



SAS AB

Fiscal year 2003



Press and analyst meeting

Stockholm, February 11th

Radisson SAS Royal Viking, Södra
Paviljongen

4th Quarter 2003 –Yield pressure offset by large cost reductions

- ▶ Continued strong pressure on yields
 - ▶ Yields down (currency adjusted) 12% in Q4 – Scandinavian Airlines
- ▶ Turnaround 2005 well underway – ahead of plan
 - ▶ Unit cost (currency adjusted) down 19% Q4 (SK)
- ▶ Clear stabilisation of traffic volumes – but no significant growth
 - ▶ Group traffic +0,5%

Income statements for 2003

Fiscal year	2003	2002	
MSEK			
▶ Revenues	57 754	64 944**	-11%
▶ EBITDAR*)	3 761	7 294	-48%
▶ Lease, depreciation & financial net	-6 569	-7 652	-14%
▶ EBT bef. cap gains*)	-2 221	-736	
▶ EBT incl. gains	-1 470	-450	

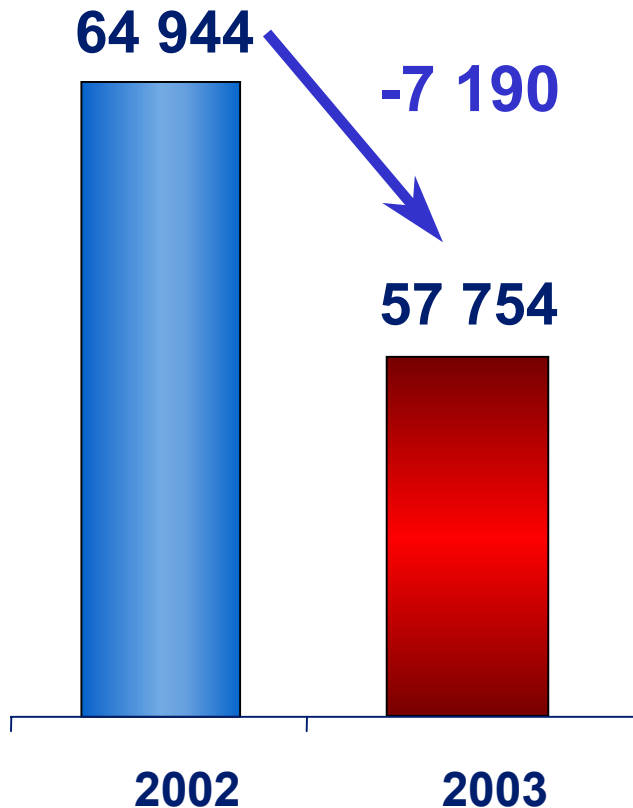
*) Excluding restructuring and impairments **) including one off MSEK 570 from Swedish Aviation Authority



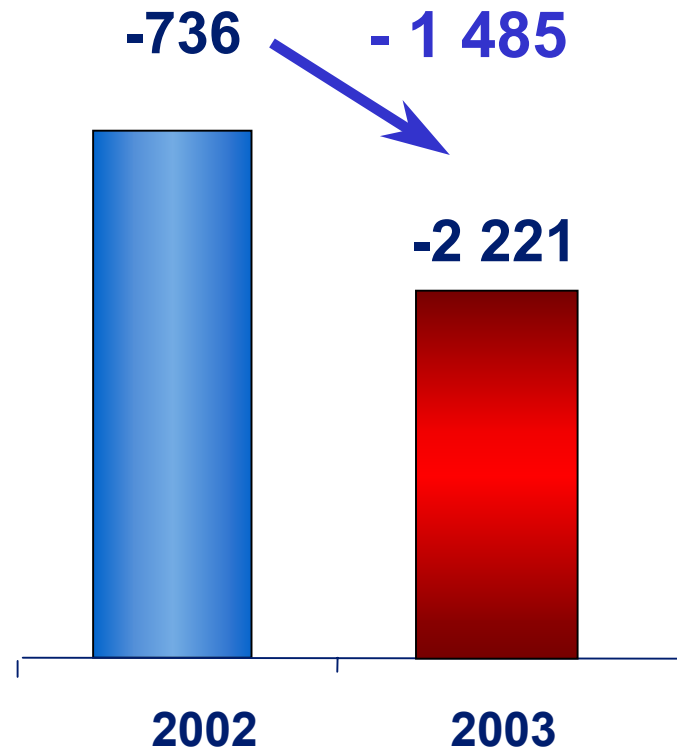
SEK 7 billion decline in revenues largely compensated on the cost side

in MSEK

Total Revenues



EBT bef gains



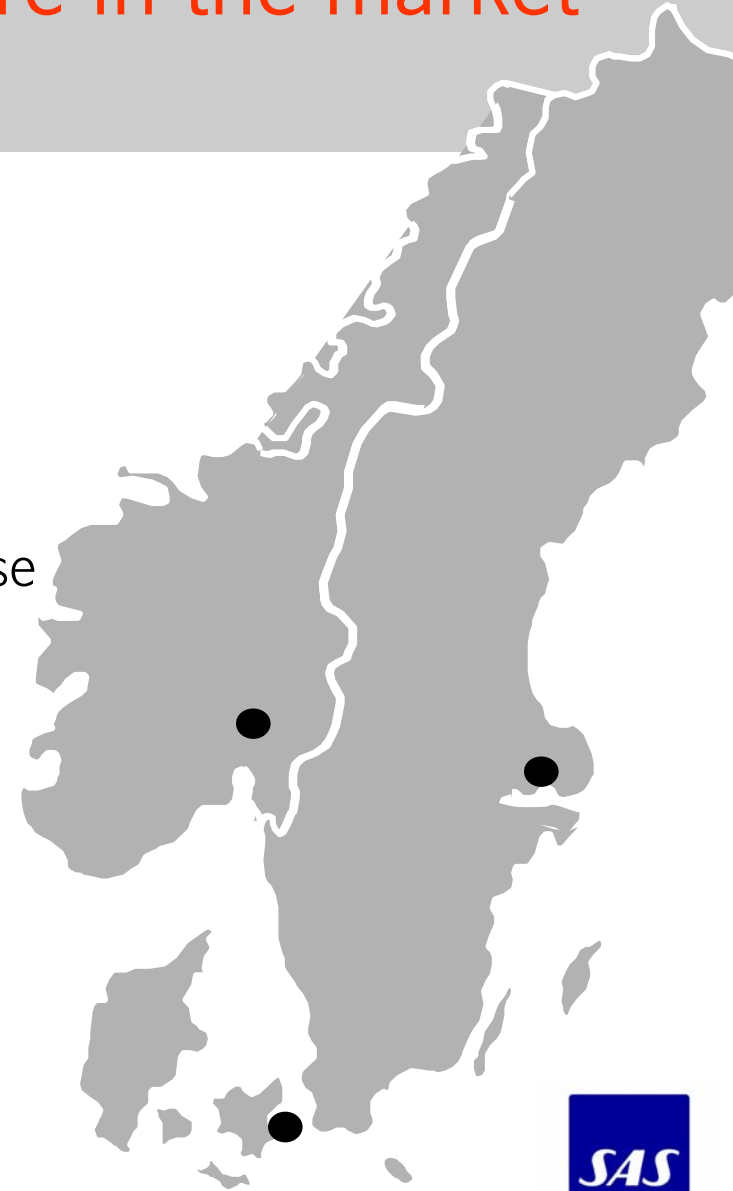
Overcapacity and yield pressure in the market place

Market conditions

- ▶ Continued tough market conditions, but improving macro outlook
 - ▶ New players have increased capacity by 50% on some routes in Scandinavia
 - ▶ Aircraft easy and cheap to acquire/lease

= > Severe overcapacity and price pressure

- ▶ SAS Group traffic on European routes increased more than AEA (6,4% vs. 1,4%) during 2003
- ▶ Long haul has improved significantly particularly on Asia



A fundamental structural change is in process

- ▶ New Business models are replacing old ones
- ▶ Fundamentally changed customer preferences

= > Turnaround 2005 has highest priority

Creation of three companies in each of Scandinavian countries
Integration of Braathens and Scandinavian Airlines to one unit in Norway
LCC+ base business model

Target



To reach sustainable profitability levels for any traffic flow of the SAS Group Airlines



Commercial Turnaround initiated

- ▶ Market place increasingly price sensitive, but premium market exist also in "comoditized" markets
- ▶ Focus in SAS Group
 - Short/Medium haul
 - Focus on efficient travel
 - Customer productivity – new innovative travel solutions
 - Improved product on european longer routes
 - Long haul inflight
 - High service in Business Class



Gunilla Berg

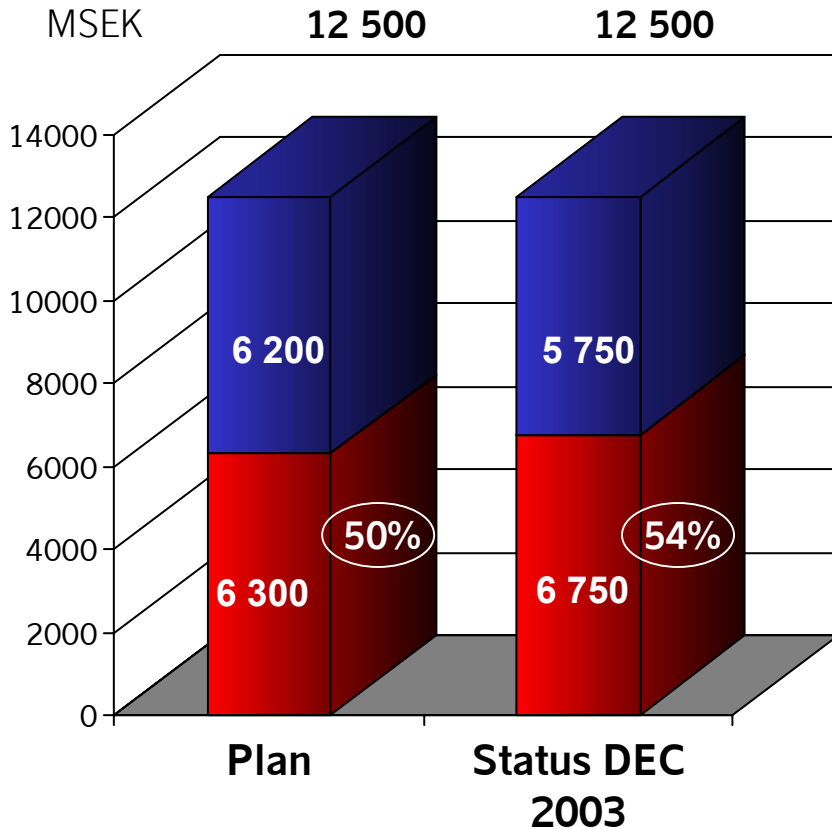
CFO



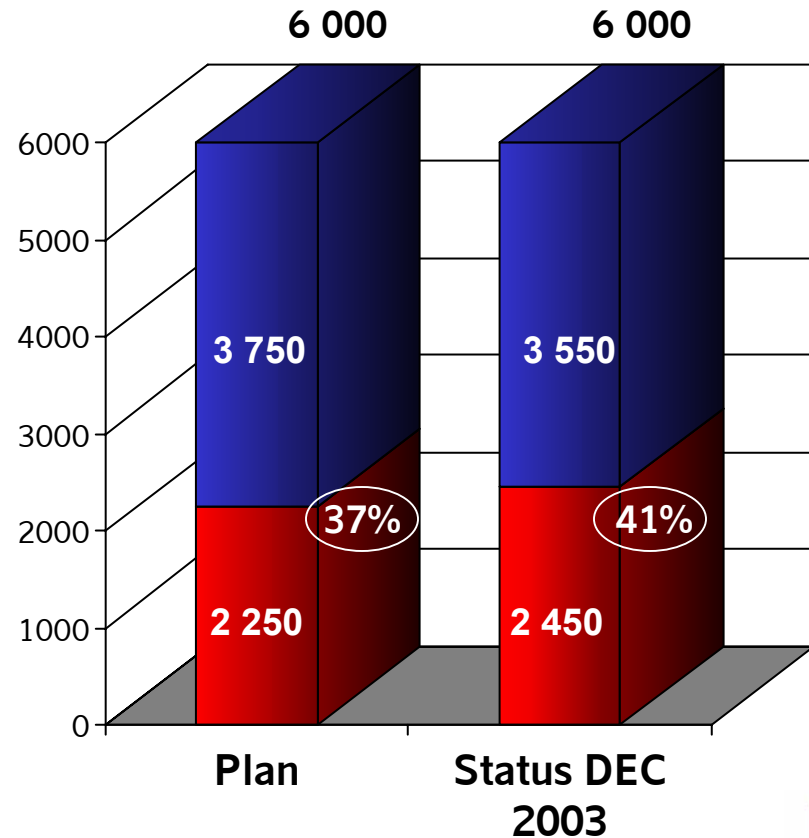
2005 תורת
בסמך


Turnaround 2005 ahead of plan


Total financial effect of implemented activities compared to plan



Reduction of personnel



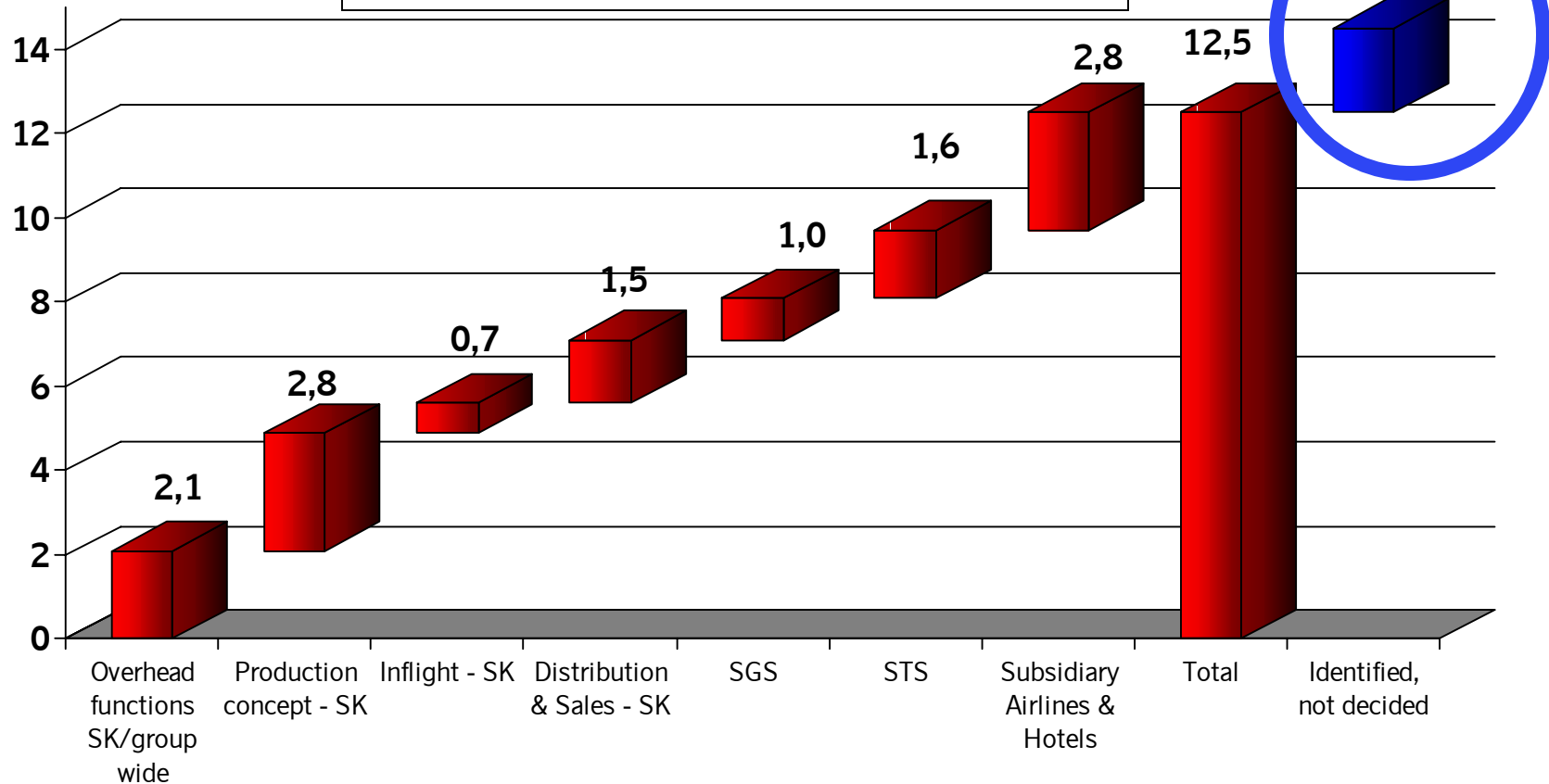
 To be implemented

 Implemented

Decided and under implementation 12,5 billion SEK in Turnaround 2005

2005
אמריקה
בטיחות

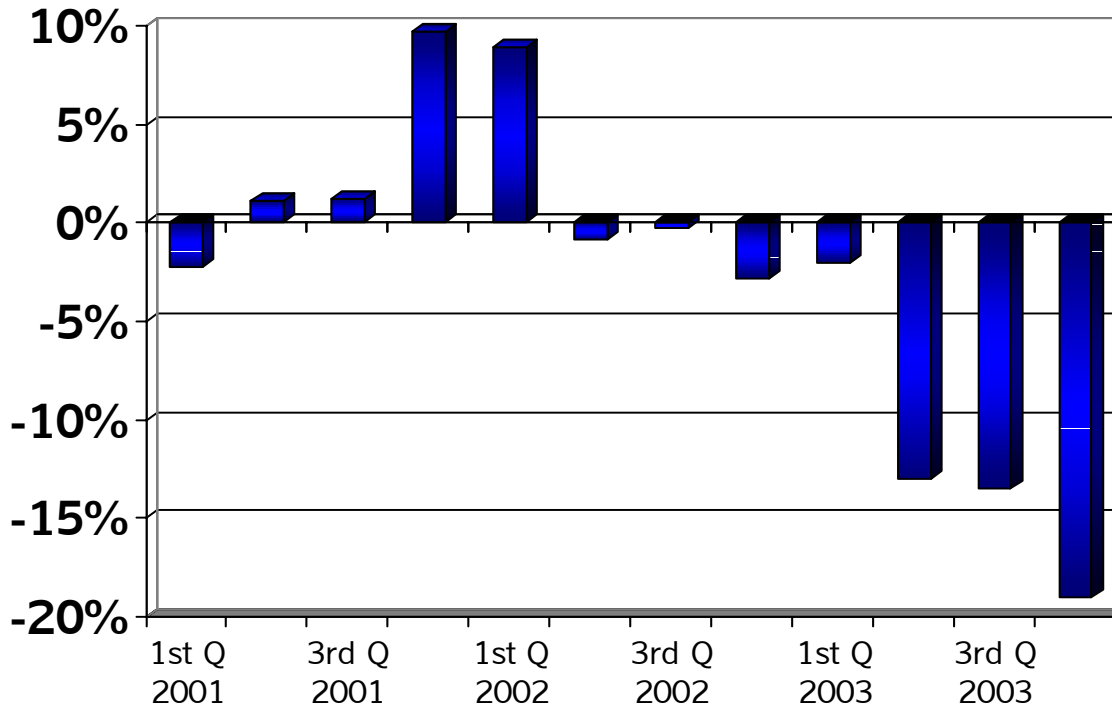
Primary due to compensation level and choice of business model





Sharp reduction in unit cost from Q2 and Q3 further improved in Q4

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



- ▶ Q1 unit cost down 2%
- ▶ Q2 unit cost down by 13%
- ▶ Q3 unit cost down by 14%
- ▶ Q4 unit cost down by 19%

Business areas



EBT before gains and exceptionals - Business area

Business area	2003	Change *
Scandinavian Airlines	-1 914	-826
Subsidiary & Aff. Airlines	-116	-423
Airlines Support Businesses	67	-108
Airline Related Businesses	62	-117
Hotels	-245	-324
Group eliminations	-81	
EBT, before gains & exceptionals	-2 221	-1 485

* Proforma SAS World Sales



Gunnar Reitan

Deputy CEO



Yield & traffic for Subsidiary Airlines in 2003



Spanair's traffic up 5,9%, yield down by 4,6% , unit cost down 7,1%

- ▶ Yield decline to continue, but offset by in unit costs



Braathens' traffic up 15,8%, yield down by 18,9%, unit cost down 2,1%

- ▶ Yield decline to continue as prices are being reduced, but profitability has improved during the year as Turnaround 2005 is being implemented



Widerøe's traffic up 20,5%, yield down by 18,8%, unit cost down 9,9%

- ▶ Yield decline expected to continue, but profitability improved significantly as Turnaround 2005 gives effect



Blue1's traffic up 23,8%, yield down by 25,0%, unit cost down 19,7%





- ▶ Yield decline expected to continue as new longer routes are added to the network



Subsidiary & Affiliated Airlines not immune to falling revenues



Total Turnaround of MSEK 2 800 identified and initiated

Jan-Dec in MSEK			 Member of the SAS Group	
Revenues	7 628 3,8%	6 418 -13%	2 477 -4,8%	948 -7,5%
EBITDAR	1 105 17%	885 -48%	343 -24%	79 -68%
EBT	-45 n.m	98 -88%	77 -6%	-80 n.m

Strategic considerations behind new shareholding in Estonian Air

- The Baltic states part of SAS home market
- Exploiting business opportunities to/from Estonia
- State of the art cost efficiency level – approximately 50% lower than west European network airlines
- Synergy effects estimated at about MSEK 35
- One-stop services via Copenhagen Stockholm hubs



Hotels – continued weak hotel markets

- Weak trading conditions in Western Europe (specially in main capitals)
- Strong in the Baltic region and Eastern Europe
- Market share position unchanged
- New loyalty program introduced- Goldpoints
- Improvement program of MSEK 150 under implementation with full effect 2004



January-December	2003	2002
Total revenues	3 558	3 570
EBITDA	-106	220
EBIT	-240	102
EBT	-253	85

Jørgen Lindegaard

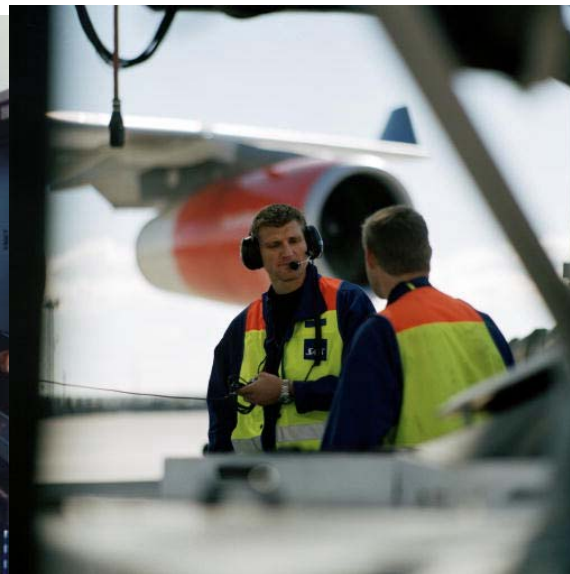
CEO & President



Compensation on competitive level

2005 Turnaround

Will together with selected business models close gap of appr. MSEK 2 000 to reach the total target of MSEK 14 000 in Turnaround 2005



Sum up and agenda going forward



- ▶ Stabilization of market – but no significant growth
- ▶ Turnaround 2005 ahead of schedule
- ▶ Position as Europe's no 4 airline group maintained
- ▶ No proposed dividend for 2003
- ▶ Ambition for 2004 positive result
- ▶ Normal seasonality expected
 - Loss 1st Quarter
 - Profit 2nd & 3rd Quarter
- ▶ Continued uncertainties about yields

