



Second Quarter 2004

Teleconference

August 11, 2004

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



Second quarter marginally positive despite to strong yield pressure and record high jet fuel prices



MSEK, April-June	2004	2003	Change
▶ Revenues	15 143	15 300	-157
▶ EBITDAR	1 493	1 608	-115
▶ Lease, depreciation & financial net	-1 589	-1 692	-103
▶ EBT bef. cap gains *)	9	-13	+22

▶ *) Ex restructuring costs of MSEK 75 (44)

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Unprecedented yield fall and record high jet fuel prices offset by significant cost reductions



1st Half 2004

- ▶ Traffic revenues down MSEK 1 900 due to yield pressure
- ▶ Currency and volume adjusted fuel costs up approx 500 MSEK
- ▶ Exceptionally strong pressure on yields but volumes up
 - ▶ Yields down (currency adjusted) 16% – Scandinavian Airlines
 - ▶ Group traffic up 11%
- ▶ Negative impact offset by large unit cost reduction
 - ▶ Turnaround 2005 ahead of plan
 - ▶ Unit cost (currency adjusted) for SK down 14% first half 23% accumulated vs 2002. Large reduction in European perspective.



First half earnings before taxes and exceptionals improved with MSEK 300 vs. last year

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Other important events 2nd Quarter and summer period



- ▶ SAS Braathens successfully launched on the Norwegian market
- ▶ Scandinavian Airlines transported a record number of intercontinental passengers
- ▶ Process to incorporate Business units initiated –
 - ▶ Implemented Oct 1 2004
- ▶ Scandinavian Airlines has signed more than 300 new corporate agreements with small and medium size companies
- ▶ Blue 1 introduces Finnish domestic routes
- ▶ The Norwegian Competition Authority examines price structures on the Norwegian market

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Why our statement that a positive result is difficult to achieve in 2004?



- ▶ The year started with weak demand
- ▶ Significant increased capacity in Scandinavia from a number of new start up airlines
- ▶ New players

=> overcapacity and low cabin factors
=> very low average prices



a non sustainable situation

- ▶ Record high oil prices



Strong 2nd Quarter result not achievable

- ▶ As from June price increases to offset Jet Fuel as well as improved yield management initiated by the largest operator: SAS Group
- ▶ Yield development improved in June – uncertainties due to overcapacity situation



Very promising start for SAS Braathens in Norway – to continue to build on Braathens strong profitability



SAS Braathens

- ▶ Operative in May 2004 – Boeing 737 fleet only
- ▶ New web site – 2nd most popular in Norway
- ▶ New price concepts – one way pricing
- ▶ Appr. 50 aircraft and 35 destinations - 440 daily departures
- ▶ Stable market share domestic appr. 85%
- ▶ Braathens today one of few European Airlines delivering shareholder returns

Braathens April-June	2004	2003
Total revenues	1 685	1 736
EBITDAR	389	274
EBIT	204	83
EBT	200	73



Updated market segmentation and analysis of customer priorities



- ▶ Business- and Economy Class are 25 year old concepts in the airline industry
- ▶ Current concepts does not fully match the rational needs and emotional preferences of customers
- ▶ The competitive environment and products have changed in the European airline industry
- ▶ Three segments have been identified for the new commercial strategies

Price

Customers looking for air transportation at low prices

Productivity

Customers who value hassle-free traveling and time-saving features

Comfort

Customers who also value additional comfort such as lounge access and better inflight service

40-45% 30-40% 20-30%

Estimated share of passengers



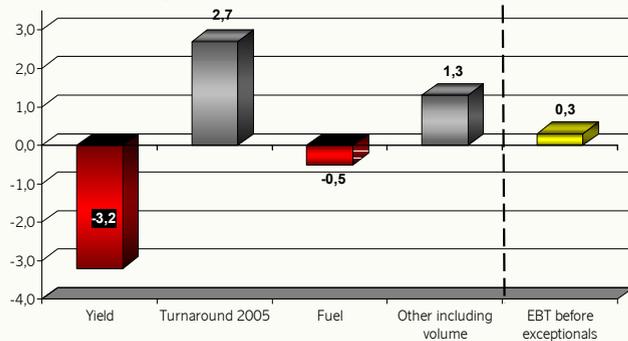
Gunilla Berg
CFO



Cost savings more than offset yield decline and increased jet fuel costs



January – June Change MSEK 2004 vs. 2003



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EBT before gains and exceptionals - Business area



April-June Business area	Q2		January-June 2004
	April-Jun 2004	Q2 Change	
Scandinavian Airlines	-223	-68	-1 331
Subsidiary & Aff. Airlines	239	19	-48
Airline Support Businesses	130	137	138
Airline Related Businesses	10	-30	22
Hotels	7	48	-93
Group eliminations, other	-154	-84	-310
EBT, before gains & exceptionals	9	22	-1 622

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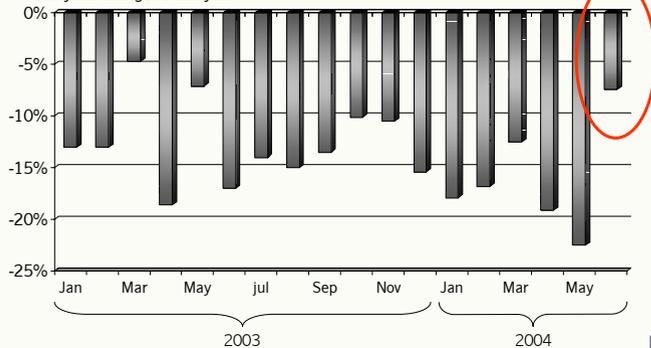


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Reduced yield pressure for June and indications for July positive



Total yield change vs last year



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Yield enhancements under implementation...



- ▶ Commercial Turnaround
 - Focus on added value for the customer
 - More info August 23
- ▶ Price adjustments in Sweden and Denmark
 - In Denmark fare adjusted with DKK 50-200/leg
 - In Norway fare adjusted with NOK 40-90 as from August 17th
 - In Swedish fare adjusted with SEK 50-75/leg
- ▶ Active yield management
 - Reduced number of low fare tickets during peaks
- ▶ System improvements
- ▶ Jet fuel surcharge – will be neutralized by higher fuel costs
- ▶ SAS Corporate agreements focus on small and medium sized customers. More than 300 new contracts signed in 2004

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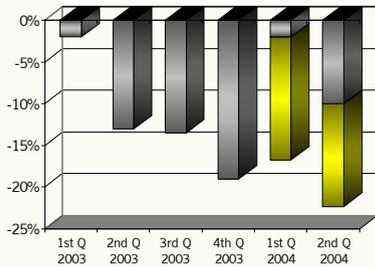


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Unit cost continues to improve significantly - down 23% since 2002



Index last year, EBITDAR level
(currency adjusted) Scandinavian Airlines



- ▶ 9th Quarter in a row with improved unit cost
- ▶ Unit cost in Q2 down by 12%
 - Adjusted for jet fuel price increases unit cost down by 15%
 - Accumulated unit cost down 23% since 2Q 2002
- ▶ One of largest reductions among European Airlines

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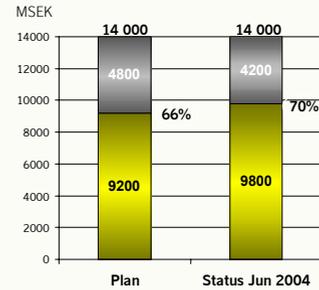
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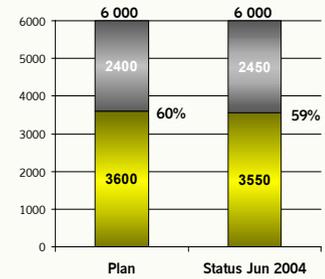
SAS Group – Turnaround 2005 ahead of plan



Total financial effect of implemented activities compared to plan



Reduction of personnel



Legend: To be implemented (grey), Implemented (yellow)

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Jørgen Lindegaard
CEO



Spanair on track



Hit by 23% increased jet fuel costs in Q2

- ▶ Most punctual in Europe in February
- ▶ One way prices on whole system
- ▶ New Business Class setup well received
- ▶ Traffic up 19,9%
- ▶ Yields down 12%
- ▶ Unit cost down 13% in 1st Half
- ▶ Jet fuel costs up MSEK 107 in Q2
- ▶ Positive expectations for 2004

April-June	2004	2003
Total revenues	2 057	1 997
EBITDAR	347	382
EBIT	84	101
EBT	71	86

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Hotels back in black numbers 2nd Quarter – mostly driven by the new hotel brands



Recovery in the marketplace and effects from Turnaround 2005

- ▶ Number of rooms sold increased
 - ▶ Price pressure reduced
 - ▶ REVPAR increased 3%
- ▶ Revenues up 17% driven by new units
- ▶ Unit cost sharp down
- ▶ Market share position unchanged
- ▶ Number of hotels in operation increased 11% (from 162 to 180)
 - ▶ New hotels have significantly contributed to improved result
- ▶ 7 new Radisson SAS hotels and 15 Park Inn, and 1 Regent hotels opened in the first half 2004

MSEK	April-June		January-June	
	2004	2003	2004	2003
▶ Revenues	1 121	903	2 039	1 745
▶ Operating expenses	-1 084	-904	-2 059	-1 821
▶ EBITDA	37	-1	-20	-76
▶ Adjusted EBITDA	45	4	-5	-72
▶ EBIT	6	-28	-82	-135
▶ EBT	7	-39	-93	-154

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Sum up 1st half 2004



- ▶ **Very difficult trading conditions**
 - 1st Half –high fuel prices and yield pressure
- ▶ **Turnaround 2005 according to plan**
 - Unit cost reductions so far up to 23% for Scandinavian - large reduction in European perspective
- ▶ **Yield improvements expected in second half**
 - Still uncertainties due to overcapacity situation
 - Strong performance by several business units
- ▶ **New Commercial strategies to repossess initiative**
 - Snowflake expanded to most of network
 - To be presented in details August 23

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