

SAS Group

1st Quarter 1999

Agenda:

- Overview of recent development
- Financial performance
- Operational performance
- Costs and productivity
- Actual issues
- Outlook



Highlights 1st Quarter 1999

- Additional capacity on Scandinavia from european competitors
- Still operational problems in connection with the new airport in Oslo

Regularity and punctuality still substantially under par

1st Quarter 1999

- Comparing with Q1 /98, a very strong quarter
- Weak economic development in Scandinavia meant lower activity in business travel
- Renewal program of aircraft fleet started
- SAS EuroBonus continue to grow and was awarded Freddie Award for best bonus program for the third consecutive year
- Star Alliance growing – new members Air New Zealand and Ansett Australia (MAY)



SAS Group

1st Quarter 1999

MSEK	1999	1998
● Revenue	9 621	9 469
● Op. inc. bef. depr.	94	857
● Operating income	- 192	628
● Income before tax	- 22	613

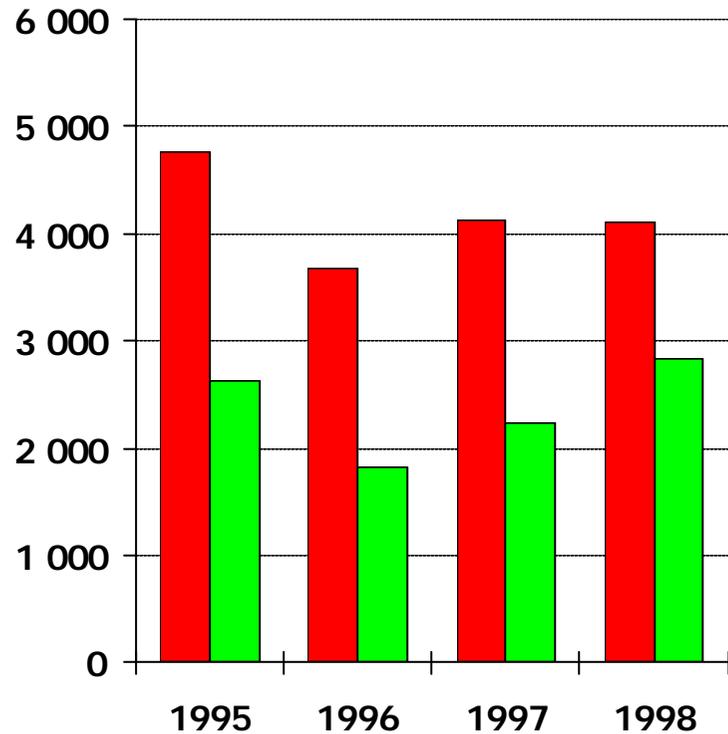
Change of Depreciation Plan

- Review of present depreciation policy on aircraft (6% per year) in relation to the economic value diminution
- Adjusted plan adopted from 01JAN:
4,5% annual book depreciation to a residual value
- By eliminating over-depreciation, the new policy will pre-empt surplus values from accumulating in the aircraft fleet and reduce fluctuations in earnings
- Effect in Q1 /99: 105 MSEK
- Effect full year 1999: approx. 450 MSEK

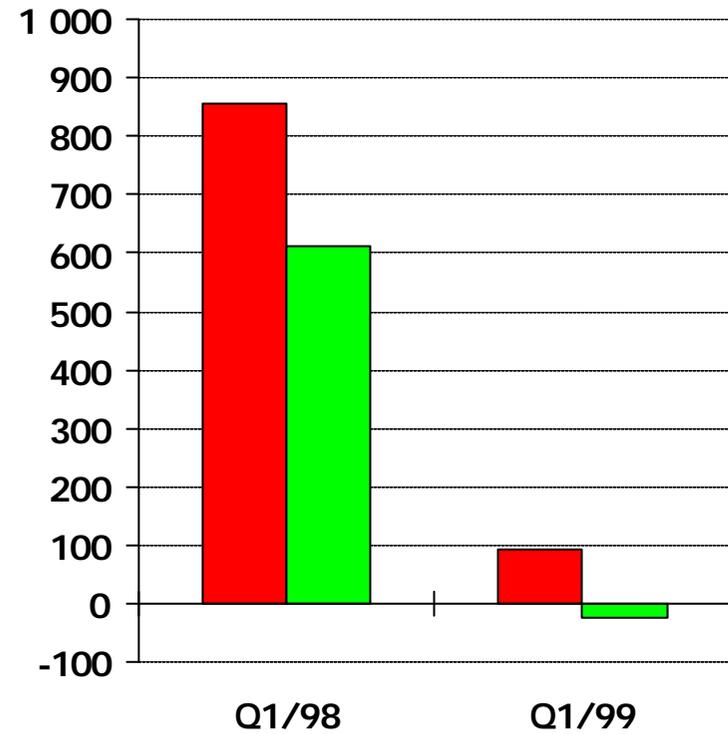
SAS Group Result

Before depreciation and Before taxes

MSEK



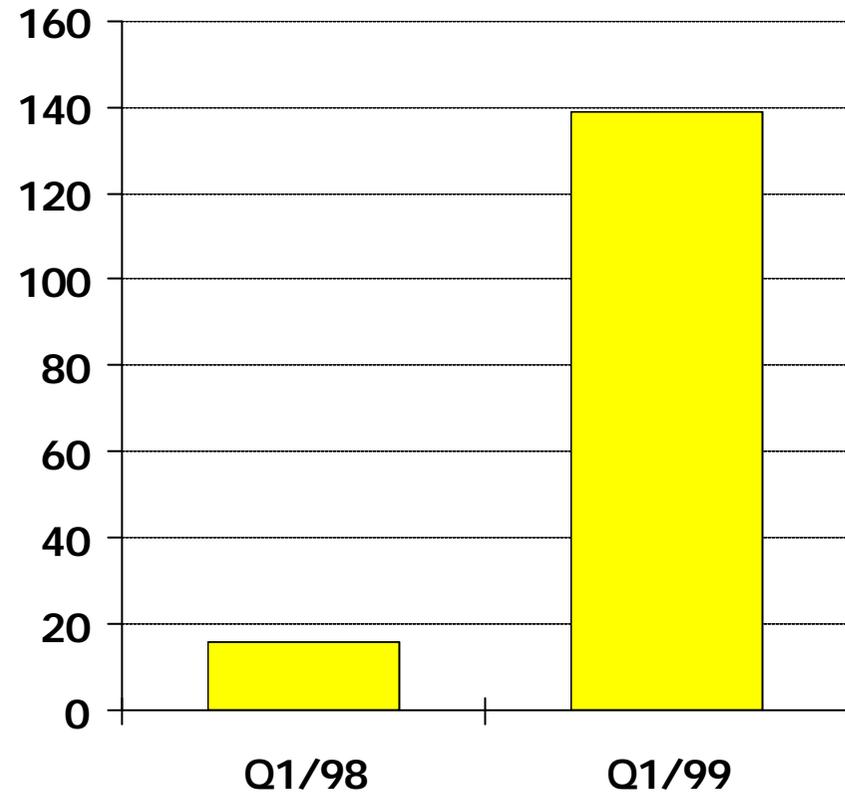
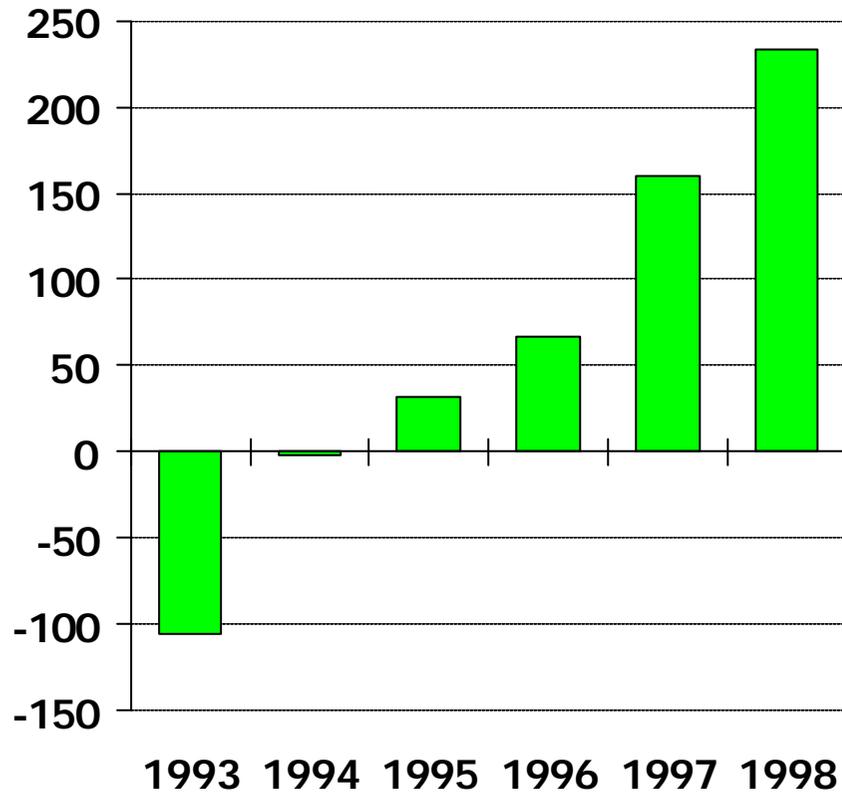
■ Income bef depreciation ■ Income bef taxes



■ Income bef depreciation ■ Income bef taxes

SAS International Hotels

Income before taxes (MSEK)



SAS Group Balance Sheet

MSEK	31MAR99	31DEC98
Liquid funds	5 663	8 011
Other interest-bearing assets	2 195	1 769
Aircraft	12 201	11 339
Other assets	19 960	19 330
Total assets	40 019	40 449
Operating liabilities	11 527	12 528
Interest-bearing liabilities	11 646	11 005
Subordinated debenture loan	810	854
Minority interests	20	19
Equity	16 016	16 043
Total liabilities and equity	40 019	40 449
Net debt	4 598	2 079

SAS Group

Changes in Financial Position

MSEK	1st quarter	
	1999	1998
Cash flow from operations	- 3	772
Change in working capital	- 663	- 486
Net financing from operations	- 666	286
Investments, advance payments	- 1 464	- 1 078
Sales of fixed assets, etc.	+ 568	+ 767
Payment to mother companies	- 957	0
Financing surplus	- 2 519	- 25
Changes in external financing, net	+ 171	- 737
Change in liquid funds	- 2 348	- 762

SAS Group Key Ratios

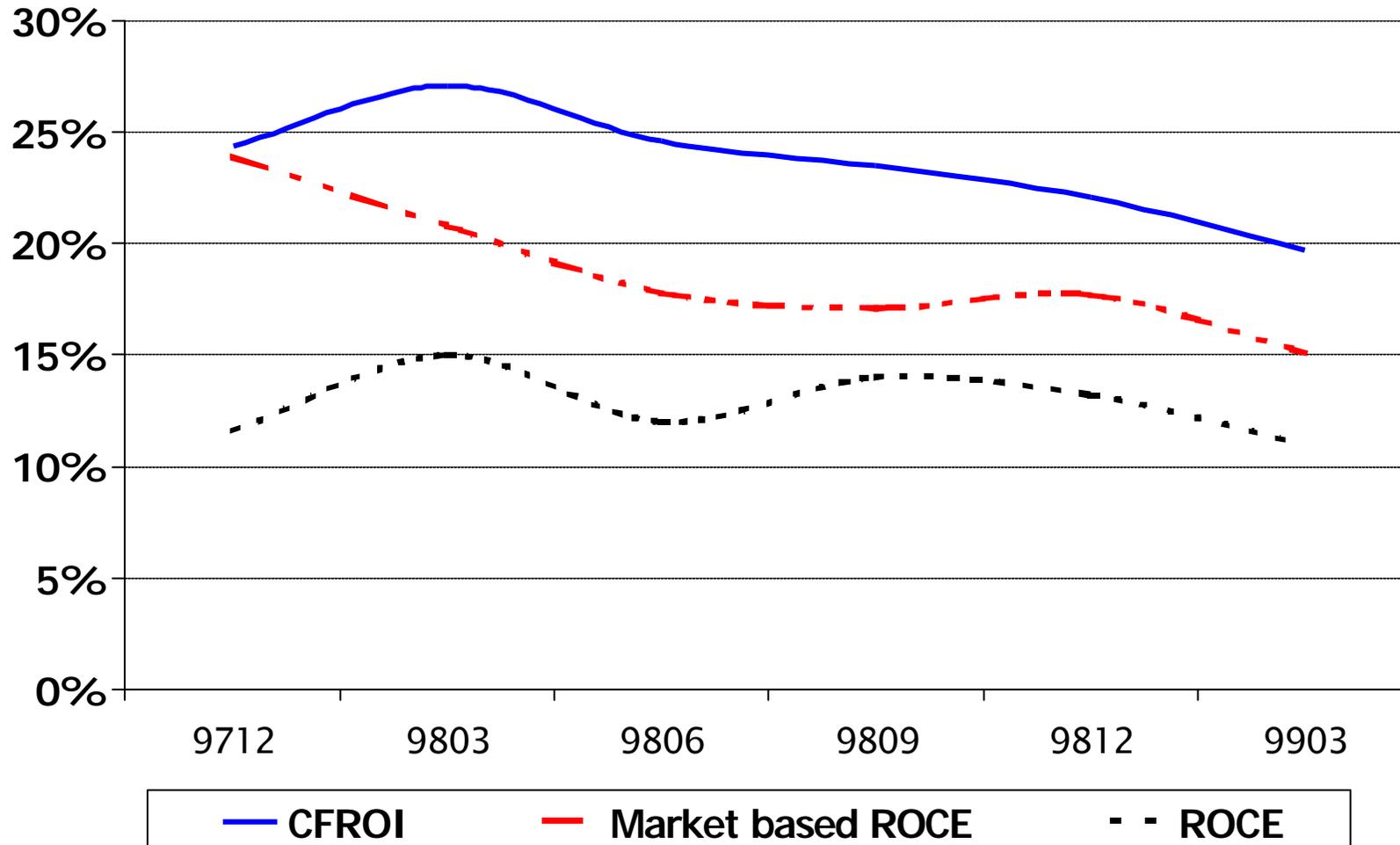
	<i>1st quarter</i>	
	<i>1999</i>	<i>1998</i>
Gross operating margin %	1	9
CFROI % *)	20	27
Market based ROCE % *)	15	21
ROCE % *)	11	15
Return on equity % *) **)	10	16
Equity / assets ratio %	41	39
Net debt / equity ratio	0,3	0,1

*) 4 last quarters

**) After standard tax

SAS Group - Return Measures

4 quarters moving values



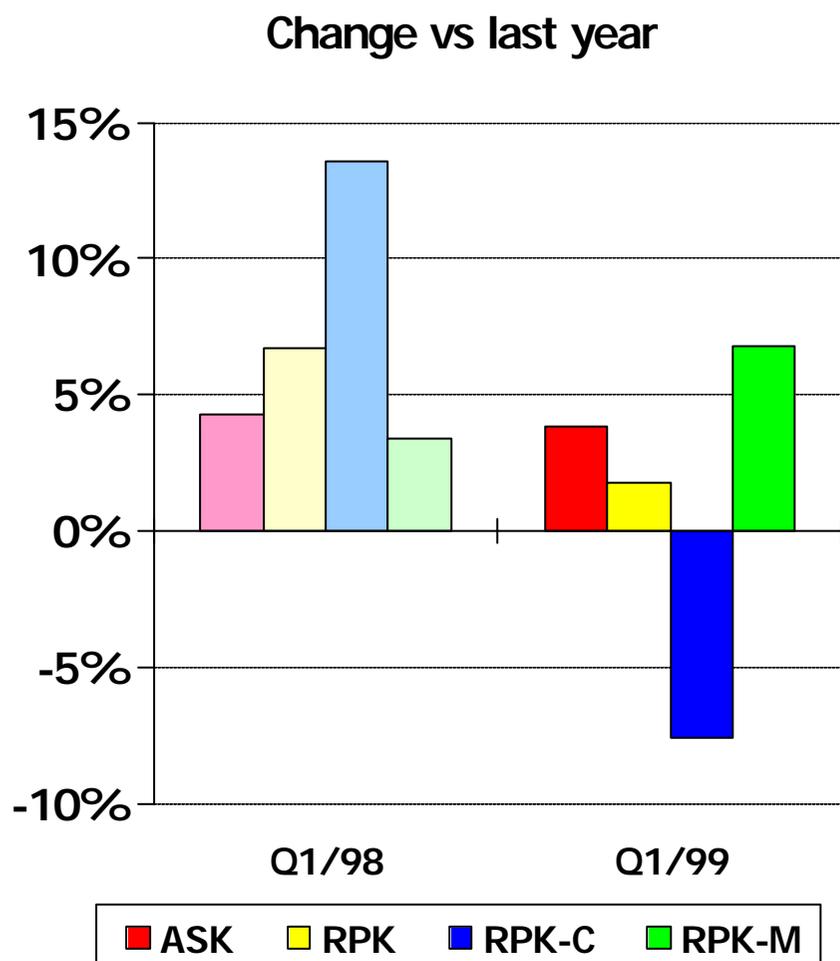
SAS Aircraft Fleet

Aircraft in SAS Traffic

	31MAR99	30DEC98
Boeing 747-243	1	1
Boeing 767-300	14	14
MD-81 /82 /83	49	49
MD-87	18	18
MD-90	8	8
Boeing 737-600	14	8
DC-9-81	9	9
DC-9-41	21	22
DC-9-21	4	4
Boeing 737-300	2	0
Fokker F28	14	16
Fokker F50	22	22
SAAB 2000	6	6
TOTAL	182	177



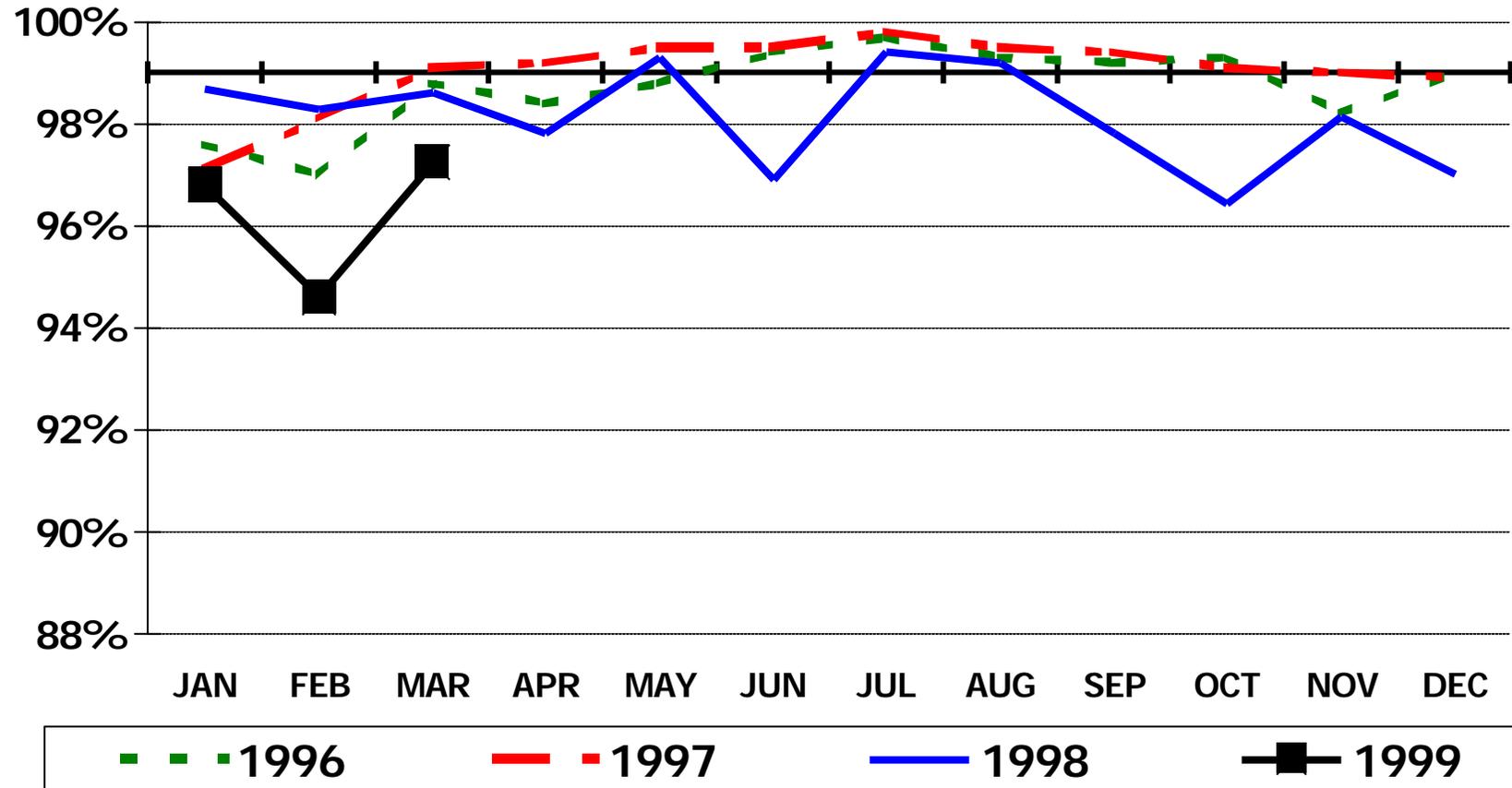
Passenger Traffic 1st Quarter 1999



- Q1 /98 had a strong growth
- Weak increase in traffic in Q1 /99
- General decrease in business traffic continues
- Strong growth of discounted traffic – partly driven by campaigns
- Passenger load factor 58,5% (down 1,2 p.u.)
- Number of passengers up 3,2%

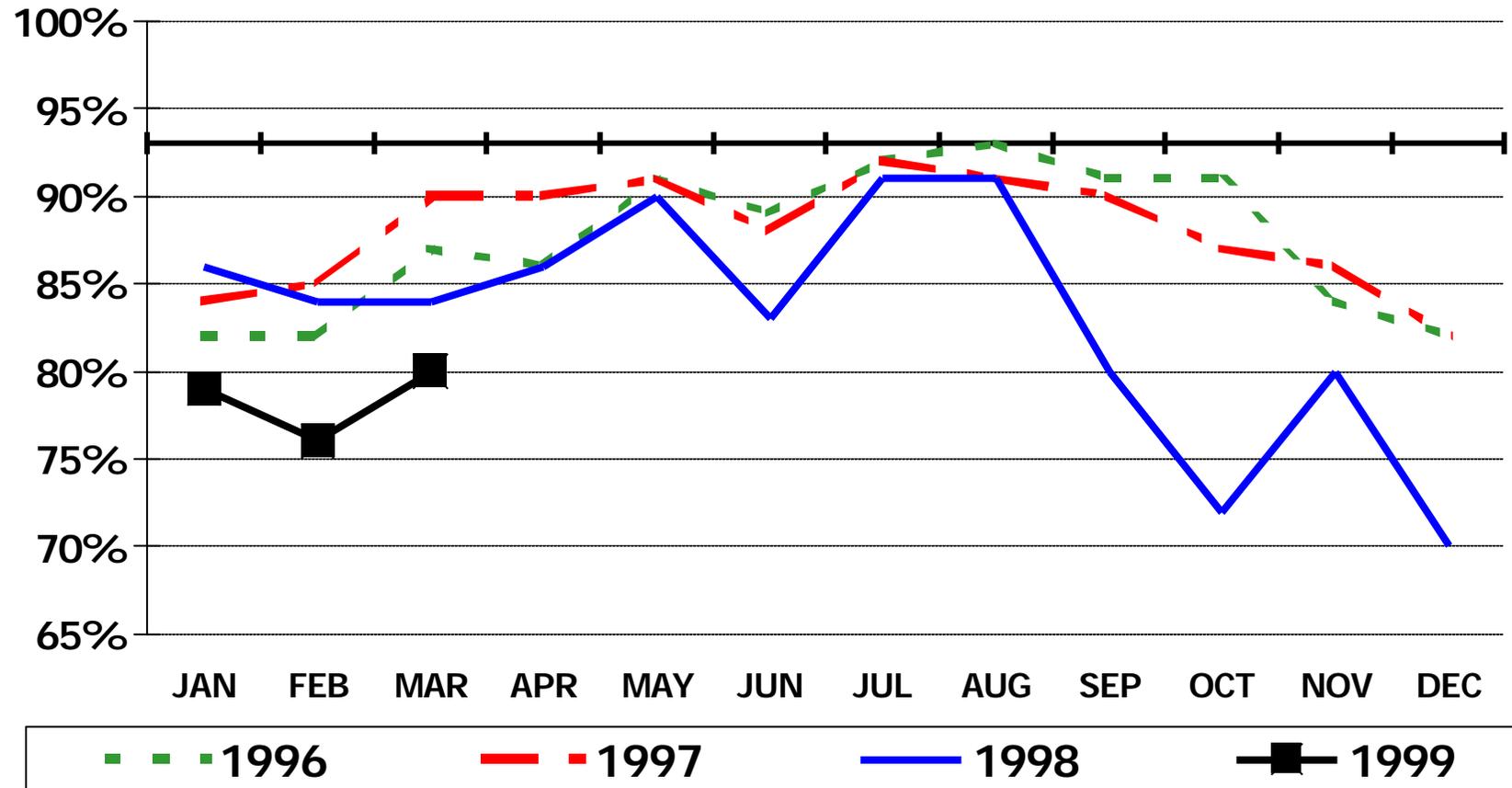
Regularity

Performed flights of scheduled

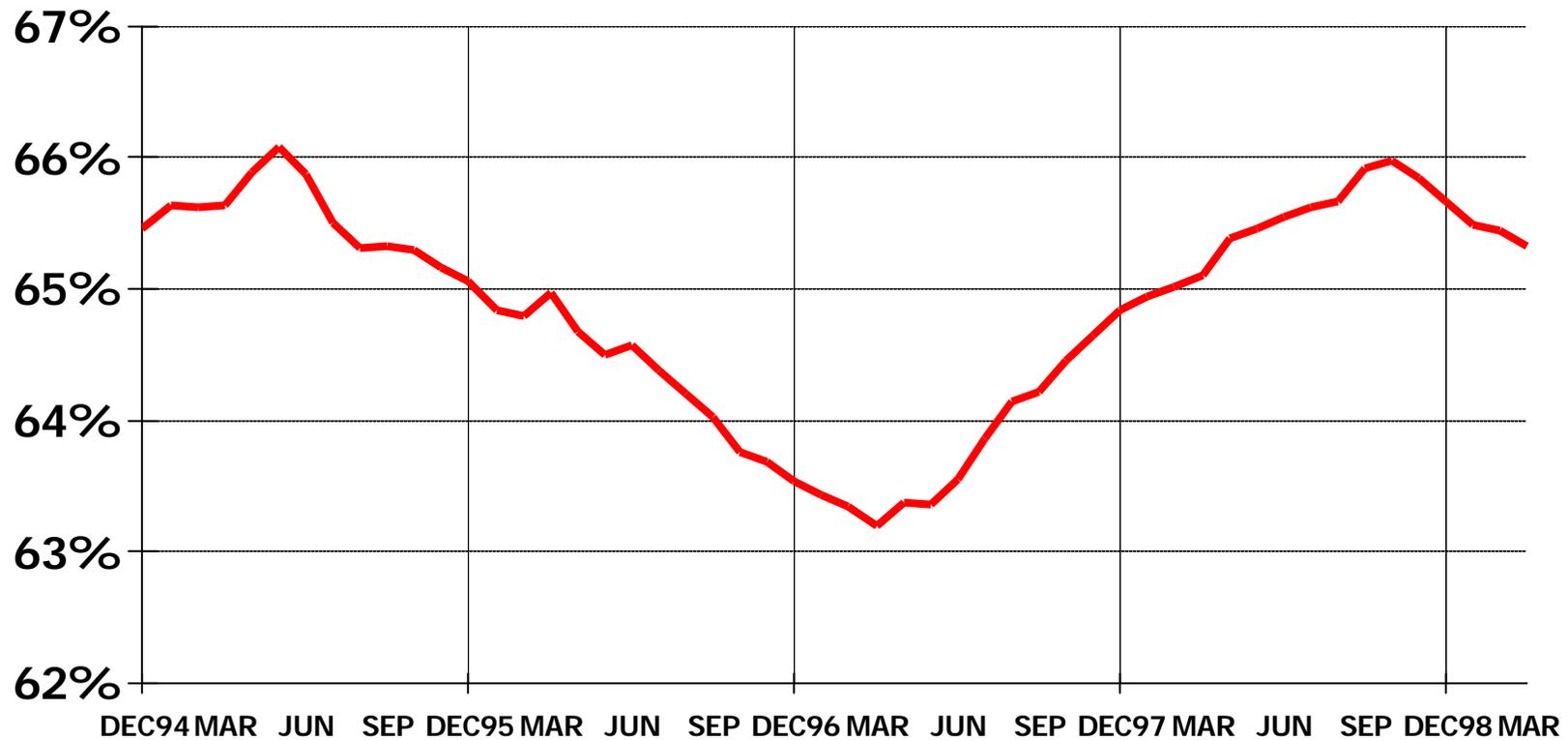


Punctuality

Flights delayed less than 15 min

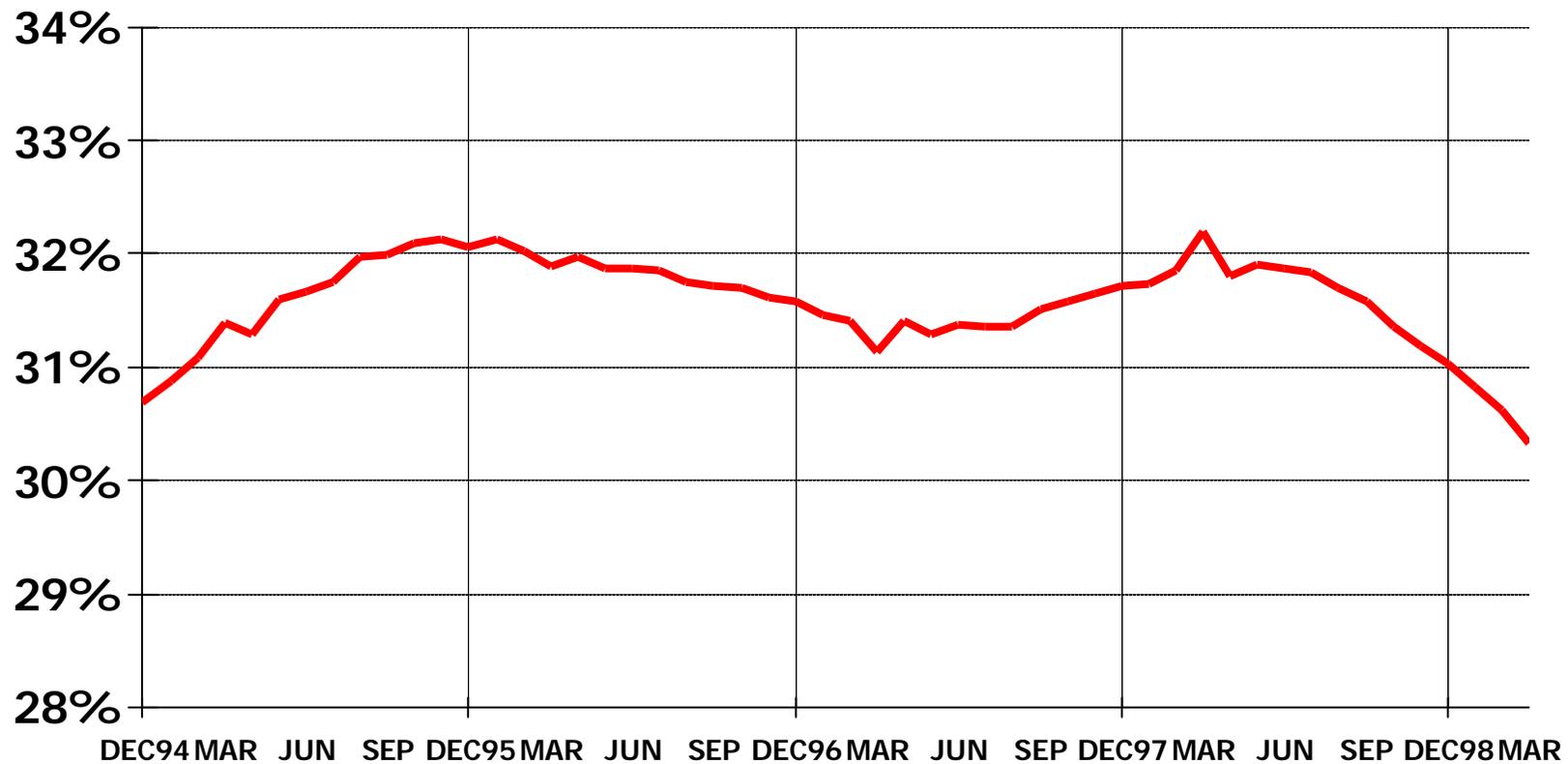


Passenger Load Factor Total System Moving 12 months values

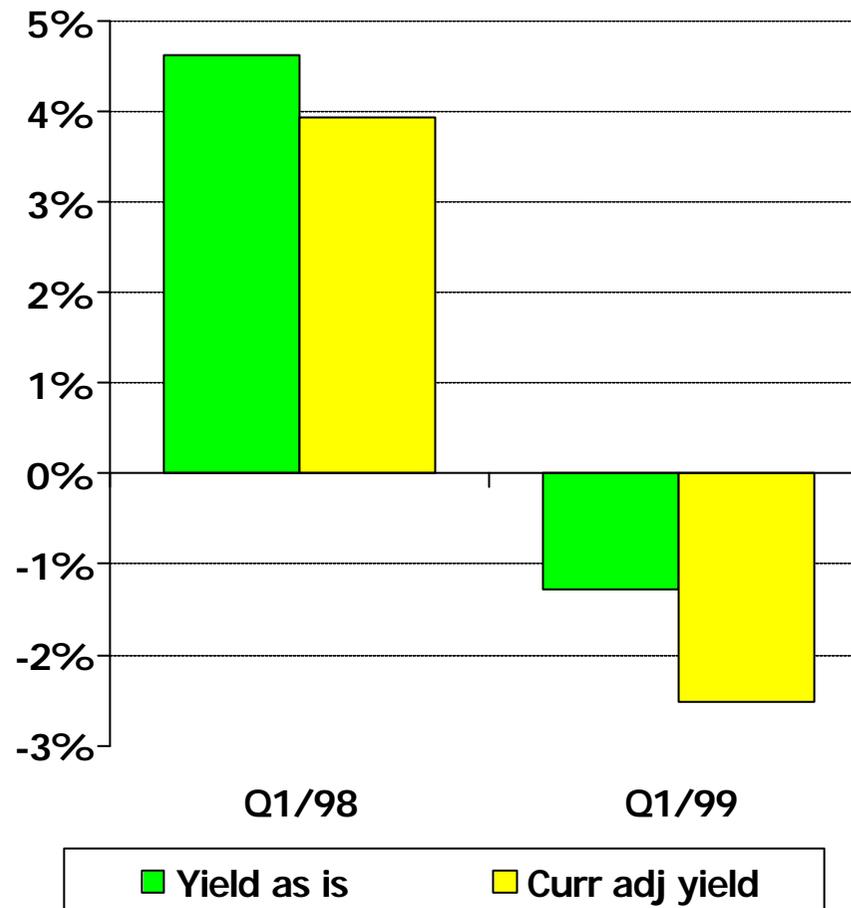
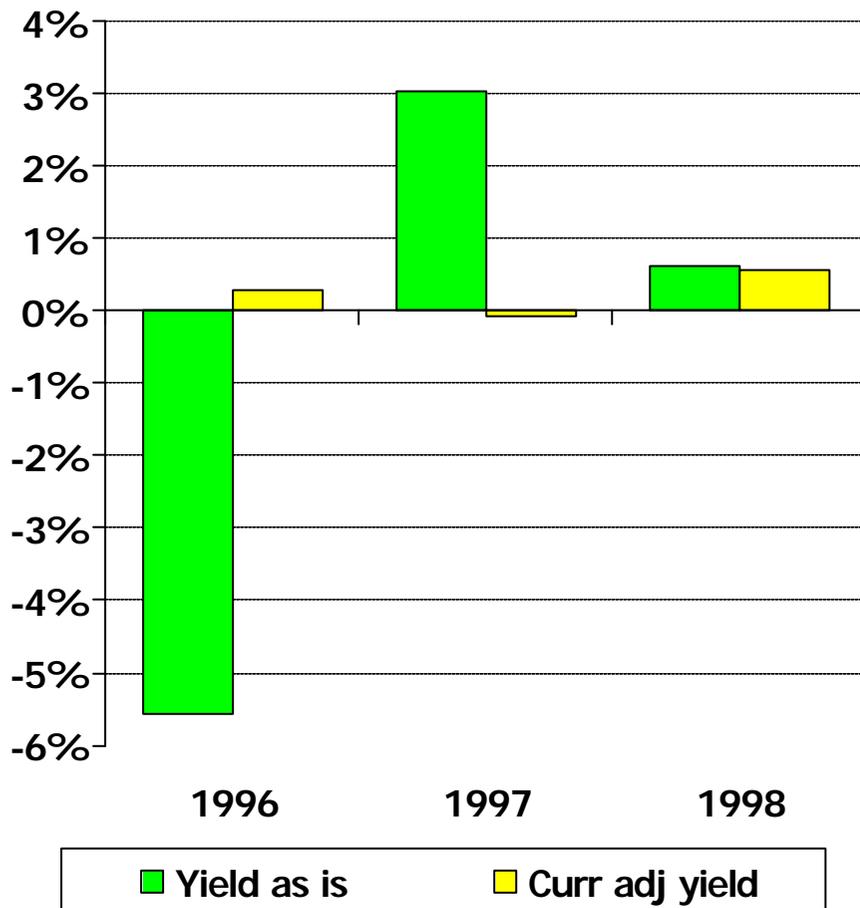


Share of Fullfare Traffic Total System

Moving 12 months values



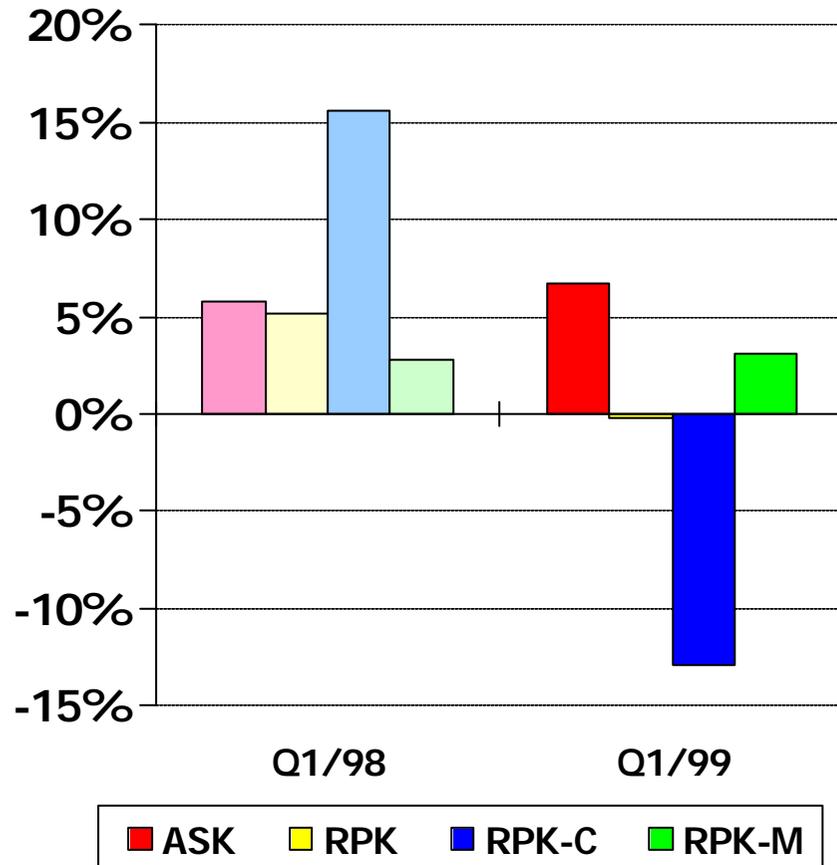
Yield Total System



Intercontinental Routes

1st Quarter 1999

Change vs last year

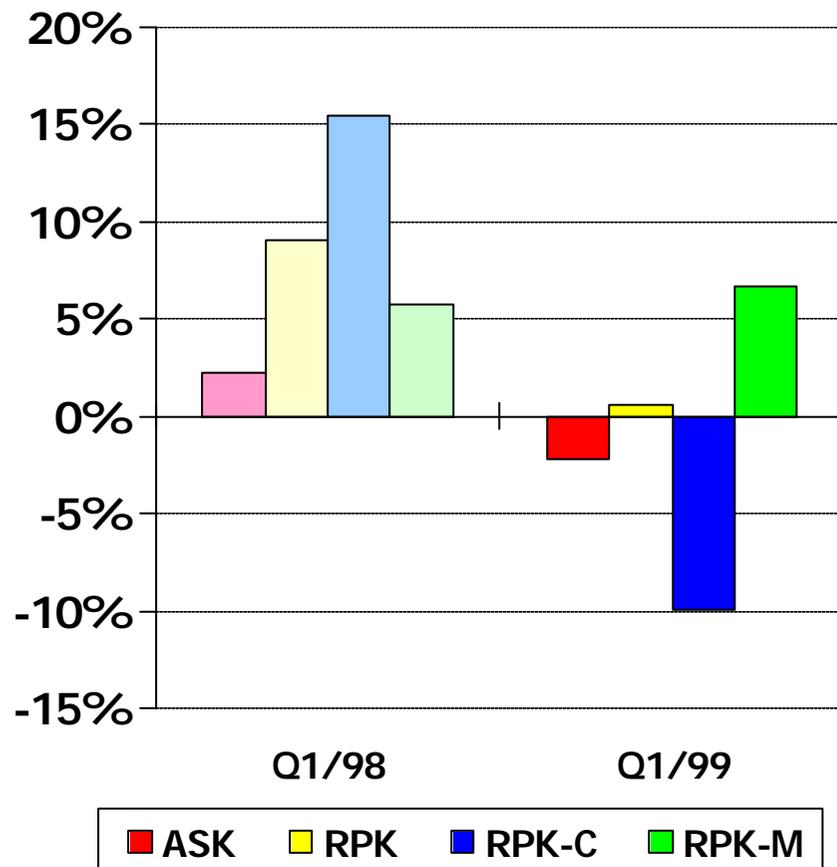


- Weak development in business travel
- Hong Kong closed
- Passenger load factor 68,1% (down 4,7 p.u.)

European Routes

1st Quarter 1999

Change vs last year

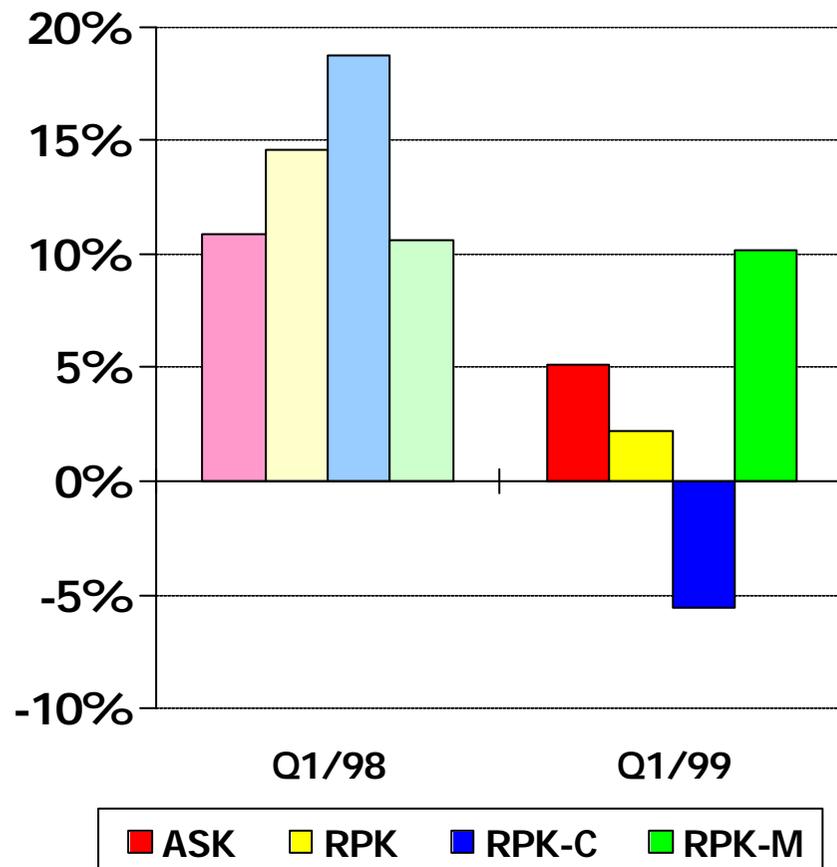


- Passenger load factor 53,8% (up 1,5 p.u.)
- Strong growth on UK, Germany, Finland and Estonia

Intrascandinavian Routes

1st Quarter 1999

Change vs last year

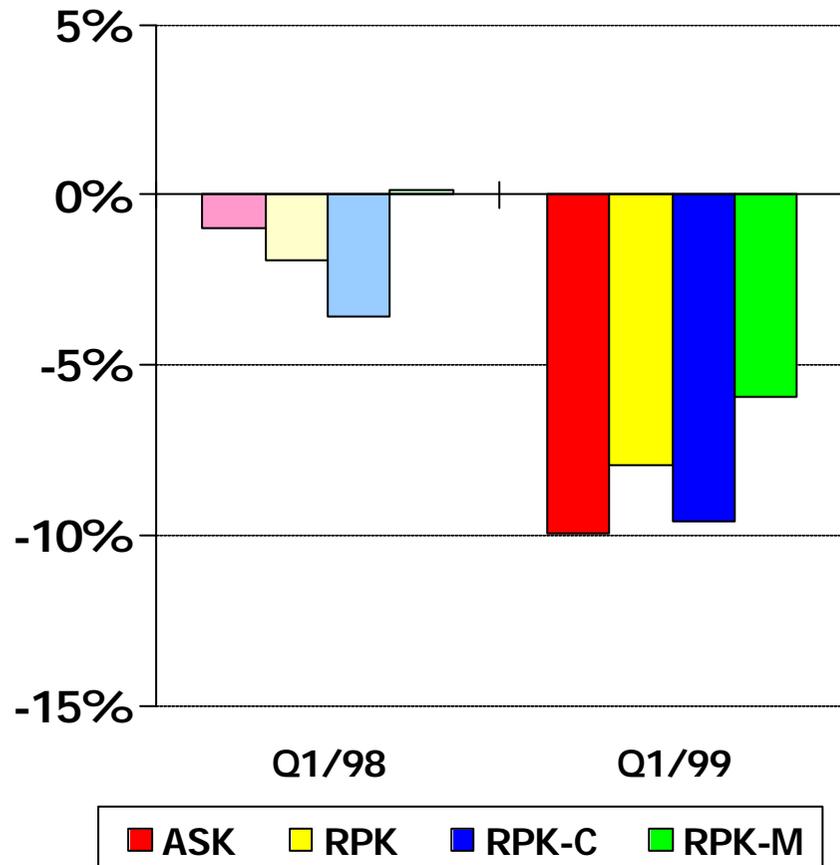


- Passenger load factor 53,5% (down 1,5 p.u.)
- General decrease in business travel means fewer transfer passengers
- Traffic between Denmark and Sweden developed strongest

Danish Domestic Routes

1st Quarter 1999

Change vs last year

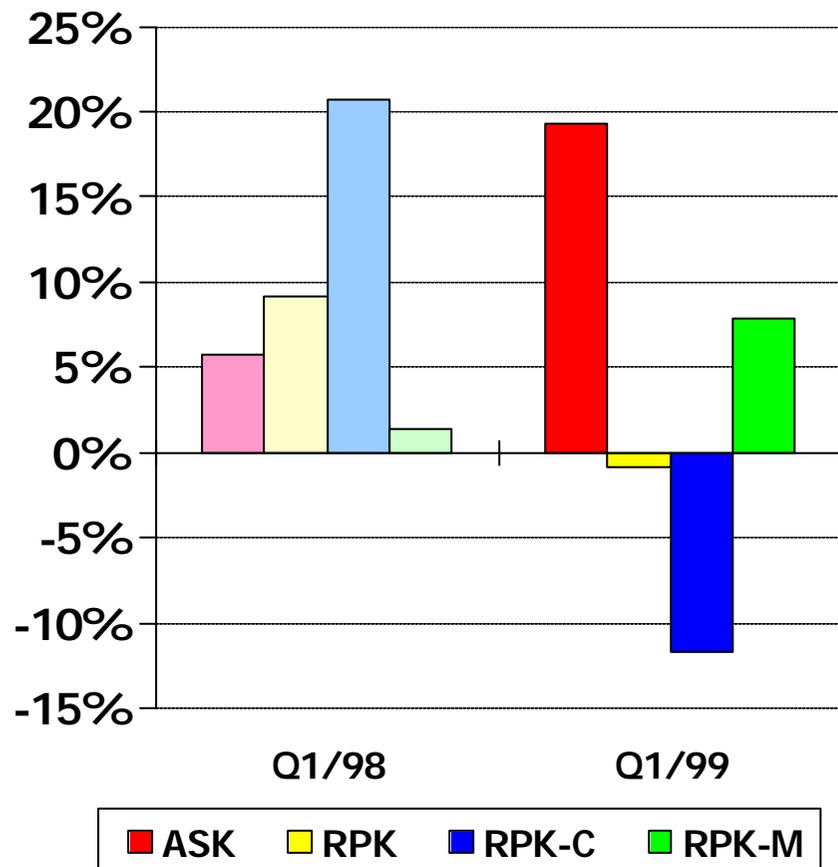


- Passenger load factor 56,2% (up 1,2 p.u.)
- Adjustments in traffic system due to infra-structural changes in Danish domestic market successful

Norwegian Domestic Routes

1st Quarter 1999

Change vs last year

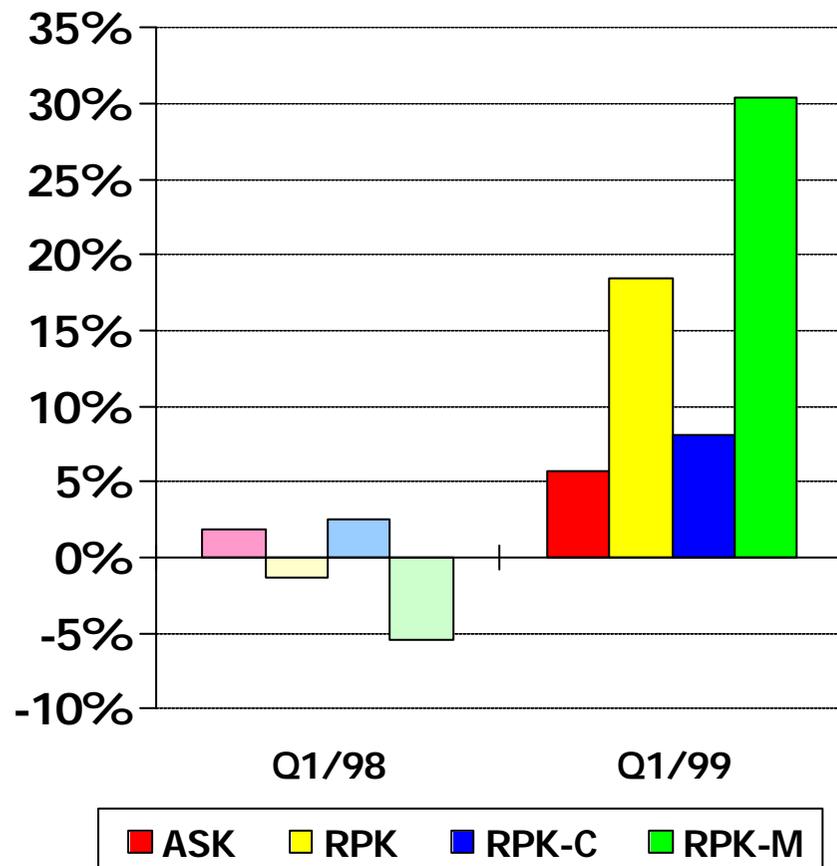


- Low business activity in Norway
- Still negative market reactions from move to Gardermoen
- Overcapacity in the market place
- Passenger load factor 47,9% (down 9,7 p.u.)

Swedish Domestic Routes

1st Quarter 1999

Change vs last year



- Passenger load factor 61,7% (up 6,6 p.u.)
- Only route area with increasing premium traffic in Q1
- Continued very strong growth in discounted segment

SAS Cargo

1st Quarter 1999

- Operation with 747 freighter (Atlas) terminated 01 APR and is substituted with a Lufthansa Cargo MD-11 all freighter operation
- MoU signed between SAS, Lufthansa and Singapore Airlines to study various integration models during next 12 months
- SAS Cargo named “CARGO AIRLINE OF THE YEAR to Europe and Scandinavia” by UK-based magazine “Air Cargo News”



SAS and Star Alliance

- SAS own and code-shared number of daily flights increased by 9% since January
- SAS and Lufthansa in joint venture between Scandinavia and Germany shows good market penetration, traffic increased 14% Q1 /99 vs Q1 /98



SAS EuroBonus

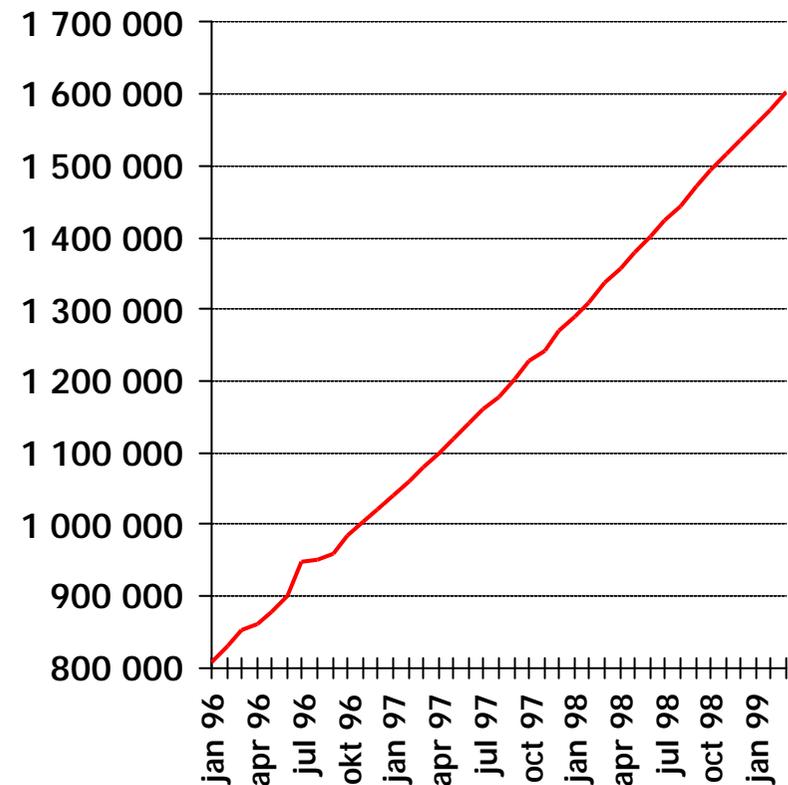
Development 1st quarter 1999

- EuroBonus wins Freddie Award for third year in a row
- Number of members during 1st quarter increased by 4,4% to 1 604 300
- Member distribution by country:

Outside Scandinavia	31%
Denmark	16%
Norway	31%
Sweden	22%

ANA/OMIAV
DU/GRUP

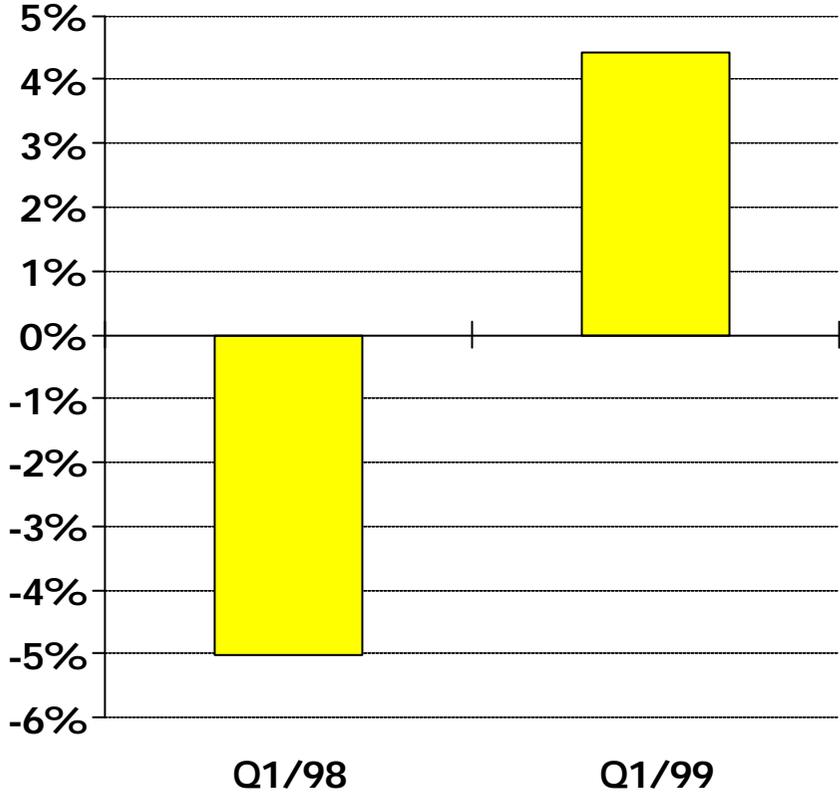
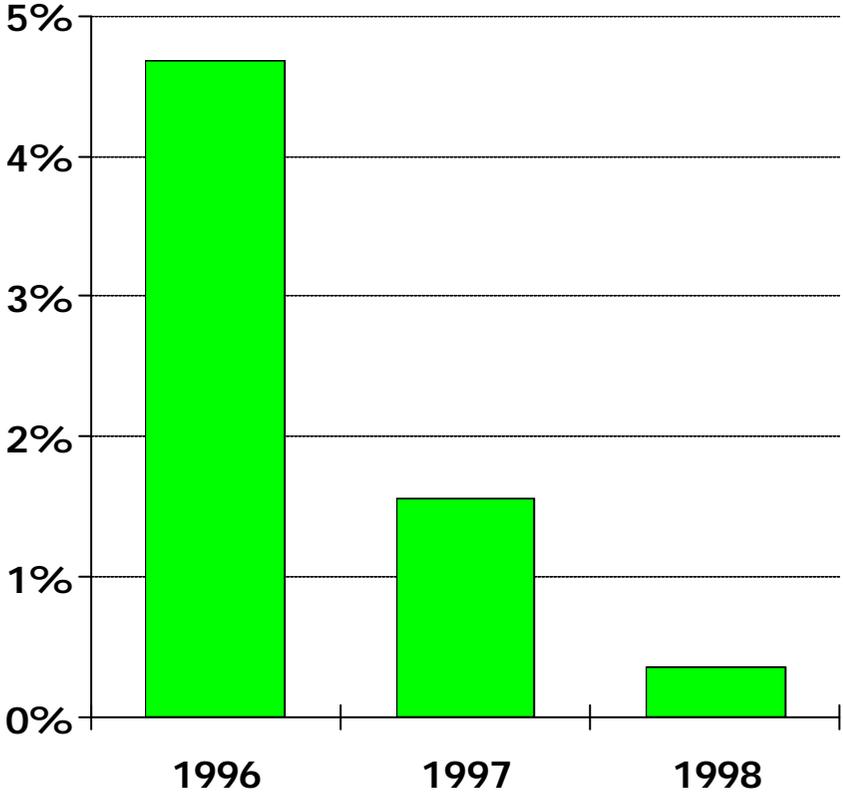
Number of members



Result Improvement Program

- Program to increase gross profit margin by 3 p.u. is to be completed during 1999
- Examples of actions:
 - New structure for agents commissions
 - Ticketless travel – electronical channels
 - New catering contract
 - SAS Cargo: “under one roof” with Lufthansa and the study of new structure
 - New part time structure for cabin staff
 - New structure for the work on tarmac

Unit Cost Development Index Last Year



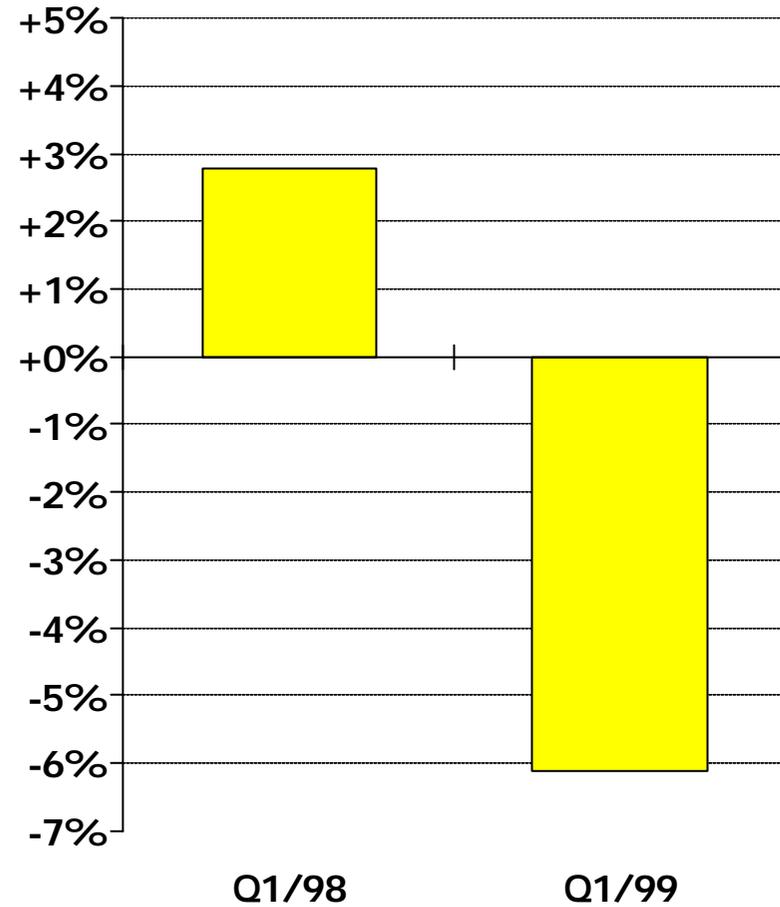
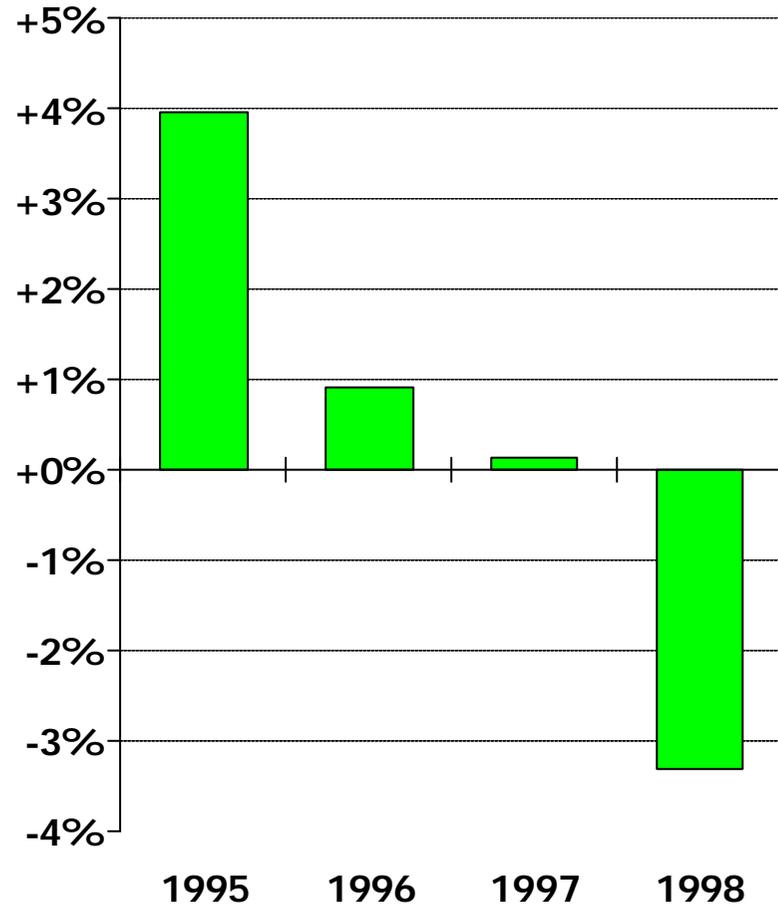
Increased Unit Costs

1st Quarter 1999 vs 1998

MSEK	Adjusted Q1/98	Q1/99	Var. %	Share of total var %
Commissions	523	430	17.8%	1.4%
Fuel	592	492	16.9%	1.5%
Government charges	886	927	(4.7%)	(0.6%)
Personnel	2 909	3 142	(8.0%)	(3.4%)
Other oper. net costs	1 848	2 066	(11.8%)	(3.2%)
TOTAL	6 758	7 057	(4.4%)	(4.4%)

Volume = average growth in ASK and RPK = 2,9%

Productivity Development



Measure is average change of RPK / ASK over change in number of full time employees

Network Development

- The new Chicago service from Stockholm is developing well after 6 months
- Joint venture with Star partner Air Canada on Copenhagen – Toronto
- Additional frequencies on core destinations in Europe, e.g. London
- A few marginal destinations terminated: Archangelsk, Rotterdam, Venice
- Joint venture with Spanair on routes between Spain and Scandinavia

Strengthening the Market Position in 1999

- Broadening of the global network through development of Star Alliance,
- Additional growth through equity linked regional and european partners
- Investing in a stronger market position in the norwegian domestic market – severe overcapacity and competition at present

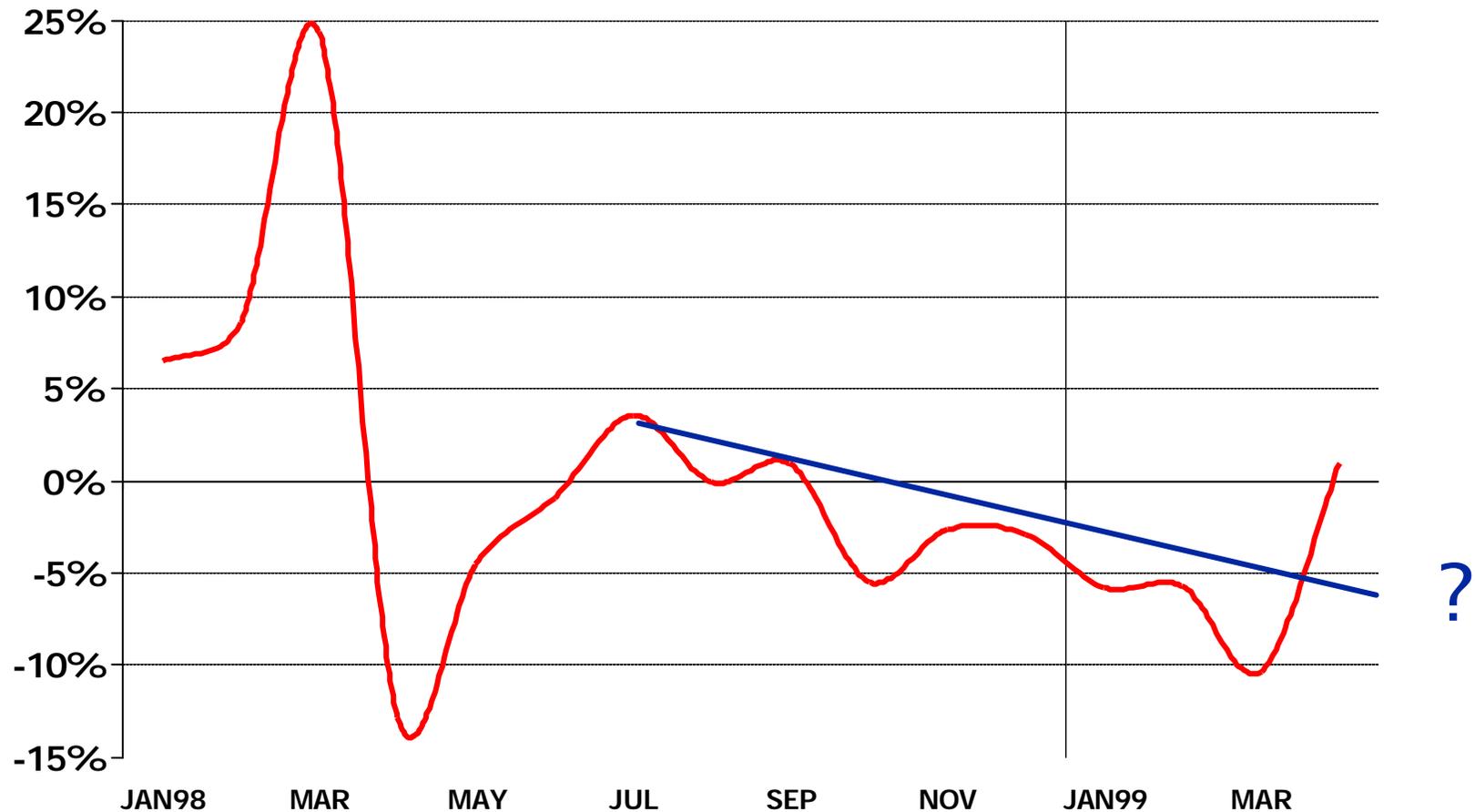
SAS 2000+

- In SEP98, SAS new design was presented
- Launching date 07MAY
- New service concepts in Europe and on intercontinental routes
- New meal menus
- New uniforms
- New service features



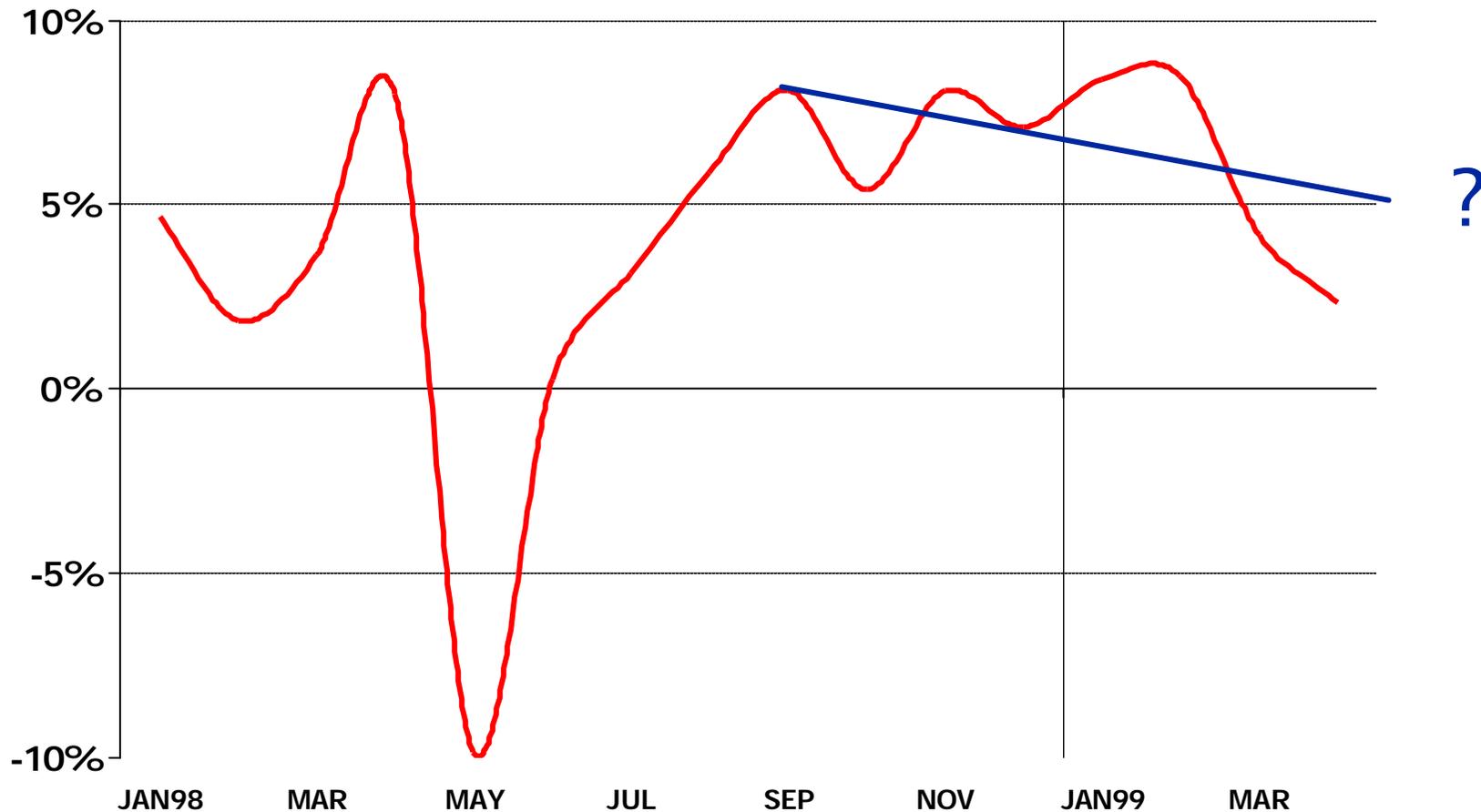
Monthly Change in Total C-class Traffic

JAN98 - APR99



Monthly Change in Total M-class Traffic

JAN98 - APR99



Outlook 1999

- Production increase approx. 6%, mainly a result from the new Chicago service and increase in the norwegian domestic market
- Traffic growth probably a little less
- Unit cost not higher than in 1998

Forecast for the Full Year 1999

There is continued considerable uncertainty regarding the conditions for traffic and revenue development during 1999.

Expense developments during the first quarter were not satisfactory, however, on a full year basis, it is expected that 1999 will show a development in which unit costs will not be greater than in 1998.

The Board of Directors' assessment of income for 1999, which was presented in conjunction with the 1998 year-end report, is adhered to, that is, that income before taxes for 1999 will be considerably below the previous year's level. The change in depreciation of aircraft, according to plan, effective from January 1, 1999, has now been considered in this assessment.

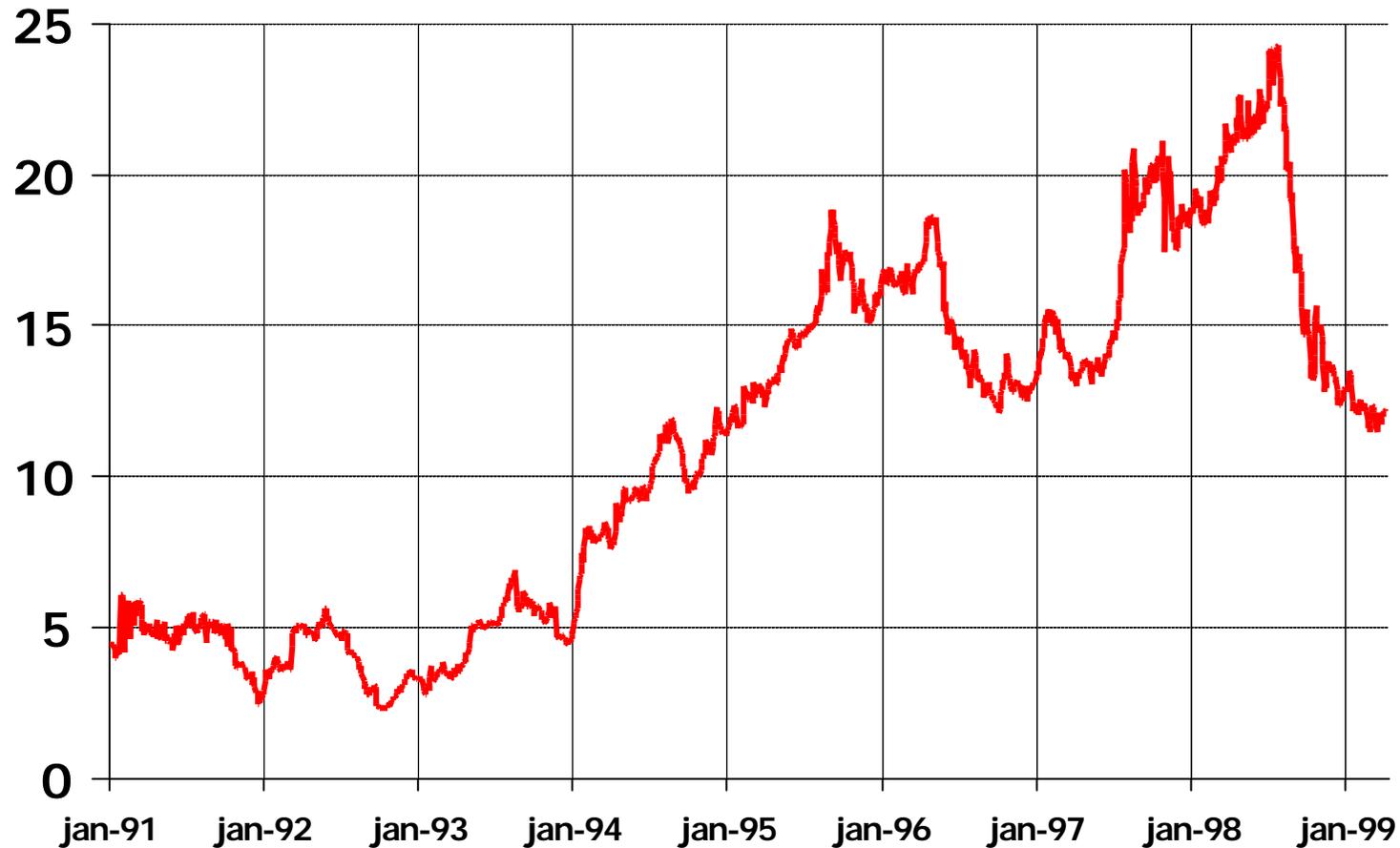
Appendix

- Share prices
- Code-sharing
- Currency effects
- SAS Group data
- SAS data
- Definitions

SAS Total Market Capitalization

1991 - 1999

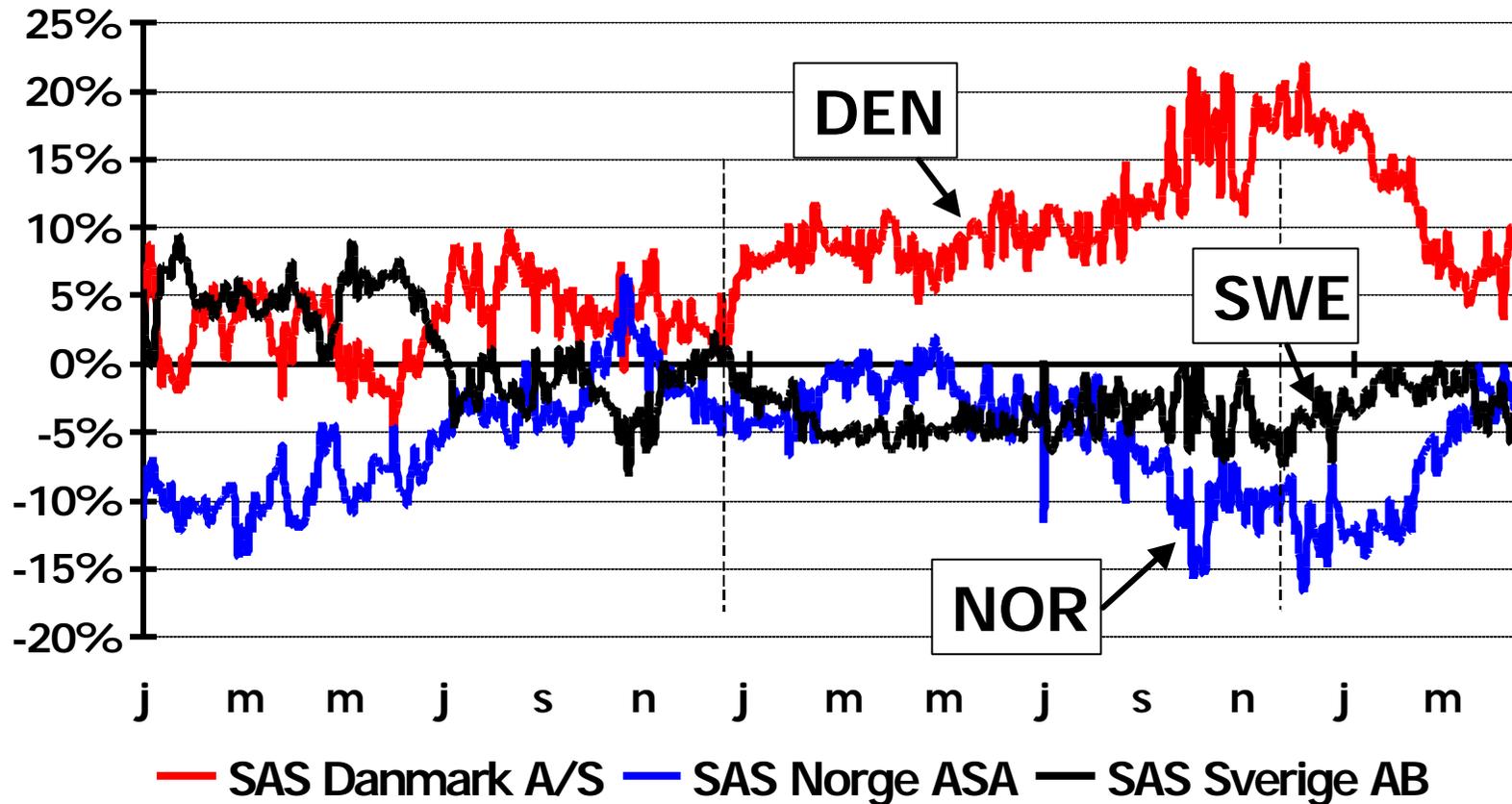
SEK (bill.)



SAS Share Prices

Deviation from Mathematical Parity

JAN97 - APR99



SAS Parent Companies

1st Quarter 1999

Key values SAS Danmark SAS Norge SAS Sverige

Earnings per share

– local curr.	–0,02	0,21	–0,10
– SEK	–0,02	0,22	–0,10

Equity per share

– local curr.	75,17	82,11	89,30
– SEK	90,39	87,86	89,30



Star Alliance Synergies

Code-Sharing with 19 Partners

Number of destinations

	31 DEC 98	29 MAR 99
SAS network	101	95
SAS code-shared with LH	+42	+42
SAS code-shared with other	+88	+88
TOTAL	231	225

Number of frequencies/day

	11-17 JAN 99	19-25 APR 99
SAS operated, no code-sharing	470	493
Partner flts on SAS	473	458
SAS comm. flts on partners	722	951
TOTAL	1 715	1 865

Lufthansa Joint Venture Traffic

1st Quarter 1999 vs 1998

Joint Venture routes Germany- Scandinavia

		Index Last Year
Passengers	597 900	111
Traffic, RPK		114
Production, ASK		111
Cabin factor	1999	58,1%
	1998	56,3%

Development of SEK vs ECU

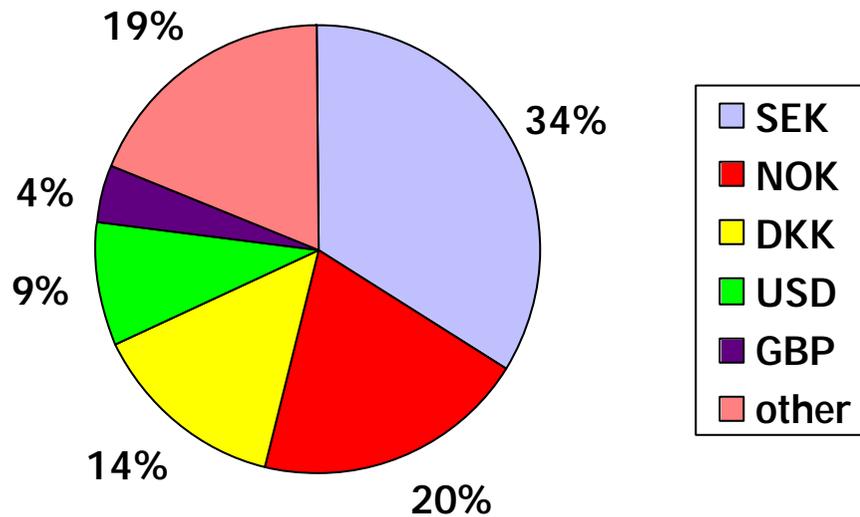
index 1991-05-17 = 100



SAS Airline

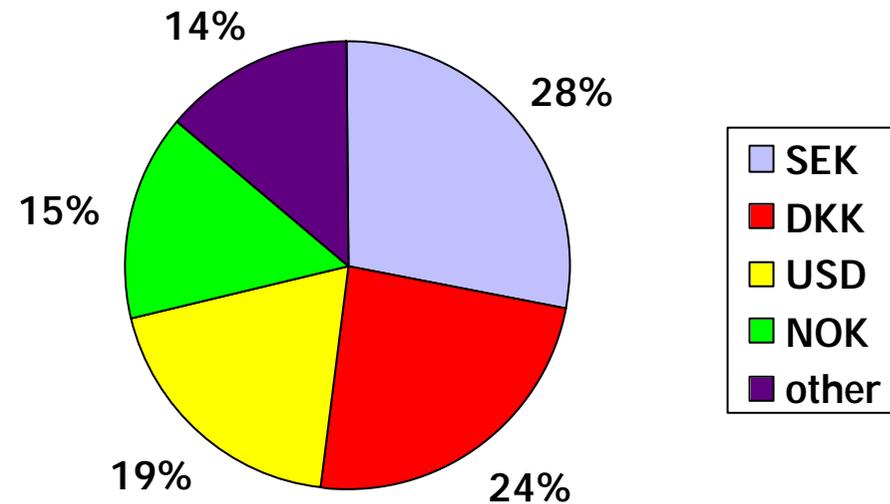
Currency Distribution

Revenues



Costs

Major deficiency
currencies: USD, DKK



SAS Airline

Currency Effects 1999 vs 1998

(MSEK)

	<i>1st quarter</i>
Total revenues	+ 123
Total costs	- 128
Forward cover costs & working cap.	0
Income bef. depr.	- 5
Financial items	- 17
Income before tax	- 22

SAS Airline Currency Effects

1st Quarter 1999 vs 1998

Total revenues & costs: (Total -5 MSEK)

Major approx. effects:

DKK	-36
NOK	-10
DEM	+16
Asian curr.	+16
All others	+9

Forward cover costs: (Total -25 MSEK)

1998	+26
1999	+1

Working capital: (Total +25 MSEK)

1998	+11
1999	+36

Financial items: (Total -17 MSEK)

1998	+14
1999	-3

Grand total: - 22 MSEK

SAS Group

Statement of Income

(MSEK)

	<i>1st quarter</i> <i>1999</i>	<i>1998</i>
Operating revenue	9 621	9 469
Op. income before depr.	94	857
Operating income	- 192	628
Gain on sales of shares	+ 221	0
Financial items, net	- 51	- 15
Income before taxes	- 22	613

SAS Group Income by Business Unit

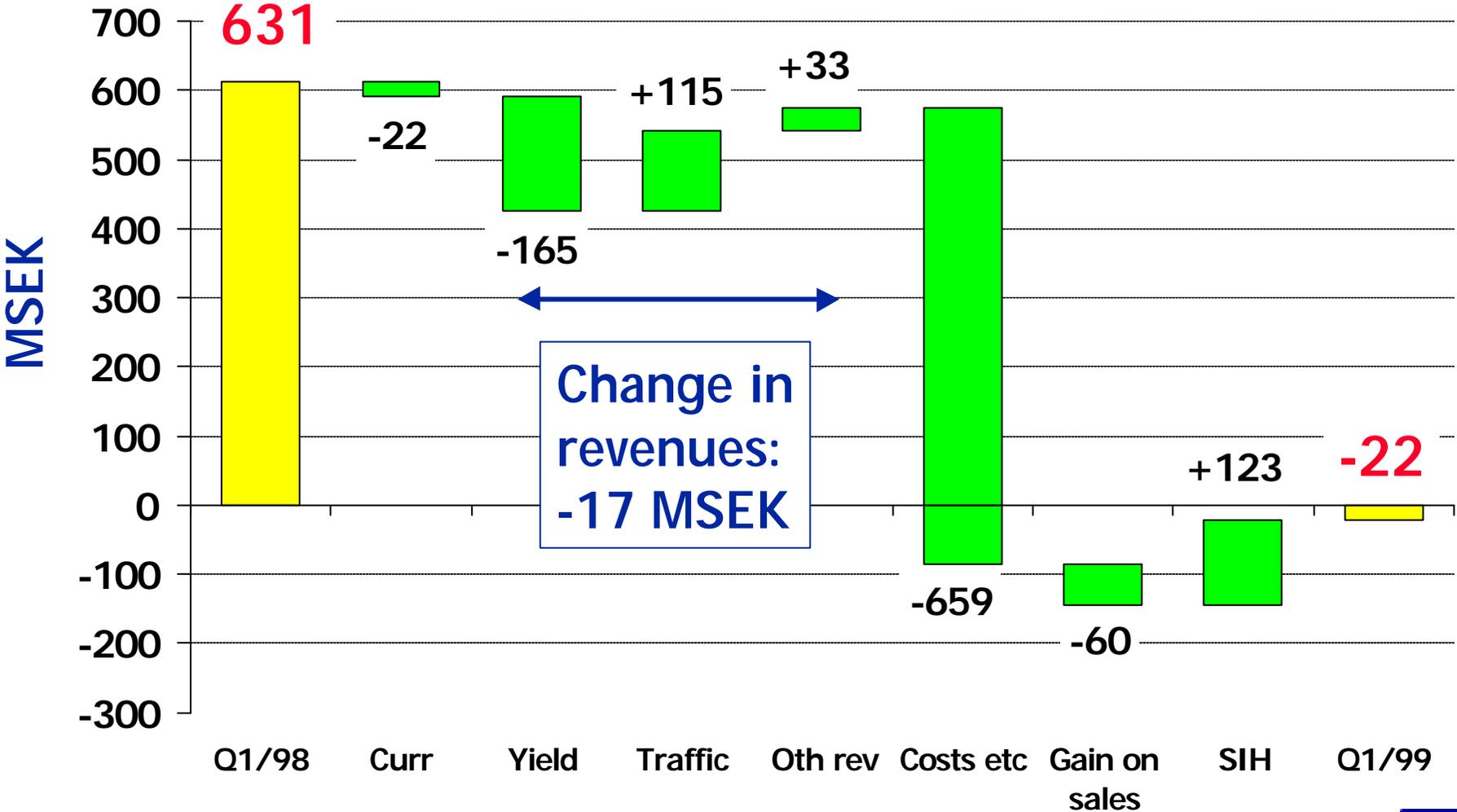
(MSEK)

	<i>1st quarter</i>	
	<i>1999</i>	<i>1998</i>
SAS	- 161	598
SAS International Hotels	139	16
Other operations/Group elim.	0	- 1
Income before taxes	- 22	613



SAS Group

Development of Income before Taxes



SAS Group

Net Financial Items

(MSEK)

	<i>1st quarter</i>	
	<i>1999</i>	<i>1998</i>
Interest net	- 55	-20
Currency differences	+ 4	+ 5
Financial items, net	- 51	- 15

SAS Group Investments

MSEK	Q1/99	Q1/98
Aircraft and spare parts	758	48
Prepayments aircraft	338	632
Other	368	398
Total	1 464	1 078

SAS Group

Development of Equity/Assets Ratio



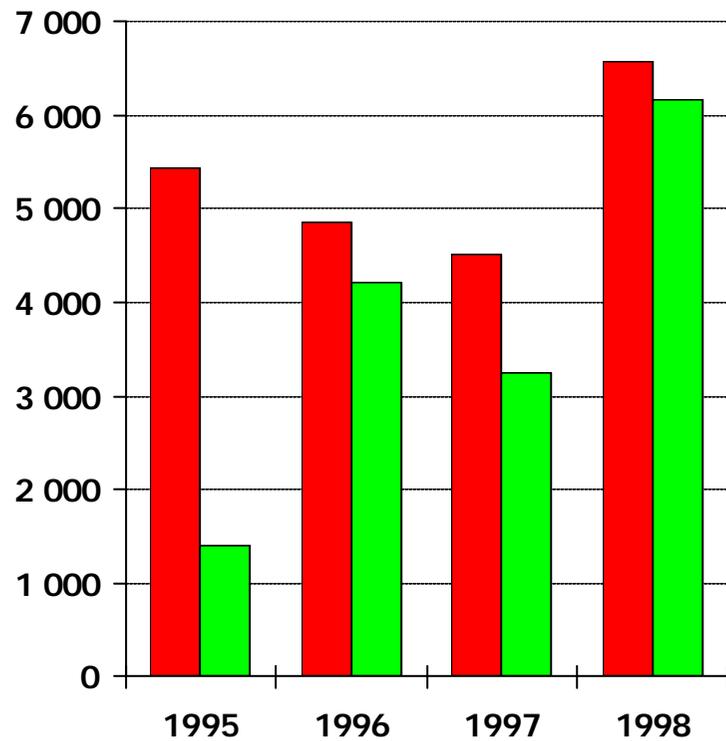
SAS Group

Development of Net Debt

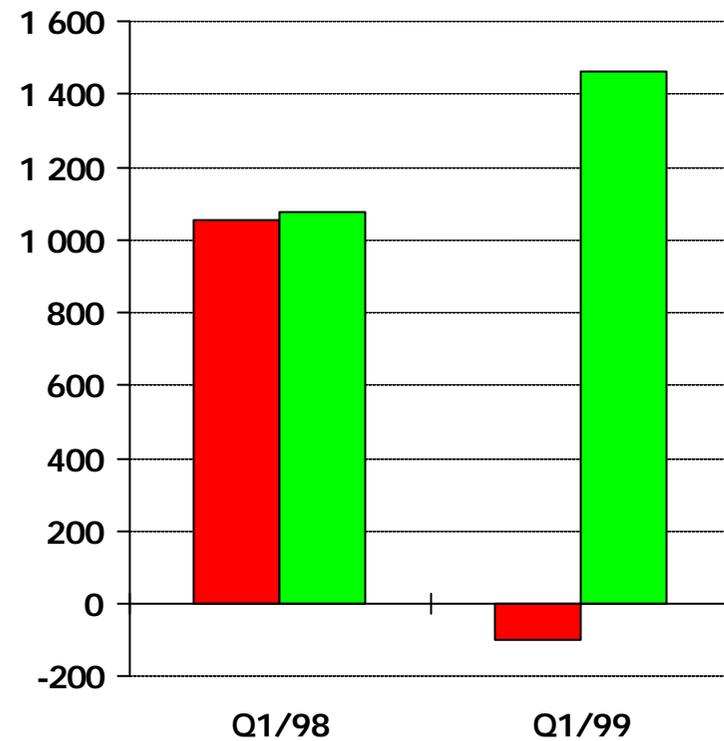


SAS Group Cash Flow

Net Financing from ops + sales & Investments
MSEK

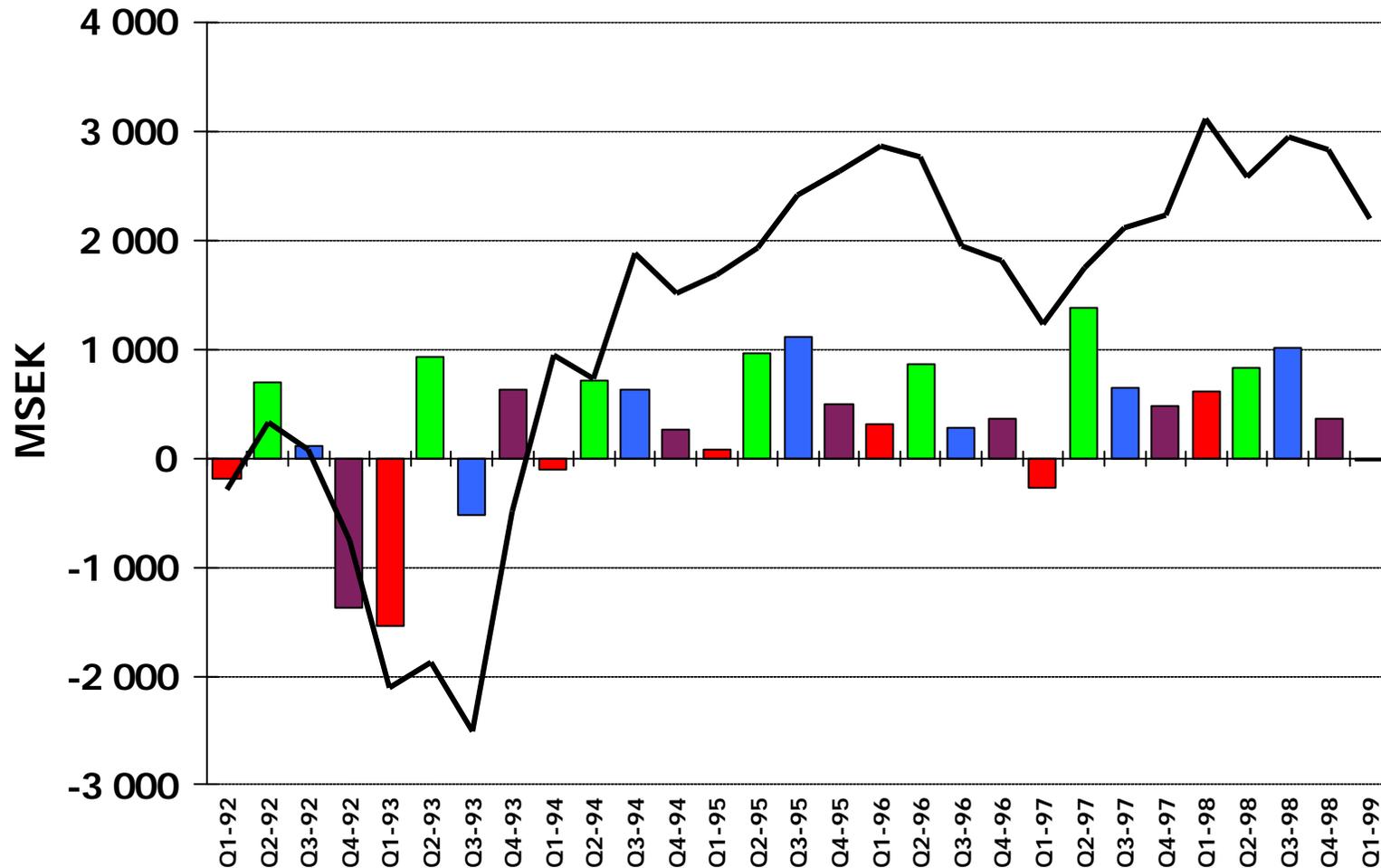


■ Generated cash flow ■ Investments



■ Generated cash flow ■ Investments

SAS Group Income before taxes



Bars = quarterly Line = moving 4 quarters

SAS (incl. SAS Trading) Revenues (as is)

MSEK	Q1/99	Q1/98	<i>curr adj 98</i>
Passenger revenues	6 613	6 579	6 663
Cargo revenues	542	555	572
Other traffic revenues	224	255	263
Other revenues	1 599	1 486	1 500
TOTAL REVENUES	8 978	8 875	8 998

SAS (incl. SAS Trading)

Operating Costs (as is)

MSEK	Q1/99	Q1/98	<i>curr adj 98</i>
Personnel costs	3 202	2 821	2 877
Leasing costs (aircraft)	319	231	231
Sales costs	430	499	508
Fuel	492	574	576
Governmental charges	927	842	861
Meals costs	401	376	383
Handling costs	458	428	440
Maintenance costs	497	467	472
Other costs	2 204	1 849	1 867
TOTAL COSTS	8 930	8 087	8 215

Traffic and Yield

1st Quarter 1999 vs 1998

SAS Total Scheduled	<i>1st quarter 1999</i>	<i>Index, 1998</i>	<i>variance</i>
Production (mill ASK)	8 062	7 761	104
Traffic (mill RPK)	4 713	4 628	102
Cabin factor (%)	58,5	59,6	- 1,2
C-class share (%)	31,6	34,8	- 3,2
Yield (öre/RPK)	140	142	99
Currency adj. yield	140	144	97

Production and Traffic

1st Quarter 1999 vs 1998

Route Sector Scheduled	<i>Production</i> ASK	<i>Traffic</i> RPK	<i>Cabin</i> factor %
SAS Total	104	102	- 1,2
Intercontinental	107	100	- 4,7
Europe	98	101	+ 1,5
Intrascandinavian	105	102	- 1,5
Denmark/Greenland	90	92	+ 1,2
Norway	119	99	- 9,7
Sweden	106	118	+ 6,6

Traffic Analysis

1st quarter 1999 vs 1998

Route Sector Scheduled	<i>Fullfare RPK-C</i>	<i>Discounted RPK-M</i>	<i>Total traffic RPK</i>
SAS Total	92	107	102
Intercontinental	87	103	100
Europe	90	107	101
Intrascandinavian	94	110	102
Denmark/Greenland	90	94	92
Norway	88	108	99
Sweden	108	130	118

Passenger Yield

1st quarter 1999 vs 1998

Route Sector	<i>Nominal yield</i>	<i>Currency effect</i>	<i>Adjusted yield</i>
Scheduled			
SAS Total	99	99	97
<hr/>			
Intercontinental	91	98	89
Europe	98	98	96
Intrascandinavian	100	99	99
Denmark/Greenland	102	95	97
Norway	92	102	94
Sweden	93	100	92

April 1999 Traffic Figures

Route Sector Scheduled	<i>Production</i> ASK	<i>Traffic</i> RPK	<i>Cabin</i> factor %
SAS Total	110	102	- 5,1
Intercontinental	109	102	- 4,5
Europe	105	99	- 3,6
Intrascandinavian	123	112	- 5,4
Denmark/Greenland	88	91	+ 2,0
Norway	129	97	- 16,2
Sweden	111	109	- 1,1

January - April 1999 Traffic Figures

Route Sector Scheduled	<i>Production</i> ASK	<i>Traffic</i> RPK	<i>Cabin</i> factor %
SAS Total	105	102	- 2,1
Intercontinental	107	100	- 4,7
Europe	100	100	+ 0,3
Intrascandinavian	109	105	- 2,3
Denmark/Greenland	90	92	+ 1,3
Norway	122	99	- 11,3
Sweden	107	116	+ 4,7

SAS

Statement of income

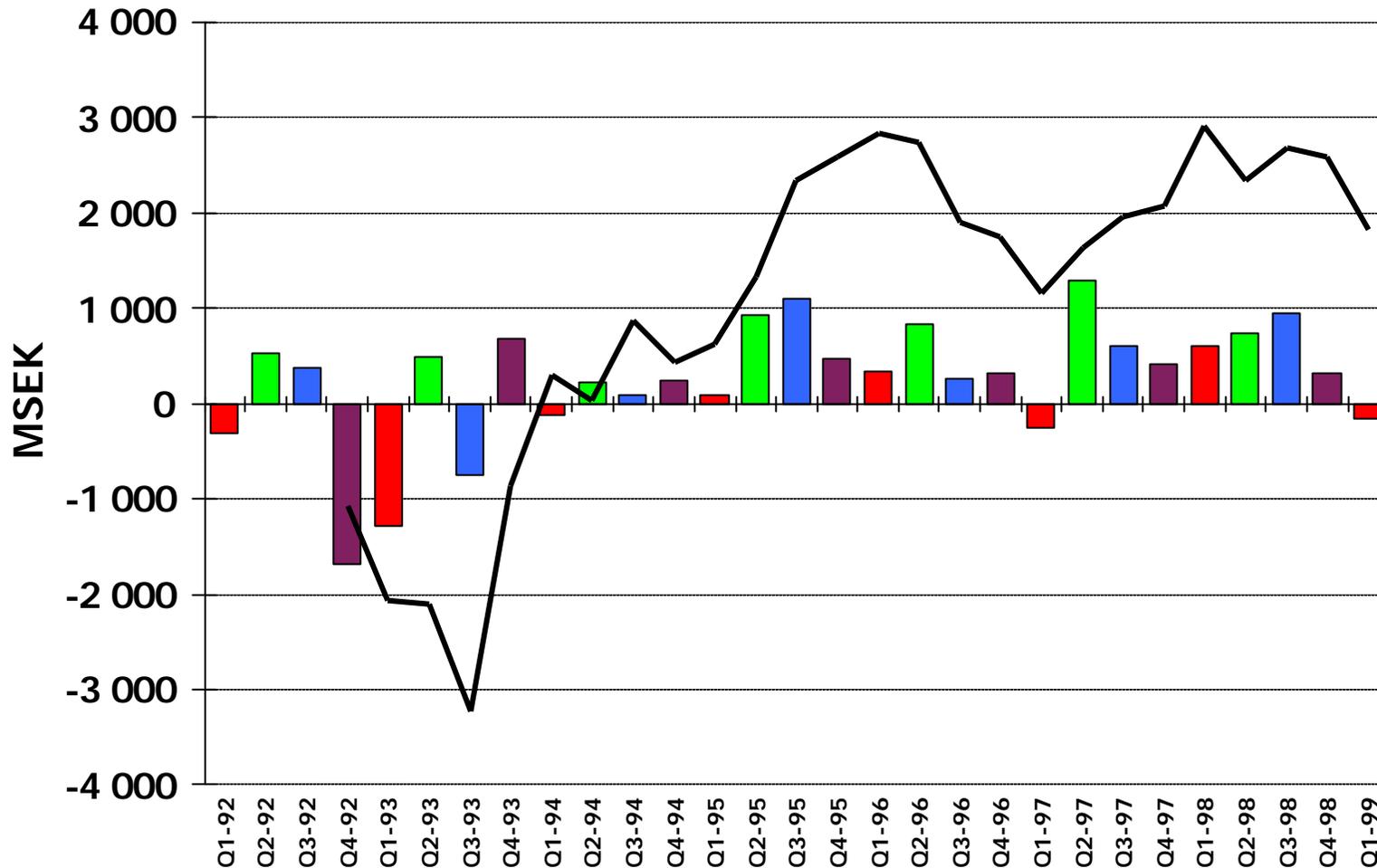
(MSEK)

	<i>1st quarter</i>	
	<i>1999</i>	<i>1998</i>
	<hr/>	<hr/>
Operating revenue *)	8 396	8 290
Operating income bef. depr. *)	322	933
Operating income	-345	589
Income before taxes	-161	598

*) Excluding SAS Trading and aircraft lease net

SAS

Income before e.o. items



Bars = quarterly Line = moving 4 quarters



Unit Cost Definition

The unit cost change is calculated as follows:

- **Costs:**
Operating expenses excluding depreciation and lease costs for aircraft and reduced with other external revenue
Last year figure is for comparison adjusted with currency effect
- **Volume growth rate:**
Average growth rate of ASK and RPK
- **Net unit cost change:**
Growth rate of comparable costs in relation to volume growth rate

Market Based Key Ratios

Cash flow return on investments (CFROI)

- Cash flow from operations (EBITDAR)
- Adjusted capital:
 - + total assets
 - + overvalues aircraft
 - + capitalized leases
 - interest-bearing assets
 - noninterest-bearing debt

Market based ROCE

- Result:
 - + EBIT
 - + interest part of leases
 - + change of overvalues (aircraft)
- Adjusted capital:
 - + total assets
 - + overvalues aircraft
 - + capitalized leases
 - interest-bearing assets
 - noninterest-bearing debt