



## Year end report 2004

Teleconference  
February 10, 2005

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



## 2004 affected by unprecedented yield reductions, record fuel prices and large overcapacity



- ✚ Turnaround 2005
  - Substantially improved cost platform
  - Focus on remaining activities
- ✚ New business structure established
  - Incorporation of Scandinavian Airlines completed
  - Improved transparency and accountability
- ✚ Significant overcapacity affecting yields and passenger load factor
- ✚ Full year fuel cost SEK 1,5 billion higher than 2003
  - Net effect SEK 0,6 billion mainly from 1<sup>st</sup> Half (ex volume)
- ✚ Revenue actions stabilized yield in 2<sup>nd</sup> half

Significantly improved business platform for 2005

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2

## 4<sup>th</sup> Quarter loss mainly attributable to 350 MSEK in exceptionals



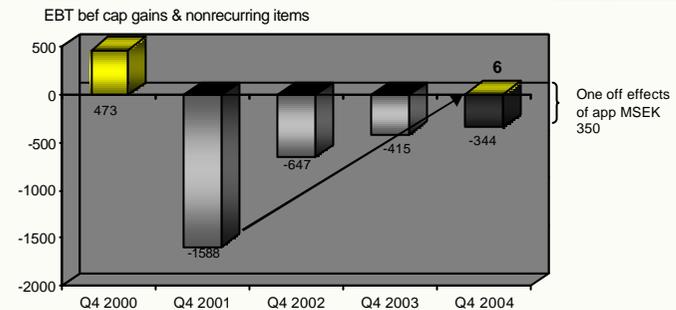
- ✚ Yield development according to plan
  - Positive yield 4<sup>th</sup> Quarter
- ✚ Relative weak passenger load factor
  - Overcapacity in the market
- ✚ One off effect of MSEK 350
  - Industrial actions by pilots in Spanair and cabin attendants in Scandinavian Airlines
  - Traffic disturbances in November/December in Scandinavia due to ATC problems
  - Method change SAS Cargo MSEK 100

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3

## Best underlying 4<sup>th</sup> Quarter result in 4 years



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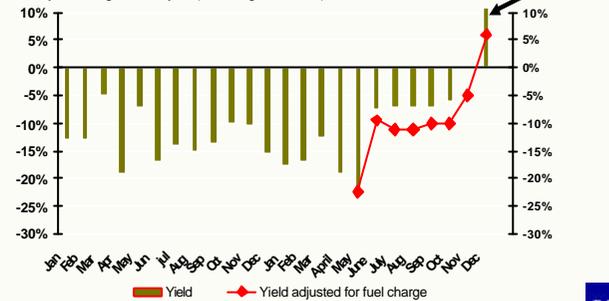
4

## Positive yield in December Indications for January flat or slightly positive



🔥 Currency adjusted yield for full year 2004 vs 2003 -9,1%

Total yield change vs last year (excluding Braathens)



## SAS Group with increased commercial focus in 2005



### SAS Group strategic focus areas

Commercial excellence	Cost improvement	Optimization of production	Portfolio strategy	Governance & organization
<ul style="list-style-type: none"> <li>Customer segmentation</li> <li>Products</li> <li>Pricing</li> <li>Revenue management</li> <li>Sales</li> <li>Distribution</li> <li>Ancillary revenue</li> </ul>	<ul style="list-style-type: none"> <li>Turnaround 2005</li> <li>Further rationalization</li> <li>Flexibility in cost base</li> </ul>	<ul style="list-style-type: none"> <li>Optimization of production system and network development</li> <li>Capacity &amp; Utilization focus</li> <li>Ensure presence in growth markets</li> </ul>	<ul style="list-style-type: none"> <li>Alliances</li> <li>Structural deals</li> <li>Horizontal integration</li> </ul>	<ul style="list-style-type: none"> <li>Group governance</li> <li>Competence development</li> <li>Communication</li> </ul>



## Capacity & Utilization focus effect mainly as from March 2005



- 🔥 Overcapacity and weak passenger load factors
- 🔥 SAS Group initiates as of November capacity adjustments
- 🔥 Result effect (net) MSEK 400-500

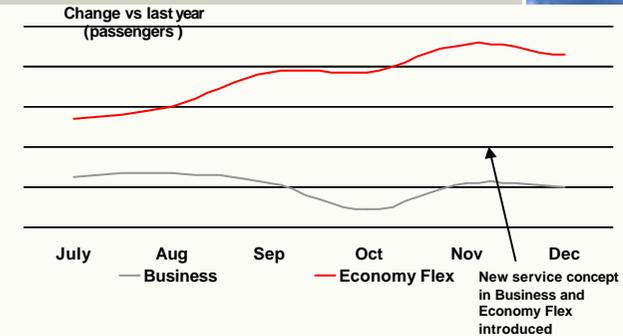
### Scandinavian Airlines Operations

- No effect on capacity in November/December
- 2 MD's by January 1% (ASK)
- 4 MD's by February 2% (ASK - accumulated)
- 9 MD's by March 4% (ASK - accumulated)

🔥 **Target:** To improve balance between supply and demand  
Combined with increased commercial focus => to improve passenger load factor in 2005



## Positive trend in Economy Flex Stabilized Business Class





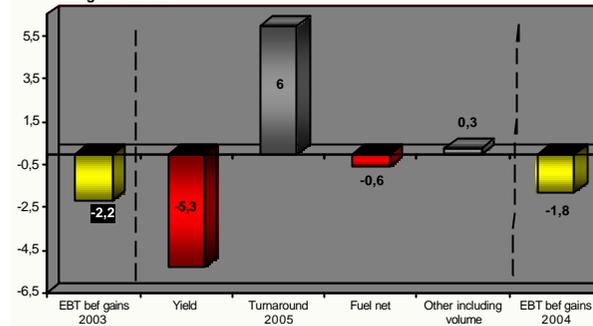
Gunilla Berg  
CFO



## Cost savings offset yield decline and increased jet fuel costs



January – December  
Change 2004 vs. 2003



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10



## EBT before gains and nonrecurring items - Business area



Business area	Q4		January-December	
	Oct-Dec 2004	Q4 Change	2004	Change
Scandinavian Airlines Businesses	-138	105	-1 439	324
Subsidiary & Aff. Airlines	-89	5	-136	66
Airline Support Businesses	57	-24	498	431
Airline Related Businesses	8	-12	40	-22
Hotels	98	144	1	236
Group eliminations, other	-280	-147	-777	-627
<b>EBT, before gains &amp; exceptionals</b>	<b>-344</b>	<b>71</b>	<b>-1 813</b>	<b>408</b>

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11



## Turnaround 2005 SEK 2,1 billion remaining



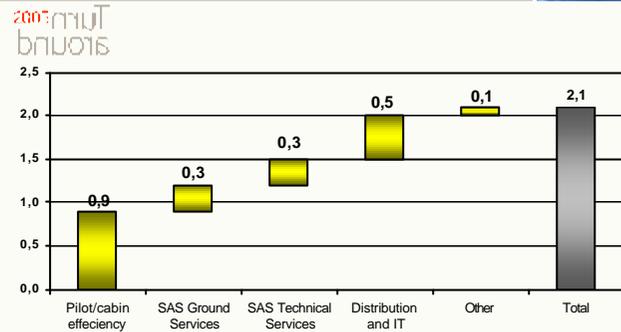
- 85% implemented as of December 2004
  - SEK 11,9 billion implemented
  - Remaining MSEK 2 100 to be implemented in 2005

- Result effect SEK 6 billion in 2004
  - Total effect SEK 9,6 billion 2003-2004

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12



## Focus on remaining areas in Turnaround 2005

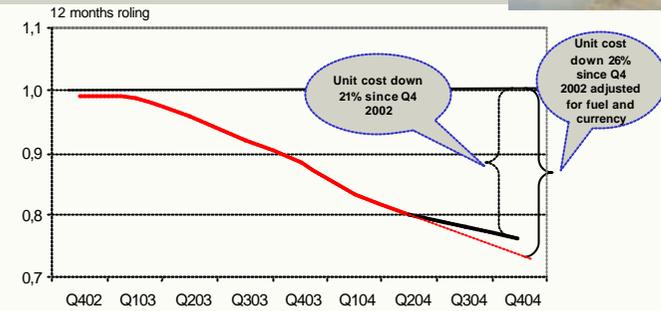


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13

## Scandinavian Airlines unit cost development



SAS Group | Scandinavian Airlines | Subsidiary Airlines | Airline Support | Airline Related | Rezidor



14



Jørgen Lindegaard  
CEO



## SAS Braathens very competitive after Turnaround 2005 and new price concepts



- Traffic increased 9,1%
- Cabin factor up 2,9 p.u.
- Stable market share
- New price concepts – one way pricing
- Result MSEK 4
- New web site 2<sup>nd</sup> most popular in Norway
  - More than 30% SAS Braathens

SAS Braathens	2004
Total revenues	11 418
EBITDAR	1 187
EBIT	-123
EBT	-162
EBIT bef nonrecurring items	43
EBT, bef nonrecurring items	4



## Spanair's result affected by pilot action, March 11 and record fuel prices

- 🔴 Pilot conflict affects result negatively by app. MSEK 150, net fuel effect app MSEK 235
  - 🔴 11 March negative effect app MSEK 45
  - 🔴 EBT before gains improved MSEK 74 vs 2003
  - 🔴 Innovative products
    - 🔴 Full service and simple travel
    - 🔴 One way prices on whole system
    - 🔴 Punctuality guarantee
  - 🔴 Increased market share
- 2004 data:
- 🔴 Traffic up 12,2%
  - 🔴 Yields down 7,6%
  - 🔴 Unit cost down 10,4%



	Oct-Dec		Jan-Dec	
	2004	2003	2004	2003
Total revenues	1 699	1 608	7 949	7 628
EBITDAR	271	190	1 252	1 105
EBIT	-88	23	25	16
EBT	-100	0	-41	-45
EBT bef. gains	-100	-90	-88	-162

17

## Hotels positive full year after strong 4<sup>th</sup> quarter



MSEK	October-December		January-December	
	2004	2003	2004	2003
Revenues	1 315	952	4 552	3 558
EBITDA	112	-41	137	-125
EBT	134	-62	38	-253
EBT bef. gains	98	-46	1	-245

### Positive result as expected

- 🔴 Recovery for RevPAR from September
- 🔴 Number of rooms sold increased
  - 🔴 Price pressure reduced
  - 🔴 REVPAR up 3,6% in Q4
- 🔴 12 month occupancy rate improved 2,3 p.u.
- 🔴 Number of hotels in operation increased 17% during the year (from 162 to 190)



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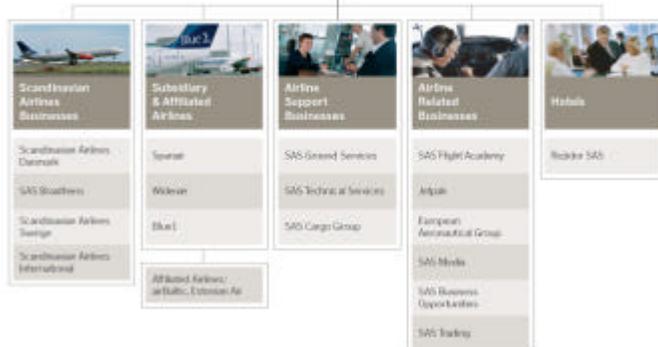
18

## Incorporation of business units

- 🔴 From business units to limited companies



- 🔴 Closer to local markets
- 🔴 Improved accountability



## Sum up



- 🔴 Improved yields second half, but low load factors
- 🔴 Record high fuel prices offset second half
- 🔴 Turnaround 2005
  - 26% Unit cost reduction
  - Focus on remaining activities
- 🔴 Capacity & Utilization Focus initiated – full effect as from March
- 🔴 Economy Flex positively received by customers

### Cautious outlook

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

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20

