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PRESENTATION

Operator

Good day. And welcome to the SAS Group's third interim report 2010. At this time, I would like to turn the conference over to Sture Stolen, Head of Investor Relations. Please go ahead.

Sture Stolen - *SAS AB - Head of IR*

Yes, thank you very much, operator. I know that we might be a few minutes early but, as you know, our punctuality is our prime focus these days, and now we try to leave before [analysts] get inside.

We have here in the room John Dueholm, which is now acting CEO, and we have, as usual, also our CFO, Mats Lonnqvist. And we will take you through a presentation that you should also find on our website, sasgroup.net. And you can follow it there, where you also can follow the telecast/webcast from there. I will try and indicate the slide numbers, so it's easier for you to follow the presentation.

After the presentation, as normal, we will open up for Q&A, and there you will put your questions to the operator and we will answer them as best we can.

With that, I think we will go ahead. Please, operator -- John, sorry.

John Dueholm - *SAS AB - Acting CEO*

Yes, thank you very much. I would be a bit worried that you -- welcome. If we continue with slide one, in Europe, we can confirm that most parameters are developing in the right direction in the European airline industry. The airline sector itself has emerged from the recession; volumes are up and confidence levels are improved.

We also experienced a greater fusion of LCC's and network carriers' business models, specifically, LCC's introduction of dedicated premium product elements, such as the use of loyalty programs and agents, aimed at capturing the business segment. This entails increased competition.

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The earnings trend in Q2 continued in Q3 earnings. We are on the path towards profitability, entirely as planned. This is due to our focused effort in four areas; first, commercial. We are market leading in our principal markets and anticipate to maintain this position. We are launching new and innovative products, most recently on-board Internet. We are expanding, along with the market, increased aircraft utilization and inter-Continental expansion in 2011, and 150 new frequencies per week in Europe.

Second, customers. We continuously offer of world-class quality. We are one of the world's most punctual airlines. We have a high degree of regularity, and we have improved our customer satisfaction and are in line to meet our 2010 target.

Third, costs. The implementation of our SEK7.8 billion cost saving program is on track. 81% has now been implemented. Our unit costs have declined significantly, at the same time as we have reduced capacity in 2010 by 5% to 6%.

Fourth, the organization. Our employees do a fantastic job every day; they are specifically responsible for SAS being punctual and having satisfied customers. We apply the [lead] principles in our operations, which is why our employees are so committed and involved in how to make our Company even more cost efficient and deliver greater value to our customers.

Then you can turn to slide two. Q3 earnings amounted to SEK387 million before non-recurring items. The earnings were impacted by a relatively large number of non-recurring items, totaling to SEK1.4 billion. It must be emphasized that all of the non-recurring items were anticipated.

The most significant drivers behind the earnings of SEK387 million were a rise in demand; a strong commercial platform and stabilized unit revenue; additional cost savings of SEK2.6 billion implemented in 2010; and the unit cost continued to decrease also in the third quarter when the unit cost declined by 8.7%.

Slide three. Compared to Q3 2009, revenue declined from SEK11.1 billion to SEK10.7 billion, or 3%. It must be taken into account that production in terms of ASK declined by 6% to 7% in the same period. The margin before non-recurring items was 3.6%, compared with 0.3% in 2009. Accordingly, SAS margin EBT target of 7%, or one business cycle, remains some way off.

Slide four. The best indicators as to whether regions are on the right path in terms of profit is to evaluate how unit revenue and unit costs are performing in comparative terms. If you focus on Scandinavian Airlines, for the first three quarters of 2010, we can state that in all quarters SAS generated a decline in unit costs that outperformed, or were on par with, the decline in revenue.

In all quarters, Norwegian experienced bigger trend in unit costs than in unit revenue. In the coming quarters SAS will focus on this positive trade off between the trend in unit costs and in unit revenue.

Slide five. As previously mentioned, our employees do a fantastic job every day. And the employees are those most responsible for SAS, despite personnel reductions and cost savings, continuously being one of the world's most punctual airlines and also having satisfied customers.

Our customers remain satisfied with our booking and check-in options; self-service concepts; fast track; and our employees' treatment of customers at critical touch points, such as check-in, the lounge, the gates, and on board. Still we work hard. SAS will work hard to maintain its position as one of the world's most punctual airlines [ahead].

Slide six. One of the advantages of Core SAS is the creation of a commercial platform and a competitive cost level, which will enable SAS to generate profitable growth again. The implementation of Core SAS has progressed far enough in these areas that we can achieve a profitable growth of 5% to 6% in 2011, compared to 2010.

The expansion in 2011 will include two intercontinental routes; one from Oslo to New York and one from Copenhagen to Shanghai. We are also expanding our network in Scandinavia and in Europe by adding 150 new flights per week. This means that SAS still will have the best network within and in and out of Scandinavia.



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Accordingly, SAS will reinforce its home market position and the products for the business travelers. Our intercontinental product will be strengthened since SAS, along with its partners in US, China, and South East Asia, now can offer its customers 80 intercontinental destinations, with a maximum of one stop.

Slide seven. The strength in individual markets and the competition scenario is fragmented. That isn't all rising demand, increase in cabin factor, and a partial positive trend in the service class needs, particularly to intercontinental destinations and to major European cities. However, the intense pressure on prices for economy seats is constant. [We've seen] a strong trend in intercontinental traffic, both in terms of cabin factor and yield, but it is important to emphasize that intercontinental traffic accounts for less than 20% of SAS's combined revenue.

Due to the relatively strong macroeconomic trend in Sweden, we also foresee a recovery in Swedish domestic and from Sweden to Europe. However, SAS does not anticipate the same recovery in the Norwegian and Danish market. In Norway, where the domestic market is of great significance, we know the capacity surplus and price pressure. Denmark has the weakest macroeconomic trend in Scandinavia, and there is also intense price competition from Copenhagen to most European cities.

Slide eight. SAS's assessment is that the home market will grow annually by 4% to 5%, or by 20% to 25% for the period 2010 to 2014. Traffic between Scandinavia and Asia will grow substantially, by 9% annually. SAS's commercial platform, its world-class quality, and implementation of the cost saving program totaling SEK7.8 billion, which was a [pure] competitive cost level, will enable us to grow, at the very least, with the market.

We must maintain our current network, which is a decisive factor in terms of business travelers and competitors. At the same time, this is a clear signal that SAS wants to maintain its current market share with its 50% in Norway; 40% in Denmark; 32% in Sweden; and the 15% in Finland. It means that SAS will maintain its position as market leader in Scandinavia.

And now, Mats Lonnqvist will continue with the presentation of the financial figures.

Mats Lonnqvist - SAS AB - CFO

Thank you, John. And good afternoon. I will now take you through the results of the third quarter in somewhat more depth, and I will also say a few words about the future development of SAS from a financial perspective.

But, first, let me say that it's with some mixed feelings that I look upon our result for the third quarter. On one hand, we saw a substantial improvement in the profitability in the underlying business compared to the third quarter 2009. And the main driver for that improvement is of course the substantially lower cost level. On the other hand, we recorded high non-recurring items, affecting us negatively in the quarter, leading to us reporting net an EBT of around negative SEK1 billion. But we'll come back to that.

First, let's have a look at some of the important conditions for our profit improvement in the underlying business in the third quarter. We move to slide 10. We continued to experience a yield pressure in the quarter, especially, as John mentioned, in the Norwegian market and in the European traffic from Copenhagen. That is somewhat mitigated by a strong development of the yield in the intercont operation, and also we see the cargo yield improving dramatically over time. But, as a whole, continued pressure on the yield.

But the load factor is developing very, very strongly. The load factor is up, and is actually enough improved to compensate for the lower yield, which leads, the effect of the load factor and the yield, to the unit revenue per available seat kilometer, which actually improved in the quarter. And that is a somewhat new picture. We saw that same pattern in the second quarter. But that was not -- that was affected by the ash cloud situation, so we didn't see it fall through but we do that in the third quarter. So, a new stability in the unit revenue



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At the same time, we see a continued very good effect of the cost reduction programs of Core SAS, with 81% of the cost savings being implemented; with 83% of the FTE reductions being completed; leading to a very favorable development of the unit cost, it was actually down 8.7% in the third quarter.

And to summarize this, this execution, based on a more stable unit revenue position and a continuing decrease in the unit cost, is being continuously implemented based on a stable financial platform. Where we have SEK14 billion in equity, we have an equity/asset ratio of 42%. And maybe most important, our financial preparedness, our liquidity and undrawn credit facilities amount to SEK10.9 billion, which actually corresponds to 27% of our revenue.

This is a very stable position, which means that even after the one-offs in the third quarter we have a good and stable platform for continuing to implement Core SAS.

If we continue to slide 11, you can see the affects on our traffic-related KPIs in the quarter. Let me first say that the capacity reduction, that has been a very important part of the Core SAS actions, are actually completed, meaning that we now for the first quarter since 2009 see a growth in capacity in this quarter. We are sort of catching up with our own capacity reductions, meaning that from now on there is a stable base, and there is also growth since there is some growth in the market.

So, from 11.2% capacity decrease in the first quarter, the 8.5% decrease in the second quarter, we now report an increase in our capacity of 2.5%. The traffic, measured as RPK, actually grew with 5.4% in the quarter; substantially higher than the capacity growth, which indicates a very good and strong development of the load factor, which actually grew with 2.2 percentage units in the third quarter; up to a very high level of 78.9%.

This trend continues into October. Last week we published our traffic figures for October, where you could see that we actually increased the capacity in October with 6.5%, still without adding new aircraft but utilizing existing aircraft more efficient.

We saw the traffic grow with 8.2%. And we also saw the load continue to develop well; up 1.2 percentage units, up to 75.5% load factor in the month of October. Actually a record for an October month. So, a good development on the traffic side and the load.

We still see pressure on the yield. The yield for Scandinavian Airlines was down 4.3% in the quarter. But new in this quarter is that the improvement in the load factor actually was enough to set off the decrease in the yield. So, in our reported figures you see unit revenue a RASK increase of 3.2%. That includes some [periodizations] from earlier periods that are positive for us.

And if we should make the correct assessment of the underlying development, it's a growth of 0.4%, but it differs from the 5.6% down in the second quarter, or the 1.7% down in the first quarter. It's a new situation with a more stable unit revenue. And of course this, linked to unit cost that falls with 8.7% in the quarter, creates a cocktail that is very healthy for our profitability going forward.

If we continue with slide 12, you have an analysis of the unit cost development year to date 2010. And, as I said, the unit cost was down with 8.7% in the third quarter; year to date it's down with 7.6%, which is rounded 8%.

If we look at the major components of the unit cost, i.e., the payroll expense, which is more or less 40% of the unit cost, the jet fuel expense, which is around 20% of the unit cost, and the government charges, which is roughly 10% of the unit cost, we see a very favorable development of the payroll expenses; actually, down 12%, which accounts for 4.6 percentage units of the decrease of the unit cost year to date. So that is the main driver behind the improvement in the unit cost, and that is of course linked to the Core SAS reduction programs.

When it comes to the jet fuel, it's actually down 12% in the first nine months of 2010 compared to 2009, regardless the fact that the spot price in 2010 is actually higher than the spot price in 2009. And that is of course an effect of our hedging, which affected



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negatively the 2009 numbers and affects positively the 2010 numbers, thereby creating this decrease in jet fuel expense. That accounts for 2.5 percentage units of the decrease of the unit cost for the nine months.

And then we have our problem with the government charges. In this situation, where the airline industry has been in an extremely tough market situation, actually, the charges from airports and from authorities have increased with 3% measured as part of the unit cost, which accounts for a 0.3 percentage units increase in the unit cost.

So, this development on the revenue side and on the cost side leads to the P&L you find on slide 13, where you can see that our recorded SEK10.7 billion revenue is lower than 2009. But currency adjusted, it's just 1% lower than 2009. And actually, the traffic-related revenues are up between the years.

The cost -- the operating expenses is currency adjusted down with 7.9%. And one of the major drivers of that is of course the payroll expense; that is down 16.2% between the third quarter 2009 and the third quarter 2010. Today, we are in the continued business less than 15,000 employees in SAS. When we started the Core SAS program the corresponding figure was around 19,000 FTEs, so it's a major reduction that we have been going through.

And, of course, this favorable development of the cost leads down to a major improvement in the earnings before tax before non-recurring items. Actually, we record SEK387 million as the EBT profit in the ongoing business for this quarter, which is around SEK350 million improvement over 2009.

If we add to that the currency effects, where we had major positive currency effects in 2009, and we do not have the corresponding in 2010, that accounts for another SEK500 million, in effect, between the quarters. So the underlying improvement currency adjusted in the quarter is actually around SEK850 million, which is a sum that is impressive, in line with the plans that we have had for the development, but nevertheless, a good receipt that the Core SAS strategy is actually working.

And if I could stop this presentation there, that would be a nice message to you. But, unfortunately, there are non-recurring items in the quarter, as John mentioned, of a total of SEK1.4 billion. And these one-offs, you have a specification on slide 14 of. It's two different types of non-recurring items, basically.

First, we have the items directly linked to the implementation of Core SAS. I referred to the restructuring charges. That is a cost that we incur for implementing the cost reduction program, so mainly it's cost for redundancies and the handling the FTE reductions.

We also have costs linked to the streamlining of our operation and the exit from activities that are not directly supporting our strategic focus on the Nordic business travelers. So we have capital losses linked to divestments.

And then the other category of one-offs in this quarter are legal disputes, where more or less a [coincidence are made] three disputes that go back as long as 11 years in time and cover events that took place between 11 years and five years earlier. Actually, was -- in this quarter came to a conclusion and we had to record the effects, which is SEK982 million.

But if I go back to the restructuring cost, we recorded SEK146 million in the quarter. Year to date, we have recorded SEK690 million; well in line with the guidance of total restructuring cost in 2010 of somewhere between SEK700 million and SEK900 million. We will end up, probably, more or less in the middle of that interval.

When it comes to costs due to the exit, first, we have a write-off of -- or write-down of the value of the Spanair shares. When we exited Spanair early 2009, we had to become 19.9% shareholders in the new Spanair, if I call it that; the book value of those shares, SEK229 million.

We have now, based on an impairment test, decided to write-down to zero in this quarter. This has obviously no cash flow impact, and means that out of the total exposure that we have communicated, being around SEK2 billion from SAS towards



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Spanair, we have now taken those SEK200 million. Meaning that the remaining total exposure is around SEK1.8 billion, with a minor 10% to 15% cash flow effect if worse would come to worse and Spanair would go into bankruptcy, which we are not saying that that will happen, but it gives you the framework for the exposure.

And then we had another SEK54 million in capital losses. The main item there is a loss of SEK40 million, linked to our divestment of the shares in our participation in Skyways, which we are now fully out of.

So that's the one-offs that is linked to the implementation of Core SAS.

Then we have the three legal disputes that we have recorded in this quarter. First one is the Norwegian issue, where we had appealed -- we were sentenced to a fine to be paid to Norwegian in the Middle Court, and then we aimed to appeal to the High Court because we think we had -- thought we had a good case for changing that verdict. But we didn't get approval to get this into the High Court, so we have to remain with the conclusion from the Middle Court and pay the amount, which is actually paid during October.

Next item is the civil class actions in the US linked to the cargo situation, and there we made a settlement ending up with a P&L effect where I say it's SEK104 million, so that is a done deal as well.

And then yesterday's announcement from the European Commission that 11 airlines are actually fined for breaching all the EU competition rules within the air cargo area, you have that on slide 15, the total fine for all 11 airlines was a shocking figure of EUR800 million. SAS's part of this was SEK70.2 billion (sic - see Press Release), which corresponds to SEK660 million. We spent last evening and night to work these figures into the quarterly report, so the earnings effect of SEK660 million is reflected fully in the third-quarter report.

The liquidity effect, the payment of those fines, will take place during the first quarter of 2011. But we think that this amount is actually not proportionate to the activities that SAS has been involved in. We strongly claim that we have not been involved in a global cartel.

There are a few specific situations where employees of SAS have acted outside the ethic guidelines for competition issues and so we think that the EUR70.2 million is actually disproportionate in relation to what has taken place, so we will appeal this decision. Unfortunately, that is a slow process, and it's a process that will take probably a couple of years, so we have decided to take the full earnings effect in this quarter, regardless of where the appeal will take us.

So, one can say that by taking these three disputes, we have on a backlog list of risks, actually now being able to conclude three of them and put numbers on the risks. And that means that the list of potential threats or non-recurring items is actually becoming shorter since these are now behind us. So, going forward, we foresee a situation where the SAS results will not be as clouded by non-recurring costs, as they have been during 2009 and 2010. And we hope, and think, that it will be more visible that this underlying business is developing quite well over time, even if there's way to go.

On slide 16, I would like to point that the fact that we have 81% of the Core SAS cost program implemented; that's SEK6.3 billion on an annual level. But the actual impact of the P&L thus far is SEK4.9 billion. So that means, as time moves on here, we will get further effects from already implemented activities, but also the remaining 19% of the program will be implemented.

So, another SEK2.9 billion will decrease our operating expenses during the last quarter of 2010/2011 and the first half of 2012. So that is an effect that is yet to filter through the P&L. This means that you will continue to see decreasing costs in SAS; you will continue to see quarter-by-quarter decreasing unit costs of SAS.

So, this together, the cost program that is actually on track and giving good effects on the unit costs, combined with an improved market -- with improved market conditions, still pressure on yields, but unit revenue becoming stable, or, as in this quarter,



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slightly positive compared to last year, combined with a continued decrease of the unit cost, that will create a good basis for a continued positive trend for SAS going forward.

And again, I would like to emphasize that our financial position is stable. We enjoy a strong liquidity, even considering the non-recurring items that were recorded in the third quarter. So, we think that a stable platform is being established for improved profitability of SAS, and to provide us with the cost level it takes to be able to, in a profitable manner, participate in the growth in the market in the coming years.

So, by that, I hand over to Sture Stolen.

Sture Stolen - SAS AB - Head of IR

Yes, thank you, John and Mats for the presentations. I think, operator, we are then ready to take questions from the participants.

QUESTIONS AND ANSWERS

Operator

Thank you very much. (Operator Instructions). We will take our first question from Jacob Pedersen from Sydbank. Please go ahead.

Jacob Pedersen - Sydbank - Analyst

Yes, hi, gentlemen. Jacob Pedersen here from Sydbank. I have some questions. First of all, I'd like to hear a bit about your closing the gap to competitors, cost-wise. Could you maybe be a bit more specific as to how you're going to take advantage of this moving forward?

Mats Lonnqvist - SAS AB - CFO

Well, first, to start with, we will be at a level that is comparable with our competitors when -- once we have implemented the full Core SAS program. Unfortunately, the competitors are not in a static state; they are also of course working with their cost levels, so that means that on top of the Core SAS program, we will, in a more normal fashion, have to work with our cost levels on an annual basis, going forward.

But the fact that we are on a reasonably comparable level once Core SAS is implemented, of course creates a new dynamic in our possibility to compete with the competitors. And that is already, I think, quite obvious in, for instance, the Norwegian domestic market, where we are not withdrawing, where we are not taking out capacity in the way that we were, I would say, forced to do in 2009 and early 2010. But now, we are able to meet the competition in a stronger fashion.

I don't know, John, if you want to add something on to that?

John Dueholm - SAS AB - Acting CEO

(inaudible).

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Mats Lonnqvist - SAS AB - CFO

No. Yes?

Jacob Pedersen - Sydbank - Analyst

Okay. Concerning the load factor, one of the main reasons why you're doing even better this year is the improvement in load factor; how much will you be able to increase that going into 2011 if the yield pressure continues?

Mats Lonnqvist - SAS AB - CFO

Good question. Sture will --

Sture Stolen - SAS AB - Head of IR

Well, of course it's getting more and more difficult to improve load factors; as we compare with quite good numbers last year, definitely so. But we have been able to improve even though we have had quite good numbers last year anyway.

Where we see a potential is more on the off-peak flights, and there we can use the price and the yield instrument to play with the load. When it comes to the peak flights, I guess it's more or less already meeting a capacity constraint in many ways, but there's always potential on the peak flight, and particularly also on the more leisure-oriented departures or destinations.

And there we also have, as you know, launched a number of campaigns this year, including the last one, the biggest sale, number six, I guess it was, which is also a way to try and stimulate new traffic that we probably wouldn't have gotten if we didn't do a campaign.

Mats Lonnqvist - SAS AB - CFO

Also, from another perspective, of course it will be tougher and tougher comparison figures when it comes to the load. And of course we can -- being a network carrier with the type of network we operate, you can't expect us to operate on yields that are -- on loads or cabin factors that are close to 100%; that is just not possible with the type of traffic that we drive around. But on the other hand, when it comes to the yield, we are actually meeting weaker and weaker comparison figures since the real yield drop accelerated during the autumn of 2009.

So, when we give the indication of a reasonable stability of the RASK, I think we do that even if the comparison figures for load and for yield could differ over time. So -- but that's the indication that we want to give.

Jacob Pedersen - Sydbank - Analyst

Okay. Last question, we're looking at -- or you're looking at increasing traffic growth, or at least capacity growth, in 2011; how will you do this? Will it be by more efficient use of planes, and what's the marginal cost on that?

John Dueholm - SAS AB - Acting CEO

There's three drivers; one is still increasing cabin factor. Sture has explained how we will look at the cabin factor, going forward. But we have also to address the fact that the cabin factor this year, within our short and medium haul business, will still be below 70, so we have still some room for improvement there.

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So there will be three drivers in this explanation; one is [might] increasing cabin factor; another one is an increase in aircraft utilization; and the third one is that we have taken a decision to expand with five aircrafts, two long haul, and three short haul, in 2011 accumulated. Accumulated, this will result in a capacity increase between 5% and 6%, compared to 2010.

Jacob Pedersen - Sydbank - Analyst

And if we look at the marginal cost increase from, for example, more efficient use of planes, how much do you save compared to buying new planes, or taking in new planes on a lease and flying them?

Mats Lonnqvist - SAS AB - CFO

I don't think I'd be able to quantify that figure. But of course the pre-calculation looks much better when you can utilize existing use resources.

I would like to also explain that the five aircrafts, it's not buying five new aircrafts; it's actually utilizing the fact that we can take aircrafts that we are responsible for today back in traffic due to that they have been leased out and now are being returned to us, and then we could put them in our own traffic, instead of leasing them out to a third party. So that's how the growth in number of operated aircraft will take place. We'll not buy new aircraft in the market [in] 2011.

Jacob Pedersen - Sydbank - Analyst

Okay, thank you very much for your answers.

Mats Lonnqvist - SAS AB - CFO

Thank you.

John Dueholm - SAS AB - Acting CEO

Thank you, Jacob.

Operator

(Operator Instructions). Gentlemen, it appears that we have no further questions -- sorry, we have a follow-up question from Jacob Pedersen from Sydbank. Please go ahead.

Jacob Pedersen - Sydbank - Analyst

Yes, hi, just me again. I have a couple more questions. First of all, I'd like to hear a bit on your positive profit and loss effect in 2011 from Core SAS. Could you remind us? Or will you just stick to SEK2.9 billion over the next seven quarters? Could you shed some light on what's the effect in 2011?

Mats Lonnqvist - SAS AB - CFO

Yes, I think we have indicated in the interval earlier between SEK2.2 billion and SEK2.9 billion, as effect of -- in 2011. But since we are actually getting some of the effects somewhat earlier than we anticipated in the plan, they are manifesting themselves

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already in 2010, meaning that the remaining part for 2011 and early 2012 is more like the lower part of that range. The total is still the same.

Jacob Pedersen - Sydbank - Analyst

Okay, great. Also, a question on your -- yes, on your long haul business, I think it's no secret any more that Norwegian is quite aggressive in their plans going forward, and talking about very low pricing points on their coming long haul expansion effort; are you doing anything in order to try to not have a big negative impact from this, when Norwegian starts up flying long haul?

John Dueholm - SAS AB - Acting CEO

Yes, it is so that we are already taking some decisions, for example, from Oslo to New York. It is so that -- if you focus on facts, it is so that Norwegian, they have signed a letter of intent of two [streamliners], 787, which will be delivered in 2012, so, so far we're not talking about firm orders.

It is -- as you mentioned, Jacob, it is so that Norwegian (inaudible) has stated that it will be possible for him to fly one way from Oslo to New York for NOK2,000. And we know that the fees to the airport air traffic control will amount to around NOK1,600. So, from our point of view, it will be impossible to have an average price and make a profit also based on a [streamliner] operation of NOK2,000. So, from our point of view, we think that we will see another price picture when he enters the market in 2012.

Furthermore, it is so that, as you know, we have (inaudible) concessions from our pilots and cabin crew and if we focus on our unit costs for long haul pilots 2010 compared to 2009, it has been reduced 31%; 31% 2010 compared with 2009. And when we are talking about unit costs, cost per [block] hour for long haul pilots. So, from our point of view, we have another competition -- a level competition situation compared with Norwegian, going forward.

Mats Lonnqvist - SAS AB - CFO

You should also that, you remember, we are actually starting Oslo/New York by the end of March 2011.

John Dueholm - SAS AB - Acting CEO

Yes, so we will have first [more] effect there as well.

Jacob Pedersen - Sydbank - Analyst

Okay. Last question from my point is a more technical question on your currency fluctuations, not as much how they impact in this quarter and earlier quarters, I think you're very good at explaining that, but effects going forward. Will there be any reverse currency effects, a positive, when we look into the coming quarters? Or could you say anything about that?

Mats Lonnqvist - SAS AB - CFO

It's a little bit difficult to give predictions. We are talking about to start with the Swedish krona; that has strengthened considerably towards other currencies. And we are also talking about the US dollar; that has weakened considerably. The Swedish krona of course is, from a technical perspective, giving us negative effects of being stronger, but the weaker US dollar is giving positive effects.

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And these are to some extent delayed since we have a policy to hedge up to 90% of the exposure of the US dollar. So some of the positive effects of the lower dollar will naturalize themselves as we go along, but I can't quantify that.

Jacob Pedersen - Sydbank - Analyst

Okay. Okay, thanks very much for your time.

Mats Lonnqvist - SAS AB - CFO

Thank you.

Operator

And we'll now take our next question from Mark Schindele from Nordea Bank. Please go ahead, sir.

Mark Schindele - Nordea Credit Research - Analyst

Thank you. From Nordea Credit Research. One question, please, on the cash flow statement, and how much of the non-recurring items that were non-cash in Q3.

And also, if you can reconcile the adjustment figure in the cash flow statements for the third quarter; I'm thinking of the SEK181 million adjustment figure. Thanks.

Mats Lonnqvist - SAS AB - CFO

If we start with the non-recurring items, all of the legal disputes are actually being settled after the third quarter, so they are not affecting the cash flow. They're actually affecting different items in the cash flow, but the balance is not affected. So that will happen when it comes to Norwegian in the fourth quarter, and when it comes to the EU cargo fine in the first quarter of 2011. When it comes to the settlement in the US, I think it will be fourth quarter as well.

Sture Stolen - SAS AB - Head of IR

Yes, fourth quarter.

Mats Lonnqvist - SAS AB - CFO

Yes, so that's the effect of that. And of course the write-down of the Spanair shares is not cash-affecting at all. Of course, the restructuring costs to some extent is affecting cash in the quarter, but there you have restructuring costs that we have taken earlier on that are now affecting the cash flow in a sense. But that is, basically, reasonably even level of effect between the quarters.

Mark Schindele - Nordea Credit Research - Analyst

Okay. So whether -- regarding the legal issues, would the bulk of that amount be then included in the SEK181 million figure?

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Mats Lonnqvist - SAS AB - CFO

Give me just a moment to check. Adjustment for items not included in cash flow, etc.

Mark Schindele - Nordea Credit Research - Analyst

Because then I'm thinking that there might be some other negative items that were balancing out, resulting in a lower net figure.

Mats Lonnqvist - SAS AB - CFO

No, I think there is -- you have the SEK181 million, but you also have effect included in the change in the working capital in the quarter.

Mark Schindele - Nordea Credit Research - Analyst

Sorry, the working capital?

Mats Lonnqvist - SAS AB - CFO

The change in working capital is SEK106 million in the third quarter. That would have a more negative figure if we wouldn't have had the so-called financing by not having to pay out the EU fine, for instance, until later.

Mark Schindele - Nordea Credit Research - Analyst

Okay. But the bulk of them, the legal issues would be included in this SEK181 million?

Mats Lonnqvist - SAS AB - CFO

I think the bulk is included in the working capital.

Mark Schindele - Nordea Credit Research - Analyst

In the working capital, okay.

Sture Stolen - SAS AB - Head of IR

Yes, where we have delayed payments.

Mark Schindele - Nordea Credit Research - Analyst

Okay, thank you.

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Operator

(Operator Instructions). As we have no further questions, I would like to turn the call back to your hosts today for additional or closing remarks.

Sture Stolen - SAS AB - Head of IR

Okay, thank you very much, everyone, from Investor Relations and on behalf of the management team here. We are of course available after this call for any follow-ups, so [we're] happy to send us emails or call us. And tomorrow, for those of you who do not know that, we will be at the Portland Hotel with a presentation in London at 8.00 a.m. in the morning. So those of you who can join us there, you are very welcome.

With that, thank you very much.

Mats Lonnqvist - SAS AB - CFO

Thank you.

Operator

Ladies and gentlemen, that will conclude today's conference call. Thank you for your participation. You may now disconnect.

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