



# SAS AB

## Press conference

### 2nd Quarter 2003



Frösundavik August 11th

## On the right track – cost cuts taking effects

- 1<sup>st</sup> Quarter – Weakest quarter in history for airline industry
- 2<sup>nd</sup> 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



## 2<sup>nd</sup> Quarter revenues hit hard by weak economies and SARS/Iraq

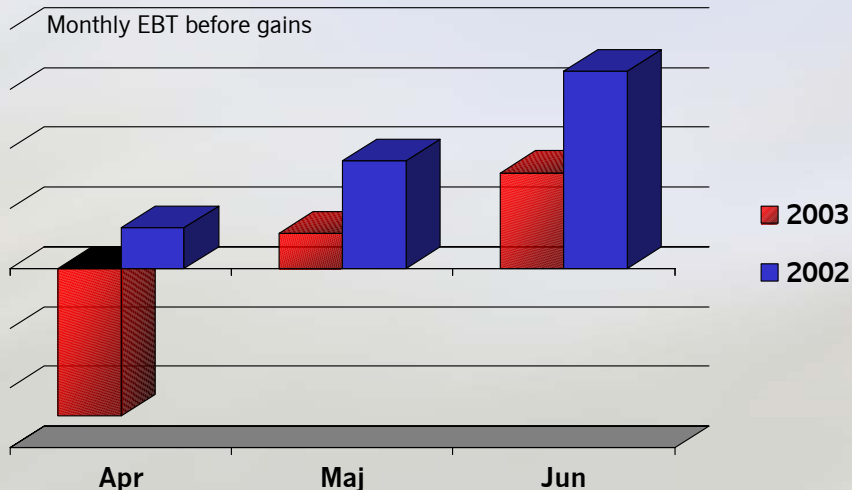


2nd Quarter MSEK	2003	2002	
▶ Revenue	15 300	17 868	-14,4%
▶ EBITDAR	1 608	3 248	-50%
▶ EBT bef. cap gains	-57	1 180	
▶ EBT incl. gains	87	1 039	

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## Extremely weak April Recovery noted as from May 2003



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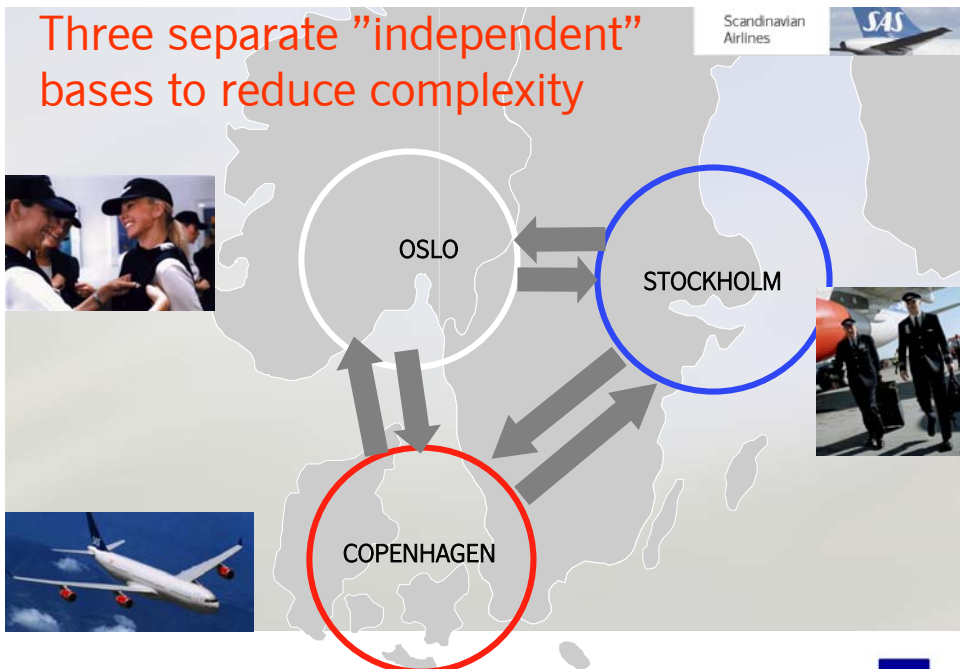


## Events 2<sup>nd</sup> Quarter 2003



- 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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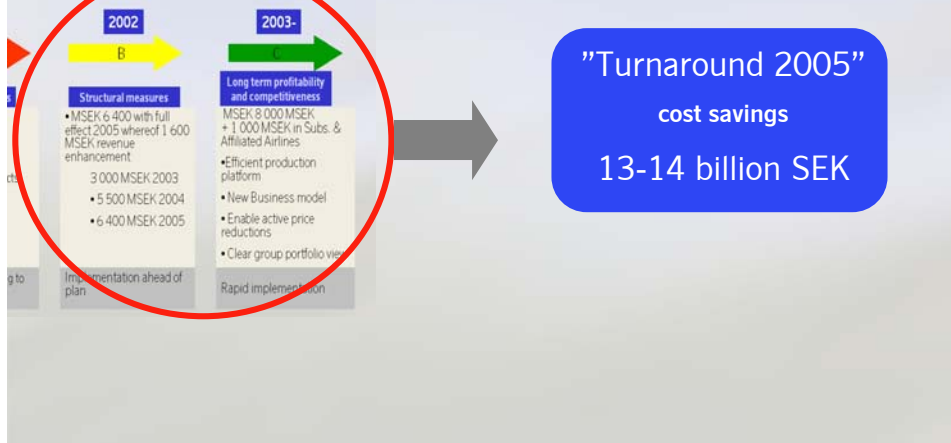
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# The SAS Group Turnaround 2005



Company's path to profitability and competitiveness



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**Gunilla Berg**  
**CFO**

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## 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	
<b>EBT</b>	<b>87</b>	<b>1 039</b>	<b>-952</b>

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Scandinavian  
Airlines



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# Plan B according to plan

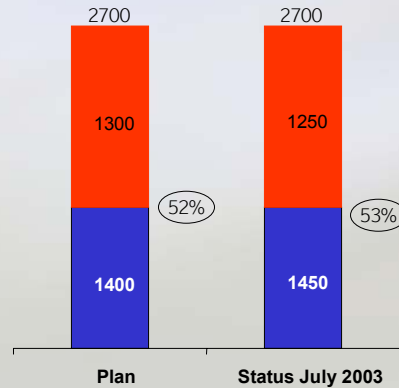


■ To be implemented  
■ Implemented

**Total financial effect of implemented activities compared to plan**  
MSEK



**Reduction of personnel**

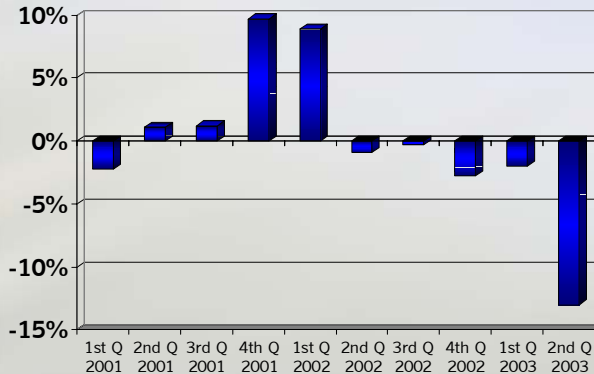


# Sharp reduction in unit cost 2<sup>nd</sup> Quarter

Scandinavian Airlines



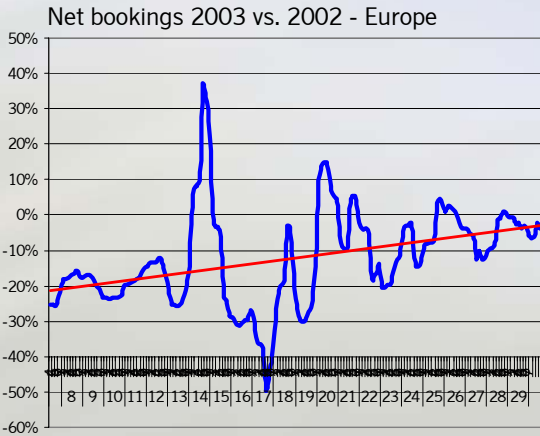
Index last year  
(currency adjusted) Scandinavian Airlines



- ▶ 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



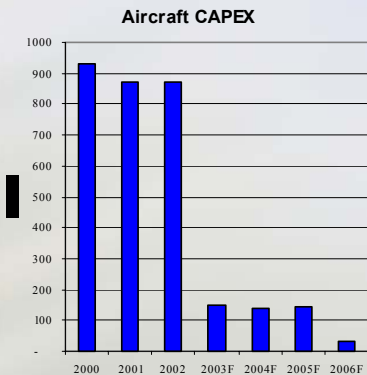
# Bookings have stabilized to almost same level as last year



- ▶ 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



# 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



## Gunnar Reitan Deputy CEO

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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			 Member of the SAS Group	
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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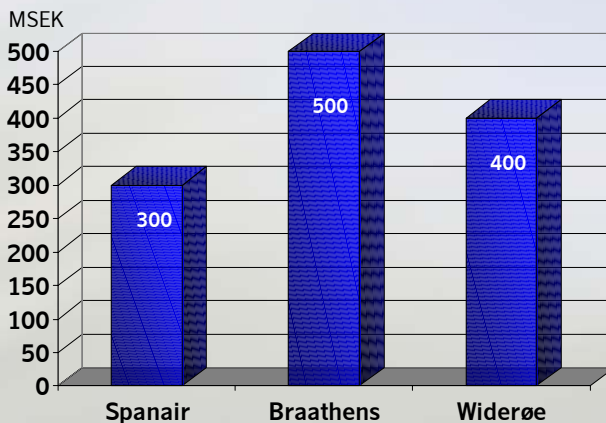




## Overall weak market development



## A number of improvement measures initiated for Subsidiary airlines



- ▶ Initiated April 2003
- ▶ Full effect 2004
- ▶ Total measures of at least MSEK 1 200
- ▶ Air Botnia ongoing improvements

## Hotels – weak hotel markets and high energy costs in Norway

Rezidor 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

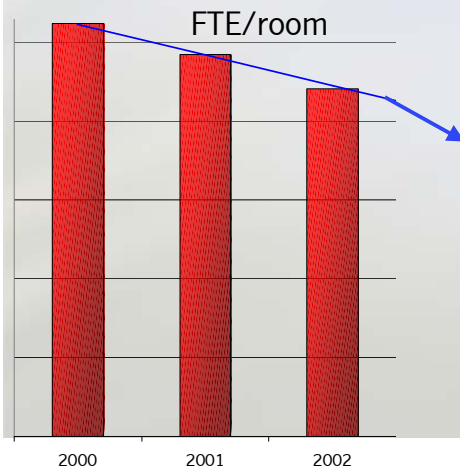
January – June	2003	2002
Total revenue	1 745	1 624
EBITDA	-76	24
EBITDA, adjusted	-72	37
EBIT	-135	-18
EBT	-154	-26

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## Cost saving programs MSEK 150 under implementation

Rezidor SAS  
Hospitality



- ▶ Full effect in 2004
- ▶ Reduce employees by 10%
- ▶ Focus on continued improvements of FTE per room
- ▶ Renegotiate contracts levels down by app. 10%

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## Jørgen Lindegaard President & CEO

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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 two billion SEK negative

# Thank you for your attention!

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