



SAS Group 2nd interim report 2010

Press/analyst presentation, August 18, 2010

Improved result trend continued during Q2 – moving in the right direction, but we are not there yet



- ▶ **Improving market conditions**
 - Improving demand and flattening yield
 - Business Class growing on intercontinental routes and some key European routes
 - Record load factors reduce yield impact on RASK
- ▶ **Q2 results, EBT before non-recurring items¹, MSEK –236**
 - Negatively affected by the ash cloud effect by MSEK -700
 - Adjusted for above effects, result positive by MSEK 464
 - Cash flow from operating activities positive by MSEK 503
- ▶ **Core SAS program on track, additional MSEK 2050 implemented since year end**
 - Unit cost down 6.7% in first six months²
 - SEK 2.3bn remaining to implement
 - Remaining earnings effect of SEK 3.9bn
 - Customer satisfaction improved for three consecutive months



¹ In continuing operations
² Currency adjusted for Scandinavian Airlines

Reported Q2 result weakened due to ash cloud effect

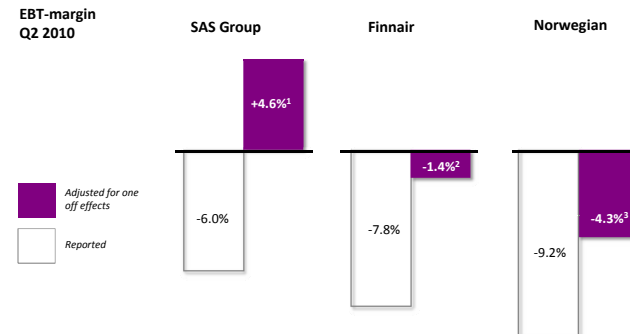


Result development (MSEK)	Apr-Jun 2010	Apr-Jun 2009
Revenues	9,979	12,223
EBT before non-recurring items (continuing operations)	-236	38
EBT-margin	-2,4%	0,3%
Income before tax in continuing operations	-502	-1,026
EBT before non recurring and ash cloud effect	464	38



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Good performance vs. key competitors – SAS reports positive margin when adjusted for ash cloud effect



¹ MSEK 1064 (primarily MSEK 700 ash cloud effect and MSEK 365 in restructuring charges)
² MEUR 31.1 (primarily MEUR 30 ash cloud effect)
³ MNOK 100 (ash cloud effect)

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Three important challenges to reach long term profitability

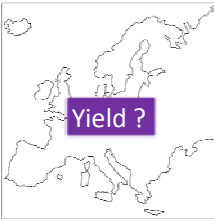


Secure fulfilment of Core SAS strategy



- Continued focus of Core SAS
- Core SAS SEK 3.9 bn remaining result effect
- SEK 2.3bn savings still to implement
- New organisation and structure established

Competition and yield pressure



- Focus on premium concept
- Yield enhancing measures
- Value for money prices
- Continued focus on load factor

Profitable growth 4-6% - uncertain macro economic recovery



- Improved financial preparedness
- Rights issue completed
- Strong liquidity
- Low capex the next years
- Flexible aircraft lease agreements
- Increased aircraft utilization

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SAS greatest sale ever more than 1,000,000 low fare tickets



- SAS' greatest sale ever, the largest low fare campaign ever in Scandinavia
- Customer friendly news:
 - More low priced tickets than ever before, over 1,000,000!!
 - Much longer travel period: October 1st – March 31st
 - Return to short period between sales and travel
- Will increase focus on SAS brand and competitive prices and improve load factor in off-peak periods



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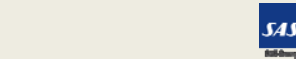
Stable platform created – for a successful turnaround and future growth



- Core SAS strategy being carried out according to plan**
- Improved corporate culture established in a more streamlined structure and efficient organization leading to reduced complexity
 - Cost reductions must be completed totaling SEK 7.8bn with remaining effect of SEK 3.9bn 2010-2012
 - Financial position secured
 - Rights issue of SEK 5bn completed
 - Additional debt financing of SEK 3.2bn secured
 - Capacity and fleet reductions fully implemented
 - Improved basic quality and commercial offer resulting in customer satisfaction

Cash flow is now improving but still uncertainties and cost gap to fill

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Mats Lönnqvist
CFO SAS Group



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Core SAS cost savings program on track – stable platform established



- **Reduced yield pressure Q2 partly offset by improved load factor**
 - Yield (currency adjusted) down 6.6%¹
 - Load factor improved 2.0 p.u.¹ – starting to meet last years improving comparable figures
 - RASK down 5.6%¹ in Q2
- **Core SAS cost savings program of SEK 7.8bn on track with 5.5% unit cost¹ reduction during Q2**
 - SEK 5.6 bn or 71% of the total cost savings have been implemented
 - M SEK 850 earnings effect from program in Q2
 - 20 out of the planned 21 aircraft taken out of service
 - Additional 250 FTEs reduced in Q2, 3,450 out of 4,600 FTEs completed
 - Remaining earnings effect of ~3.9bn SEK during 2010-12
- **Rights issue and new financing completed**
 - SEK 7.2bn of liquid assets
 - SEK 5.6bn in financial facilities
 - SEK 12.7bn in total financial preparedness

¹ For Scandinavian Airlines compared to the same period in 2009. Yield, RASK and unit cost is currency adjusted.

M SEK -700 earnings impact from volcanic ash




- Due to the volcanic ash from the Eyjafjallajökull volcano in Iceland the Scandinavian airspace was closed or partly closed primarily during April 15 and April 20, which forced SAS to cancel most of its flights.
- The following weeks the introduction of 3 zones allowed operations in areas with low concentration of ash, and traffic could gradually return to normal. Bookings were initially affected, but after a few weeks the levels returned to pre-ash cloud expectations.
- SAS has calculated the negative effects on earnings to M SEK -700.

Loss of revenues:	M SEK -790
Reduced operational cost:	M SEK 180
Passenger care:	M SEK -90
- The media have recognized SAS work to take care of and inform the customers, in particular the innovative use of social media.

SAS has not received any compensation for the lost revenue or increased cost. In Sweden, liquidity mitigating steps were taken by the government, which however did not have any significant impact on SAS financial position.


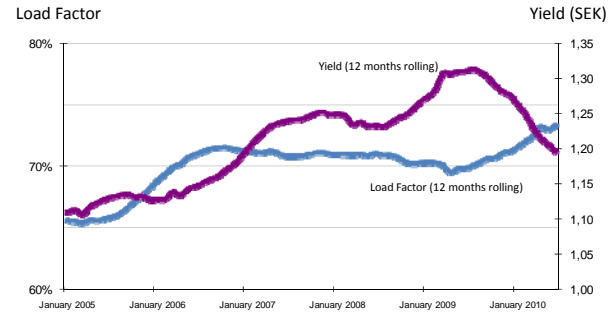
Positive development in load factor – but still pressure on yield and RASK



	Apr-Jun 2010	Jan-Jun 2010
SAS Group		
Traffic (RPK)	↓ -6.3%	↓ -4.1%
Load factor	↑ +1.8 p.u.	↑ +4.0 p.u.
Scandinavian Airlines		
Yield ¹	↓ -6.6%	↓ -8.8%
Unit revenue, RASK ¹	↓ -5.6%	↓ -3.8%
Unit cost ²	↓ -6%	↓ -7%

¹ Adjusted for currency
² Adjusted for currency, fuel and ash cloud effect
All figures compared to same periods in 2009

Positive long term trend in load factor – yield development still uncertain

Positive result of MSEK 464 adjusted for ash cloud effects



MSEK	Apr-Jun 2010	Apr-Jun 2009	Jan-Jun 2010
Total operating revenue	9,979	12,223	19,474
Payroll expenses	-3,338	-4,392	-6,784
Fuel	-1,627	-2,217	-3,061
Government charges	-1,029	-1,187	-2,049
Other operating expenses	-3,103	-3,366	-6,441
Total operating expenses	-9,097	-11,162	-18,335
Leasing costs, aircraft	-446	-626	-949
Depreciation and other	-672	-588	-1,340
EBT before non-recurring items	-236	38	1,080
Ash cloud effect	700	-	700
EBT before non-recurring items and ash cloud effects	464	38	-380
Non-recurring items	-364	-1,077	-492
EBT (incl non-recurring items)	-600	-1,039	-1,572

71% of targeted cost saving measures are already implemented...



Core SAS cost savings program (MSEK)	Potential	Implemented	
		Mar 2010	Jun 2010
Cabin crew/Flight deck	~1,900	~1350	~1600
Ground services	~900	~450	~450
SAS Tech	~1,800	~850	~1000
Sales, marketing & Commercial	~700	~550	~600
Purchasing	~400	~300	~300
Blue1, Widerøe, Cargo	~600	~450	~500
Administration	~1,400	~900	~1050
Other	~100	~50	~50
Total	~7,800	~4,900	~5,550

Core SAS

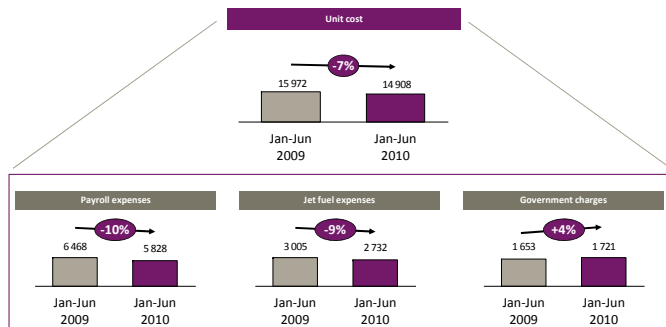
- Additional MSEK 650 implemented during the second quarter, taking the total to SEK 5.6bn or 71%. The recent activities are primarily related to union agreements, administration and MRO services.
- Additional 250 FTE reduced during the second quarter, taking the total to 3,450 FTE or 75% of the planned reduction of 4,600 FTE.
- Earnings effect of MSEK 850 during the second quarter, compared to same period 2009. Remaining effects of SEK ~3.9bn in 2010-2012
- Unit cost, down 6%¹ in the second quarter.

¹ For Scandinavian Airlines compared with the same period in 2009, adjusted for currency fuel and ash cloud effect.

...leading to a continued decrease in unit cost mainly due to lower cost for personnel but also favorable jet fuel hedges



Volume, currency and method adjusted unit cost, Scandinavian Airlines, MSEK



75 % of Scandinavian Airlines fleet are new generation aircraft



Aircraft in operation	Scandinavian Airlines aircraft	SAS Group aircraft	Average age ¹	Peer comparison	Average age 2009 ³
New Generation ²	98	112	8	Finnair	6.6
Other	37	67	19	Air France-KLM	9.6
Wetlease and phase-out during 2010	10	13	16	Norwegian	11.0
				Scandinavian Airlines	11.1
				British Airways	11.5
				Lufthansa	12.2

SAS has a well suited fleet...


Approximately 75% of the fleet is new generation with an average age below 8 years.

...with flexibility to cope with fluctuations in demand

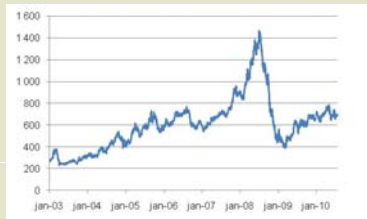
The mix of new generation and older aircraft with lower capital cost increase the flexibility to handle short term production peaks.

¹ Average age in years for aircraft operated by Scandinavian Airlines. (Same figures for SAS Group is 8, 16, 16 years.)
² Boeing 737NG, A319/320/321, A330/340, MD-90, CRJ900NG, Q400NG, SAAB 2000
³ Source Aircraft Worldwide Ltd, 2009

Amended fuel hedging policy



Jet fuel, spot price development, USD



Current hedges


- 53% of the consumption hedged for next 12 months
- Only swaps and options
- Hedged at levels below USD 800MT until June 2011

Amended policy to offset fuel price volatility

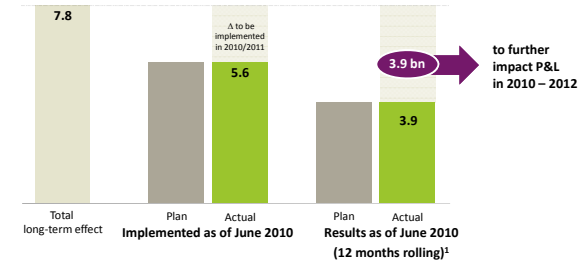
- Hedging 40-70% of expected consumption (12 months rolling)
- Up to 18 months hedging allowed
- Yield management
- Cost initiatives

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Additional SEK 3.9 bn to have result effect



Implementation of Core SAS cost program




SEK 3.9 bn still to impact the P&L at full implementation

¹ Difference between implementation value and P&L effect in 2009 due to full year effect, excluding restructuring costs

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SAS getting aligned for profitable growth





- Cost program on track
- Improved market conditions
 - Load factors improved
 - Increasing demand
- Still uncertainties regarding yield
- Financial position stable
 - Strong liquidity

Stable platform established for future profitable growth

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Appendices



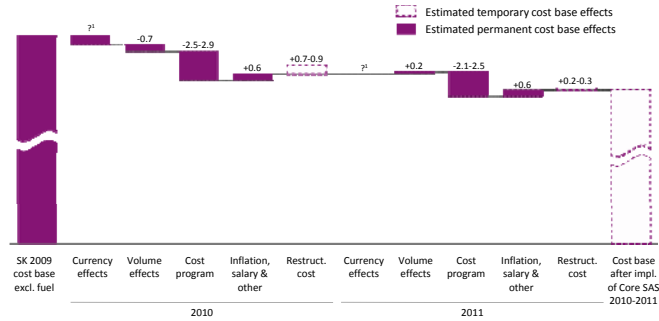
- Core SAS
- Fleet
- Unit revenue (yield & RASK)
- Unit cost & productivity
- Traffic
- Financial update
- Currency

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Estimated cost effects going forward (Scandinavian Airlines only)

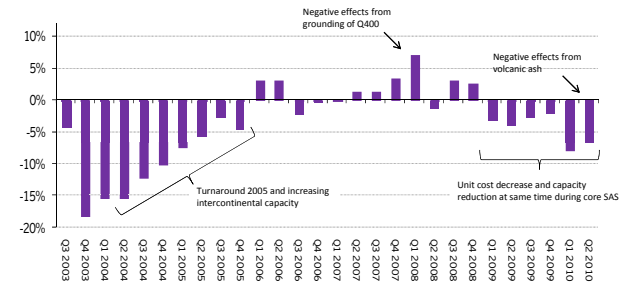


Estimated cost effects (SEK bn)



¹ Pending fx development

Total unit cost long term development



SAS Group fleet – June 2010



Aircraft Type	Owned	Leased	Wet leased	TOTAL	Leased out	Age	On order
Airbus A330/340	5	6		11	1	8.1	
Airbus A319/320/321	4	10		14	2	7.0	
Boeing 737 Classic		15		15		17.3	
Boeing 737 NG	22	45		67	2	9.2	
MD-82/87	27	14		41	8	20.3	
MD-90	8			8	3	13.4	
Boeing 717		9		9	4	9.8	
Avro RJ85		7		7		9.3	
Fokker 50		5		5		20.3	
Q100/300/400	27	15		42	4	12.3	1
SAAB 2000			3	3		13.3	
Bombardier CRJ200			5	5		11.9	
Bombardier CRJ900 NG		12		12		1.1	
Total aircraft	105	126	8	239	24	12.1	1
Scandinavian				168		11.7	
Widerøe				32		13.1	1
Blue1				15		11.5	
Leased out				24		13.6	
Fleet				239		12.1	1

¹ To be managed by lease returns disposals and lease out whereof: 1 AC divestment signed, 3 lease out contracts signed, 3 lease returns

75 % of Scandinavian Airlines fleet are new generation aircraft



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³ Source: Ascend Worldwide Ltd, 2009

Overview of the SAS Group's fuel hedging and costs for 2010


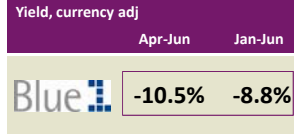
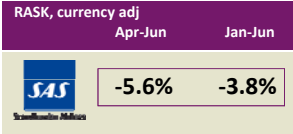
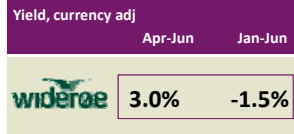
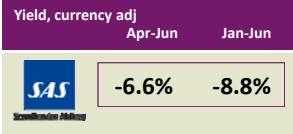


SAS Group's jet fuel hedging portfolio	Q3 2010	Q4 2010	Q1 2011	Q2 2011
Options	5%	12%	11%	5%
Strike price, USD/MT	688	746	744	787
Swaps	48%	40%	41%	50%
Price USD/MT	712	753	761	773

SAS Group's jet costs in 2010 (annual average values)	6.0 SEK/USD	7.0 SEK/USD	8.0 SEK/USD
Market price			
600 USD/MT	SEK 5.7 billion	SEK 6.1 billion	SEK 6.5 billion
800 USD/MT	SEK 6.0 billion	SEK 6.5 billion	SEK 7.0 billion
1 000 USD/MT	SEK 6.4 billion	SEK 6.9 billion	SEK 7.5 billion
1 200 USD/MT	SEK 6.7 billion	SEK 7.3 billion	SEK 7.9 billion

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Yield and RASK development

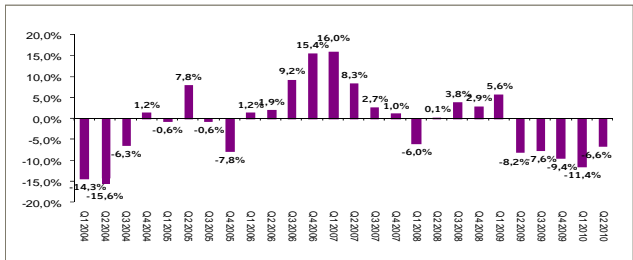
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Yield development

Scandinavian Airlines




Scandinavian Airlines, currency adjusted yield vs last year



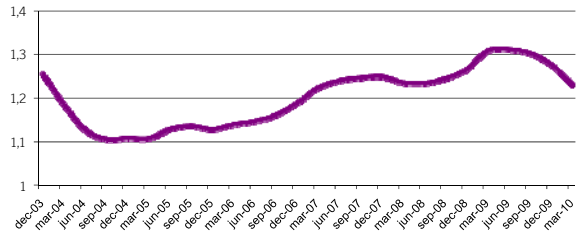
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Yield development

Scandinavian Airlines



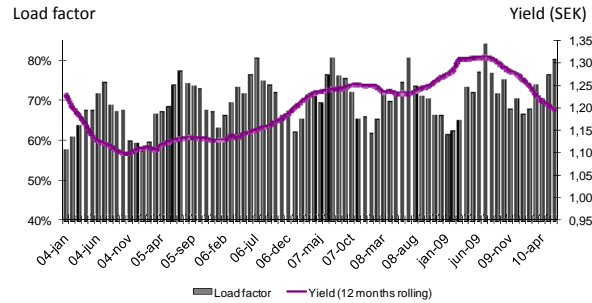
12 months rolling average, nominal yield



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Scandinavian Airlines

– strongly improving load factor, but weak yield



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Unit cost down 5.5% in Q2 negatively affected by closure of traffic in April by 2 p.u.



Unit cost breakdown	Apr-Jun 2010	Apr-Jun 2009	Var, %	Share of total var, %
Payroll expenses	-2 917	-3 149	-7,4%	-2,9%
Jet fuel	-1 450	-1 726	-16,0%	-3,5%
Government user fees	-867	-850	2,1%	0,2%
Selling costs	-104	-102	2,3%	0,0%
Handling costs	-390	-424	-8,0%	-0,4%
Technical aircraft maint.	-506	-602	-15,9%	-1,2%
Other operating expenses ¹	-511	-411	24,1%	1,2%
Total operating expenses	-6 744	-7 264	-7,2%	-6,5%
Leasing costs for aircraft	-422	-376	12,1%	0,6%
Depreciation	-378	-342	10,5%	0,5%
Adjusted EBIT	-7 544	-7 982	-5,5%	-5,5%

¹ Net of other operating revenues

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Large decrease in unit cost in Jan-Jun

Negatively affected by the ash cloud by approximately 2 p.u.

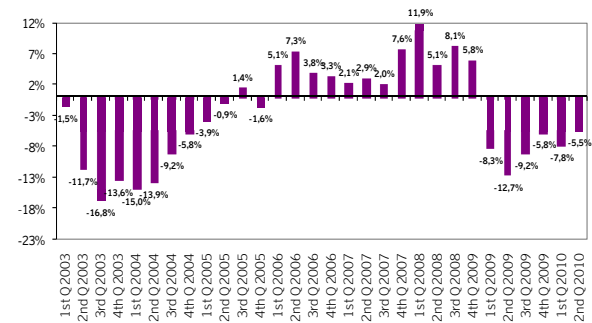


Unit cost breakdown	Jan-Jun 2010	Jan-Jun 2009	Var, %	Share of total var, %
Payroll expenses	-5 828	-6 468	-9,9%	-4,0%
Jet fuel	-2 732	-3 005	-9,1%	-1,7%
Government user fees	-1 721	-1 653	4,1%	0,4%
Selling costs	-182	-219	-16,9%	-0,2%
Handling costs	-791	-856	-7,6%	-0,4%
Technical aircraft maint.	-1 065	-1 318	-19,2%	-1,6%
Other operating expenses ¹	-1 002	-885	13,2%	0,7%
Total operating expenses	-13 320	-14 404	-7,5%	-6,8%
Leasing costs for aircraft	-852	-914	-6,7%	-0,4%
Depreciation	-736	-655	12,4%	0,5%
Adjusted EBIT	-14 908	-15 972	-6,7%	-6,7%

¹ Net of other operating revenues

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Unit cost continues to decrease significantly



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Productivity



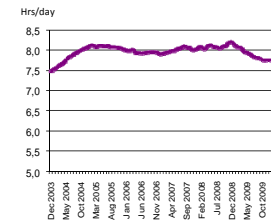
Block hours, 12 months rolling, 2009-2010	Aircraft, hours/day	Pilots, hours/year	Cabin, hours/year
Scandinavian Airlines	7.91	570	619
Widerøe	6.63	447	423
Blue1	7.59	604	733

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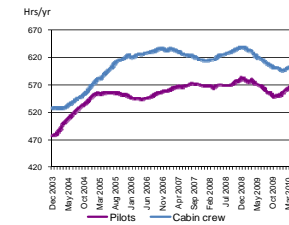
Key productivity ratios improving for Scandinavian Airlines



Aircraft utilization (12 months rolling)



Cabin, pilot utilization (12 months rolling)



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Passenger volumes affected by reduced capacity and the closure of traffic in April



Passenger and capacity development 2010 vs 2009



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ASK outlook 2010



2010 vs 2009


SAS Group
Scandinavian Airlines
Widerøe
Blue1

-2% to -4%
-3% to -5%
+5% to +6%
+10% to +11%

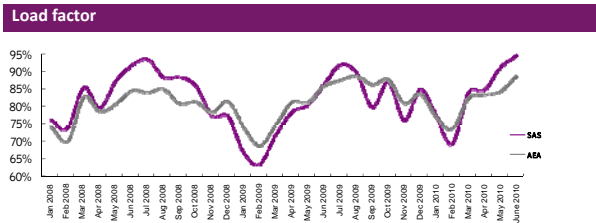
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North Atlantic

- SAS to increase capacity from October




- Daily departures from Copenhagen to New York, Washington DC and Chicago in the summer program
- Daily departures from Stockholm to New York and Chicago during the summer program
 - Capacity cuts during the winter
- Traffic development Jan-Jun 2010
 - SK traffic down 1.3%
 - AEA traffic down 1.4%



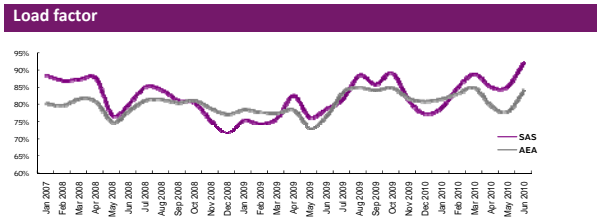
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Asian routes

- SAS traffic growing more than the market




- Scandinavian Airlines serving Bangkok, Beijing, Tokyo and Dubai (seasonal) from Copenhagen
- Traffic development in Jan-Jun 2010:
 - AEA traffic up 0.9%
 - SAS traffic up 2.7%

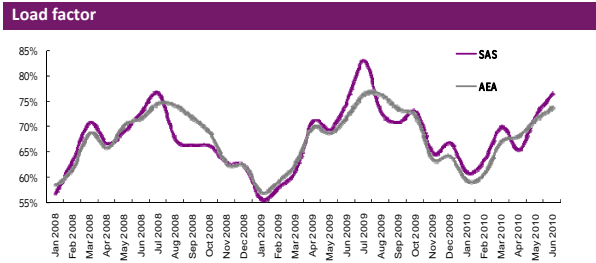


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Europe - Development negatively affected by ash cloud in April, but Core SAS measures have positive effect


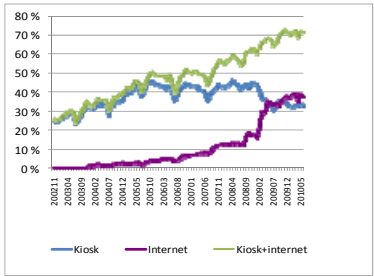


- SAS load factor in line or above the average of the AEA airlines.
- Traffic development Jan-Jun 2010:
 - AEA traffic down 1.1%
 - SAS traffic down 8.3% due to capacity cuts of unprofitable routes and closure of traffic in April due to ash cloud



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Proportion of internet check in has increased strongly

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Financial update



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Summary of the SAS Group's balance sheet



MSEK	30 June 2010	31 December 2009	30 June 2009
Aircraft and Spare parts	14 824	14 386	13 935
Other non interest-bearing assets	10 041	9 621	11 419
Interest-bearing assets	14 515	14 289	12 600
Cash and cash equivalents	7 200	4 199	6 587
Total Assets	46 580	42 495	44 541
Total shareholders' equity ¹	14 632	11 389	121 984
Deferred tax	2 253	2 835	3 062
Other interest-bearing liabilities	14 004	14 660	13 125
Operating liabilities	15 691	13 611	16 370
Total shareholders' equity and liabilities	46 580	42 495	44 541

¹ Including minority interests

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Overview of available funds – June 2010



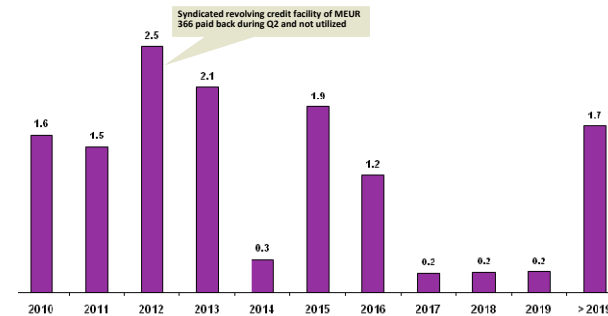
Available funds, SEK billion	June 2010	Maturity
Liquid funds	7.2	
Undrawn portion of credit facilities	3.5	Jun 2013
Revolving Credit Facility, 366 MEUR (total SEK 3.5bn)		
Revolving Credit Facility, 131 MUSD (total SEK 1 bn)	0.0	Apr 2013
Credit Facility, 160 MUSD (total SEK 1.2 bn)	0.3	Mar 2011
Credit Facility, 125 MUSD (total SEK 1.0 bn)	0.3	Jun 2013
Bi-lateral Revolving Credit Facilities (total SEK 1.3 bn)	1.3	Jun 2013
Others	0.3	Dec 2010
Total undrawn credit facilities	5.5	N/A
Total available funds	12.7	
Total credit facilities	8.4	
Drawn portion of credit facilities	2.9	
Undrawn portion of credit facilities	5.5	

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Improved financial flexibility

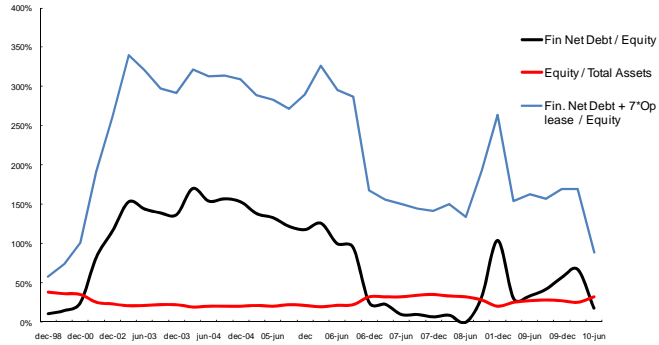


Scheduled amortization profile, SEK bn



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Gearing ratios



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SAS Group

Financial Net Q2 2010



MSEK	Q2-2010	Q2-2009	Difference
Interest net and others	-270	-140	-130
Exchange rate differences	+19	+43	-24
Financial net	-251	-97	-154

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SAS Group

Financial Net January-June



MSEK	Jan-Jun 2010	Jan-Jun 2009	Difference
Interest net and others	-471	-273	-198
Exchange rate differences	+10	+181	-171
Financial net	-461	-92	-369

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Development and Break Down

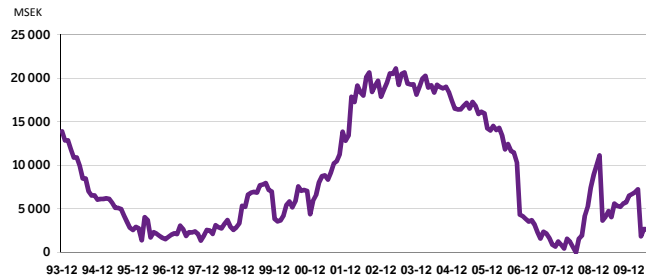
of Financial Net Debt



MSEK	2010-06-30	2009-12-31	Difference
Cash	7 200	4 199	+3 001
Other interest bearing assets	4 162	3 957	+205
Interest bearing liabilities	-14 004	-14 660	+656
Financial net debt	-2 642	-6 504	+3 862

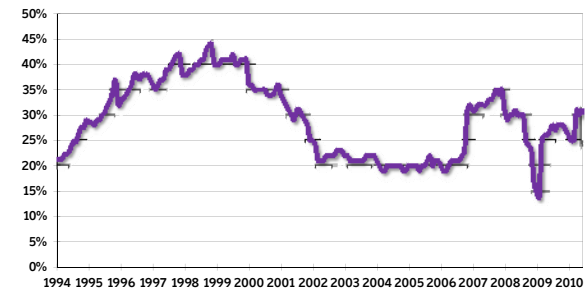
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Development of financial net debt 1993-2010



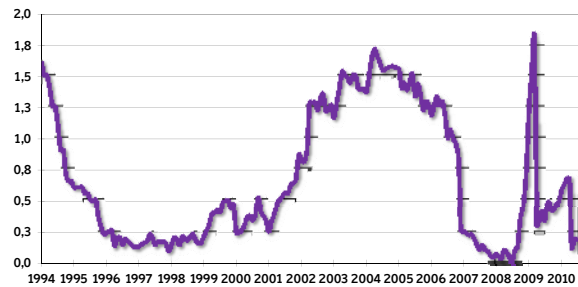
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Equity / Assets Ratio 1993-2010



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Financial Net Debt / Equity Ratio 1993-2010



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Development of the financial net debt during Jan-Jun 2010



SEK billion	
Financial net debt December 2009	-6.5
Investments	-1.6
Sales	0.5
Cash flow from operating activities	0.5
Currency and others	-0.2
Rights issue	4.7
Financial net debt June 2010	-2.6

Breakdown of currency effect SAS Group, continuing operations 2010 vs. 2009



Total revenues & costs currency effect		Apr-Jun	Jan-Jun
Total revenues & costs	USD	181	518
	DKK	49	79
	NOK	8	25
	EUR	-2	5
	Asian currencies	-11	-48
	All others	-23	-40
	Total	202	539
Forward cover costs	2009	452	1,079
	2010	-54	-240
	Difference	-506	-1,319
Working capital	2009	-17	-82
	2010	51	70
	Difference	68	152
Financial items	2009	43	181
	2010	19	10
	Difference	-24	-171
Total currency effect		-260	-799

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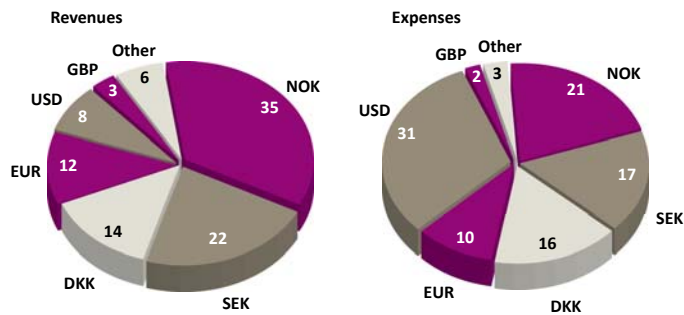
Significant changes in currency exchange rates affected the result by MSEK -799 in Jan-Jun 2010 vs Jan-Jun 2009



Currency effects MSEK on SAS Group, continuing operations: 2010 vs. 2009		Apr-Jun 2010	Jan-Jun 2010
<ul style="list-style-type: none"> Negative impact on revenues due to a significantly stronger SEK in March Positive impact on other operating costs mainly due to the weaker USD to SEK Weaker USD to SEK affected certain hedging arrangements negatively Weaker EUR to SEK affected net financial items, related to certain loan agreements with Spanair in January 2009 	Total revenue	-451	-816
	Total costs	653	1,355
	Forward cover costs & working capital	-438	-1,167
	Income before depreciation	-236	-628
	Financial items	-24	-171
	Income before tax	-260	-799

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Currency distribution in the SAS Group 2009



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