

SAS Q4 2014/2015 ANALYST MATERIAL

16.12.2015

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Q4 brief summary

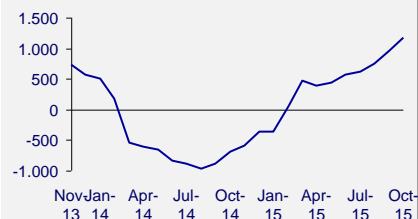
Q4 update

- Commercial initiatives paying off
 - Traffic up 1.1%
 - 0.8 p.u. higher load factor
 - 140,000 new EuroBonus members
- Agreement to transfer line stations in Norway to Widerøe
- Blue1 sold to Cityjet and SAS to wetlease 8 regional jet aircraft from spring 2016
- SAS responds to increased demand for SAS long haul and leisure routes
- Customer satisfaction index at 74 vs. 72 last year

Financial performance Q4 FY15

- EBT before nonrecurring items MSEK 1,338 improved 70% vs. last year
- Jet fuel costs down MSEK 769
- Currency adj. unit cost incl fuel down 10.7%
- Currency adj. unit revenue (PASK) down 0.5%

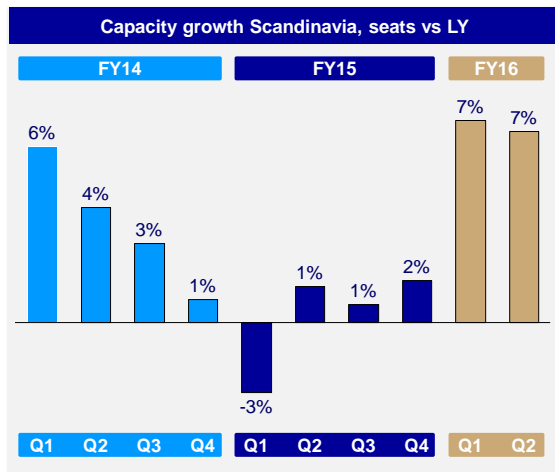
**EBT before nonrecurring items,
MSEK, 12 months rolling**



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After a temporary stabilization in FY15, market capacity expected to grow in FY16



- Overall capacity up 0.3% in FY15
- Passenger growth up 2.3% in FY15
- Market capacity expected to grow by 5-7% in FY16 – highest growth during the winter

SAS focus will

- Further improve offer for frequent travelers
- Continue to increase operational efficiency and flexibility

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SAS has improved customer offering in all areas

Product:

- New café Lounges (e.g. Trondheim) and Self Service Bag Drops
- Upgraded Lounges at Arlanda, Copenhagen and Gardemoen
- New EuroBonus features and partners

Route network:

- Improved leisure offering, incl. ~50 seasonal routes
- New short haul point-to-point routes
- More long haul destinations, Hong Kong, Miami, Los Angeles, Boston

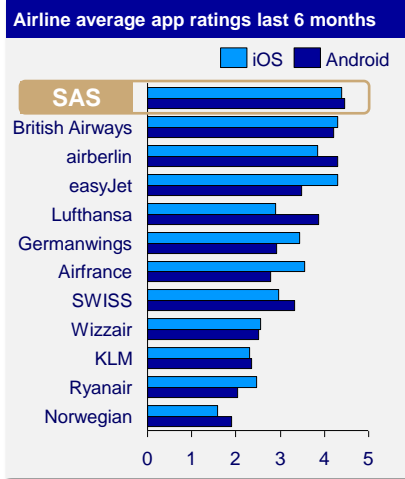
Fleet:

- New long-haul cabin
- From 12 to 16 aircraft, incl. new A330 Enhanced aircraft
- More wetleased aircraft



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Digitalization provides opportunities to enhance customer experience



Source: Apple App Store and Google Play, 1 April 2015 – 30 September 2015

New app highest rated for both iOS and Android

Newspaper at gate through app

New IT platform to enable greater degree of personalization for the frequent travelers



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Dedicated employees key driver to improved customer satisfaction

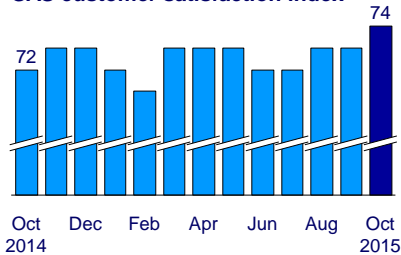
Dedicated employees key driver to improved customer satisfaction

- Cabin crew at all-time-high
- Onboard services at all-time-high
- Intercont at all-time-high

In addition, new tools will further improve customer personalization

- Hand held devices for crew to be rolled out
- Direct customer feedback in SAS app
- Electronic flight bag for pilots

SAS customer satisfaction index



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Several structural changes implemented during FY15

Selected examples



New pilot agreement

- New collective bargaining agreements signed in Apr-May
- Alternative career opportunities explored through 'pilot career centre'



Technical maintenance improving

- Maintenance schedule for Boeing fleet improved
- Base maintenance contracts renegotiated



Increased efficiency and outsourcing of ground handling

- Efficiency improvements and automation
- Agreement to transfer line stations in Norway to Widerøe
- Letter of intent with Aviator to outsource remaining operations at Copenhagen, Oslo, Arlanda, Gothenburg and Malmö



Overhead

- Optimized sales and administration; reduction by 285 employees during 2015
- 140,000 sqm of facilities re-negotiated



Continued simplification of fleet

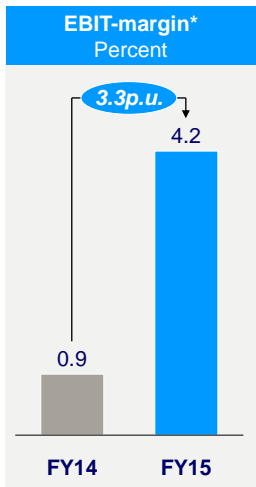
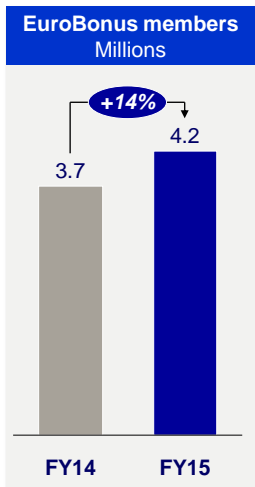
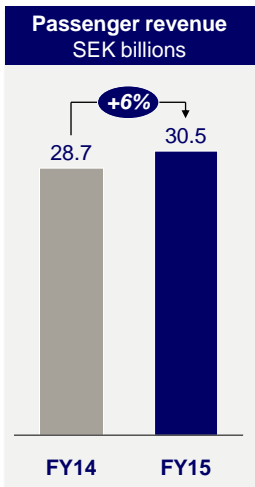
- Sale of Blue1 to Cityjet
- Phase out of Boeing 717 simplifies SAS fleet
- More wetlease, incl. 8 CRJ900 from spring 2016 from Cityjet

Effect
in FY15
920
MSEK

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SAS delivers on its strategy



* = Before non-recurring items



GÖRAN JANSSON

CFO

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Income statement FY15

Income statement	Nov14-Oct15	Nov13-Oct14	Change vs LY	Currency
Total operating revenue	39,650	38,006	+1,644	+963
Payroll expenditure	-9,492	-9,831	+339	
Jet fuel	-8,430	-8,806	+376	
Government charges	-4,087	-3,962	-125	
Other operating expenditure	-11,939	-11,732	-207	
Total operating expenses*	-33,948	-34,331	+383	-1,997
EBITDAR before non-recurring items	5,702	3,675	+2,027	-1,034
<i>EBITDAR-margin*</i>	<i>14.4%</i>	<i>9.7%</i>	<i>+4.7 p.u.</i>	
Leasing costs, aircraft	-2,593	-2,060	-533	
Depreciation	-1,466	-1,320	-146	
Share of income in affiliated companies	37	30	+7	
EBIT before non-recurring items	1,680	325	+1,355	-1,493
<i>EBIT-margin*</i>	<i>4.2%</i>	<i>0.9%</i>	<i>+3.3 p.u.</i>	
Financial items	-506	-1,022	+516	
EBT before non-recurring items	1,174	-697	+1,871	-1,511
Non-recurring items	243	-221	+464	
EBT	1,417	-918	+2,335	-1,511

* = Before non-recurring items

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EBT before non-recurring items up 70% vs. last year in Q4

Income statement	Aug-Oct 2015	Aug-Oct 2014	Change vs LY	Currency
Total operating revenue	10,903	10,966	-63	+22
Payroll expenditure	-2,201	-2,381	+180	
Jet fuel	-1,764	-2,533	+769	
Government charges	-1,118	-1,111	-7	
Other operating expenditure	-3,287	-3,169	-118	
Total operating expenses*	-8,370	-9,194	+824	-385
EBITDAR before non-recurring items	2,533	1,772	+761	-363
<i>EBITDAR-margin*</i>	23.2%	16.2%	+7.0 p.u.	
Leasing costs, aircraft	-671	-550	-121	
Depreciation	-436	-299	-137	
Share of income in affiliated companies	24	17	+7	
EBIT before non-recurring items	1,450	940	+510	-482
<i>EBIT-margin*</i>	13.3%	8.6%	+4.7 p.u.	
Financial items	-112	-151	+39	
EBT before non-recurring items	1,338	789	+549	-488
Non-recurring items	-471	-1,239	+768	
EBT	867	-450	+1,317	-488

* = Before non-recurring items

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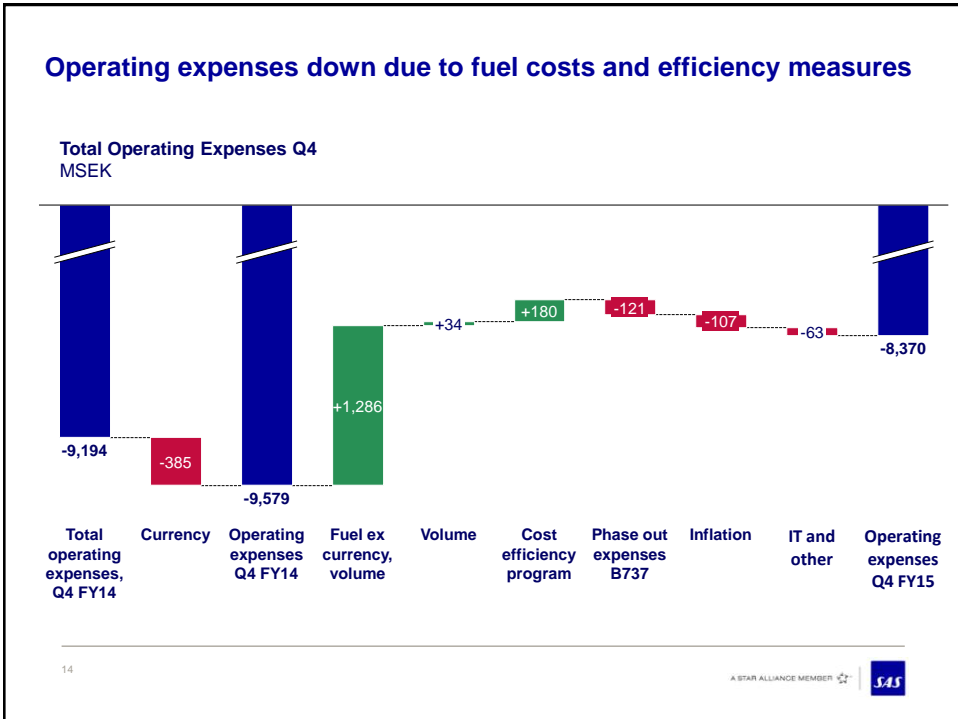
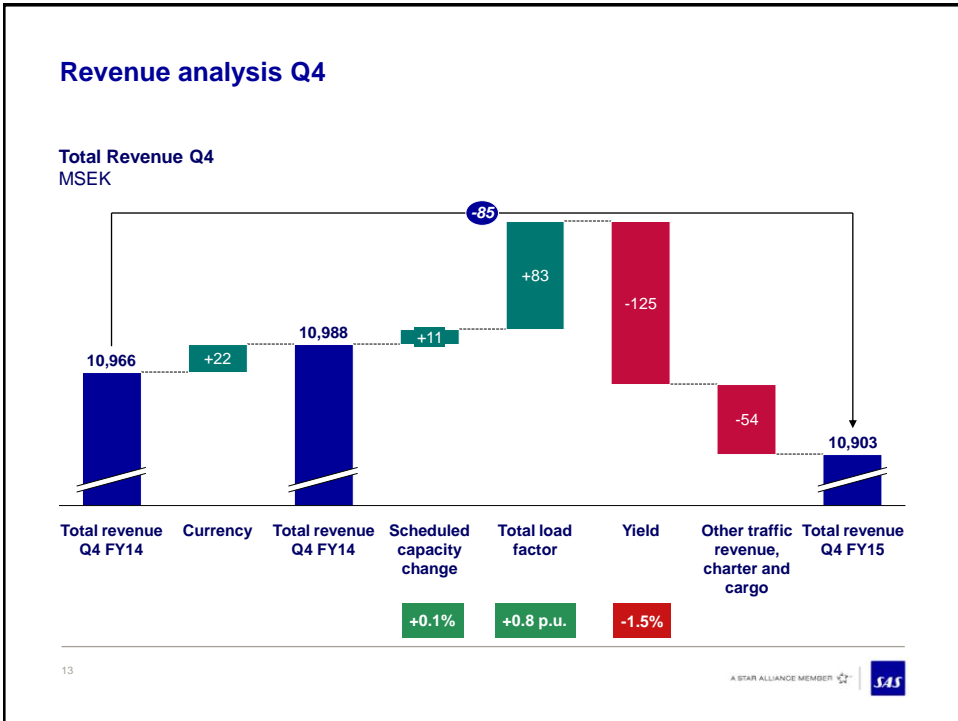
Non-recurring items in Q4

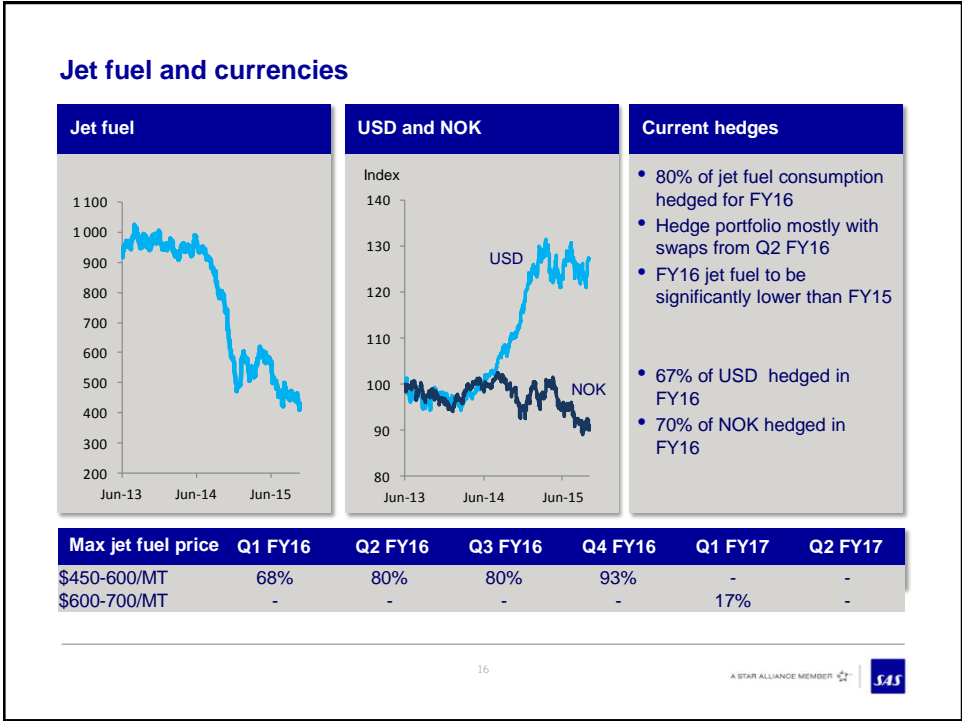
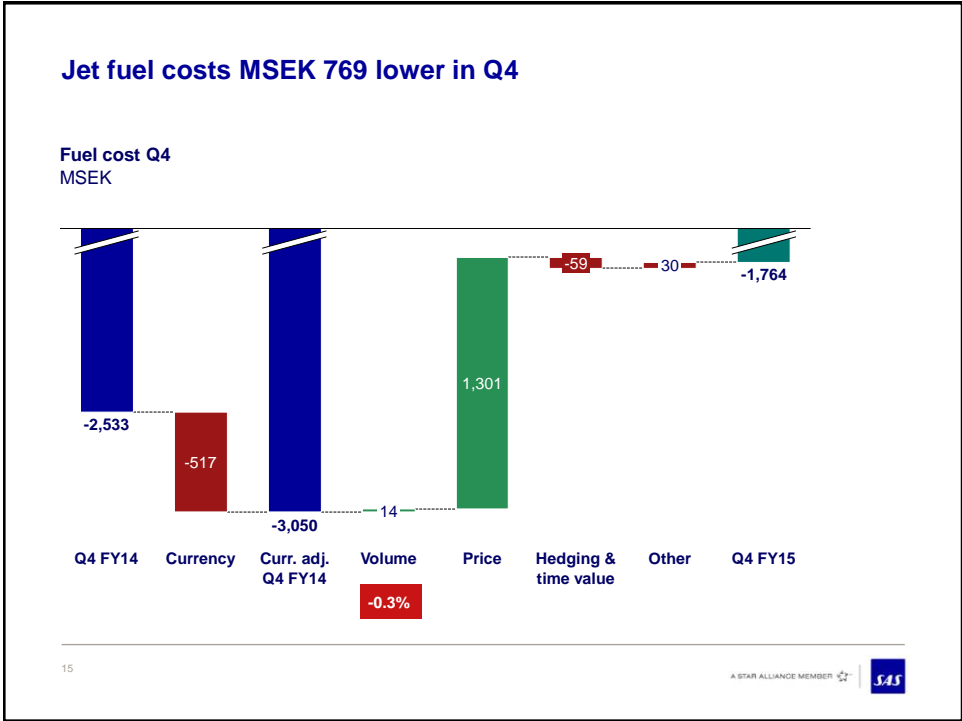
Non-recurring items	MSEK
Impairments/write down	-314
<i>Wideröe</i>	-270
<i>Estonian Air</i>	-33
<i>Blue 1</i>	-11
Restructure costs	-165
<i>Pilot restructure</i>	-210
<i>Dissolve previous restructure</i>	+45
Capital gain, aircraft	+44
Other non-recurring items	-36
Total non-recurring items	-471

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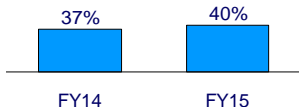




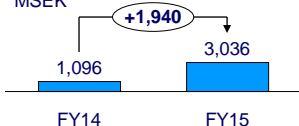


Stronger financial position

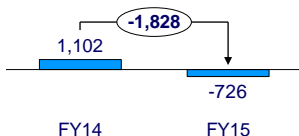
Financial preparedness



Cash flow from operating activities MSEK



Financial net debt, MSEK



- Cash flow from operating activities improved SEK 1.9 bn during in FY15
- Cash of SEK 8.2 bn
- Unutilized credit facilities of SEK 2.7 bn
- Financial preparedness improved to 40%
- Financing of aircraft deliveries in place until 2nd Quarter 2016 and pre deliveries of aircraft until early 2017
- SAS financial net debt positive
- Shareholders' equity improved SEK 1.4 bn
- Equity/total asset improved by 4pts to 21%

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Summary and outlook

FY15 Summary

EBT before non-recurring items is up by 70% in Q4 and SEK 1.9 bn in FY15

Commercial initiatives paying off

- PASK up 3.8%
- EuroBonus members up 14%
- New and upgraded lounges

Long haul expansion kicked off

MSEK 920 in earnings impact from efficiency program

Implementation of SAS' strategy to outsource SAS ground handling in progress

FY16 outlook

Market capacity expected to increase

SAS to increase ASK by 10%, whereoff 9% long haul

Number of flights up 1%

Lower PASK and unit cost due to stage length effect

Efficiency program to deliver SEK 1 bn in earnings impact

SAS expects to post a positive EBT before tax and non-recurring items in FY16

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We are building a strong product offering

OUR VISION IS TO MAKE LIFE EASIER FOR SCANDINAVIA'S FREQUENT TRAVELERS

Enhanced service offering

GO PLUS

FAST Track

Membership and distribution

GROWTH OF EUROBINUS MEMBERS

0 MEMBERS
2.7 MILLION
4.0 MILLION

Network and fleet

SAS

ON-TIME PERFORMANCE

PUNCTUALITY

SAFETY






REGULARITY

Safety Cost efficiency Punctuality and regularity

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Appendices

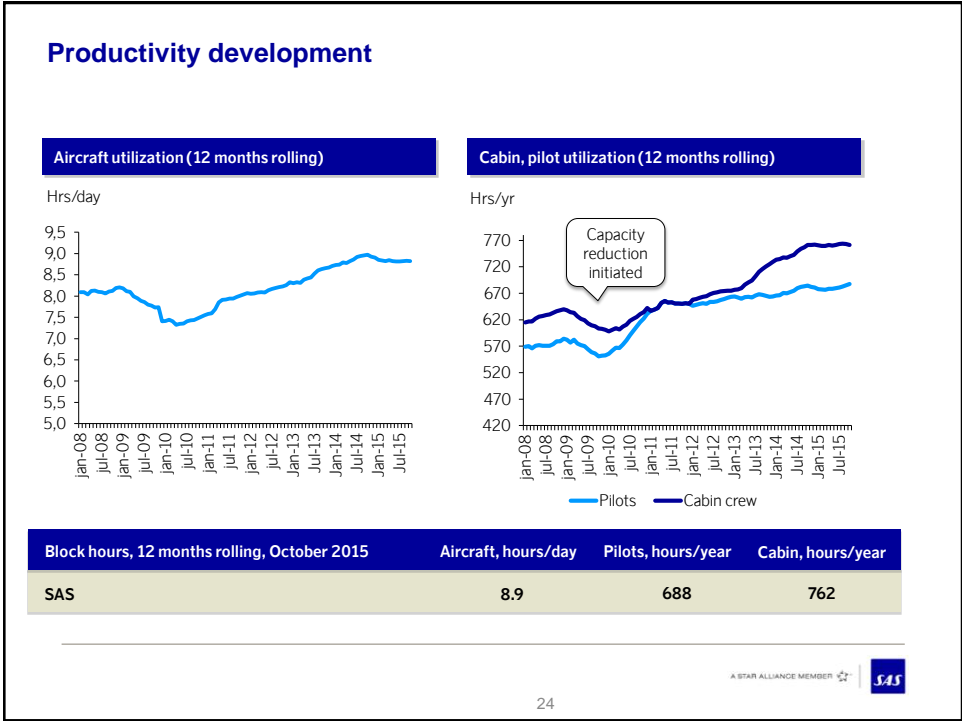
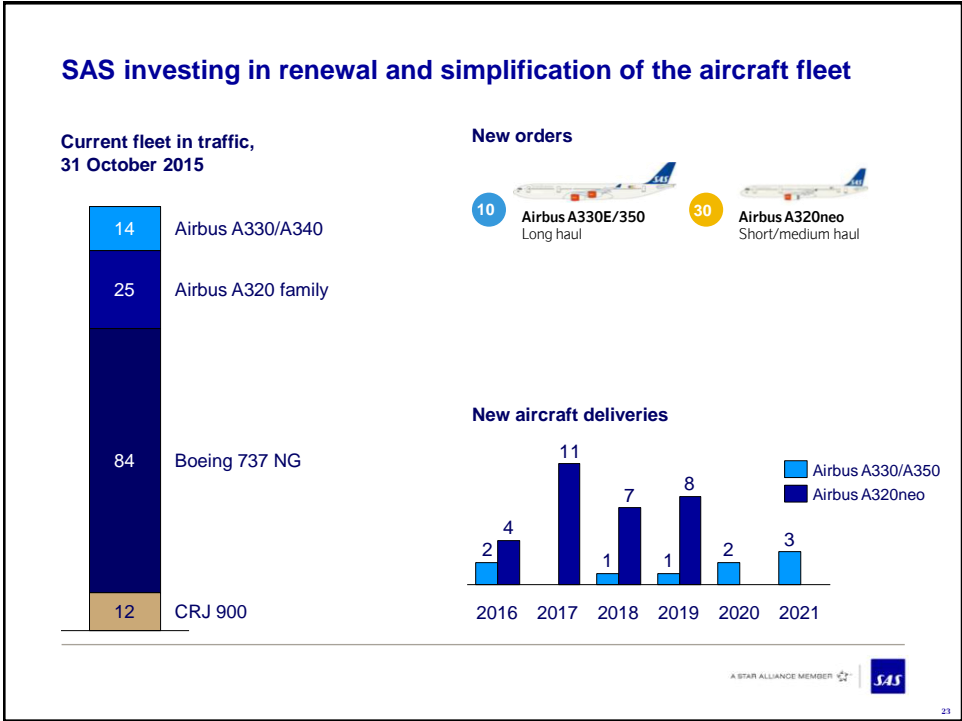
-  **Fleet & productivity**
-  Unit revenue (yield & PASK) & Unit cost
-  Traffic & capacity outlook
-  Financial update
-  Currency & Fuel

SAS fleet – July 2015






Aircraft in traffic under SK traffic license	Age	Owned	Leased	Total	Firm order	Lease order
Airbus A330/A340/A350	11.9	7	7	14	10	
Airbus A321/A320/A319	10.7	6	19	25	30	
Boeing 737 NG	12.8	15	69	84		
Total	12.3	28	95	123	40	

Aircraft in service under a license other than SAS's (SK)	Age	Owned	Wet lease	Total	Wet lease order
Boeing 737-700	10.2		1	1	
Bombardier CRJ900	6.4	12		12	8
ATR-72	3.7		13	13	3
SAAB 2000	18.6		3	3	
Total	6.6	12	17	29	11


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




Appendices

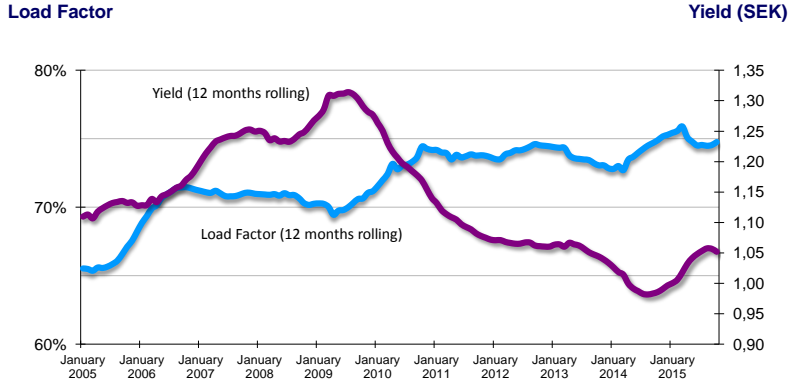
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Yield and PASK development

Yield, SEK Currency adj	Aug-Oct	Nov-Oct
	-1.5%	+4.0%

PASK, SEK currency adj	Aug-Oct	Nov-Oct
	-0.5%	+3.8%

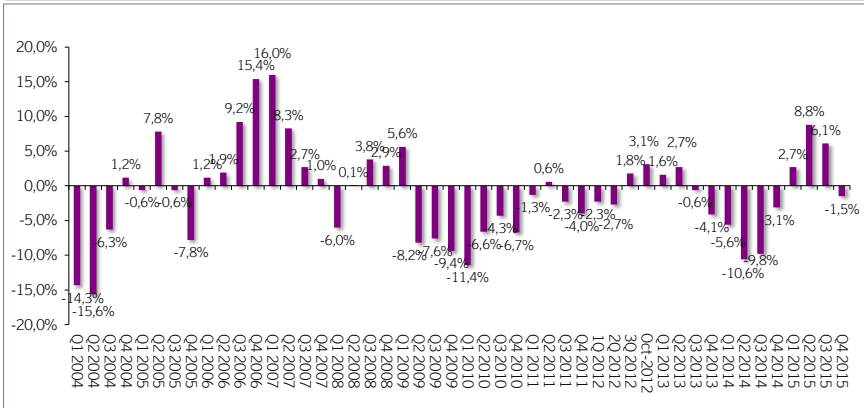
Long term yield and passenger load development



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Quarterly yield development

Scandinavian Airlines, currency adjusted yield vs last year

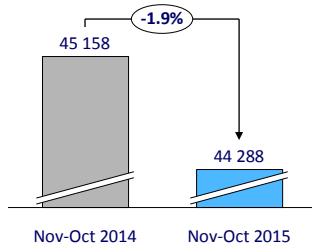


Note: Including Blue1 from March 2012

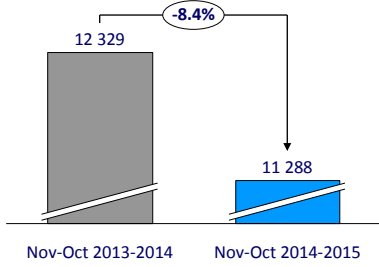
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Capacity and FTE

Capacity
ASK total, millions

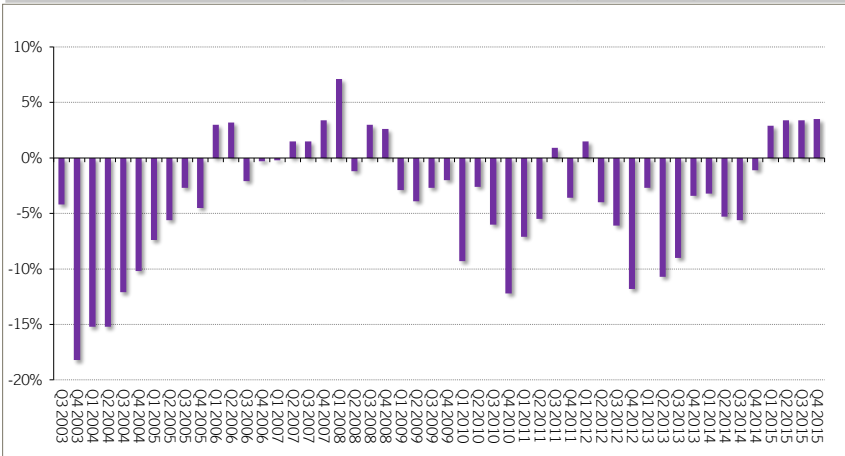


SAS FTEs, 12 months rolling



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-Oct 2015

SAS, SEK, currency adjusted

Unit cost breakdown	Nov 2014 – Oct 2015	Nov 2013 – Oct 2014	Var, %	Share of total var, %
Payroll expenses	-9,465	-9,669	-2.1%	-0.6%
Jet fuel	-8,430	-10,594	-20.4%	-6.0%
Government user fees	-4,087	-4,078	+0.2%	+0.0%
Selling and distribution costs	-2,515	-2,292	+9.8%	+0.6%
Handling costs	-1,998	-1,760	+13.5%	+0.7%
Technical aircraft maint.	-2,675	-2,585	+3.5%	+0.2%
Other operating expenses	-1,670	-1,477	+13.1%	+0.5%
Total operating expenses	-30,840	-32,455	-5.0%	-4.5%
Leasing costs for aircraft	-2,593	-2,471	+5.0%	+0.3%
Depreciation	-1,466	-1,295	+13.2%	+0.5%
Adjusted EBIT	-34,899	-36,220	-3.6%	-3.6%

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Breakdown of unit cost, Aug-Oct 2015

SAS, SEK, currency adjusted

Unit cost breakdown	Aug 2014 – Oct 2015	Aug 2013 – Oct 2014	Var, %	Share of total var, %
Payroll expenses	-2,196	-2,308	-4.9%	-1.2%
Jet fuel	-1,764	-3,042	-42.0%	-13.1%
Government user fees	-1,118	-1,140	-2.0%	-0.2%
Selling and distribution costs	-705	-650	+8.6%	+0.6%
Handling costs	-556	-498	+11.7%	+0.6%
Technical aircraft maint.	-814	-691	+17.8%	+1.3%
Other operating expenses	-438	-445	-1.5%	-0.1%
Total operating expenses	-7,592	-8,774	-13.5%	-12.1%
Leasing costs for aircraft	-671	-667	+0.6%	+0.1%
Depreciation	-436	-298	-46%	+1.4%
Adjusted EBIT	-8,699	-9,739	-10.7%	-10.7%

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Summary of key drivers

SAS

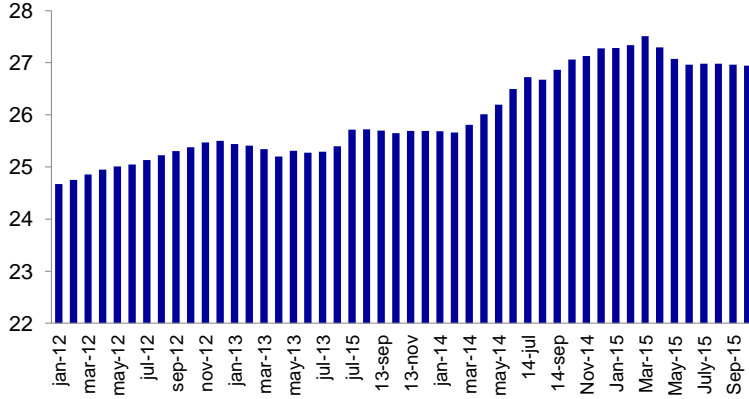
	Q1 2014/15	Q2 2014/15	Q3 2014/15	Q4 2014/15
Scheduled traffic (RPK)	↑ +3.2%	↓ -1.2%	↓ -3.5%	↑ +1.1%
Passenger load factor	↑ +2.5 p.u.	↓ -1.4 p.u.	↓ -1.9 p.u.	↑ +0.8 p.u.
Passenger yield	↑ +2.7%	↑ +8.8%	↑ +6.1%	↓ -1.5%
Total unit revenue (PASK)	↑ +6.7%	↑ +6.8%	↑ +3.6%	↓ -0.5%
Total unit cost (excluding fuel)	↑ +2.9%	↑ +3.4%	↑ +3.4%	↑ +3.5%

Appendices

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

SAS passenger development

Scheduled passenger, 12 months rolling
(Million)



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SAS grows its long haul operation to

- From 12 to 16 aircraft
 - More frequencies on existing routes
 - New routes to Hong Kong, Los Angeles, Miami and Boston
- Capacity increase in FY16 of 25%
- Destinations and an attractive product for the frequent traveler



2015	2016	...2018
<p>HONG KONG SAS flight to Hong Kong</p>	<p>SHANGHAI SAS flight to Shanghai</p>	<p>NEWS! LOS ANGELES SAS flight to Los Angeles</p>
<p>NEWS! MIAMI SAS flight to Miami</p>	<p>A350 SAS A350 aircraft</p>	

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ASK outlook for financial year 2015/2016

ASK outlook for November 2015 – October 2016

SAS – scheduled	Circa +10%
Long haul	Circa +25%
Number of flights	Circa +1%

Appendices

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Financial targets

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

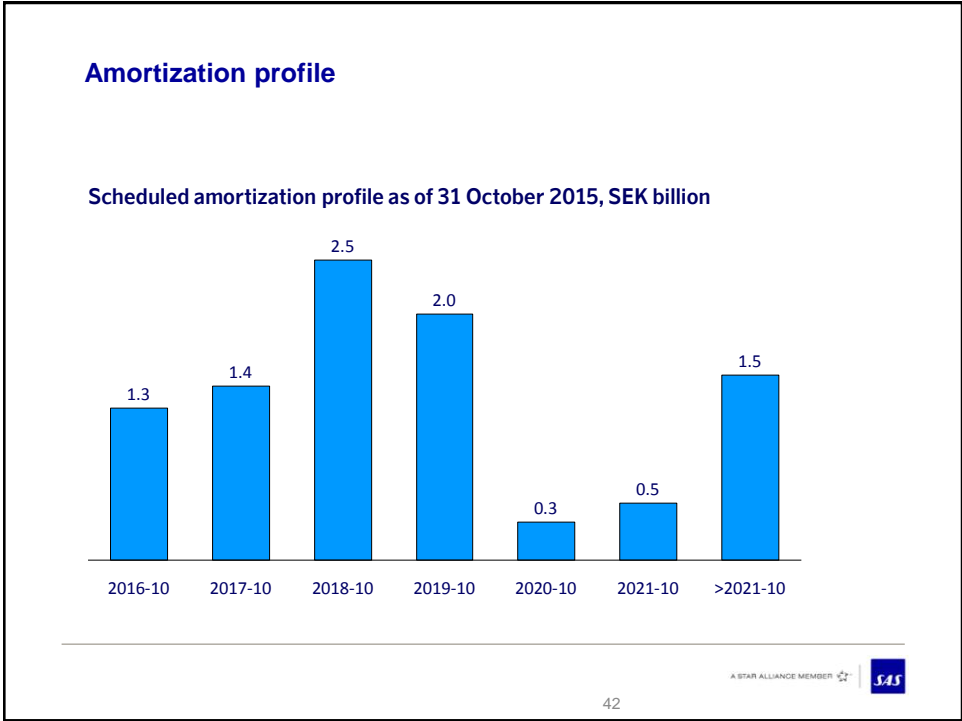
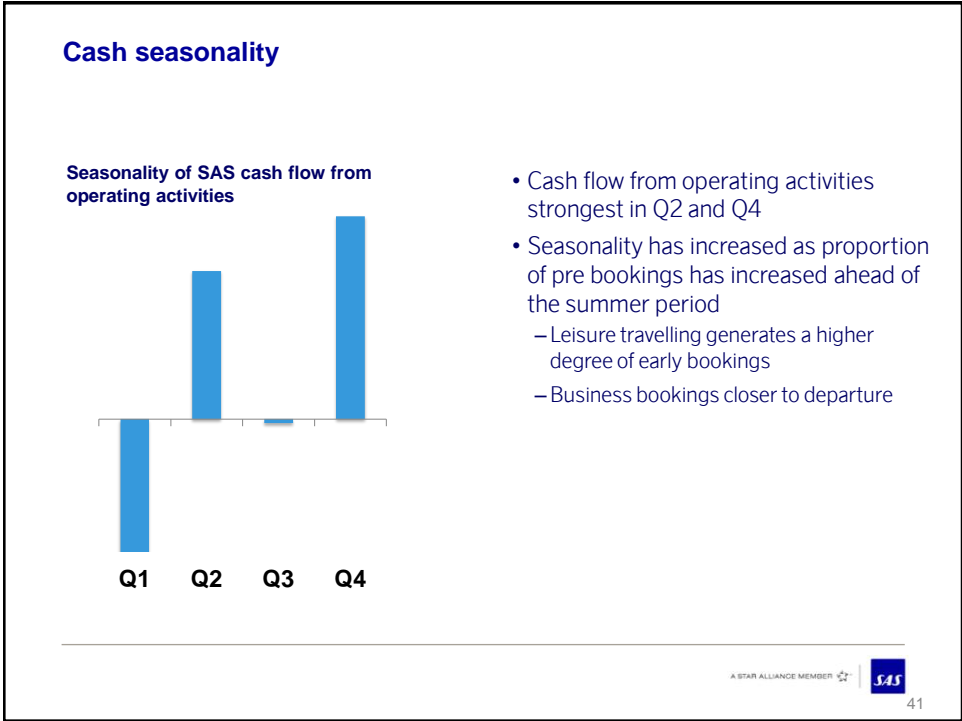
Financial preparedness

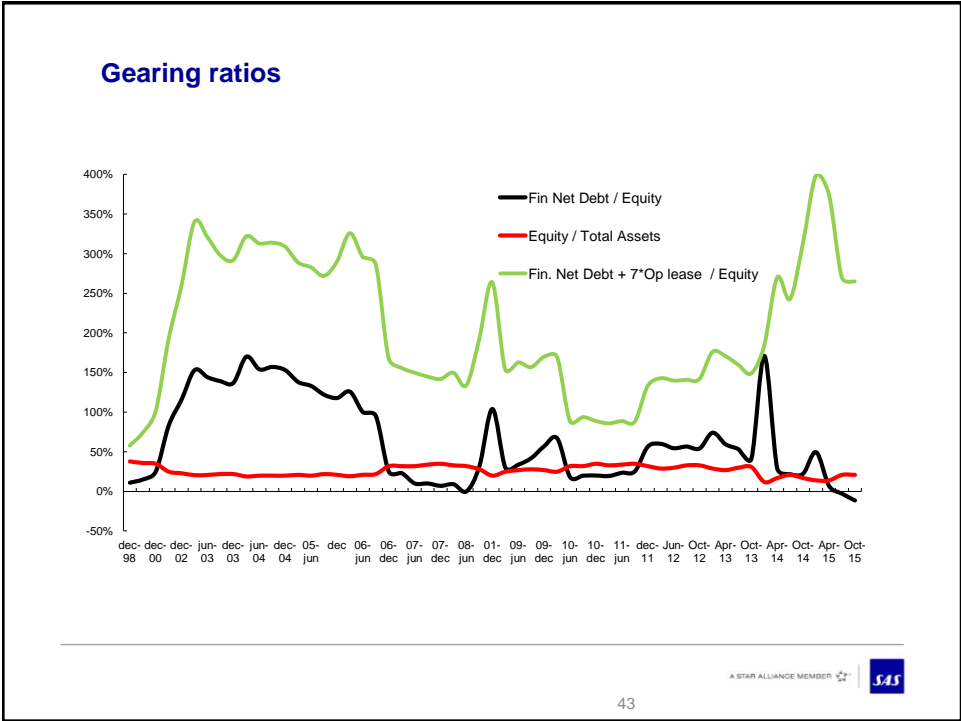
Cash & unutilized credit facilities / Fixed cost >20% (70 days)

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 – October 2015

Available funds, SEK billion	Oct 2015	Maturity
Undrawn portion of credit facilities		
Revolving Credit Facility, MEUR 150	1.4	Jan 2017
Credit Facility, MUSD 137 & 38	1.1	Jun 2017, Oct 2017
Credit Facility, MUSD 54	0.0	Sep 2021
PDP Credit facility, MUSD 54	0.2	May 2016
Others, MUSD 84	0.0	Feb 2020
Total undrawn credit facilities	2.7	
Total credit facilities	4.5	
Drawn portion of credit facilities	1.8	
Undrawn portion of credit facilities	2.7	





SAS Group

Financial Net November-October

MSEK	Nov 14 – Oct 15	Nov 13 – Oct 14	Difference
Interest net and others	-513	-1 051	+538
Exchange rate differences	+5	+23	-18
Financial net	-508	-1 028	+520

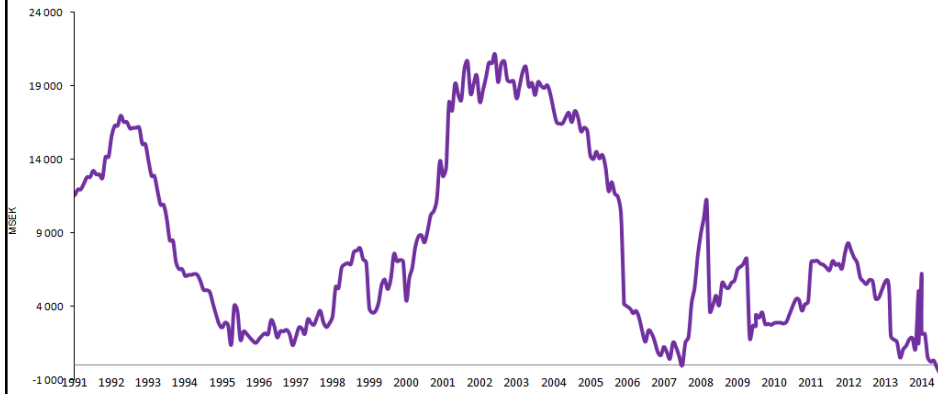
MSEK	Nov 15– Oct 15	Nov 14- Oct 14	Difference
Interest net and others	-106	-151	+45
Exchange rate differences	-6	-	-6
Financial net	-112	-151	+39

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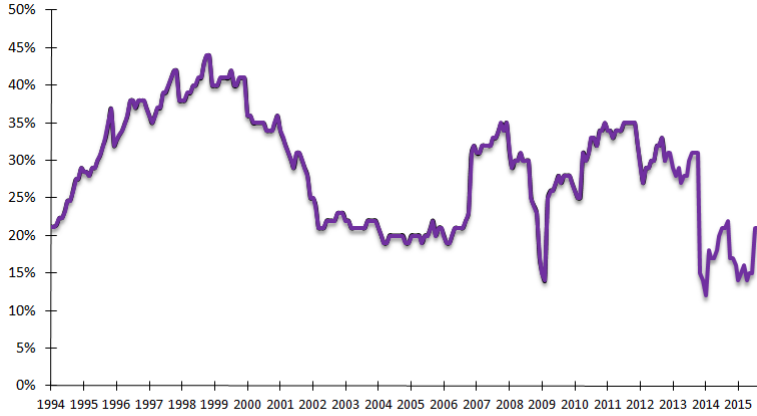
Development and Break Down Financial Net Debt

MSEK	31 Oct 2015	31 Oct 2014	Difference
Cash	8,198	7,417	+781
Other interest bearing assets	2,279	2,286	-13
Interest bearing liabilities	-9,745	-10,805	+1,060
Financial net debt	726	-1,102	+1,828

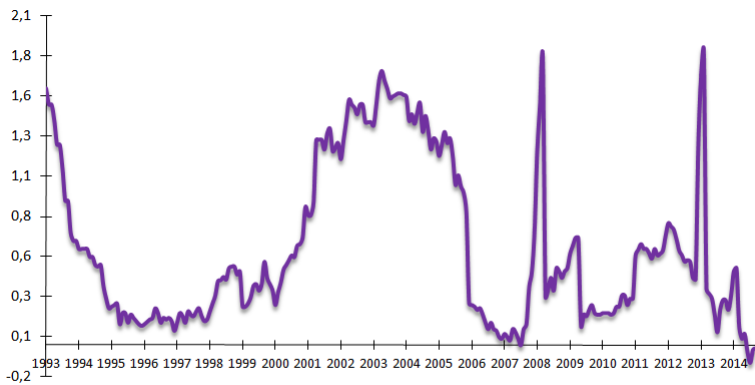
Development of financial net debt 1991-2015 as reported on a quarterly basis



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



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



Appendices

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

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Breakdown of currency effects SAS Group

Total revenues & costs currency effects		Aug-Oct 2015 vs LY	Nov 2014-Oct 2015 vs LY
Total revenues & costs	USD	- 620	- 2,402
	DKK	- 1	- 13
	NOK	- 132	- 172
	EUR	- 5	- 35
	Asian currencies	30	131
	All others	36	145
	Total	- 692	- 2,346
Forward cover costs	2014	127	274
	2015	178	1,083
	Difference	51	809
Working capital	2014	- 47	- 107
	2015	112	- 63
	Difference	159	44
Financial items	2014	0	23
	2015	- 6	5
	Difference	- 6	- 18
Total currency effects		- 488	- 1,511

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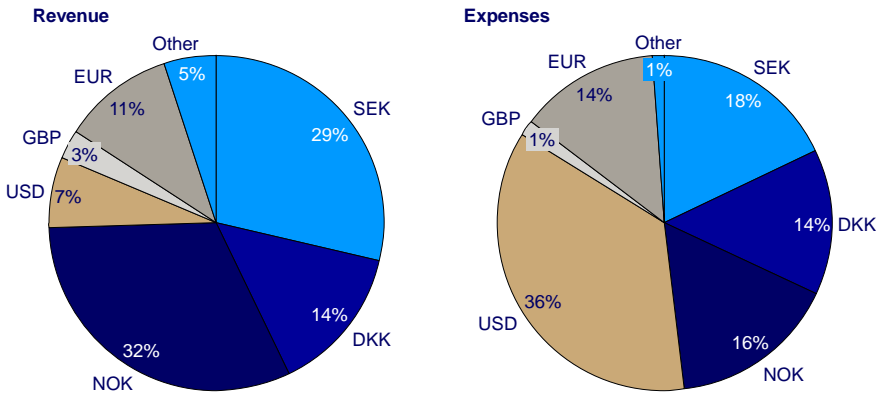
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Changes in currency exchange rates

affected the result by MSEK -1,511 in Nov 2014-Oct 2015 vs Nov 2013-Oct 2014

Currency effects MSEK on SAS Group 2014/2015 vs 2013/2014		Aug-Oct 15	Nov 14-Oct 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	22	963
	Total costs	- 714	- 3,309
	Forward cover costs & working capital	210	853
	Income before depreciation	- 482	- 1,493
	Financial items	- 6	- 18
	Income before tax	- 488	- 1,511

SAS currency distribution - Nov 2014 – Oct 2015



SAS hedging position for FY16-FY17

Max jet fuel price	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16	Q1 FY17	Q2 FY17
\$450-600	68%	80%	80%	93%	-	-
\$600-700	-	-	-	-	17%	-

SAS' jet fuel costs in 2015/16 (annual average values)	7.0 SEK/USD	8.0 SEK/USD	9.0 SEK/USD	10.0 SEK/USD
Market price				
300 USD/MT	SEK 4.9 bn	SEK 5.6 bn	SEK 6.3 bn	SEK 7.0 bn
400 USD/MT	SEK 5.2 bn	SEK 5.9 bn	SEK 6.7 bn	SEK 7.4 bn
600 USD/MT	SEK 5.8 bn	SEK 6.6 bn	SEK 7.4 bn	SEK 8.2 bn
800 USD/MT	SEK 6.2 bn	SEK 7.1 bn	SEK 7.9 bn	SEK 8.8 bn

A STAR ALLIANCE MEMBER



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