

# Press Conference Full Year 2008

February 3 2009

## Core SAS



SAS

SECURING LONG-TERM VALUE CREATION

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# Q4 and 2008 badly affected by Spanair effects but core business developed reasonably well

- Around SEK 5 billion out of SAS Group result of SEK ~-6 billion related to Spanair
  - Spanair, reported as discontinued business
  - All necessary write downs performed in 2008
  - Agreed loan and guarantee arrangement
  
- Core business result, SEK -1 billion with underlying result of MSEK -395

# SAS launches Core SAS - renewed strategic approach for a competitive and profitable SAS

- Global economic crisis and internal challenges requires reshaped and renewed strategic focus - Core SAS
  - Total new cost savings initiatives around SEK 4 billion
    - Historic breakthrough on collective agreements with all unions, total SEK 1.5 billion
    - New structural cost program of SEK 2.7 billion including SEK 1 billion from Strategy 2011 (S11)
  - Focus on Nordic home market and business travellers, reduced fleet size
  - New streamlined, less complex organization
- Core SAS creates a viable stand alone SAS investment case
  - Rights issue of approximately SEK 6 billion to facilitate the implementation of Core SAS, and thereby future cash flow
  - Supported by three main owners (Swedish, Norwegian and Danish state) and fourth largest owner FAM; J.P. Morgan, Nordea and SEB have confirmed their expectation, subject to certain conditions, to enter into an underwriting agreement in respect of the remainder.

# Net income largely affected by Spanair write down

MSEK, 2008

Result development	4 <sup>th</sup> quarter 2008	2008
Revenues	12,920	53,195
EBT bef non-recurring items (cont. operations)	-313	-395
EBT-margin	-2.4%	-0.7%
Net income (incl. discontinued)	-2,771	-6,321

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# Strategy 2011 (S11) well received but delayed

S11 was launched in June 2007



▪ **Cultural turnaround** through customer orientation and greater commitment



▪ **Focusing** on airline operations



▪ **Concentration** on Northern Europe



▪ **Harmonization** and development of customer offerings

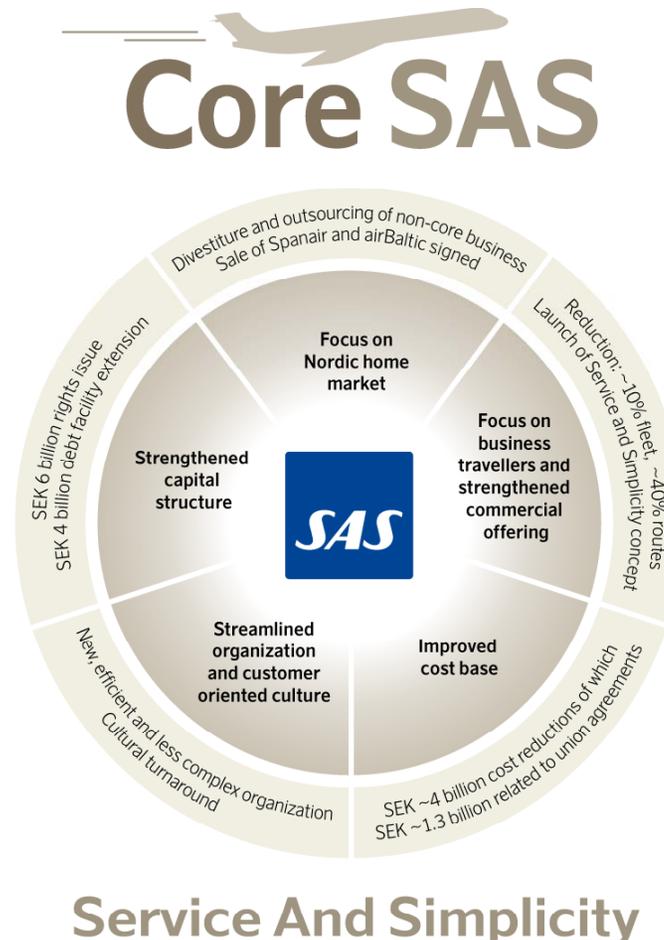


▪ **(Cost) competitiveness** in all parts of the business

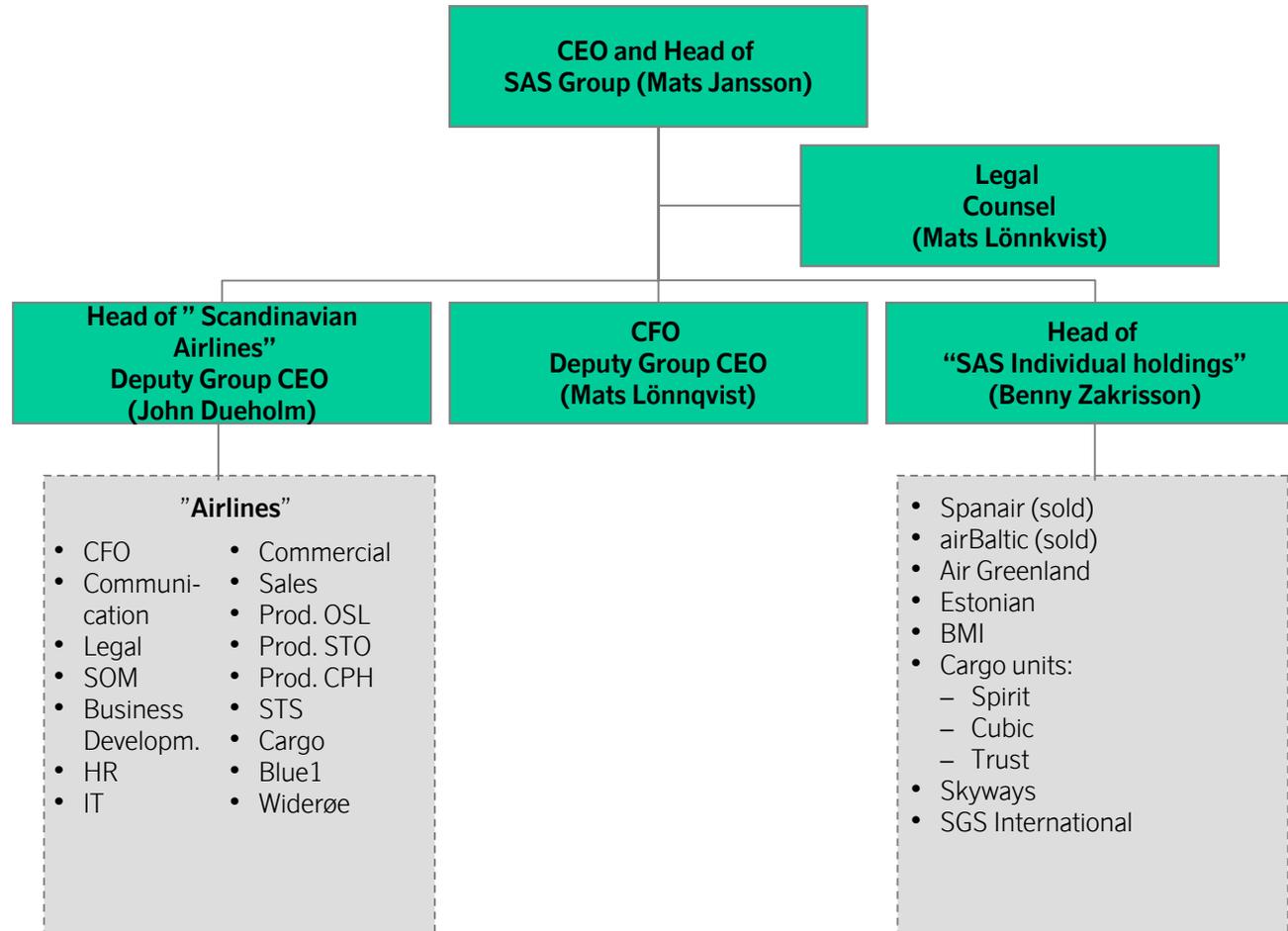
Critical components in S11 delayed

- Limited progress in union dialogue
- Delay in planned Spanair and BMI divestments
- Internal challenging in SGS restructuring

# Core SAS –Strategy for a viable stand alone and long-term value creation based on five pillars



# Core SAS organizational structure will be simplified and more efficient



## Main changes

- MSEK ~400 saving
- SK companies changed into one united SAS
- Forming of three main base organizations in STO, CPH and OSL
- SAS International and SGS organizations incorporated in new bases
- STS, Cargo, Blue1 and Widerøe kept as independent companies



Mats Lönnqvist

# A challenging 4th quarter, but core business developed reasonably well in a difficult environment

Weak 4<sup>th</sup> quarter (MSEK -313), but losses limited due to swift profit protection actions (Profit 2008)

- Improved yields, lower fuel cost in relation to second quarter, reduced capacity and effect from cost programs

Spanair, weak results and now discontinued business

- All necessary write downs performed in 2008
- Sale signed January 31, 2009

airBaltic sales process completed

# Positive underlying result for 2008

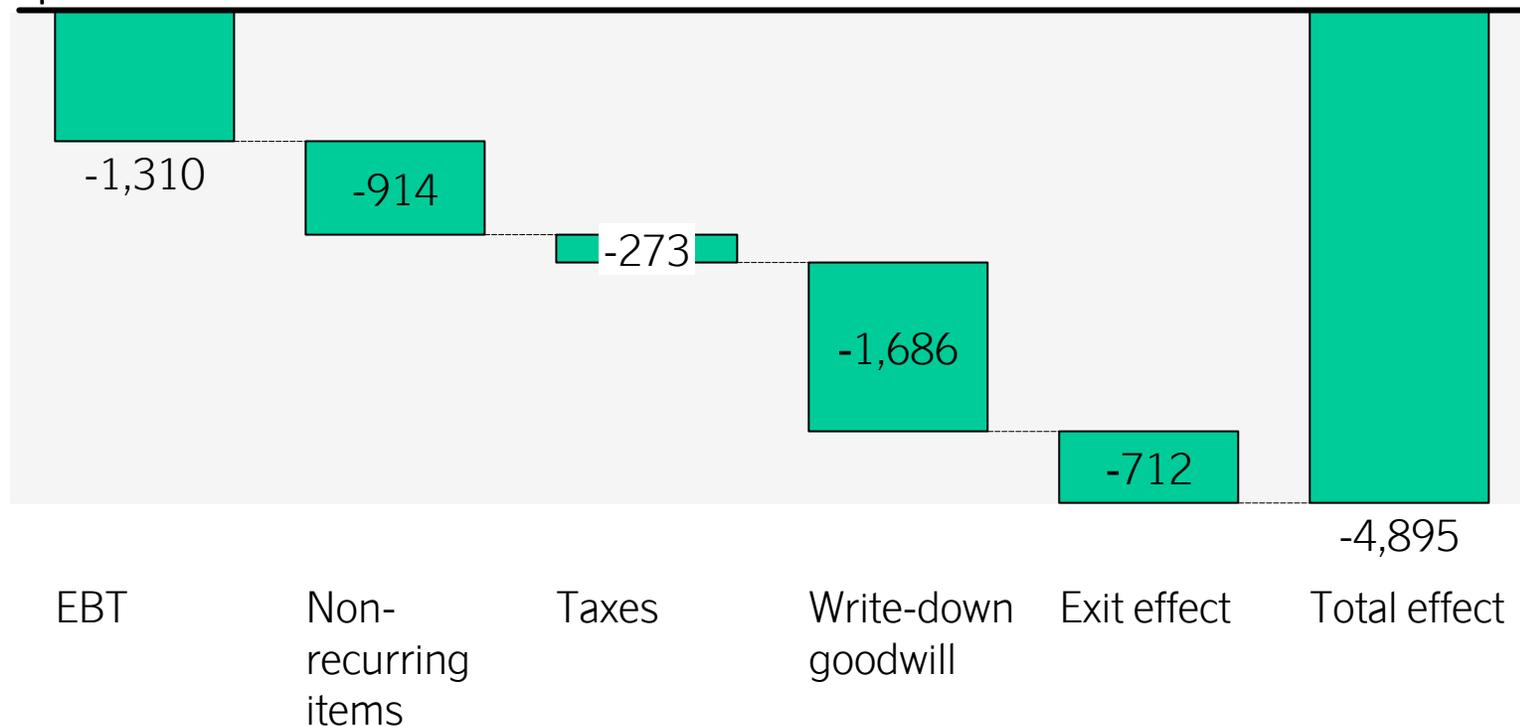
## MSEK

Result development	2007 Jan-Dec	2007 Oct-Dec	2008 Jan-Dec	2008 Oct-Dec
Income before tax in continuing operations	1,044	57	-1,044	-403
Impairment losses	0	0	12	12
Restructuring costs	216	111	284	62
Capital gains/losses	-46	-67	-4	8
Other non-recurring items	20	20	357	8
<b>Earnings before non-recurring items in continuing operations</b>	<b>1,234</b>	<b>121</b>	<b>-395</b>	<b>-313</b>
Underlying result	2007 Jan-Dec	2007 Oct-Dec	2008 Jan-Dec	2008 Oct-Dec
Earnings before non-recurring items in continuing operations	1,234	121	-395	-313
Effects on Q400 (net)	700	500	400	50
ECA	652	108	100	100
Effect of strike	212	-88		
<b>Underlying result</b>	<b>2,798</b>	<b>641</b>	<b>105</b>	<b>-163</b>

# 2008 result considerably influenced by Spanair result write downs as well as a capital loss

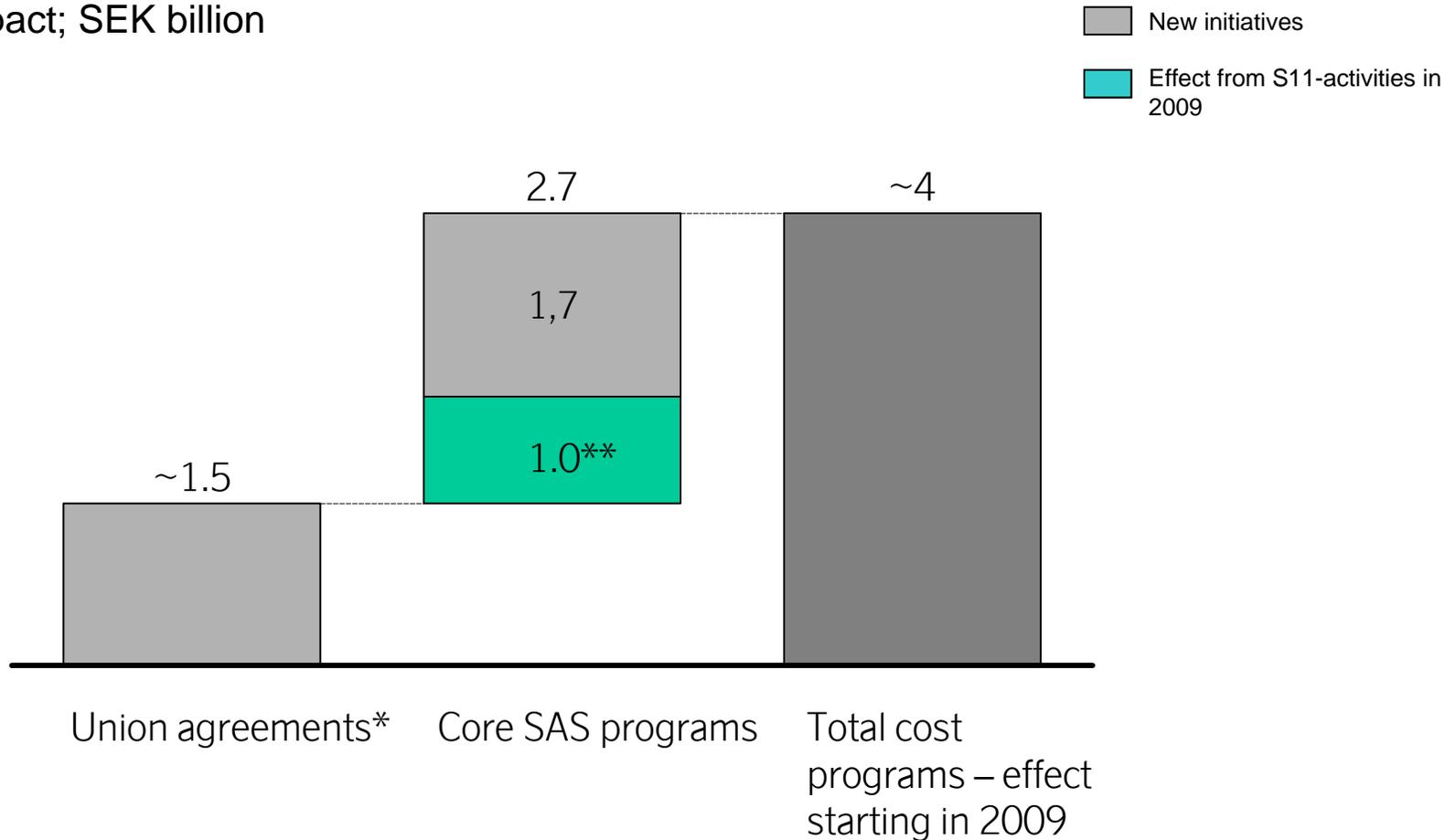
MSEK, 2008

Spanair 2008 effects



# New cost reduction initiatives SEK~4 billion in Core SAS

EBIT impact; SEK billion



\* Incl. one-time 2009 effects of MSEK~150

\*\* MSEK 700 already implemented in 2008, remaining effect to be implemented in 2009

# New cost measures of SEK ~ 4 billion – Follow successful execution of Profit 08 and Strategy 2011 cost programs

<b>Core SAS cost program</b>	<b>MSEK Total</b>	<b>Savings from union agreements</b>	
		Result effects (MSEK)	
Flight operations	~300	One-time effect, pensions	156
Ground handling	~ 300	Salary freeze	320
Maintenance	~ 200	Productivity, pensions, insurances, salary reductions	1010
Outsourcing	~ 200		
Purchasing	~ 500	<b>Total</b>	<b>~1500</b>
Reorganization	~ 400		
Sales & admin	~ 500		
Other	~ 300		
<b>Total</b>	<b>~ 2700</b>		
<ul style="list-style-type: none"> <li>▪ P08 fully completed <span style="color: green; font-size: 1.5em;">✓</span></li> <li>▪ S11 cost program 90% implemented</li> </ul>			

# Reshaped, focused and viable SAS

<i>(SEK billion, FY 2008)</i>	Revenue	EBT	Adj. ND <sup>1</sup>	FTEs <sup>2</sup>	Fleet <sup>4</sup>
SAS Group (before restructuring costs and non-recurring items)	53	-0.4	22.5	20,400	237
Spanair (incl. restructuring costs)	10	-2.2	6.0 <sup>3</sup>	3,000	61
<b>Total</b>	<b>63</b>	<b>-2.6</b>	<b>28.5</b>	<b>23,400</b>	<b>298</b>
1. Focus on Nordic home market	-12 <sup>5</sup>	+2.5 <sup>6</sup>	-7.0 <sup>8</sup>	-5,200	-61
2. Focus on business travellers and strengthened commercial offering	-3	+0.8 <sup>7</sup>	-2.0	-1,500	-20
3. Improved cost base		+3.6		-1,700	
4. Streamlined organization and customer oriented culture		+0.4		-400	
5. Strengthened capital structure			-6.0		
<b>Total Core SAS effects (excl. Core SAS restructuring costs)</b>	<b>-15</b>	<b>+7.3</b>	<b>-15.0</b>	<b>-8,800</b>	<b>-81</b>

Δ%

~ -25%

n.m.

~ -50%

~ -40%

~ -30%

Note: Core SAS effect based on 2008 figures. All figures are approximate

1) Adjusted net debt (financial net debt + 7 x net operating leasing costs)

2) Average full time employees during Q4 2008

3) Including only lease-related net debt of Spanair

4) As of end of 2008. Including grounded Q400s in process of being phased out

5) Spanair and external revenues from Spirit, Cubic, Trust and SGS International

6) Based on preliminary evaluation of 2008 EBIT for subsidiaries that will be or have been divested, excl. any potential P&L effect (gains/losses) from the divestment

7) Based on preliminary evaluation of total loss in 2008 of routes taken away, adjusted for market effects and effect from improved union agreements

8) Of which SEK 6 billion relates to Spanair (see note 3 above) and SEK 1 billion relates to other divestments of non-core assets

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# Key investment highlights of Core SAS

- A** Leading carrier in highly attractive core markets
- B** Strong historical performance of core operations driven by profitable short-haul network
- C** Focus on profitable core activities in the Nordic Region
- D** Focus on profitable routes tailored to business passengers
- E** Competitive and innovative commercial offering
- F** Tailored and flexible fleet structure resulting in low medium-term investment needs
- G** Substantial cost reduction initiatives targeted to reduce the cost gap to competitors and supported by proven implementation capabilities and successful track record
- H** Strengthened capital structure

# SEK 6 billion rights issue offering to facilitate the implementation of Core SAS and thereby future cash flow

- Targeted size: approximately SEK 6 billion
- Strengthened equity position
  - ~ SEK 15 billion (>60% improvement)
  - Improved equity to total assets ratio from ~20% to ~30%
- Financial leverage significantly improved
  - To ~ SEK 17 billion (~25% improvement)
  - Improved Adjusted net debt/EBITDAR-ratio from ~6.3 times to ~4.6 times
  - Certain credit facilities and bilaterals extended by two years or more.
- Rights issue supported by three main owners (Swedish, Norwegian, and Danish state) and fourth largest owner FAM
- J.P. Morgan, Nordea and SEB have confirmed their expectation, subject to certain conditions, to enter into an underwriting agreement in respect of the remainder

# Rights issue overview

## Offer size

- Approximately SEK 6 bn
- Common shares issued with subscription rights for existing shareholders
- New shares issued will rank pari passu in all respects with existing shares

## Timing

- Amount and terms of rights issue to be determined by the Board no later than March 12, 2009
- Rights issue is subject to approval of EGM intended to be held on March 13, 2009
- Record date for participating in the rights issue: March 18, 2009
- Subscription period: March 23 – April 6, 2009 (or later date as decided by the Board of Directors)

## Use of proceeds

- Implementation of Core SAS
- Strengthen capital structure

## Other

- The Swedish Government, the Danish Government and the Norwegian Government have separately expressed to the Board their support for this process and stated that they will ask their respective parliaments for approvals to, subject to certain conditions, subscribe for their respective pro rata shares in the rights issue.
- The Knut and Alice Wallenberg Foundation, through Foundation Asset Management (FAM), has expressed its support for the process and its willingness, subject to certain conditions, to participate for its pro rata share of the rights issue (total of 7.6%) J.P. Morgan, Nordea and SEB are joint lead underwriters and joint book runners of the proposed rights issue
- J.P. Morgan, Nordea and SEB have confirmed their expectation, subject to certain conditions, to enter into an underwriting agreement in respect of the remaining 42.4% of the shares to be issued in the rights offering

# Sum up full year 2008

## Business environment

- Global economic crisis
- Weakening market conditions
- Internal challenges

## S11/ Profit 08

- Profit 08 fully implemented
- S11 cost program on track
- Strategy 2011



**Core SAS**

- Renewed strategic focus – Core SAS
- New cost measures of 4 billion SEK
- Streamlined and less complex organization
- Focus on Nordic home market; fleet reduction
- Rights issue of approximately 6 billion SEK