



SAS Group

SAS AB

2nd Quarter 2003



Teleconference, August 12th

On the right track – cost cuts taking effects



- 1st Quarter – Weakest quarter in history for airline industry
- 2nd Quarter – Continued pressure on revenues – reduced operating costs
 - Volumes & yield pressure due to SARS and Iraq war and weak economies
 - Scandinavian Airlines unit cost down 13% in Q2
- Traffic recovery noted in May/June
 - U.S./Asian traffic has recovered
 - Bookings to Europe back to 2002 levels
- Turnaround 2005 (Plan B + C) forcefully implemented
 - 13-14 billion SEK in cost savings
 - 6 000 redundancies



2nd Quarter revenues hit hard by weak economies and SARS/Iraq

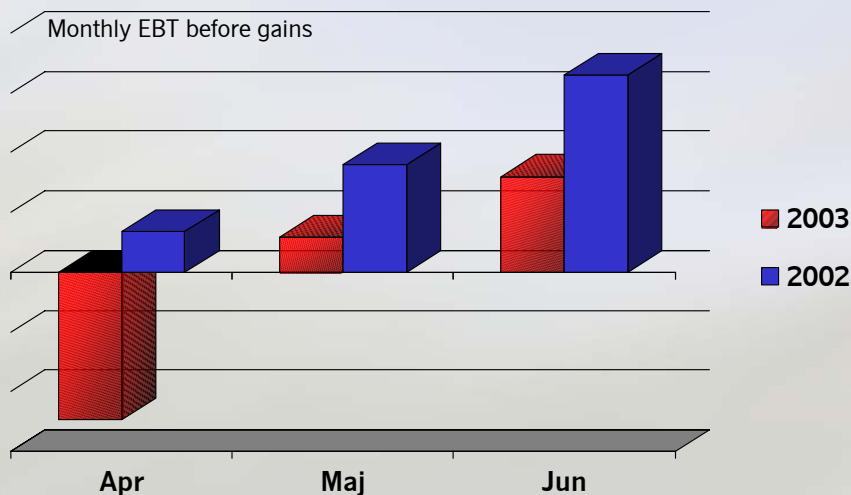


2nd Quarter MSEK	2003	2002	
▶ Revenue	15 300	17 868	-14,4%
▶ EBITDAR	1 608	3 248	-50%
▶ EBT bef. cap gains	-57	1 180	
▶ EBT incl. gains	87	1 039	

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Extremely weak April Recovery noted as from May 2003



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Severe Revenue Pressure

Passenger revenues down 3 729 MSEK

Scandinavian Airlines

Scandinavian
Airlines



January-June

- ▶ Revenues 13 618 MSEK - 21,5 %

- Volume - 8.3%
- Yields* - 11,8%
- Currency -2,7%

* Including Intercont effect and reduced travel agency commissions

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Events 2nd Quarter 2003



- Actions taken under Turnaround 2005
 - New agreements with unions with productivity improvements - block hours up by more than 40%
 - Agreements with all three cabin unions June/July
 - Negotiate reduction of overhead by more than 40%
 - Centralization of base maintenance to Stockholm
 - PFI for pilots under implementation
- Scandinavian Airlines most punctual airline in Europe in June. Best punctuality and regularity in 10 years
- Snowflake well received in market place
 - Passenger load factor > 80%

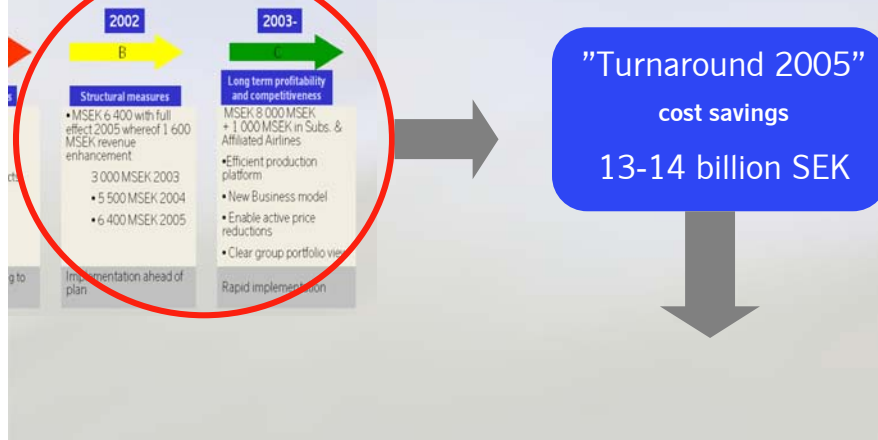
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The SAS Group Turnaround 2005



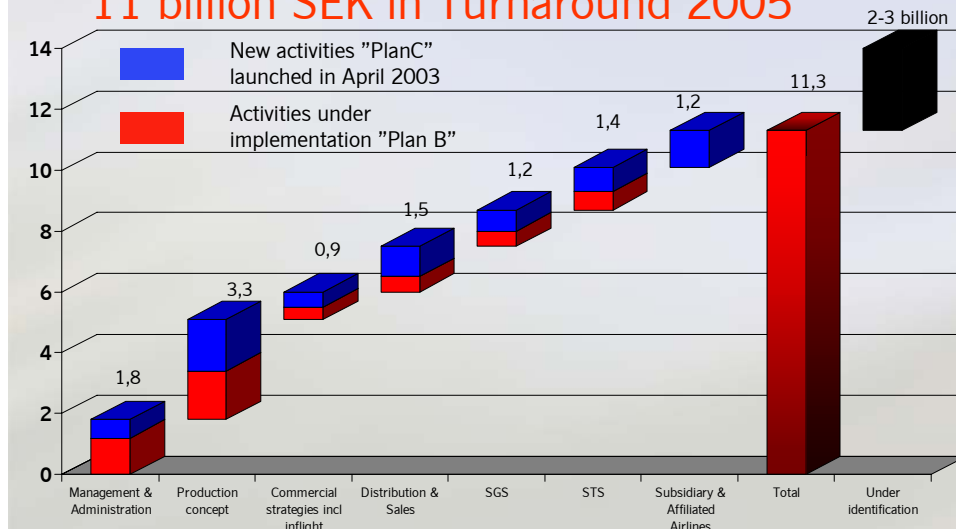
Company's path to profitability and competitiveness



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Identified cost measures of 11 billion SEK in Turnaround 2005



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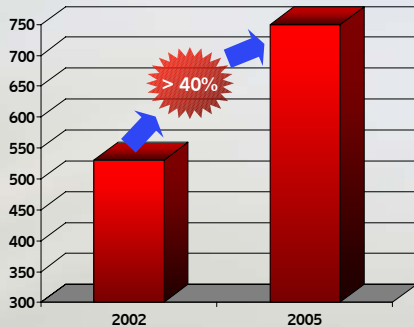


New agreements with possibility to increase crew and pilot block hours by over 40%

Scandinavian Airlines

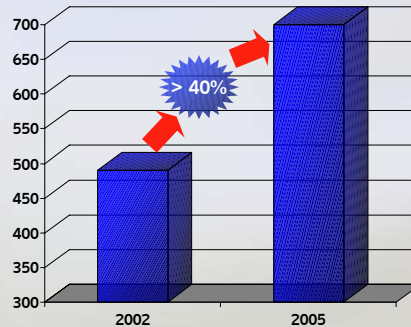


Block hours per year, cabin crew



- Cabin crew block hours from 530 to 750
- Pay freeze 2003/2004
- Flexible scheduling

Block hours per year, pilots



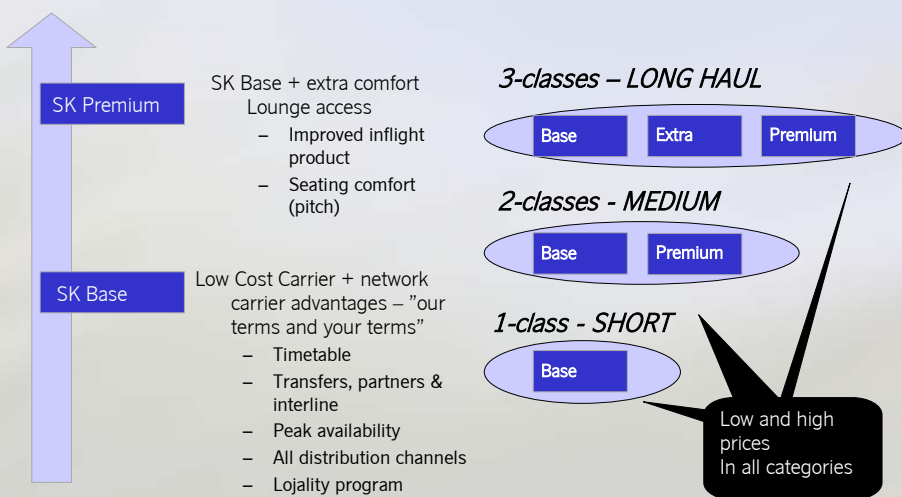
- Work day from 10,5 to 12 hrs/day
- Hours/week up from 42 to 45
- Pay freeze 2003/2004
- Block hours from 490 to 700-750

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New modulated product concept – the base for future customer set up

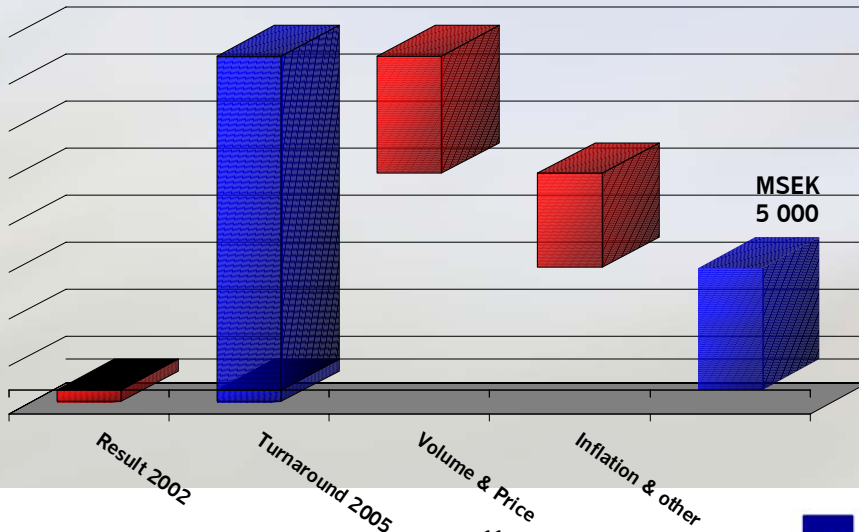
Scandinavian Airlines



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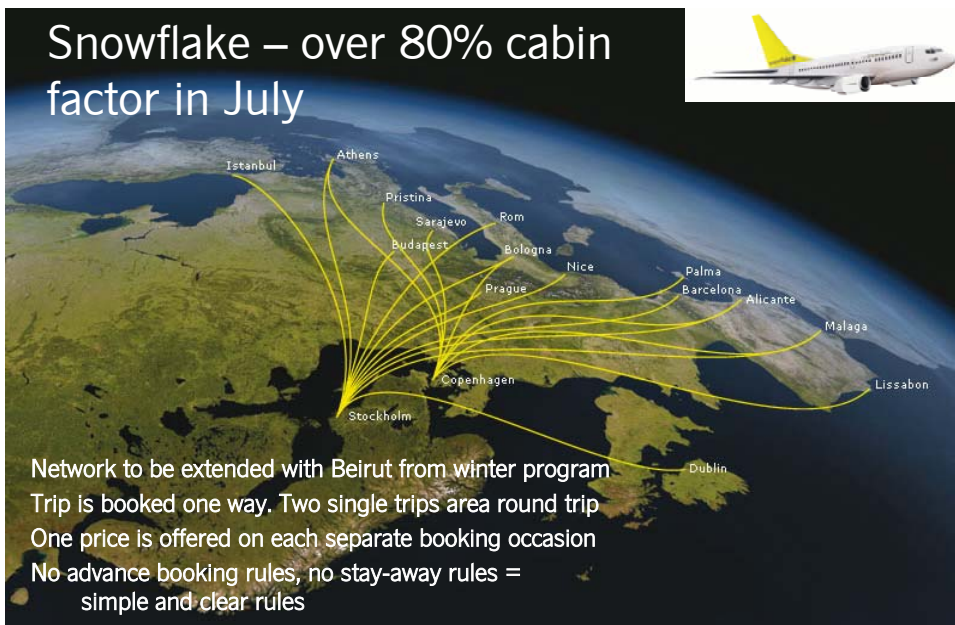
How to bridge the gap to reach target of MSEK 5 000



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Snowflake – over 80% cabin factor in July



www.flysnowflake.com 12



2nd Quarter Earnings before tax - Business area



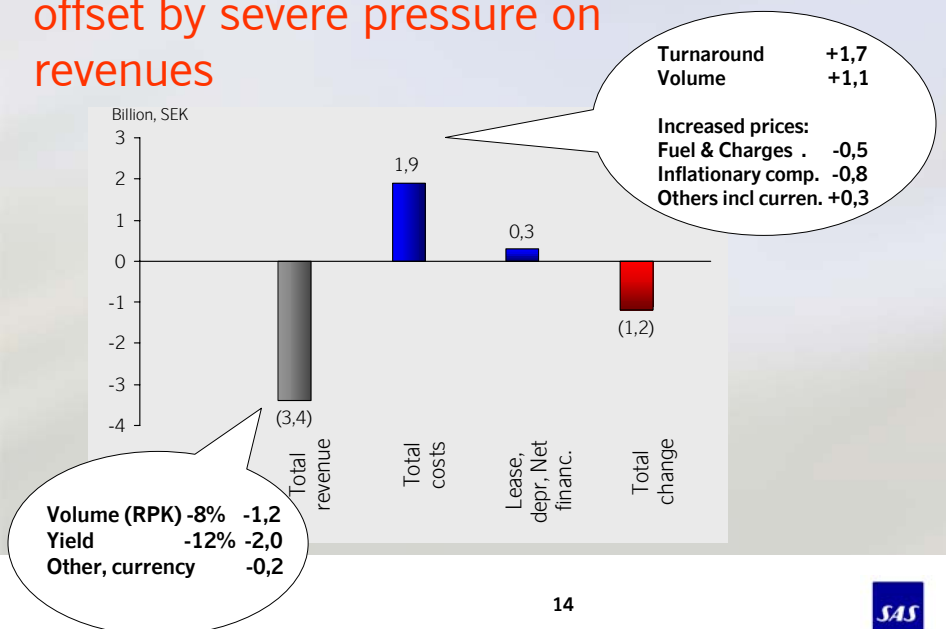
Business area	Q2 03	Q2 02	Change
Scandinavian Airlines	-77	321	-398
Subsidiary & Aff. Airlines	214	415	-201
Airlines Support Businesses	44	137	-93
Airline Related Businesses	34	41	-7
Hotels	-39	59	-98
Group eliminations	-89	66	
EBT	87	1 039	-952

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Effects from Turnaround 2005 offset by severe pressure on revenues

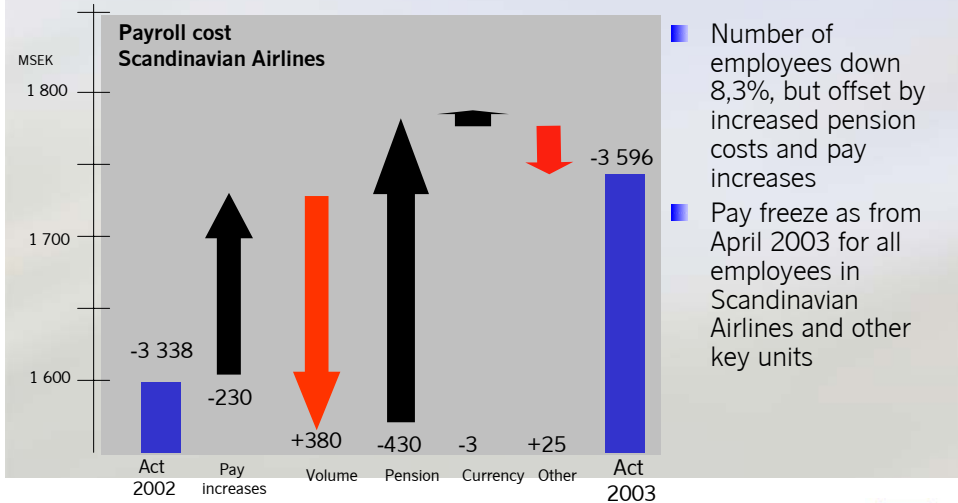
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Airlines



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Number of employees down – payroll expenses up due to pensions and payroll "overhang" from 2001



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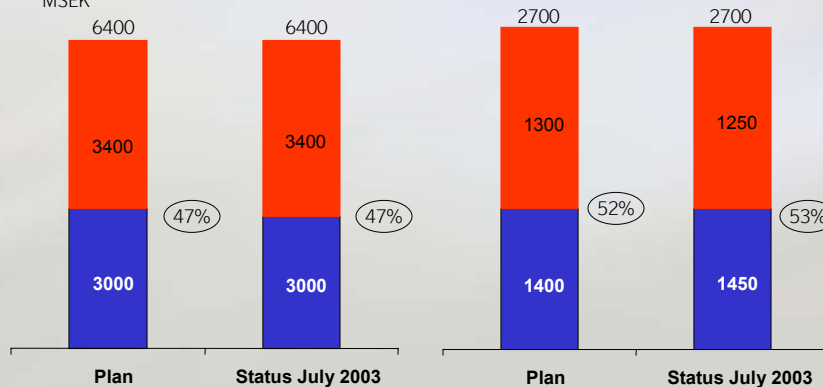
Plan B according to plan



■ To be implemented
■ Implemented

Total financial effect of implemented activities compared to plan
MSEK

Reduction of personnel



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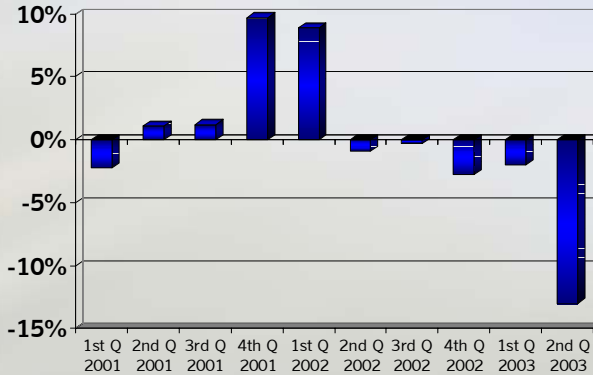


Sharp reduction in unit cost 2nd Quarter

Scandinavian
Airlines



Index last year
(currency adjusted) Scandinavian Airlines



- ▶ Q1 unit cost down 2,0%
- ▶ Q2 unit cost down by 13,0%
 - Turnaround 2005
 - Net pricing model
 - Limited long haul effect
 - Some effect from snowflake introduction

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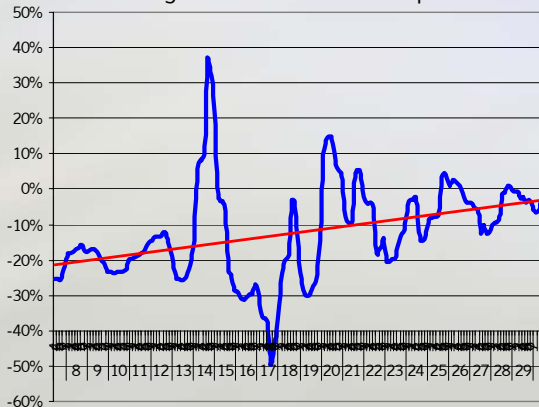


Bookings have stabilized to almost same level as last year

Scandinavian
Airlines



Net bookings 2003 vs. 2002 - Europe

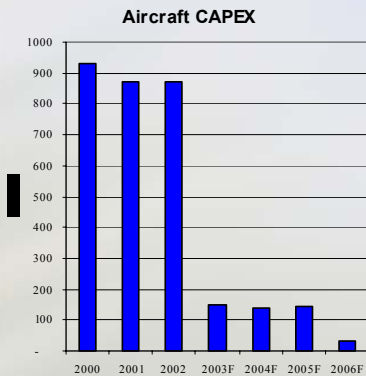


- ▶ Total bookings in line with 2002
- ▶ Bookings to Europe back to 2002 levels
- ▶ Strong U.S traffic during summer
- ▶ Asia recovered since June
- ▶ Weaker on domestic & intrascand

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High financial maneuverability



- Liquidity of MSEK 8 155 (unchanged since Q1)
- Committed credit facilities MSEK 7 500
- Solidity 21%
- No Rating Triggers
- Investment program completed
- Young fleet
- Additional sources of capital
 - Aircraft
 - Real estates
 - Non-core businesses

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Subsidiary & Affiliated Airlines not immune to falling revenues

Subsidiary & Affiliated Airlines



New improvement measures of MSEK 1 200 identified and initiated

Apr-Jun in MSEK								
Revenues	1 997	8%	1 736	-16%	647	-6%	262	-14%
EBITDAR	382	45%	274	-53%	112	-26%	55	-48%
EBT	86	n/a	73	n.m	43	n.m	16	-75%

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Hotels – weak hotel markets and high energy costs in Norway

Residor SAS Hospitality

- Affected by SARS and Iraq war
- Main capitals in Central Europe more affected than Eastern Europe and smaller cities
- New loyalty program introduced- Goldpoints
- Number of hotels increased from 184 to 213

January – June	2003	2002
Total revenue	1 745	1 624
EBITDA	-76	24
EBITDA, adjusted	-72	37
EBIT	-135	-18
EBT	-154	-26

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Sum up

- ▶ Significant pressure on revenues due to
 - Weak economies
 - Iraq/SARS (March/April)
- ▶ Cost measures takes effect
 - Turnaround 2005 forceful implementation
 - Unit cost down in Q2 by 13% for Scandinavian Airlines
- ▶ Strengthened position for Spanair Air Botnia & AirBaltic
- ▶ Good financial maneuverability to implement & carry through turnaround

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The Board of Directors

Assessment for full year 2003:

- ▶ Continued weak economies
- ▶ Recovery on U.S/Asia and European routes
- ▶ Turnaround 2005 – forceful implementation
- ▶ EBT bef taxes and gains approximately negative MSEK 2 000

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