

FINAL TRANSCRIPT

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PRESENTATION

Operator

Good morning and good afternoon ladies and gentlemen, and welcome to the SAS AB Q1 earnings conference call hosted by Sture Stolen, Director Investor Relations. My name is Wendy and I'll be your coordinator for this conference. Throughout the presentation you will be on listen-only mode, however, at the end of the call, you will have an opportunity to ask any questions. (OPERATOR INSTRUCTIONS).

I will now hand you over to your host, Mr. Sture Stolen, to begin today's conference call. Thank you.

Sture Stolen - SAS AB - Director IR

Yes. Thank you operator and welcome everyone to this first quarter conference call. We have present here the CEO, Mats Jansson, the CFO Gunilla Berg, and the Head of Communication Claus Sonberg, and myself, Head of IR. We have a presentation that we will flip through, it's all available on the website. I hope you have the chance to load it down. We'll try to keep the presentation fairly short so we can use most of the time during Q&A. So I think with that brief introduction, I will hand over to Mats.

Mats Jansson - SAS AB - CEO

Hello, ladies and gentlemen. Let's start the presentation with repeating also the -- what we said on the press conference this morning, and maybe you have followed the press conference also. We start the presentation by giving a short overview what is happened in the whole industry, around the whole world, and I'll use some, you can call it physical examples, by visiting the US for a couple of weeks ago.

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So when I saw the effects of the fuel prices and also the over capacity in the US market, and they told us, from media side and also the guys I met from the airline industry, about the three or four bankruptcies which has been in the US market. They told us also every minute, every hour about the fuel prices and the effect on bottom line on all the airlines. And also about the yield pressure coming from the over capacity in the whole industry, and the whole competition added to that.

And the consequence in the US, as you know, is the same consequences that in Europe, and also for SAS' sake is to develop -- define and develop and implement in a fast track and profit protection program. And if you go up to Europe you can see the same pattern, not so strong but you see the same pattern. So the effect on the whole industry now is pretty hard, and I think the -- overall, if you look at all the operators they had to define and create and develop different kinds -- a different way of profit protection programs.

And if you also look at the business cycle, definitely the business cycle is down, it's a recession or a big slowdown in the US, and you can see also signs of that in Europe in different industries, especially on the consumer industry. And we said, Gunilla and I, when we had the full year report in February, and also at the annual meeting, we said that we can see some signs of different customer behavior in the market, and we can see some signs of a slowdown. Not a definite slowdown yet, but we can see the signs. And we also announced early in February that we have our mindset for the moment when we look and try to define what we today call the program profit 2008. The mindset is that it's going to be a slowdown also in our region, in the Northern Europe. And so that has been the mindset when we defined the programs.

Other examples, you can see, are the external negative factors as the fuel price, as for example is the profit warning in different ways you have seen in the European market, from Orion, from EasyJet, from Finnair, from the annual meeting. You saw the result from Norwegian, which is a very big competitor in our home market and so on. And so all airlines, more or less are declining.

The difference we said on the press conference is that our position, the underlying cash flow profit from SAS, it's on a very low level, about 2% of sales. If you compare with the other big operators -- network operators, there's Lufthansa, Air France and British Airways, they earned last year, and have done it a couple of years now, between 5% and 8% of sales. So they have buffered, they have mastered to handle this type of situation a little bit easier than we can do. That's why we -- this program of quite aggressive, you can call it also brutal. And, as you have seen and heard and read, the program is about SEK1.1 billion in result effect. Not as a cost-cutting program, it's the total result effect of SEK1.1 billion.

And Gunilla is going into more detail about the program, but the program, overall, it's a combination of income activities or revenue activities you can call it, and also efficiency activities to cut costs in different parts in the whole company. And also structural changes as the very aggressive decision because of the mindset that is going to be a slowdown also in our market, core market, to take out 11 aircraft from the operation, and not to fulfill the decision we have taken to add even one more aircraft to the long haul fleet. The total is 12 aircraft. So if you compare with the deep crisis SAS has in the beginning of the year 2000, after September 11 and so on, I think we took out about 16 aircraft, and now we take out nearly 12 aircraft; 11 plus one, something like that.

So it's quite an aggressive program and, as I said before, it's a combination about the revenue activities and also cost activities, and also structural changes.

We have got the question during the -- from the journalists and also during the press conference about what is the goal for this profit '08 program, what level are you going to deliver the profit and so on. We have set up -- you can see, when you heard the name profit '08, it's a program to secure that we're going to be profitable during 2008. And we cannot mention, for different reasons, what level we expect because the industry is so tricky now, and so unpredictable now, so you can't foresee that.

So the program is now announced, is launched. It has been a process before we launched the program between the different companies, the different subsidiaries. I can call it a more -- the guidelines we have given from our central point of view, from our headquarters, from my side, from Gunilla's side, and also from John Dueholm, who is the Deputy responsible for the

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[European] airlines. But the process, in itself, has been more about the [map] process. So the different subsidiaries in operations or [stores] are 100% committed to this plan. They are committed to this plan.

In this moment, we don't want to announce exactly the different parts how many aircraft which is going to be taken out in different subsidiaries, and also about the 1,000 employees, how it affects the different subsidiaries. It will be announced later on, after the information and negotiations with the different unions, because it's a very sensitive question; we have to follow the legal process. But totally 11 aircraft plus the intercontinental aircraft.

And this is an extra program, you can call it a short-term program, and I believe, and we believe, and we have said so today that it's the same pattern around the whole world in the airline industry that, for the moment, when the different companies have their ordinary ongoing strategy, they have to make not a break but to identify a short-term program. So we can be [tough] and other companies on track again and, in our case, to fulfill all these strategies 2011 with their own revenue or commercial initiative and also the cost initiative.

Gunilla is going to mention when the -- when she goes more in detail about the program about the strategy 2011 cost-cutting program. As you can see, we have reached nearly half of the SEK2.8 billion until 2009. So what we have said to each other and also to the trade unions, that because of the environment now, the external very strong factors, such as the fuel prices and so on and the start or beginning of a slowdown and therefore the over capacity in the whole industry and the yield pressure we have, we had to even faster than ever before, implement also the initiatives we have defined in the strategy 2011.

And the numbers are still the same. If some of you could be a little bit confused, but this is a 1.1 result effect program with the [next] program, short-term program and in the strategy 2011 you have 2.8, nearly 50% has been delivered. And there we have said also to media and investors officially that we expect that 2010 and 2011 based on the annualized rebate when we compare us with our competitors and their cost position, especially in low cost carriers, that we have still a gap to fill during 2010 and 2011 about SEK3 billion to SEK4 billion, something like that. But that's the whole picture.

And now I hand over to my excellent CFO, Mrs. Berg.

Gunilla Berg - SAS AB - CFO

Good afternoon, Gunilla speaking. If we look at the first slide in my presentation you can see how we calculate what we see as the underlying result development. Since we have east effect -- eastern effect this quarter, we think that the effect is about SEK300 million.

As you can see this quarter we don't have so high negative effect of Q400 since we have booked the cash compensation from Bombardier this quarter, so the net effect is only SEK50 million.

And then you can see that we have less negative effect from the ECA/bmi this quarter than last quarter -- or the quarter last year. So we think that the underlying result development is negative by about SEK600 million, and the reasons for that is that where Mats went through these reacted increases of the fuel prices, of course, we haven't been able to compensate at all almost.

And we have seen over capacity in some markets, and as Mats said also we see signs of slowing down in the business traveling, changed behavior, booking in lower classes. So this combination of this yield pressure and these record high fuel prices of course, has affected the results very negatively.

If you look at next slide, just a little about the fuel. We think if the prices stay at the level they are now and the dollar stay at level where it is now we think that we will have almost SEK11 billion fuel cost in 2008. We have continued our hedging policy of 40% to 60% and now for the rest of 2008 we have about 42% and we have more reductions than we had before since the prices are so high.

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As we have had a strategy before to fully compensate the increased fuel costs and we have the same strategy now, and companies are fully directed to fully compensate for the whole year. But as I said before the first quarter we are behind but for the full year our ambition is to compensate fully. And then you can ask is that realistic. We think it's realistic since we have also heavy on the business market, they are less price sensitive and the whole industry has this problem; everyone has to compensate. And we hope that our competitors follow when we do a lot of price increase at the moment.

If you look at next slide there is a little more explanation about this profit 2008 program. This profit 2008 program is to turnaround the earnings trend of course and to manage these challenging market situations. And the SEK400 million to SEK500 million we are calculated are price adaptations and this is price adaptations above the compensation for the fuel since we say that we want to compensate for the increased fuel costs totally and these are price changes and adaptations we do about that.

And then we do changes in the traffic program; frequencies, destinations. And there we do about 10% reduction in overheads in the admin [specific] part and the sales part as well and we take away a lot of costs, not only staff costs there.

And then what we call other activities are more -- we are stopping or postponing activities which are less strategic activities like (inaudible) projects, some market activities, other projects we have. So you can see a lot of stopping or postponing activities to get the result effect for this year. And we estimate the results effect for this year to be about SEK1.1 billion. And then we have these capacity reductions which Mats mentioned about and we think that we will have an ASK effect of about 6% to 7%.

If you look at next slide, it's the cost program which is the part of our strategy 2011 program. We are satisfied that we almost have finished 50% of the program in one year, plus we had higher ambitions as you can see. Our ambitions were at this time to have finished 60%. And the reason for our delay in that part is the same as last quarter; we are delayed in the productivity side and we are delayed in ground services. But now I can see from the last month that the ground services are doing well with their program of SEK400 million. And as Mats mentioned that we have a cost GAP of course after we have finished the SEK2.8 billion program and we will address that 2010 and onwards.

If you look at the next slide, just some comments about our financial position. We have liquidity of SEK8 billion, we have credit facilities unused of SEK6 billion. After this SEK6 billion SEK4.5 are linked to some covenants, on the equity side, liquidity side and earnings, but we feel that we have a good headroom to these covenants. So at this moment no worry about that. And then we -- our net debt, financial net debt position is SEK1.5 billion (sic - see presentation) this quarter and we don't have any financial covenants on our gross debt.

If you look at the next slide there is a sum up and I hand over to Mats.

Mats Jansson - SAS AB - CEO

Okay then we have the last slide, and thank you very much for that. We have plans for this situation to hand over to each other. And the sum up is as we said before. The market is quite challenging, it's very difficult and it's very tough, it's very unpredictable but the common pattern as I said before is that all of the competitors have to, in one or another way to define and implement a profit protection program. They are nearly all related to the fuel price situation, then all companies have their individual problems and challenges.

So [handle] the fuel price situation is very important and in the priority list of number one for the moment. As I said before this is a short-term program and I am convinced because also the process and also that the journalists now in this situation, I suppose and I feel they understand this situation and I've got questions from journalists who ask what about the implementation or the profit '08. There is going to be a problem with the unions so there is going to be some strikes -- a strike (inaudible) to one. And I said I don't believe in that. I think they don't like the activities but I think they realize that if they're very important that we implement it fully or otherwise we go into a deep, deep problem in the company.

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And as I said before the strategy 2011 is still alive, it's our strategy, we believe in it. We have some challenges to implement the strategy but I believe that we can do it in the future and the most tricky one -- the tricky question is, what we did not mention, is the -- all the total SEK6 billion in cost care -- SEK5 billion to SEK6 billion in the 2011 program, the other half of it is one -- in one or another way related to the collective agreement. And this is the tricky one to solve. But we have, I don't call it enough time, but we have time, 2011 is three years forward, so we hope that we can do that.

Otherwise we get into, as I said before, the problem and also -- one of the goals you have [inserted] is -- the main goal is to reach the 4% of sales -- the SEK4 billion result so we can make all our investments. And by that flexibility, enough space to be more -- innovative in different matters and also to keep the independence, being a separate Scandinavian owned company. And if we can't reach those goals then I think it's a problem to fulfill those -- the independent (inaudible).

So that was that. Shall we take Q&A now?

QUESTIONS AND ANSWERS

Operator

Thank you. (OPERATOR INSTRUCTIONS). Our first question comes through from Chris Avery from JP Morgan. Please go ahead.

Chris Avery - JP Morgan - Analyst

Thank you. This industry doesn't get any easier, does it? Two questions. How are you going to get fair increases which you're talking about without getting consumer pushback given you're already talking about weakening economic conditions? So, is it realistic to get those revenue improvements through fair increases which you're looking for?

And secondly, a more specific question. On the segment reporting by business area --

Mats Jansson - SAS AB - CEO

Chris?

Chris Avery - JP Morgan - Analyst

Yes?

Gunilla Berg - SAS AB - CFO

Chris?

Mats Jansson - SAS AB - CEO

Hello, Chris. We can't hear you exactly. Can you repeat the question once again? You have an absolutely perfect English accent but we couldn't follow it because we have trouble with the line here. Can you repeat it again?

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Chris Avery - JP Morgan - Analyst

Question one. How are you going to get fair increases in a softening economic environment?

Question two. Business area segment reporting, the eliminations column, SEK190 million of eliminations. Anything special in there? Or is that the loss that the businesses make on intra-group trading? So presumably, services and technical -- ground services and technical services?

Mats Jansson - SAS AB - CEO

If I start with the first question in my way and then can Gunilla add to me and support me in that?

For me, if I look at the program -- the profit '08 I believe that it's very strong, it's proactive. We foresee as you know a slowdown, as I said, Chris. And I think these minuses are very important, especially if you're so thin, as we are, with the underlying earnings which is so low.

But if you look at the critical point to be open, once again, and honest, in the program of SEK1.1 billion in profit effect. If you split it into three pieces you have the revenue part, the prices. And so then you have the cost part, the efficiency part, which is more easy to handle than to point out. And then you have the structured change to take out 11 aircraft. It's more a matter of -- or 12 aircraft. It's a question more of courage, enough courage to do it and we're going to do it.

So those two last points, they are relatively easy. But the first point where you talk about covering the fuel prices and even more increase the prices, there we take a risk where we talk about top line; what is going to be the effect? Whether the consumer is going to react towards the competitors and so on, and what about the price gap towards our competitors, Norwegian (inaudible) EasyJet, Ryanair and so on.

So -- but we take that risk, we had to take that risk. That's our strategy. But I believe in the program, once again, all those third pieces. The first third is a little bit tricky, it's always trickier, though. It's much easier to feel comfortable with the efficiency part and also the structural part. But that's my answer and Gunilla has to add to that.

Gunilla Berg - SAS AB - CFO

Yes, hi Chris. Of course it's difficult to really estimate how will this affect, but we think anyway that we will be able to compensate more than maybe the -- our competitors, since we are so heavy on the business type of customers and they are less price sensitive. And -- but I usually said it before and that up to \$1,000 per ton, there will be no problem and now we are on \$1,200 per ton. But our ambition is to really compensate on the price side and we hope that it won't affect too much on the volume side. But you are right, and when there is a slowdown in the business, of course there will be more difficult and it has been the past years when we have increased some \$250 per ton.

But since our competitors also, they are not hedged at all. We have a better position than they have, so we think anyway that we will, within the Scandinavian market, compensate it.

If we talk about this eliminations column. Last year, this is more a Group cost of SEK194 million and last year you have a figure which is SEK9 million. And the reason for the low figure last year is that we had a lot of currency -- positive currency effect in this area.

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Mats Jansson - SAS AB - CEO

Chris, another answer on the first question is that the overall -- when you look at the aggressive short-term program, it's a bottom-line oriented program, not a top line oriented. And we had to do it because we haven't discussed and also in the press conference and the (inaudible) for individuals, (inaudible) you are going to take a risk on the top line. You can lose market share if you step out from some markets or segments and so on. But we had to do that, we had to do it, we had to take that risk, otherwise I think we (inaudible) because that's how (technical difficulty).

Next question?

Operator

Thank you. Our next question comes through from the line of Lars Heindorf from ABG. Please go ahead.

Lars Heindorf - ABG - Analyst

Yes, afternoon, guys. A couple of questions as well. Firstly regarding the cost cutting program in 2008. If you could give us a feeling for when the savings will actually be effectuated, preferably split on the three remaining quarters that is left here in 2008?

And secondly, apologies for -- I came in a bit late. But Mats, I understand -- if I understand it correctly, you said that you still had a GAP of SEK3 billion to SEK4 billion in savings that you needed to achieve in order to deliver to the 2011 strategy, and that was mainly related to the collective agreements. Just a clarification on that?

And lastly, regarding the 12 aircraft that you are now going to take out, is this -- I assume that those aircraft are on lease and you're going to hand them back? Or what's going to happen with these aircraft?

Mats Jansson - SAS AB - CEO

If I take the first question and clarify once again, it's a little bit complicated. But all our airline is complicated and complex. But if you have -- the program now which is not a cost cutting program, I've said it before, it is a program which has an effect on bottom line (inaudible) secured or covered bottom line, we'll start with SEK1.1 billion.

Then we had the 2011 program as you mentioned when we launched -- since November when we launched the [30] last year is that we had a SEK2.8 billion loss of cost activities to implement and fulfill until 2009. And about 44%, something like that, half of it we have delivered so far.

But we have also now start to -- since the half year ago to define also based on (inaudible) competitor situation need to know, when you talk about efficiency, what is the cost share or cost cutting needs for 2010 and 2011. And I would say it's about SEK3 billion to SEK4 billion, something like that. So from today's point, after that we have delivered nearly 50% of the 2.8 program which is nearly SEK6 billion or something like that, until 2011.

And if you split it roughly, half of that sum, SEK6 billion, half of that, something like that, it will be SEK2.5 billion or SEK3 billion is in one or another way related to collective agreements. And we have also said roughly, once again about 70% of this amount or sum is related to the pilots and (inaudible) collective agreement in different dimensions. So that's the challenge, the ordinary challenge.

And then you have the extraordinary thing now with the fuel prices and the press on (inaudible) etc., which we have to have. So there you have the explanation, the clarifying of the different (inaudible).

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Gunilla the other question?

Gunilla Berg - SAS AB - CFO

Yes, hi Lars. This was the question of distribution of 2000 -- the profit 2008 program and as Mats said 40% of that are revenue and 60% are cost activities. But there the result effects of the program as we estimated now is about 25% will positively affect Q2 and about 35% in Q3 and 40% in Q4.

Lars Heindorf - ABG - Analyst

Okay.

Gunilla Berg - SAS AB - CFO

And about these 11 aircraft, that will be a combination of taking away (inaudible) capacity we have now but a majority part will be own capacity. But we have -- in 2009 we have 25 MDs lease terminate so we're saying there won't be any problems to reduce aircraft since we have so many lease terminations in 2009.

Lars Heindorf - ABG - Analyst

Alright, thank you.

Mats Jansson - SAS AB - CEO

Thank you.

Operator

Thank you. Our next question comes through from Brian Borsting from LD Markets. Please go ahead.

Brian Borsting - LD Markets - Analyst

Yes hello, a couple of questions. The first one being regarding handling of the fuel cost, you stated several times that you plan to increase prices. As far as I remember you've also stated in the monthly traffic reports in '08 that it seems very difficult, especially in Sweden and Denmark to increase prices without losing volume. Could you just maybe put some more flavor on how you're going to get prices out there?

My second question is regarding the looming aircraft CapEx coming in 2012 and 2014, the renewal of the fleet. Is -- are you thinking about maybe lowering your amount of own aircrafts of the overall fleet even further below the 20%/25%?

Gunilla Berg - SAS AB - CFO

Okay, if we take the first question. We have said, as you say in the traffic report, that there has been difficulty in quarter one, and one of the difficulties has been that the increase have been so rapid. But of course in a slowdown economy and the tough market it's more difficult but as we said before, we think that our competitors, since they are not hedged at all, we -- and we could see from the Norwegian results that they're really suffering at the moment, we think anyway that we will be able for the

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rest of the year to compensate on this. And as I said also that we have a lot of business travelers and they are less price sensitive. But of course we can't really be fully sure that we will manage this but we think anyway that we will be able to do that.

The last question was about new capacity or the deliveries. We have these (inaudible) deliveries and for these deliveries we haven't decided yet how to finance them. They can be a combination of export credit agencies or commercial bank loans that we have them on operating lease. But we think since these are attractive new aircrafts we don't think that will be any problem.

For the Boeing 737 which will be delivered this spring, we have the operating leases in place so the coming aircraft -- the incoming aircrafts will have the financing in place and under control we think.

Mats Jansson - SAS AB - CEO

Okay.

Brian Borsting - LD Markets - Analyst

Okay, thank you.

Mats Jansson - SAS AB - CEO

Thank you.

Operator

Thank you. Our next question comes through from Andrew Lobbenberg from ABN. Please go ahead.

Andrew Lobbenberg - ABN Amro - Analyst

Hello, hi Gunilla, hi Mats.

Gunilla Berg - SAS AB - CFO

Hi Andrew.

Mats Jansson - SAS AB - CEO

Hi.

Andrew Lobbenberg - ABN Amro - Analyst

A couple of questions. On the headcount reductions would you imagine there would be restructuring costs? How would that -- how big might that be in the scale of the SEK1.1 billion change you want?

Second question, and I know Mats you partly addressed it but I'd like to hear more discussion of it, how easy is it going be to work with unions to deliver these headcount reductions when you've struggled desperately with the ground services? And

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with technical, you're struggling with the main strategy 2011 on getting the contract sorted. So how confident are you, you can take labor with you on this?

And then the third question, if you could update us on what is happening with dear old Spanair please?

Mats Jansson - SAS AB - CEO

If I start with the second question and third. It will be not difficult questions, the answers. I believe that we -- it's a big challenge to fulfill that change and change all the minds that we had to convince each other; the unions together with the Group management team, the Board also, that this industry is so tough now and we are so thin and there are no assets now to divest and to finance the running business.

We are not on the edge, I don't mean that, but we have come to a point of no return that we have to solve this problem. This problem we haven't sold since we started (inaudible) years ago. And it has been very clear now after the deregulation and the new hot competition that this question has to be resolved -- to be solved towards our competitors otherwise we're going to lose in one or another way.

I felt [we open] once again and stride forward and clear that when we had a discussion in the Board together with the unions about the ground handling in December, we've postponed the decision until the February and now we [asked] once again have been seen and heard about the strike [first]. We decided not to take the big battle or the big discussion whatever, with the unions about the ground handlers because the impact -- the financial impact of that type of discussions are towards the ground handling and to show power. It's not the right occasion to do that. We have to do it instead to take the final discussion or you can call it a battle, or the final whatever with the unions about the most crucial question and the most crucial question is the part I mentioned before the, cost GAP which is related to the collective agreements. We have to find the right timing for doing that.

At the same time I announced today, without being romantic or naive, that I feel and we feel, and Gunilla and I and our team that after one and a half years or maybe a little -- there's another way to discuss and to work with the unions. I feel that we are not on -- exactly on the same platform and I think we have made some progress. And one progress I believe it was the negotiations with the pilots which didn't solve the fundamental problem about the productivity but with the history we have, with the environment of last year having four strikes and strike (inaudible) when we took the decision about ground handling, to make a supplement and to close the agreement on the economic level which is quite good for us, in line with the all other industries in Scandinavia. And I think it's quite good also for the pilots. And we avoided a strike with the pilots which was one goal in itself because we couldn't take a strike, a big battle with the pilots at that -- this moment when we are -- the earnings are so low that we are not enough strong.

So I'm not naive, I'm not unrealistic or optimistic in that, but I believe that it's possible it's going to be very tricky. And if we can't solve that problem with the unions to convince them, and the environment now, with the -- you can call it [price] around the whole world in there and industry, depending on both external strong factors and also internal factors. Everything is relative.

I think this environment now, I think, is also a good base to discuss with the unions about. This a very difficult situation. Let's solve it together and if we can't solve it together then as I said before, to be clear, if we can't fulfill the financial goals and other goals in the strategy, we are not able to be a strongly independent player in the field. And that's fact.

So that is an explanation of the -- we could have taken a big fight about the ground handling, it was not the right move. And some of your colleagues, and I realized that when I had the interview with some Danish journalist, not accused but some colleagues do say that we and I had to be more tough towards the unions. And it's not so easy. It's a simple way to describe the situation because what you are doing in a consumer industry, if you take the big battle which lasts with a strike is going to hurt your cash flow or your balance sheet and your customer image enormously. So yes, you had to weigh that all the time. And

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that's for you -- that's why you have to find the right timing and the right subject to fight about. Otherwise you are playing with the customer and playing with the brand, and you're playing with the shareholders. So my background and also Gunilla's has been outside this wonderful industry. Our reputation or credibility is to be enough tough in the right situation, not to play macho. And so on.

So that's my long explanation in a very difficult subject. Gunilla?

(Inaudible) we have said, and this is the same now that something is going to happen in one or another way before the end of this quarter two. So we are in the process, now. We are in discussions with bidders, and I have said to you before if you compare the environment now with one year ago it's quite a different environment because of the slowdown; because of the slowdown in Spain, because of the competition in Spain, because of the yield pressure in Spain, the over capacity in Spain, the lack of good track record in Spanair if we go two, three, four years back. So it's quite a tricky situation. And we try to set it out but as I said on the press conference, you have to be (inaudible) or enough good price otherwise (inaudible). But we are in the process, in the bid process. And before the end of this quarter we are going to announce what we are going to do.

Gunilla?

Gunilla Berg - SAS AB - CFO

About the restructuring costs, we haven't estimated separately for this program, but for totally programs at least SEK2.8 million and the profit 2008 program we think that we will be at the same level as in 2007, about SEK200 million. And since we have -- of this 1,000 FTEs, about one-third is in the overhead administrative cost, and two-thirds are the production people like pilots, cabin and in SGS and in STS.

Since we have some (inaudible) turnover anyway in ground services and technical services, we think that will be solved by that. For the pilot and cabin we will immediately use the method of leave of absence, since then we get the cost reductions effect very fast. And for the overhead part, we think there might be some restructuring costs, of course.

Mats Jansson - SAS AB - CEO

Okay?

Andrew Lobbenberg - ABN Amro - Analyst

Okay, thanks very much.

Mats Jansson - SAS AB - CEO

Thank you very much. We'll see you tomorrow. What about -- do we have some more questions, because soon we are going into an employee information and also (inaudible).

Operator

We have currently two last questions.

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Mats Jansson - SAS AB - CEO

That's good.

Operator

Thank you. Our first of the next questions is from Jacob Pedersen from Sydbank. Please go ahead.

Jacob Pedersen - Sydbank - Analyst

Yes, good afternoon. I'll make it brief, then. Just a couple of questions. First of all, you guide for a reduction in your ASK of about 6% to 7%. Is that from the level you mentioned at the yearly report of about plus 7%, so we end up at an unchanged ASK for the year?

Gunilla Berg - SAS AB - CFO

Yes.

Jacob Pedersen - Sydbank - Analyst

Okay. And then also on the profit 2008 initiative, could you comment a bit about the effect beyond 2008? Also you're mentioning that you're postponing some investments and some initiatives. Is this simply a way, also, of pushing some costs into 2009?

Gunilla Berg - SAS AB - CFO

No, we are stopping, but of course there will be some ISA projects we will finish in 2009, but that depends on how the results level look like. But there might be some postponement to 2009.

Jacob Pedersen - Sydbank - Analyst

Okay. And also, you wrote down on the goodwill on Spanair in the 2007 report. You haven't done this time, any write-downs. Is that an indication that your outlook for a sales price on Spanair has deteriorated in the last couple of months?

Gunilla Berg - SAS AB - CFO

We have -- it's very difficult to comment on that, since we are in the final process now.

Jacob Pedersen - Sydbank - Analyst

Okay. Thanks very much.

Operator

Thank you. Our final question then comes from [Brad Crombie] from Merrill Lynch. Please go ahead.

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Brad Crombie - *Merrill Lynch - Analyst*

Good afternoon. I have two questions. The first one is about your June 2008 bond, just coming due.

And a second question about CapEx. Just to go back to the first one, has the company decided on what they're going to do in terms of refinancing the bond, whether they'll use any of your already existing facilities (inaudible) trying to market a new bond? Could you give us some color on that?

Gunilla Berg - *SAS AB - CFO*

We are not in the plan for releasing a new bond at the moment. We will use our available credit facility and then we have also -- we are in the process of finishing a new credit facility with some aircraft of about SEK1 billion, so we are not planning for a new bond at the moment.

Brad Crombie - *Merrill Lynch - Analyst*

Okay. Can you tell me which facility you would be intending to use to refinance the bond? Because you have a few that you mentioned in your --

Gunilla Berg - *SAS AB - CFO*

No. As you know, we have unused credit facilities of SEK6 billion; which one we will use, I don't know yet.

Brad Crombie - *Merrill Lynch - Analyst*

Okay. But would they -- are most of those secured facilities now, or are some of them unsecured?

Gunilla Berg - *SAS AB - CFO*

They are unsecured, but they are connected with the covenant; SEK4.5 billion of the SEK6 billion are connected with covenants.

Brad Crombie - *Merrill Lynch - Analyst*

Okay, but you said that you don't think you'll have any problems?

Gunilla Berg - *SAS AB - CFO*

No we --

Brad Crombie - *Merrill Lynch - Analyst*

Complying with those covenants?

Gunilla Berg - *SAS AB - CFO*

We have a big headroom to these covenants.

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Brad Crombie - *Merrill Lynch - Analyst*

Okay, so, in other words, you're pretty relaxed in terms of your flexibility to refinance the bond, and you have no current intentions to issue a new bond?

Gunilla Berg - *SAS AB - CFO*

Yes.

Brad Crombie - *Merrill Lynch - Analyst*

Yes. Okay. Second question is about CapEx. If I haven't heard it already, I'd just ask. Have you given any guidance on the back of these numbers of what you think you'd be spending for CapEx for 2008? And if you could break that down into what you'd call airline -- buying new planes versus just maintenance CapEx?

Gunilla Berg - *SAS AB - CFO*

We usually say that we have about SEK1 billion to SEK1.1 billion which is non-aircraft, and the figure for the aircraft this year is \$730 million, but we have -- sorry, \$194 million for 2008. And then we have \$407 million for 2009, and \$128 million for 2010. And as I said for the deliveries in 2008, we have more or less the financing in place, and when we're looking at the CRE aircraft, which is the main part in 2009, we're looking at this different kind of financing.

Brad Crombie - *Merrill Lynch - Analyst*

Okay. So, in fact, the \$194 million you're talking about for CapEx -- sorry, for spend in '08, that'll actually be financed anyway?

Gunilla Berg - *SAS AB - CFO*

Yes, that will be financed --

Brad Crombie - *Merrill Lynch - Analyst*

So it actually won't come in the CapEx.

Gunilla Berg - *SAS AB - CFO*

Like Boeing 737, three aircraft out of five aircraft in 2008 will be on a sale and leaseback almost immediately as we get the deliveries.

Brad Crombie - *Merrill Lynch - Analyst*

Okay, so in light of that, do you have any idea what you think your end-of-year '08 CapEx might be?

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Gunilla Berg - SAS AB - CFO

Sorry?

Brad Crombie - Merrill Lynch - Analyst

Have you given anyone any guidance in terms of what you think your '08 CapEx will be? We know it's, what, SEK588 million now for Q1, you spent about SEK2.8 billion last year.

Gunilla Berg - SAS AB - CFO

Yes. But as I say, we have about SEK1 billion to SEK1.5 billion in non-aircraft investment, and then we have this \$194 million, and then --

Brad Crombie - Merrill Lynch - Analyst

So basically, if I just add those two up, that's pretty much what you're going to do?

Gunilla Berg - SAS AB - CFO

Yes.

Brad Crombie - Merrill Lynch - Analyst

Okay.

Sture Stolen - SAS AB - Director IR

Good. I think we have to wrap it up here. I think, if you have any more questions, you can always call us at the IR side. And we will see you in London, those of you who are from there. Thank you very much.

Mats Jansson - SAS AB - CEO

We'd like to say thank you for participating. See you. Bye-bye.

Gunilla Berg - SAS AB - CFO

Bye.

Operator

Ladies and gentlemen, thank you for joining today's call. You may now replace your handsets.

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