



SAS Group 1st interim report 2010

Press/media presentation, April 22, 2010
Analyst presentation, April 22, 2010

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Weak result as expected but stronger March

– unit cost significantly down as cost saving measures take effect



January-March results, EBT before non-recurring items¹, MSEK –844 in line with the Core SAS plan

- Seasonally weak quarter
- Positive March result of MSEK 116 – an improvement compared with same period in 2009
- Yields still under pressure

Core SAS cost program on track, additional MSEK 1,400 implemented since year end

- Unit cost² down 7.8% in Q1, RASK up 3.1% in March

Rights issue in process

- Final agreements signed on March 12 with pilot and cabin crew unions of MSEK 500 in annual cost savings
- Refinancing of SEK 2 bn secured through SEK ~2.2 bn from issuance of bonds and convertible bonds (additional SEK 1 bn of bonds to be issued following the rights issue)



¹ In continuing operations.
² Currency and fuel adjusted for Scandinavian Airlines.

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Q1 results according to plan



Result development (MSEK)	Jan-Mar 2010	Jan-Mar 2009
Revenues	9,495	11,296
EBT before non-recurring items (continuing operations)	–844	–889
EBT-margin	–8.9%	–7.9%
Income before tax in continuing operations	–972	–979



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A strong common effort together with 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
- 3,200 FTE reduced of plan 4,600 FTE
- Total cost saving measures from union agreements in 2009-2010 of SEK -2 bn
- Achieved without any disruptions and with continued high quality in operations
- SAS was the most punctual airline in Europe in 2009¹

¹ Flightstats.

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Estimated negative earnings impact

of up to MSEK 50-90 per day from the extraordinary disruptions in air traffic



- Total estimated earnings impact up to and including Wednesday, April 21 of MSEK -460
- The Scandinavian airspace has been closed or partly closed from April 15 due to the volcanic ash from the Eyjafjallajökull volcano in Iceland
 - SAS cancelled the majority of its flights from April 15 to April 20
 - Gradual return to normal operations
 - Approx. 50% of flights now operating on April 21, >~75% as of April 22
- SAS has estimated the negative effects on earnings up to MSEK 50-90 per day, assuming that all flights are cancelled
 - Lowest impact on weekends and highest on busy travel days such as Mondays and Thursdays
 - Includes extra reimbursements to our customers such as hotel accommodation expenses
- Ongoing discussions between industry organizations (IATA,AEA) and EU/governments for possible compensation models

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Mats Lönnqvist
CFO SAS Group



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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 11.4%¹
 - Load factor improved 6.3 p.u.² – 9th consecutive month with positive trend
 - RASK down 1.7%³ in Q1, up 3.1% in March
- **Core SAS cost savings program of SEK 7.8 bn on track with 7.8% unit cost⁴ reduction during period**
 - SEK 4.9 bn or 63% of the total cost savings have been implemented
 - MSEK 750 earnings effect from program in Q1
 - 20 out of the planned 21 aircraft taken out of service
 - Additional 300 FTEs reduced in Q1, 3,200 out of 4,600 FTEs completed
 - Remaining earnings effect of ~4.8 bn SEK during 2010-12 with the majority expected in 2010
- **Strengthening of the balance sheet through:**
 - Issue of bonds (EUR) on the EMTN market with an aggregate principal amount of MEUR 60 (~MSEK 580)
 - SEK 1.6 bn offering of convertible bonds due 2015
 - Additional SEK 1bn of bonds to be issued following the rights issue

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

² For SAS Group, compared to the same period in 2009.

³ For Scandinavian Airlines, compared to the same period in 2009.

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

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Positive trend in load factor and RASK, but still pressure on yields



SAS Group		Jan 2010	Feb 2010	Mar 2010
Traffic (RPK)	↓	-5.1%	-3.1%	+3.4%
Load factor	↑	+4.9 p.u.	+5.0 p.u.	+8.6 p.u.
Scandinavian Airlines				
Yields (RPK), currency adj	↓	-14% ¹	-10.5% ¹	-10.1% ¹
Total traffic rev / ASK	↓	-8.7%	-0.7%	3.1%
Fuel adj. unit cost		Jan - Mar 2010	↓	-7.8%

¹ It should be noted that the yield was positive in January-March 2009 primarily due to higher fuel surcharges imposed early 2009.

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Seasonally weak Q1, EBT MSEK -844¹ but large cost reductions, particularly in payroll expenses



MSEK	Jan-Mar 2010	Jan-Mar 2009
Total operating revenue	9,495	11,296
Fuel	-1,434	-1,846
Government charges	-1,020	-1,123
Payroll expenses	-3,544 ²	-4,609 ³
Other operating expenses	-3,339	-3,532
Total operating expenses	-9,337	-11,110
EBITDAR before non-recurring items	257	281
Leasing costs, aircraft	-462 ⁴	-741 ⁵
EBIT	-762	-984
EBT before non-recurring items	-844	-889

¹ EBT before non-recurring items. Non-recurring items for the period totaled MSEK -128.
² Includes manufacturing costs of MSEK 26.
³ Includes manufacturing costs of MSEK 26.
⁴ Includes manufacturing costs of MSEK 26.
⁵ Includes manufacturing costs of MSEK 26.

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The quarterly development

shows implementation speed and progress on Core SAS according to plan



	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Core SAS strategy 2010-2012	
						Upgraded target	Current status
Fleet withdrawn from operation	10%	33%	67%	86%	95%	21 aircraft	Progress according to plan
Reduction of FTE's	11%	27%	41%	63%	70%	4,600 FTE	Progress according to plan
Implementation of cost program	14%	27%	32%	45%	63%	MSEK 7,800	Progress according to plan
Divestments	Spanair AeBal AirBaltic 1) Cubic	SGS Finland	bmi SGS USA/France, Switzerland				Main parts divested

As of March 31 2010, 63% of 2010 Core SAS cost savings program of 7.8 bn has been implemented, of which approximately SEK 3.0 bn has impacted the P&L up to 31 March 2010, leaving SEK 4.8 bn result effects ahead

¹ Ownership has been diluted.

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63% of targeted cost saving measures are already implemented...



Core SAS	Core SAS cost savings program (MSEK)	Implemented		
		Potential	Dec 2009	Mar 2010
<ul style="list-style-type: none"> Additional MSEK 1,400 implemented, taking the total to SEK 4.9 bn or 63% <ul style="list-style-type: none"> Mainly related to union agreements and purchasing related, e.g., new agreements with MRO and IT suppliers Additional 300 FTE reduced, taking the total to 3,200 or 70% of the planned reduction of 4,600 FTE Additional earnings effect of MSEK 750 as of March 31 with remaining effects of SEK ~4.8 bn in 2010-2012 Unit cost¹, down 7.8% 				
	Cabin crew/Flight deck	~1,900	~650	~1350
	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
	Total	~7,800	~3,500	~4,900

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

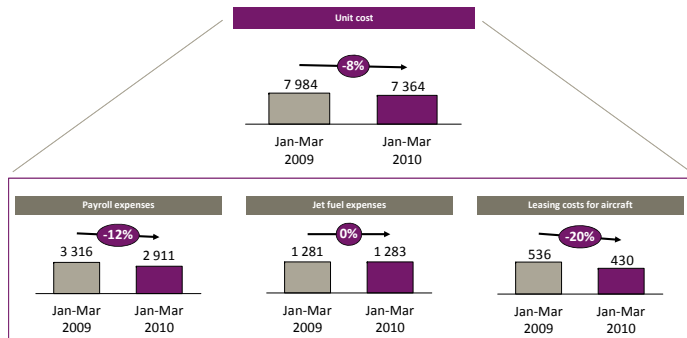
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...leading to a large decrease in unit cost mainly due to lower cost for personnel and leasing costs for aircraft



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



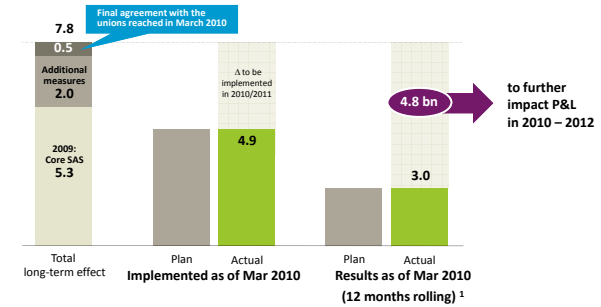
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Additional SEK 4.8 bn to have result effect during 2010 – 2012, with the majority of the effects expected in 2010



Implementation of Core SAS (SEK 5.3 bn) and additional cost saving measures (SEK 2.5 bn)

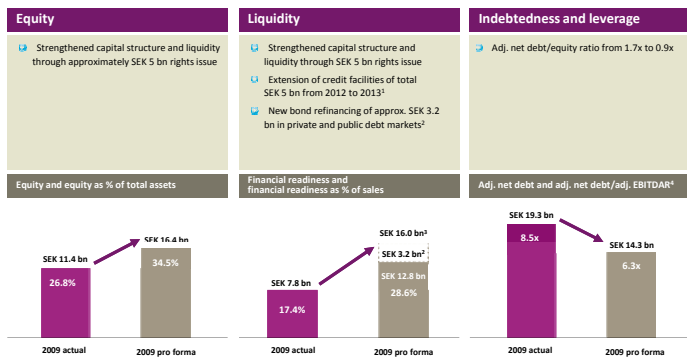


SEK 4.8 bn still to impact the P&L at full implementation

Source: Company data
 1 Difference between implementation value and P&L effect in 2009 due to full year effect, excluding restructuring costs, 4

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Strengthened liquidity and capital structure



¹ Amendments subject to raising minimum SEK 4 billion in net proceeds in the rights issue
² Issue of SEK 580 million of bonds in EMTN market due 2011, issue of SEK 1.6 bn of convertible bonds due in 2015 and issue of SEK 1 bn in bonds due 2012 (to be issued after rights issue)
³ Pro forma for new bond refinancing of approx. SEK 3.2 bn
⁴ Net debt adjusted for capitalised leases at 7x (net of lease income) divided by adj. EBITDAR adjusted for ECA payments, Q400, restructuring charges, rent income and other non-recurring items

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Fundamental pieces in place for a successful turnaround



- Most extensive and customer friendly network and product
 - Increasing customer satisfaction (Company Survey)
 - A strong loyalty program, EuroBonus, with 2.7 million members
 - Several new products to be introduced in 2010
- The measures in the Core SAS strategy are being carried out according to plan
 - Reduced risk through the sale of Spanair and airBaltic
 - Capacity and fleet reductions of 21 aircraft to be fully implemented and completed during 2010
 - Cost reductions totaling SEK 7.8 billion with remaining effect 2010-2012 on earnings of approximately SEK 4.8 billion
- Strengthened capital structure
 - Rights issue
 - Convertible/Bond issues

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Transaction overview and indicative timeline for the rights issue



Offer size	<ul style="list-style-type: none"> ↳ Approximately SEK 4,960 million ↳ Common shares issued with subscription rights for existing shareholders (pari passu with existing shares)
Terms	<ul style="list-style-type: none"> ↳ 3 new shares for every existing share ↳ Subscription price of SEK 0.67 per new share (price in DKK announced on April 27 and price in NOK announced on April 28)
Timing	<ul style="list-style-type: none"> ↳ 12 April : Record date for participation in the rights issue ↳ 15 April – 26 April: Trading of subscription rights ↳ 15 April – 29 April: Subscription period ↳ 5 May: Announcement of outcome
Pre-conditions	<ul style="list-style-type: none"> ↳ Final agreement of MSEK 500 in cost savings in collective agreements signed with pilot and cabin crew ✓ ↳ Refinancing secured (MSEK 580 EMTN market, SEK 1.6 bn convertible bonds and SEK 1 bn in bonds) ✓
Use of proceeds	<ul style="list-style-type: none"> ↳ Strengthening of SAS' liquidity position ↳ Provide support for the implementation of the remaining parts of Core SAS strategy
Other	<ul style="list-style-type: none"> ↳ The Swedish, Danish and Norwegian governments have passed necessary approvals for this process and stated that they will, subject to certain conditions, subscribe for their pro-rata shares in the rights issue ↳ The Knut and Alice Wallenberg Foundation (KAW), through Foundation Asset Management, has expressed its support for the rights issue and its willingness to, subject to certain conditions, participate for its pro rata share of the rights issue ↳ SAS has engaged J.P. Morgan, Nordea and SEB Enskilda as Joint Global Coordinators. J.P. Morgan, Nordea, SEB Enskilda, DnB NOR Markets and The Royal Bank of Scotland act Joint Lead Managers and Joint Bookrunners. Danske Markets acts Co-Lead Manager ↳ The Joint Bookrunners and the Co-Lead Manager have entered into an underwriting agreement on a several basis in respect of the remaining 42.4% of the shares to be issued in the rights offering

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