



# SAS Group Financial Update January-February 2010

Analyst presentation, March 30, 2010



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# Weak result Q1 as expected

– unit cost significantly down as cost savings takes effect



- ▶ **January-February financial update published in order to provide the market with updated financial and operating information prior to launch of rights issue**
- ▶ **January-February results, EBT before non-recurring items<sup>1</sup>, MSEK –960 in line with Core SAS plan**
  - January and February are the weakest months of the year in terms of traffic revenue
  - Yield still under pressure
- ▶ **Core SAS cost program on track, additional MSEK 800 implemented since year end**
  - Unit cost<sup>2</sup> down 7.0 %, RASK down 4.7%
- ▶ **First quarter EBT before non-recurring items<sup>1</sup> estimated to be approximately SEK –1bn**
- ▶ **Preconditions for rights issue satisfied**
  - Final agreement signed on March 12 with pilot and cabin crew unions of MSEK 500 in annual cost savings
  - Refinancing of SEK 2 bn secured through issue of new bonds and convertible bonds offering of SEK 1.6 bn

<sup>1</sup> In continuing operations.

<sup>2</sup> Currency and fuel adjusted for Scandinavian Airlines.



# January-February results – in line with the Core SAS plan



Result development (MSEK)	Jan-Feb 2010	Jan-Feb 2009	Q1 2009
Revenues	5,888	6,951	11,296
EBT before non-recurring items (continuing operations)	-960	-420	-889
EBT-margin	-16.3%	-6.0%	-7.9%
Income before tax in continuing operations	-1,048	-415	-979

First quarter 2010 estimate for EBT before non-recurring items of approximately SEK -1bn



# A strong common effort

by our unions and employees



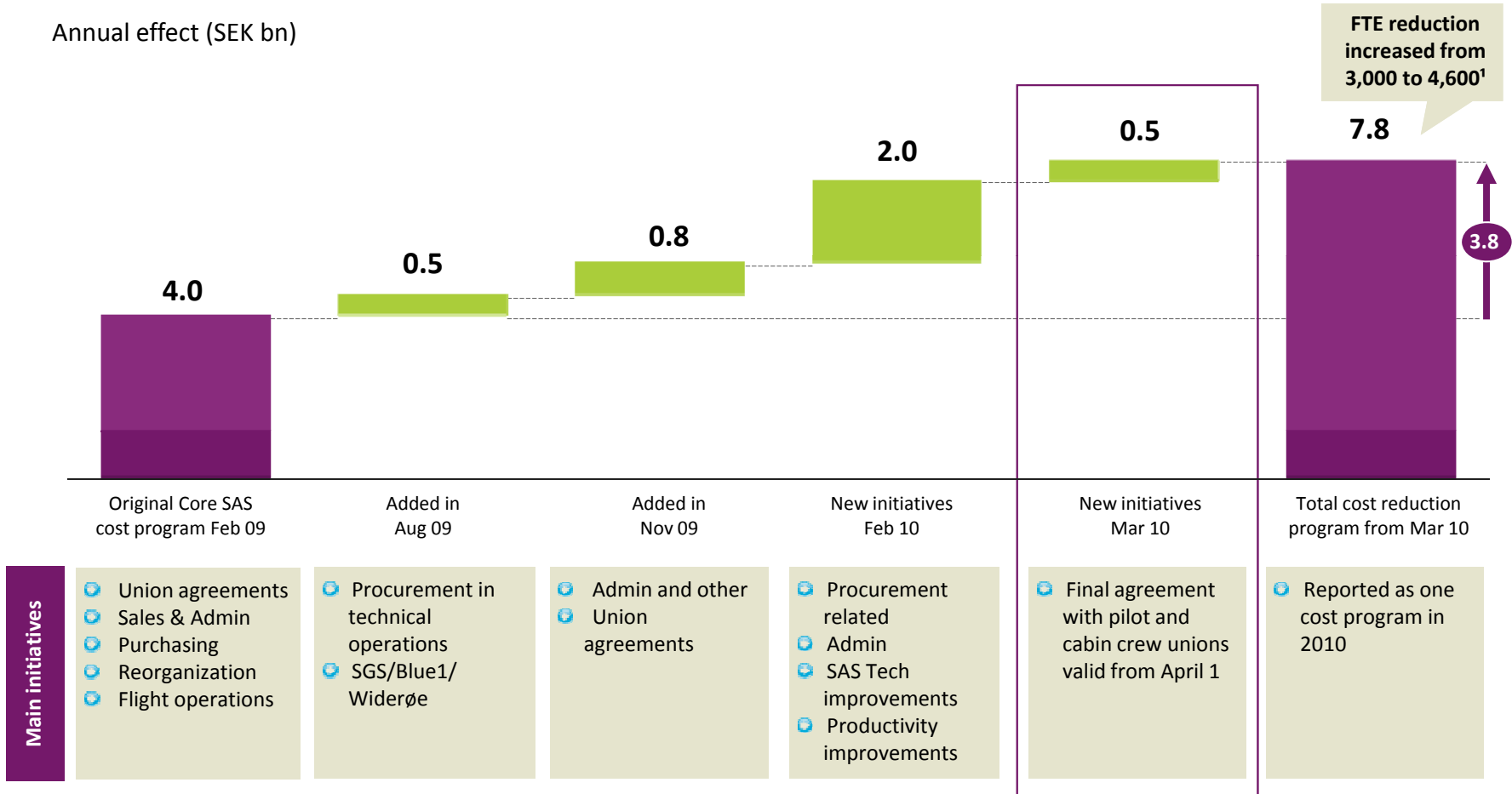
- Final agreement of MSEK 500 in cost savings in collective agreements signed with pilot and cabin crew unions on March 12, 2010
  - Includes salary reductions, reduction in pensions, allowances etc
- 3,100 FTE of 4,600 FTE reduced
- Total cost saving measures from union agreements in 2009-2010 of SEK ~2 bn
- Achieved without any disruptions and with continued high quality in production
- SAS was the most punctual airline in Europe in 2009

# Core SAS cost savings program

- extended to SEK 7.8 bn from March 2010



Annual effect (SEK bn)



<sup>1</sup> Includes employee reductions from both the cost reduction program and capacity reduction.





Mats Lönnqvist  
CFO SAS Group



# Core SAS cost savings program on track

– significant unit cost reduction and improved results development in March 2010



- **Yield still under pressure but partly offset by improved load factor**
  - Yield (currency adjusted) down 12.2%<sup>1</sup>
  - Load factor improved 5.0 p.u.<sup>2</sup>
  - RASK down 4.7%<sup>3</sup>
  
- **Improved results development expected in March, EBT estimate for the first quarter of approximately SEK –1 bn**
  
- **Negative effects of currency exchange rates of total MSEK –719, compared to Jan-Feb in 2009**
  
- **Core SAS cost savings program of SEK 7.8 bn on track with 7.0% unit cost<sup>4</sup> reduction during period**
  
- **Positive cash flow from operating activities**
  
- **Strengthening of the balance sheet through:**
  - Issue of bonds (EUR) on the EMTN market with an aggregate principal amount of MEUR 60 (~MSEK 600)
  - SEK 1.6 bn offering due 2015 of convertible bonds on March 19, 2010
  - Issue of bonds with an aggregate principal amount of SEK 1 bn secured on March 30, 2010

<sup>1</sup> For Scandinavian Airlines compared to the same period in 2009. It should be noted that the yield was positive in Jan-Feb 2009 primarily due to higher fuel surcharges imposed in early 2009.

<sup>2</sup> For SAS Group, compared to the same period in 2009.

<sup>3</sup> For Scandinavian Airlines, compared to the same period in 2009.

<sup>4</sup> For Scandinavian Airlines compared to the same period in 2009, currency and fuel adjusted.



# Improving load factor

but still pressure on yields



## SAS Group

Traffic (RPK)

Passenger load factor

## Scandinavian Airlines

Yields (RPK), currency adj

Total traffic rev / ASK

Fuel adj. unit cost

### Jan-Feb 2010

↓ -4.1%

↑ +5.0 p.u.

↓ -12.2%<sup>1</sup>

↓ -4.7%

↓ -7.0%



<sup>1</sup> It should be noted that the yield was positive in January-February 2009 primarily due to higher fuel surcharges imposed in early 2009.

# Seasonally weak period, EBT MSEK – 960

but large cost reductions, particularly in payroll expenses



MSEK	Jan-Feb 2010	Jan-Feb 2009
Total operating revenue	5,888	6,951
Fuel	– 919	– 1,124
Government charges	– 655	– 691
Payroll expenses	– 2,434 <sup>1</sup>	– 2,950 <sup>2</sup>
Other operating expenses	– 2,141	– 1,931
Total operating expenses	– 6,149	– 6,696
EBITDAR before non-recurring items	– 261	255
Leasing costs, aircraft	– 314	– 496
EBIT	– 865	– 517
EBT before non-recurring items	– 960	– 420

<sup>1</sup> Includes restructuring costs of MSEK 59 (Total restructuring cost amount to MSEK 68 in January-February 2010)

<sup>2</sup> Includes restructuring costs of MSEK 0 (Total restructuring cost amount to MSEK 0 in January-February 2009)

# Significant changes in currency exchange rates

affected the result by MSEK – 719 compared to the same period in 2009



Currency effects MSEK on SAS Group, continuing operations: 2010 vs. 2009		Jan-Feb 2010
<ul style="list-style-type: none"> <li>➤ Positive impact on revenues due to a significantly stronger NOK to SEK</li> <li>➤ Positive impact on other operating costs mainly due to the weaker USD to SEK</li> <li>➤ Weaker USD to SEK affected certain hedging arrangements negatively</li> <li>➤ Weaker EUR to SEK affected net financial items, related to certain loan agreements with Spanair in January 2009</li> </ul>	Total revenue	50
	Total costs	155
	Forward cover costs & working capital	– 769
	Income before depreciation	– 564
	Financial items	– 155
	Income before tax	– 719

# 55% of targeted cost saving measures are already implemented...



## Core SAS

- ▶ Additional MSEK 800 implemented, taking the total to SEK 4.3 bn or 55%
  - Mainly purchasing related, e.g., new agreements with MRO and IT suppliers
- ▶ Additional 200 FTE reduced, taking the total to 3,100 or 67% of the planned reduction of 4,600 FTE
- ▶ Additional earnings effect of MSEK 450 as of February 28 with remaining effects of SEK ~5.2 bn in 2010-2012
- ▶ Unit cost<sup>1</sup>, down 7.0%

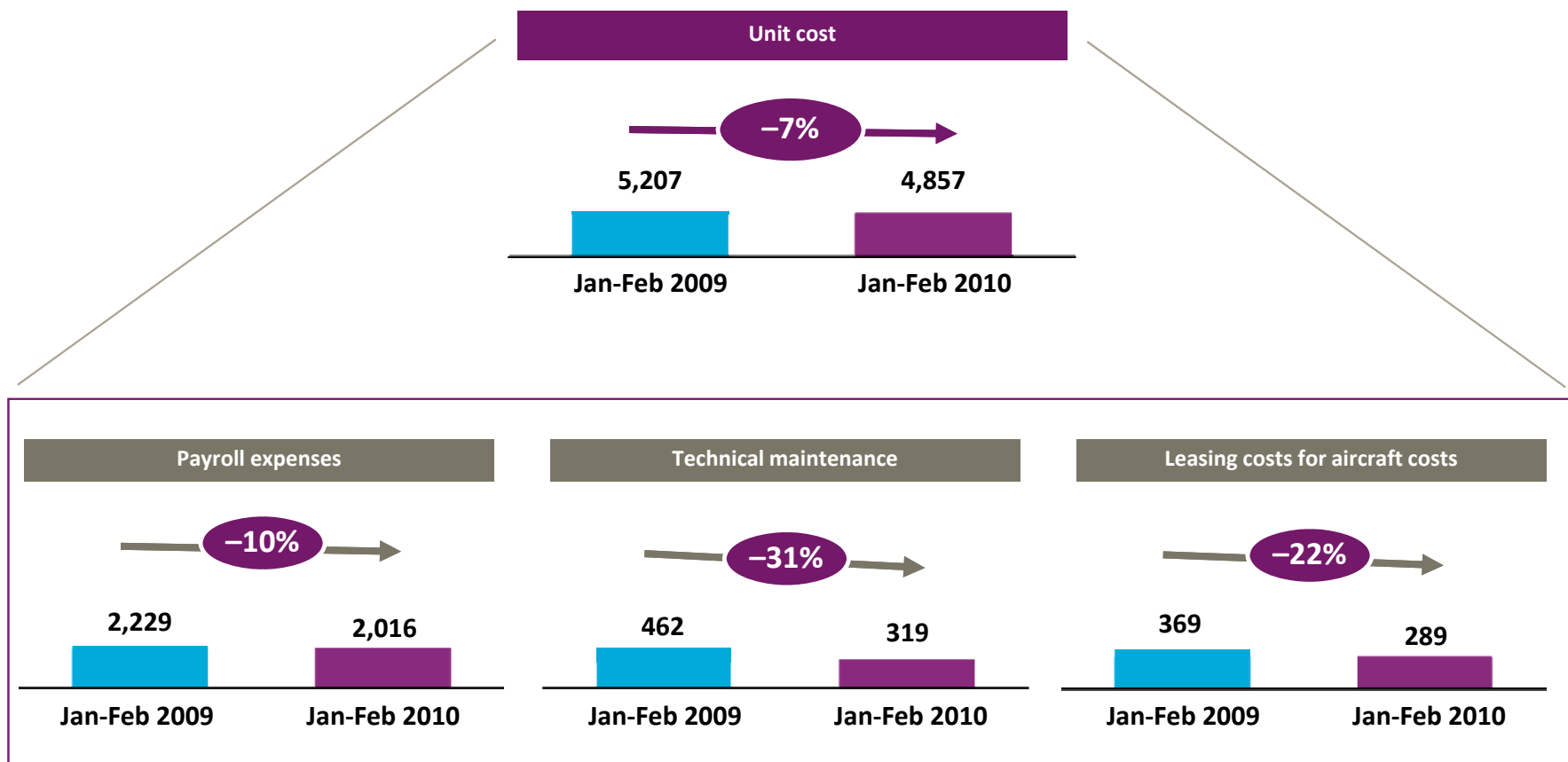
Core SAS cost savings program (MSEK)	Potential	Implemented	
		Dec 2009	Feb 2010
Cabin crew/Flight deck	~1,900	~650	~750
Ground services	~900	~400	~450
SAS Tech	~1,800	~750	~850
Sales, marketing & Commercial	~600	~400	~550
Purchasing	~400	~100	~300
Blue1, Widerøe, Cargo	~600	~450	~450
Administration	~1,500	~700	~900
Other	~100	~50	~50
<b>Total</b>	<b>~7,800</b>	<b>~3,500</b>	<b>~4,300</b>

<sup>1</sup> For Scandinavian Airlines compared with the same period in 2009, currency and fuel adjusted.

# ...leading to a large decrease in unit cost mainly due to lower cost for personnel and technical maintenance



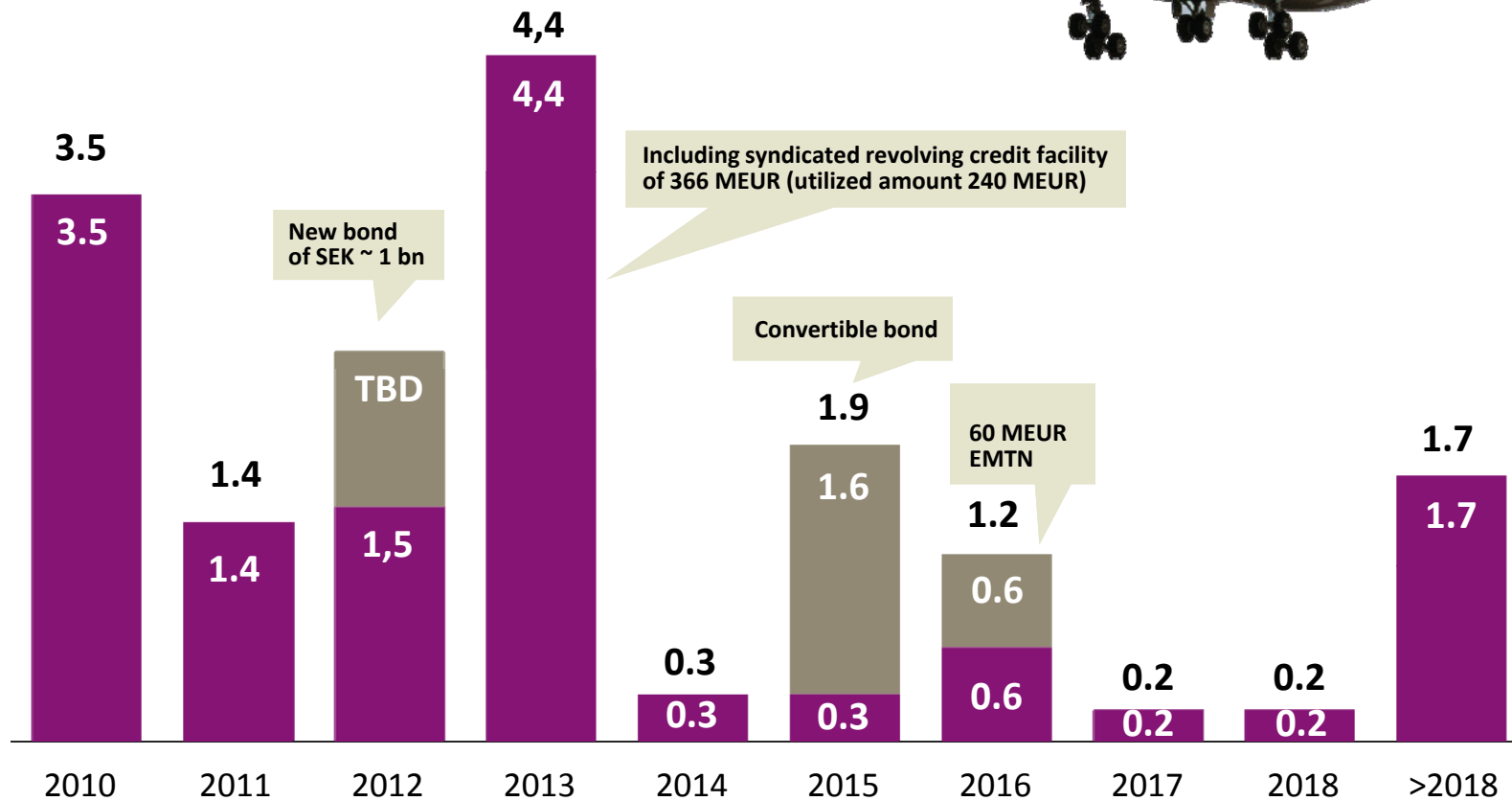
Volume, currency and method adjusted unit cost, Scandinavian Airlines, MSEK



# Amortization profile of interest-bearing liabilities



SEK bn





# Transaction overview

## and indicative timeline for the rights issue



### Offering summary

- Transaction structure: rights issue with pre-emptive rights for existing shareholders
- Size: approx. SEK 5 billion
- Shares offered: Ordinary shares (pari passu with existing)
- Terms: subscription ratio and price expected to be announced on April 6, 2010
- Listings: NASDAQ OMX Stockholm, NASDAQ OMX Copenhagen, Oslo Børs
- Joint Global Coordinators: J.P. Morgan, Nordea, SEB Enskilda
- Joint Lead Managers and Joint Bookrunners: J.P. Morgan, Nordea, SEB Enskilda, DnB NOR Markets, The Royal Bank of Scotland
- Co-Lead Manager: Danske Markets

### Use of proceeds

- Strengthening of SAS's liquidity position
- Support implementation of remaining parts of Core SAS strategy

### Indicative Timetable

- 6 April : Subscription price and subscription ratio are decided and announced through a press release
- 7 April: Annual General Meeting
- 9 April : Publication of the prospectus
- 12 April : Record date for participation in the rights issue
- 15 April – 29 April: Subscription period
- 5 May: Announcement of outcome