

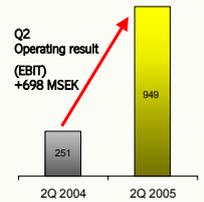
# Second Quarter 2005



## Positive result and improved operating performance



- ▶ 1<sup>st</sup> Half result improved by MSEK 802
  - Improvement for all business areas and group airlines
- ▶ Operating result almost tripled in 2<sup>nd</sup> Quarter
  - EBIT improved MSEK 698 vs last year
- ▶ Strong positive cash flow in 2<sup>nd</sup> Quarter
- ▶ Stable yields and record load factors
- ▶ Turnaround 2005 as planned
  - Unit cost down 6,4% adjusted for currency and fuel (vs. 2004)
  - Continuous efficiency measures - benchmarking
- ▶ Fuel cost up appr. MSEK 700 vs last year
- ▶ New Business models



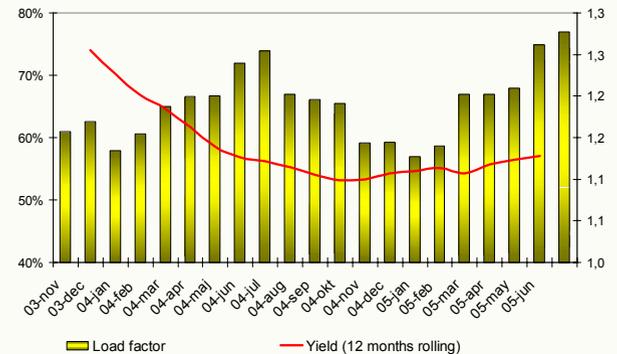
## 2<sup>nd</sup> Quarter result improved by MSEK 526



MSEK	April-June		January-June	
	2005	Change	2005	Change
▶ Revenues	16 017	+874	29 033	+1 323
▶ EBITDAR	2 193	+700	2 372	+923
▶ Lease & depreciation	-1 330	+14	-2 599	+75
▶ EBIT	949	+698	-99	+907
▶ Financial net	-407	-200	-649	-159
▶ EBT	590	+546	-700	+796
▶ EBT bef non-recurring items	579	+526	-733	+802



## Improved load and stable yields

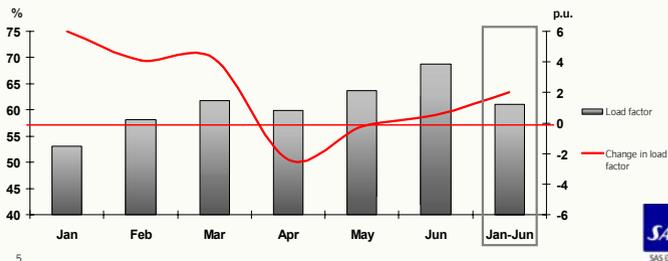


## SAS Braathens on track – 1<sup>st</sup> Half result improved by MSEK 417



- ▶ Cabin factor up 2,0 p.u. in first half
- ▶ Market position stable
- ▶ One AOC established
- ▶ Over 40% internet bookings on domestic routes

	Apr-Jun 2005		Jan-Jun 2004	
	2005	2004	2005	2004
Total revenues	3 338	2 955	6 001	5 606
EBITDAR	565	360	799	467
<b>EBT, bef nonrecurring items</b>	<b>329</b>	<b>35</b>	<b>241</b>	<b>-176</b>



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## Scandinavian Airlines Danmark – still large overcapacity



- ▶ Fierce competition and overcapacity on many routes
- ▶ Capacity & Utilization Focus starting to give effect
  - Capacity down 11,0%
  - Cabin factor down 0,1 p.u. during Jan-Jun but up 1,9 p.u. in Q2
- ▶ Negotiations with Copenhagen Airport on charges for 2006-2008

	Apr-Jun 2005		Jan-Jun 2005	
	2005	2005	2005	2005
Total revenues	2 781	2 781	5 014	5 014
EBITDAR	284	284	105	105
<b>EBT</b>	<b>49</b>	<b>49</b>	<b>-361</b>	<b>-361</b>

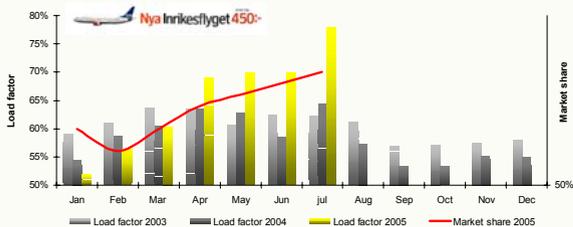


## Scandinavian Airlines Sverige – record load factors but yields under pressure



- ▶ Number of passengers up 7,4% in Q2
- ▶ Cabin factor up 6,8 p.u. in Q2
- ▶ Swedish domestic yields down 10% in Q2
- ▶ Successful launch of Swedish domestic concept
  - One way pricing
  - New web site
  - Simple rules
  - April-June load factor 70% up 8,1 p.u. vs 2004

	Apr-Jun 2005		Jan-Jun 2005	
	2005	2005	2005	2005
Total revenues	2 096	2 096	3 904	3 904
EBITDAR	133	133	94	94
<b>EBT</b>	<b>-61</b>	<b>-61</b>	<b>-280</b>	<b>-280</b>



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## Scandinavian Airlines International – positive market development



- ▶ Focus on further efficiency measures on intercontinental operations
- ▶ Increased overcapacity
- ▶ Cabin factor down 3,7 p.u. in first half and down 1,7 p.u. in Q2
- ▶ Several product improvements
  - Internet onboard all aircraft
- ▶ IATA customer survey shows SAS has third most satisfied customers of all airlines on USA routes

	Apr-Jun 2005		Jan-Jun 2005	
	2005	2005	2005	2005
Total revenues	1 995	1 995	3 589	3 589
EBITDAR	209	209	120	120
<b>EBT</b>	<b>49</b>	<b>49</b>	<b>-206</b>	<b>-206</b>

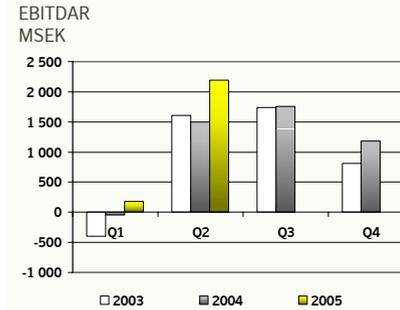




Gunilla Berg  
CFO



## EBITDAR 1<sup>st</sup> Half improved 64%



▶ EBITDAR in 1H 2005 was 2 372 (1 449) MSEK

### EBITDAR

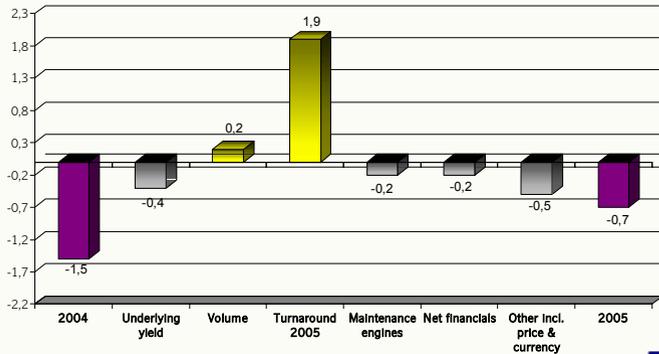
- Scandinavian Airl. 1 165 MSEK
- Spanair 489 MSEK
- Widerøe 212 MSEK
- Blue1 117 MSEK

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

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## Improved result by SEK 0,8 billion 1<sup>st</sup> Half



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

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## All major Business areas contribute to the improved result



MSEK	April-June		January-June	
	2005	Change	2005	Change
▶ Scandinavian Airlines Businesses	353	+374	-638	+439
▶ Subsidiary & Affiliated Airlines	145	+65	0	+208
▶ Airline Support Businesses	183	+38	298	+141
▶ Airlines Related Businesses	17	+6	14	-11
▶ Hotels	82	+75	-63	+29
▶ Group, eliminations, other	-201	-32	-344	-4
▶ EBT bef non-recurring items	579	+526	-733	+802

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

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## Net financial items negatively affected by MSEK 200 due to IAS and interest rates



	2005	2004	
(MSEK)	Q2	Q2	Difference
Interest net and others	-395	-215	-180
Exchange rate differences	-12	+8	-20
Financial net	-407	-207	-200

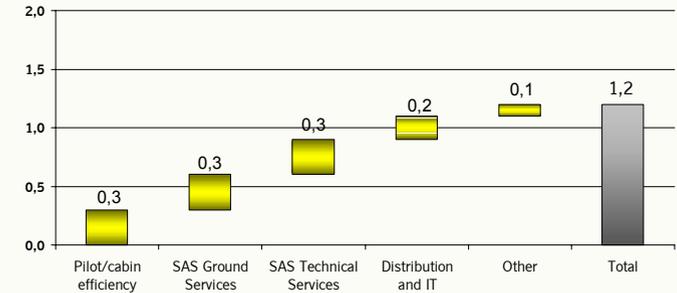
Deviation interest net and others	(MSEK)
IAS- effects (interest rates down in Scandinavia)	-66
Revaluation of accrued interest (due to stronger USD)	-40
Higher short term interest rates in USD	-18
Refinancing & net debt	-39
Other	-17
<b>Total</b>	<b>-180</b>



## Focus on remaining areas in Turnaround 2005



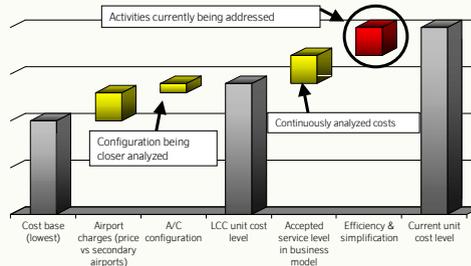
2005  
turnaround



## Scandinavian Airlines focus on cost and profitable services



- ▶ Turnaround 2005 – focus on remaining activities
- ▶ Further rationalization
  - ▶ Simplified business model
  - ▶ Basic production on LCC cost level
- ▶ Increase cost flexibility



Secure further improvement in cost position vs. LCC after completion of Turnaround 2005



Jørgen Lindegaard  
CEO



## Spanair's result improved by MSEK 121 during 1<sup>st</sup> Half 2005



- ▶ Robust traffic development in the total market
  - ▶ Two new destinations and five new routes opened in first half 2005
  - ▶ Traffic up 13,7%, cabin factor stable
- ▶ Strong corporate sale development
  - ▶ Share of sales has increased by app 8 p.u.
  - ▶ Strong performance on Madrid-Barcelona with over 20 daily frequencies
- ▶ More dynamic aircraft allocation within the SAS Group has made it possible to increase capacity in Spanair

	Apr-Jun		Jan-Jun	
	2005	2004	2005	2004
Total revenues	2 235	2 057	<b>3 809</b>	3 462
EBITDAR	370	347	<b>489</b>	363
<b>EBT, bef nonrecurring items</b>	<b>5</b>	<b>18</b>	<b>-153</b>	<b>-273</b>

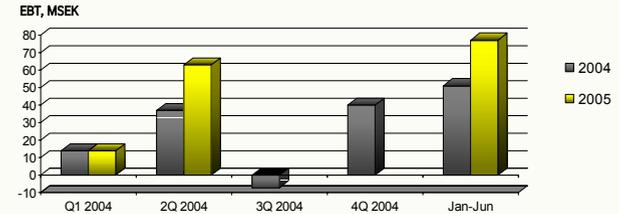


## Widerøe best 1<sup>st</sup> Half year result ever



- ▶ Traffic down 0,9% but load factor up 0,1 p.u. during first half 2005
- ▶ Result improvement of MSEK 26
- ▶ Widerøe competing for the public service network on tender for 2006-2009
  - ▶ Result of the procurement procedure in November/December

	Apr-Jun		Jan-Jun	
	2005	2004	2005	2004
Total revenues	768	642	<b>1 407</b>	1 230
EBITDAR	132	101	<b>212</b>	173
<b>EBT, bef nonrecurring items</b>	<b>63</b>	<b>37</b>	<b>77</b>	<b>51</b>



Group | Scandinavian Airlines Businesses | **Subsidiary & Affiliated Airlines** | Airline Support | Airline Related Business | Hotels  
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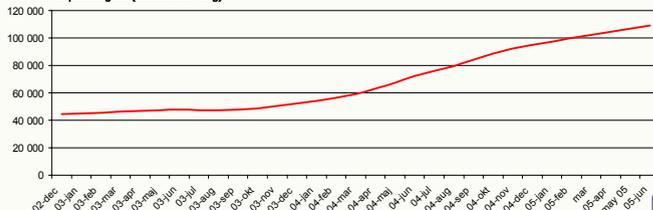
## Blue1 - Impressive growth and result margins



- ▶ Result improved by MSEK 107 in 1st Half
- ▶ Successful domestic operations
- ▶ CFROI 16%
- ▶ Strong operational performance
  - ▶ Traffic up 23,9% in first half
  - ▶ Cabin factor up 10,0 p.p.
  - ▶ Cabin factor on Finnish domestic 63,3%

	Apr-Jun		Jan-Jun	
	2005	2004	2005	2004
Total revenues	481	345	<b>860</b>	613
EBITDAR	83	42	<b>117</b>	14
<b>EBT, bef nonrecurring items</b>	<b>45</b>	<b>0</b>	<b>41</b>	<b>-66</b>

Number of passengers (12 month rolling)



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



## SAS Group Baltic presence increases



- ▶ airBaltic and Estonian Air carried more than 0,7 million passengers in the first half 2005
- ▶ airBaltic has opened up routes to Paris, Istanbul, Munich and Barcelona
- ▶ Blue1 connected with Baltic market
- ▶ Rezidor SAS hotels increases presence in a strategically interesting region
  - ▶ 15 Hotels in Baltic states, Finland and Russia

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

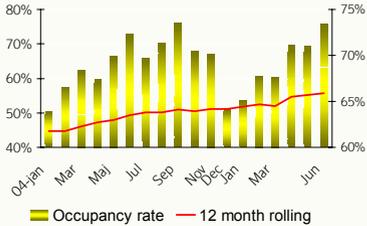


## 2<sup>nd</sup> Quarter improved by MSEK 75

Transaction with Carlson completed in 1<sup>st</sup> Half



	Apr-Jun		Jan-Jun	
	2005	2004	2005	2004
Total revenues	1 401	1 121	2 497	2 039
EBITDA	157	45	79	-5
EBT	83	8	-63	-92
EBT, bef nonrecurring items	82	7	-63	-92



- ▶ Strong hotel market
- ▶ Number of rooms sold increased
  - ▶ RevPAR up 8,5% for comparable units
  - ▶ 12 months occupancy rate improved 2,4 p.u.
- ▶ Number of operating hotels +10 to 200
- ▶ Enhanced partnership with shareholder agreement with Carlson
  - Agreement extended to 2052
  - 11 MEUR in full year effect on reduced franchise fee as from July 2005
- ▶ Transaction confirms significant value in the Hotels
  - PV of MEUR 131 at 9% WACC 0% growth
  - PV at 4% growth MEUR 210 => Full implied value MEUR 840



## Commercial direction



### Our platform

- |                               |    |                                 |
|-------------------------------|----|---------------------------------|
| ▶ Turnaround 2005             | => | Competitive unit cost           |
| ▶ Incorporation               | => | Transparency and accountability |
| ▶ New Business models         | => | Improved cabin factor           |
| ▶ Business environment growth | => | Stable yields and good market   |

### Group development

- ▶ 2001: Braathens acquired
- ▶ 2002: Majority stake in Spanair
- ▶ 2003: Acquisition of 49% of Estonian Air
- ▶ 2004: Rebranded Blue1 launched in Finland – switch to domestic routes

### Commercial development

- ▶ 2003: Spanair introduced one-way demand driven pricing
- ▶ 2003: airBaltic introduced one-way demand driven pricing
- ▶ May 2004: SAS Braathens with new domestic concept based on one-way
- ▶ October 2004: Scandinavian Airlines introduced Economy Flex + fast track security
- ▶ March 2005: Launch of new Swedish domestic product
- ▶ September 2005: One way and demand driven on European and Intrascandinavian routes

Secure long term profitability of all group airlines



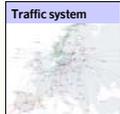
## Business models for SAS Group airlines - three common denominators



- Cost level for the basic product in line with the most efficient players on corresponding traffic flows
- Additional costs for transfer, distribution, in-flight, on-ground, network etc. should be covered by a price premium



- Price structures based on demand-driven one-way prices for simple online distribution
- Base product differentiated from competitors
- Add-on products that stimulate buy-up and ancillary revenues.
- "Value-for-money"



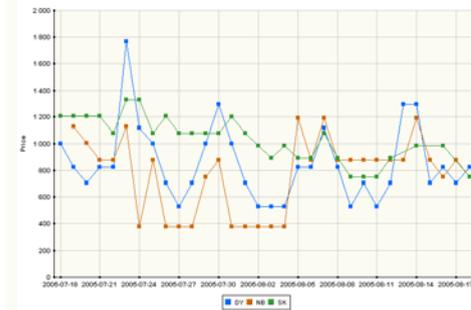
- Traffic systems dimensioned for local passengers and for profitable transfer traffic
- Dynamic flexible traffic planning



## The SAS Group continuously monitors market price levels



### ▶ Example Copenhagen- Oslo



- ▶ SK's prices in general in line with market and "low fare players"
  - The closer to departure the higher prices
  - If flights are expected to be full – if high demand higher price
  - Scandinavian Airlines is the largest provider of low fare tickets in Scandinavia



## New Europe/Intrascandinavian concept to be launched



- ▶ One-way demand driven pricing
- ▶ Simplified rules
- ▶ Increased availability of low fares
- ▶ Simplified customer friendly web site with 'price calendar'



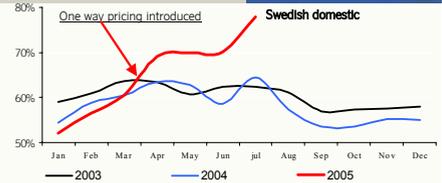
More satisfied customers and increased repurchase rate



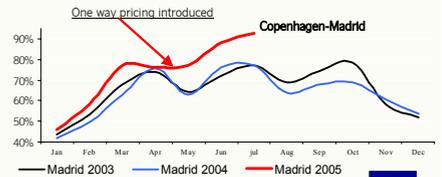
## Scandinavian Airlines introduces demand driven one way pricing on European routes



- ▶ Simplified rules – one way prices
- ▶ Prices entirely demand driven
- ▶ Positive impact from one way pricing experienced
  - on Norwegian, Swedish domestic and Madrid
- ▶ Expected to improve load factor on all European routes
- ▶ Reduced yield



More satisfied customers and increased repurchase rate



## Sum up 2<sup>nd</sup> Quarter



- ▶ Stable yields and improved load factors
- ▶ Turnaround 2005
  - Focus on remaining activities
  - Continuous improvements
- ▶ Commercial focus
  - Economy Flex
  - New Swedish domestic concept a rapid sales success
  - New European business models - details August 19

### Cautious outlook

- ▶ Uncertainties in the marketplace
- ▶ Business Plan shows positive earnings provided
  - Unchanged yields
  - Favorable traffic development
  - Unchanged business environment
  - No further significant fuel price increases

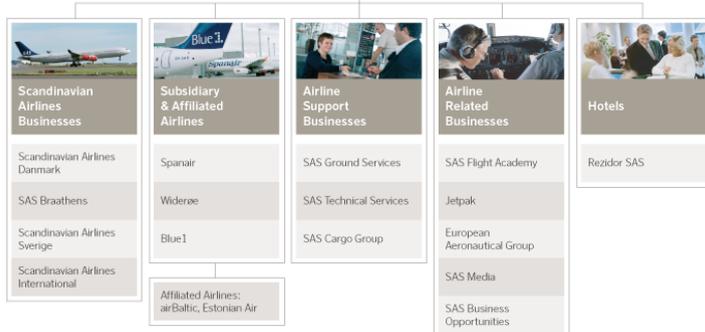


## Incorporation of business units completed

- ▶ From business units to limited companies



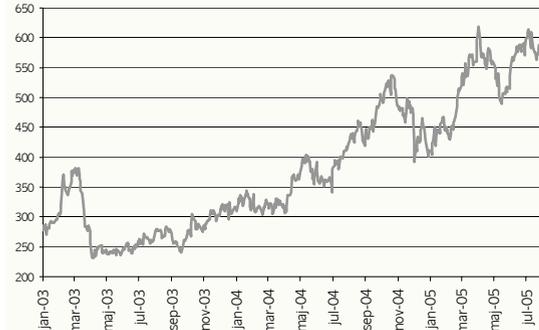
- ▶ Closer to local markets
- ▶ Improved accountability



## Fuel costs offset by fuel charges - future part of dynamic pricing



- ▶ Current spot price app 50% higher than year end
- ▶ SAS Group has 50% hedge in place for July 2005 to June 2006



- ▶ Fuel charges have had a positive effect on yield in 1st Half by 5-6 p.u.
- ▶ As from September part of ticket price and yield management

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



## Record high jet fuel prices



### ▶ 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
- ▶ Q2 2005 556 USD/MT

- ▶ Hedge levels (including premiums):
  - 2nd half 2005: 460 USD/MT
  - 12 months: 540 USD/MT

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



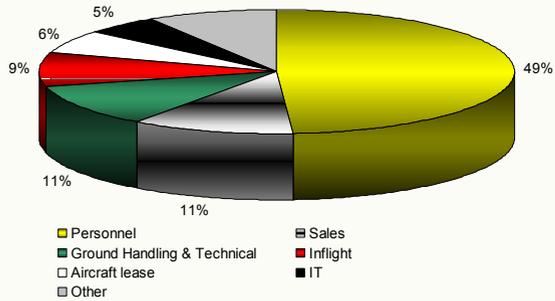
2005 דמורה  
פוסטמה



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



## Distribution of cost reductions in Turnaround 2005 by cost item



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

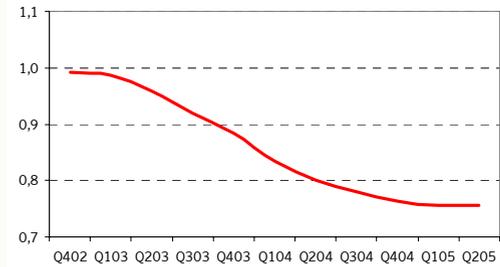
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## Scandinavian Airlines Businesses unit cost development



12 months rolling SEK/ASK



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 Jul 04 - Jun 05	Air craft/day	Pilots/year	Cabin/year
Scandinavian Airlines Businesses	8,1	577	650
Spanair	8,3		
Widerøe	6,7	501	454
Blue1	8,0	699	726
airBaltic	7,8	770	816

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

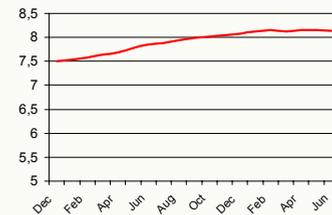
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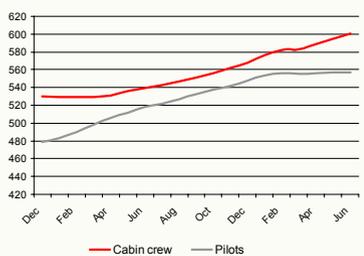
## Key productivity ratios improving Cabin crew over 600 block hours



Aircraft utilization (12 month rolling)



Cabin, pilot utilization (12 month rolling)



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

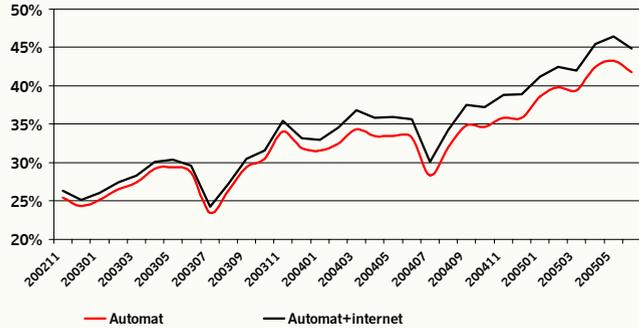
36



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



▶ Internet check low, but increasing

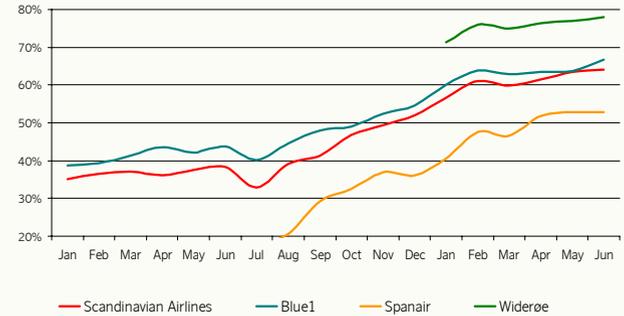


Group | Scandinavian Airlines Businesses | Subsidiary & Affiliated Airlines | Airline Support | Airline Related Business | Hotels

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## Share of e-tickets growing significantly - over 60% share during 2<sup>nd</sup> Quarter



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

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## Business areas



## Result improved on all levels



	Q2 2005	Change	1H 2005	Change
▶ EBT bef. non-recurring items	579	+526	-733	+802
▶ ECA	-207	-252	-271	-245
▶ V.A.T.	170	+170	170	+170
▶ IAS-effect	-66	-66	-19	-19
▶ EBT bef. non-recurring items normalized	682	+674	-613	+896

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

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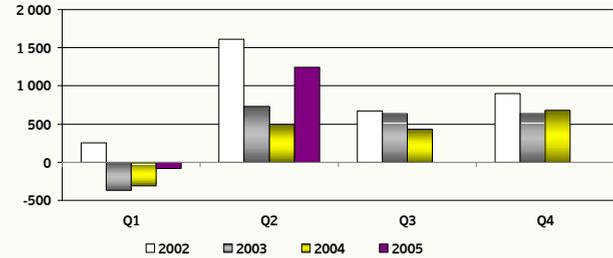
## Scandinavian Airlines Businesses



## Scandinavian Airlines Businesses Strongest EBITDAR improvement since 2002



EBITDAR, Scandinavian Airlines  
MSEK



Group | Scandinavian Airlines Businesses | Subsidiary & Affiliated Airlines | Airline Support | Airline Related Business | Hotels  
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## Scandinavian Airlines Businesses key airline profitability drivers



	2005 vs 2004 April-June		2005 vs 2004 January-June	
▶ Traffic (RPK)	down	2,9%	down	2,2%
▶ Cabin Factor	up	1,5 p.u.	up	0,5 p.u.
▶ Yields (currency adjusted)	up	7,8%	up	4,0%
▶ Total unit costs	down	0,9%	down	2,3%

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



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## Scandinavian Airlines Businesses income statements



MSEK	April-June			January-June		
	2005	2004	Change	2005	2004	Change
▶ Revenues	9 787	9 405	+382	17 833	17 417	+416
▶ Operating expenses	-8 543	-8 586	+43	-16 668	-16 741	+73
▶ EBITDAR	1 244	819	+425	1 165	676	+489
▶ Lease	-455	-379	+76	-899	-746	+156
▶ EBITDA	789	440	+349	266	-70	+336
▶ Depreciation	-296	-350	+54	-598	-718	+120
▶ Income from sales/affiliated	57	21	+36	362	85	+277
▶ EBIT	550	111	+439	30	-703	+733
▶ EBT	396	-52	+448	-305	-1 059	+754
▶ EBT bef. gains	353	-21	+374	-638	-1 077	+439

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

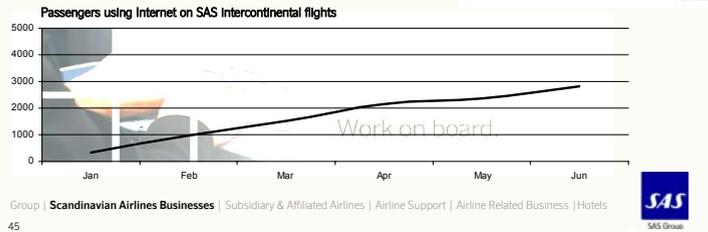


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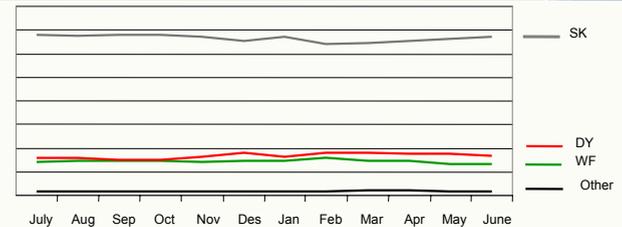
## Improved long haul product as part of customer segmentation strategy



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



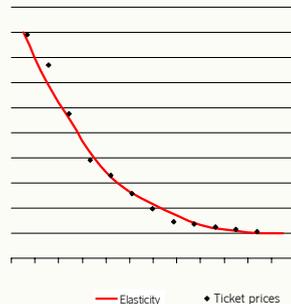
## SAS Braathens and Widerøe's market share stable on Norwegian domestic



## Scandinavian Airlines has introduced new yield system based on one way pricing



- ▶ New yield management system (Optimix) developed based on one way fares
  - Optimizing leisure fare
  - Buy up in economy
- ▶ Automatic price elasticity
  - Developed and tested by SAS since July 2004
- ▶ All flights individually profile steered according to expected demand
- ▶ System has successfully and successfully been rolled out since May starting with Copenhagen-Madrid /Prague
  - Introduced on all European routes during the summer 2005



## 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 40% internet bookings in Norway
- ▶ Communication – to frequent flying customers and leisure

Planera & boka | Erbjudanden & nyheter | För affärsresenären | Eurobonus | All om r

Flygtider och priser

GÖTEBORG - STOCKHOLM				torsdag 7. apr 05	
FIX	FLEX	FULL FLEX	Avgång	Ankomst	Flygtid
275 kr	1050 kr	1250 kr	06:10 GOT	07:10 ARN	1:00
780 kr	1050 kr	1250 kr	06:55 GOT	07:55 ARN	1:00
780 kr	1050 kr	1250 kr	07:35 GOT	08:35 ARN	1:00
275 kr	1050 kr	1250 kr	08:25 GOT	09:25 ARN	1:00
780 kr	1050 kr	1250 kr	09:20 GOT	10:15 ARN	0:55
780 kr	1050 kr	1250 kr	10:20 GOT	11:15 ARN	0:55
275 kr	1050 kr	1250 kr	12:35 GOT	13:25 ARN	0:55
580 kr	1050 kr	1250 kr	14:35 GOT	15:10 ARN	0:55
580 kr	1050 kr	1250 kr	15:50 GOT	16:45 ARN	0:55

STOCKHOLM - GÖTEBORG

FIX	FLEX	FULL FLEX	Avgång	Ankomst	Flygtid
275 kr	1050 kr	1250 kr	06:10 ARN	07:05 GOT	0:55
580 kr	1050 kr	1250 kr	07:00 ARN	07:55 GOT	0:55
780 kr	1050 kr	1250 kr	08:00 ARN	08:55 GOT	0:55



## Next phase to adjust product to customers individual preferences



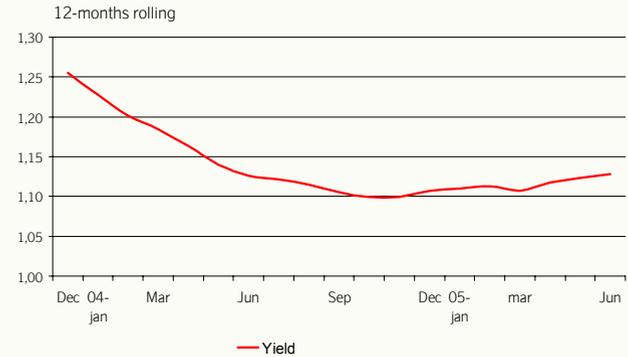
**Added services**  
 • Attractive products/ services which can be added to base product

**Base product**  
 • Attractive basic offer  
 • Few restrictions  
 • Price follows demand

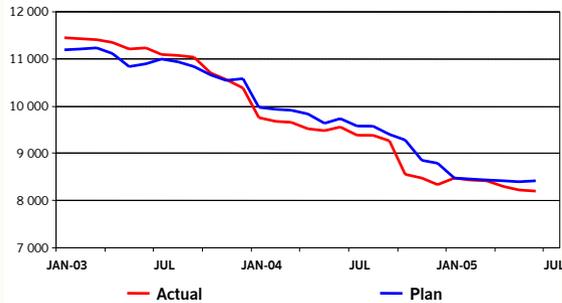
- ▶ Further segmentation of product next phase
- ▶ Simplification of basic product
- ▶ Additional services features to further adjust product offer according to customer's preferences



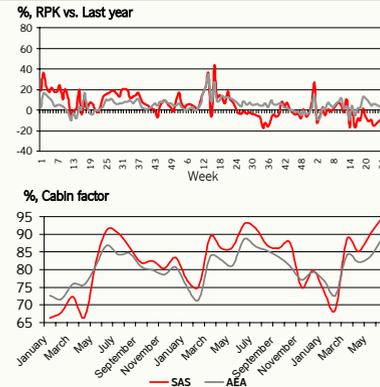
## Yields are stabilizing



## Scandinavian Airlines Businesses Development of number of employees



## North Atlantic cabin factor above AEA



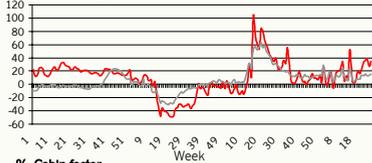
- ▶ Daily departures to/from New York, Washington DC, Chicago, Seattle from Copenhagen
- ▶ Daily departures to/from New York and Chicago from Stockholm
- ▶ Compared with 2004 capacity has been reduced to New York resulting in improved cabin factors and slightly lower volumes
- ▶ Positive mix in first half
- ▶ Traffic in Jan-Jun 2005:
  - European airlines (AEA) traffic up 1,9%
  - SAS traffic down 6,5%
    - Strong USD and fuel charges



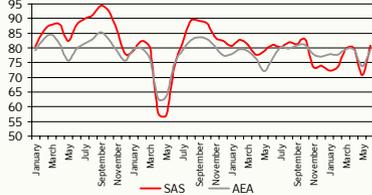
## Asian traffic – Scandinavian Airlines gaining market shares



% RPK vs. Last year



% Cabin factor



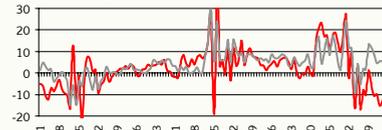
- ▶ Capacity increased on Bangkok/Singapore and Shanghai compared with last year
- ▶ Business Class has increased on Shanghai by more than four times
- ▶ Overcapacity on some routes
- ▶ After weak start of the year traffic has improved in the second quarter
- ▶ Traffic in Jan-Jun 2005:
  - AEA traffic up 11,6%
  - SAS traffic up 15,7%



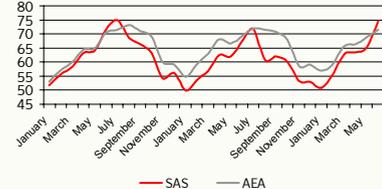
## European traffic



% RPK vs. Last year



% Cabin factor



- ▶ Severe overcapacity on some routes
- ▶ Scandinavian Airlines has reduced its capacity by 7,4% vs 2004
- ▶ Scandinavian Airlines' cabin factor successively improving and over 2004 years level and AEA in June
- ▶ Scandinavian Airlines introducing one way fares expected to improve cabin factor further
- ▶ Traffic Jan-Jun 2005:
  - AEA traffic up 5,9%
  - SAS traffic down 4,4%



## 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 1st quarter 2005: MSEK – 64 (-71)
- Result effect 2nd quarter 2005: MSEK –207 (45)



## Subsidiary & Affiliated Airlines



## Income for Subsidiary & Affiliated Airlines improved



MSEK	April-June			January-June		
	2005	2004	Change	2005	2004	Change
▶ Revenues	3 503	3 057	+446	6 110	5 332	+778
▶ Operating expenses	-2 936	-2 596	-340	-5 336	-4 844	-458
▶ EBITDAR	567	461	+106	774	488	+286
▶ Lease	-323	-300	-23	-565	-571	+6
▶ EBITDA	244	161	+83	209	-83	+292
▶ Depreciation	-78	-73	-5	-154	-144	-10
▶ Income from sales/affiliated	15	73	-58	12	123	-111
▶ EBIT	181	161	+20	67	-104	+171
▶ EBT	145	140	+5	0	-148	+148
▶ EBT bef. gains	145	80	+65	0	-208	+208



## Results significantly improved in Spanair, Widerøe and Blue1



Jan-Jun in MSEK			
Revenues	3 809 10,0%	1 407 14,4%	860 40,3%
EBITDAR	489 34,7%	212 22,5%	117 n.m.
EBT	-153 n.m.	77 51,0%	41 n.m.
EBT bef. gains	-153 n.m.	77 51,0%	41 n.m.



## Results significantly improved in Widerøe and Blue1



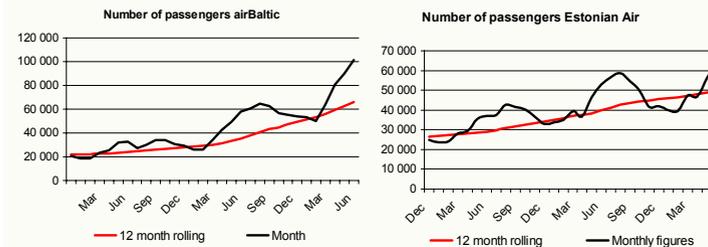
Apr-Jun in MSEK			
Revenues	2 235 8,7%	768 19,6%	481 39,4%
EBITDAR	370 6,6%	132 30,7%	83 98%
EBT	5 -93%	63 70,3%	45 n.m.
EBT bef. gains	5 -72%	63 70,3%	45 n.m.



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



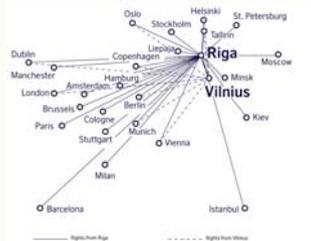
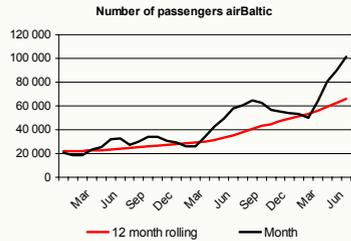
- ▶ The SAS Group holds 49% in Estonian Air and 47,2% in airBaltic
- ▶ airBaltic traffic up 149,4% in first half and passengers up 86,5%
- ▶ Estonian Air number of passengers up 20,2%
- ▶ Competing successfully with Ryanair and Easyjet which have entered the market in 2005



## Impressive growth in airBaltic



- ▶ The SAS Group holds 47,2% in airBaltic
- ▶ airBaltic traffic up 149,4% in first half and passengers up 86,5%
- ▶ airBaltic fending off Easyjet competition when entered the market in 2005
- ▶ Cost base one of lowest in Europe



## Airline Support Businesses



## Improved top line and bottom line for Airlines Support Businesses



MSEK	April-June			January-June		
	2005	2004	Change	2005	2004	Change
▶ Revenues	3 731	3 581	+150	7 488	7 088	+400
▶ Operating expenses	-3 417	-3 297	-120	-6 916	-6 647	-269
▶ EBITDA	314	284	+30	572	441	+131
▶ Depreciation	-94	-119	+25	-205	-243	+38
▶ EBIT	220	165	+55	367	198	+169
▶ EBT	182	145	+37	298	157	+141



## STS improving result significantly – SAS Cargo affected by weaker freight market in Q2



	SAS Technical Services		SAS Ground Services		SAS Cargo	
Jan-Jun in MSEK						
EBT, bef gains	200	+115	84	+55	14	+13
Apr-Jun in MSEK						
EBT, bef gains	136	+71	34	-8	9	-5





## Airline Related Businesses



## Airline Related Businesses affected by SAS Trading phase out



MSEK	April-June			January-June		
	2005	2004	Change	2005	2004	Change
▶ Revenues	454	769	-315	870	1 439	-569
▶ Operating expenses	-423	-716	+293	-807	-1 331	+524
▶ EBITDA	31	53	-22	63	108	-45
▶ Depreciation	-33	-39	+6	-65	-76	-11
▶ Capital gains	-2	0	-2	-2	0	-2
▶ EBIT	-4	14	-18	-4	32	-36
▶ EBT	-5	11	-16	-8	25	-33
▶ EBT bef non-recurring items	17	11	+6	14	25	-11

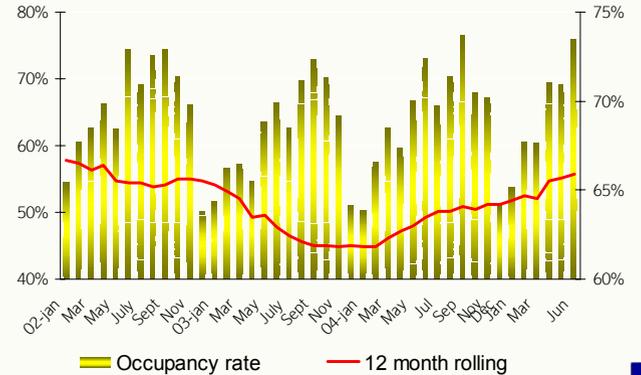
Group | Scandinavian Airlines Businesses | Subsidiary & Affiliated Airlines | Airline Support | Airline Related Business | Hotels



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## Improved occupancy rate for Rezidor SAS



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

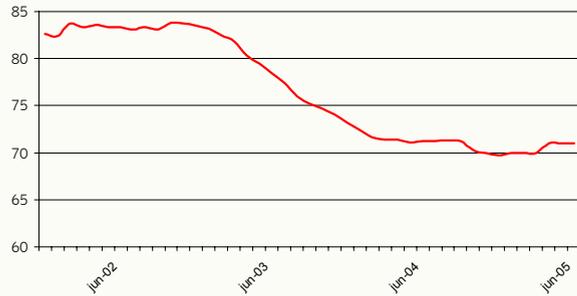


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## Cost per available room is coming down



Cost per available room (EUR), 12 months rolling value



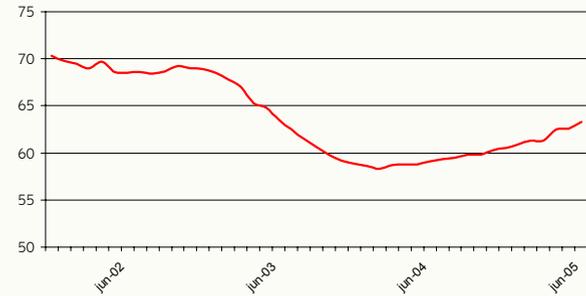
▶ Unit cost calculated as Costs/number of rooms



## REVPAR improving



RevPAR (EUR), 12 months rolling value



## Financial update



## Balance Sheet



MSEK	30 Jun 05	31 Dec 04
Liquid funds	8 680	8 595
Aircraft, spare parts	19 211	20 013
Other assets	33 844	29 175
<b>Total assets</b>	<b>61 735</b>	<b>57 783</b>
Operating liabilities	17 231	15 955
Interest-bearing liabilities	28 198	27 280
Deferred tax	3 816	3 194
Equity	12 432	11 354
<b>Total liabilities and equity</b>	<b>61 735</b>	<b>57 783</b>
<b>Financial net debt</b>	<b>16 510</b>	<b>17 377</b>



## SAS Group's limited aircraft Capex



### Firm Aircraft Orders

	Total	2005	2006	2007
Airbus A319*	4		2	2
Boeing 737	2			2
Number of aircraft	6	0	2	4
<b>CAPEX (MUSD)</b>	<b>187</b>	<b>4</b>	<b>60</b>	<b>123</b>

\* = Changed from A321 during Q2



## SAS Group has amortized MSEK 1 586 on utilized facilities since March 2005

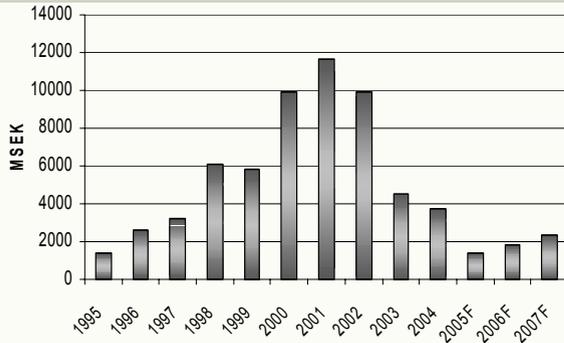


	MSEK
<b>Liquid Funds June 30, 2005</b>	<b>8 680</b>
<b>Available Credit Facilities:</b>	
Revolving Credit Facility (MEUR 400)	2 100
Bi-lateral Facilities	2 100
Others	400
<b>Total Available Facilities</b>	<b>4 600</b>
<b>Total Available Funds</b>	<b>13 280</b>

- ▶ Available facilities MSEK 4 600
- ▶ Utilized facilities MSEK 2 400
- ▶ Total facilities MSEK 7 000



## SAS Group's Capex Holiday continues - aircraft and spares



## Clear Targets to Reduce Indebtedness - Key ratios improved during first half 2005

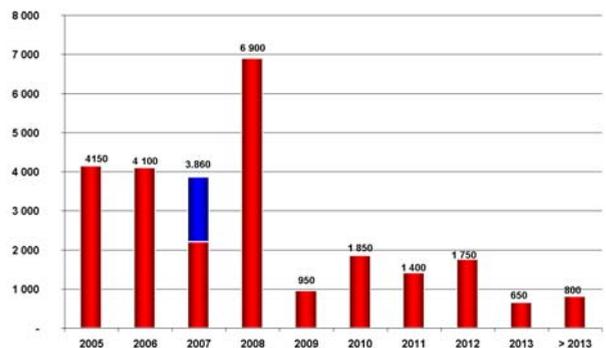


Key figures	Jun Q5	Dec Q4	Target
▶ Equity/assets ratio (solidity)	20%	20%	>30%
▶ Financial net debt/ equity	133%	153%	<50%
▶ Fin. net debt+7*Oplease/ equity	283%	309%	<100%

- ▶ Targets will be reached by:
  - Turnaround 2005
  - Capital Release:
    - Aircraft – Surplus and phase-outs
    - Other Assets (Properties, non-core subsidiaries etc)
  - Cash flow from operations



## Amortization profile of interest bearing liabilities



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

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## Financial Net January – June 2005



(MSEK)	<u>05-06-30</u>	<u>04-12-31</u>	<u>Difference</u>
Interest net and others	-624	-989	N/A
Exchange rate differences	-25	-53	N/A
Financial net	- 649	-1 042	N/A

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

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## Financial Net January – June 2005



(MSEK)	<u>05-06-30</u>	<u>04-06-30</u>	<u>Difference</u>
Interest net and others	-624	-461	-163
Exchange rate differences	-25	-29	+4
Financial net	- 649	-490	-159



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

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## Financial Net April – June 2005



(MSEK)	<u>Q2-2005</u>	<u>Q2-2004</u>	<u>Difference</u>
Interest net and others	-395	-215	-180
Exchange rate differences	-12	+8	-20
Financial net	- 407	-207	-200

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

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## Development and Break Down of Financial Net Debt 050630



(MSEK)	050630	041231	Difference
Cash	8 680	8 595	85
Other interest bearing assets	3 008	1 308	1 700
Interest bearing liabilities	-28 198	-27 280	-918
Financial Net debt	-16 510	-17 377	867

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

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## Development and Break Down of Financial Net Debt 050630



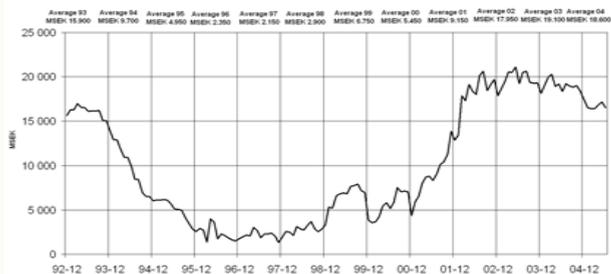
(MSEK)	050630	040630	Difference
Cash	8 680	8 829	-149
Other interest bearing assets	3 008	1 256	1 752
Interest bearing liabilities	-28 198	-28 437	239
Financial Net debt	-16 510	-18 352	1 842

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

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## Development of financial net debt 9212-0506

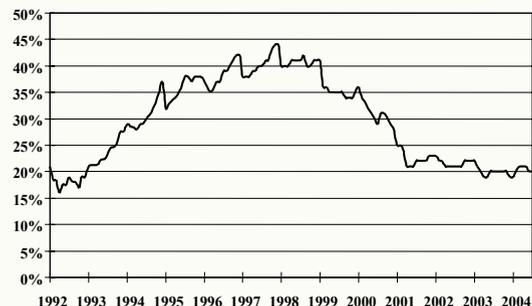


Group | Scandinavian Airlines Business | Subsidiary & Affiliated Airlines | Airline Support | Airline Related Business | Hotels

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## Equity / Assets Ratio 9212-0506



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

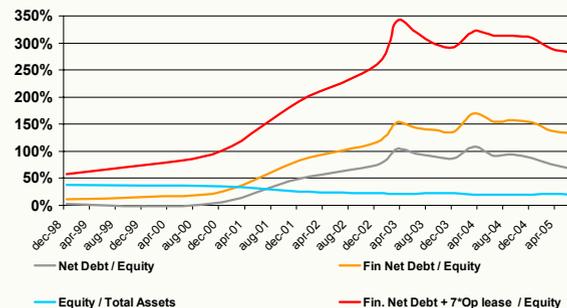
84



## Financial Net Debt / Equity Ratio 9212-0506



## Gearing ratios going down



## Cash flow from operations improved MSEK 1 495 in first half



MSEK	April-June			January-June		
	2005	2004	Change	2005	2004	Change
▶ Cash flow from operations	1 168	563	+605	362	-332	+694
▶ Change in working capital	476	-52	+528	274	-567	+841
▶ Net financing from operations	1 644	511	1 133	636	-899	+1 535
▶ Investments, adv. payments	-465	-1 063	+598	-737	-1 721	+984
▶ Acquisitions/sale of subsidiaries (net)	0	0	0	0	-614	+614
▶ Sale of fixed assets etc.	496	2 553	-2 057	645	3 916	-3 271
▶ Financing deficit/surplus	1 675	2 001	-326	544	682	-138
▶ Change in external financing	-696	-1 549	+853	-511	-924	-413
▶ Cash flow from the period	979	452	+527	33	-242	+275
▶ Translation diff in liquid assets	42	-8	+50	52	5	+47
▶ Change in liquid asset	1 021	444	+577	85	-237	+322

## Sum Up – Credit position



- ▶ Strong liquidity of MSEK 8 680
- ▶ Substantial Committed credit facilities of MSEK 4 600
- ▶ Limited CAPEX going forward
- ▶ Young aircraft fleet
- ▶ Additional sources of capital
- ▶ Turnaround 2005 program with union agreements secured
- ▶ Positive cash flow from operations



## APPENDICES

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



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## Guidance for 2005

<u>SAS Group</u>	<u>2005</u>	<u>Change vs 2004</u>
▶ Fuel costs (MSEK)	7 500	20%
▶ ASK		2-3%

<u>Scandinavian Airlines</u>	<u>Change vs 2004</u>
▶ Yield	flat
▶ ASK	-5%

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

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## Capacity (ASK) outlook 2005 vs. 2004



▶ Scandinavian Airlines	-5%
▶ Spanair	14%
▶ Widerøe	2%
▶ Blue1	4%
▶ <u>airBaltic</u>	<u>86%</u>
▶ Total SAS Group	2-3%*

\*) 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

<u>Jan-Jun</u>	<u>2005</u>	<u>2004</u>	<u>Change</u>
Yield (öre/RPK)	114,7	110,4	3,9%
Currency adj. yield	114,7	110,4	4,0%

<u>Apr-Jun</u>	<u>2005</u>	<u>2004</u>	<u>Change</u>
Yield (öre/RPK)	115,9	107,5	7,9%
Currency adj. yield	115,9	107,5	7,8%

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	April-June	January-June
Spanair	6,3%	4,1%
widerøe Member of the SAS Group	8,0%	3,0%
Blue	9,4%	7,2%

## Unit Cost

January-June 2005 vs 2004



Cost analysis	2004	2005	Var%	Share of total var %
Personnel	-4 295	-3 965	-7,7%	-2,0%
Fuel	-1 899	-2 583	36,0%	4,1%
Gov. Charges	-2 180	-1 894	-13,1%	-1,7%
Selling cost	-448	-283	-36,8%	-1,0%
Ground Services	-2 811	-2 745	-2,4%	-0,4%
Technical	-2 101	-2 274	8,2%	1,0%
Other operating costs	-1 916	-1 591	-16,9%	-1,9%
<b>Total operating expenses</b>	<b>-15 650</b>	<b>-15 335</b>	<b>-2,0%</b>	<b>-1,9%</b>
Aircraft costs	-1 022	-958	-6,3%	-0,4%
<b>Adjusted EBIT</b>	<b>-16 672</b>	<b>-16 293</b>	<b>-2,3%</b>	<b>-2,3%</b>

Volume (including charter) = average increase in ASK: +1,6%

## Unit Cost

April-June 2005 vs 2004



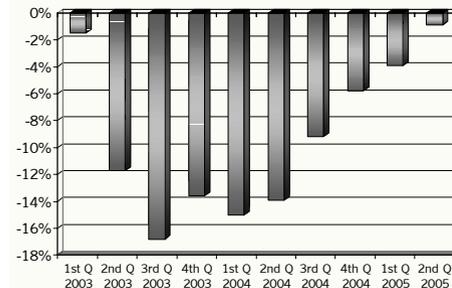
Cost analysis	2004	2005	Var%	Share of total var %
Personnel	-2 080	-1 973	-5,1%	-1,3%
Fuel	-1 025	-1 414	37,9%	4,6%
Gov. Charges	-1 130	-998	-11,7%	-1,6%
Selling cost	-222	-162	-27,0%	-0,7%
Ground Services	-1 392	-1 365	-1,9%	-0,3%
Technical	-1 101	-1 155	4,9%	0,6%
Other operating costs	-931	-750	-19,4%	-2,2%
<b>Total operating expenses</b>	<b>-7 880</b>	<b>-7 817</b>	<b>-0,8%</b>	<b>-0,7%</b>
Aircraft costs	-493	-478	-3,1%	-0,2%
<b>Adjusted EBIT</b>	<b>-8 373</b>	<b>-8 295</b>	<b>-0,9%</b>	<b>-0,9%</b>

Volume = average increase in ASK: -1,1%

## Unit cost continues down despite record high jet fuel costs



Total unit cost, Scandinavian Airlines Businesses

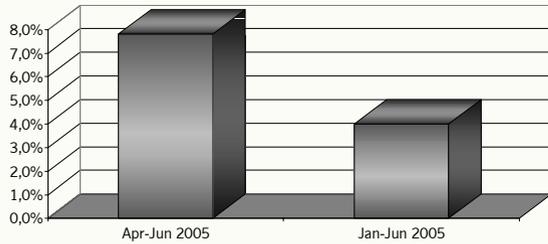


- ▶ Unit cost down 10,9% in 2004
- ▶ Unit cost down 3,9% in Q1
  - Adjusted for fuel unit cost was down by 7,5%
- ▶ Unit cost down 0,9% in Q2
  - Adjusted for fuel unit cost was down by 5,5%

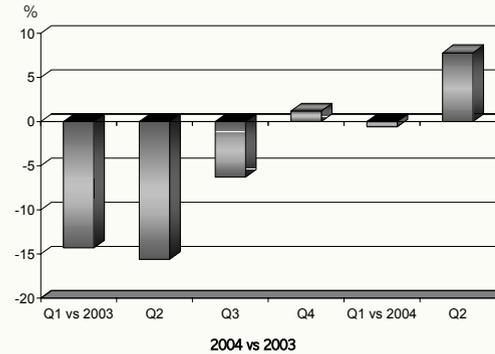
## Yield Development, Scandinavian Airlines Businesses



January-June (currency adjusted) vs 2004



## Yield development – Scandinavian Airlines Businesses



- Yields down 9,1% in 2004
- Yields down 0,6% in 1st Quarter 2005
- Yields up 7,8% in 2<sup>nd</sup> Quarter 2005

## Passenger Yield

January-June 2005 vs 2004



Route Sector	Nominal yield	Currency effect	Adjusted yield
Scandinavian Airlines Busin.	104	100	104
Intercontinental	104	101	105
Europe	100	99	99
Intrascandinavian	119	99	118
Denmark	117	100	117
Norway	107	98	105
Sweden	94	100	94

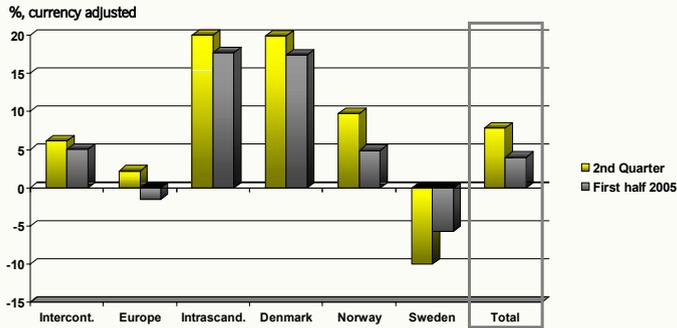
## Passenger Yield

2<sup>nd</sup> Quarter 2005 vs 2004



Route Sector	Nominal yield	Currency effect	Adjusted yield
Scandinavian Airlines Busin.	108	100	108
Intercontinental	106	100	106
Europe	104	99	102
Intrascandinavian	123	98	121
Denmark	121	99	120
Norway	111	98	110
Sweden	90	100	90

## Yield stabilizing in most markets



## Key airline profitability drivers

2005 vs 2004



January-June

- ▶ Traffic growth (RPK) down 2,2%
- ▶ Cabin Factor up 0,5 p.u.
- ▶ Yields up 4,0%
- ▶ Unit costs incl A/C cost down 2,3%

April-June

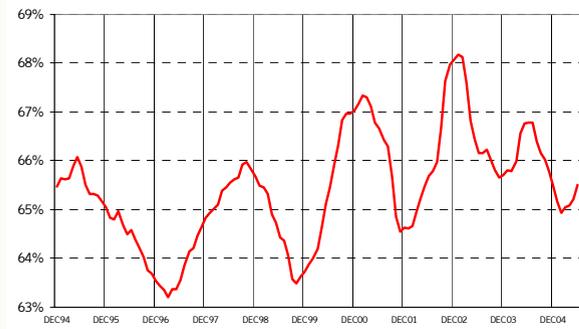
- ▶ Traffic growth (RPK) down 2,9%
- ▶ Cabin Factor up 1,5 p.u.
- ▶ Yields up 7,8%
- ▶ Unit costs incl A/C cost down 0,9%



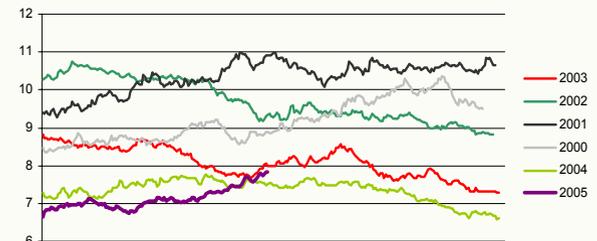
## Long term passenger load trend positive – long term targets achievable



Moving 12 months values



## Weaker USD in the beginning of 2005 has had a positive effect on costs



- ▶ Positive effect on total revenues & costs in January-June by MSEK 180



## Currency Effects – SAS Group

January-June 2005 vs 2004



MSEK	Jan-Jun
Total revenues	-2
Total costs	+293
<u>Forward cover costs &amp; working cap.</u>	<u>-155</u>
Income before depr.	+136
<u>Financial items</u>	<u>+4</u>
Income before tax	+140



## Currency Effects – SAS Group

January-June 2005 vs 2004



<b>Total revenues &amp; costs:</b> (Total +291 MSEK) Major approx. effects:		<b>Working capital:</b> (Total -174 MSEK)	
USD	+280	2004	-2
DKK	+10	2005	-176
NOK	+57	<b>Financial items:</b> (Total +4 MSEK)	
EUR	-7	2004	-29
Asian curr.	-32	2005	-25
All others	-17	<b>Grand total +140 MSEK</b>	
<b>Forward cover costs:</b> (Total +19 MSEK)			
2004	-42		
2005	-23		



## Currency Effects – SAS Group

April-June 2005 vs 2004



MSEK	Apr-Jun
Total revenues	+17
Total costs	+109
<u>Forward cover costs &amp; working cap.</u>	<u>-60</u>
Income before depr.	+66
<u>Financial items</u>	<u>-20</u>
Income before tax	+46



## Currency Effects – SAS Group

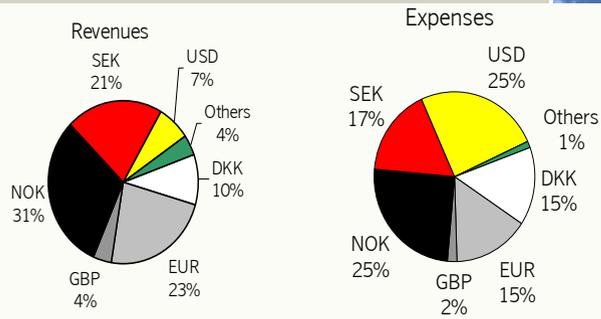
April-June 2005 vs 2004



<b>Total revenues &amp; costs:</b> (Total +126 MSEK) Major approx. effects:		<b>Working capital:</b> (Total -108 MSEK)	
USD	+118	2004	-5
DKK	+2	2005	-113
NOK	+29	<b>Financial items:</b> (Total -20 MSEK)	
EUR	0	2004	+8
Asian curr.	-15	2005	-12
All others	-8	<b>Grand total +46 MSEK</b>	
<b>Forward cover costs:</b> (Total +48 MSEK)			
2004	-23		
2005	+25		



## Currency distribution in the SAS Group 2004



## SAS Group fleet as of June 30, 2005



Aircraft Type	Owned	Leased In	Total	Leased Out	On Order
Airbus A340/A330-300	5	6	11		
Airbus A321/A320-200	8	19	27		4
Boeing 737	25	53	78	5	2
Boeing 717		4	4		
Douglas MD-80 - series	27	62	89	6	
Douglas MD-90-30	8		8	2	
Avro RJ-85/100		9	9		
Fokker F50	7	1	8	2	
De Havilland Q100/Q300/Q400	16	37	53		
SAAB 2000		5	5		
<b>Total</b>	<b>96</b>	<b>196</b>	<b>292</b>	<b>15</b>	<b>6</b>

Company	Owned	Leased In	Total	Leased Out	On Order
Scandinavian Airlines Businesses	81	113	194	15	6
Spanair		55	55		
Wideroe	15	14	29		
Blue1		14	14		
<b>Total</b>	<b>96</b>	<b>196</b>	<b>292</b>	<b>15</b>	<b>6</b>



## SAS share



## Development of Market capitalization



## SAS share price vs. peers 2004



**SAS Market Capitalization vs. European Peers measured in SEK**  
(December 31, 2004 - June 30, 2005)



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

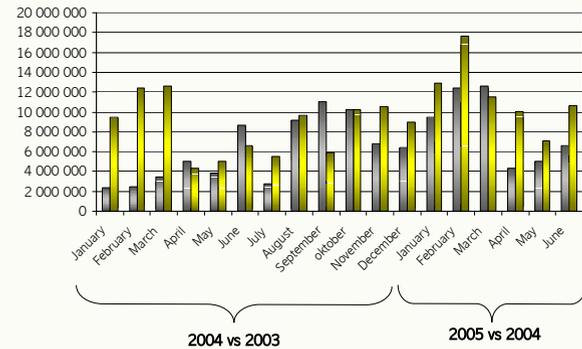
Group | Scandinavian Airlines Businesses | Subsidiary & Affiliated Airlines | Airline Support | Airline Related Business | Hotels



## Number of traded SAS shares increasing



**Number of shares traded in SAS per month**



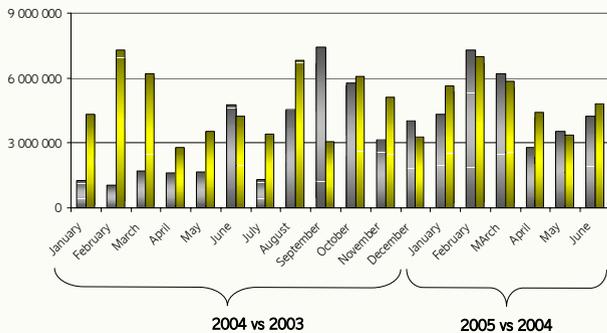
Group | Scandinavian Airlines Businesses | Subsidiary & Affiliated Airlines | Airline Support | Airline Related Business | Hotels



## Increased number of traded SAS shares at Stockholm Stock Exchange



**Number of shares traded in Stockholm per month**



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

