



## SAS Group Year End Report 2005

Press conference February 9, Stockholm



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## SAS Group positive result 2005

- ▶ EBT bef nonrecurring items MSEK 114, an improvement of MSEK 1 815
- ▶ Record number of passengers and record load factors
  - Yield reductions in 4<sup>th</sup> Quarter more than offset by improved load factors
- ▶ Turnaround 2005 completed
- ▶ “More to be done” SEK 2 billion of new efficiency measures under implementation
- ▶ Jet fuel costs up by MSEK 1 700 (adjusted)
- ▶ Focus on core business
  - Sale of EAG, Jetpak Group and 67% of SAS Component

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## EBT result improved by SEK 1,8 billion

MSEK	October-December		January-December	
	2005	Change	2005	Change
▶ Revenues	16 287	+1 342	61 887	+3 794
▶ EBITDAR	1 505	+303	6 117	+1 649
▶ Lease & depreciation	-1 421	-36	-5 545	-10
▶ EBIT	670	+789	1 373	+2 165
▶ Financial net	-99	+177	-1 005	+37
▶ EBT	573	+968	+418	+2 251
▶ EBT bef non-recurring items	<b>228</b>	<b>+548</b>	<b>114</b>	<b>+1 815</b>

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## Introduction of New Business Model very successful

- ▶ Simplified rules – one way prices
- ▶ Prices entirely demand driven
- ▶ Positive impact from one way experienced
  - on Norwegian, Swedish domestic and Europe/Intrascandinavian routes
- ▶ Reduced yield



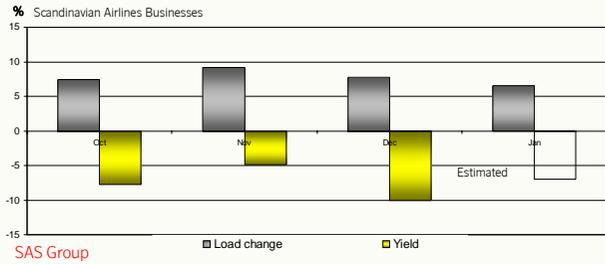
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## Record load factors

- ▶ SAS Group number of passengers up by 8,0% to a record 34,9 million
- ▶ Strong growth on European routes – traffic up 14,5% on Group level in 2005
  - Cabin factor up 4,4 p.u. to 62,9%
- ▶ Scandinavian Airlines number of passengers up 8,5% and load up 8,2 p.u. to 69,7% in Q4
  - Yield reduction more than offset by improved cabin factor



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## SAS Group 2001-2005

Event	2001	2002	2003	2004	2005
Event	▶ Business Class started to weaken ▶ September 11	▶ Overcapacity	▶ SARS ▶ War in Iraq ▶ New competition	▶ Significant over-capacity in Sweden domestic, Denmark and Europe	▶ Fierce competition ▶ Rebound of traffic growth
Action	▶ Plan A ▶ Capacity reductions ▶ Basic cost reduction	▶ Turnaround 2005 initiated	▶ SEK 6,7 billion of Turnaround 2005 implemented	▶ Incorporation of Scandinavian Airlines ▶ SEK 11,9 billion of Turnaround 2005 implemented	▶ Turnaround 2005 completed at SEK 14,2 billion ▶ New Business models introduced ▶ New cost adaptive measures of SEK 2 bn
Business Class	▶ 27,5%	22,7%	17,6%	15,0%	14,2%
Yield	▶ +0,7%	-4,6%	-13%*	-22%*	-23%*
Unit cost vs 2002	▶ +3%	+1,6%	-12%*	-26%*	-30% to -35%*

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\* = Accumulated base 2002



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Nya Europaflyget **650:-**



From the Swedish marketing campaign

Gunilla Berg  
CFO



aflyget **650:-**

## Strongest improvement in Scandinavian Airlines Businesses

MSEK	Oct-Dec		Jan-Dec	
	2005	Change	2005	Change
▶ Scandinavian Airlines Businesses	121	+261	-383	+1 065
▶ Subsidiary & Affiliated Airlines	-137	-77	264	+279
▶ Airline Support Businesses	154	+96	524	+22
▶ Airlines Related Businesses	19	+13	40	-5
▶ Hotels	214	+115	239	+236
▶ Group eliminations, other	-143	+140	-570	+218
▶ EBT bef non-recurring items	<b>228</b>	<b>+533</b>	<b>114</b>	<b>+1 815</b>

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## Still challenges in Scandinavian Airlines Businesses



Oct-Dec in MSEK	SAS Braathens		SAS	
	Denmark	Sweden	Sweden	International
Revenues	2 609	3 191	2 095	1 930
EBITDAR	55	490	181	143
EBT bef. one offs	-186	205	35	-45
Jan-Dec in MSEK				
Revenues	10 263	12 258	7 777	7 736
EBITDAR	339	1 752	372	647
EBT bef. one offs	-615	629	-338	-48

Scandinavian Airlines Businesses

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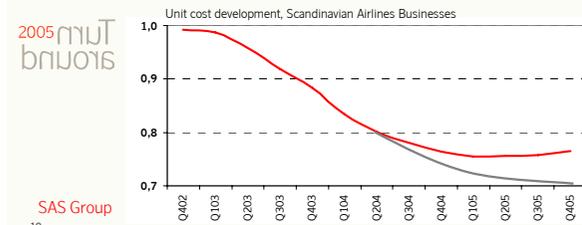
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## Turnaround 2005 completed to 100%



- ▶ Most comprehensive program in the SAS Group's history
- ▶ Positive result effect in 2006 app SEK 1,7 billion
- Savings of SEK 14,2 billion completed
- More than 1 300 activities
- 5 500 FTE's reductions
- More than 30% reduction in unit cost



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## SEK 2 billion of new measures under implementation



Estimated result effect, MSEK

700	▶ Productivity (partly dependent on changes in collective agreements)
	- Block hours
	- F/D 700 h
	- C/A 750 h
700	▶ Ground and technical services
	- Productivity (part time)
	- Leaner mgmt
	- Line and Heavy Maintenance
	- Simplified product
	- Reduced component costs
600	▶ Administration and sales
	- IT
	- Call centers
	- Overhead
	- Sales organization

Structural cost measures of MSEK 2 000 under implementation

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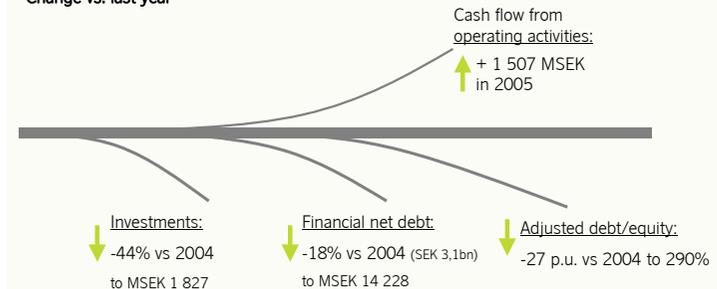
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## Strong operating cash flow and improved financial position



Change vs. last year



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From the Norwegian marketing campaign

## Gunnar Reitan Deputy CEO

**Oslo-Amsterdam**  
Ekspresstas  
**625,-**  
Nå har vi innført enveispriser, fjernet bookingregler og gjort det enklere å reise billig til Europa!  
Se [saskonferans.com](http://saskonferans.com), ring 02020 eller ditt reisebyrå, så hjelper vi deg å bli skikkelig billig - og hjem igjen.  
Du skal alltid hjem



## Spanair profitable in 2005

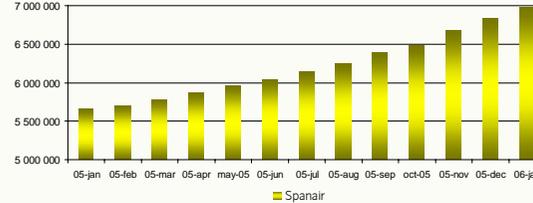
- Robust traffic development in the market
  - Two new destinations and six new routes opened in 2005
  - Number of passengers up 21,4% in 2005
- 4<sup>th</sup> Quarter negatively affected by previous accounting errors by MSEK 80
- Strong corporate sales development
- More dynamic aircraft allocation within the SAS Group has made it possible to increase capacity in Spanair



	Oct-Dec 2005		Jan-Dec 2004	
Total revenues	2 234	1 704	9 215	7 969
EBITDAR	198	168	1 406	1 141
<b>EBT, bef nonrecurring items</b>	<b>-118</b>	<b>-102</b>	<b>47</b>	<b>-99</b>

Restated 2002-2004 result

Passengers 12 months rolling



Subsidiary & Affiliated Airlines



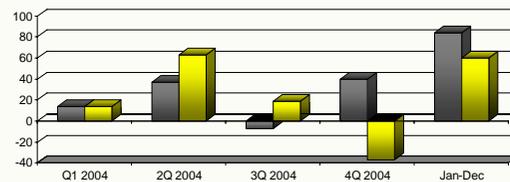
## Weak 4<sup>th</sup> Quarter in Widerøe

- Traffic down 0,7% compensated by capacity reductions
- Result negatively affected in the 4<sup>th</sup> Quarter by a conflict with the technicians by appr MSEK 35
- Widerøe won 11 of 16 routes in a tender for the Norwegian short runway system in the period April 2006 to March 2009



	Oct-Dec 2005		Jan-Dec 2004	
Total revenues	714	673	2 831	2 502
EBITDAR	33	107	334	349
<b>EBT, bef nonrecurring items</b>	<b>-37</b>	<b>40</b>	<b>60</b>	<b>85</b>

EBT, MSEK



Subsidiary & Affiliated Airlines



## Significantly improved result and growth in Blue1



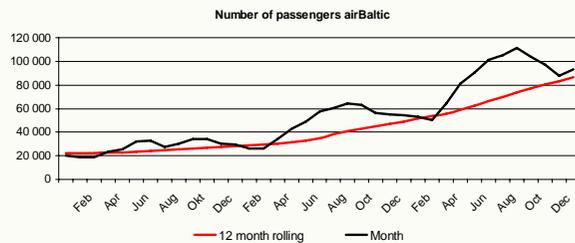
	Oct-Dec 2005		Jan-Dec 2004	
Total revenues	456	399	1 704	1 306
EBITDAR	49	47	208	58
<b>EBT, bef nonrecurring items</b>	<b>14</b>	<b>1</b>	<b>62</b>	<b>-111</b>

- Result improved by MSEK 160 vs last year
- Successful domestic operations
- CFROI 21%
- Strong operational performance
  - Passengers up 27,8% in 2005
  - Cabin factor up 11,2 p.p.
  - Cabin factor on Finnish domestic 66,0%



## airBaltic and Estonian Air show strong growth

- ▶ The SAS Group holds 47,2% in airBaltic
- ▶ airBaltic traffic up 105,3% and passengers up 76,1%
- ▶ airBaltic competes successfully with Ryanair and Easyjet which have entered the market in 2005



Subsidiary & Affiliated Airlines

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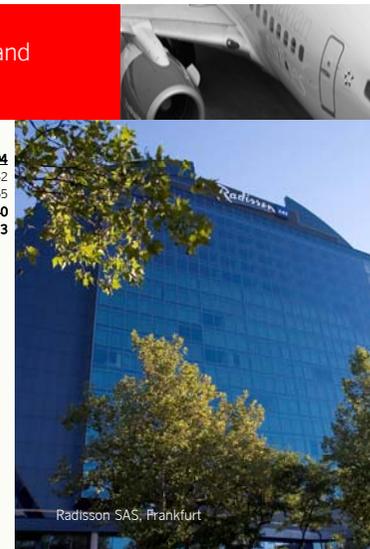
## Improved underlying profitability and profitable expansion

REZIDOR SAS	Oct-Dec		Jan-Dec	
	2005	2004	2005	2004
Total revenues	1 586	1 315	5 458	4 552
EBITDA	179	118	412	165
EBT	272	135	302	40
EBT, bef nonrecurring items	214	99	239	3

- ▶ Strong hotel market
- ▶ Number of rooms sold increased
  - ▶ RevPAR up 11% for comparable units
  - ▶ Occupancy rate improved 3,4 p.u.
- ▶ 27 new hotels opened in 2005. Total number of hotels now 217
- ▶ Enhanced partnership through shareholder agreement with Carlson
- ▶ Transaction confirms significant value in the Hotels

Rezidor SAS

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Radisson SAS, Frankfurt

## Jørgen Lindegaard CEO

From the Danish marketing campaign



## Financial targets still to be met – Scandinavian Airlines still a challenge

### The SAS Group's income and long term target achievement for 12 months 2005

2005	Negative result	Positive result	Target achieved
Scandinavian Airlines Danmark	●	●	
SAS Braathens		●	
Scandinavian Airlines Sverige		●	
Scandinavian Airlines International	●		
Spanair		●	●
Widerøe		●	●
Blue1		●	●
SAS Ground Services		●	
SAS Technical Services		●	
SAS Cargo Group		●	●
SAS Flight Academy		●	●
Rezidor SAS		●	●

- ▶ Still a challenge with Scandinavian Airlines Businesses cost position and profitability
- ▶ New cost measures in Scandinavian Airlines Businesses and STS, SGS

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## SAS Group will complete the incorporation process to secure competitiveness



### Key Benefits

- ▶ Full transparency
- ▶ Adaptation to national legal and market conditions
  - Reduce complexity from multinational structure
- ▶ Time to market
- ▶ Decentralized accountability
- ▶ Achieve market productivity targets (pilot block hours)
  - Simplified scheduling
  - Minimize passive transfer
  - Improved flexibility

- ▶ Key factor to achieve profitability in Scandinavian Airlines Businesses and resolve historical structural anomalies

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## Commercial initiatives with customer focus and value for money



Copenhagen – London City 2 daily  
Stockholm– London City 2 daily



SAS Braathens opens 12 new routes in March



Flat beds being introduced on intercontinental routes

### More commercial initiatives to be introduced during 2006:

- Improved homepage
- Loyalty programs improvements
- Customer concepts

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## Three pillars of the SAS Group competitiveness



- ▶ Cost
  - Turnaround 2005
  - New cost adaptation measures
  - Cost at market levels
- ▶ Incorporation of Businesses units
  - Transparency
  - Local adaptation
  - Flexibility
  - Time to market
- ▶ New Business Models
  - One way pricing
  - Demand driven
  - Internet

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## Sum up



- ▶ Turnaround 2005 fully completed
- ▶ First profitable year since 2000
- ▶ Record load factors and number of passengers
- ▶ Introduction of new Business Models
- ▶ Dynamic traffic planning
- ▶ Cost adaptation measures of appr SEK 2 billion
- ▶ More to be done

### Uncertainties in marketplace

- ▶ 2006
  - Stable market growth 3-5%
  - New Business Model with improved load and reduced yield
  - More commercial initiatives in pipeline

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