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New restructuring measures for increased competitiveness

The Board of Directors of the SAS Group has today provided the SAS Group management team a mandate to implement comprehensive restructuring measures to ensure the Group's profitability, long-term competitiveness and efficient flight operations for the Group's airlines.

The SAS Group is already implementing two restructuring programs, with a total earnings effect of SEK 12.5 billion prior to 2005. It is estimated that the additional measures will result in further cost savings of SEK 6-8 billion, providing the remaining union negotiations are completed according to plan.

"These measures are necessary for the Group's ability to compete and will represent a healthy platform for future expansion. We have achieved excellent results in negotiations with all of the unions, except for cabin employees. Agreements have been signed with 35 of the 39 unions and the SAS Board has assigned us to complete the discussions with the remaining parties," says Jørgen Lindegaard, SAS's CEO, who continues:

"We are aware that flight competition in Scandinavia will be intensified and we must therefore be well-equipped for the future. We must be able to offer additional and less expensive travel in the Scandinavian market. The ambition is to enhance the traffic with additional routes from Stockholm and Oslo"

At full effect, the restructuring steps will reduce Scandinavian Airlines' average unit costs by approximately 30 percent, which corresponds to the goals established for the new restructuring measures.

Constructive union cooperation

The restructuring program was preceded by extensive analysis and constructive dialog with the unions.

"We have made several ground-breaking changes to old collective agreements and the unions have assumed major responsibility for us now being able to continue our efforts to become a stronger company. In cooperation with Group management, they have laid the foundation for a lower cost level, thereby opening the door for expansion," says Jørgen Lindegaard.

Several fundamental changes to agreements will make it possible to substantially raise productivity. The collective agreements with Scandinavian Airlines' pilots will enable such steps as increasing the number of hours in the air - "block hours" - from the current level of 490 to more than 700.

Most unions have also accepted the Group's proposal for a wage-freeze in 2003.

Overmanning

The measures within the framework of the new program will commence during the spring and the program in its entirety is expected to have full effect within 18 months.

The efficiency measures will result in overmanning of about 4,000 persons, in addition to measures already approved. The majority of the persons affected are within Scandinavian Airlines'

administration, cabin crew and pilots, ground staff in station operations, Scandinavian Ground Services, personnel within SAS Technical Services and sales staff at SAS World Sales.

Simplified base organization

Through greater autonomy for Scandinavian Airlines' bases in Copenhagen, Oslo and Stockholm, and planning of each base's flight operations, work methods, management and decision-making processes will be simplified, with minimized need for coordination.

Scandinavian Airlines will also conduct a redistribution of its aircraft fleet and minimize the number of aircraft types at each base. Flight personnel will mainly start and end their day at their home bases, thereby reducing the number of layovers. The separation of the bases in Copenhagen, Oslo and Stockholm will also apply to administration and support.

If, contrary to expectations, the remaining negotiations do not bring a satisfactory result, the SAS management will evaluate alternative measures within the Group to enable profitable flight operations on shorter routes, with an emphasis on domestic.

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