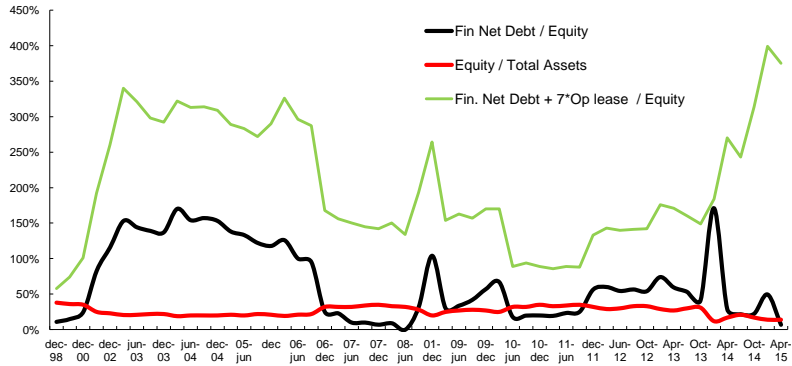
Amortization profile

Scheduled amortization profile as of 30 April 2015, SEK billion



As per Apr2015

Gearing ratios



SAS Group

Financial Net November-April

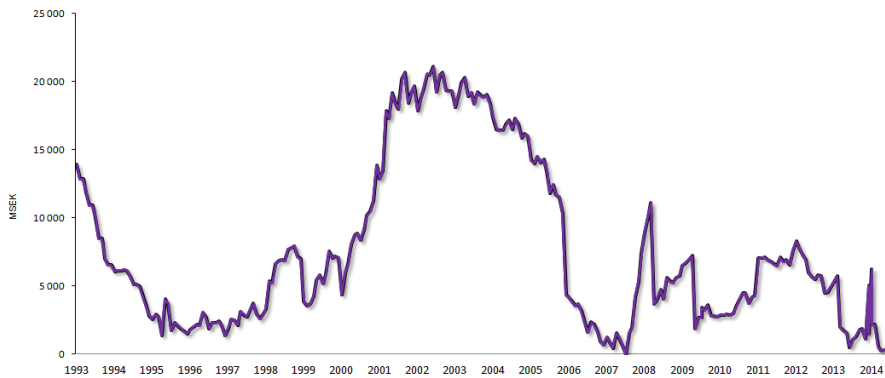
MSEK	Nov 14 –Apr 15	Nov 13 –Apr 14	Difference
Interest net and others	-295	-717	+422
Exchange rate differences	+10	+17	+7
Financial net	-285	-700	+415

MSEK	Feb 15 – Apr 15	Feb 14- Apr 14	Difference
Interest net and others	-135	-453	-318
Exchange rate differences	+32	+36	-4
Financial net	-103	-417	-314

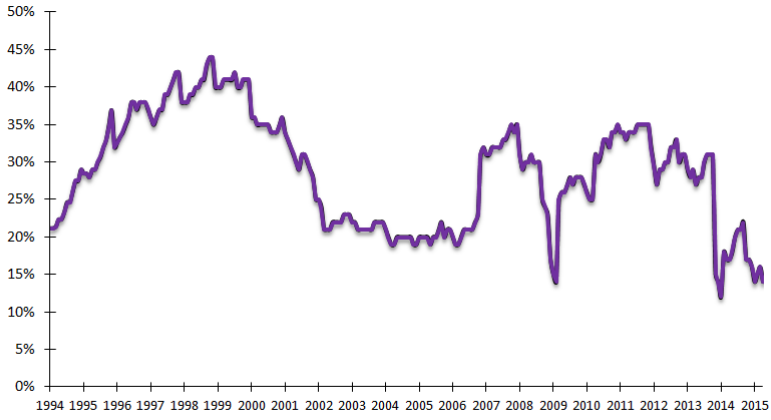
Development and Break Down
Financial Net Debt

MSEK	30 April 2015	31 Oct 2014	Difference
Cash	7,362	7,417	-55
Other interest bearing assets	2,594	2,286	+308
Interest bearing liabilities	-10,259	-10,805	+546
Financial net debt	-303	-1,102	+799

Development of financial net debt
1993-2015 as reported on a quarterly basis

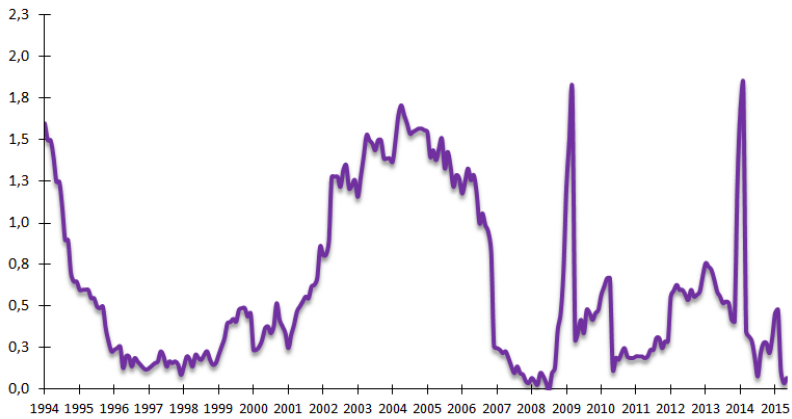


Equity / Assets Ratio 1993-2015 as report on a quarterly basis



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Financial Net Debt / Equity Ratio 1993-2015 as reported on a quarterly basis



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Appendices

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

Breakdown of currency effects SAS Group

Total revenues & costs currency effects		Feb-Apr 2015 vs LY	Nov 2014-Apr 2015 vs LY
Total revenues & costs	USD	- 711	- 1 071
	DKK	- 6	- 15
	NOK	7	5
	EUR	- 13	- 27
	Asian currencies	42	59
	All others	42	63
	Total	- 639	- 986
Forward cover costs	2014	- 22	21
	2015	373	723
	Difference	395	702
Working capital	2014	- 43	- 45
	2015	- 39	- 170
	Difference	4	- 125
Financial items	2014	36	17
	2015	32	10
	Difference	- 4	- 7
Total currency effects		- 244	- 416

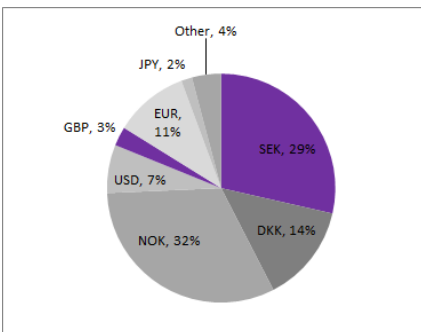
Changes in currency exchange rates

affected the result by MSEK -416 in Nov 2014-Apr 2015 vs Nov 2013-Apr 2014

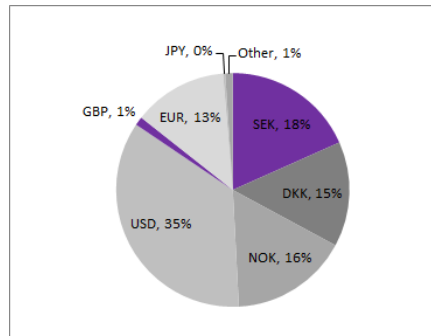
Currency effects MSEK on SAS Group 2014/2015 vs 2013/2014		Feb-Apr 15	Nov 14-Apr 15
<ul style="list-style-type: none"> Positive impact on revenue due to the weaker SEK, primarily in relation to USD. Negative impact on other operating costs due to the weaker SEK, primarily in relation to USD. 	Total revenue	426	669
	Total costs	- 1 065	- 1 655
	Forward cover costs & working capital	399	577
	Income before depreciation	- 240	- 409
	Financial items	- 4	- 7
	Income before tax	- 244	- 416

Currency distribution in SAS - Nov 2013 – Oct 2014

Revenue



Expenses



SAS hedging position for FY15-FY16

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' jet fuel costs in 2013/14 (annual average values)	6.0 SEK/USD	7.0 SEK/USD	8.0 SEK/USD	9.0 SEK/USD
Market price				
600 USD/MT	SEK 7.2 bn	SEK 7.7 bn	SEK 8.2 bn	SEK 8.7 bn
800 USD/MT	SEK 7.7 bn	SEK 8.2 bn	SEK 8.8 bn	SEK 9.4 bn
1,000 USD/MT	SEK 8.1 bn	SEK 8.7 bn	SEK 9.4 bn	SEK 10.0 bn
1,200 USD/MT	SEK 8.5 bn	SEK 9.2 bn	SEK 10.3 bn	SEK 10.6 bn

A STAR ALLIANCE MEMBER



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