

# *SAS*

## **Q1 FY 2022**



February 22, 2022

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# Quarter negatively impacted by Omicron

Q1-22

## Highlights Q1

- Strong demand early in the quarter
- Negatively affected by Omicron
- Operational challenges driven by sick-leave
- Driving sustainable aviation:
  - New fuel efficient 321LRs
  - Launched co-operation with Vattenfall, LanzaTech and Shell
  - EuroBonus points for sustainable aviation fuel
- Ending the quarter with SEK 3.4 billion cash position

## Looking ahead

- Booking momentum increased
- Closely following demand and booking window development
- Changed passenger mix with higher number of leisure travelers
- Increased industry capacity
- Moving from pandemic to forward:
  - Summer program with 230 routes to 120 destinations
  - New routes to Toronto from Copenhagen and Stockholm
  - Bergen base announced

| Q1-22                                  | CHANGE VS. Q1-21 |
|--|------------------|
| <b>Passengers (million)</b>            |                  |
| 3.1                                    | +2.1mn (+208%)   |
| <b>Capacity (ASK, total, mill. km)</b> |                  |
| 7 072                                  | +4 303 (+155%)   |
| <b>Revenue</b>                         |                  |
| SEK 5.5bn                              | +3.3bn (+143%)   |
| <b>Total Operating Expenses</b>        |                  |
| SEK 6.9bn                              | +2.4bn (+54%)    |
| <b>EBT</b>                             |                  |
| SEK -2.6bn                             | -0.7bn (-34%)    |

# Ramp-up impacted by Omicron (1/3)

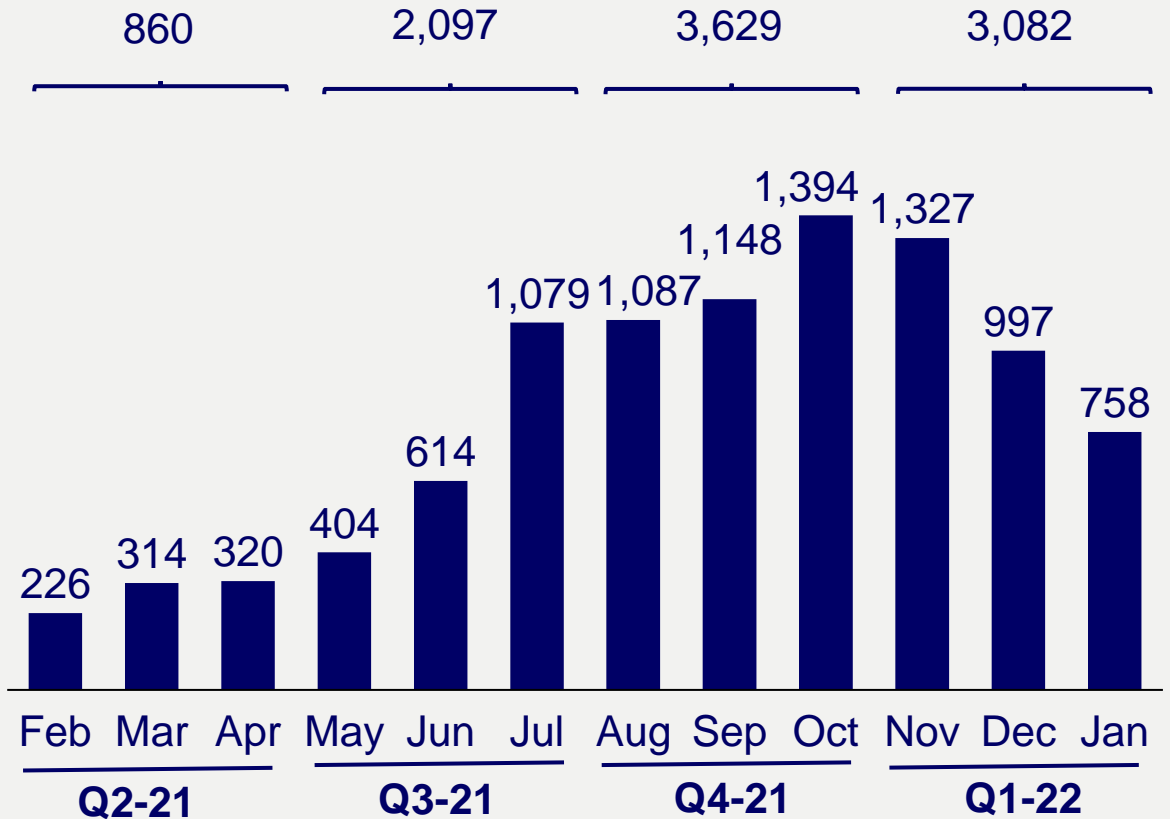
## Demand facts

- Winter is generally a lower demand season
- Demand negatively affected by Omicron
- Abrupt changes of demand impacting ramp-up
- Leisure bounces back quicker
- Easing restrictions in core markets at the end of the quarter



## SAS' passenger development

Thousand passengers

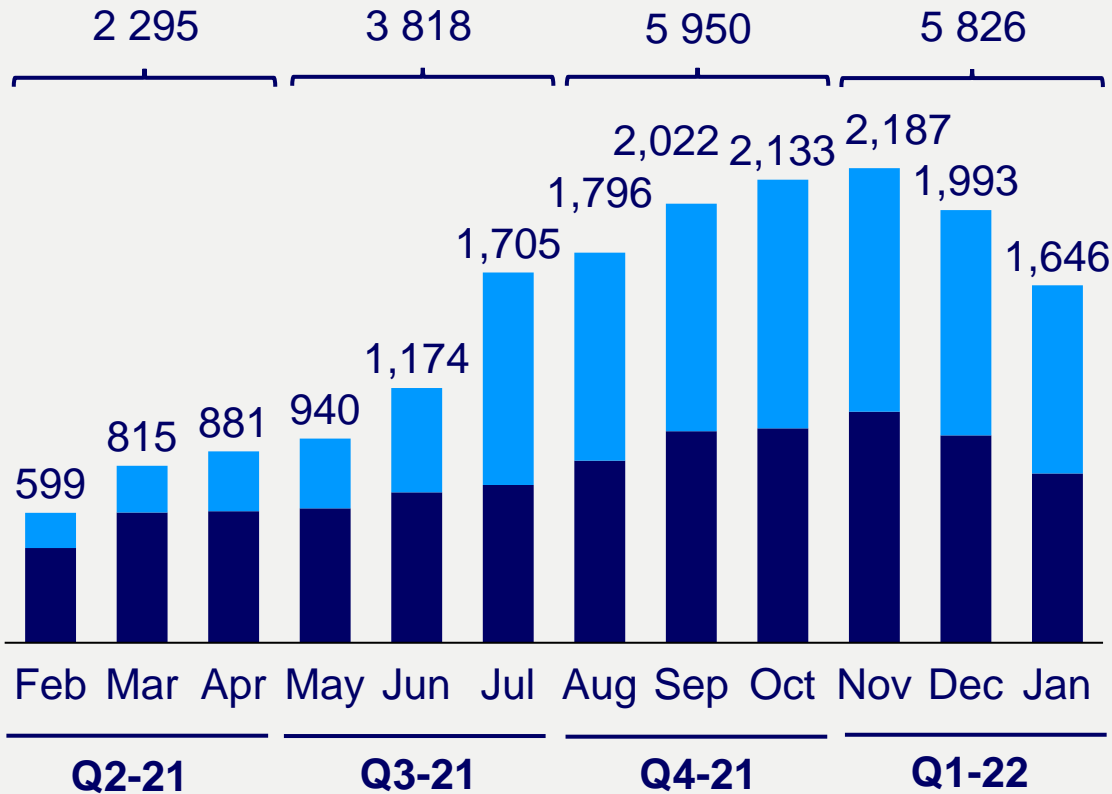


# Ramp-up impacted by Omicron (2/3)

## SAS' seat capacity development

# of seats, thousands

International Domestic



## Selected operational metrics

(Q1 2022 vs. Q4 2021)

Departures

40 060  
(-1.2%)

Cabin factor (%)

56.9%  
(-3.1 pp\*)

Regularity (%)  
72h

97.0%  
(-1.5 pp\*)

Punctuality (%)  
P15

74.5%  
(-10.9 pp\*)

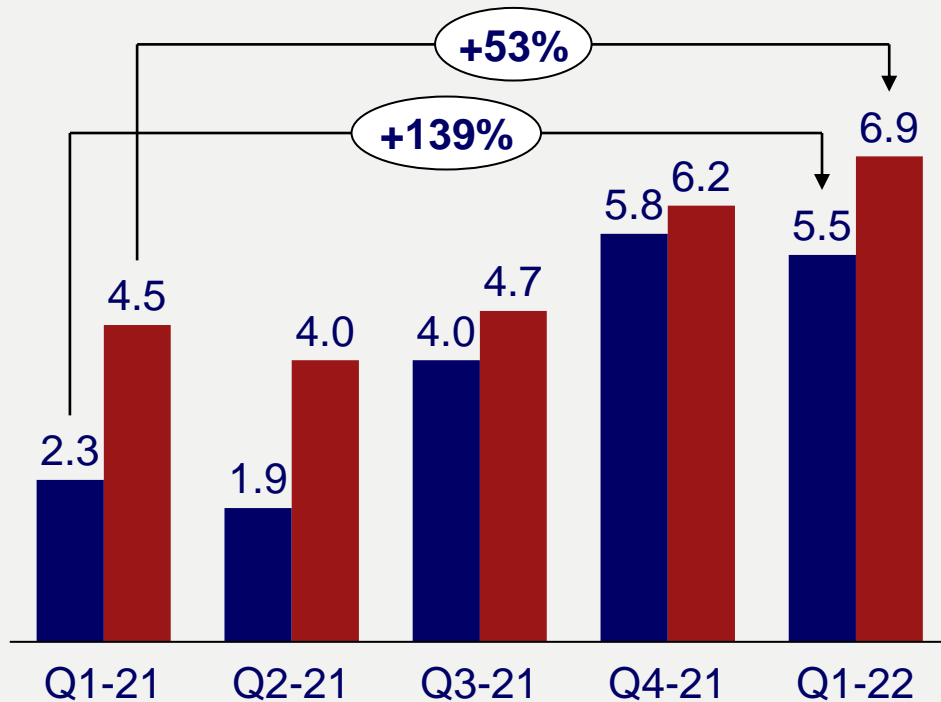
\*: percentage points

# Ramp-up impacted by Omicron (3/3)

SEK billions

## Revenue and cost

■ Revenue ■ Cost



## Quarter burdened by Omicron

- Total revenue increased Q1 vs LY by SEK 3.3bn, whereas costs increased by SEK 2.4bn vs last year.

### Revenue

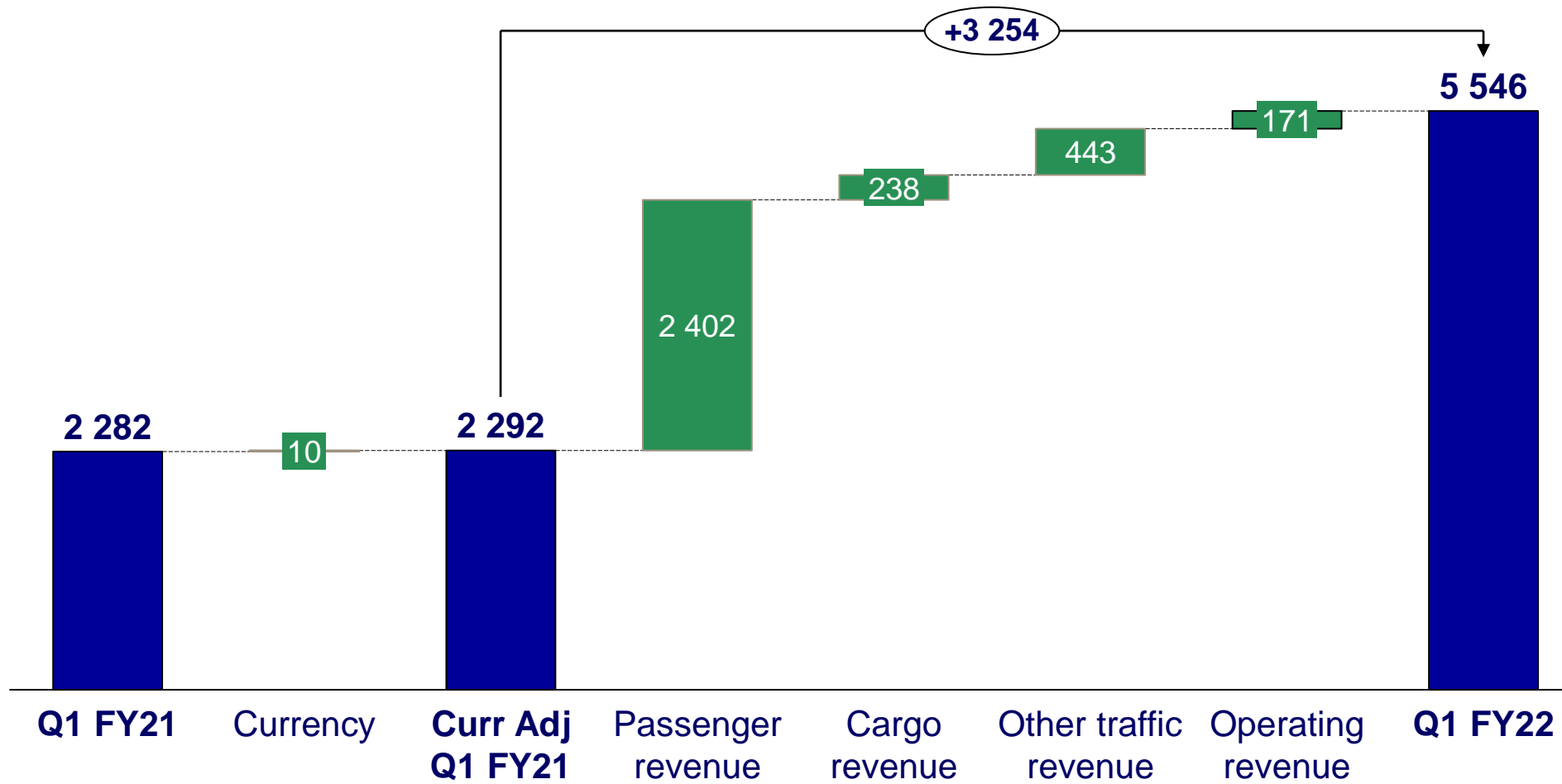
- Impacted by Omicron effect

### Cost

- Impacted by fuel price
- No Furlough compensations
- Foreign exchange effect

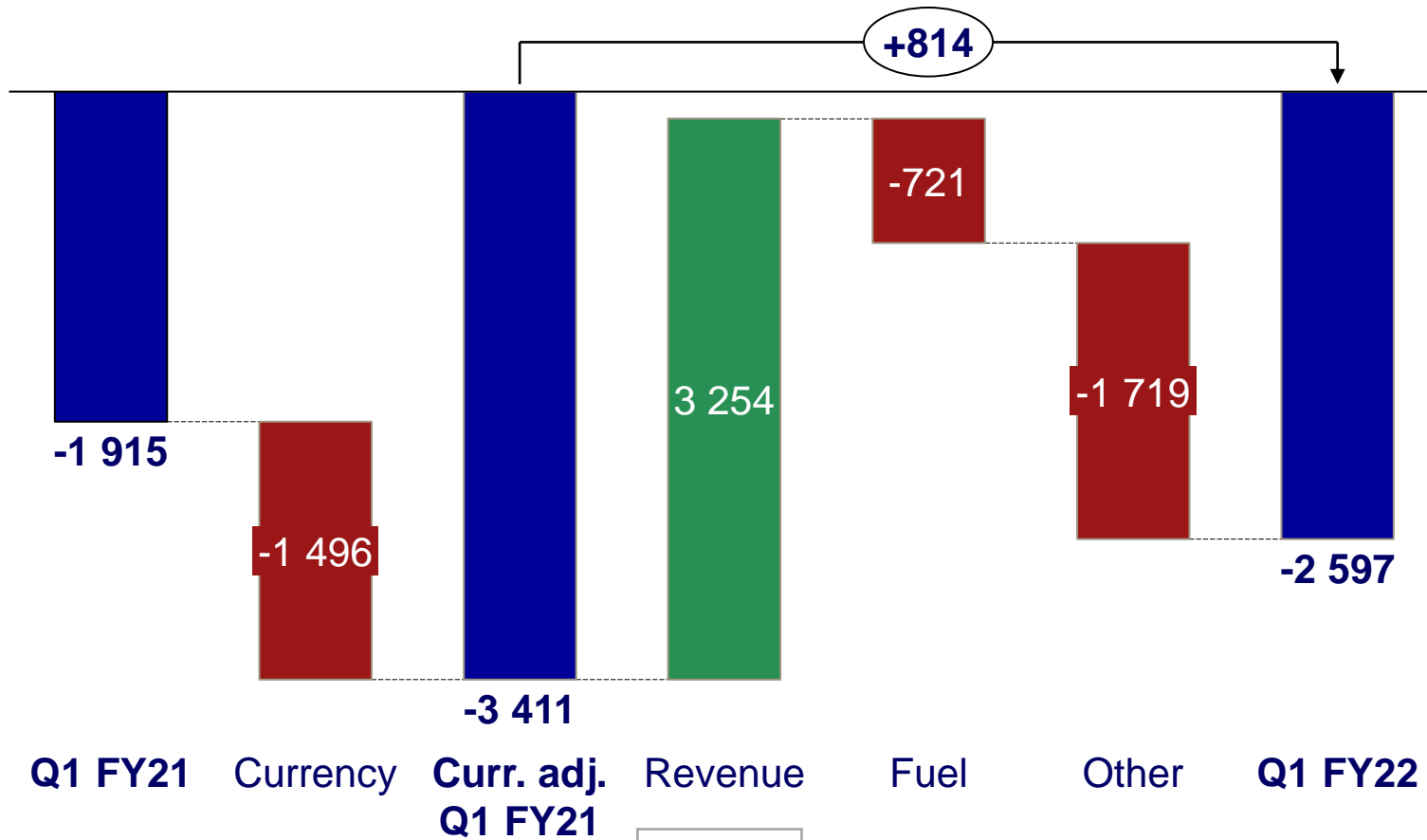
# Revenue development: Q1 FY22 vs. Q1 FY21

MSEK



# EBT development: Q1 FY22 vs. Q1 FY21

MSEK



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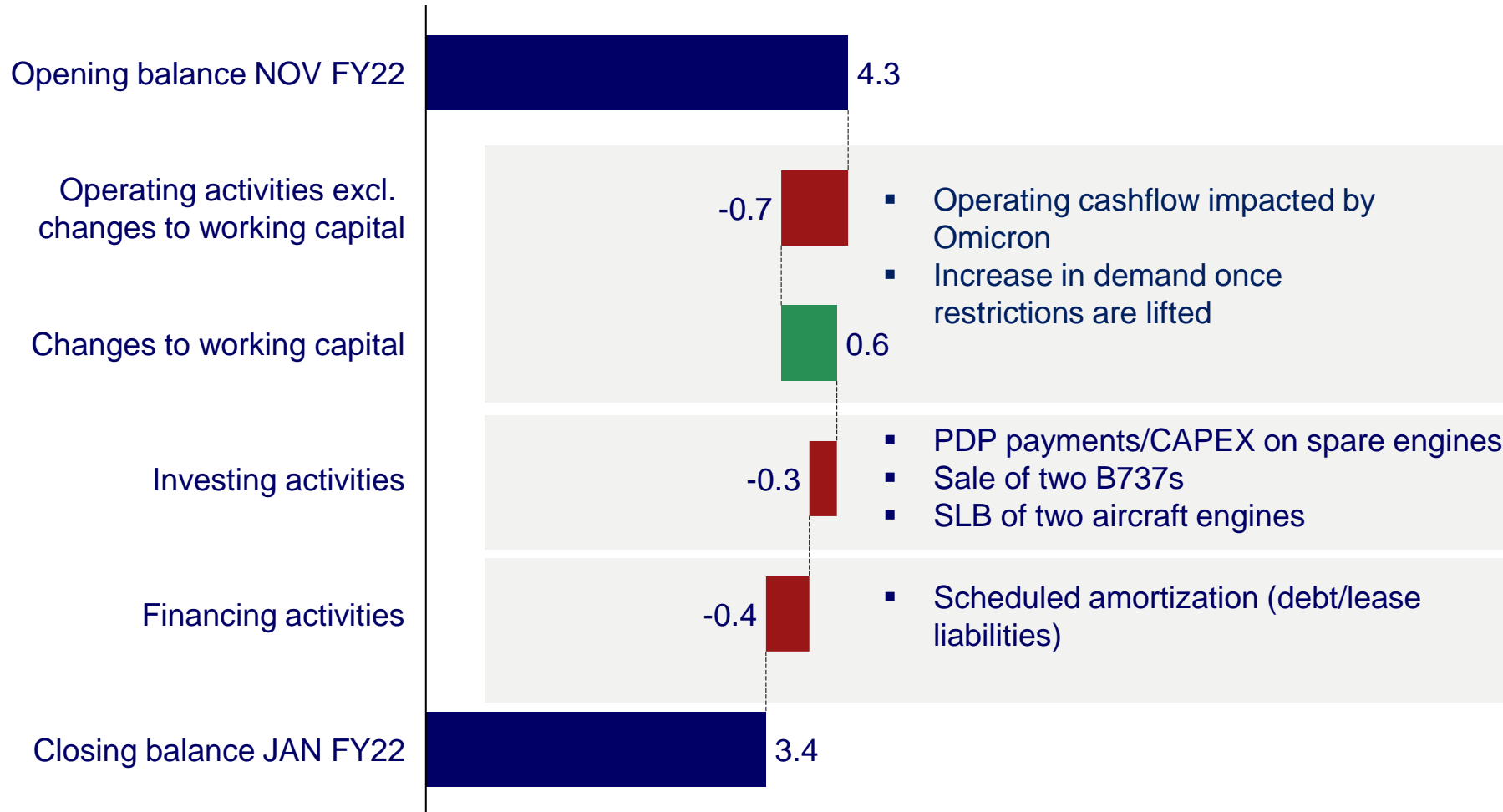
- Increased ASK 150%
- Currency SEK -1 448 million
- Increased fuel price



# Cashflow impacted by new Covid restrictions and recommendations

## Cash and cash equivalents Q1 FY22

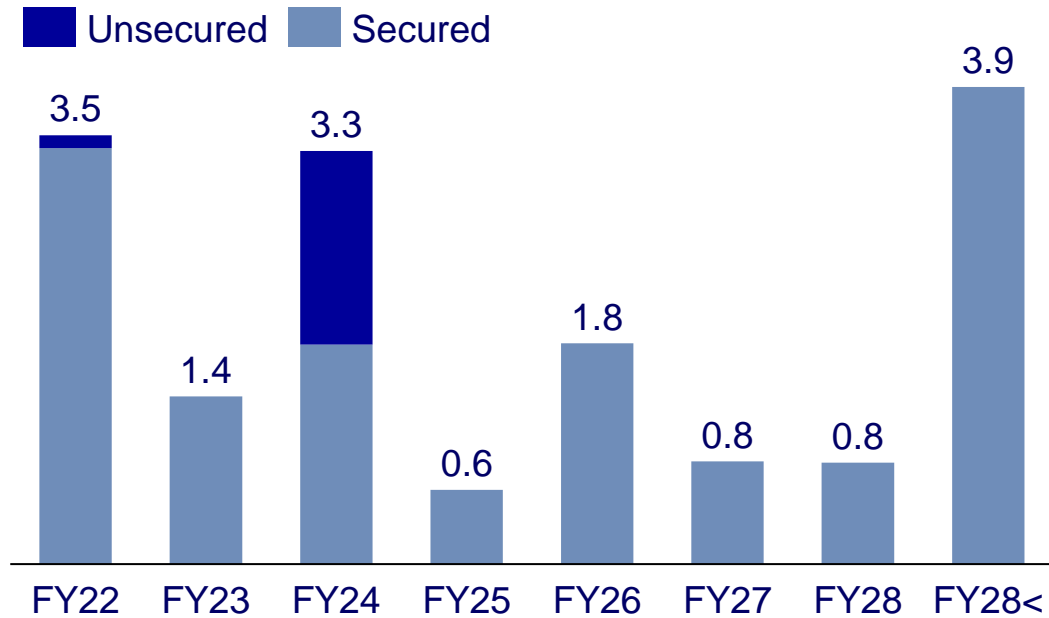
SEKbn



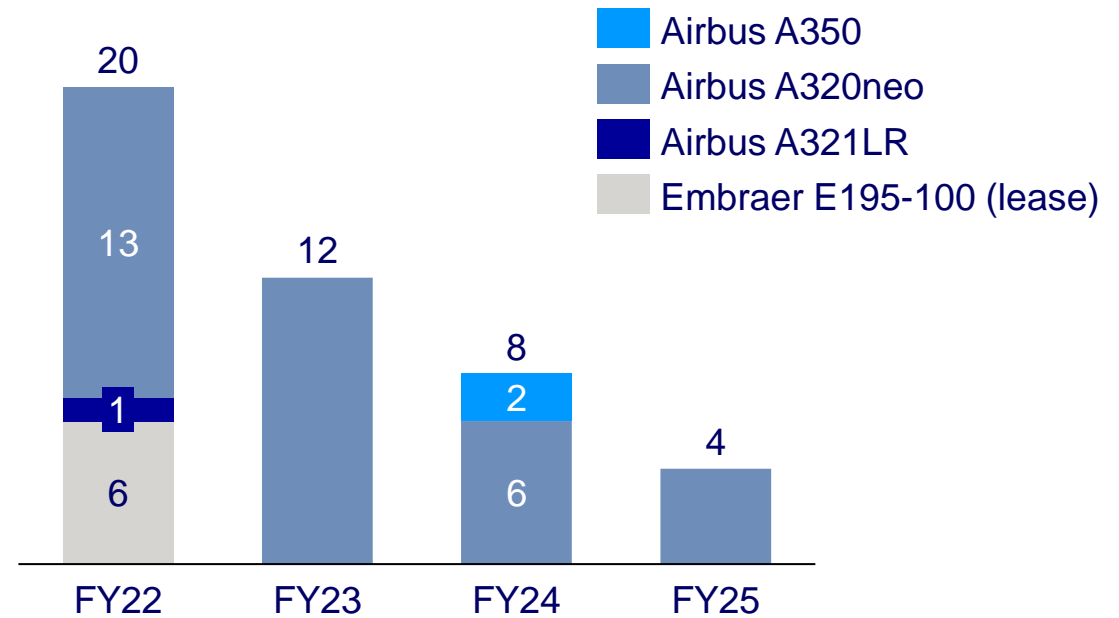
- Focus to mitigate seasonality effects
- Liquidity improves with ramp-up of demand
- The SEK 3 billion loan from largest owners, was added to the cash position after the closing of the quarter

# Debt Maturity Profile and Aircraft Orders

## Maturity profile, SEKbn



## Aircraft orders, #



## Hybrid notes

- State Hybrid note 1, SEK 5 billion
- State Hybrid note 2, SEK 1 billion
- Commercial Hybrid note, SEK 1.6 billion

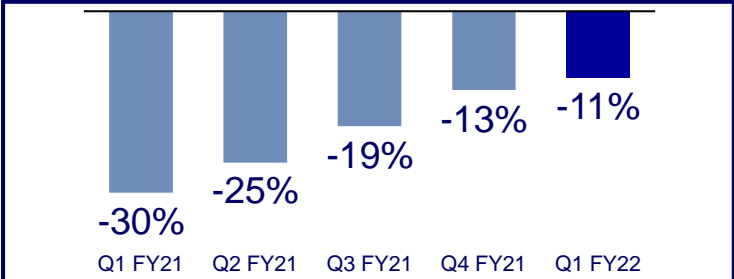
## Hedges

- Fuel: 0% of expected fuel consumption hedged
- USD: 43% of USD hedged next twelve months
- NOK: 54% of NOK hedged next twelve months

# Financial Targets

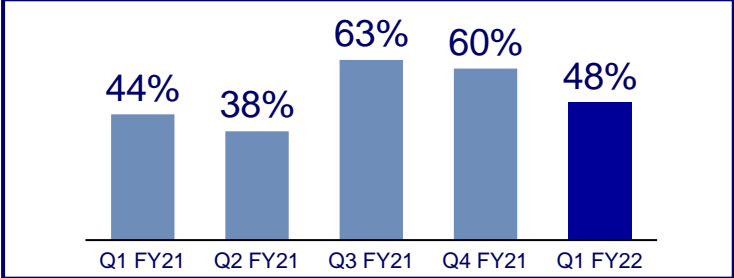
**Return on invested capital (ROIC)**

 **>WACC%**



**Financial preparedness**

 **>25%**



**Financial net debt  
EBITDA**

 **<3.5x**

**N/A**



***SAS***  
Forward



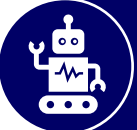



# A prolonged pandemic leading to increased competition and changed market conditions



# SAS will implement a comprehensive transformation = SAS FORWARD

| Strategic                             | Objective                             | Key areas   |
|---------------------------------------|---------------------------------------|---|
| <b>Increased customer preference</b>  | <b>Leverage SAS brand</b>             | <ul style="list-style-type: none"> <li>▪ EuroBonus &amp; Alliances</li> <li>▪ Lounges at hubs</li> <li>▪ Product offering in SAS Plus</li> </ul>  |
| <b>Drive cost competitiveness</b>     | <b>Competitive unit cost</b>          | <ul style="list-style-type: none"> <li>▪ Fully competitive cost base</li> <li>▪ Leveraged digital transformation</li> <li>▪ Improved flexibility</li> </ul>                             |
| <b>Redesigned network &amp; fleet</b> | <b>Improved margins, lower risk</b>   | <ul style="list-style-type: none"> <li>▪ Introduce and grow new bases</li> <li>▪ More capacity on leisure markets</li> <li>▪ Effective utilization of resources</li> </ul>              |
| <b>Build sustainable future</b>       | <b>Forefront in aviation industry</b> | <ul style="list-style-type: none"> <li>▪ Fleet renewal and sustainable aviation fuel</li> <li>▪ Attract, recognize &amp; retain talent</li> <li>▪ Providing financial return</li> </ul> |

# Key elements of SAS FORWARD

-  Reducing the annual costs by SEK 7.5 billion
-  Redesigned fleet, network and product offerings
-  Digital transformation
-  Positioning SAS as the leader in sustainable aviation
-  Operating platform acceleration
-  Strengthening SAS balance sheet by deleveraging and raising new capital

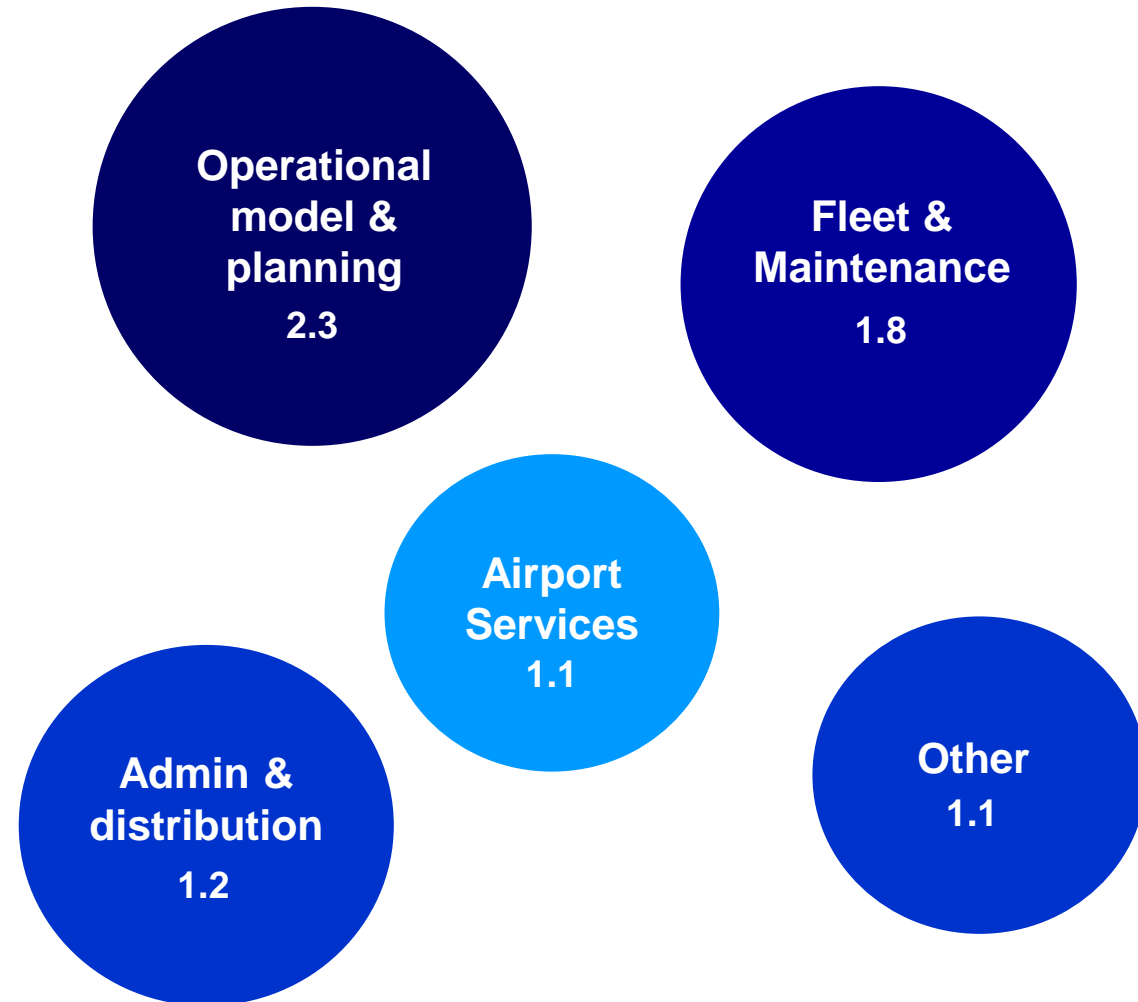
**SAS to reach its full potential by being competitive**

# Reducing the annual costs by SEK 7.5 billion

SAS will aggressively pursue reducing costs with a far more comprehensive burden sharing across all major stakeholder and creditor groups

## Reducing total annual cost by SEK 7.5 billion

|  |   |
|--|---|
| <b>3.5</b>                                     | Further<br>SEK 3.5 billion<br>savings               |
| <b>2.0</b>                                     | SEK 4 billion<br>savings<br>communicated in<br>2020 |
| <input checked="" type="checkbox"/> <b>2.0</b> |   |





# Redesigned fleet, network and product offerings

SAS is adopting new network principle and adjusting its fleet and product offerings to position SAS for the future and to enhance customer experience

## Redesigned network to drive significant benefits

- Optimizing resource utilization
- Reduce complexity

## Establishing new bases

- Expand regional relevance
- Mid-size aircraft to be utilized on smaller routes

## Optimize route portfolio and schedule

- Increased capacity on leisure markets
- Additional flights during peak season on high demand destinations

## Further develop customer features

- Unbundling and ancillary services
- EuroBonus and product offering in SAS Plus and Business



Attractive customer features

More non-stop routes

Increased resource utilization

# Digital transformation

SAS will undergo a major digital transformation, delivering major improvement in customers' experiences driving financial benefits

**Build competitive advantage**



Meet changing **consumer demands**



**Improve position** in the leisure segment



Increase **ancillary revenue through personalization**

**Realize full digital benefits**



Deliver smooth **customer-centric** end-to-end travel experience



Ensure **efficient service operation** and processes

**Secure competitive cost base**




Secure **utilization of assets** and holistic planning



**Digital transformation driving cost savings, revenue opportunities and a major improvement in customer experience**

# Positioning SAS as the leader in sustainable aviation

SAS will invest in modern fuel-efficient aircraft, sustainable aviation fuels, emerging technologies and sustainable products and services with incentivized customer behavior change

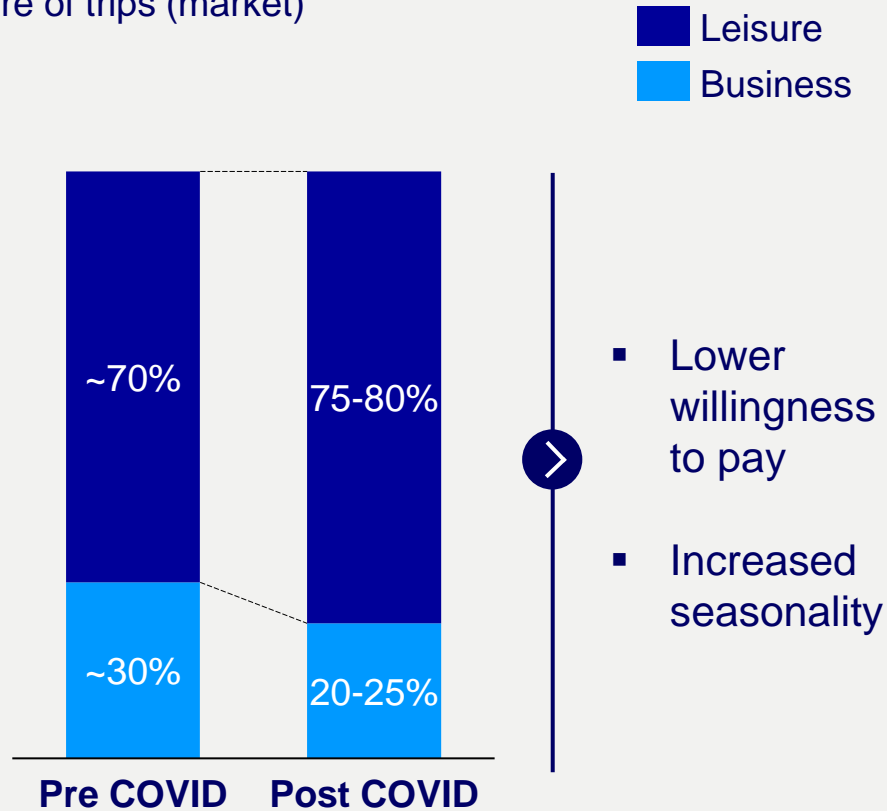
| 2025   | 2030  | 2050  |   |
|--|---|---|---|
| <ul style="list-style-type: none"> <li>• 25% lower total CO<sub>2</sub> emissions compared with 2005 (absolute emissions)</li> </ul> | <ul style="list-style-type: none"> <li>• Sustainable aviation fuel equivalent to SAS' domestic production</li> <li>• 100% sustainable materials in customer offering</li> <li>• 100% recycling where possible</li> </ul>  | <ul style="list-style-type: none"> <li>• Net zero carbon emissions</li> </ul> |  |
| <p><b>Drivers</b></p>  | <ul style="list-style-type: none"> <li>• Fleet renewal and improved fuel efficiency</li> <li>• Sustainable aviation fuels (SAF) &amp; carbon capture                             <ul style="list-style-type: none"> <li>- Possibilities for customers (consumer and corporate) to add SAF for their travel</li> <li>- Innovative projects, e.g. SAS, Vattenfall, Shell and LanzaTech explore synthetic sustainable aviation fuel production</li> </ul> </li> <li>• Intermodal connectivity and sustainable products and services</li> </ul> |   |   |

# Operating platform acceleration

SAS will improve flexibility and efficiency, and facilitate adapting to changed market demand and competition

## New passenger mix

Share of trips (market)



## Enhanced operating model

**ONE BRAND & CUSTOMER EXPERIENCE**

SAS Scandinavia | SAS Connect | SAS Link | External partners

# Strengthening SAS' balance sheet by deleveraging and raising new capital

SAS FORWARD SEK 7.5 billion annual cost reduction program paves the way for undertaking a complete revitalization of SAS's balance sheet and to substantially strengthen SAS's liquidity position, which will allow SAS to further invest in its network, people and continued investments in fuel-efficient aircraft



Target

- Plan targets liquidity > 30% of annual revenues
- Reduce leverage to levels at or below full service carriers



Next steps

- **Debt to equity conversion:** Hybrids and unsecured debt, and obligations associated with mark-to-market aircraft financing agreements, optimization of the SAS fleet and certain other key stakeholder contracts
- **Equity offering:** Planning to propose new capital raise subject to shareholder and regulatory approvals to the extent required. SAS and its financial advisors expect to undertake a broad and comprehensive capital markets process for investors



Resulting in

- **Solid balance sheet:** Allow SAS to fund fleet investments to achieve sustainability goals and to significantly grow its routes and frequencies
- **Improved liquidity:** 30% or greater liquidity through FY25

**The success of the program and the ability to attract potential new capital relies on all stakeholders' participation**

# The SAS FORWARD will provide ample benefits for customers



# SAS FORWARD establishes a stronger Scandinavian Airlines for the future

SAS FORWARD is designed to place SAS on a solid financial footing, create new growth opportunities and accelerate SAS's sustainability goals



**Once achieved, SAS will be well-positioned to compete**

# *SAS*

## Forward



# Contact

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**For more information:**

**Web:** <https://www.sasgroup.net/investor-relations>

## Financial Calendar

*Monthly traffic data is generally issued on the fifth working day of every month. The detailed financial calendar is available at [sasgroup.net](https://www.sasgroup.net) under Investor Relations*

17 March 2022

Annual General Meeting

31 May 2022

Q2 Interim Report (Feb'22-Apr'22)

26 August 2022

Q3 Interim Report (May'22-Jul'22)

30 November 2022

Year-end report (Nov'21-Oct'22)