



SAS Q4 2013/2014

December, 2014

SAS delivers in line with guidance and introduces further efficiency measures

Q4 EBT SEK 789* million
Full year EBT SEK 347** million

Commercial initiatives deliver in Q4

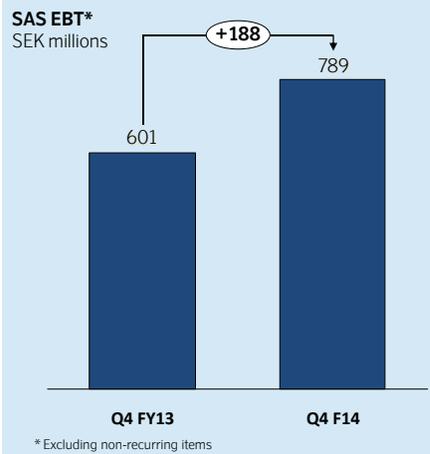
- Passenger revenue +8%
- Number of passengers +8%
- Stabilized PASK

Operating platform

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

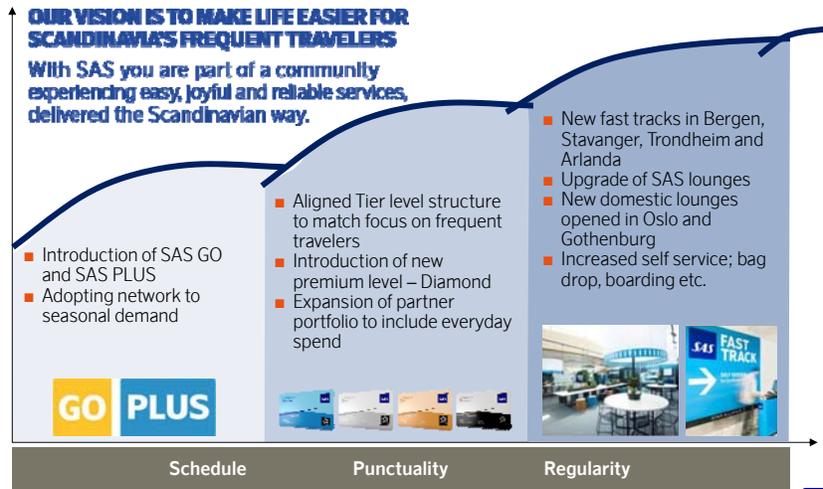
European aviation industry developing towards a new norm

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



* 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



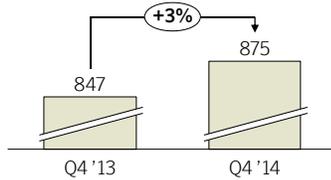
A STAR ALLIANCE MEMBER

3

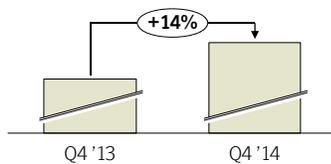


Strengthened network and strong operational quality

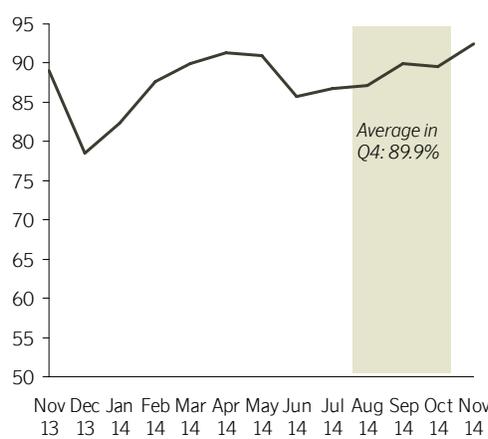
More daily departures
 Departures per day (schedule); average



Increased use of wetlease
 Wetlease; Block hours



High punctuality maintained
 15 min arrival punctuality; Percent



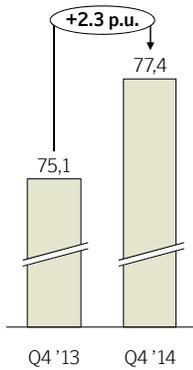
A STAR ALLIANCE MEMBER

4

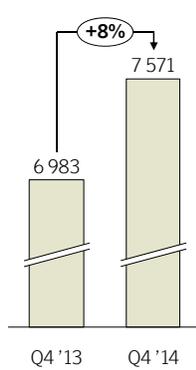


The commercial initiatives deliver results

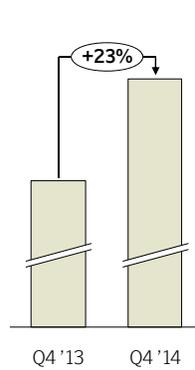
Cabin factor improved by 2.3 p.u.
Percent



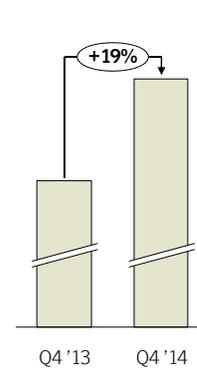
590 000 more passengers than last year
Total passengers, '000



Strong demand for PLUS product
PLUS passengers, '000



Increased revenue from EuroBonus members
Flight revenue



A STAR ALLIANCE MEMBER

5



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



A STAR ALLIANCE MEMBER

6



SAS has made significant improvements to the operating platform

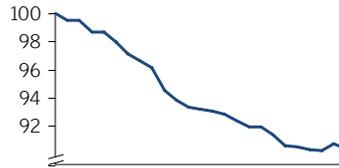
SEK 3 billion restructuring program initiated 2012 completed, e.g.

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

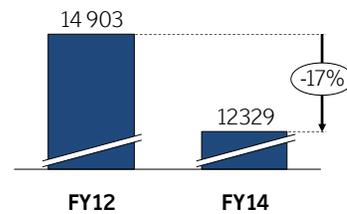
SAS has delivered on restructuring program resulting in decreased unit costs, a more flexible cost base and increased productivity

Decreased unit cost

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



FTE reduction according to plan



A STAR ALLIANCE MEMBER

7



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

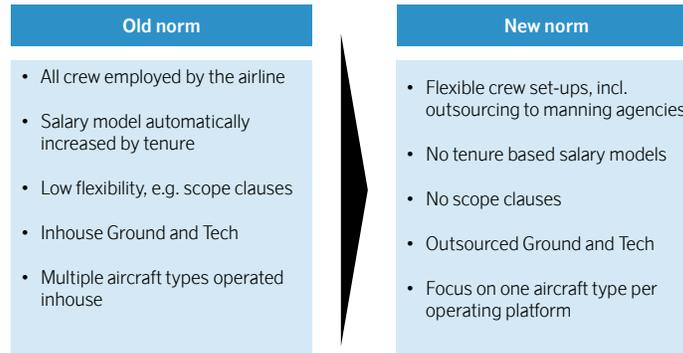
- New maintenance program for B737
- Changes in engine/components agreements

A STAR ALLIANCE MEMBER

8



European aviation industry developing towards a new norm



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

A STAR ALLIANCE MEMBER 

9



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

A STAR ALLIANCE MEMBER 

10



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

- Blue 1 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

A STAR ALLIANCE MEMBER 

11



GÖRAN JANSSON
CFO

A STAR ALLIANCE MEMBER 



Improved top line in Q4

SAS income statement, ex Widerøe	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	

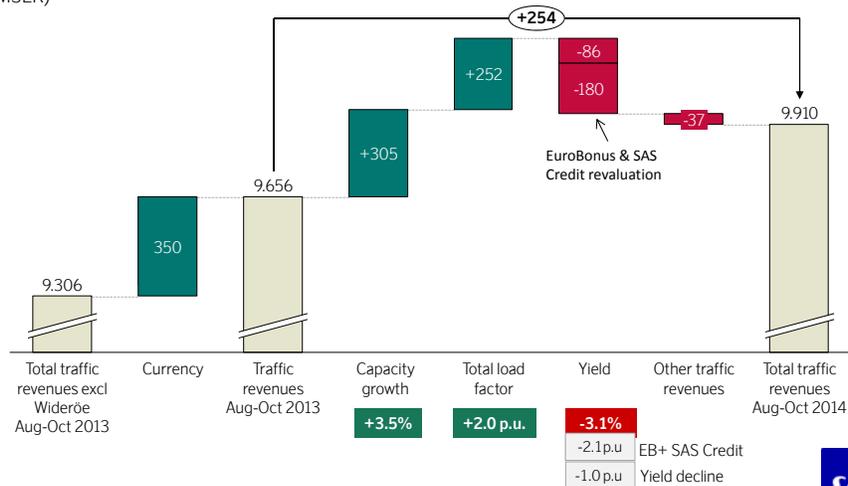
* A STAR ALLIANCE MEMBER  = Before non-recurring items and excluding Widerøe

13



Capacity growth and improved load factor outweigh yield decline in Q4

Total Traffic Revenues Q4, SAS
(MSEK)



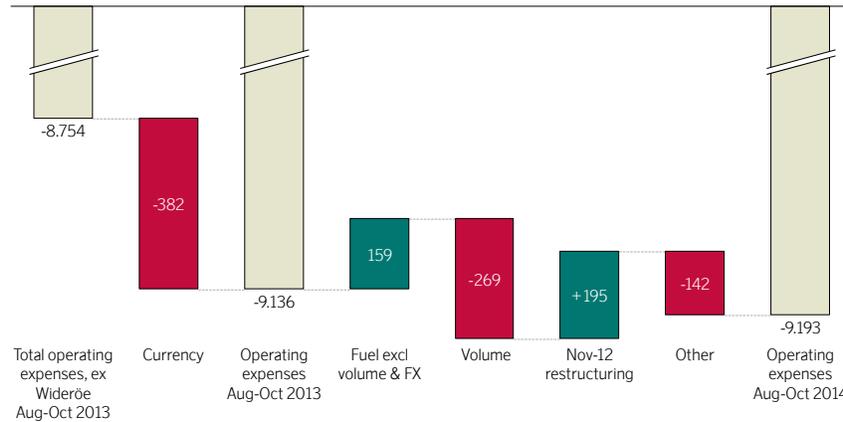
A STAR ALLIANCE MEMBER 

14



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

Total Operating Expenses Q4, SAS Group
(MSEK)



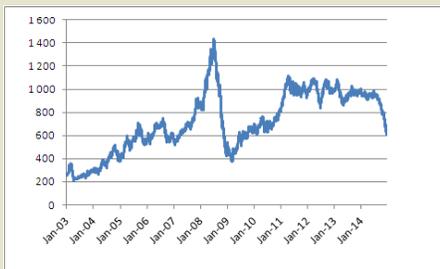
A STAR ALLIANCE MEMBER

15



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%

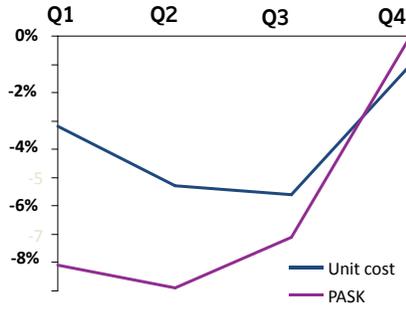
A STAR ALLIANCE MEMBER

16

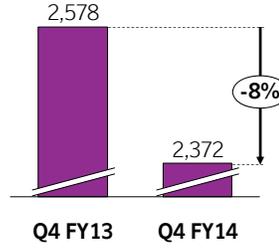


Efficiency measures on track and PASK stabilized in Q4

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

A STAR ALLIANCE MEMBER

17

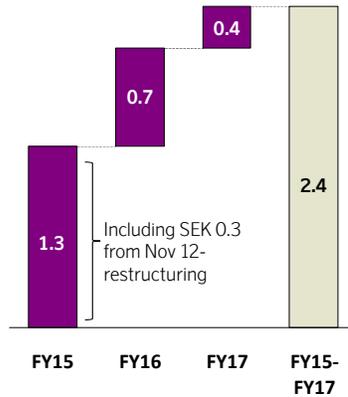


Significant additional cost measures being implemented

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



A STAR ALLIANCE MEMBER

18

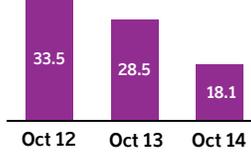


SAS financial risk exposure reduced in FY14

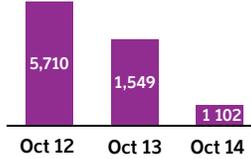
Significant achievements during FY14

- 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

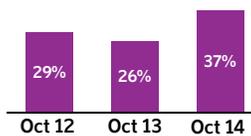
Pension commitments, SEK bn



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 



Appendices

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

A STAR ALLIANCE MEMBER 

22



SAS Group fleet – October 2014

Aircraft in traffic	Age	Owned	Leased	Total	Firm order	Lease order
Airbus A330/A340/A350	12.9	5	7	12	12	
Airbus A321/A320/A319	9.7	6	19	25	30	
Boeing 737 NG	12.1	16	68	84		3
Boeing 717	14.2	0	5	5		
Bombardier CRJ900 NG	5.4	12	0	12		
Total	11.2	39	99	138	42	3

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	4	0	4	0	4
	12	1	13	9	5

*In addition SAS wet leases the following aircraft: four CRJ200, nine ATR 72, four SAAB 2000 and one Boeing 737-700.

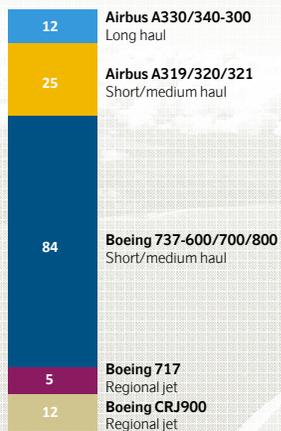
A STAR ALLIANCE MEMBER 

23



SAS investing in renewal and simplification of the aircraft fleet

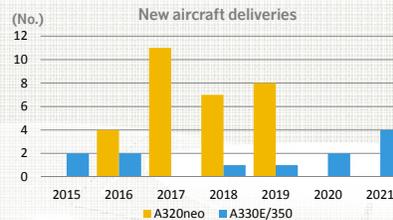
Current fleet in traffic, 31 Oct 2014



New orders



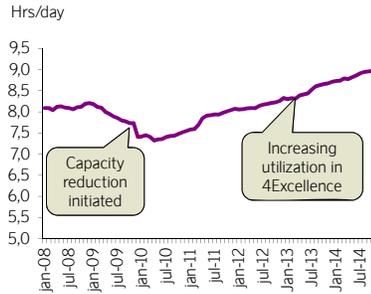
- Order value of approx. USD 3bn
- Intention to use mix of financing (e.g. bank debt, sale and lease-back and export financing)



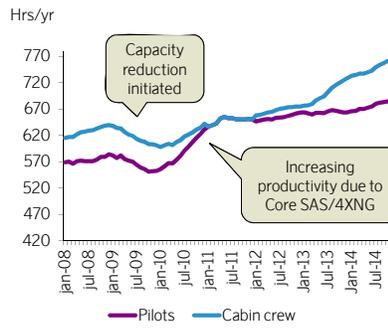
24

Productivity development

Aircraft utilization (12 months rolling)



Cabin, pilot utilization (12 months rolling)



Block hours, 12 months rolling, Oct 2014	Aircraft, hours/day	Pilots, hours/year	Cabin, hours/year
SAS	9.0	685	762

A STAR ALLIANCE MEMBER

25



Appendices

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

A STAR ALLIANCE MEMBER

26



Yield and PASK development



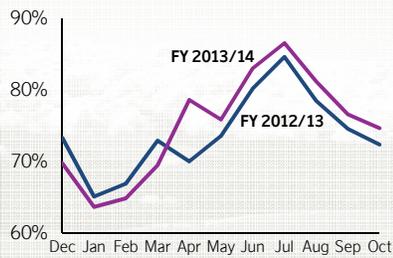
A STAR ALLIANCE MEMBER 

27



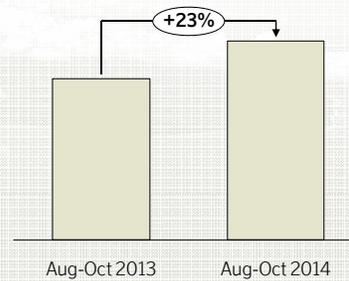
Commercial initiatives paying off

SAS load factor (scheduled)



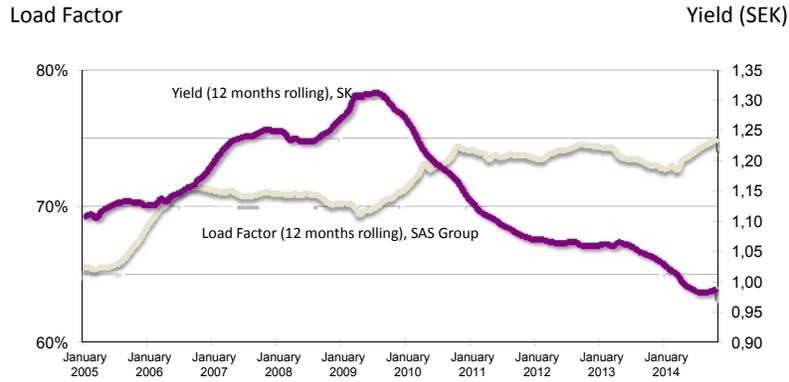
- Improving load factors ~77% in Q4
- 600,000 more passengers than last year in Q4

Passengers in PLUS



28

Long term yield and passenger load development



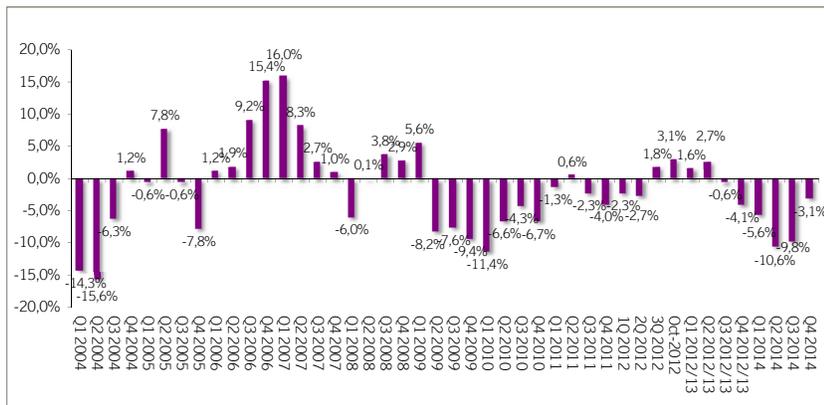
A STAR ALLIANCE MEMBER

29



Quarterly yield development

Scandinavian Airlines, currency adjusted yield vs last year



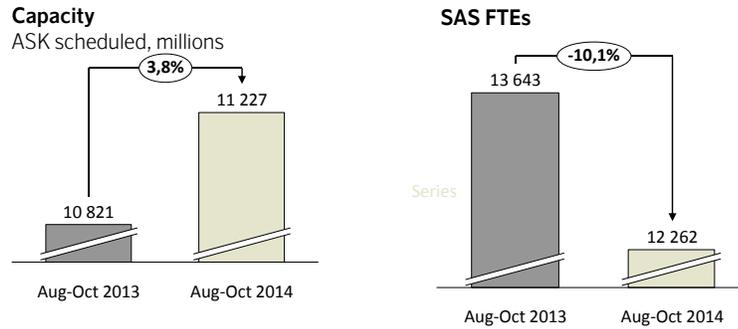
Note: Including Blue1 from March 2012

A STAR ALLIANCE MEMBER

30



Capacity up despite reduction in FTE

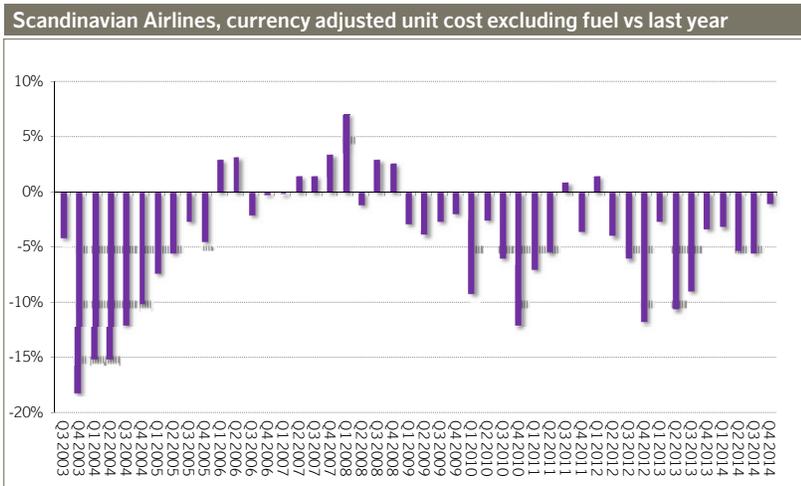


A STAR ALLIANCE MEMBER

31



Quarterly unit cost development



Note: Including Blue1 from March 2012

A STAR ALLIANCE MEMBER

32



Breakdown of unit cost, Aug–Oct 2014

SAS, SEK, currency adjusted

Unit cost breakdown	Aug 2014 – Oct 2014	Aug 2013 – Oct 2013	Var, %	Share of total var, %
Payroll expenses	-2,372	-2,578	-8.0%	-2.2%
Jet fuel	-2,533	-2,709	-6.5%	-1.9%
Government user fees	-1,111	-1,120	-0.8%	-0.1%
Selling and distribution costs	-631	-632	-0.1%	+0.0%
Handling costs	-482	-420	+14.7%	+0.7%
Technical aircraft maint.	-654	-635	+3.0%	+0.2%
Other operating expenses	-425	-317	+34%	+1.2%
Total operating expenses	-8,207	-8,410	-2.4%	-2.2%
Leasing costs for aircraft	-551	-532	+3.6%	+0.2%
Depreciation	-299	-365	-18.1%	-0.7%
Adjusted EBIT	-9,056	-9,306	-2.7%	-2.7%

A STAR ALLIANCE MEMBER 

33



Breakdown of unit cost, Nov 2013 – Oct 2014

Scandinavian Airlines, SEK, currency adjusted

Unit cost breakdown	Nov 2013 – Oct 2014	Nov 2012 – Oct 2013	Var, %	Share of total var, %
Payroll expenses	-9,802	-10,331	-5.1%	-1.5%
Jet fuel	-8,806	-9,237	-4.7%	-1.2%
Government user fees	-3,962	-4,152	-4.6%	-0.5%
Selling and distribution costs	-2,226	-2,396	-7.1%	-0.5%
Handling costs	-1,703	-1,686	+1.0%	+0.2%
Technical aircraft maint.	-2,465	-2,470	-0.2%	-0.0%
Other operating expenses	-1,370	-1,002	37%	+1.1%
Total operating expenses	-30,333	-31,273	-3.0%	-2.7%
Leasing costs for aircraft	-2,061	-1,863	+10.6%	+0.6%
Depreciation	-1,320	-1,557	-15.2%	-0.7%
Adjusted EBIT	-33,714	-34,693	-2.8%	-2.8%*

*Excluding changes in pension conditions that reduced payroll expenses by MSEK 450 during FY13, the adjusted EBIT unit cost was down 4.1%.

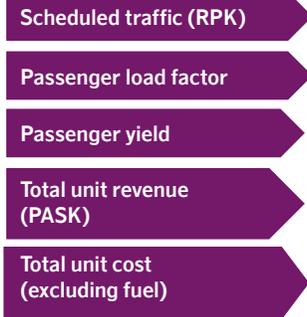
A STAR ALLIANCE MEMBER 

34



Summary of key drivers

SAS



	Q1 2012/13	Q2 2013/14	Q3 2013/14	Q4 2013/14
Scheduled traffic (RPK)	↑ +0.7%	↑ +6.2%	↑ +9.6%	↑ +7.0%
Passenger load factor	↓ -1.8 p.u.	↑ +1.4 p.u.	↑ +2.4 p.u.	↑ +2.3 p.u.
Passenger yield	↓ -5.6%	↓ -10.6%	↓ -9.8%	↓ -3.1%
Total unit revenue (PASK)	↓ -8.1%	↓ -8.9%	↓ -7.1%	→ -0.1%
Total unit cost (excluding fuel)	↓ -3.2%	↓ -5.3%~	↓ -5.6%	↓ -1.1%

~Excludes MSEK 450 in amended pension terms, Feb-Apr 2013

A STAR ALLIANCE MEMBER 

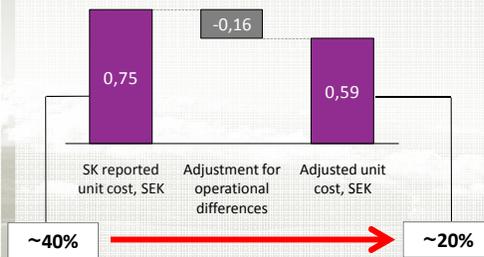


SAS and Norwegian's unit costs

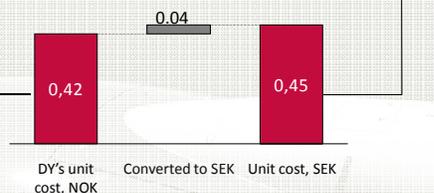
- SAS cost competitiveness significantly improved
- SAS vs. Norwegian's reported unit cost difference ~40%
- Adjusted to reflect "like-for-like" comparison,
 - Stage length
 - Size of aircraft (Boeing 737-800)

Unit cost = (Operating expenditure + leasing + depreciation - other revenues)/total ASK

SAS' unit cost, Nov 13 – Oct 14



Norwegian's unit cost, Oct 13- Sep 14



36

Appendices

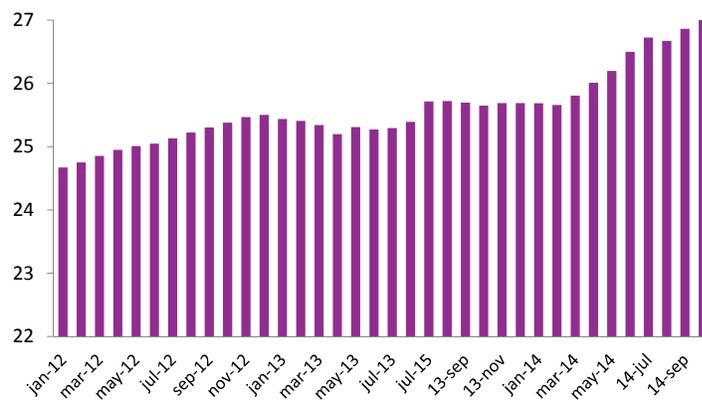
- Fleet & productivity
- Unit revenue (yield & RASK) & Unit cost
- Traffic and capacity outlook**
- Financial update
- Currency & Fuel

A STAR ALLIANCE MEMBER 



SAS passenger development

Scheduled passenger Scandinavian Airlines, 12 months rolling
(Million)



A STAR ALLIANCE MEMBER 



Improved operating platform enables SAS to launch new routes in 2014

- Unit cost down 10% since 2012
- 52 new routes launched in 2013
- More than 50 new routes commenced in 2014
 - Seasonal routes during the summer season
 - New business routes such as Stavanger-Houston
- In 2015, Stockholm-Hong Kong to be launched
- 9 new routes to be launched in 2015



39

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

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



Financial targets

Long term

Profitability

EBIT-margin%

>8%

Equity ratio

Equity/Assets, %

>35%

Financial preparedness

Cash & unutilized credit facilities / Fixed cost

>20%
(70 days)

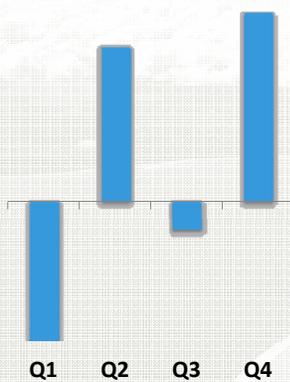


Overview of credit facilities – October 2014

Available funds, SEK billion	Oct 2014	Maturity
Undrawn portion of credit facilities		
Revolving Credit Facility, MEUR 150	1.4	Jan 2017
Credit Facility, MUSD 137 & 48	1.0	Jan 2016, Oct 2017
Credit Facility, MUSD 60	0.0	Sep 2021
Others (MUSD 100)	0.0	Feb 2020
Total undrawn credit facilities	2.4	
Total credit facilities	3.9	
Drawn portion of credit facilities	1.5	
Undrawn portion of credit facilities	2.4	

Cash seasonality

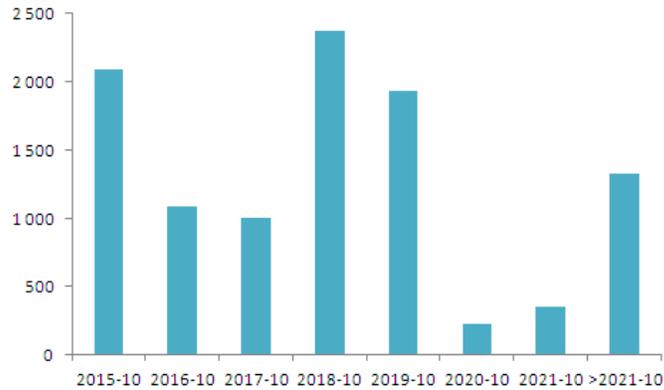
Seasonality of SAS cash flow from operating activities



- 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
- Working capital improved in Q4 versus last year primarily due to higher booking levels

Amortization profile

Scheduled amortization profile as of 31 October 2014, MSEK

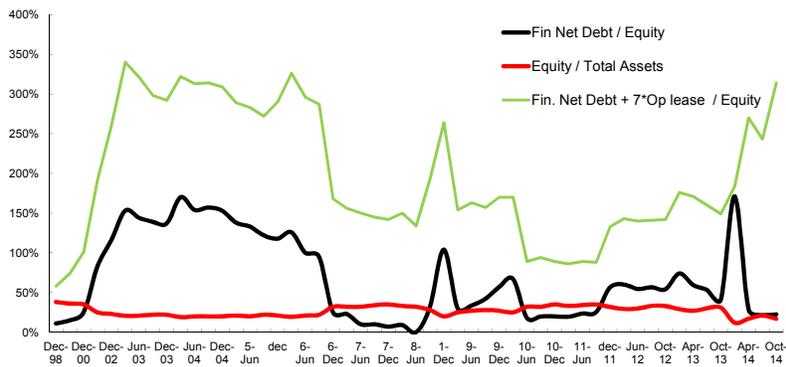


A STAR ALLIANCE MEMBER 

45



Gearing ratios



A STAR ALLIANCE MEMBER 

46



SAS Group

Financial Net November-October

MSEK	Aug-Oct 14	Aug-Oct 13	Difference
Interest net and others	-151	-257	+106
Exchange rate differences	0	-4	+4
Financial net	-151	-261	+110

MSEK	Nov 13 – Oct 14	Nov 12- Oct 13	Difference
Interest net and others	-1,051	-952	-99
Exchange rate differences	+23	+3	+20
Financial net	-1,028	-949	-79

A STAR ALLIANCE MEMBER 

47



Development and Break Down

Financial Net Debt

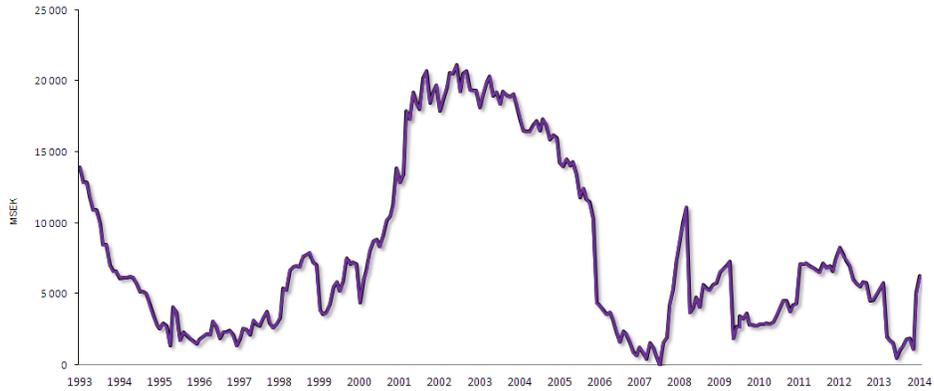
MSEK	31 Oct 2014	31 Oct 2013	Difference
Cash	7,417	4,751	+2,666
Other interest bearing assets	2,286	2,192	+94
Interest bearing liabilities	-10,805	-11,510	+705
Financial net debt	-1,102	-4,567	+3,465

A STAR ALLIANCE MEMBER 

48



Development of financial net debt 1993-2014 as reported on a quarterly basis

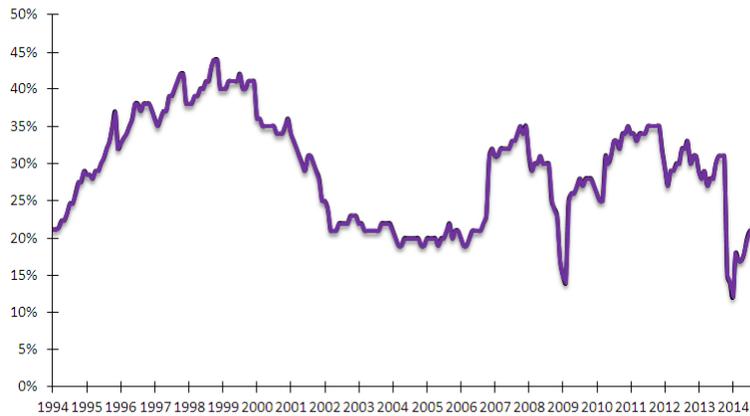


A STAR ALLIANCE MEMBER 

49



Equity / Assets Ratio 1993-2014 as report on a quarterly basis



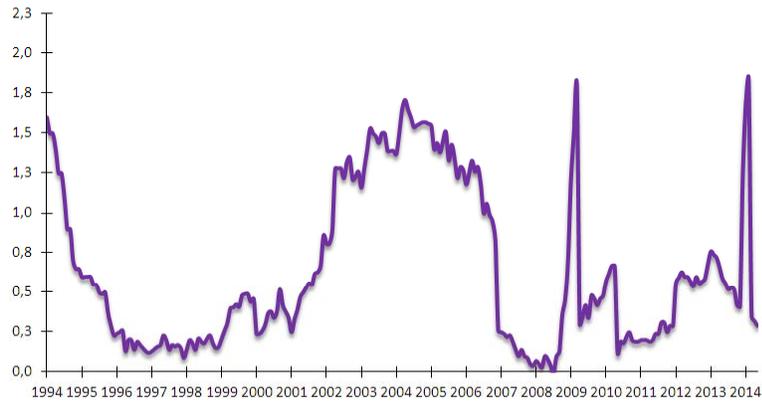
A STAR ALLIANCE MEMBER 

50



Financial Net Debt / Equity Ratio

1993-2014 as reported on a quarterly basis



A STAR ALLIANCE MEMBER 

51



Appendices

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

A STAR ALLIANCE MEMBER 

52



Breakdown of currency effects SAS Group

Total revenues & costs currency effects		Aug-Oct 2014 vs LY	Nov 2013-Oct 2014 vs LY
Total revenues & costs	USD	-219	-223
	DKK	6	14
	NOK	65	-198
	EUR	-7	-28
	Asian currencies	11	-28
	All others	35	80
	Total	-109	-383
Forward cover costs	2013	20	-16
	2014	127	274
	Difference	107	290
Working capital	2013	-3	-17
	2014	-47	-107
	Difference	-44	-90
Financial items	2013	-4	3
	2014	0	23
	Difference	4	20
Total currency effects		-42	-163

A STAR ALLIANCE MEMBER 

53



Changes in currency exchange rates

affected the result by MSEK -163 in Nov 2013-Oct 2014 vs Nov 2012-Oct 2013

Currency effects MSEK on SAS Group 2013/2014 vs 2012/2013		Aug-Oct 14	Nov 13-Oct 14
<ul style="list-style-type: none"> Positive impact on revenue due to the weaker SEK, primarily in the second half. Negative impact on other operating costs due to the weaker SEK, primarily in the second half. 	Total revenue	385	151
	Total costs	-494	-534
	Forward cover costs & working capital	63	200
	Income before depreciation	-46	-183
	Financial items	4	20
	Income before tax	-42	-163

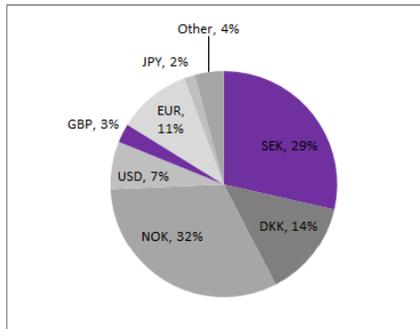
A STAR ALLIANCE MEMBER 

54

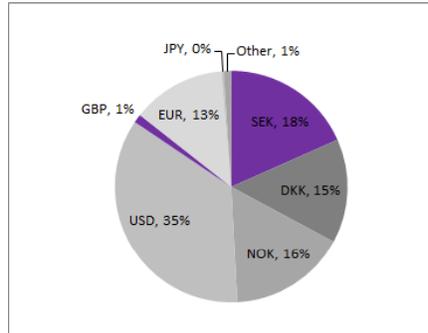


Currency distribution in SAS - Nov 2013 – Oct 2014

Revenue



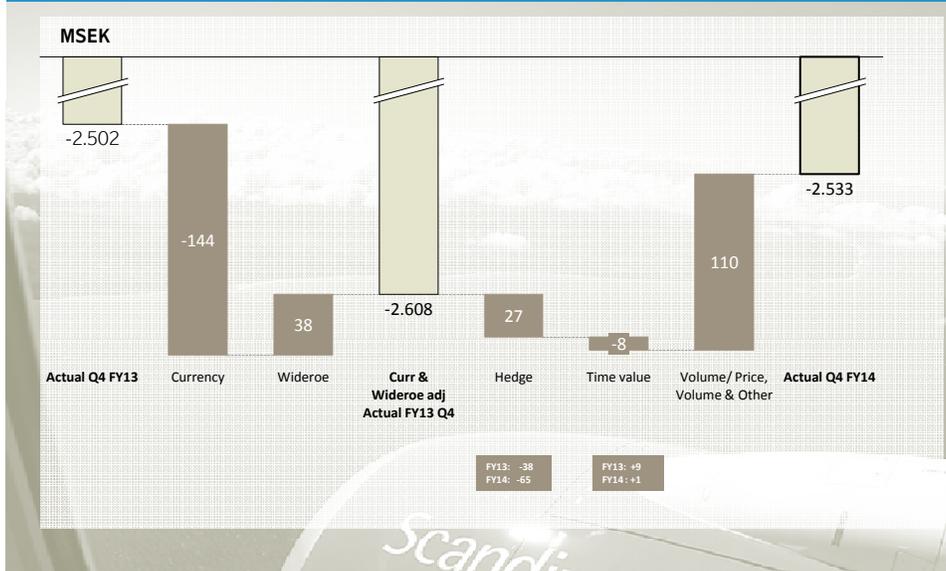
Expenses



A STAR ALLIANCE MEMBER 

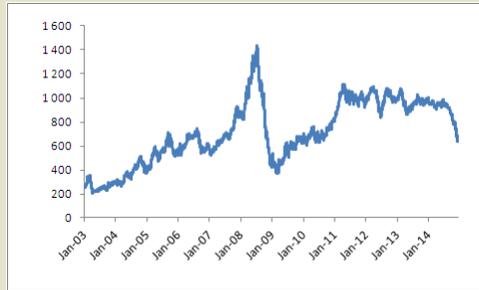


Development of jet fuel costs



Limited fuel price exposure

Jet fuel, spot price development, USD



Current hedges

- 43% of the consumption hedged for next twelve months
- Hedge level in Q1 lowered from 100% to 79% due to call options out of money
- SAS hedge portfolio a mixture of swaps and call options

A STAR ALLIANCE MEMBER 



SAS hedging position for FY15

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%

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 5.9 bn	SEK 6.9 bn	SEK 7.9 bn	SEK 8.9 bn
800 USD/MT	SEK 6.8 bn	SEK 8.0 bn	SEK 9.1 bn	SEK 10.3 bn
1,000 USD/MT	SEK 7.8 bn	SEK 9.2 bn	SEK 10.5 bn	SEK 11.8 bn
1,200 USD/MT	SEK 8.7 bn	SEK 10.2 bn	SEK 11.6 bn	SEK 13.1 bn