



SAS AB Teleconference



November 8, 2001



SAS AB
Group

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e-mail: investor.relations@sas.se --- Homepage: www.scandinavian.net -- Results Jan -Sep 2001



An industry in crisis

- ▶ September 11, 2001 changed the industry
- ▶ Airline crisis worse than Gulf War

- ▶ Great uncertainty
 - Threat of world recession
 - General fear of travelling
 - U.S situation



SAS strengths in crisis scenario

- ▶ Limited direct exposure to the U.S.
 - Only 6,5% of revenues
 - Limited feeder effects
- ▶ Limited capacity on many Intercontinental routes
 - High load factors prior to U.S. event
- ▶ Strong strategic position
- ▶ Strong financial position
- ▶ Fleet flexibility
 - Possibility to adjust pace of fleet replacement



SAS weaknesses in this scenario

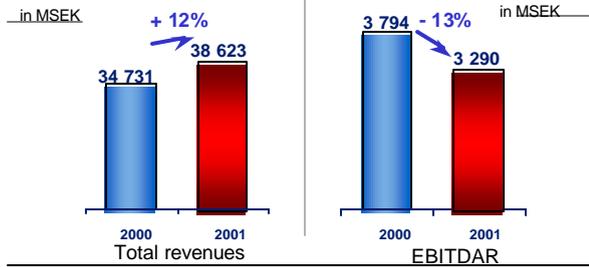
- ▶ High exposure to Business Class market
 - Europe's largest Business Class share

 - Businesses reduce travel
 - Service and product costs
- ▶ In the middle of large fleet replacement program
 - Large capital requirement



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Continued growth in revenues
- EBITDAR down 13%



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Forecast for full year 2001 –
chronology of downgrades

- ▶ On August 8 forecast for full year 2001 ex gains MSEK 1200
- ▶ September 12 profit warning as mix worsen – at least 25% less than 2000
 - No September 11 effect accounted for
- ▶ September 26 Result improvement measures to avoid a loss for full year 2001
- ▶ November 6 – No signs of recovery – a loss of at MSEK 1500 -2000 expected for 2001

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Cash flow from operations (EBITDAR)
down -13% Jan-Sep 2001

| MSEK | 2001 | 2000 | Change |
|------------------|--------|--------|--------|
| ▶ Revenue | 38 623 | 34 731 | +11% |
| ▶ EBITDAR | 3 290 | 3 794 | -13% |
| ▶ Pre tax profit | | | |
| ex gains | -201 | +829 | n.m. |
| ▶ Pre-tax profit | +7 | +1 108 | -99% |

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Income by Business Area

SAS
Group

(MSEK)

January - September
2001 2000

| | | |
|------------------------------|-----------|---------------|
| SAS Airline | -238 | +421 |
| SAS International Hotels | +81 | +487 |
| Other operations/Group elim. | +164 | +184 |
| Group eliminations | 0 | +16 |
| Income before taxes | +7 | +1 108 |

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Business area SAS Airline



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SAS Airline

3rd Quarter 2001 events Probably the worst in SAS history

- ▶ Continued weaker world economies
- ▶ September 11 attack
 - Weaker demand
 - Airline industry in crisis
- ▶ SK 686 Milan accident
- ▶ Maersk case/ SAS Board of Directors resigns

- ▶ Significant downgrade of full year 2001

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Income by Business Area

SAS
Airline

(MSEK)

January - September
2001 2000

| | | |
|----------------------------|-------------|-------------|
| Operating revenues | 33 765 | 30 347 |
| Operating expences | -31 126 | -27 247 |
| EBITDAR | 2 639 | 3 100 |
| EBITDA | 872 | 1 711 |
| Income before taxes | -238 | +421 |

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SAS Airline

Insurance issues

- ▶ Insurance coverage not available for war risks hijackings and terrorist act
- ▶ SAS and other carriers asked governments for guarantees
- ▶ Current guarantee in place until November 23

- ▶ EU recommendation to extend until year end

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SAS Airline

Result Improvement Measures

- ▶ Announced September 26
 - 12% reduction in capacity
 - 16 aircraft
- ▶ Announced November 6
 - 5 more aircraft 3-5% in cacacity
- ▶ Result improvement program MSEK 3 500
 - Review of product and services
 - Review of internal work process
 - Review of collective agreements
 - Accelerated internal efficiency

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SAS introduced a variety of measures to offset effects from September 11 announced September 26

- ▶ 12% reduction in capacity 2002
 - Reduced pace in long-haul strategy
- ▶ 16 aircraft to be taken out of service
 - 3 wide-body jets
 - 10 narrow body jets
 - 3 commuter aircraft
- ▶ 800-1 100 redundancies
- ▶ Price increases of 5% from October 1, 2001
- ▶ Result improvement
 - 500-600 MSEK in 2002



The program target 3 500 MSEK SAS Airline

- ▶ SAS Airline
 - Revenue enhancement 1 000 MSEK
 - Reduced costs 2 400 MSEK
- ▶ Other units 100 MSEK
- ▶ Total 3 500 MSEK



Redundancies amount to 2 500 employees SAS Airline

| Unit | No staff |
|---------------------------------|--------------|
| World Sales | 300 |
| Scandinavian Flight Operation | 120 |
| Scandinavian Cabin Operation | 570 |
| Scandinavian Ground Services | 590 |
| Scandinavian Technical Services | 550 |
| Central functions | 150 |
| SAS Airline total | 2 280 |
| <i>Other units</i> | <i>220</i> |
| Total SAS Group | 2 500 |



Key airline profitability drivers

SAS Airline

3rd Quarter 2001 vs 2000
SAS Passenger Transport

| | | |
|------------------------|-------------|-----------------|
| ▶ Traffic growth (RPK) | up | 3,1% |
| ▶ Cabin Factor | down | 4,3 p.u. |
| ▶ Yields | down | 2,1% |
| ▶ Unit costs | up | 4,3% |

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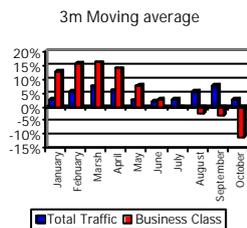
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Intercontinental routes

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Significant down from September 11



- ▶ U.S. Airspace closed September 11-14
 - New York and Washington most affected
 - Seattle route less affected
- ▶ Asian routes developed well
 - Up 3% Sep 11- Oct 31
 - Tokyo and Beijing strong
 - Delhi to be closed down February 2002

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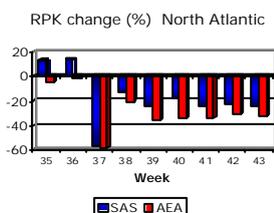
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Traffic development SAS vs peers after September 11 –North Atlantic

SAS Airline



- ▶ SAS traffic down 26,6%
- ▶ AEA traffic down 35,3%

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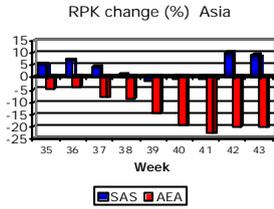
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SAS Airline

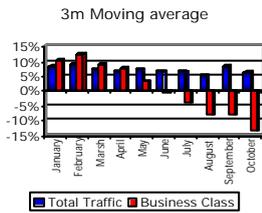
Traffic development SAS vs peers after September 11 -Asia



- ▶ SAS traffic up 2,3%
- ▶ AEA traffic down 15,5%

SAS Airline

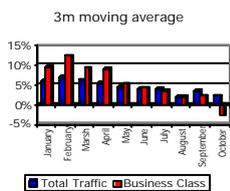
European routes significantly weaker in Business Class 3rd Quarter



- ▶ Significant slowdown in Business Class during May-August
- ▶ Slowdown accelerated after September 11
- ▶ Business Class down 36% on London after September 11
- ▶ Weak also on most other areas

SAS Airline

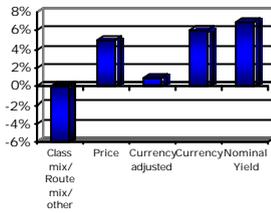
Intrascandinavian routes – Less affected but mix weakens in October



- ▶ Significantly less affected
- ▶ Weaker on feeder routes to/from U.S.A and Europe
- ▶ Weaker to/ from Sweden
 - Weaker Swedish economy

Negative class mix partly offset by price increases
Total system Jan-Sep 2001

SAS Airline



- ▶ Class mix/ Price mix affect negatively by 6%
- ▶ Prices up 5% overall
 - 6% in Business Class
 - 3% in Economy Class
- ▶ Economy Flex decrease impact from negative class mix/ price mix

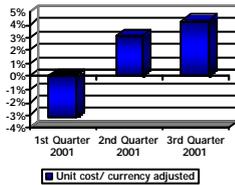
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Unit cost increase as volumes are weaker - Index Last Year

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- ▶ Decrease of 3,0% 1st Quarter
- ▶ Increase of 3,1% 2nd Quarter
- ▶ Increase of 4,3% 3rd Quarter

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Fuel cost – outlook 2001

- ▶ Hedging ratio
 - ▶ Rest of 2001 55%
 - ▶ Next 12 months 48%
- ▶ Estimate Full year 2001 MSEK 4 100

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SAS Airline

Cargo business -
Weaker demand but improved yields

January-September 2001

- ▶ Cargo contribution 2001 (2000) -15%
 - ▶ MSEK 508 (MSEK 596)
- ▶ Revenue ton-km down 8,0%
- ▶ Revenue flat

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SIH

Business Area
SAS International
Hotels



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SIH

SAS International Hotels's –
a slowdown in 3rd Quarter

| in MSEK | | | |
|-----------------------------------|------------|------------|--------|
| | 9m 2001 | 9m 2000 | Change |
| Revenues | 2 561 | 2 269 | 12,8% |
| Operating result | 203 | 297 | -32% |
| Adjusted EBITDA | 203 | 295 | -30% |
| Pre tax profit Including gains | 81 | 487 | n.m. |



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Other

Income Business Area - other

(MSEK)

January - September
2001 2000

| | | |
|----------------------------|------------|------------|
| Operating revenues | 4 879 | 4 326 |
| Operating expenses | 4 431 | 3 945 |
| EBITDA | 448 | 381 |
| Income before taxes | 614 | 184 |

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Financial position

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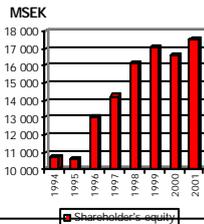
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SAS financial position is strong



- ▶ 17,5 SEK Billion in shareholder's equity
- ▶ Lease expenses to be reduced
- ▶ Overvalues in aircraft fleet (MSEK 2 600 Sep-01) and in equity stakes also After Sep 11

Key ratios (Sep-01)

Net Debt+ 7X lease/ Book equity **112%**

Net debt/ equity ratio **0,33**

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SAS financial position is strong compared with main competitors

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| | SAS | AF | BA | LH |
|--------------------------------|------|------|------|------|
| Adj net debt/ Booked equity | 120% | 150% | 357% | 123% |

Based on analyst estimated 2001 results

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Firm Order CAPEX MUSD 1275

Aircraft Orders

~~Oct-Dec 01~~ 2002 2003 2004

| | | | | |
|-------------------|-----|-----|-----|----|
| CAPEX (MUSD) | 295 | 770 | 180 | 30 |
| Aircraft on order | 7 | 18 | 3 | 1 |

| | |
|-----------------|--------------|
| Airbus A340/330 | 9 |
| Airbus A321 | 12 |
| Boeing 737 | 8 |
| | 29 |

Note: Aircraft deferrals will shift CAPEX from 2002 to 2003

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Deferrals of deliveries 2002

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2 Airbus 330, 5 Airbus A 321, 4 Boeing 737 to be deferred

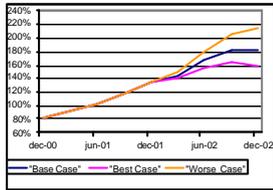
| | | | |
|------------------|-------------------------------|-----------------|----------|
| 2001 | | 2004 | |
| Airbus A340-300 | Oct, Nov | Airbus A330-300 | Feb |
| Airbus A321-200 | Oct, Nov, Dec | Airbus A321-200 | Mar, Apr |
| deHavilland Q400 | Oct, Nov | 2005 | |
| | | Airbus A321-200 | Feb, Mar |
| 2002 | | 2006 | |
| Airbus A340-300 | Jan, Apr, Apr | Airbus A321-200 | Mar |
| Airbus A330-300 | Aug | | |
| February | | | |
| Airbus A321-200 | Jun, Jul, Aug | | |
| Boeing 737 | 2 Aircrafts will be delivered | | |
| deHavilland Q400 | Feb, Feb, Mar | | |
| 2003 | | | |
| Airbus A330-300 | May, Oct | | |
| Boeing 737 | 4 Aircrafts will be delivered | | |

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SAS AB indebttness

Operating lease * 7 + net debt / equity

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► Levels of 110-160% fully acceptable from a lender / equity market point of view



Committed financing of MSEK 9 300

| | |
|---------------------------|--------------|
| European Investement Bank | 370 |
| Revolving Credit Facility | 7.400 |
| Short term financing | 1.500 |
| Total | 9.300 |



Spanair transaction



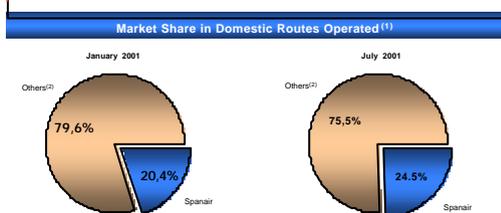
SAS to Take Control of a Strategic Asset

- Spanair is the main alternative carrier in the high growth Spanish market
- Capitalise on Spanair's very low cost base and large investment in slots. Potential to grow in the business segment
- Ambition to make Spanair an associated member of Star Alliance
- SAS' controlling position to be translated into further transfer of management skills and system capabilities
- Long haul to be closed down

Key Transaction Terms

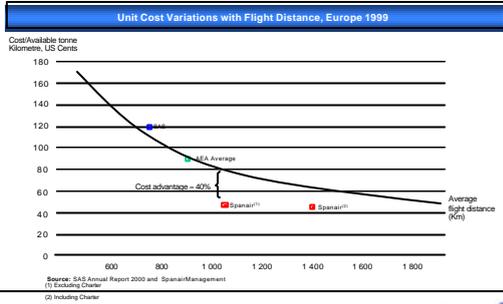
- SAS to purchase an additional 25% stake
 - ▶ Total ownership 74%
- Conversion of loan €60million
- SAS's capital injection €52 million
 - ▶ Continued involvement by Spanair founders
 - ▶ Joint holding company and earn-out incentive structure
- ▶ Expected closing before end of December 2001
- ▶ Subject to EU Competition approval

Spanair is the Main Alternative Carrier ...



Source: AENA
▶ Spanair has managed to increase market share from 20.4% to 24.5% through its further focus on service and punctuality

...and its Highly Competitive Cost Position...



Braathes acquisition

Braathens Acquisition gives SAS a Strong Position in Norway

- ▶ Strong market position in Norway
- ▶ Reduced over-capacity improves profitability
- ▶ Positive feeder effects in SAS international network
- ▶ Significant pre-tax synergies
 - Increased pace in capacity adjustments and increased focus on cost synergies
 - Expected NPV of MSEK 3000-4000

Outlook 2001



SAS Airline

October figures

- ▶ Significantly reduced passenger load factor
- ▶ Business Class -15,9% - Economy Class -6,1%

| | Passenger- traffic (RPK) | Seat capacity (ASK) | Cabin- factor |
|-----------------------------------|-----------------------------|------------------------|------------------|
| SAS Total | -9,3% | +5,3% | 9,4 p.u. |
| Intercontinental | -12,1% | +4,6% | |
| Europe | -6,9% | +8,4% | |
| Domestic and Intrascandinavian | -8,7% | +2,5% | |



SAS AB Group

The Board of Directors

Assessment for full year 2001:

- ▶ Weaker economies in general
- ▶ Significant impact from September 11
- ▶ Further improvement measures introduced

- ▶ October traffic level for rest of 2001
- ▶ Loss excluding gain for full year 2001 estimated at MSEK 1 500 –2 000



SAS Investor Relations on the Internet



<http://www.scandinavian.net>



