

## First quarter of 2006 in brief

- **Operating revenue for the period** amounted to MSEK 14,467 (13,016), an increase of 11.1%. Adjusted for currency effects, operating revenue rose by 6.1%.
- **Number of passengers** in the first quarter increased by 12.2% to 8.5 million.
- **The SAS Group's cabin factor** was up 5.4 pts. to 66.6% in the first quarter of 2006.
- **Income before depreciation and leasing costs for aircraft (EBITDAR)** amounted to MSEK 219 (222) for the period.
- **Income before capital gains and nonrecurring items** remained virtually unchanged, amounting to MSEK -1,319 (-1,312). Despite continued cost savings and improved cabin factors in Scandinavian Airlines Businesses, earnings did not improve, primarily because of poorer results in Subsidiary & Affiliated Airlines and Airline Support Businesses.
- **Scandinavian Airlines Businesses'** income before capital gains and nonrecurring items improved by MSEK 175 to MSEK -813. Earnings for the first quarter of 2006 were negatively impacted by the dispute with the pilots in January in the amount of approximately MSEK 250.
- **Income after financial items** amounted to MSEK -1,387 (-1,290).
- **Income after tax for the period** was MSEK -1,064 (-971).
- **CFROI** for the 12-month period April 2005-March 2006 was 13% (10%).
- **Earnings per share** for the SAS Group for the first quarter was SEK -6.29 (-5.86). Equity per share was SEK 64.54 (70.63).
- **Currency-adjusted total unit cost** adjusted for higher fuel prices rose 3.0% for Scandinavian Airlines Businesses in the period January-March 2006.
- **Cost savings** corresponding to SEK 2.5 billion are currently being implemented. So far, 44% of these measures have been put into effect.

SAS Group	Q1		Q2		Q3		Q4			
	January-March		April-June		July-September		October-December		April-March	
(MSEK)	2006	2005	2006	2005	2005	2004	2005	2004	2005-06	2004-05
Revenue	14,467	13,016	16,017	15,148	16,567	15,428	16,287	14,945	63,338	58,537
EBITDAR	219	222	2,236	1,514	2,154	1,775	1,505	1,202	6,114	4,713
EBITDAR margin	1.5%	1.7%	14.0%	10.0%	13.0%	11.5%	9.2%	8.1%	9.7%	8.1%
EBIT	-1,161	-1,048	949	236	802	363	670	-119	1,260	-568
EBIT margin	-8.0%	-8.1%	5.9%	1.6%	4.8%	2.4%	4.1%	-0.8%	2.0%	-1.0%
Income before capital gains and nonrecurring items	-1,319	-1,312	579	38	619	184	228	-320	107	-1,410
Income after financial items	-1,387	-1,290	590	29	545	88	573	-395	321	-1,568
Net income for the period	-1,064	-971	499	132	529	119	198	-627	162	-1,347
Earnings per share (SEK)	-6.29	-5.86	3.01	0.77	3.03	0.60	0.88	-3.71	0.63	-8.21
Cash flow before financing activities	222	-1,131	1,675	2,001	449	-421	1,515	1,287	3,861	1,736

SAS AB is the Parent Company of the SAS Group, the Nordic region's largest airline and travel group, offering air transportation and airline related services and operating hotels. Scandinavian Airlines, Spanair and Blue1 are members of Star Alliance™, the world's largest airline alliance. The Group also includes the airlines Widerøe and airBaltic, as well as the partly-owned airline Estonian Air. The other business areas are Airline Support Businesses and Hotels.

## Statement of income

(MSEK)	January-March		April-March	
	2006	2005	2005-06	2004-05
Revenue	14,467	13,016	63,338	58,537
Payroll expenses	-5,146	-4,974	-20,639	-19,670
Other operating expenses	-9,102	-7,820	-36,585	-34,154
Leasing costs for aircraft	-891	-686	-3,338	-2,736
Depreciation	-523	-626	-2,309	-2,745
Share of income in affiliated companies	7	20	121	108
Income from the sale of shares in subsidiaries and affiliated companies	0	0	480	5
Income from the sale of aircraft and buildings	27	22	192	87
<b>Operating income</b>	<b>-1,161</b>	<b>-1,048</b>	<b>1,260</b>	<b>-568</b>
Income from other shares and participations	0	0	50	1
Net financial items	-226	-242	-989	-1,001
<b>Income after financial items</b>	<b>-1,387</b>	<b>-1,290</b>	<b>321</b>	<b>-1,568</b>
Tax	323	319	-159	221
<b>Net income for the period</b>	<b>-1,064</b>	<b>-971</b>	<b>162</b>	<b>-1,347</b>
Attributable to:				
Parent Company shareholders	-1,034	-964	104	-1,350
Minority interests	-30	-7	58	3
Earnings per share (SEK) <sup>1)</sup>	-6.29	-5.86	0.63	-8.21

<sup>1)</sup> Earnings per share is calculated on 164,500,000 outstanding shares (IAS 33). Since the SAS Group has no options, convertibles or share program, dilution cannot occur. An itemized statement of income is available at [www.sasgroup.net](http://www.sasgroup.net)

## Income before capital gains and nonrecurring items

(MSEK)	January-March		April-March	
	2006	2005	2005-06	2004-05
Income after financial items	-1,387	-1,290	321	-1,568
Impairment losses	-	-	-	27
Restructuring costs	95	-	508	223
Capital gains	-27	-22	-722	-92
Income before capital gains and nonrecurring items	-1,319	-1,312	107	-1,410

## Financial key ratios

(MSEK)	March 2006	December 2005	March 2005	March 2004
EBITDAR	219	6,117	222	-23
EBITDA	-672	2,984	-464	-662
EBIT	-1,161	1,373	-1,048	-1,272
EBITDAR margin (12-month rolling)	10%	10%	8%	7%
EBIT margin (12-month rolling)	2%	2%	-1%	-1%
CFROI (12-month rolling)	13%	13%	10%	7%
Return on equity (12-month rolling)	1%	1%	-12%	-10%
Equity/assets ratio	19%	21%	20%	19%
Net debt, MSEK	5,431	5,865	9,051	12,846
Financial net debt, MSEK	14,053	14,228	16,424	20,277
Debt/equity ratio	1.26	1.18	1.41	1.74
Adjusted debt/equity ratio	3.26	2.90	2.96	3.30
Interest coverage ratio (12-month rolling)	1.2	1.3	-0.2	0.3

## Traffic-related key figures

SAS Group	January-March		April-June		July-September		October-December		April-March	
(MSEK)	2006	2005	2005	2004	2005	2004	2005	2004	2005-06	2004-05
Number of passengers (000)	8,532	7,606	9,743	9,410	9,714	9,133	9,250	8,154	37,239	34,302
RPK	8,179	7,638	9,651	9,444	10,219	9,727	8,953	8,155	37,002	34,964
ASK	12,275	12,464	13,813	13,719	13,599	13,899	12,882	13,039	52,568	53,120
Cabin factor	66.6%	61.3%	69.9%	68.8%	75.1%	70.0%	69.5%	62.5%	70.4%	65.8%
Yield, SEK	1.16	1.11	1.13	1.06	1.02	0.99	1.15	1.18	1.11	1.08
Total unit cost, SEK	0.78	0.74	0.71	0.69	0.74	0.66	0.80	0.73	0.76	0.70

## Dear shareholder,

The first quarter, especially the months of January and February, is always the most challenging period for all airlines. Business and leisure travel are both at a low ebb. Earnings for the first quarter are no exception, and they are at the same level as the previous year.

Earnings performance in the various business areas was as follows:

- Scandinavian Airlines Businesses' earnings were negatively impacted by the dispute with pilots in January in the amount of approximately MSEK 250. The positive Easter effect is approximately MSEK 150. Thus, Scandinavian Airlines Businesses are posting positive underlying earnings. SAS Sverige, SAS Danmark and SAS International are all posting advances. SAS Braathens' earnings are MSEK 68 lower than 2005, primarily due to the events in January and keener competition in the Norwegian market.
- In Subsidiary & Affiliated Airlines there is underlying price pressure. The effect of Easter on Spanair was negative, approximately MSEK 50, and Blue1 has certain start-up costs in connection with its expansion.
- In Support Businesses there is price pressure at both STS and SGS that in the short term cannot be compensated for on the cost side. There was also a fall off in volume particularly at STS.
- Hotels are posting sharply improved earnings.

To ensure the Group's earnings performance we are implementing the following:

- An increase in cost-cutting measures from SEK 2 billion to SEK 2.5 billion.
- Enhancement of the business model by launching an improved product for frequent fliers and by clearer product differentiation.
- A special program for bolstering SAS Braathens' image and position in the Norwegian market.
- Increased use of dynamic traffic planning to reduce seasonal variations in earnings.

Until now we have implemented 44% of the cost-cutting measures of SEK 2.5 billion. Of the remaining measures, SEK 0.4 billion depend on collective agreements. There are ongoing contract negotiations with the pilots' unions and with the cabin unions in Denmark and Sweden. Negotiations with cabin employees at SAS Braathens have concluded.

The business model featuring demand-driven one-way fares in the Scandinavian/European markets performed very well during the quarter. We had record high cabin factors and a record number of passengers. The fall in the yield was less than the increase in the cabin factor. Since the introduction we have had a sustained commercial focus and will be launching a number of new products for our most important customers as well as increasing our commitment the tourist segment. A new website will make it easier for customers to seek out the over four million low fare tickets we offer each year. Our most important EuroBonus customers will also be offered several new products and services. Besides these, there will be a number of new concepts toward late summer/autumn 2006.

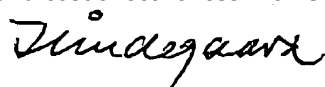
The high fuel prices are a growing challenge for the entire airline industry. At current prices, the SAS Group's fuel costs will exceed 2005 levels by SEK 2.5 billion to SEK 3 billion. The SAS Group's strategy for dealing with the high fuel prices involves yield management, price hedging and continued cost reductions. A gradual adjustment of fares will be implemented within the framework of the strategy in the spring.

The past six months have been difficult for SAS Braathens. In the autumn the airline had regularity problems, due among other things to the conclusion of the integration process and the introduction of a single Airline Operator Certificate (AOC). In the spring we had a dispute with pilots and cabin crew, which affected customer confidence and therefore earnings. All disputes have only losers: the customers, the airline and the employees. We must continue to implement productivity improvements, and I am confident that the climate will improve so that together we can work toward the goal of building a strong, profitable and attractive Norwegian airline.

The expansions at Spanair, Blue1 and airBaltic are going as planned, and we are capturing market share in the Spanish, Finnish and Baltic markets.

SGS and STS are making extensive adjustments to deal with considerable price and volume pressures. During the year new contracts were signed.

Traffic results and the cabin factors in the two last weeks after Easter continued to be very good for all Group airlines, and the capacity situation is stable. We will continue to work purposefully to increase customer value and cost effectiveness in all Group units.



## SAS Group's traffic results

The SAS Group's traffic (RPK) in the first quarter was up 7.1%. At the same time, total traffic in the Association of European Airlines (AEA) rose 4.6%, which implies an increase in the SAS Group's market share. The SAS Group's capacity shrank 1.5%, resulting in a 5.4 percentage point increase in the cabin factor. The number of passengers was up a solid 12.2% to 8.5 million, the highest ever. The positive result is due among other things to the new business model that was introduced on September 1, 2005, and the fact that in 2005 Easter weekend fell in March.

The SAS Group's most solid traffic growth was in Finnish and Spanish domestic traffic and at airBaltic. In all, the SAS Group's European traffic rose 18.4%, with capacity up 4.2%.

Scandinavian Airlines Businesses' traffic grew 1.3% in the quarter, despite a 7.1% drop in capacity. The cabin factor improved by 5.8 percentage points to a record high 69.6%. Scandinavian Airlines Danmark posted the biggest rise in the cabin factor, up 11.2 percentage points to 65.7%. SAS Braathens' traffic grew by 8.3% and capacity rose 3.4%. Scandinavian Airlines Sverige's traffic was up 3.2%, despite a simultaneous 9.2% reduction in capacity. Capacity on intercontinental routes was reduced by 10.7%, primarily due to certain adjustments to and from the east coast of the U.S. Traffic was down 6.4%, and the cabin factor improved in the period by 3.7 percentage points to 79.9%.

Blue1 introduced seven new destinations in March, which contributed to a 23.8% rise in traffic in the quarter. The cabin factor improved by 5.5 percentage points to 59.5%. Spanair's robust growth continued at the beginning of 2006, and traffic was up 28.6%. Widerøe's traffic in the quarter grew by 4.7%.

airBaltic's traffic was up 49.0%. At the same time, capacity rose 26.9% and the cabin factor improved by 8.8 percentage points to 59.0%.

SAS Group		Jan-Mar 2006	Change over 2005
Number of passengers	(000)	<b>8,532</b>	12.2%
Passenger kilometers	(mill.)	<b>8,179</b>	7.1%
Seat kilometers	(mill.)	<b>12,275</b>	-1.5%
Cabin factor		<b>66.6%</b>	5.4 pts.

Traffic results by route sector	Jan-Mar 2006 vs. Jan-Mar 2005	
	Traffic (RPK)	Capacity (ASK)
Intercontinental	-6.4%	-10.7%
Europe	18.4%	4.2%
Intra-Scandinavian	11.8%	-1.8%
Denmark (domestic)	-3.8%	-15.0%
Norway (domestic)	4.4%	1.3%
Sweden (domestic)	-4.4%	-14.3%

January-March	Traffic (RPK)	Capacity (ASK)	Cabin factor (%)	Change in cabin factor
<b>SAS Group</b>	<b>7.1%</b>	<b>-1.5%</b>	<b>66.6%</b>	<b>5.4 pts.</b>
SAS Danmark	7.7%	-10.7%	65.7%	11.2 pts.
SAS Braathens	8.3%	3.4%	63.2%	2.9 pts.
SAS Sverige	3.2%	-9.2%	64.9%	7.7 pts.
SAS International	-6.4%	-10.7%	79.9%	3.7 pts.
Spanair	28.6%	15.9%	60.1%	5.9 pts.
Widerøe	4.7%	3.0%	56.0%	2.5 pts.
Blue1	23.8%	12.4%	59.5%	5.5 pts.
airBaltic	49.0%	26.9%	59.0%	8.8 pts.

Traffic results after Easter have been good and indicate a rise in the cabin factor of approximately 7 pts. and an increase in traffic of approximately 7% compared with the previous year.

## Financial performance

### January-March 2006

The SAS Group's earnings for the period January-March 2005 included SAS Trading, which was sold in the second quarter, and European Aeronautical Group, Jetpak and Component Group, which were sold in the fourth quarter of 2005. As regards Component Group, 67% of the Group's holding was sold, which is why 33% remains as a holding in an affiliated company. airBaltic was consolidated as a subsidiary as of August 2005.

For comparison with 2005, the aforementioned changes are corrected under the term noncomparable units.

The net effect of currency fluctuations between the period January-March 2005 and 2006 was MSEK -47. The effect is MSEK 620 on operating revenue, MSEK -680 on operating expenses, and MSEK 13 on net financial items.

The SAS Group's operating revenue amounted to MSEK 14,467 (13,016), up MSEK 1,451 or 11.1%. Adjusted for currency effects and comparable units, the increase was MSEK 946 or 7.3%. Passenger traffic (RPK) rose 7.1% for the Group. Scandinavian Airlines Businesses' traffic rose 1.3% compared with 2005, and the currency-adjusted yield was up 1.2% compared with the same period.

Payroll expenses rose by MSEK 172, or 3.5%, and amounted to MSEK 5,146 (4,974). Adjusted for currency effects and comparable units as well as restructuring costs of MSEK 95 (-), payroll expenses were MSEK 52 or 1% higher than the previous year. The number of employees rose 1.7% in comparable units, due to higher volumes in Rezidor & Affiliated Airlines and a larger number of hotels in Rezidor SAS, while the number of employees in Scandinavian Airlines Businesses declined.

The Group's other operating expenses rose by MSEK 1,282, or 16.4%, to MSEK 9,102. Adjusted for currency effects and comparable units, expenses increased by MSEK 1,042, or 13.3%, due to higher fuel costs and sharply higher volumes in Rezidor and Subsidiary & Affiliated Airlines (16% increase in ASK). The Group's costs for jet fuel amounted to MSEK 2,304 (1,556). Adjusted for a negative currency effect owing to a stronger USD, fuel costs increased by MSEK 514. The market price (spot price) during the period was on average 34% higher than in the first quarter of 2005.

Operating income before depreciation and leasing costs, EBITDAR, was MSEK 219 (222).

Leasing costs amounted to MSEK 891 (686), an increase of MSEK 205. Depreciation was MSEK 523 (626), a decrease of MSEK 103. Decreased depreciation is primarily due to the sale and leaseback of aircraft, which resulted in higher leasing costs. Adjusted for currency effects, leasing costs and depreciation together were at the same level as the previous year.

Share of income in affiliated companies amounted to MSEK 7 (20). The change between 2005 and 2006 is chiefly due to lower earnings at Estonian Air. The share of income in airBaltic which was reported during the first quarter of 2005 is at the same level as the share of income in Component Group in the first quarter of 2006.

Income before capital gains and nonrecurring items amounted to MSEK -1,319 (-1,312). Despite the fact that Easter did not fall during the first quarter this year, earnings are at the same level as the previous year. This is largely due to the dispute in January, continued general pressure on yield, lower volumes and price pressure in Support Businesses as well as negative earnings performance in Component Group.

The Group's income from the sale of aircraft and buildings amounted to MSEK 27 (22) in the first quarter. This includes the sale and leaseback of one McDonnell Douglas MD-80 and one Airbus A321 and the sale of a property in Bromma.

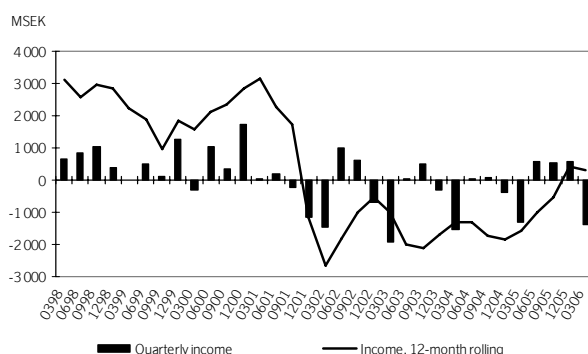
The Group's net financial items amounted to MSEK -226 (-242). Net interest was MSEK -213 (-206). The currency effect was MSEK 0 (-13). Other net financial expenses were MSEK -13 (-23).

Income after financial items amounted to MSEK -1,387 (-1,290).

The change in income after financial items is due to:

Currency effect	-47
Income before depreciation and leasing costs, EBITDAR	-48
Leasing costs and depreciation	3
Share of income in affiliated companies	-13
Net interest, etc.	3
Capital gains	5
Total changes	-97

#### Income after financial items



## New business models

### New business models require further measures

In autumn 2005 the SAS Group introduced new business models based on:

- Commercial concepts
- Networks
- Costs

#### Commercial concepts

Each unit in the SAS Group is to tailor its offerings to customers to the requirements of the local market. Ticket restrictions are exchanged for freedom of choice and flexibility for the customer and pricing is now largely based on a purely demand-driven system without ticket restrictions.

In autumn 2005 Scandinavian Airlines was the first network carrier to introduce a new business model based on one-way fares on European and Scandinavian routes. Scandinavian Airlines had previously introduced this concept on Swedish and Norwegian domestic routes. Spanair, Blue1 and airBaltic introduced similar customer-centered offerings in earlier years.

#### Networks

The airlines' networks are to be sized to accommodate local traffic flows and profitable feeder traffic. By focusing on dynamic traffic planning, the SAS Group's units will further seasonally adjust capacity. For example, as a consequence, Scandinavian Airlines Sverige further adjusted its capacity in the winter months. Similar measures have been implemented in other SAS Group airlines.

#### Costs

The new group structure of incorporated units facilitates comparisons with competitors and allows new measures to be implemented faster. The SAS Group has simplified each airline's business model, which makes possible further efficiency measures.

Each airline unit is to offer a differentiated basic product. The cost of a basic product shall be at the level of the most efficient player in the market and traffic flow in question. A thor-

ough analysis of each subsidiary's market was done in autumn 2005. On the basis of this analysis the SAS Group identified and required further adjustments based on each subsidiary's unit cost level. On the basis of these requirements the subsidiaries identified cost reductions for 2006-2007 equal to SEK 2.5 billion. Efforts to quality assure and identify further measures is ongoing, which is why the scope may change. The measures include efficiency enhancements in sales activities, ground services, technical maintenance, distribution and administration, as well as higher productivity and competitive terms for pilots and cabin staff.

The measures are currently broken down as follows: approximately MSEK 600 for productivity and competitive terms for pilots and cabin crew, approximately MSEK 900 for efficiency enhancements at SGS and STS and approximately MSEK 1,000 in administration and sales and other costs.

In the first quarter, measures corresponding to 44% of SEK 2.5 billion were implemented.

Collective bargaining talks already began in autumn 2005 with several major groups of employees. These will primarily be conducted at the local level with the subsidiaries concerned. An agreement with the cabin union at SAS Braathens was reached on April 15, 2006. The outcome of the agreement with Norwegian cabin staff is a moderate pay increase with the possibility of higher productivity. It is also a great benefit to SAS Braathens that there is now a single cabin agreement. Negotiations are still in progress with the cabin unions in Sweden and Denmark as well as the three unions representing pilots. A number of agreements for ground staff in Denmark and Sweden expire in 2007. All ground agreements in Norway expire in 2006.

#### Restructuring costs

During the quarter restructuring costs amounted to a total of MSEK 95, MSEK 74 of which pertains to SAS Braathens and MSEK 21 pertains to STS. These are exclusively related to personnel and pertain to costs for employees that have been terminated and idled under notice. The effects on cash flow are therefore very restricted. Restructuring costs for the full year 2006 are expected to be lower than for 2005.

## Financial position and releasing capital

As of March 31 the SAS Group's liquid assets amounted to MSEK 8,864 (7,659). Besides liquid assets, the SAS Group has unutilized contracted loan commitments amounting to MSEK 5,606, an increase of MSEK 2,306 compared with March 2005. In the first quarter the SAS Group repaid utilized credit facilities corresponding to MSEK 933.

In the period the SAS Group undertook sale and leaseback transactions with one Airbus A321 and one McDonnell Douglas MD-87 at a sales value of MSEK 375. The SAS Group is continuing to focus on releasing capital in the form of aircraft and aircraft engines. The aim is to release capital worth approximately MSEK 1,000-2,000 in 2006.

As of March 31, 2006, financial net debt amounted to MSEK 14,053, a decrease of MSEK 2,371 since March 31, 2005.

The equity/assets ratio on March 31, 2006, was 19% (20%). The aim of the SAS Group is to maintain a debt/equity ratio that in the long term allows the SAS Group to be perceived as an attractive borrower. The SAS Group's targets are an equity/assets ratio of at least 30% and a debt/equity ratio no higher than 50%. These financial targets are to be reached through a combination of earnings improvement, limited investment levels and the program for releasing capital.

The SAS Group's planned investment in aircraft in the next few years will be limited. In all, the SAS Group has six aircraft on firm order, a total investment amounting to MUSD 161. Two aircraft (Airbus A319s) will be delivered in 2006. Besides investment in new aircraft the Group invests approximately MSEK 1,300 per year in spare parts and other operational investment.

#### Firm orders for aircraft 2006-2007:

SAS Group	Total	2006	2007
Airbus A319	4	2	2
Boeing	2	-	2
Number of aircraft	6	2	4
CAPEX (MUSD)	161	52	109

#### Investment

The SAS Group's investment, including prepayments, amounted to MSEK 399 (315) for the period. Investment in aircraft and other flight equipment totaled MSEK 55 (117).

	2006	Jan-Mar 2005
Scandinavian Airlines Businesses	202	56
Subsidiary & Affiliated Airlines	36	44
Airline Support Businesses	75	105
Hotels	78	95
Groupwide functions and eliminations	8	15
SAS Group	399	315

#### SAS Group's total aircraft fleet

##### March 31, 2006:

Aircraft type	Owned	Leased in	Total	Leased out	Order
Airbus A340/330	5	6	11		
Airbus A321/A320/A319	7	22	29		4
Boeing 737 series	22	54	76	5	2
Boeing 717 (MD-95)		4	4		
McDonnell Douglas MD-80 series	23	66	89	5	
McDonnell Douglas MD-90 series	8		8	3	
Avro RJ-85/100		9	9		
Fokker F50	2	6	8	2	
deHavilland Q-series	17	37	54		
SAAB 2000		5	5		
<b>Total</b>	<b>84</b>	<b>209</b>	<b>293</b>	<b>15</b>	<b>6</b>
Scandinavian Airlines	68	123	191	15	6
Spanair		58	58		
Widerøe	16	14	30		
Blue1		14	14		
<b>Total</b>	<b>84</b>	<b>209</b>	<b>293</b>	<b>15</b>	<b>6</b>

Besides the above aircraft fleet, the SAS Group has three CRJ200s, three Fokker F100s and one Avro RJ leased in on wetlease agreements.

#### Currency and fuel hedging

The SAS Group has hedged about 70% of its USD deficit with forward contracts and options in 2006.

The SAS Group has hedged 41% of its expected fuel cost for 2006. This cost is hedged at an average price, including premium, of approximately USD 675/MT. Hedging is primarily effected with capped options, but owing to the high premium, instruments such as swaps have also been used. Currently, the value of the hedge is approximately MSEK 225.

#### Average number of employees in the SAS Group (FTEs)

	2006	January – March 2005
Scandinavian Airlines Businesses	7,706	8,471
Subsidiary & Affiliated Airlines	6,574 <sup>1)</sup>	5,269
Airline Support Businesses	10,729	12,036
Hotels	5,677	4,572
Groupwide functions	842	1,394 <sup>2)</sup>
SAS Group	31,528	31,742

<sup>1)</sup> The increase is due to the consolidation of airBaltic and higher volume at Spanair.

<sup>2)</sup> Includes 488 FTEs for European Aeronautical Group, Jetpak and SAS Trading, all sold in 2005.

#### Accounting policies and financial reports

The SAS Group has applied International Financial Reporting Standards (IFRS) since January 2005. The Interim Report has been prepared in accordance with IAS 34.

The Group's other formal financial reports appear on page 2 and pages 8-10.

#### Parent Company SAS AB

Income after financial items amounted to MSEK -173 (-156) for the period.

Available liquidity for SAS AB at March 31, 2006, amounted to MSEK 1, compared with MSEK 1 at the beginning of the year.

The number of shareholders in SAS AB amounted to 24,149 at March 31, 2006. The average number of employees of SAS AB amounted to 180 (177).

#### Statement of income

(MSEK)	2006	January – March 2005
Revenue	3	5
Payroll expenses	-73	-61
Other operating expenses	-55	-62
Operating income before depreciation	-125	-118
Depreciation	0	0
Gain on the sale of shares	1	-
Dividends from subsidiaries	-	66
Operating income	-124	-52
Net financial items	-49	-104
Income after financial items	-173	-156
Tax	48	62
Net income for the period	-125	-94

#### Balance sheet

(MSEK)	Mar 31 2006	Dec 31 2005
Fixed assets	10,719	10,719
Current assets	546	623
Total assets	11,265	11,342
Shareholders' equity	5 759	5 884
Long-term liabilities	5 378	5 288
Current liabilities	128	170
Total shareholders' equity and liabilities	11,265	11,342

#### Change in shareholders' equity

(MSEK)	Share capital	Restr. reserve	Unrestr. equity	Total equity
Opening balance, Jan 1, 2005	1,645	202	1,611	3,458
Transfer between unrestricted and restricted equity		104	-104	
Group contribution rec'd, net			359	359
Net income for the year			2,067	2,067
Equity, December 31, 2005	1,645	306	3,933	5,884
Net income for the period			-125	-125
Equity, March 31, 2006	1,645	306	3,808	5,759

## The full year 2006

A sustained positive performance of the Group's markets is expected in 2006, with stable passenger growth of around 2-3% within Scandinavia and 4-5% to and from Europe. However, competition in the SAS Group's markets is expected to continue to be stiff.

Scandinavian Airlines' new business model has resulted in enhanced competitiveness, with an improved cabin factor but weaker yield. In 2006, further improvements in the business model and product concepts will be made. For SGS and STS continued price pressure and lower volume in part are expected in 2006.

In Finland, the Baltic states and Spain growth is expected to be high, and the Group is well positioned with Blue1, airBaltic and Spanair, which have a cost level in line with the most efficient players.

Despite strong measures, further cost-cutting needs to be done to ensure long-term competitiveness in several Group units. Measures in Scandinavian Airlines Businesses and support units corresponding to SEK 2.5 billion have been identified so far and are being implemented. This, along with continued market advances, will lay the foundation for earnings improvements moving forward. There is uncertainty in the market owing to continued stiff competition and high jet fuel prices.

Stockholm, May 4, 2006



Jørgen Lindegaard  
President and CEO

### *Board of Directors:*

Egil Myklebust, Chairman  
Jacob Wallenberg, Vice Chairman  
Jens Erik Christensen, board member  
Berit Kjøll, board member  
Timo Peltola, board member  
Fritz H. Schur, board member  
Anitra Steen, board member  
Ulla Grøntvedt, board member (employee representative)  
Olav Lie, board member (employee representative)  
Verner Lundtoft Jensen, board member (employee representative)

### *Management:*

Jørgen Lindegaard, President and CEO  
Gunnar Reitan, Deputy CEO  
Gunilla Berg, Executive Vice President and CFO  
John S. Dueholm, Executive Vice President  
Håkan Ericsson, Executive Vice President  
Bernhard Rikardsen, Executive Vice President

### *Financial calendar:*

Interim Report 2, January-June 2006.....	August 9, 2006
Interim Report 3, January-September 2006.....	November 8, 2006
Year-end Report 2006.....	February 2007
Annual Report & Sustainability Report 2006.....	March 2007

All reports are available in English and Swedish and can be ordered from SAS, SE-195 87 Stockholm, telephone +46 8 797 00 00, fax +46 8 797 51 10. The reports can be accessed and ordered via the Internet: [www.sasgroup.net](http://www.sasgroup.net)

The SAS Group's monthly traffic data are normally published on the fifth business day of the following month. A financial calendar may be found at: [www.sasgroup.net](http://www.sasgroup.net)

Direct questions to: SAS Group Investor Relations: Vice President Sture Stølen +46 8 797 14 51, e-mail: [investor.relations@sas.se](mailto:investor.relations@sas.se)

The interim report has not been reviewed by the Company's auditors.

# SAS Group

## Balance sheet

(MSEK)	March 31, 2006	December 31, 2005	March 31, 2005	March 31, 2004 <sup>1)</sup>
Intangible assets	3,885	3,862	3,205	3,454
Tangible fixed assets	18,709	19,457	23,789	28,451
Financial fixed assets	13,575	13,120	11,483	11,177
Total fixed assets	36,169	36,439	38,477	43,082
Current assets	1,029	1,065	1,352	1,293
Current receivables	11,666	11,828	9,690	9,754
Cash, bank and short-term investments	8,864	8,684	7,659	8,385
Total current assets	21,559	21,577	18,701	19,432
<b>Total assets</b>	<b>57,728</b>	<b>58,016</b>	<b>57,178</b>	<b>62,514</b>
Shareholders' equity <sup>2)</sup>	11,167	12,081	11,620	11,633
Long-term liabilities	22,906	23,608	24,615	25,634
Current liabilities	23,655	22,327	20,943	25,247
<b>Total shareholders' equity and liabilities</b>	<b>57,728</b>	<b>58,016</b>	<b>57,178</b>	<b>62,514</b>
Equity per share <sup>3)</sup>	64.54	69.93	70.63	70.72
Interest-bearing assets	19,763	20,472	17,359	17,637
Interest-bearing liabilities	25,194	26,337	26,410	30,483

1) Balance sheet for 2004 is restated according to IFRS 3.

2) Including minority interests.

3) Calculated on 164,500,000 outstanding shares. The SAS Group has not carried out any share buyback programs.

## Change in shareholders' equity

(MSEK)	Share capital	Other contributed capital	Hedge and translation reserves	Retained earnings	Total equity attributable to Par-Company owners	Minority interests	Total equity
<b>Opening balance, January 1, 2005</b>	<b>1,645</b>	<b>658</b>	<b>2,092</b>	<b>8,109</b>	<b>12,504</b>	<b>8</b>	<b>12,512</b>
Income from cash flow hedges			110		110		110
Translation differences relating to foreign operations			-41		-41		-41
Revenue and expenses for the period taken directly to equity			69		69		69
Cash flow hedges: taken to income			10		10		10
Net income for the period				-964	-964	-7	-971
Total revenue and expenses for the period			79	-964	-884	-7	-891
<b>Closing balance, March 31, 2005</b>	<b>1,645</b>	<b>658</b>	<b>2,171</b>	<b>7,145</b>	<b>11,619</b>	<b>1</b>	<b>11,620</b>
New share issue, Rezidor SAS						519	519
Consolidation of affiliated company						-34	-34
Income from cash flow hedges			-1 018		-1 018		-1 018
Translation differences relating to foreign operations			-129		-129	3	-126
Revenue and expenses for the period taken directly to equity			-1 147		-1 147	488	-659
Cash flow hedges: taken to income			-106		-106		-106
Net income for the period				1,138	1,138	88	1,226
Total revenue and expenses for the period			-1,253	1,138	-115	576	461
<b>Closing balance, December 31, 2005</b>	<b>1,645</b>	<b>658</b>	<b>918</b>	<b>8,283</b>	<b>11,504</b>	<b>577</b>	<b>12,081</b>
Income from cash flow hedges			211		211	6	217
Translation differences relating to foreign operations			42*		42	-3	39
Revenue and expenses for the period taken directly to equity			253	253		3	256
Change in value, cash flow hedges							
Cash flow hedges: taken to income			-106		-106		-106
Net income for the period				-1,034	-1,034	-30	-1,064
Total revenue and expenses for the period				-1,034	-887	-27	-914
<b>Closing balance, March 31, 2006</b>	<b>1,645</b>	<b>658</b>	<b>1,065</b>	<b>7,249</b>	<b>10,617</b>	<b>550</b>	<b>11,167</b>

\* Includes MSEK 1 in currency hedging of net investments in foreign subsidiaries.



## SAS Group

### Cash flow statement

(MSEK)	January-March		April-March	
	2006	2005	2005-06	2004-05
Income after financial items	-1,387	-1,290	321	-1,568
Depreciation	523	626	2,309	2,745
Income from the sale of fixed assets	-27	-22	-722	-92
Adjustment for items not included in cash flow, etc.	-36	-53	-338	-269
Paid tax	-58	-14	-28	-19
<b>Cash flow from operations</b>	<b>-985</b>	<b>-753</b>	<b>1,542</b>	<b>797</b>
Change in working capital	947	-202	882	-1,806
<b>Cash flow from operating activities</b>	<b>-38</b>	<b>-955</b>	<b>2,424</b>	<b>-1,009</b>
Investment including prepayments to aircraft manufacturers	-399	-315	-1,911	-2,884
Sale of subsidiaries	0	0	622	0
Sale of fixed assets etc.	659	139	2,726	5,629
<b>Cash flow before financing activities</b>	<b>222</b>	<b>-1,131</b>	<b>3,861</b>	<b>1,736</b>
External financing, net	-39	185	-2,681	-2,456
<b>Cash flow for the period</b>	<b>183</b>	<b>-946</b>	<b>1,180</b>	<b>-720</b>
Translation difference in liquid assets	-3	10	25	-6
<b>Change in liquid assets according to the balance sheet</b>	<b>180</b>	<b>-936</b>	<b>1,205</b>	<b>-726</b>

### Comments on the cash flow statement

Cash flow from operations deteriorated by MSEK 232, amounting to MSEK -985 (-753), primarily due to operating income and lower depreciation.

Working capital improved due in part to payment of a receivable in the amount of MSEK 877 attributable to the sale in 2005 of SAS Component Group.

Investment amounted to MSEK 399 (315), MSEK 93 (117) of which related to flight equipment and prepayments. Sales of fixed assets, etc., amounted to MSEK 659 (139), which includes the sale and leaseback of one McDonnell-Douglas MD-87 and one Airbus A321. In addition, a property in Stockholm was sold. Thus, cash flow before financing activities amounted to MSEK 222 (-1,131).

Liquid assets according to the balance sheet amounted to MSEK 8,864 (7,659).

The SAS Group has approximately MSEK 10,000 in unutilized tax loss carryforwards. This means that the SAS Group will not have tax payable until these loss carryforwards have been utilized, which will have a positive impact on cash flow in coming periods.

Deferred tax receivables have been reported for approximately 80% of the accumulated loss carryforwards.

### Statement of income – quarterly breakdown

(MSEK)	2004					2005					2006	
	JAN-MAR	APR-JUN	JUL-SEP	OCT-DEC	FULL YEAR JAN-DEC	JAN-MAR	APR-JUN	JUL-SEP	OCT-DEC	FULL YEAR JAN-DEC	JAN-MAR	APR-JUN
Revenue	12,572	15,148	15,428	14,945	58,093	13,016	16,017	16,567	16,287	61,887	14,467	15,148
Payroll expenses	-4,889	-5,069	-4,665	-4,962	-19,585	-4,974	-5,138	-4,949	-5,406	-20,467	-5,146	-5,069
Other operating expenses	-7,706	-8,565	-8,988	-8,781	-34,040	-7,820	-8,643	-9,464	-9,376	-35,303	-9,102	-8,565
Leasing costs for aircraft	-639	-678	-705	-667	-2,689	-686	-766	-843	-838	-3,133	-891	-678
Depreciation	-727	-702	-699	-718	-2,846	-626	-607	-596	-583	-2,412	-523	-702
Share of income in affiliated companies	69	36	24	28	157	20	45	59	10	134	7	36
Income from the sale of shares in subsidiaries and affiliated companies	0	3	0	2	5	0	-2	35	447	480	0	3
Income from the sale of aircraft and buildings	48	63	-32	34	113	22	43	-7	129	187	27	63
<b>Operating income</b>	<b>-1,272</b>	<b>236</b>	<b>363</b>	<b>-119</b>	<b>-792</b>	<b>-1,048</b>	<b>949</b>	<b>802</b>	<b>670</b>	<b>1,373</b>	<b>-1,161</b>	<b>236</b>
Income from other shares and participations	0	0	1	0	1	0	48	0	2	50	0	0
Net financial items	-283	-207	-276	-276	-1,042	-242	-407	-257	-99	-1,005	-226	-207
<b>Income after financial items</b>	<b>-1,555</b>	<b>29</b>	<b>88</b>	<b>-395</b>	<b>-1,833</b>	<b>-1,290</b>	<b>590</b>	<b>545</b>	<b>573</b>	<b>418</b>	<b>-1,387</b>	<b>29</b>
Tax	166	103	31	-232	68	319	-91	-16	-375	-163	323	103
<b>Net income for the period</b>	<b>-1,389</b>	<b>132</b>	<b>119</b>	<b>-627</b>	<b>-1,765</b>	<b>-971</b>	<b>499</b>	<b>529</b>	<b>198</b>	<b>255</b>	<b>-1,064</b>	<b>132</b>
Attributable to:												
Parent Company shareholders	-1,374	127	98	-611	-1,760	-964	495	499	144	174	-1,034	127
Minority interests	-15	5	21	-16	-5	-7	4	30	54	81	-30	5

## Segment reporting: income by business area

Statement of income	Scandinavian Airlines Businesses		Subsidiary & Affiliated Airlines		Airline Support Businesses		Hotels		Groupwide & eliminations		SAS Group	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
January-March												
External sales	8,052	7,763	3,474	2,563	1,378	1,289	1,443	1,076	120	325	14,467	13,016
Sales between business segments	327	310	40	44	2,333	2,590	23	20	-2,723	-2,964	0	0
Revenue	8,379	8,073	3,514	2,607	3,711	3,879	1,466	1,096	-2,603	-2,639	14,467	13,016
Payroll expenses	-2,080	-1,997	-788	-648	-1,582	-1,645	-542	-437	-154	-247	-5,146	-4,974
Other expenses	-6,193	-6,109	-2,530	-1,752	-2,007	-1,933	-936	-745	2,564	2,719	-9,102	-7,820
EBITDAR per business segment	106	-33	196	207	122	301	-12	-86	-193	-167	219	222
Leasing costs for aircraft	-527	-444	-367	-242	0	0	0	0	3	0	-891	-686
EBITDA per business segment	-421	-477	-171	-35	122	301	-12	-86	-190	-167	-672	-464
Depreciation	-299	-345	-82	-76	-69	-132	-54	-48	-19	-25	-523	-626
Share of income in affiliated companies	14	15	2	-3	-18	0	9	8	0	0	7	20
Capital gains	9	290	0	0	0	0	0	0	18	-268	27	22
EBIT per business segment	-697	-517	-251	-114	35	169	-57	-126	-191	-460	-1,161	-1,048
Unallocated income items												
Income from other shares and participations											0	0
Net financial items											-226	-242
Tax											323	319
Net income for the period											-1,064	-971

## SAS Group's objectives

### Targets

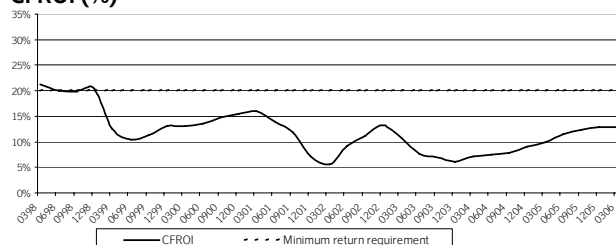
The SAS Group has a total shareholder return (TSR) target of 14% over a business cycle. The return target refers to the sum of share price appreciation and reinvested dividends. Based on this return target, the SAS Group has set its internal financial target, CFROI.

### Performance target - CFROI

One of the Group's objectives over the next five years is to reach an average CFROI of at least 20% per year, where average capital allocation for replacement of the aircraft fleet is taken into account.

During the period April 2005-March 2006 the Group generated income before net financial items, tax, depreciation, capital gains and operating lease costs for aircraft (EBITDAR) of MSEK 6,114 (4,713). Adjusted EBITDAR amounted to MSEK 5,966 (4,550). Set in relation to adjusted capital employed, CFROI was 13% (10%), which is 7 percentage points below target.

### Performance of Cash Flow Return on Investment, CFROI (%)



### Income and capital concepts

(MSEK)	April-March 2005-06	April-March 2004-05
<b>Income</b>		
Income before depreciation, EBITDA	2,776	1,977
+ Operating lease costs, aircraft	3,338	2,736
<b>EBITDAR</b>	6,114	4,713
- Operating lease revenue, aircraft	-148	-163
<b>Adjusted EBITDAR</b>	5,966	4,550
<b>Adjusted capital employed (average)</b>		
+ Shareholders' equity	11,945	11,561
+ Surplus value, aircraft	183	-868
+ Capitalized leasing costs, net (x7) *	19,897	17,826
- Equity in affiliated companies	-962	-700
+ Financial net debt	15,455	18,253
<b>Adjusted capital employed</b>	46,518	46,072
<b>CFROI</b>	13%	10%

\* In the capital market a calculation model is used whereby the annual cost is multiplied by seven regardless of the fixed period of the lease. The SAS Group takes leasing revenue into account in this item. NPV (Net Present Value) amounted at the end of March to MSEK 12,032 (10,746). Average NPV for the 12-month period amounted to MSEK 11,647 (11,689).

### Target achievement for SAS Group companies

		Target <sup>1)</sup>	Jan-Mar <sup>2)</sup> 2006
SAS Group	CFROI	20%	13%
Scandinavian Airlines	CFROI	20%	13%
Spanair	CFROI	25%	13%
Widerøe	CFROI	25%	19%
Blue1	CFROI	25%	20%
airBaltic	CFROI	25%	2%
SAS Cargo	CFROI	20%	18%
STS	ROIC	12%	4%
SAS Flight Academy	ROIC	11%	11%
SGS	EBITDA margin	8%	6%
Hotels	EBITDA margin	10%	8%

<sup>1)</sup> Required rate of return over a business cycle.

<sup>2)</sup> Refers to the latest 12-month period.

# Scandinavian Airlines Businesses

(including SAS Business Opportunities)

## Statement of income

(MSEK)	2006	January-March 2005
Passenger revenue	6,978	6,496
Charter revenue	276	287
Other traffic revenue	426	656
Other revenue	699	634
<b>Revenue</b>	<b>8,379</b>	<b>8,073</b>
Payroll expenses	-2,080	-1,997
Selling costs	-113	-121
Jet fuel	-1,564	-1,169
Government user fees	-853	-896
Catering costs	-279	-187
Handling costs	-1,277	-1,382
Technical aircraft maintenance	-1,022	-1,076
Computer and telecommunications costs	-440	-412
Other operating expenses	-645	-866
<b>Operating expenses</b>	<b>-8,273</b>	<b>-8,106</b>
<b>Income before depreciation and leasing costs, EBITDAR</b>	<b>106</b>	<b>-33</b>
Leasing costs for aircraft	-527	-444
<b>Income before depreciation, EBITDA</b>	<b>-421</b>	<b>-477</b>
Depreciation	-299	-345
Share of income in affiliated companies	14	15
Capital gains	9	290
<b>Operating income, EBIT</b>	<b>-697</b>	<b>-517</b>
Net financial items	-181	-181
<b>Scandinavian Airlines Businesses – Income after financial items</b>	<b>-878</b>	<b>-698</b>

## Earnings performance

The first quarter is seasonally weak. Since Easter fell in April this year, there is a so-called positive "Easter effect" of approximately MSEK 250. Traffic posted gains. International routes saw the strongest yield improvement thanks to the introduction of a fuel surcharge. For the other units the yield fell. The total cabin factor improved sharply by 5.8 percentage points to 69.6%. This improvement is explained by the very favorable reception of the newly introduced business model featuring one-way fares.

The business area's total operating revenue rose 3.8% in the first quarter of 2006 to MSEK 8,379 (8,073), owing to more passengers and greater charter production. Passenger revenue rose 7.4%, and adjusted for currency effects, 2.5%, to MSEK 6,978 (6,496).

Operating expenses rose 2.0% in the first quarter to MSEK 8,273 (8,106) due to sharply higher jet fuel prices. Jet fuel costs rose nearly 33.8% or MSEK 395 to MSEK 1,564 (1,169). The unit cost for jet fuel was up 24% (adjusted for volume and currency effects). Payroll expenses amounted to MSEK 2,080 and also include restructuring costs at SAS Braathens of MSEK 74. Catering costs rose MSEK 92 to MSEK 279 (187), due to increased onboard sales. Handling costs were down MSEK 105 to MSEK 1,277 (1,382) owing to more efficient ordering from suppliers. Costs for technical aircraft maintenance declined compared with the previous year by MSEK 54, due in part to lowered unit prices.

Due to higher fuel prices and the effect of a lower share of capacity on intercontinental routes, the currency-adjusted total unit cost rose 7.1% over the previous year. Adjusted for higher fuel prices, the total unit cost was up 3.0%. The unit cost was negatively impacted by the dispute in January, as well as by reduced capacity and more passengers.

ECA, the joint venture between British Midland, Lufthansa and Scandinavian Airlines, had a negative impact on earn-

ings in the first quarter of MSEK -130 (-64). Earnings in 2006 are expected to be negative in the amount of approximately MSEK 400.

Operating income before depreciation and leasing costs (EBITDAR) improved by MSEK 139, amounting to MSEK 106 (-33).

Income before capital gains and nonrecurring items in the first quarter improved by MSEK 175, amounting to MSEK -813 (-988).

Earnings were negatively impacted by a dispute in January, as well as follow-on effects in February and March of MSEK 250. Underlying earnings (adjusted for ECA MSEK -66) improved by MSEK 250.

Scandinavian Airlines Businesses, Total		January-March 2006 change	
Number of passengers (000)	(000)	5,709	5.3 pts.
Revenue passenger km (RPK)	(mill.)	6,083	1.3 pts.
Available seat km (ASK)	(mill.)	8,740	-7.1%
Cabin factor		69.6%	5.8 pts.
<b>Change in currency-adjusted yield by route sector</b>		January-March change vs. 2005	
Intercontinental routes		9.5%	
European routes		-6.9%	
Intra-Scandinavian routes		-9.0%	
Danish domestic		8.2%	
Norwegian domestic		0.5%	
Swedish domestic		2.8%	
<b>Total</b>		<b>+1.2%</b>	
<b>Change in currency-adjusted unit cost</b>			
Total unit cost, incl. charter		+7.1% <sup>1)</sup>	
Operational unit cost, incl. charter		+7.0% <sup>1)</sup>	

<sup>1)</sup> Higher fuel costs had a negative impact on unit cost of 4.1 percentage points.



Scandinavian Airlines

## Scandinavian Airlines Denmark

	Jan-Mar 2006	Jan-Mar 2005
(MSEK)		
Passenger revenue	1,981	1,857
Other revenue	332	376
Total revenue	2,313	2,233
Total operating expenses	-2,395	-2,412
EBITDAR	-82	-179
Leasing costs	-207	-233
EBITDA	-289	-412
Depreciation	0	0
EBIT	-289	-412
Net financial items	0	2
Income after financial items	-289	-410
EBITDAR margin	-3.5%	-8.0%
Average number of employees	1,717	1,616

	Jan-Mar 2006	Change
<b>Traffic and production</b>		
<b>Scheduled traffic</b>		
Number of passengers (000)	1,820	8.7%
RPK (mill.)	1,311	7.7%
ASK (mill.)	1,996	-10.7%
Cabin factor	65.7%	+11.2 pts.
Yield, currency-adjusted		-5.8%
Total unit cost, incl. charter (local currency)		3.4%
<b>Charter traffic</b>		
Number of passengers (000)	55	25.0%

Scandinavian Airlines Denmark's passenger volume grew in the first quarter by 146,300, an increase of 8.7% over the same period in 2005. Traffic, RPK, in the same period was up 7.7%. The increase is explained by the successful introduction of new business models, featuring one-way fares, primarily on European routes, plus the fact that Easter 2005 fell in March. Capacity fell during the quarter by 10.7%, 6 percentage points of which was a planned reduction and 5 percentage points was a reduction due to a wildcat strike by pilots in January as well as a few days with extreme weather conditions. The cabin factor rose 11.2 percentage points to 65.7%.

The yield fell during the quarter by 5.8% due to sharp growth in Economy. An improved cabin factor and more passengers compensated for the decline.

Passenger revenue rose by 6.7% compared with 2005 to MSEK 1,981 (1,857). Operating revenue in the quarter amounted to MSEK 2,313 (2,233). Operating expenses fell by MSEK 17 to 2,395 (2,412), despite sharply rising jet fuel prices. In local currency costs fell by 8%. EBITDAR improved despite the conflict with pilots in January by MSEK 97, amounting to MSEK -82 (-179). Income after financial items improved by MSEK 121 to MSEK -289 (-410).

Scandinavian Airlines Denmark is engaging in commercial activities in combination with cost improvements to improve its profitability.

On March 1 pilots corresponding to 549 FTEs were transferred from the SAS Consortium to Scandinavian Airlines Denmark.

During the first quarter, Star Tours chose Scandinavian Airlines Denmark as its charter airline from winter 2006 until summer 2007. The contract has expected operating revenue of MDKK 350-400.

The conflict with the pilots in January negatively impacted earnings for the quarter in the amount of MSEK 110.



Braathens

	Jan-Mar 2006	Jan-Mar 2005
(MSEK)		
Passenger revenue	2,317	2,098
Other revenue	490	565
Total revenue	2,807	2,663
Total operating expenses	-2,764	-2,429
EBITDAR	43	234
Leasing costs	-269	-303
EBITDA	-226	-69
Depreciation	-10	-11
Capital gain	-	268 <sup>1)</sup>
EBIT	-236	188
Net financial items	6	-8
Income after financial items	-230	180
EBT before nonrecurring items	-156	-88
EBITDAR margin	1.5%	8.8%
Average number of employees	2,664	2,960

	Jan-Mar 2006	Change
<b>Traffic and production</b>		
<b>Scheduled traffic</b>		
Number of passengers (000)	2,146	6.3%
RPK (mill.)	1,437	8.3%
ASK (mill.)	2,275	3.4%
Cabin factor	63.2%	+2.9 pts.
Yield, currency-adjusted		-3.6%
Total unit cost, incl. charter (local currency)		2.5%
<b>Charter traffic</b>		
Number of passengers (000)	69	-11.1%

<sup>1</sup> Pertains to internal capital gain from the sale of Braathens AS to the SAS Consortium, prior to implementation of the merger.

SAS Braathens' traffic, RPK, in the first quarter was up 8.3%. Growth was most robust on European routes, 12.9%, but domestic traffic also posted satisfactory growth of 4.8%. Total capacity in the period rose 3.4%, which meant that the cabin factor climbed 2.9 percentage points to 63.2%.

The yield in the first quarter was down 3.6% in local currency owing to pressure on fares in the market.

Operating revenue in the first quarter rose MSEK 144, to MSEK 2,807 (2,663). Passenger revenue was up 10.4% to MSEK 2,317 (2,098). Adjusted for currency effects, the rise was 4%. The increase is due to higher volumes and the fact that Easter 2005 fell in March. Operating expenses amounted to MSEK 2,764 (2,429), an increase of 13.8%. Adjusted for currency effects, the rise was 8%. The increase in costs is primarily due to higher jet fuel costs (35%), MSEK 74 in restructuring costs for staff reductions and costs for irregularities in traffic. Other operating expenses fell.

EBITDAR in the first quarter was down MSEK 191, amounting to MSEK 43 (234). The deterioration is due to a large number of canceled flights owing to an abnormally high number of pilots calling in sick. This had a negative impact on earnings of approximately MSEK 140. Income before capital gains and nonrecurring items amounted to MSEK -156 (-88).

The total market grew during the quarter by 11.2%. At the beginning of April a strike by some cabin staff resulted in sharp reduction in traffic before Easter. The negative impact on earnings is estimated to be MSEK 90 in the short term, though probably higher in the longer term. A new agreement was reached with cabin staff making it possible to increase the number of block hours from 592 in 2005 to approximately 700 in 2007.



Scandinavian Airlines

## Scandinavian Airlines Sverige

	Jan-Mar 2006	Jan-Mar 2005
(MSEK)		
Passenger revenue	1,462	1,400
Other revenue	407	408
Total revenue	1,869	1,808
Total operating expenses	-1,763	-1,847
EBITDAR	106	-39
Leasing costs	-182	-173
EBITDA	-76	-212
Depreciation	-1	-1
EBIT	-77	-213
Net financial items	-7	-6
Income after financial items	-84	-219
EBITDAR margin	5.7%	-2.2%
Average number of employees	1,446	1,451

	Jan-Mar 2006	Change
<b>Traffic and production</b>		
<b>Scheduled traffic</b>		
Number of passengers (000)	1,418	2.4%
RPK (mill.)	1,026	3.2%
ASK (mill.)	1,580	-9.2%
Cabin factor	64.9%	7.7 pts.
Yield, currency-adjusted		-2.6%
Total unit cost, incl. charter (local currency)		3.7%
<b>Charter traffic</b>		
Number of passengers (000)	93	-4.5%

Scandinavian Airlines Sverige's traffic, RPK, rose 3.2% in the first quarter compared with the previous year. Capacity, ASK, fell by 9.2% and the cabin factor was up 7.7 percentage points to 64.9%. The number of passengers grew in the period by 2.4%. The cabin factor on Swedish domestic routes in the first quarter was 66.5%, an increase of 6.9 percentage points compared with 2005. Traffic between the Scandinavian countries and to and from Europe also posted gains. On inter-Scandinavian routes the cabin factor in the quarter was 67.6%, up 9.7 percentage points over the previous year. The cabin factor on European routes rose 8.3 percentage points compared with last year.

The yield fell during the quarter by 2.6% due to sharp growth in Economy. The improved cabin factor compensated for the decline.

Passenger revenue in the first quarter amounted to MSEK 1,462 (1,400), an increase of 4.4%. EBITDAR improved compared with the previous year by MSEK 145, amounting to MSEK 106. Despite continued serious overcapacity primarily in Swedish domestic air service, income after financial items improved by MSEK 135, compared with the previous year, amounting to MSEK -84 (-219). The improvement is a result of continued cost reductions and commercial advances.

On March 1 pilots corresponding to 475 FTEs were transferred from the SAS Consortium to Scandinavian Airlines Sverige.

The first year of the new business model for domestic service "Nya Inrikesflyget" was a success. More than 420,000 tickets costing SEK 450 were sold in Sweden, and 35,000 travelers each month flew at that fare. Scandinavian Airlines Sverige is thus the airline in Sweden that offers the most discount tickets.



Scandinavian Airlines

Scandinavian Airlines International <sup>1)</sup>

	Jan-Mar 2006	Jan-Mar 2005
(MSEK)		
Passenger revenue	1,227	1,123
Other revenue	365	471
Total revenue	1,592	1,594
Total operating expenses	-1,628	-1,683
EBITDAR	-36	-89
Leasing costs	-190	-171
EBITDA	-226	-260
Depreciation	-1	-2
EBIT	-227	-262
Net financial items	-7	7
Income after financial items	-234	-255
EBITDAR margin	-2.3%	-5.6%
Average number of employees	563	743

	Jan-Mar 2006	Change
<b>Traffic and production</b>		
<b>Scheduled traffic</b>		
Number of passengers (000)	326	-5.0%
RPK (mill.)	2,309	-6.4%
ASK (mill.)	2,889	-10.7%
Cabin factor	79.9%	3.7 pts.
Yield, currency-adjusted		9.5%
Total unit cost, currency-adjusted		10.6%

<sup>1)</sup> Pertains to intercontinental traffic.

First quarter results were as expected. Scandinavian Airlines International reduced its capacity in the first quarter by 10.7%. At the same time, traffic declined 6.4%. As a consequence, the cabin factor improved by 3.7 percentage points to 79.9%. Despite the reduced capacity, Business Class traffic was up 2%. During the quarter the installation of flat beds on Airbus A340s in Business Class began, which was well received. The product Economy Extra was improved, and in the first quarter traffic grew by 48%.

Traffic on Asian routes rose 1% in the first quarter despite a 7% capacity reduction. On routes to and from the U.S., capacity was reduced by 14%, and traffic fell by 12%. Business Class traffic to the U.S. grew by 3%.

The uptick in Business Class and introduction of a fuel surcharge resulted in a 7.4% increase in the yield.

Winter is normally seasonally weak for intercontinental traffic. Operating revenue in the quarter fell by 0.1% to MSEK 1,592 (1,594). Passenger revenue rose by MSEK 104 to MSEK 1,227 (1,123). EBITDAR improved by MSEK 53 to MSEK -36 (-89). Income after financial items in the first quarter improved by MSEK 21, amounting to MSEK -234 (-255).

## Subsidiary & Affiliated Airlines

### Statement of income

(MSEK)	2006	January-March 2005
Passenger revenue	2,529	1,746
Freight revenue	36	30
Charter revenue	486	407
Other traffic revenue	97	70
Other revenue	366	354
<b>Revenue</b>	<b>3,514</b>	<b>2,607</b>
Payroll expenses	-788	-648
Selling costs	-99	-66
Jet fuel	-732	-397
Government user fees	-490	-360
Catering costs	-133	-105
Handling costs	-267	-176
Technical aircraft maintenance	-299	-229
Computer and telecommunications costs	-67	-45
Other operating expenses	-443	-374
<b>Operating expenses</b>	<b>-3,318</b>	<b>-2,400</b>
<b>Income before depreciation and leasing costs, EBITDAR</b>	<b>196</b>	<b>207</b>
Leasing costs for aircraft	-367	-242
<b>Income before depreciation, EBITDA</b>	<b>-171</b>	<b>-35</b>
Depreciation	-82	-76
Share of income in affiliated companies	2	-3
<b>Operating income, EBIT</b>	<b>-251</b>	<b>-114</b>
Net financial items	-30	-31
<b>Subsidiary &amp; Affiliated Airlines – Income after financial items</b>	<b>-281</b>	<b>-145</b>

### Earnings performance

The Subsidiary & Affiliated Airlines business area comprises the airlines Spanair, Widerøe's Flyveselskap, Blue1 and airBaltic. The business area also includes the Spanish ground handling company Newco, the strategic holding in Estonian Air, and the affiliated companies Air Greenland, Skyways and British Midland.

In the first quarter of 2006 the business area accounted for 21% of the SAS Group's operating revenue before group-wide eliminations. In the period the business area's airlines carried 2.8 million passengers, an increase of 29.2% compared with the previous year. The rise is due to robust passenger growth at airBaltic (55.9%), Spanair (35.6%) and Blue1 (19.5%) owing to newly opened destinations and higher frequencies. The number of passengers carried by Widerøe rose by 6.6%.

The business area's revenue in the first quarter of 2006 amounted to MSEK 3,514 (2,607), up 35%. The increase is due to higher volumes among the airlines. However, the yield declined at several of the airlines.

Operating expenses in the first quarter rose MSEK 918, to MSEK 3,318 (2,400). The increase is due to higher volumes and higher jet fuel prices. Jet fuel costs rose MSEK 335 to MSEK 732 (397), an increase of 84%, and 30% adjusted for volume and currency effects.

For the period the business area reported income after financial items of MSEK -281 (-145), a decline of MSEK 136. The decline is due to a deterioration in the yield, a reverse Easter effect for Spanair and start-up costs at Blue1 for new aircraft.

Traffic and production *	2006	January-March Change
<b>Scheduled traffic</b>		
Number of passengers (000)	2,823	29.2%
RPK (mill.)	2,096	28.5%
ASK (mill.)	3,535	15.8%
Cabin factor	59.3%	5.9%

\* Spanair, Widerøe, Blue1 and airBaltic.

Traffic results 2006	Spanair	Widerøe	Blue1	airBaltic
January-March				
Passengers	35.6%	6.6%	19.5%	55.9%
RPK	28.6%	4.7%	23.8%	49.0%
ASK	15.9%	3.0%	12.4%	26.9%
Cabin factor	60.1%	56.0%	59.5%	59.0%
Cabin factor, change	+5.9 pts.	+2.5 pts.	+5.5 pts.	+8.8 pts.



	Jan-Mar 2006	Jan-Mar 2005
(MSEK)		
Passenger revenue	1,419	1,043
Other revenue	644	531
Total revenue	2,063	1,574
Payroll expenses	-326	-288
Other operating expenses	-1,594	-1,167
Total operating expenses	-1,920	-1,455
EBITDAR	143	119
Leasing costs	-320	-228
EBITDA	-177	-109
Depreciation	-28	-28
EBIT	-205	-137
Net financial items	-30	-21
Income after financial items	-235	-158
EBITDAR margin	6.9%	7.6%
Average number of employees	2,909	2,641
CFROI (12-months)	12%	13%

An itemized statement of income is available at [www.sasgroup.net](http://www.sasgroup.net)

	Jan-Mar 2006	Change
<b>Traffic and production</b>		
<b>Scheduled traffic</b>		
Number of passengers (000)	1,730	35.6%
RPK (mill.)	1,437	28.6%
ASK (mill.)	2,392	15.9%
Cabin factor	60.1%	5.9 pts.
Yield, (EUR/RPK)		2.4%
Total unit cost, incl. charter (local currency)		14.4%
<b>Charter traffic</b>		
Number of passengers (000)	337	-3.6%

Spanair's traffic in the first quarter was up 28.6% over the previous year. Capacity in the same period rose 15.9%. These results are in line with Spanair's growth plans. Both domestic and international traffic have posted increases. The cabin factor grew by 5.9 percentage points to 60.1%.

During the quarter the yield rose 2.4% owing to price increases and a higher percentage of full-fare passengers. In April Spanair introduced a EUR 10 price adjustment to compensate for rising jet fuel prices. The unit cost rose 14.4% in the quarter as a consequence of higher jet fuel costs, higher passenger volume and phasing-in costs for new aircraft.

Passenger revenue in the quarter was up 36% to MSEK 1,419 (1,043). The increase is due to higher volumes and a higher yield. Operating revenue rose 31% to MSEK 2,063 (1,574). Operating expenses rose 32% to MSEK 1,920 (1,455) owing to higher capacity and higher jet fuel prices. Jet fuel costs climbed compared with 2005 by MSEK 212, an increase of 70%. EBITDAR improved by 20% to MSEK 143 (119).

Income after financial items amounted to MSEK -235 (-158). Earnings at Spanair were negatively impacted by the fact that in 2006 Easter, which brings higher volumes, fell in April.



	Jan-Mar 2006	Jan-Mar 2005
(MSEK)		
Passenger revenue	473	371
Other revenue	248	268
Total revenue	721	639
Payroll expenses	-274	-232
Other operating expenses	-379	-327
Total operating expenses	-653	-559
EBITDAR	68	80
Leasing costs	-25	-21
EBITDA	43	59
Depreciation	-38	-37
EBIT	5	22
Net financial items	-7	-8
Income after financial items	-2	14
EBITDAR margin	9.4%	12.5%
Average number of employees	1,373	1,325
CFROI (12-months)	19%	21%

	Jan-Mar 2006	Change
<b>Traffic and production</b>		
<b>Scheduled traffic</b>		
Number of passengers (000)	452	6.6%
RPK (mill.)	137	4.7%
ASK (mill.)	260	3.0%
Cabin factor	56.0%	2.5 pts.
Yield, (EUR/RPK)		-0.3%
Total unit cost, incl. charter (local currency)		6.9%

Widerøe's markets saw stiffer competition during the quarter. Even so, Widerøe's traffic, RPK, rose 4.7% in the first quarter compared with the previous year. Capacity grew in the same period by 3.0%, primarily due to higher capacity in March 2006 than the previous year, since capacity was reduced over the Easter weekend in March 2005. The cabin factor improved by 2.5 percentage points to 56.0%.

The yield was unchanged over the previous year. The unit cost rose 6.9% during the quarter. The increase is due to higher fuel costs and higher technical expenses and more expensive contracts with staff.

In the quarter, passenger revenue was up 27.5% to MSEK 473 (371), owing to higher volume and a higher yield. EBITDAR amounted to MSEK 68 (80), a decrease of MSEK 12. This decrease is due to the aforementioned cost increases. Income after financial items amounted to MSEK -2 (14).

	Jan-Mar 2006	Jan-Mar 2005
(MSEK)		
Passenger revenue	386	332
Other revenue	42	47
Total revenue	428	379
Payroll expenses	-74	-62
Other operating expenses	-343	-283
Total operating expenses	-417	-345
EBITDAR	11	34
Leasing costs	-40	-33
EBITDA	-29	1
Depreciation	-3	-3
EBIT	-32	-2
Net financial items	6	-2
Income after financial items	-26	-4
EBITDAR margin	2.6%	9.0%
Average number of employees	460	435
CFROI (12-months)	20%	13%

	Jan-Mar 2006	Change
<b>Traffic and production</b>		
<b>Scheduled traffic</b>		
Number of passengers (000)	374	19.5%
RPK (mill.)	237	23.8%
ASK (mill.)	399	12.4%
Cabin factor	59.5%	5.5 pts.
Yield, (EUR/RPK)		-8.5%
Total unit cost, incl. charter (local currency)		4.0%

Traffic results were positive during the first quarter, with traffic up 23.8% over the previous year. At the same time, capacity rose 12.4%, resulting in a 5.5 percentage point improvement in the cabin factor to 59.5%. The number of passengers increased in the period by 19.5%. In all, Blue1 carried more than 374,000, the highest number ever.

In March Blue1 expanded its route network by seven new destinations by phasing in three MD-90 aircraft, which explains in part the sharp increase in capacity and traffic in the quarter.

Booking figures for tourist destinations on the new European routes look very positive.

The 8.5% decline in the yield over the previous year is primarily due to higher pressure on fares.

Fuel costs rose in the first quarter by MSEK 40 compared with 2005. Consequently, the unit cost was up 4.0%. Adjusted for fuel costs, the unit cost fell by 2%.

Passenger revenue for the quarter rose 16.3% compared with the previous year, due to higher volume, amounting to MSEK 386 (332). Operating revenue was up 12.9% to MSEK 428 (379). Income after financial items declined by MSEK 22 to MSEK -26 (-4). The deterioration in earnings is primarily due to costs related to phasing in the MD-90 production and a lower yield.

	Jan-Mar 2006	Jan-Mar 2005 <sup>1)</sup>
(MSEK)		
Passenger revenue	251	164
Other revenue	36	28
Total revenue	287	192
Payroll expenses	-38	-21
Other operating expenses	-237	-178
Total operating expenses	-275	-199
EBITDAR	12	-7
Leasing costs	-27	-23
EBITDA	-15	-30
Depreciation	-2	-2
EBIT	-17	-32
Net financial items	-1	-1
Income after financial items	-18	-33
EBITDAR margin	4.2%	-3.6%
Average number of employees	729	535
CFROI (12-months)	2%	14%

1) Not consolidated

	Jan-Mar 2006	Change
<b>Traffic and production</b>		
<b>Scheduled traffic</b>		
Number of passengers (000)	266	55.9%
RPK (mill.)	285	49.0%
ASK (mill.)	483	26.9%
Cabin factor	59.0%	8.8 pts.
Yield, (EUR/RPK)		-6.8%
Total unit cost, incl. charter (local currency)		7.7%

Traffic results were positive in the first quarter of 2006, with passenger volumes rising 55.9% compared with the previous year. Capacity was up 26.9%, and traffic, RPK, rose 49.0%. The cabin factor improved by 8.8 percentage points to 59.0%.

The yield was 6.8% lower than the previous year. The unit cost rose 7.7%, primarily due to higher fuel prices.

With the increased volume, passenger revenue rose 53% to MSEK 251 (164). Operating revenue for the period amounted to MSEK 287 (192), an increase of 49%. Operating expenses rose 38% owing to higher capacity, higher jet fuel prices and higher payroll expenses. As a consequence of the higher volume, EBITDAR improved by MSEK 19, amounting to MSEK 12 (-7). Leasing costs rose as a consequence of three more aircraft in the fleet.

Income before capital gains and nonrecurring items amounted to MSEK -18 (-33).



# Airline Support Businesses

(including SAS Flight Academy)

## Statement of income

(MSEK)	2006	January-March 2005	Pro forma <sup>1)</sup> 2005
<b>Revenue</b>	<b>3,711</b>	3,879	3,697
Payroll expenses	-1,582	-1,645	-1,514
Handling costs	-275	-319	-319
Technical aircraft maintenance	-625	-495	-665
Computer and telecommunications costs	-103	-166	-154
Other operating expenses	-1,004	-953	-807
<b>Operating expenses</b>	<b>-3,589</b>	-3,578	-3,459
<b>Income before depreciation, EBITDA</b>	<b>122</b>	301	238
Depreciation	-69	-132	-83
Share of income in affiliated companies	-18	0	0
Capital gains	0	0	0
<b>Operating income, EBIT</b>	<b>35</b>	169	155
Net financial items	-17	-33	-14
<b>Airline Support Businesses – Income after financial items</b>	<b>18</b>	136	141

	SAS Ground Services January-March		SAS Technical Services January-March		SAS Cargo Group January-March		SAS Flight Academy January-March	
	2006	2005	2006	2005 <sup>1)</sup>	2006	2005	2006	2005
Revenue	1,529	1,574	1,230	1,321	852	714	126	128
Of which external revenue	17.7%	17.7%	16.7%	21.0%	98.6%	95.2%	50.8%	41.8%
Operating expenses	-1,494	-1,492	-1,194	-1,225	-841	-691	-86	-88
EBITDA	35	82	36	96	11	23	40	40
EBIT	12	55	-4	74	-1	11	29	21
Income after financial items	10	51	-13	69	-5	5	28	20
Average number of employees	6,507	6,888	2,593	2,687	1,465	1,314	164	163
EBT before nonrecurring items	10	51	8	69	-5	5	28	20

<sup>1)</sup> Pro forma, excluding SAS Component Group (sold as of November 2005)

## Earnings performance

Airline Support Businesses' operations comprise SAS Ground Services (SGS), SAS Technical Services (STS), SAS Cargo Group and since January 2006 also SAS Flight Academy (SFA). SGS is a full-service provider in the areas of airline ground handling and airport-related services. STS provides technical maintenance of aircraft and engines to airlines within and outside the SAS Group. SAS Cargo is a leader in transporting freight in the Baltic Sea region, and SAS Flight Academy operates training centers for pilots and cabin crew.

The business area's operating revenue in the first quarter amounted to MSEK 3,711 (3,879), a decrease of 4.3%. Lower prices and volumes resulted in a deterioration in income before capital gains and nonrecurring items of MSEK 97 to MSEK 39 (136).

**SAS Ground Services (SGS)** The ground handling sector is under continued heavy pressure on prices, while airlines are demanding simpler products and more automation. This has resulted in further demands for efficiency enhancements and measures to increase productivity at SGS. In the first quarter snow storms and a pilot strike in January led to more canceled flights and delays than normal. This had a negative impact on SGS's finances as well as on quality.

Operating revenue for the first quarter amounted to MSEK 1,529 (1,574), a decrease of 2.8%. Income after financial items decreased by MSEK 41 to MSEK 10 (51).

A three-year contract for station handling was signed in the first quarter with Blue1. In the Norwegian court case on how Braathens' ground handling staff should be integrated in 2002, the Supreme Court overturned the judgments of the lower courts.

First quarter operating revenue for **SAS Technical Services (STS)** totaled MSEK 1,230 (1,321), a decline of 7% over the previous year for comparable units (adjusted for the sale of SAS Component). External revenues grew in the same period by 20%. The lower operating revenue is primarily attributable to lower demand for Airframe services in particular (heavy and base maintenance) from SAS Group airlines.

Lower operating revenue in combination with the fact that measures initiated have yet to have their full effect as well as with negative earnings in Component (33% holding) resulted in lower earnings compared with the previous year. Operating income before depreciation amounted to MSEK 36 (96). Income before capital gains and nonrecurring items declined by MSEK 61 to MSEK 8 (69).

STS expects continued low demand during the remainder of 2006 and is undertaking cost reductions to tailor operations to the stiffer competition.

**SAS Cargo's** operating revenue was up 19% in the first quarter, to MSEK 852 (714). The rise is due to higher capacity in the markets to and from Asia and the U.S., as well as the introduction of a fuel surcharge to meet higher fuel costs. SAS Cargo's income before capital gains and nonrecurring items during the first quarter amounted to MSEK -5 (5), chiefly due to negative currency effects.

First quarter operating revenue for **SAS Flight Academy (SFA)** amounted to MSEK 126 (128). The trend of increasing revenue from external customers continued during the quarter. Income before capital gains and nonrecurring items amounted to MSEK 28 (20).

## Hotels



## Statement of income

	January-March	
(MSEK)	2006	2005
Rooms revenue	796	587
Food and beverage revenue	475	345
Fee revenue	109	89
Other revenue	86	75
<b>Revenue</b>	<b>1,466</b>	<b>1,096</b>
Operating expenses	-484	-390
Payroll expenses	-542	-437
Rental expenses, property insurance and property tax	-452	-355
<b>Income before depreciation</b>	<b>-12</b>	<b>-86</b>
Depreciation	-54	-48
Share of income in affiliated companies	9	8
Capital gains	0	0
<b>Operating income, EBIT</b>	<b>-57</b>	<b>-126</b>
Net financial items	-8	-20
<b>Hotels - Income after financial items</b>	<b>-65</b>	<b>-146</b>

## Key figures

EBITDA, MSEK <sup>1)</sup>	-3	-78
Revenue, including managed hotels (MSEK)	2,872	2,129
Revenue per available room (SEK) (RevPAR) <sup>2)</sup>	600	508
Revenue per available room (EUR) (RevPAR) <sup>2)</sup>	64	56
Occupancy rate <sup>2)</sup>	62.3%	57.9%
Gross profit margin	30.0%	24.5%
Number of available rooms/night	13,900	12,200
Number of available rooms/night <sup>2)</sup>	30,800	26,500
Number of hotels	62	50
Number of hotels including management and franchise	224	196

<sup>1)</sup> Operating income before depreciation and including share of income in affiliated companies.

<sup>2)</sup> Including hotels operated on a management basis.

## Earnings performance

Revenue for the quarter amounted to MSEK 1,466 (1,096), up 33.8% or MSEK 370. Comparable units posted an increase of MSEK 196, increased revenue from new hotels totaled MSEK 129 and exchange rate differences MSEK 45.

Revenue per available room (RevPAR) continued to rise in the European hotel market in the first quarter of 2006. For comparable units in Rezidor SAS, RevPAR was 20.6% higher than in the same period in 2005. Growth continues in all markets. Eastern Europe is posting solid growth along with Scandinavia and Central Europe.

Key figures for the first quarter of 2006, including managed hotels, performed as follows:

- RevPAR reached EUR 64 (SEK 600), an increase of EUR 8.
- The occupancy rate was up 4.4 percentage points to 62.3%.

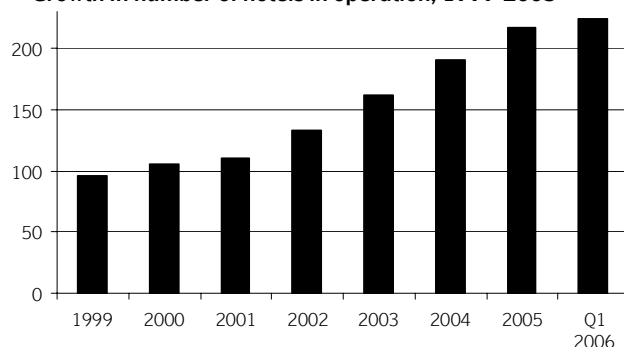
Revenue, including for managed hotels, totaled MSEK 2,872 (2,129) for the quarter, up 34.9%.

During the first quarter of 2006 Rezidor SAS signed ten contracts for new hotels: three Radisson SAS, six Park Inns and one Missoni. Four are already in operation, and six are under construction. As of March 31, 2006, Rezidor SAS had 277 hotels in operation or under construction, compared with 242 hotels on March 31, 2005.

EBITDA, income before depreciation and including share of income in affiliated companies, amounted to MSEK -3 (-78) for the period. The sharp improvement in earnings over 2005 is primarily due to the increase in RevPAR. A contributing factor is also the fact that Easter 2006 fell in April, deemed to have had a positive impact on operating income of approximately MSEK 15, as well as lower brand costs to the Carlson Companies.

Income after financial items, EBT, amounted to MSEK -65 (-146).

## Growth in number of hotels in operation, 1999-2005



## Definitions

**AEA** - The Association of European Airlines.

**AOC** - Airline Operator Certificate.

**ASK, Available seat kilometers** - The total number of seats available for passengers multiplied by the number of kilometers which they are flown.

**AV, Asset Value (adjusted capital employed)** - Book shareholders' equity, plus minority interests, plus surplus value in the aircraft fleet, plus 7 times the net annual cost of operating leases for aircraft, plus financial net debt, minus share of equity in affiliated companies. Can also be expressed as the book value of total assets, plus surplus value in the aircraft fleet, plus 7 times the net annual cost of operating leases for aircraft, minus share of equity in affiliated companies, minus noninterest-bearing liabilities and interest-bearing assets, excluding net pension funds.

**Cabin factor, passengers** - Relation between RPK and ASK expressed as a percentage. Describes the capacity utilization of available seats. Also called occupancy rate.

**CAPEX (Capital Expenditure)** - Future payments for aircraft on firm order.

**Cash flow from operations** - Cash flow from operating activities before change in working capital.

**CFROI** - Adjusted EBITDAR in relation to AV.

**Debt/equity ratio** - Financial net debt in relation to shareholders' equity and minority interests.

**Earnings per share (EPS)** - Net income for the period divided by the total number of shares.

**EBIT (including capital gains)** - Operating income.

**EBIT margin** - EBIT divided by total revenue.

**EBITDA, Operating income before depreciation** - Operating income before net financial items, tax, depreciation, share of income in affiliated companies and income from the sale of fixed assets.

**EBITDAR margin** - EBITDAR divided by total revenue.

**EBITDAR, Operating income before depreciation and leasing costs** - Operating income before net financial items, tax, depreciation, share of income in affiliated companies, income from the sale of fixed assets and leasing costs for aircraft.

**Equity method** - Shares in affiliated companies are taken up at the SAS Group's share of equity, taking acquired surplus and deficit values into account.

**Equity/assets ratio** - Shareholders' equity plus minority interests in relation to total assets.

**EV, Enterprise value** - Average market capitalization plus average financial net debt during the year and 7 times the net annual cost of operating leases for aircraft.

**Financial net debt** - Interest-bearing liabilities minus interest-bearing assets, excluding net pension funds.

**FTE** - Full-time equivalent.

**Gross profit margin** - Operating income before depreciation in relation to total revenue.

**Interest coverage ratio** - Operating income plus financial income in relation to financial expenses.

**Net debt** - Interest-bearing liabilities minus interest-bearing assets.

**Return on capital employed (ROCE)** - Operating income plus financial income in relation to average capital employed. Capital employed refers to total assets as specified in the balance sheet minus non-interest-bearing liabilities.

**Return on equity** - Net income for the period attributable to Parent Company shareholders in relation to average shareholders' equity, excluding minority interests.

**Revenue passenger kilometers (RPK)** - See RPK.

**RevPAR, Revenue per available room** - Revenue per available hotel room.

**RPK, Revenue passenger kilometers** - Number of paying passengers multiplied by the distance they are flown in kilometers.

**Sale and leaseback** - Sale of an asset (aircraft, building, etc.) that is then leased back.

**TSR, Total shareholder return** - Average total return.

**Unit cost, operational** - Airline operations' total operating expenses minus non-traffic related revenue per ASK.

**Unit cost, total** - Airline operations' total operating expenses including the capacity cost of aircraft minus non-traffic related revenue per ASK.

**Unit revenue (yield)** - Average traffic revenue per RPK.

**Yield** - See Unit revenue.

## Important events

### First quarter 2006

- At Spanair, certain revenue and expense items were incorrectly booked for the period 2002-2005
- The pilots at Scandinavian Airlines Danmark went on a wildcat strike, resulting in the cancellation of nearly all routes from Copenhagen for three days. At the same time, an unusually large number of pilots at SAS Braathens called in sick, resulting in a large number of canceled flights. Intercontinental routes were unaffected.
- The Supreme Court of Norway overturned the decision of the Eidsivating Court of Appeal in favor of SAS Ground Services in a lawsuit concerning employee rights in connection with the transfer from Braathens in 2002.
- The SAS Group completed the incorporation, and affected pilots were transferred from the SAS Consortium to SAS Danmark and SAS Sverige effective March 1, 2006.
- The European Commission conducted an unannounced inspection of SAS Cargo in Copenhagen on February 14 as part of an extensive investigation of suspected antitrust violations in the airfreight business. A similar investigation by U.S. authorities is also under way.
- Blue1 opened nine new European destinations from Helsinki.

### Events after March 31, 2006

- Swiss and South African Airways are new members of Star Alliance.
- SAS Braathens concluded a new agreement with cabin staff after a three-day lawful dispute.
- At SAS AB's Annual General Shareholders' Meeting, the Board of Directors was reelected, and Jens Erik Christiansen replaced Lars Rebien Sørensen, who declined reelection.
- SAS AB's Annual General Shareholders' Meeting resolved not to pay a dividend for the 2005 financial year.



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