

# SAS Group 1<sup>st</sup> interim report 2011

Media/analyst presentation  
May 10, 2011



## Q1

Improved earnings driven by Core SAS cost reductions



- Continued strong macro development in Scandinavia
  - ➔ Additional capacity is being added
- Continued yield pressure and weaker load factors
  - ➔ Currency adjusted revenues up 4.1% due to capacity growth
- Sharply increased jet fuel prices
  - ➔ SAS with good hedging position
  - ➔ limited effect from fuel surcharges
- Core SAS continues to deliver important cost savings
  - ➔ unit cost – 7.1% Q1 (excluding fuel)

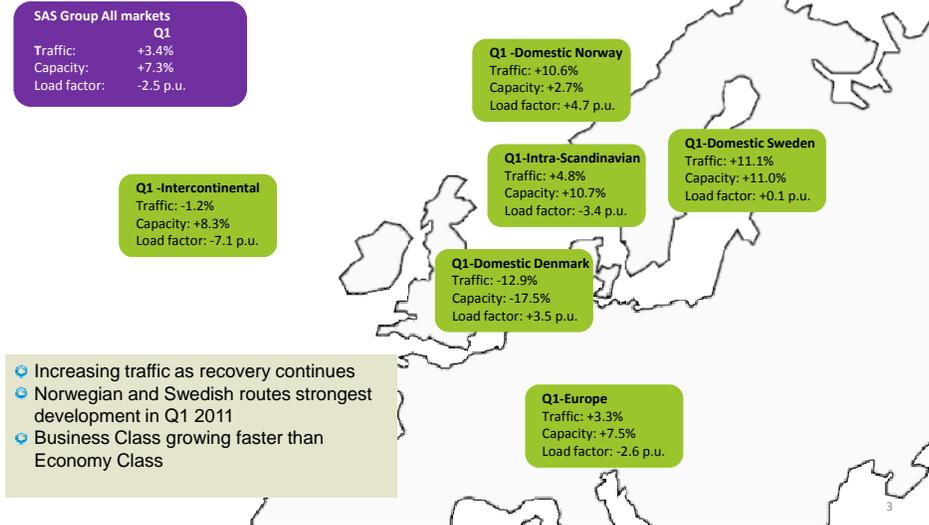
*EBT before non recurring items improved MSEK 339*

## Increased traffic but lower load factors

- Market capacity increase expected to be approx 10 % in 2011



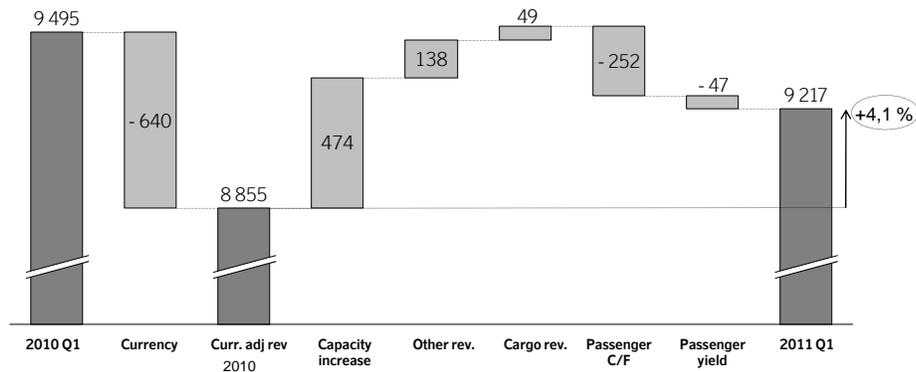
### SAS Group Traffic Development per market during Q1 2011



## Growing revenues in Q1 driven by capacity growth



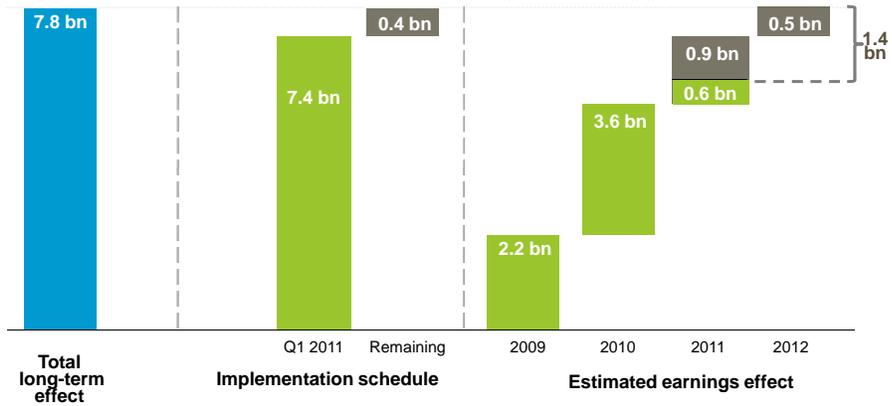
Revenues, MSEK



95% of Core SAS cost program implemented  
SEK 1.4 bn earnings effect remaining



(SEK)



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Significantly improved result  
despite lower revenues and record fuel prices



| Result Development (MSEK)      | Jan-Mar 2011 | Jan-Mar 2010 |
|--------------------------------|--------------|--------------|
| Revenues                       | 9 217        | 9 495        |
| EBT                            | -554         | -972         |
| EBT before non-recurring items | -505         | -844         |



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## Our focus areas in 2011



### Create capacity for profitable growth Streamlining of fleet in process



#### Harmonised production platform in Oslo and Stockholm

Phasing out Boeing 737 Classic and MD-80 (2008-2014)



#### Harmonised production platform in Copenhagen

Phasing out MD-80 (2012-2016)



#### Harmonised production platform in Helsinki (Blue 1)

Phasing out Avro and MD-90 (2010-2012)  
Phasing in of Boeing 717 under way



Indicative saving from streamlining approximately MSEK 200 - 300 (not included in Core SAS cost program)

**1** Create capacity for profitable growth  
**New technology introduced**



**Internet on board**



**Real time high speed Internet Access**

- Web browsing on all Internet sites
- Full E-mail support
- VPN corporate access

**NFC**



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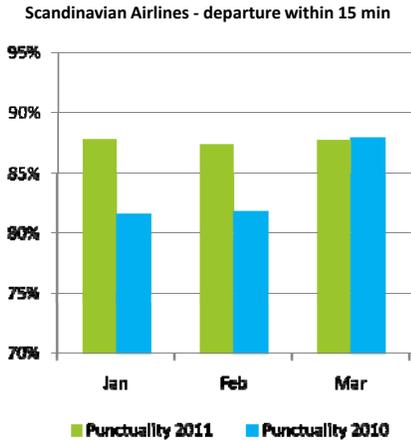
**2** Drive collaboration and communication




- Bi-Annual Top 100 meetings
  - ➔ Reaches more than 100 Top leaders
- Quarterly union meetings
- Quarterly dialogue meetings
  - ➔ All major sites across Scandinavia
  - ➔ > 2 000 people
- Quarterly Business Reviews
- Regular visits to international offices
  - ➔ Tokyo
  - ➔ London

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**3** Focus on people & performance 



- Core SAS delivered according to plan
- Improved employee satisfaction (PULS)
- External recognition
  - ➔ EuroBonus Frequent Traveler Award
  - ➔ Innovator of the Year by IGLTA
  - ➔ Norwegian Customer barometer
  - ➔ Reputation Institute, Denmark
- Punctuality further improved

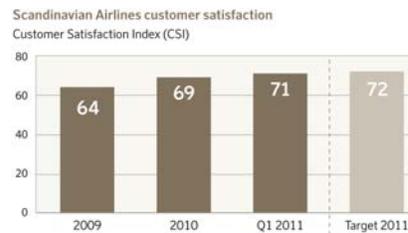
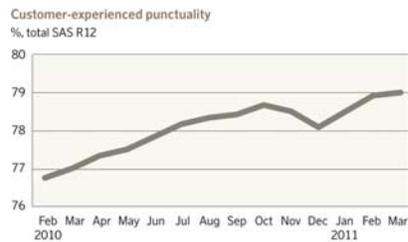
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**4** Passionate customer focus  **World class punctuality and improved CSI**

**Number one in punctuality in Europe during 2010 according to Flightstats**



- We take care of your time
- Customer perceived punctuality is improving



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Göran Jansson  
CFO SAS  
Group



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## Improving result driven by unit cost reductions



### Yield pressure reduced

Total unit revenue, RASK,  
down 2.4% in Q1

- ▶ Passenger growth of 6.2%
- ▶ Reduced yield pressure
- ▶ Weaker load factors
- ▶ Improving cargo yield

### Core SAS cost savings program of SEK 7.8 bn on track

7.1%<sup>1</sup> total unit cost reduction in Q1

- ▶ 95% of the total cost savings have been implemented
- ▶ 89% of FTE reduction completed
- ▶ Remaining earnings effect of ~1.4 bn SEK until 2012

### Stable financial platform

29% of revenue in financial  
preparedness

- ▶ SEK 11.9 bn in total financial preparedness
- ▶ SEK 14.5 bn in equity
- ▶ 27% equity ratio

<sup>1</sup>Currency adjusted for Scandinavian Airlines compared to the same period in 2010. Adjusted for Jet fuel.

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## Positive traffic development – weaker load factors put pressure on RASK



| SAS Group                        | Q1 2010     | Q2 2010     | Q3 2010     | Q4 2010     | Q1 2011     |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|
| Traffic (RPK)                    | ↓ -1.3%     | ↓ -6.3%     | ↑ +5.4%     | ↑ +10.9%    | ↑ +3.4%     |
| Passenger load factor            | ↑ +6.3 p.u. | ↑ +1.8 p.u. | ↑ +2.2 p.u. | ↑ +2.3 p.u. | ↓ -2.5 p.u. |
| <b>Scandinavian Airlines</b>     |             |             |             |             |             |
| Passenger yield                  | ↓ -11.4%    | ↓ -6.6%     | ↓ -4.3%     | ↓ -6.7%     | ↓ -1.3%     |
| Total unit revenue (RASK)        | ↓ -1.7%     | ↓ -5.6%     | → +0.4%     | → +0.9%     | ↓ -2.4%     |
| Total unit cost (excluding fuel) | ↓ -7.8%     | ↓ -5.5%     | ↓ -8.7%     | ↓ -8.3%     | ↓ -7.1%     |

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## 95% of targeted cost saving measures implemented



| Core SAS   | Core SAS cost savings program (MSEK) | Potential     | Implemented   |               |
|--|--------------------------------------|---------------|---------------|---------------|
|  |                                      |               | Dec 2010      | Mar 2011      |
| <ul style="list-style-type: none"> <li>Additional MSEK 700 implemented in the 1<sup>st</sup> Quarter, to total SEK 7.4 bn or 95%.</li> <li>Additional 100 FTE reduced during the 1<sup>st</sup> Quarter, taking the total to 4,100 FTE or 89% of the planned reduction of 4,600 FTE.</li> <li>Earnings effect of SEK 0.6 bn during the 1<sup>st</sup> Quarter. Remaining effects of SEK ~1.4bn in 2011-2012</li> <li>Unit cost, down 7.1%<sup>1</sup> in the 1<sup>st</sup> Quarter (excluding jet fuel).</li> </ul> | Cabin crew/Flight deck               | ~1,900        | ~1,900        | ~1,900        |
|  | Ground services                      | ~900          | ~550          | ~700          |
|  | SAS Tech                             | ~1,800        | ~1,350        | ~1,700        |
|  | Sales, marketing & Commercial        | ~700          | ~650          | ~700          |
|  | Purchasing                           | ~400          | ~400          | ~400          |
|  | Blue1, Widerøe, Cargo                | ~600          | ~550          | ~550          |
|  | Administration                       | ~1,400        | ~1,250        | ~1,350        |
|  | Other                                | ~100          | ~50           | ~100          |
|  | <b>Total</b>                         | <b>~7,800</b> | <b>~6,700</b> | <b>~7,400</b> |

<sup>1</sup> For Scandinavian Airlines compared with the same period in 2010, adjusted for currency.

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## Dramatic fuel price increase

- Hedging and yield development do not fully mitigate impact



### 42% higher fuel price in Q1 2011

Has increased further since Q1, but sharp fall recent days.

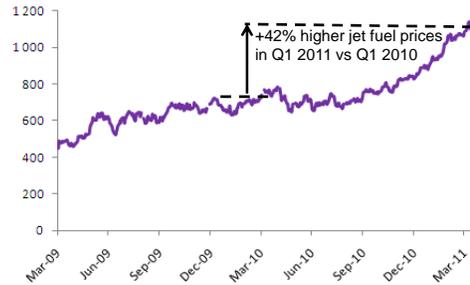
### 57% of SAS estimated consumption hedged - will delay cost impact

SAS fuel hedges had a positive market value per March 31 of 176 MUSD.

### Industry yields expected to rise - will mitigate earnings impact

SAS has increased fuel surcharges by EUR 3-5 on domestic and European tickets as of February 22 and by another 5 EUR from March 22.

Jet fuel spot price (USD/Ton)



Fierce competition and overcapacity make it challenging to realize full effect of fuel surcharges.

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## Best Q1 since 2007

- limited one offs during the quarter



| (MSEK)                                     | Jan-Mar 2011   | Jan-Mar 2010   | Change       |
|--|----------------|----------------|--------------|
| <b>Total operating revenue</b>             | 9,217          | 9,495          | -2.9%        |
| Payroll expenses                           | - 3,162        | - 3,445        | 8.2%         |
| Fuel                                       | - 1,748        | - 1,434        | -21.9%       |
| Government charges                         | - 945          | - 1,020        | 7.3%         |
| Other operating expenses                   | - 2,912        | - 3,340        | 12.8%        |
| <b>Total operating expenses</b>            | <b>- 8,767</b> | <b>- 9,239</b> | <b>5.1%</b>  |
| Leasing costs, aircraft                    | - 390          | - 453          | 13.9%        |
| Depreciation                               | - 409          | - 407          | -0.5%        |
| Other                                      | - 156          | - 240          | 35%          |
| <b>EBT before non-recurring items</b>      | <b>- 505</b>   | <b>- 844</b>   | <b>40.2%</b> |
| Non-recurring items                        | - 49           | - 128          | 61.7%        |
| <b>EBT (including non-recurring items)</b> | <b>- 554</b>   | <b>- 972</b>   | <b>43.0%</b> |

Non-recurring items excluded above EBT, Continuing business

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## Capital structure strengthened

Good financial preparedness with SEK 2 billion bond issue



- Equity of SEK 14.5 billion
- Financial preparedness of SEK 11.9 billion corresponding to 29% of the annual revenue
- Liquid assets of SEK 6.6 bn
- Successful issue of bonds in March 2011 of SEK 2 billion to significantly improved terms
- Q1 cash flow negatively impacted by the EU fine payment (660 MSEK)

| Core SAS impact on key figures | Mar 31, 2011 | Mar 31, 2010 |
|--------------------------------|--------------|--------------|
| Financial preparedness         | 29%          | 16%          |
| Adjusted equity/assets ratio   | 27%          | 20%          |
| Financial net debt, MSEK       | 2 818        | 2 862        |
| Adjusted debt/equity ratio     | 0.86         | 1.70         |

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## 2011 Outlook – Positive result

–still valid but more challenging



- Strong GDP Growth in Scandinavia – a growing aviation market
- SAS Capacity growth 2011, 6%
- Additional capacity being added
- Risk of overcapacity and continued RASK pressure
- Uncertainties regarding jet fuel development – up 42% in Q1 2011 vs 2010 – challenging to offset through surcharges
- Still financial exposure to Spanair

**Still targeting profitability in 2011, subject to no unforeseen events and ability to offset fuel increase**

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