



## First interim report 2005

Analyst presentation  
May 3, 2005

Group | Scandinavian Airlines Businesses | Subsidiary & Affiliated Airlines | Airline Support | Airline Related Business | Hotels



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



- ▶ Turnaround 2005
  - Unit cost down 7,5% adjusted for currency and fuel (vs. 2004)
- ▶ Yield development stable
- ▶ Load factor a challenge
  - Significant overcapacity in Copenhagen market and Swedish domestic
- ▶ Fuel cost up MSEK 340 vs last year
  - Offset by price initiatives
- ▶ 1<sup>st</sup> Quarter negative Easter effect of around MSEK 200-250
- ▶ Underlying result improved by MSEK 500
  - Strongest improvements in Spanair and Blue1

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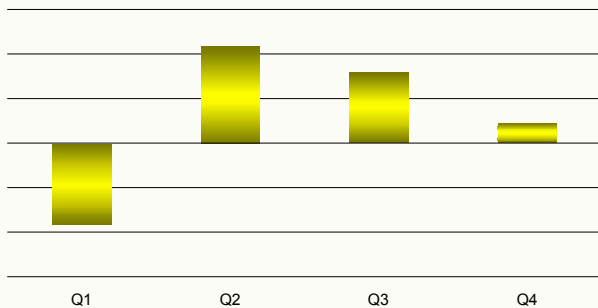


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## 1<sup>st</sup> Quarter loss follows normal seasonality



EBT bef cap gains & nonrecurring items (historic picture)



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## Underlying 1<sup>st</sup> Quarter result improved by MSEK 500



MSEK	January-March		
	2005	2004	Change
▶ Revenues	13 016	12 567	+449
▶ EBITDAR	179	-44	+223
▶ Lease, depreciation & financial net	-1 511	-1 613	-102
▶ EBT	-1 290	-1 540	+250
▶ EBT bef non-recurring items	-1 312*	-1 588	+276

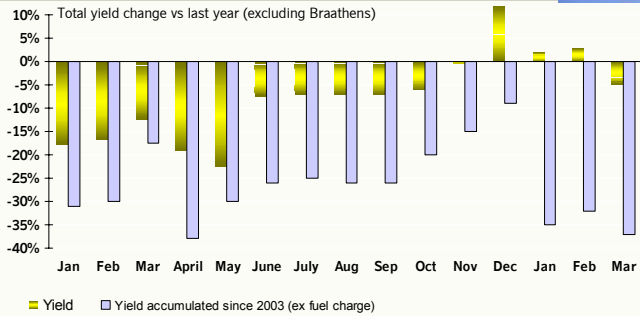
\*) Including negative Easter effects of MSEK 200-250 improvement of appr MSEK 500

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Development has resulted in up to 35% yield fall over 2-3 yrs – now stabilizing



▶ Indications for April yields positive due to Easter effect



SAS Braathens on track  
One AOC established



- ▶ Competition intense but market share relatively stable
- ▶ Cabin factor up 4,6 p.u. in Q1
- ▶ EBT improved by MSEK 123
- ▶ Over 50% internet bookings on domestic routes



Total revenues  
EBITDAR  
**EBT, bef nonrecurring items**

	Jan-Mar 2005	2004
Total revenues	2 663	2 651
EBITDAR	234	107
<b>EBT, bef nonrecurring items</b>	<b>-88</b>	<b>-211</b>



Scandinavian Airlines Danmark  
– large overcapacity in Europe



- ▶ Fierce competition and large overcapacity on many routes
- ▶ Capacity down 5,8%
- ▶ Cabin factor down 1,6 p.u.
- ▶ Negotiations with Copenhagen Airport on charges for 2006-2008

	Jan-Mar 2005	2005
Total revenues	2 233	
EBITDAR	-179	
EBT	-410	



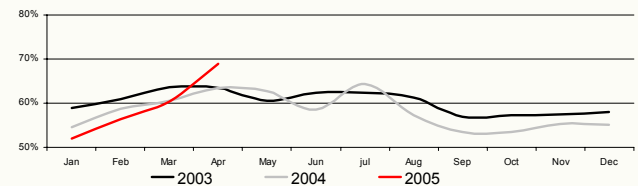
Scandinavian Airlines Sverige – new domestic concept above expectations



- ▶ Cabin factor flat in Q1
- ▶ Overcapacity on Swedish domestic
- ▶ New domestic concept successfully launched on March 28
  - One way pricing
  - New web site
  - Simple rules
  - April load factor close to 70%

Total revenues  
EBITDAR  
EBIT  
EBT

	2005
Total revenues	1 808
EBITDAR	-39
EBIT	-213
EBT	-219



## Scandinavian Airlines International – improved long haul product



- ▶ Increased overcapacity
- ▶ Cabin factor down 5,6 p.u. due to lower demand on USA- routes
- ▶ Several product improvements

Jan-Mar	2005
Total revenues	1 594
EBITDAR	-89
EBT	-255



## Improved long haul product in the pipeline as part of customer segmentation strategy



- ▶ First airline in the world to offer a wireless broadband internet connection on the entire long haul fleet
- ▶ In seat telephones in Business
- ▶ Flat beds, Video and Audio on demand will be installed from 2006
- ▶ PC power in the seats in Business and Economy Flex (110 volt, same adapter as at home/in office)



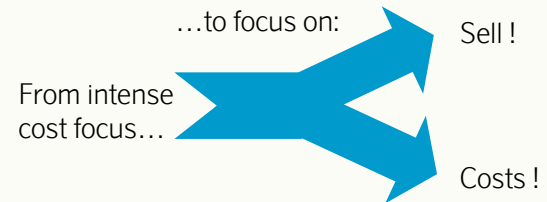
## SAS Group is focusing on 5 strategic areas



### The SAS Group's strategic focus areas



## After some years of intense cost focus, SAS Group now shifts to a bifocal strategic direction



## Commercial excellence



### Commercial excellence

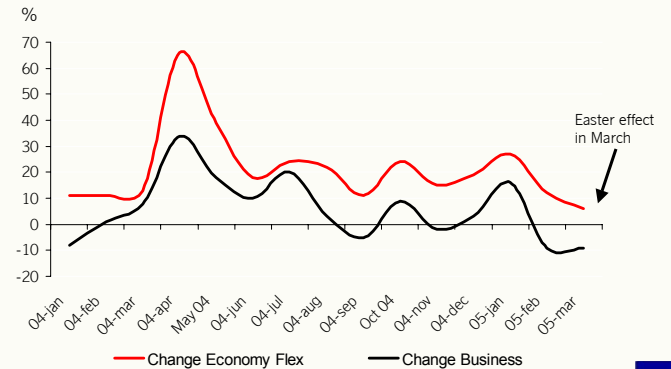
#### Examples of implemented activities

- ▶ Snowflake on Europe
- ▶ Economy Flex on European and Intercontinental routes
- ▶ New Swedish domestic concept
- ▶ New web site
- ▶ One way pricing
- ▶ Improved long haul product
- ... and more to follow

- Customer segmentation
- Products
- Price structure
- Markets
- Sales
- Distribution
- Ancillary revenue



## Business and Economy Flex grow on intercontinental routes

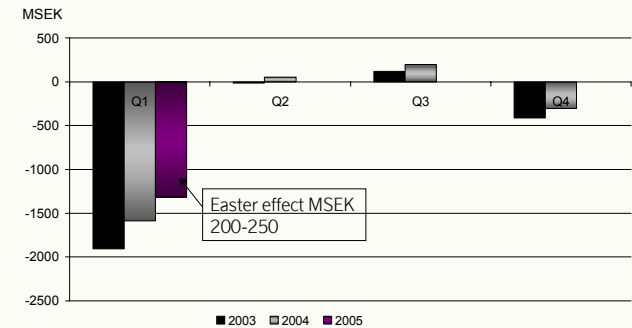


Gunilla Berg  
CFO



## Result development 2003-2005

EBT before nonrecurring items



## EBT before nonrecurring improving for the airlines



Business area	Jan-Mar 2005	Change
Scandinavian Airlines Businesses	-991	65
Subsidiary & Aff. Airlines	-145	143
Airline Support Businesses	116	104
Airline Related Businesses	-3	-17
Hotels	-146	-46
Group eliminations, other	-143	27
<b>EBT, before gains &amp; exceptionals</b>	<b>-1 312</b>	<b>276</b>



## Cost improvement and flexibility



### Cost improvement and flexibility

#### Examples

- ▶ Turnaround 2005 – focus on remaining activities
- ▶ Further rationalization to simplify business models
- ▶ Reduce seasonality
- ▶ Planning process
- ▶ Scheduling
- ▶ Leasing structure

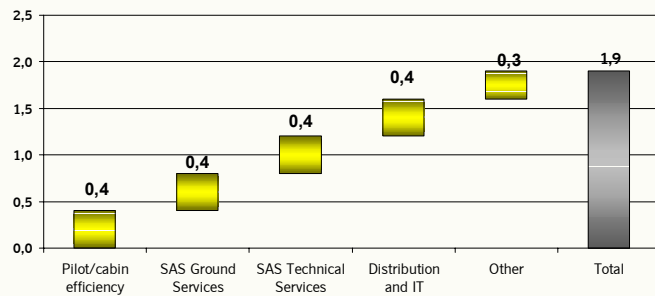
- Turnaround 2005
- Further rationalizations
- Increased cost-flexibility



## Focus on remaining areas in Turnaround 2005



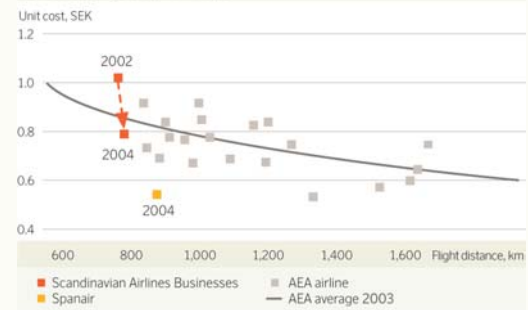
2005  
turnaround



## Scandinavian Airlines is reaching a competitive cost level



#### Unit cost comparison, AEA 2003



## SAS Group holds strong liquid position and significant committed facilities



**Liquid Funds March 31, 2005** **MSEK**  
**7 659**

### Available Credit Facilities:

Revolving Credit Facility (MEUR 400) 900  
Bi-lateral Facilities 2 000  
Others 400  
**Total Available Facilities 3 300**

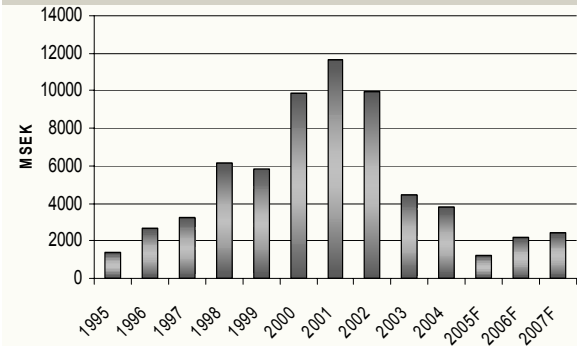
**Total Available Funds 10 959**

- ▶ Available facilities MSEK 3 300
- ▶ Utilized facilities MSEK 3 500
- ▶ Total facilities MSEK 6 800

- ▶ Program to release capital continues



## SAS Group's Capex Holiday continues



**Jørgen Lindegaard**  
CEO



## Good track record of acquiring companies and making them profitable



### The Group's companies - income and long term target achievement

2004	Negative result	Positive result	Target achievement <sup>1</sup>
Scandinavian Airlines Denmark	●	●	●
SAS Braathens	●	●	●
Scandinavian Airlines Sverige	●	●	●
Scandinavian Airlines International	●	●	●
Spanair	●	●	●
Widerøe	●	●	●
Blue1	●	●	●
airBaltic	●	●	●
Estonian Air	●	●	●
SAS Ground Services	●	●	●
SAS Technical Services	●	●	●
SAS Cargo Group	●	●	●
SAS Flight Academy	●	●	●
Jetpak Group	●	●	●
SAS Trading	●	●	●
Reizidor SAS	●	●	●

<sup>1</sup> Degree of target achievement compared to the Group's return requirement over a business cycle.

- ▶ Widerøe acquired 1998
  - ▶ Leading regional airline in Norway
  - ▶ Most profitable year ever in 2004
- ▶ Braathens acquired 2001
  - ▶ Significant Turnaround
  - ▶ Proforma 2004 strongest result ever
- ▶ Spanair acquired 2001
  - ▶ Loss making 1997-2003
  - ▶ Profitable in 2004 adjusted for one-offs
- ▶ Now the same recipe for Scandinavian Airlines Denmark, Sverige and Intercont



## Spanair's Q1 result improved by MSEK 134



- Spanair's low cost model in combination with full service concept

### Innovative products

- Full service and simple travel
- One way prices on whole system
- Punctuality guarantee

### New market growth with

- Traffic up 17,2%, cabin factor stable
- Two new routes opened in Q1 and three new routes in April

### More dynamic aircraft allocation within the SAS Group

Jan-Mar	2005	2004
Total revenues	1 574	1 405
EBITDAR	119	16
EBT	-158	-292



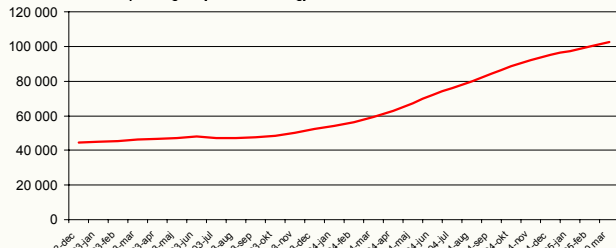
## Blue1 - Impressive traffic growth



- Traffic up 27,6% in first quarter
- Capacity up 1,3% in first quarter
- Cabin factor up 10,7 p.p.
- Cabin factor on Finnish domestic 60,3%

Blue1	January-March	2005	2004
Total revenues		379	268
EBITDAR		34	-28
EBT		-4	-66

Number of passengers (12 month rolling)



## Widerøe according to plan

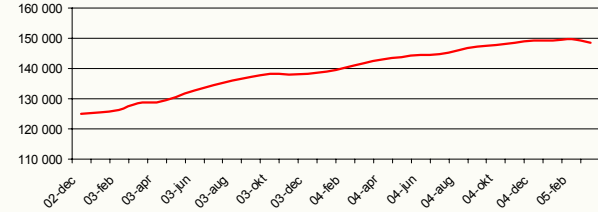


- Number of passengers growing steadily
- Yields down 2,6%
- Load factor up 1,1 p.u.
- EBT on same level as 2004 despite Easter Holiday



Widerøe	January-March	2005	2004
Total revenues		639	583
EBITDAR		80	72
EBT		14	14

Number of passengers (12 month rolling)

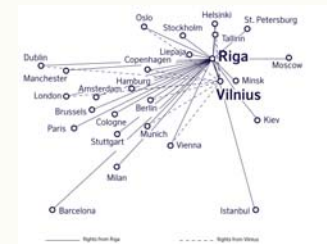
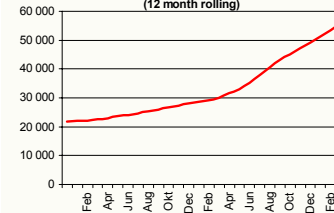


## Impressive growth in airBaltic



- The SAS Group holds 47,2% in airBaltic
- airBaltic traffic up 217,4% in Q1 and passengers up 95,1%
- Competitive cost level

Number of passengers airBaltic (12 month rolling)



## Completed structural transaction with the hotels during 1<sup>st</sup> Quarter



### Hotels

- ▶ Enhancing partnership with shareholder agreement with Carlson
  - Agreement extended to 2052
  - 11 MEUR in full year effect on reduced franchise fee
    - PV of MEUR 131 at 9% WACC 0% growth
    - PV at 4% growth MEUR 210 => Full implied value MEUR 840 of hotels
- ▶ Transaction confirms significant value in the Hotels for the SAS group
- ▶ Expected closing fall 2005

MSEK	January-March	
	2005	2004
▶ Revenues	1 096	918
▶ EBITDA	-86	-57
▶ EBT	-146	-100
▶ EBT bef. gains	-146	-100



## SAS Group key characteristics in perspective



2000	2005	Future
▶ Highest costs among European Airlines	▶ Costs lower than AEA	▶ Continued rationalization
▶ Highest prices in Europe <ul style="list-style-type: none"> <li>– Thousands of ticket rules</li> </ul>	▶ Prices among the lowest in Europe <ul style="list-style-type: none"> <li>– One way pricing introduced</li> <li>– Still some ticket rules</li> </ul>	▶ Segmented approach demand driven <ul style="list-style-type: none"> <li>– “You pay for what you get”</li> <li>– Business</li> <li>– Transfer</li> <li>– Low price</li> </ul>
▶ Limited competition/duopoly	▶ Over established market in Scandinavia <ul style="list-style-type: none"> <li>– LCC “Boom”</li> </ul>	▶ Normalized airline market?
▶ Limited accountability	▶ Full accountability and steering model	▶ Further streamlining of portfolio
▶ Strong position in Scandinavia	▶ Strong position in Baltic region	▶ Significant and profitable aviation group in Europe
▶ 6 <sup>th</sup> largest in Europe	▶ 4 <sup>th</sup> largest in Europe	



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



- ▶ Stable yields and load factors
- ▶ Record high fuel prices offset
- ▶ Turnaround 2005
  - Focus on remaining activities
- ▶ Capacity & Utilization Focus – full effect as from March
- ▶ New commercial focus initiated
  - Economy Flex positively received
  - New Swedish domestic concept a sales success

### Cautious outlook

- ▶ Uncertainties in the marketplace
- ▶ Business Plan shows positive earnings
  - Unchanged yields
  - Favorable traffic development
  - Unchanged business environment







Additional slides for further information

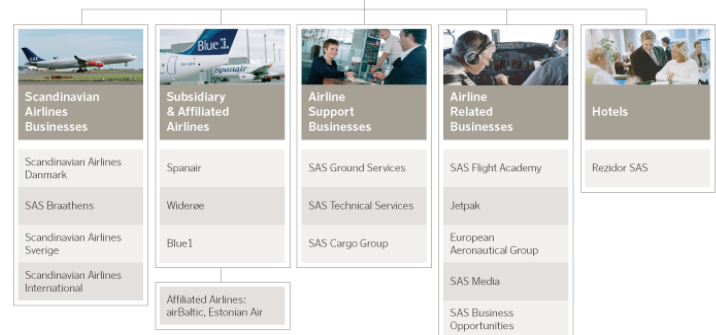


## Incorporation of business units completed



► From business units to limited companies

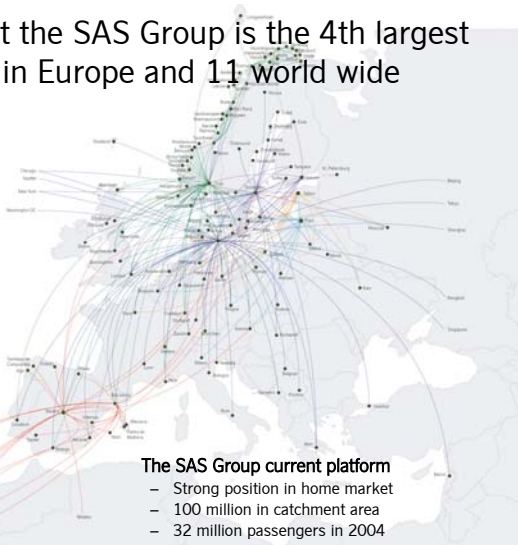


► Closer to local markets  
► Improved accountability



In this market the SAS Group is the 4th largest airline group in Europe and 11 world wide

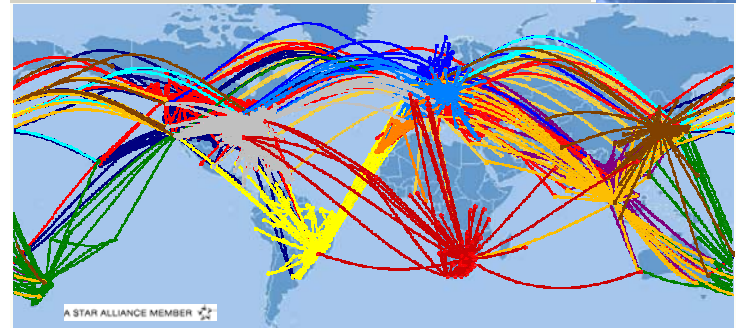
-  (Denmark)
-  Braathens
-  (Sweden)
-  (International)
- 
- 
- 
- 
- 



The SAS Group current platform

- Strong position in home market
- 100 million in catchment area
- 32 million passengers in 2004


Blue1 member as from 31 October 2004 – Group has three members



A STAR ALLIANCE MEMBER

AIR CANADA | AIR NEW ZEALAND | ANA | Asiana Airlines | Austrian | bmi | LOT POLISH AIRLINES | Lufthansa  
 Scandinavian Airlines | SINGAPORE AIRLINES | SOUTH AIR | Spanair | Thai | UNITED | U.S. AIRWAYS | VARIO

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## Portfolio strategy



### Portfolio strategy

#### Examples

- ▶ Star Alliance important platform to be further developed
- ▶ Rezidor transaction with Carlssoon
- ▶ SAS Trading Sold

- Alliances
- Structural deals
- Horizontal integration in the value chain



## Governance, organization, personnel



### Governance, organization, personnel

#### Examples

- ▶ Unions relations
- ▶ Incorporation completed
- ▶ Human Resources training
- ▶ Openness, transparency – we disclose all companies !

- Group Governance
- Human resource development
- Communication



## Optimization of production



### Optimization of production

#### Examples

- ▶ Continues process – the “right” capacity in each market
- ▶ Continuous rebalance in Group
- ▶ Completed in March
- ▶ airBaltic, Estonian Air, Spanair

- Optimizing production, route systems and networks
- Capacity and utilization focus
- Ensuring presence in growth markets



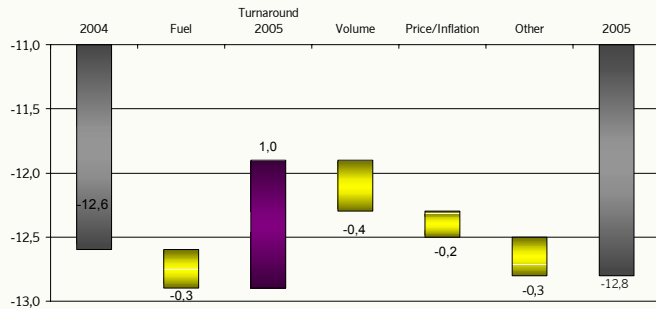
## SAS Group EBITDAR and CFROI



MSEK, January-March	2005	2004	
▶ Revenue	13 016	12 567	3,6%
▶ EBITDAR	179	-44	n.m
▶ EBITDAR-margin	1,4%	-0,4%	+1,8 p.p.
▶ CFROI	10%	7%	+3 p.p.



## SAS Group cost analysis

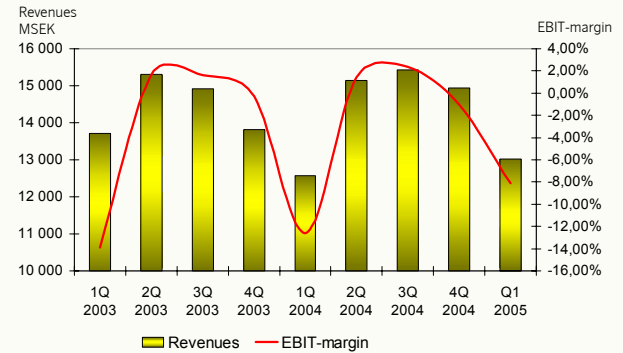


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## Group revenues and EBIT-margin development

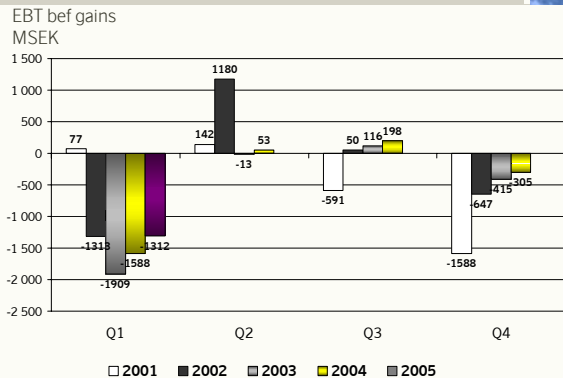


Group | Scandinavian Airlines Business | Subsidiary & Affiliated Airlines | Airline Support | Airline Related Business | Hotels



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## SAS Group – Quarterly EBT

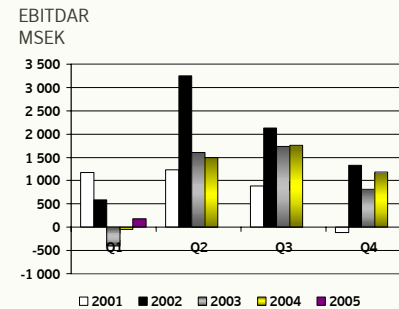


Group | Scandinavian Airlines | Subsidiary & Affiliated Airlines | Airline Support Business | Airline Related Business | Hotels



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## EBITDAR development



▶ EBITDAR in Q1 2005 was 179 (-44) MSEK

### EBITDAR

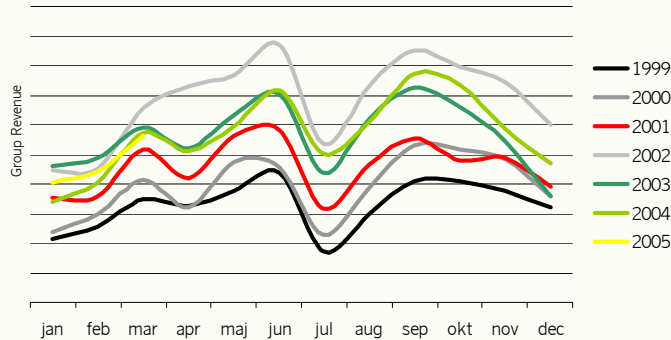
- Scandin. Airl. -79 MSEK
- Spanair 119 MSEK
- Widerøe 80 MSEK
- Blue1 34 MSEK

Group | Scandinavian Airlines Business | Subsidiary & Affiliated Airlines | Airline Support | Airline Related Business | Hotels



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## Revenue seasonality pattern



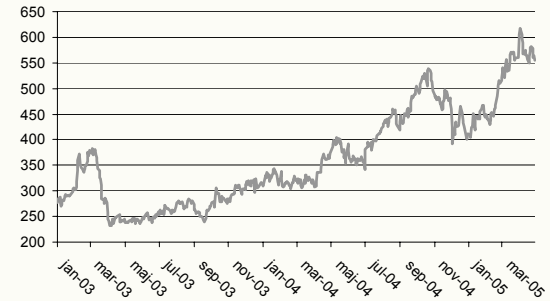
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## 1<sup>st</sup> Quarter negatively affected by higher jet fuel costs



- ▶ Current spot price app 40% higher than year end
- ▶ SAS Group has 46% hedge in place for April 2005 to March 2006



Group | Scandinavian Airlines Businesses | Subsidiary & Affiliated Airlines | Airline Support | Airline Related Business | Hotels

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## Record high jet fuel prices -Average spot rate 51% higher in Q1 vs 2004



### ▶ Average market prices:

- ▶ 2000 297 USD/MT
- ▶ 2001 245 USD/MT
- ▶ 2002 233 USD/MT
- ▶ 2003 282 USD/MT
- ▶ 2004 399 USD/MT
- ▶ Q1 2003 323 USD/MT
- ▶ Q2 2003 244 USD/MT
- ▶ Q3 2003 264 USD/MT
- ▶ Q4 2003 298 USD/MT
- ▶ Q1 2004 322 USD/MT
- ▶ Q2 2004 365 USD/MT
- ▶ Q3 2004 433 USD/MT
- ▶ Q4 2004 474 USD/MT
- ▶ Q1 2005 487 USD/MT

Group | Scandinavian Airlines Businesses | Subsidiary & Affiliated Airlines | Airline Support | Airline Related Business | Hotels

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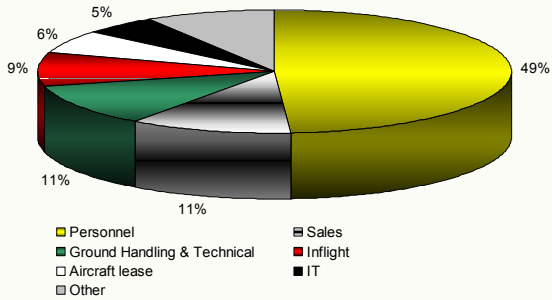
2005 דמורה  
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## Distribution of cost reductions in Turnaround 2005 by cost category



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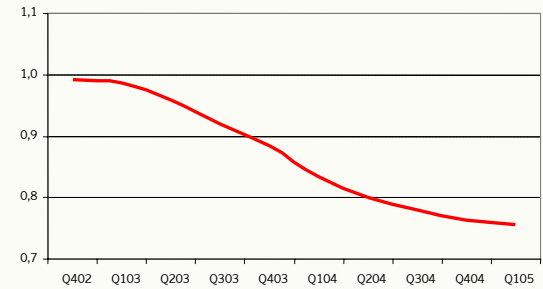
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## Scandinavian Airlines Businesses unit cost development



12 months rolling



Group | Scandinavian Airlines Businesses | Subsidiary & Affiliated Airlines | Airline Support | Airline Related Business | Hotels

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## Block hours for Group Airlines



12 months rolling Apr 04 - Mar 05	Air craft/day	Pilots/year	Cabin/year
Scandinavian Airlines Businesses	8,1	555	584
Spanair	8,6	871	741
Widerøe	6,6	470	511
Blue1	7,9	737	693
airBaltic	7,3	782	757

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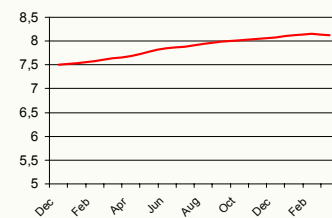
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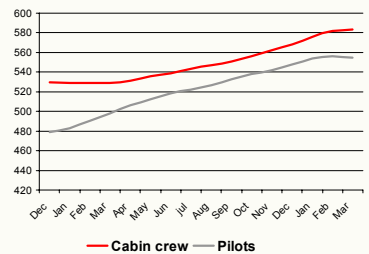
## Key productivity ratios improved but full target not possible to reach in 2005



Aircraft utilization (12 month rolling)



Cabin, pilot utilization (12 month rolling)



— Cabin crew — Pilots

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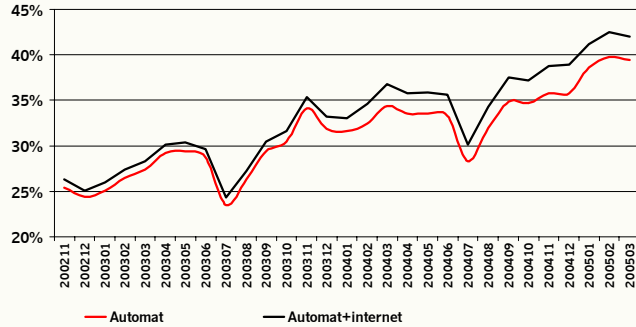
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## Self Service check in and Internet check in over 40%



▶ Internet check low, but increasing



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## Business areas



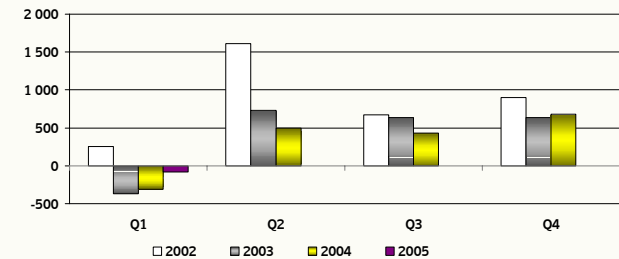
## Scandinavian Airlines Businesses



## Scandinavian Airlines Businesses Quarterly EBITDAR development



EBITDAR, Scandinavian Airlines  
MSEK



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## Scandinavian Airlines Businesses key airline profitability drivers



### 2005 vs 2004 January-March

▶ Traffic (RPK)	down	1,4%
▶ Cabin Factor	down	0,4 p.u.
▶ Yields (currency adjusted)	down	0,6%
▶ Total unit costs	down	3,9%



## Scandinavian Airlines Businesses - improving earnings



January-March	2005	2004 proforma	
<b>Operating revenue</b>	<b>8 046</b>	<b>8 012</b>	<b>0,4%</b>
Personnel expenses	-1 992	-2 107	-5,5%
Sales & distribution	-121	-217	-44,2%
Fuel	-1 169	-895	30,6%
Government user fees	-896	-1 006	-10,9%
Catering	-180	-232	-22,4%
Handling costs	-1 380	-1 363	1,2%
Technical aircraft maintenance	-1 119	-968	15,6%
Data & telecommunication costs	-410	-438	-6,4%
Other costs	-858	-929	-7,6%
<b>Operating expenses</b>	<b>-8 125</b>	<b>-8 155</b>	<b>-0,4%</b>
<b>EBITDAR</b>	<b>-79</b>	<b>-143</b>	
<b>EBIT</b>	<b>-520</b>	<b>-814</b>	
<b>EBT</b>	<b>-701</b>	<b>-1 007</b>	
<b>EBT bef gains</b>	<b>-991</b>	<b>-1 056</b>	



## Scandinavian Airlines Sverige's new simplified web site a success



- ▶ No frills
- ▶ Price – one way pricing
- ▶ Product – more frequencies than any competitor
- ▶ Distribution – new internet site launched. Based on web site with over 50% internet bookings in Norway
- ▶ Communication – to frequent flying customers and leisure

GÖTEBORG - STOCKHOLM		FULL FLEX		Avgång		Ankomst		Flygtid		Flygnr	
275 kr	1950 kr	1250 kr	08:10 OOT	07:10 ARN	1:00	SH172					
780 kr	1950 kr	1250 kr	08:55 OOT	07:55 ARN	1:00	SH146					
780 kr	1950 kr	1250 kr	07:15 OOT	06:35 ARN	1:00	SH144					
275 kr	1950 kr	1250 kr	08:25 OOT	09:25 ARN	1:00	SH150					
275 kr	1950 kr	1250 kr	08:20 OOT	10:15 ARN	0:55	SH142					
780 kr	1950 kr	1250 kr	10:20 OOT	11:15 ARN	0:55	SH152					
275 kr	1950 kr	1250 kr	12:35 OOT	13:25 ARN	0:55	SH158					
580 kr	1950 kr	1250 kr	14:15 OOT	15:10 ARN	0:55	SH156					
580 kr	1950 kr	1250 kr	13:50 OOT	10:45 ARN	0:55	SH160					



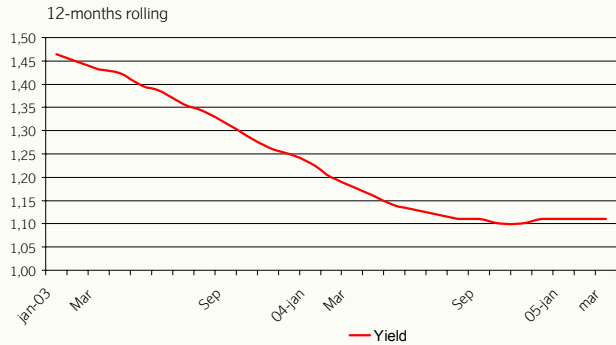
## We still see value in a segmented product offer on European routes – New price concept in pipeline



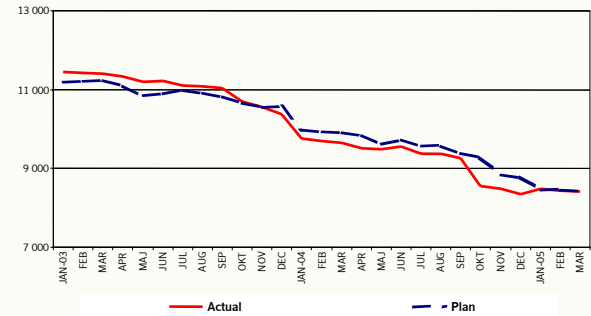
### Scandinavian Airlines Businesses' new production concept for European flights



## Yields are stabilizing



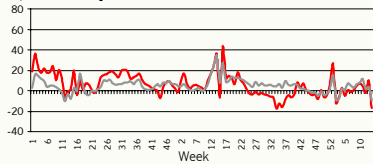
## Scandinavian Airlines Businesses Development of number of employees



## Traffic on North Atlantic

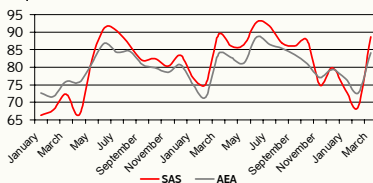


% RPK vs. Last year



- ▶ Daily departures to/from New York, Washington DC, Chicago, Seattle from Copenhagen
- ▶ Daily departures to/from New York and Chicago from Stockholm

% Cabin factor



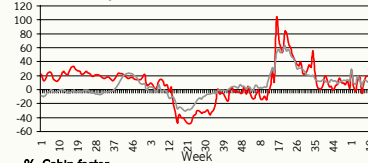
- ▶ Traffic in Jan-Mar 2005:
  - European airlines (AEA) traffic up 0,9%
  - SAS traffic down 1,9%
  - Strong USD and surcharges



## Asian traffic – weak start of the year, but improving in March

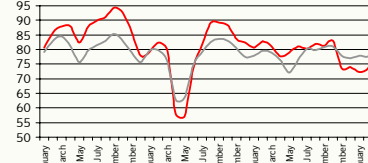


% RPK vs. Last year



- ▶ Capacity to/from some of SAS destinations has increased more than the demand
- ▶ Demand on China routes weaker in February due to Chinese new year
- ▶ Shanghai 3/week from March
  - Operate 6/week as from November
- ▶ Traffic in Jan-Mar 2005:
  - AEA traffic up 11,0%
  - SAS traffic up 10,0%

% Cabin factor

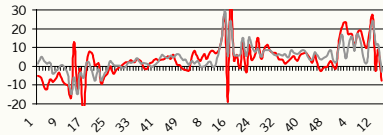




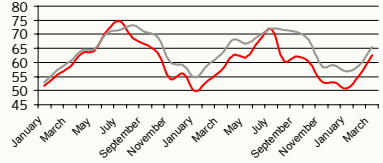
## Increasing traffic on European routes



% RPK vs. Last year



% Cabin factor



— SAS — AEA

Group | Scandinavian Airlines Businesses | Subsidiary & Affiliated Airlines | Airline Support | Airline Related Business | Hotels

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- ▶ Severe overcapacity on certain European routes
- ▶ Scandinavian Airlines cabin improving in March
  - ▶ Capacity & Utilization plan in under implementation with full effect as from March
- ▶ Traffic Jan-Mar 2005:
  - AEA traffic up 10,4%
  - SAS traffic up 7,8%

## ECA – European cooperation agreement



- ▶ Tri-party Joint Venture agreement with BMI, Lufthansa and SAS signed November 9, 1999
- ▶ In effect from January 1, 2000
- ▶ Main scope: To integrate the parties scheduled pass. transport to/ from London/ Manchester
- ▶ Negative result effect 2002: MSEK 418 (335)
- ▶ Negative result effect 2003: MSEK 244
- ▶ Negative result effect 2004: MSEK 134
- ▶ Result effect first quarter 2005: MSEK -64 (-71)

Group | Scandinavian Airlines Businesses | Subsidiary & Affiliated Airlines | Airline Support | Airline Related Business | Hotels

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## Subsidiary & Affiliated Airlines



## Income for Subsidiary & Affiliated Airlines improved



MSEK, January-March	2005	2004	Change
▶ Revenues	2 607	2 275	14,6%
▶ Operating expansives	-2 400	-2 248	6,8%
▶ <b>EBITDAR</b>	<b>207</b>	<b>27</b>	<b>n.m.</b>
▶ Lease	-242	-271	-10,7%
▶ <b>EBITDA</b>	<b>-35</b>	<b>-244</b>	<b>n.m.</b>
▶ Depreciation	-76	-71	7,0%
▶ Income from sales/affiliated	-3	50	n.m.
▶ <b>EBIT</b>	<b>-114</b>	<b>-265</b>	<b>n.m.</b>
▶ EBT	-145	-288	n.m.
▶ <b>EBT bef. gains</b>	<b>-145</b>	<b>-288</b>	<b>n.m.</b>




Group | Scandinavian Airlines Businesses | Subsidiary & Affiliated Airlines | Airline Support | Airline Related Business | Hotels

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## Results significantly improved in Spanair, Widerøe and Blue1



Jan-Mar in MSEK			
Revenues	1 574 12,0%	639 8,7%	379 41,4%
EBITDAR	119 64,4%	80 11,1%	34 n.m.
EBT	-158 n.m.	14 0,0%	-4 n.m.

Group | Scandinavian Airlines Businesses | **Subsidiary & Affiliated Airlines** | Airline Support | Airline Related Business | Hotels

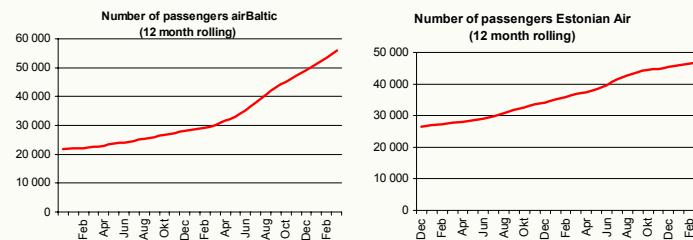


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## Impressive growth in airBaltic and Estonian Air despite fierce competition



- ▶ The SAS Group holds 49% in Estonian Air and 47,2% in airBaltic
- ▶ airBaltic traffic up 217,4% in Q1 and passengers up 95,1%
- ▶ Estonian Air number of passengers up 16,5%
- ▶ Competitive cost level



Group | Scandinavian Airlines Businesses | **Subsidiary & Affiliated Airlines** | Airline Support | Airline Related Business | Hotels



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## Airline Support Businesses



## Result in Airline Support Businesses significantly improved



MSEK, January-March	2005	2004	Change
▶ Revenues	3 757	3 507	7,1%
▶ Operating expenses	-3 499	-3 350	4,4%
▶ EBITDA	258	157	64%
▶ EBIT	147	33	345%
▶ EBT	116	12	n.m.

Group | Scandinavian Airlines Businesses | Subsidiary & Affiliated Airlines | **Airline Support** | Airline Related Business | Hotels



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## Airline Support Businesses profitable in the first quarter



Jan-Mar in MSEK	SAS SAS Technical Services		SAS SAS Ground Services		SAS SAS Cargo	
EBT, bef gains	64	+44	51	+64	5	+17

- ▶ Turnaround 2005 improving efficiency – further activities being implemented during 2005
- ▶ SAS Technical Services implementing LCC+ model
  - ▶ Will reduce costs by MSEK 400
  - ▶ Overlooking maintenance organization in Norway
- ▶ SAS Ground Services implementing LCC+ model
  - ▶ Simplifying stations service
  - ▶ To reduce costs by a further MSEK 400
- ▶ SAS Cargo improving result although hard competition



## Airline Related Businesses



## Statement of income Airline Related Businesses



MSEK, January-March	2005	2004	Change
▶ Revenues	416	670	-38%
▶ Operating expenses	-384	-615	-38%
▶ EBITDA	32	55	-42%
▶ EBIT	0	18	n.m.
▶ EBT	-3	14	n.m.

- ▶ SAS Trading's eastern European businesses sold



## Hotels – seasonally weak first quarter affects also new hotels



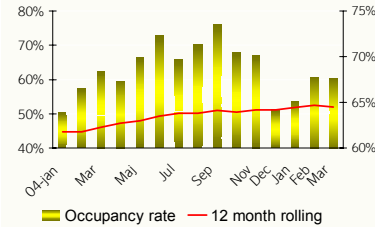
MSEK	January-March	
	2005	2004
▶ Revenues	1 096	918
▶ Operating expenses	-1 182	-975
▶ <b>EBITDA</b>	<b>-86</b>	<b>-57</b>
▶ Adjusted EBITDA	-78	-50
▶ EBIT	-126	-88
▶ EBT	-146	-100
▶ <b>EBT bef. gains</b>	<b>-146</b>	<b>-100</b>

## Weak 1<sup>st</sup> Quarter due to seasonality of new hotels



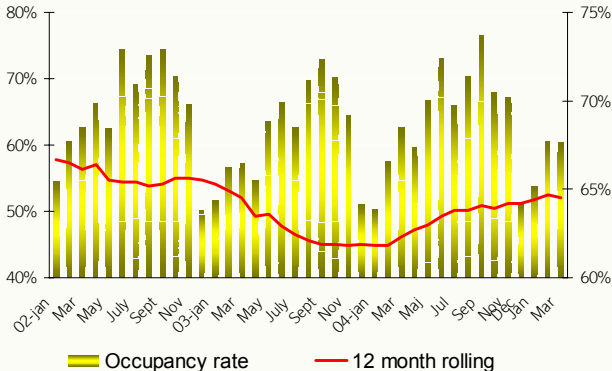
MSEK	January-March	
	2005	2004
▶ Revenues	1 096	918
▶ <b>EBITDA</b>	<b>-86</b>	<b>-57</b>
▶ EBT	-146	-100
▶ <b>EBT bef. gains</b>	<b>-146</b>	<b>-100</b>

- ▶ Strong hotel market
- ▶ Recovery for RevPAR from September
- ▶ Number of rooms sold increased



- ▶ RevPAR up 5,7% in Q1 vs last year
- ▶ 12 months occupancy rate improved 2,2 p.u.
- ▶ Number of hotels increased by 6 during the first quarter

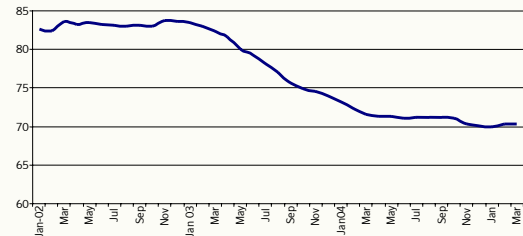
## Occupancy rate improving



## Cost per available room is coming down



COST PER AVAILABLE ROOM (EUR), 12 months rolling value

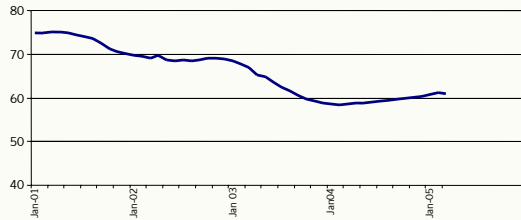


- ▶ Unit cost calculated as Costs/number of rooms

## REVPAR improving



REVPAR (EUR), 12 months rolling value



## Financial update



## Balance Sheet



MSEK	31 Mar 05	31 Dec 03
Liquid funds	7 659	8 595
Aircraft, spare parts	19 660	20 013
Other assets	29 841	29 175
<b>Total assets</b>	<b>57 160</b>	<b>57 783</b>
Operating liabilities	15 073	15 955
Interest-bearing liabilities	26 410	27 280
Deferred tax	3 742	3 194
Equity	11 935	11 354
<b>Total liabilities and equity</b>	<b>57 160</b>	<b>57 783</b>
<b>Financial net debt</b>	<b>16 424</b>	<b>17 377</b>



## SAS Group's limited aircraft Capex



Firm Aircraft Orders	Total	2005	2006	2007
Airbus A321	4		2	2
Boeing 737	2			2
Number of aircraft	6	0	2	4
<b>CAPEX (MUSD)</b>	<b>210</b>	<b>4</b>	<b>83</b>	<b>123</b>



## Clear Targets to Reduce Indebtedness - Key ratios improved during Q1



### Key figures

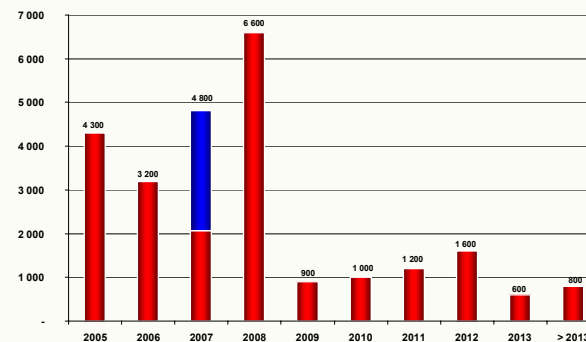
	Mar 05	Dec 04	Target
▶ Equity/assets ratio (solidity)	21%	20%	>30%
▶ Financial net debt/ equity	138%	153%	<50%
▶ Fin. net debt+7*Oplease/ equity	289%	309%	<100%

### ▶ Targets will be reached by:

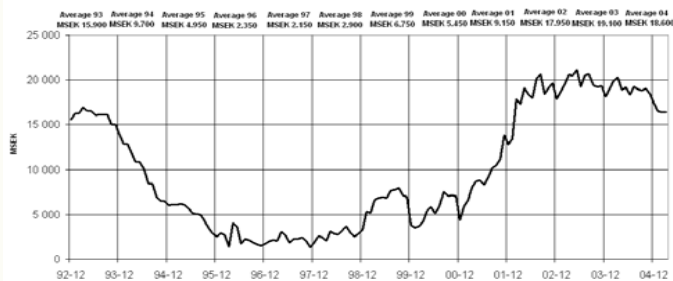
- Turnaround measures
- Capital Release:
  - Aircraft – Surplus and phase-outs
  - Other Assets (Properties, non-core subsidiaries etc)



## Amortization profile of interest bearing liabilities



## Development of financial net debt 1993-2005



## Development and Break Down of Financial Net Debt since year end



(MSEK)	050331	041231	Difference
Cash	7 659	8 595	-936
Other interest bearing assets	2 327	1 308	1 019
Interest bearing liabilities	-26 410	-27 280	870
Financial Net debt	-16 424	-17 377	953



## Development and Break Down of Financial Net Debt year over year



(MSEK)	050331	040331	Difference
Cash	7 659	8 385	-726
Other interest bearing assets	2 327	1 821	506
Interest bearing liabilities	-26 410	-30 483	4 073
Financial Net debt	-16 424	-20 277	3 853

Group | Scandinavian Airlines Businesses | Subsidiary & Affiliated Airlines | Airline Support | Airline Related Business | Hotels

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## Financial Net Debt / Equity Ratio 1992-2005

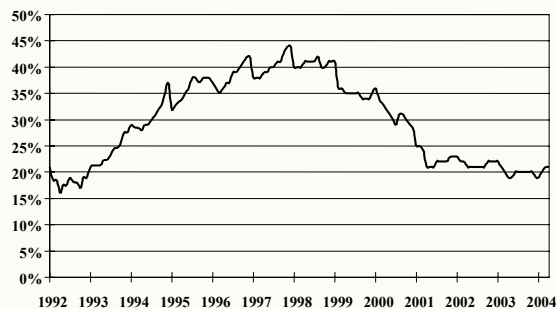


Group | Scandinavian Airlines Businesses | Subsidiary & Affiliated Airlines | Airline Support | Airline Related Business | Hotels

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## Equity / Assets Ratio 1992-2005



Group | Scandinavian Airlines Businesses | Subsidiary & Affiliated Airlines | Airline Support | Airline Related Business | Hotels

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## Financial Net January-March



(MSEK)	05-03-31	04-12-31	Difference
Interest net and others	-229	-989	N/A
Exchange rate differences	-13	-53	N/A
Financial net	-242	-1 042	N/A
Average financial net debt	16.500	18.600	2.100
In % p.a. of average financial net debt:			
Interest net	-5,6%	-5,3%	-0,3%
Exchange rate differences	-0,3%	-0,3%	0,0%
Financial net	-5,9%	-5,6%	-0,3%

Group | Scandinavian Airlines Businesses | Subsidiary & Affiliated Airlines | Airline Support | Airline Related Business | Hotels

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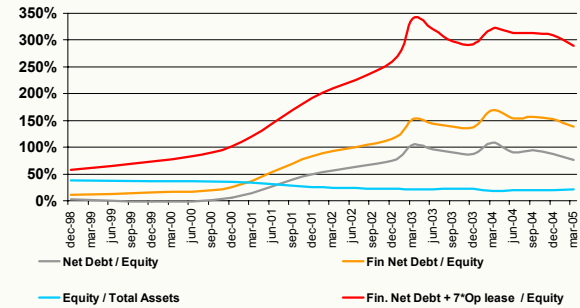


## Financial Net March 2005 vs March 2004



(MSEK)	05-03-31	04-03-31	Difference
Interest net and others	-229	-246	17
Exchange rate differences	-13	-37	24
Financial net	-242	- 283	41
Average financial net debt	16.500	19.500	3.000
In % p.a. of average financial net debt:			
Interest net	-5,6%	-5,0%	-0,6%
Exchange rate differences	-0,3%	-0,8%	0,5%
Financial net	-5,9%	-5,8%	-0,1%

## Gearing ratios peaking



## Cash flow statement Q1



MSEK	January-March	
	2005	2004
Cash flow from operations	-772	-895
Change in working capital	-251	-515
<b>Net financing from operations</b>	<b>-1 023</b>	<b>-1 410</b>
Investments, advance payments	-272	-658
Acquisition/sale of subsidiaries (net)	0	-614
Sales of fixed assets, etc.	112	1 363
<b>Financing deficit/surplus</b>	<b>-1 183</b>	<b>-1 319</b>
Changes in external financing, net	-236	625
<b>Changes in liquid assets acc. to balance sheet</b>	<b>-936</b>	<b>-681</b>

## Sum Up – Credit position



- ▶ Strong liquidity of MSEK 7 659
- ▶ Substantial Committed credit facilities of MSEK 3 300
- ▶ Limited CAPEX going forward
- ▶ Young aircraft fleet
- ▶ Additional sources of capital
- ▶ Turnaround 2005 program with union agreements secured





## APPENDICES

- Traffic Data
- Yield
- Unit cost
- Fleet
- Financial key figures



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## Capacity (ASK) outlook 2005 vs. 2004

▶ Scandinavian Airlines	-5%
▶ Spanair	13%
▶ Widerøe	2%
▶ Blue1	2%
▶ <u>airBaltic</u>	<u>81%</u>
▶ Total SAS Group	2%*

\*) Adjusted for airBaltic, capacity increase would be 0%

Group | Scandinavian Airlines Operations | Subsidiary & Affiliated Airlines | Airline Support | Airline Related Business | Hotels

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## Yield development 2005 vs 2004



### Scandinavian Airlines Businesses Total Scheduled

Jan-Mar	2005	2004	Change
Yield (öre/RPK)	113,2	114,1	-0,7%
Currency adj. yield	113,2	113,9	-0,6%



Group | Scandinavian Airlines Businesses | Subsidiary & Affiliated Airlines | Airline Support | Airline Related Business | Hotels

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## Yield development 2005 vs 2004

Yield, local currency January-March

	1,3%
	-2,6%
	2,3%

Group | Scandinavian Airlines Businesses | Subsidiary & Affiliated Airlines | Airline Support | Airline Related Business | Hotels

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## Unit Cost

January-March 2005 vs 2004



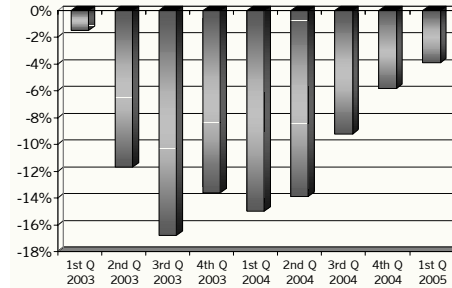
Cost analysis	2004	2005	Var%	Share of total var %
Personnel	-2 225	-1 992	-10,5%	-2,8%
Fuel	-872	-1 169	34,1%	3,6%
Gov. Charges	-1 050	-896	-14,7%	-1,9%
Selling cost	-226	-121	-46,5%	-1,3%
Ground Services	-1 424	-1 380	-3,1%	-0,5%
Technical	-1 000	-1 119	11,9%	1,4%
Other operating costs	-989	-841	-15,0%	-1,8%
<b>Total operating expenses</b>	<b>-7 787</b>	<b>-7 518</b>	<b>-3,5%</b>	<b>-3,2%</b>
Aircraft costs	-532	-480	-9,8%	-0,6%
<b>Adjusted EBIT</b>	<b>-8 319</b>	<b>-7 998</b>	<b>-3,9%</b>	<b>-3,9%</b>

Volume = average increase in ASK: +4,7%

## Unit cost continues to improve despite record high jet fuel costs



Total unit cost, Scandinavian Airlines Businesses

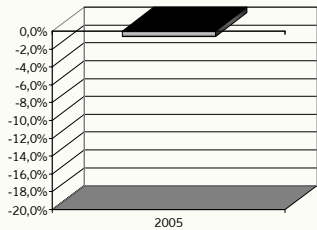


- ▶ Unit cost down 10,9% in 2003
- ▶ Unit cost down 3,9% in Q1 2005
  - Adjusted for fuel unit cost was down by 7,5%

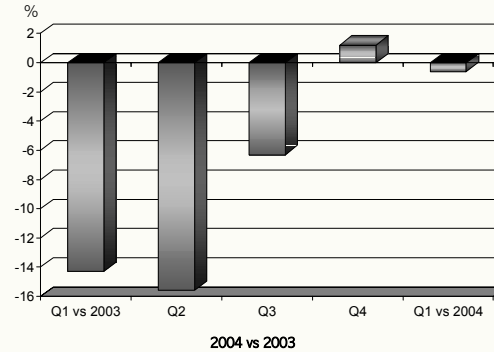
## Yield Development, Scandinavian Airlines Businesses



January-March (currency adjusted) vs 2004



## Yield development – Scandinavian Airlines Businesses



- ▶ Yields down 0,6% in 1st Quarter 2005
- ▶ Yields down 9,1% in 2004

## Passenger Yield

1<sup>st</sup> Quarter 2005 vs 2004



Route Sector	Nominal yield	Currency effect	Adjusted yield
Scandinavian Airlines Busin.	99	100	99
Intercontinental	101	102	104
Europe	94	99	94
Intrascandinavian	115	99	114
Denmark	113	101	115
Norway	103	97	100
Sweden	100	100	100

## Key airline profitability drivers

2005 vs 2004



January-March

- ▶ Traffic growth (RPK) down 1,4%
- ▶ Cabin Factor down 0,4 p.u.
- ▶ Yields down 0,6%
- ▶ Unit costs incl A/C cost down 3,9%

## Revenues affected by Easter effect



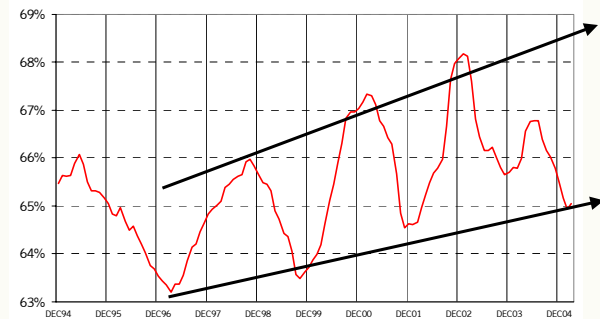
January-March 2004

- ▶ Revenues 6 496 MSEK -3,0%
- ▶ Volume -1,4%
- ▶ Yields -0,7%
- ▶ Currency -0,9%

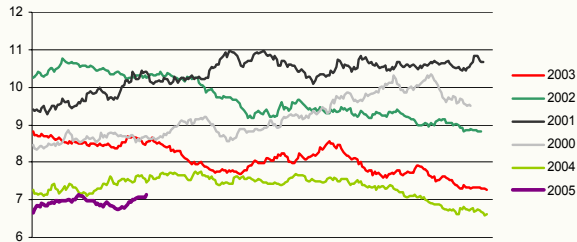
## Long term passenger load trend positive – long term targets achievable



Moving 12 months values



## Weaker USD offset by yield pressure



- ▶ Positive effect on operation costs in January-March by MSEK 162
- ▶ Weak USD => increased yield pressure



## Currency Effects – SAS Group

January-March 2005 vs 2004



MSEK	Jan-Mar
Total revenues	-19
Total costs	+184
Forward cover costs & working cap.	-95
Income before depr.	+70
<b>Financial items</b>	<b>+24</b>
Income before tax	+94



## Currency Effects – SAS Group

January-March 2005 vs 2004



### Total revenues & costs:

(Total +165 MSEK)

Major approx. effects:

USD	+162
DKK	+8
NOK	+28
EUR	-7
Asian curr.	-17
All others	-9

### Working capital:

(Total -66 MSEK)

2004	+3
2005	-63

### Financial items:

(Total +24MSEK)

2004	-37
2005	-13

**Grand total +94 MSEK**

### Forward cover costs:

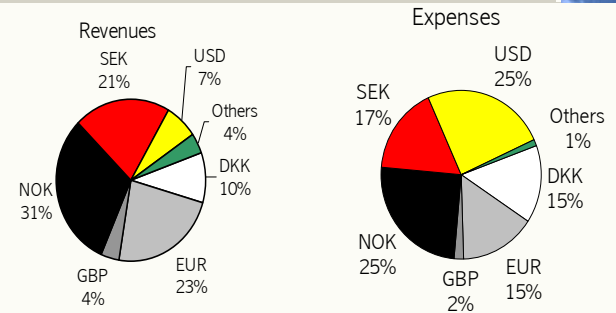
(Total -29 MSEK)

2004	-19
2005	-48



## Currency distribution in the SAS Group

2004



# SAS Group fleet as of Mar 31, 2005



Aircraft Type	Owned	Leased In	Total	Leased Out	On Order
Airbus A340/A330-300	5	6	11		
Airbus A321/A320	8	19	27		4
Boeing 747-300		3	3		3
Boeing 737-serien	27	52	79	5	2
Boeing 717		4	4		
Douglas MD-80-serie	27	60	87	4	
Douglas MD-90-30	8		8		
Avro RJ-85/100		9	9		
Fokker F50	7	1	8	2	
deHavilland-serien	17	36	53		
SAAB 2000	5	5	10		
<b>Total</b>	<b>99</b>	<b>195</b>	<b>294</b>	<b>14</b>	<b>6</b>

Company	Owned	Leased In	Total	Leased Out	On Order
Scandinavian Airlines	83	115	198	14	6
Spanair		53	53		
Widerøe	16	13	29		
Blue1		14	14		
<b>Total</b>	<b>99</b>	<b>195</b>	<b>294</b>	<b>14</b>	<b>6</b>

Group | Scandinavian Airlines Businesses | Subsidiary & Affiliated Airlines | Airline Support | Airline Related Business | Hotels



# SAS share



# Development of Market capitalization



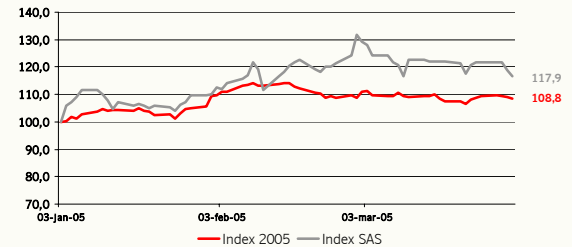
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# SAS share price vs. peers 2004



SAS Market Capitalization vs. European Peers measured in SEK (December 31, 2004 - March 31, 2005)



\* Peers: Alitalia, Air France, British Airways, Easyjet, Finnair, Lufthansa & Ryanair

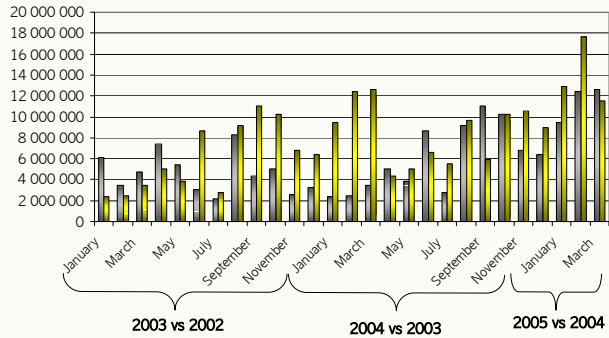
Group | Scandinavian Airlines Businesses | Subsidiary & Affiliated Airlines | Airline Support | Airline Related Business | Hotels



# Number of traded SAS shares increasing



Number of shares traded in SAS per month



# Increased number of traded SAS shares at Stockholm Stock Exchange



Number of shares traded in Stockholm per month

