

# SAS AB:s interim report


April 29<sup>th</sup> 2008



A STAR ALLIANCE MEMBER 



# A very challenging 1<sup>st</sup> Quarter

- The airline industry under pressure
    - Record high fuel prices
    - Increased competition
    - Increased overcapacity

Yield pressure
  - Profit warnings
  - Bankruptcies
  - Consolidation
- 
- EBT bef. non rec Jan-Mar 2008: -973 MSEK
  - Profit 2008 - Short term profit protection program to secure 2008 result
    - 1.1 billion result effect
    - Capacity adjustments 11 aircraft + 1 long haul aircraft postponed
    - 1000 FTE's reduction
  - Focus on S11 implementation

# 1<sup>st</sup> Quarter 2008 result

| Result development<br>MSEK                    | January-March |        |           |
|---|---------------|--------|-----------|
|   | 2008          | 2007   | Change    |
| Revenues                                      | 12 833        | 11 887 | +946      |
| EBT bef nonrecurring items (cont. operations) | -973          | -96    | -879      |
| EBT-margin                                    | -7.6%         | -0.8%  | -6.8 p.u. |

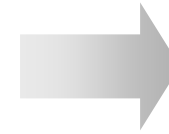
EBT-margin (12 months rolling) 0,7%

EBT margin target 7%

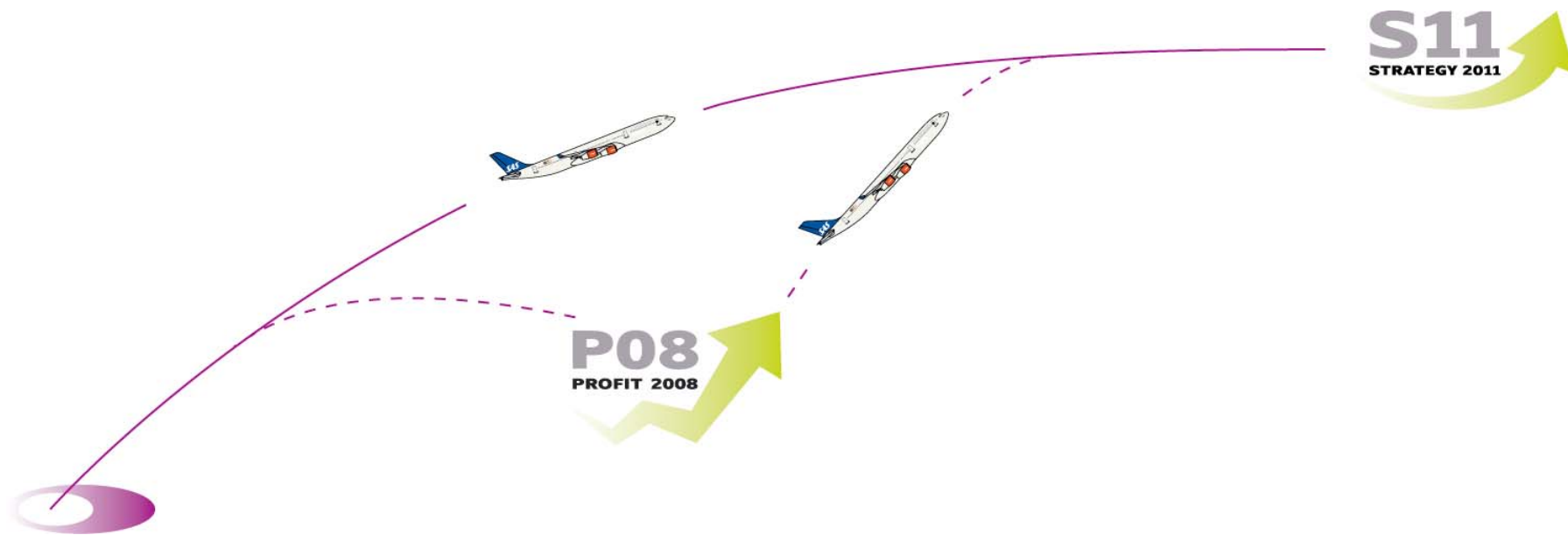
# Profit 2008 –a step up of program launched in Q4

**P08**  
PROFIT 2008

Short term measures on top of Strategy 2011 to get us back "on course"



**Secure performance  
in 2008**



# Continued focus on S11 strategy including long term cost program

**P08**  
**PROFIT 2008**



- P08 – Program to secure 2008

**S11**  
**STRATEGI 2011**



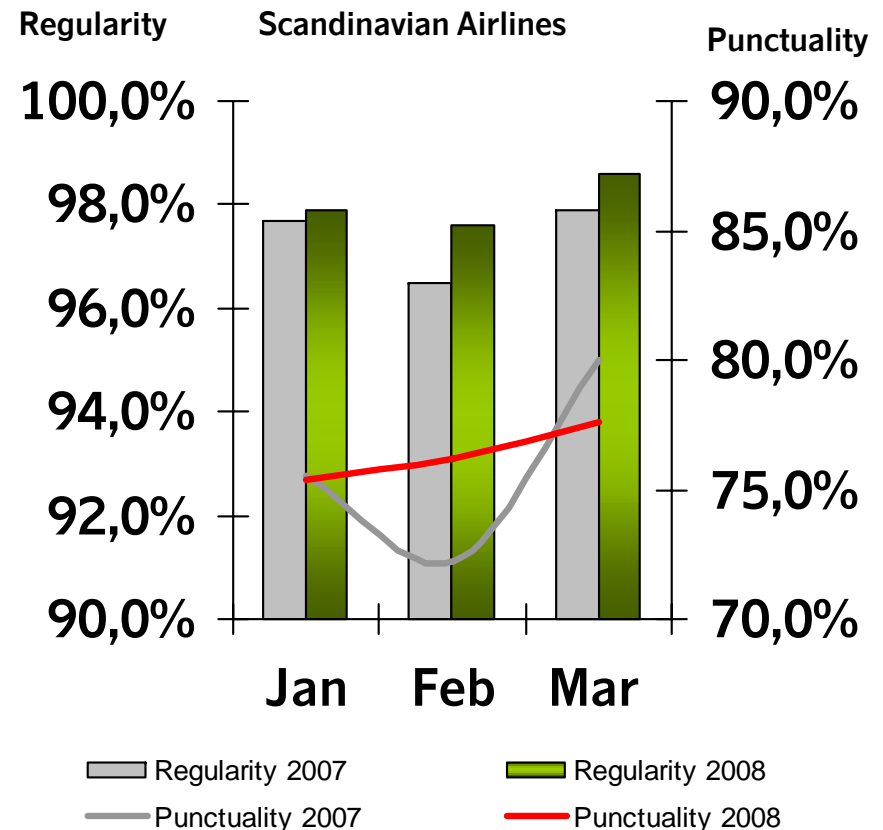
- Cultural Turnaround
- Focus and concentration
- Harmonization and development of customer offer
- Competitiveness



Profitable growth

# Customer offer: Punctuality and regularity are improving

- Both punctuality and regularity have improved vs last year
- Punctuality is still not satisfying
  - Target is 90% punctuality
- Scandinavian Airlines was one of the most punctual European airlines in 2007 (AEA)





Gunilla Berg  
CFO



## Underlying result with negative trend

| MSEK  | January-March |            |             |
|---|---------------|------------|-------------|
|   | 2008          | 2007       | Change      |
| Income before nonrecurring items in continuing operations | -973          | -94        | -879        |
| Easter  | 300           | -          | +300        |
| Q400 effects  | 50            | 0          | 50          |
| ECA/bmi   | 50            | 131        | -81         |
| <b>Underlying result development</b>                      | <b>-573</b>   | <b>-37</b> | <b>-610</b> |

### Reasons for result development

- Rapidly increased fuel prices to record levels
- Increased competition
- Increased overcapacity



**Yield pressure**



# Scandinavian Airlines affected by yield pressure and record oil prices







| Scandinavian Airlines<br>Results | SAS Norge |            | SAS Danmark |           | SAS Sverige |            | SAS International |           |
|----------------------------------|-----------|------------|-------------|-----------|-------------|------------|-------------------|-----------|
|                                  | Q1 2008   | Change     | Q1 2008     | Change    | Q1 2008     | Change     | Q1 2008           | Change    |
| EBIT margin                      | -6.0%     | -12.4 p.u. | -4.3%       | -4.3 p.u. | -3.3%       | -10.9 p.u. | -8.4%             | +4.2 p.u. |
| EBIT before nonrec. (MSEK)       | -192      | -387       | -125        | -126      | -69         | -233       | -151              | +54       |

## EBIT-margins, 12 months rolling

|                   |      |
|-------------------|------|
| SAS Norge         | 4.8% |
| SAS Danmark       | 2.6% |
| SAS Sverige       | 4.5% |
| SAS International | 1.2% |

# Mixed development for other group companies

## 1<sup>st</sup> Quarter

| Business Area                        | Subsidiary | EBIT | EBIT Margin,<br>12 months rolling | Change vs.<br>last year   |
|--------------------------------------|------------|------|-----------------------------------|---|
| SAS Individually Branded<br>Airlines | Widerøe    | 10   | 4.5%                              |    |
|                                      | Blue1      | 2    | 5.6%                              |    |
|                                      | airBaltic  | -107 | -2.9%                             |    |
| SAS Aviation Services                | STS        | 25   | -5.3%                             |    |
|                                      | SGS        | -53  | -3.2%                             |    |
|                                      | SAS Cargo  | 4    | 1.7%                              |  |

## Profit 08 – Decisive cost and capacity measures

- 1.1 Billion SEK in total program
  - Traffic program changes and cost activities 650MSEK
  - Revenue enhancements 4-500MSEK

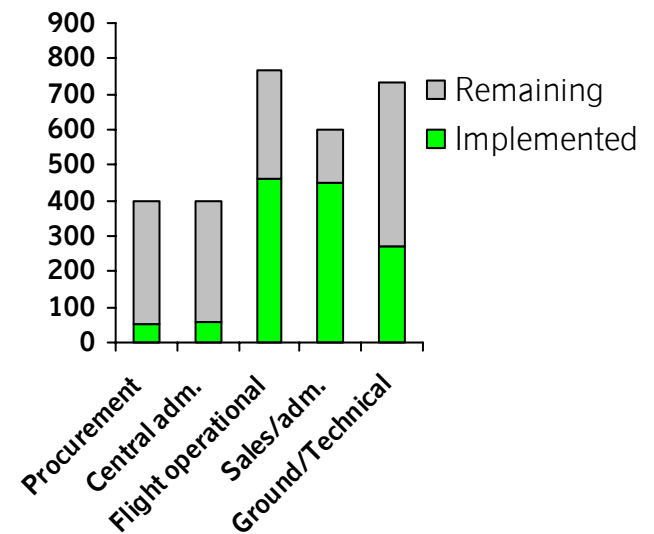
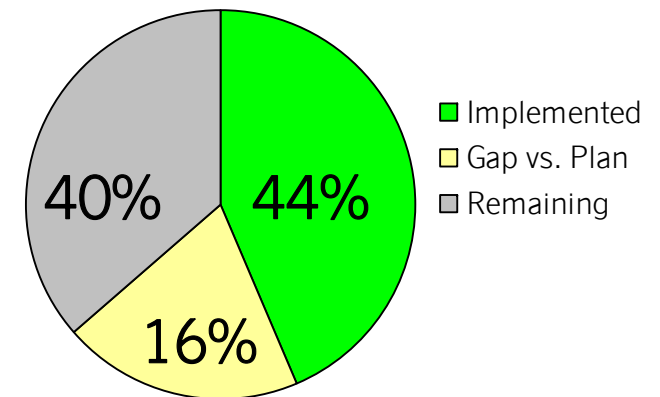
- Capacity reduction of 11 aircraft as from autumn 2008 + one postponed intercontinental aircraft



Approx 1000 FTE reduction

# Structural measures of SEK 2.8 bn being implemented, but still behind plan

- Structural cost program of SEK 2,8 bn by 2009
  - Despite several developments (NDP e.g.) in Q1, still behind plan (as communicated in Q4)
- Main reasons behind plan
  - Productivity
  - SGS
- Cost GAP after this program 2010 onwards



## Sum up 1<sup>st</sup> Quarter

### Market

- Challenging time in the industry
- Rapid increase of fuel prices to new records
- Increased overcapacity/ competition => Weaker yields

### Profit 2008

- 11 aircraft will be taken out
- Capacity reduced by 6-7%
- 1.1 SEK billion result effect
- Redundancy 1000 FTE'S

### Strategy 2011

- 2,8 SEK billion cost program
- Cultural turnaround
- Customer focus –product and quality improvements

