



SAS Group 4th interim report 2010

Teleconference
February 9, 2011

Rickard Gustafson, new CEO February 1st
Strong platform to take SAS into the next phase



2008-2010 an unprecedented challenging period

Major changes performed with Core SAS
Core SAS provides strong results – to be fully implemented
Negative EBT result in 2010 of MSEK 3,060
Positive result before non rec and ash cloud of MSEK 265

Strong platform established – new phase emerging

SAS with unbeatable leadership in network, market and concepts
Cost gap to competitors reduced – next - improved efficiency part of daily business – competition to remain tough
Next phase – define new steps after Core SAS

Focus areas in 2011

- Create capacity for profitable growth
- Drive collaboration & communication
- Focus on people & performance
- Passionate customer focus



John S Dueholm
Deputy CEO SAS
Group



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Positive result in quarter and full year
before extra ordinary items



Improved market conditions

- Increasing traffic (RPK +10.9% in Q4)
- More transported passengers up (+8.3% in Q4)
- Improved load factors (2.3 p.u. in Q4)
- Passenger yield still under pressure (-6.7% in Q4)
- RASK stabilized on a low level (+0.9% in Q4)

Increased competitiveness

- Core SAS on track
- World class punctuality
- Customer satisfaction index improved
- SEK 3.1 bn cost savings implemented during 2010
- Unit cost down 8.3% in Q4

Improving underlying result

- Positive EBT of MSEK 265 (-1,754) in 2010 before non-recurring items and ash cloud
- Positive EBT of MSEK 258 (-940) in Q4 before non-recurring items

Scandinavian Airlines currency adjusted figures for yield, RASK and unit cost

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Significantly improved result despite falling revenues due to Core SAS cost program



Result Development (MSEK)	Jan-Dec 2010	Jan-Dec 2009
Revenues	40,723	44,918
EBT	-3,060	-3,423
EBT before non-recurring items	-435	-1,754
<i>EBT Margin before non-recurring items</i>	-1,1%	-3,9%
EBT before non-recurring items and ash cloud effects	265	-1,754



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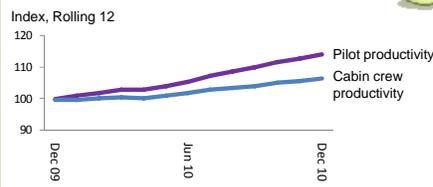
Key figures indicate strong improvement in underlying business



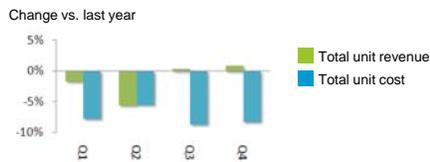
Positive result before non-recurring items and ash cloud effects



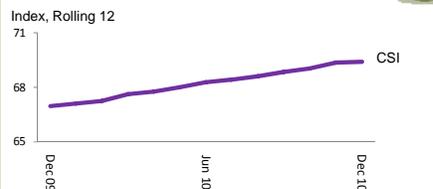
Increased resource utilization



Improving relation between unit revenue and unit cost



Improving customer satisfaction



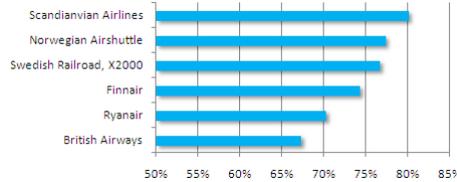
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Despite challenging conditions, 97.3% of scheduled flights performed in Q4



The most punctual airline in Europe 2010

As an effect of the consistent and high quality throughout the year, SAS was named the most punctual airline in Europe during 2010 by Flightstats



Flying with SAS was one of the most reliable means of transportation when Europe was hit by heavy snow and wind

SAS was able to quickly support affected customers through innovative communication channels:

- More than 9000 daily views on SAS Facebook page
- 99% requests received reply within 5 minutes
- 900,000 SMS sent to customers with updated flight information during the period

¹ 15 min punctuality; SAS, Norwegian and X2000: Company reported figures; Finnair, Ryan and BA: Flightstats data;

Increasing traffic and record load factors - evidence of the current market recovery



SAS Group Traffic Development per market during Q4

SAS Group All markets	Q4	Full year
Traffic:	+10.9%	+1.9%
Capacity:	+7.4%	-2.6%
Load factor:	+2.3 p.u.	+3.3 p.u.

Q4 -Intercontinental
 Traffic: +15.4%
 Capacity: +12.6%
 Load factor: +2.1 p.u.

Q4 -Domestic Norway
 Traffic: +6.5%
 Capacity: +0.8%
 Load factor: +3.5 p.u.

Q4 -Intra-Scandinavian
 Traffic: +12.1%
 Capacity: +11.0%
 Load factor: +0.6 p.u.

Q4 -Domestic Sweden
 Traffic: +14.1%
 Capacity: +3.5%
 Load factor: +6.5 p.u.

Q4 -Domestic Denmark
 Traffic: -3.7%
 Capacity: -17.5%
 Load factor: +10.7 p.u.

Q4 -Europe
 Traffic: +8.4%
 Capacity: +7.0%
 Load factor: +0.9 p.u.

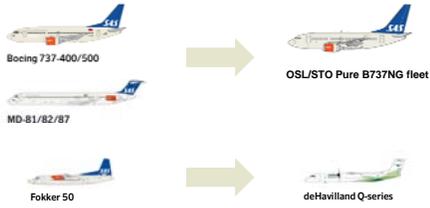
- Increasing traffic and improved load factors in most markets
- Intercontinental and Swedish routes strongest development during 2010
- Norwegian market is stabilizing but Denmark is still challenging

Simplification of fleet structure through reduction of types and subtypes



Uniform fleet at production base Oslo and Stockholm

Enabled by phase-out of Boeing 737 Classic and MD80 (2008-2014)
Negotiations regarding replacement aircraft initiated with manufacturers and leasing companies
Phase-out of Fokker 50 (2010)
Fokker 50 routes are now operated by Widerøe existing aircraft types



Uniform fleet in Blue1

Enabled by phase-out of Avro and MD-90 (2010-2012)
B717 phase-in process in progress



Reduction of subtypes throughout the Group

Subtypes originating from regional market adaptations no longer feasible in Core SAS.
Process for moving toward standardized versions in progress



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Mats Lönnqvist
CFO SAS
Group



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Improving operational result driven by cost reductions and based on a stable financial platform



Yield pressure offset by improved load factor

Total unit revenue, RASK, improvement of 0.9%¹ in Q4

- ▢ Passenger yield down
- ▢ Load factor up
- ▢ Improving cargo yield

Core SAS cost savings program of SEK 7.8 bn on track

8.3%¹ total unit cost reduction in Q4

- ▢ 86% of the total cost savings have been implemented
- ▢ 87% of FTE reduction completed
- ▢ Remaining earnings effect of ~2.0 bn SEK during 2011-12

Stable financial platform

25% of revenue in financial preparedness

- ▢ SEK 10.1 bn in total financial preparedness
- ▢ SEK 14.4 bn in equity
- ▢ 35% equity ratio

¹Currency adjusted for Scandinavian Airlines compared to the same period in 2009. RASK adjusted for positive non-periodic items. Reported RASK in Q4 was +3.9%

Positive traffic development – still pressure on passenger yield



SAS Group

Traffic (RPK)

Passenger load factor

Scandinavian Airlines

Passenger yield

Total unit revenue (RASK)

Total unit cost

	Jan-Mar 2010	Apr-Jun 2010	Jul-Sep 2010	Oct-Dec 2010
Traffic (RPK)	↓ -1.3%	↓ -6.3%	↑ +5.4%	↑ +10.9%
Passenger load factor	↑ +6.3 p.u.	↑ +1.8p.u.	↑ +2.2 p.u.	↑ +2.3 p.u.
Passenger yield	↓ -11.4%	↓ -6.6%	↓ -4.3%	↓ -6.7%
Total unit revenue (RASK)	↓ -1.7%	↓ -5.6%	→ +0.4% ¹	→ +0.9% ¹
Total unit cost	↓ -7.8%	↓ -5.5%	↓ -8.7%	↓ -8.3%

All figures currency adjusted and compared to same periods in 2009

¹ RASK adjusted for positive non-periodic items in Q3 and Q4. Reported RASK in Q3 and Q4 was +3.2% and +3.9% respectively

Unit cost reduction continues

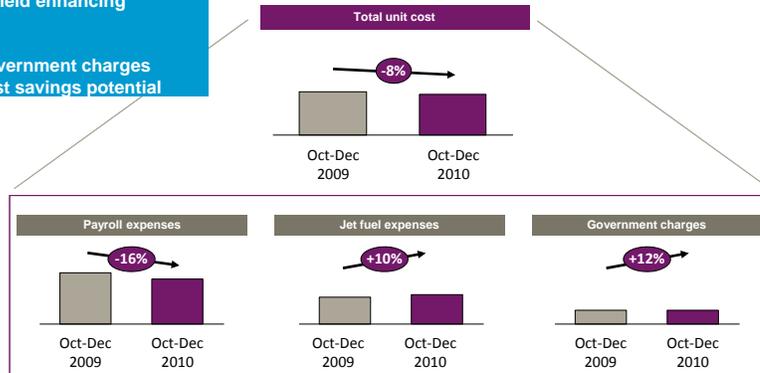
- Despite increasing jet fuel costs and government user fees



Personnel cost reduction driver in cost savings

Increasing fuel cost will be mitigated by yield enhancing measures

Increasing government charges blocks full cost savings potential



Currency adjusted unit cost, Scandinavian Airlines

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Dramatic fuel price increase during Q4

- Hedging and yield development will delay and mitigate impact



20% fuel price increase during 2010

During 2010 the jet fuel price increased 20%, primarily in Q4. Market expect trend to continue during 2011

54% of SAS estimated consumption hedged - will delay cost impact

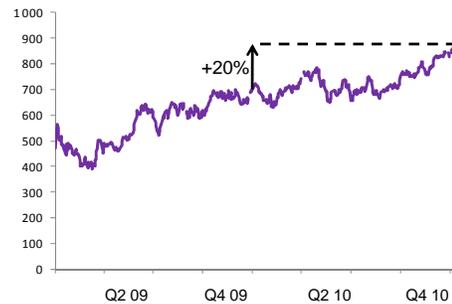
At year end 2010, 54% of SAS estimated fuel consumption for 2011 were hedged at an average level of 780 USD/Ton
SAS fuel hedges had a positive market value per Dec 31 of 68 MUSD

Industry yields expected to rise - will mitigate earnings impact

Several airlines are taking yield enhancing measures such as fuel surcharges

SAS will increase fuel surcharges by EUR 3-5 on domestic and European tickets as of February 22

Jet fuel spot price (USD/Ton)



Fuel hedging delays the cost impact and mitigates fluctuations in price. SAS policy allows hedging of 40-70% of estimated consumption during next 12 months

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Positive full year result of MSEK 265 before non recurring items and ash cloud



(MSEK)	Oct-Dec 2010	Oct-Dec 2009	Jan-Dec 2010	Jan-Dec 2009
Total operating revenue	10,559	10,323	40,723	44,918
Payroll expenses	- 3,172	-3,880	- 12,997	- 16,553
Fuel	- 1,716	- 1,503	- 6,601	- 7,685
Government charges	- 1,070	-993	- 4,198	- 4,399
Other operating expenses	- 3,390	-3,734	- 13,090	- 13,090
Total operating expenses	- 9,348	-10,110	- 36,886	- 42,291
Leasing costs, aircraft	- 425	- 456	- 1,768	- 2,178
Depreciation	- 408	- 528	- 1,667	- 1,766
Other	- 119	- 170	- 836	- 437
EBT before non-recurring items	258	- 940	- 435	- 1,754
Ash cloud effect	-	-	700	-
EBT before non-recurring items and ash cloud effects	258	- 940	265	- 1,754
Non-recurring items	- 722	- 579	- 2,625	- 1,669
EBT (including non-recurring items)	- 464	- 1,519	- 3,060	- 3,423

Non-recurring items excluded above EBT, Continuing business

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Reduced exposure in 2011 to extraordinary costs



Item	Result effect 2010	Status and expectations of 2011
Q2 Volcanic Ash cloud traffic disruption	-700 MSEK	Due to changed flight regulations, a similar event would have limited impact on SAS traffic
Q3 SAS Cargo EU-commission	-660 MSEK	All authority investigations regarding the cargo cartel are completed
Q3 SAS Cargo civil class actions	-104 MSEK	Cases are opened in UK, Netherlands and Norway
Q3 Norwegian Air Shuttle lawsuit	-218 MSEK	No on-going legal process of similar magnitude
Q3 Spanair impairment of shares	-229 MSEK	Remaining exposure of approximately SEK 1.8bn in case of Spanair bankruptcy.
Q4 Extreme weather conditions	-70-80 MSEK	Winter 2010 had the worst weather conditions in Europe for many years
Q4 Impairment of aircraft	-200 MSEK	SAS is simplifying fleet structure. May include write-downs in 2011 up to approximately MSEK 250
Core SAS restructuring costs	-852 MSEK	Core SAS restructuring costs (excluding impairment of aircraft) 2011 expected to MSEK 150-350
Core SAS related capital losses	-355 MSEK	Majority of non-core assets divested

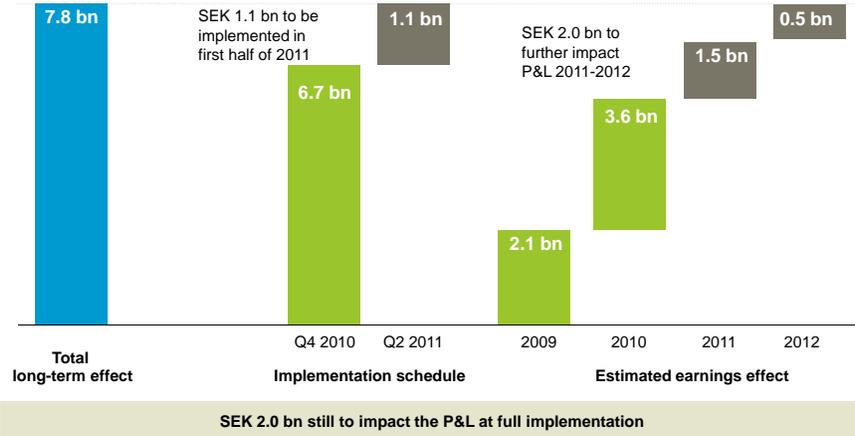
- Majority of 2010 non-recurring items within expectations and handled in financial plan
- Extraordinary costs are expected to be significantly lower in 2011

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86% of cost program implemented SEK 2.0 bn earnings effect remaining



Implementation of Core SAS cost program (SEK)



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2011 Outlook



- Strong GDP Growth in Scandinavia – now a growing aviation market
- SAS Capacity growth 2011 of approximately 6%
- Still competitive environment - risk of overcapacity and continued yield pressure
- Uncertainties regarding jet fuel development
- 2011 expected to be profitable subject to no unforeseen events and jet fuel price shocks

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