



# Year-end Report 2001

The SAS Group  
[www.scandinavian.net](http://www.scandinavian.net)

## The worst air disaster in the history of SAS

October 8, 2001, was a tragic day for SAS. The worst disaster in the company's history occurred when flight SK686 from Milan to Copenhagen crashed on take-off and 118 people lost their lives. We mourn the loss of our colleagues, passengers and others who perished in the accident. Our thoughts still go to the relatives and friends of those who died. The powerlessness and dismay we feel about this disaster will affect SAS for a long time and can only fulfill a constructive purpose if efforts to improve flight safety are further increased in the industry as a whole.

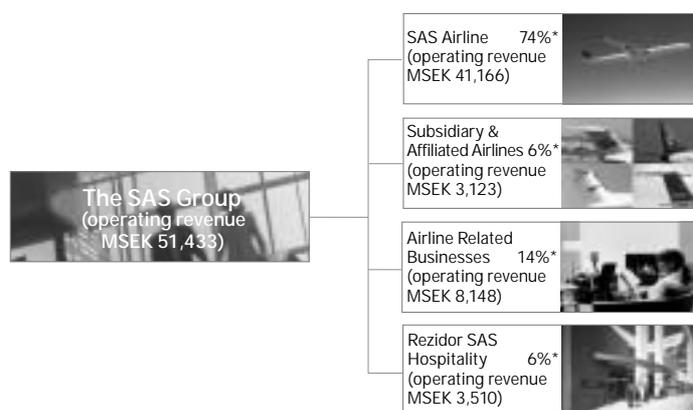
Jørgen Lindegaard

## The SAS Group

### New organization

Starting in the fourth quarter of 2001 the SAS Group reports on four businesses areas.

- **SAS Airline** comprises passenger transport including SAS Commuter. The business area includes the independent business units Scandinavian Ground Services and Scandinavian Technical Services.
- **Subsidiary & Affiliated Airlines** comprises other airlines within the Group. Widerøe and Air Botnia were already SAS owned. On December 20, the shares were acquired in Braathens ASA, which is therefore included in the SAS Group's balance sheet at December 31, 2001. In the first quarter of 2002, the SAS Group will take over the majority shareholding in Spanair S.A. by acquiring an additional 25% of the company's shares. The SAS Group's holding will then amount to 74%, provided approval is obtained from the EU Commission. In such case, Spanair will be consolidated as a subsidiary in the SAS Group with effect from 2002. Affiliated companies include Skyways, Cimber Air, British Midland, airBaltic and Grønlandsfly.
- **Airline Related Businesses** includes SAS Cargo, SMART, SAS Trading and Jetpak – all of which make most of their sales to external customers. SAS Flight Academy and SAS Flight Support sell services to both internal and external airlines. Scandinavian IT Group has most of its sales within the Group.
- **Rezidor SAS Hospitality** is the SAS Group's hotel business. The company works with two hotel chains, Radisson SAS Hotels & Resorts and Malmaison.



\* Percentages refer to share of the SAS Group's operating revenue before Group eliminations.

# The SAS Group

**On October 8, flight SK686 crashed in Milan and 118 people lost their lives in the worst air disaster in SAS's history.**

- **Continued weak demand** due to the events of September 11, the subsequent acts of war, and substantially reduced Business Class traffic, are the main reasons for the weak result in the fourth quarter.
- **Operating revenue** for the full year amounted to MSEK 51,433 (47,540).
- **Earnings before depreciation and leasing costs for aircraft (EBITDAR)** decreased during the period January-December to MSEK 3,168 (5,608).
- **Income before capital gains** for the full year amounted to MSEK -1,790 (1,291).
- **Income before taxes** amounted to MSEK -1,140 (2,829). Income for the fourth quarter was MSEK -1,147 (1,721).
- **SAS strengthened its market** position in a weak market.
- **Earnings per share** for the full year 2001 for the SAS Group amounted to SEK -6.58 (12.98) and equity per share was SEK 96.06 (106.50).
- **SAS's assessment is that the weak demand** will continue in the first half of 2002 and that there will be some improvement in the second half of the year.
- **Towards the end of 2001** a number of action programs were initiated within the Group, designed to enhance efficiency and productivity as well as reduce capacity. These measures are expected to be completed with the intended impact on earnings in 2002.
- **In view of the present situation in the market** and SAS Airline's precarious situation as described above, the SAS Group's income before taxes, excluding capital gains, is expected to be negative for the full year 2002 but better than in 2001. Cash flow for the full year 2002 is expected to be positive.

The SAS Group's annual report will be available on March 13, 2002.

The complete report can be accessed on [www.scandinavian.net](http://www.scandinavian.net)

## President's comments

2001 turned out to be the most difficult year the airline industry has ever experienced. A progressively deeper recession became more and more apparent in the second quarter. The terrorist attacks in the U.S. and the subsequent acts of war dramatically strengthened the decline in demand for air travel. It was not until December that some signs of recovery could be detected. For SAS Airline, which for the industry has a high proportion of business class, the loss of revenue was particularly large and the earnings trend was highly negative. Income before capital gains for the full year 2001 amounted to MSEK -1,790 and is in line with the forecast published on November 6, 2001.

Efforts to adapt operations to this lower demand affected SAS during the autumn. It was decided to implement measures to reduce capacity in SAS Airline, resulting in a total redundancy of approximately 3,500 positions. Reduction of aircraft capacity and suspension of certain routes has an annual effect of MSEK 500 and other measures are expected to have an earnings improvement effect on an annual basis of MSEK 2,400. Action has been taken to raise revenues by MSEK 2,200 on an annual basis.

The action program in SAS Airline is going according to plan and cost reductions corresponding to MSEK 1,700 will be implemented successively in 2002. In addition, cost-reducing measures with an earnings impact of MSEK 1,300 are planned in subsidiaries and affiliated companies.

Apart from the negative earnings trend, SAS also suffered other major setbacks during the year. Most serious was the crash of SK686 in Milan where 118 people lost their lives. This event is the biggest disaster in SAS's history and the company will be saddened for a long time.

Also, the illegal market cooperation with the Danish carrier Maersk Air, which resulted in the EU Commission imposing a high fine and in the wake of which SAS's Board chose to resign, subjected SAS to obvious strain. The extraordinary general meeting appointed a new Board in November who took up their posts in what is perhaps the most difficult period in the history of the company.

Among business events of a strategic nature, the acquisition of the Norwegian airline Braathens was the most important. Incorporating Braathens into the SAS Group will raise opportunities to work together to create an effective traffic network in Norway. SAS's agreement to increase its shareholding in Spanair to 74% will increase control and influence in Spain's second largest airline. This agreement is being examined by the EU Commission.

A major program of change was implemented during the year, designed to create a better management structure with a decentralized and business-oriented organization. The SAS Group now comprises four business areas, the largest of which is SAS Airline. In the new structure and according to control and corporate governance policies now in place, there will be greater scrutiny and follow-up of every unit and its competitiveness in an industry perspective.

From a shareholder perspective, the transfer during the year to a single share is an important event. Ahead of the consolidation of the industry which will come in the wake of the current crisis, the ability to compare airlines' performance and prospects will be increasingly important. Following a difficult, and from an investment return viewpoint unacceptable, 2001, all efforts in 2002 will focus on achieving a competitive business.



Jørgen Lindegaard

# Strategically Important Events

## **First Quarter 2001**

- The Swedish Market Court decided that EuroBonus points earned on Swedish domestic routes exposed to competition may not be redeemed for bonus offers.

## **Second Quarter 2001**

- The shareholders of the three SAS parent companies were invited to exchange their shares for the same number of newly issued shares in SAS AB, the newly formed holding company for the SAS Group.
- Jørgen Lindegaard took over as President and CEO on May 8, 2001.
- SAS announced, in agreement with the principal owners of the Norwegian company Braathens, its intention to acquire Braathens' airline operations, excluding Malmö Aviation, for MNOK 1,127.

## **Third Quarter 2001**

- The first day for listing and trading with shares in SAS AB was July 6, 2001.
- The European Commission fined the SAS Group and Maersk Air MEUR 39.375 and MEUR 13.125 respectively for infringement of the EU's competition rules.
- Following criticism of its handling of the SAS/Maersk affair, the Board of Directors of SAS AB decided to convene an extraordinary general meeting to elect a new Board.
- The airline industry was hard hit by the events of September 11.
- The first of eleven new, larger aircraft for intercontinental traffic, an Airbus A340-300, was delivered.

## **Fourth Quarter 2001**

- The Norwegian Competition Authority approved the SAS's Group acquisition of Braathens.
- The SAS Group announced that an agreement had been concluded to increase its holding in Spanair from 49% to 74% of the shares.
- A new Board of Directors was appointed at an extraordinary general meeting held on November 6.
- Airport buildings were sold to Nordisk Renting and GE Capital for SEK 3 billion.
- The acquisition of Braathens ASA was completed.

## **Events after January 1, 2002**

- The intercontinental route to Delhi was suspended on February 1, due to weak passenger development.

# The SAS Group

## Market Development

The market for air traffic showed relatively strong development in the first quarter of 2001. Subsequently, a gradually weaker economic trend and demand were noted in the spring and summer. In the wake of September 11 the airline industry entered its worst crisis ever.

In 2001 as a whole, the SAS Group's traffic growth remained higher than that of the rest of the airline industry. In the Swedish market, however, a continued sharp decline in demand was noted due to the general economic downturn and the weak Swedish krona.

In the period September 11 through December 31, European airlines' international traffic fell 17.6% compared with the previous year. Traffic over the North Atlantic was most affected with a decline of 31%. SAS Airline, which is the single most important airline in the Group, was also badly affected by the reduced demand, although not to the same extent as its competitors. SAS Airline's international traffic declined by 9% and the company has thus captured market shares in the weak airline market.

Some signs of recovery in total traffic were noted towards year-end. The recovery is slow, however, and business air travel remains very weak. The development in the market is putting further pressure on adjusting capacity to raise the cabin factor and emerge from the crisis. All airlines are making intensive efforts to reduce their costs and tens of thousands of employees have had to leave their companies.

2001 was a difficult year for all travel-related operations. Like the airline industry, the hotel industry was severely affected by the economic downturn and by events on September 11.

## Financial Development

### Acquisitions and divestments

In November 2001, SAS concluded an agreement to increase its holding in Spanair from 49% to 74%. The purchase price amounted to a total of MEUR 112, of which MEUR 52 in cash and MEUR 60 in conversion of loans. The agreement is under examination at the EU Commission. When access to these shares is provided, the company will be consolidated as a subsidiary in the SAS Group.

In May 2001, SAS announced its intention to acquire Braathens' airline operations, excluding Malmö Aviation, subject to approval from the Norwegian Competition Authority. This approval was announced on October 23, 2001, and on December 20, 2001, SAS AB took over 98.48% of the shares. The

remaining shares were acquired in January 2002. The purchase price was NOK 27 per share, a total of MNOK 869. Braathens' balance sheet is consolidated in the Group at December 31, 2001, and thus not included in the result for the year.

As part of the review of tied-up capital and concentration on the core business, in December 2001 SAS sold aircraft-related properties such as hangars, flight kitchens, repair and storage buildings, as well as freight terminals at Arlanda (Stockholm), Landvetter (Gothenburg), Gardermoen (Oslo), Flesland (Bergen) and Kastrup (Copenhagen). These buildings were acquired by Nordisk Renting and GE Capital Real Estate and the purchase price totaled MSEK 3,020. The distribution between the countries is MSEK 1,400 in Sweden, MSEK 1,200 in Norway and MSEK 400 in Denmark. The capital gain amounted to MSEK 805. At the same time SAS leased back all the buildings via 20-year operating lease contracts and has an option to buy back the property portfolio at a fixed price after ten years, and subsequently subject to certain conditions all or parts of the portfolio after 20 years. The leasing cost, which is interest-rate dependent, amounts to MSEK 209 in the first year, including current running costs and is neutral compared with continued ownership.

### Currency effects

The net effect of exchange rate fluctuations between January-December 2000 and 2001 is MSEK 200. The effect on operating revenue is MSEK 3,251, MSEK -3,368 on costs, and MSEK 317 on net financial items.

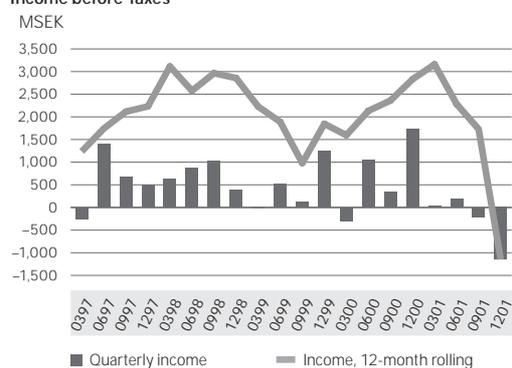
### January-December 2001

The SAS Group's operating revenue increased by MSEK 3,893, or 8.2%, from MSEK 47,540 to MSEK 51,433. MSEK 937 of this increase was higher passenger revenue, lower other income MSEK -295 and MSEK 3,251 currency effects. SAS's passenger traffic measured in RPK, revenue passenger kilometers, increased by 1.4% compared with 2000. Unit revenue, yield, increased by 0.7% adjusted for currency effects.

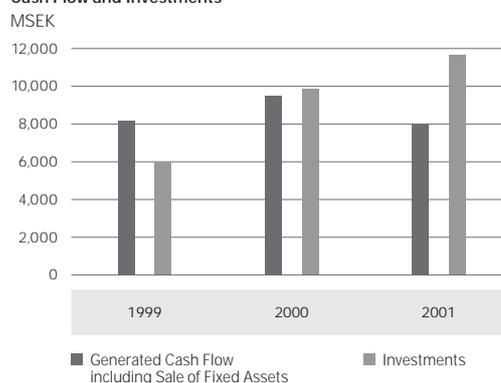
Payroll expenses increased by MSEK 2,860, or 19.2%, and amounted to MSEK 17,792 (14,932). The number of employees in the SAS Group increased by 3.9% and, adjusted for currency effects, payroll expenses were 12.3% higher. In addition to increases in volume and salary costs, payroll expenses were affected by higher pension costs.

The Group's other operating expenses increased by MSEK 4,000 or 13.8% to MSEK 32,898. Excluding currency effects, the increase was 5.7%.

### Income before Taxes



### Cash Flow and Investments



Costs related to the accident at Linate airport in October 2001 amounted to MSEK 124. Compensation from insurance companies of MSEK 235 is included in other income.

As a result of the events on September 11, SAS has been charged with MSEK 140 higher insurance costs compared with the previous year.

Earnings before depreciation, EBITDA, amounted to MSEK 743 (3,710). The gross profit margin fell from 7.8% to 1.4%.

Depreciation amounted to MSEK 2,443 (2,192), an increase of MSEK 251 mainly due to investments in aircraft.

Share of income in affiliated companies amounted to MSEK -70 (-1). Income for the year includes reversal of a stock reserve of MSEK 80. Affiliated companies' reported earnings decreased from MSEK -1 to MSEK -150. This decline in earnings mostly occurred in Spanair where the SAS Group's share of income was MSEK -153 (7). Goodwill amortization is included in a total amount of MSEK 29 (32).

The Group's net financial items amounted to MSEK -20 (-226). Net interest was MSEK -300 (-154). The currency effect was MSEK 332 (15). The weak development of the Swedish krona affected the Group's currency result by MSEK -160. The part of the capital gain from sale and leaseback of aircraft which arose due to the high rate for the U.S. dollar had a positive effect on net financial items of MSEK 492.

Income before capital gains was MSEK -1,790 (1,291).

The Group's capital gains from the sale of aircraft and buildings amounted to MSEK 673 (490) during the period. This includes the sale of aircraft through sale and leaseback of one Boeing 767, nine Boeing 737s, three deHavilland Q400s, one Airbus A340 and the sale of one Fokker F28 and one Dash 8 with MSEK 488. After deduction for phasing in and phasing out costs of MSEK 684, income from the sale of aircraft is reported at MSEK -196.

Airport buildings were sold in December for MSEK 3,020, which provided a capital gain of MSEK 805. The sale of a hotel property in Manchester and adjustment of an earlier gain on a property in Düsseldorf amounted to MSEK 63 net.

Income before taxes amounted to MSEK -1,140 (2,829) MSEK. The change in income before taxes is due to:

Currency effect	200
Operating income before depreciation	-2,850
Depreciation, share of income	-320
Net interest	-111
Capital gains	-888
	-3,969

#### Fourth quarter 2001

The Group reports significantly negative operating income for the fourth quarter. The continued downturn in demand in passenger traffic and reduced Business Class traffic led to falling revenues. Lower capacity utilization, a decline in the cabin factor of 4.4 percentage points to 59.9%, also contributed to lower earnings since capacity cutbacks did not have a full effect on costs in the fourth quarter.

In addition, selling costs and costs for traffic disruptions due to the weather increased.

Operating revenue was unchanged compared with the fourth quarter in 2000 and amounted to MSEK 12,810 (12,809). Taking currency effects into account, operating revenue decreased by 5.8%. Passenger traffic, RPK, decreased by 7.2% compared with the previous year.

Operating expenses increased by MSEK 2,086 or 18.1%. Adjusted for currency effects, the increase was 10.2%.

Income before capital gains was MSEK -1,588 (473).

After capital gains of MSEK 441 (1,248) income before taxes was MSEK -1,147 (1,721).

#### Investments

The SAS Group's investments, including prepayments, amounted to MSEK 11,374 (9,911) during the year. SAS Airline accounted for MSEK 10,227 (9,093) of investments, Subsidiary & Affiliated Airlines for MSEK 429 (129), Airline Related Businesses for MSEK 498 (381) and Rezidor SAS Hospitality for MSEK 220 (308). Investments in aircraft and other flight equipment amounted to MSEK 5,141 (6,188).

At December 31, 2001, the sum of future investments, CAPEX, in the SAS Group amounted to MUSD 1,020. These investments are for the aircraft types Boeing 737, Airbus A340-330 and Airbus A321.

#### Firm orders for aircraft during the period 2002-2004 >

	Total	2002	2003	2004 >
CAPEX (MUSD)	985	620	235	130
Number of aircraft	22	12	7	3

As a result of the fall in traffic which occurred after September 11, there is a surplus of aircraft in the world market. Following discussions with the aircraft manufacturers, SAS has been allowed to postpone certain deliveries.

#### Financial Position

The SAS Group's liquid assets at December 31, 2001, amounted to MSEK 11,662 (8,979). A number of bond loans were issued during the year for a total of MEUR 600. At December 31, 2001, SAS had unutilized contracted loan commitments totaling MUSD 650.

The equity/assets ratio at December 31, 2001, was 25% (36%). The net debt amounted to MSEK 7,652, an increase of MSEK 6,858 since year-end 2000. The change since year-end 2000 is mainly explained by the ongoing investment program in new aircraft. In addition, can be noted a negative cash flow from operations, MSEK -817 (2,908), for the period January-December. Cash flow for the fourth quarter amounted to MSEK -1,224 (1,169).

Investments and sales of fixed assets reached a net amount of MSEK 3,294 (4,327) in 2001.

The estimated surplus value of the aircraft fleet owned by the SAS Group amounted to approximately MSEK 1,907 (5,521) at December 31, 2001. This change corresponds to an estimated fall in the market value of the fleet of approximately 20%.

#### Personnel

The average number of employees in the SAS Group during the year was 30,972 (29,803), of whom 22,968 (22,656) in SAS Airline, 1,529 (1,502) in Subsidiary & Affiliated Airlines, 3,375 (2,514) in Airline Related Businesses and 3,100 (3,131) in Rezidor SAS Hospitality.

#### Accounting Principles

SAS AB's and the Group's closing accounts are prepared in accordance with generally accepted accounting principles in Sweden which are based on the Swedish Annual Accounts Act and recommendations from the Swedish Financial Accounting Standards Council.

All comparative figures have been recomputed in accordance with the new Group structure.

# The SAS Group

## Summary Statement of Income

(MSEK)	October-December		January-December	
	2001	Pro forma 2000	2001	Pro forma 2000
Operating revenue	12,810	12,809	51,433	47,540
Payroll expenses	-4,825	-3,701	-17,792	-14,932
Other operating expenses	-8,765	-7,803	-32,898	-28,898
<b>Earnings before depreciation, EBITDA</b>	<b>-780</b>	<b>1,305</b>	<b>743</b>	<b>3 710</b>
Depreciation	-711	-749	-2,443	-2,192
Share of income in affiliated companies	-98	-49	-70	-1
Income from the sale of shares in subsidiaries and affiliated companies	1	1,016	-24	1,033
Income from the sale of aircraft and buildings	440	228	673	490
<b>Operating income</b>	<b>-1,148</b>	<b>1,751</b>	<b>-1,121</b>	<b>3,040</b>
Income from other shares and participations	0	4	1	15
Net financial items	1	-34	-20	-226
<b>Income before taxes</b>	<b>-1,147</b>	<b>1,721</b>	<b>-1,140</b>	<b>2,829</b>
Taxes	155	-383	103	-699
Minority interests	-5	10	-27	5
<b>Income after taxes</b>	<b>-997</b>	<b>1,348</b>	<b>-1,064</b>	<b>2,135</b>
Earnings per share (SEK) <sup>1</sup>	-6.16	8.19	-6.58	12.98

<sup>1</sup> Earnings per share is calculated on 161,816,396 shares for 2001 and on 164,500,000 shares for 2000.

## Cash Flow Statement

(MSEK)	October-December		January-December	
	2001	Pro forma 2000	2001	Pro forma 2000
Income before taxes	-1,147	1,721	-1,140	2,829
Depreciation	711	749	2,443	2,192
Income from the sale of fixed assets	-854	-1,389	-1,826	-1,756
Adjustment for items not included in cash flow, etc.	104	26	-94	-167
Tax paid	-38	62	-200	-190
<b>Cash flow from operations</b>	<b>-1,224</b>	<b>1,169</b>	<b>-817</b>	<b>2,908</b>
Change in working capital	1,129	1,362	467	1,041
<b>Net financing from operations</b>	<b>-95</b>	<b>2,531</b>	<b>-350</b>	<b>3,949</b>
Investments including prepayments to aircraft suppliers	-4 355	-2,631	-10,850	-9,886
Acquisition of subsidiary	-826	-	-826	-
Sale of fixed assets, etc.	5,062	3,035	8,382	5,559
<b>Financing deficit/surplus</b>	<b>-214</b>	<b>2,935</b>	<b>-3,644</b>	<b>-378</b>
Dividend	-	-	-754	-666
External financing, net	4,115	-1,074	7,081	1,528
<b>Change in liquid assets according to the balance sheet</b>	<b>3,901</b>	<b>1,861</b>	<b>2,683</b>	<b>484</b>

# The SAS Group

## Summary Balance Sheet

(MSEK)	Pro forma	
	December 31 2001	December 31 2000
Aircraft and spare parts	22,076	15,986
Other noninterest-bearing assets	22,214	19,670
Interest-bearing assets (excl. liquid assets)	6,810	4,790
Liquid assets	11,662	8,979
<b>Assets</b>	<b>62,762</b>	<b>49,425</b>
Shareholders' equity	15,544	17,520
Minority interests	263	131
Deferred tax liability	3,856	3,961
Subordinated debenture loan	920	840
Other interest-bearing liabilities	25,204	13,723
Operating liabilities	16,975	13,250
<b>Shareholders' equity and liabilities</b>	<b>62,762</b>	<b>49,425</b>
<b>Shareholders' equity</b>		
Opening balance	17,520	16,011
Dividend to shareholders	-754	-666
Change in translation difference	-158	40
Income after taxes	-1,064	2,135
<b>Closing balance</b>	<b>15,544</b>	<b>17,520</b>
Equity per share <sup>1</sup> (SEK)	96.06	106.50

<sup>1</sup> Calculated on 161,816,396 shares for 2001 and on 164,500,000 shares for 2000.

## Operating Revenue and Income by Business Area

Operating revenue (MSEK)	October-December		January-December	
	2001	Pro forma 2000	2001	Pro forma 2000
SAS Airline	10,049	10,673	41,166	39,233
Subsidiary & Affiliated Airlines	858	636	3,123	2,568
Airline Related Businesses	2,307	1,514	8,148	5,788
Rezidor SAS Hospitality	949	853	3,510	3,122
Group eliminations	-1,353	-867	-4,514	-3,171
<b>Total operating revenue</b>	<b>12,810</b>	<b>12,809</b>	<b>51,433</b>	<b>47,540</b>
<b>Earnings before depreciation, EBITDA</b> (MSEK)				
SAS Airline	-1,028	1,013	-430	2,529
Subsidiary & Affiliated Airlines	101	62	317	257
Airline Related Businesses	96	138	602	519
Rezidor SAS Hospitality	71	99	274	396
Group eliminations	-20	-7	-20	9
<b>Earnings before depreciation, EBITDA</b>	<b>-780</b>	<b>1,305</b>	<b>743</b>	<b>3,710</b>
<b>Income before taxes</b> (MSEK)				
SAS Airline	-1,149	1,602	-1,499	1,951
Subsidiary & Affiliated Airlines	-79	32	7	106
Airline Related Businesses	-30	-2	160	180
Rezidor SAS Hospitality	127	96	208	583
Group eliminations	-16	-7	-16	9
<b>Income before taxes</b>	<b>-1,147</b>	<b>1,721</b>	<b>-1,140</b>	<b>2,829</b>

# The SAS Group

## Summary of Income by Quarter

(MSEK)	1999		2000				2001					
	Oct.- Dec.	Full Year Jan.-Dec.	Jan.- Mar.	Apr.- Jun.	Jul.- Sep.	Oct.- Dec.	Full Year Jan.-Dec.	Jan.- Mar.	Apr.- Jun.	Jul.- Sep.	Oct.- Dec.	Full Year Jan.-Dec.
Operating revenue	11,539	43,746	10,756	12,275	11,700	12,809	47,540	12,137	13,811	12,675	12,810	51,433
Payroll expenses	-3,676	-14,829	-3,740	-3,793	-3,698	-3,701	-14,932	-4,083	-4,570	-4,314	-4,825	-17,792
Other operating expenses	-6,765	-26,186	-6,924	-7,235	-6,936	-7,803	-28,898	-7,392	-8,583	-8,158	-8,765	-32,898
<b>Earnings before depreciation, EBITDA</b>	1,098	2,731	92	1,247	1,066	1,305	3,710	662	658	203	-780	743
Depreciation	-546	-2,087	-470	-463	-510	-749	-2,192	-576	-565	-591	-711	-2,443
Share of income in affiliated companies	-40	77	62	4	-18	-49	-1	35	36	-43	-98	-70
Income from the sale of shares in subsidiaries and affiliated companies	-3	283	0	0	17	1,016	1,033	5	-31	1	1	-24
Income from the sale of aircraft and buildings	623	726	17	266	-21	228	490	-43	69	207	440	673
<b>Operating income</b>	1,132	1,730	-299	1,054	534	1,751	3,040	83	167	-223	-1,148	-1,121
Income from other shares and participations	196	417	0	11	0	4	15	1	0	0	0	1
Net financial items	-76	-262	9	-10	-191	-34	-226	-44	13	10	1	-20
<b>Income before taxes</b>	1,252	1,885	-290	1,055	343	1,721	2,829	40	180	-213	-1,147	-1,140
Taxes	-422	-505	53	-264	-105	-383	-699	-27	-28	3	155	103
Minority interests	3	-1	6	-10	-1	10	5	0	-24	2	-5	-27
<b>Income after taxes</b>	833	1,379	-231	781	237	1,348	2,135	13	128	-208	-997	-1,064

## Key Figures

	December 31 2001	Pro forma December 31 2000
Return on capital employed	-1%	12%
Return on equity	-6%	13%
Equity/assets ratio	25%	36%
Net debt, MSEK	7,652	794
Debt/equity ratio*	0.48	0.04
Interest coverage ratio**	-0.8	5.0
EBITDAR margin***	6%	12%
CFROI****	8%	17%

\* Debt/equity ratio calculated as interest-bearing liabilities minus interest-bearing assets in relation to shareholders' equity and minority interests.

\*\* Operating income plus financial income in relation to financial expenses.

\*\*\* EBITDAR in relation to operating revenue.

\*\*\*\* Based on market-adjusted capital employed which includes the market value of the aircraft fleet and capitalized leasing costs.

## Income and Capital Concepts included in CFROI

(MSEK)	2001	Pro forma 2000
<b>Earnings</b>		
Earnings before depreciation, EBITDA	743	3,710
+ Operating lease costs, aircraft	2,425	1,898
<b>EBITDAR</b>	<b>3,168</b>	<b>5,608</b>
<b>Adjusted capital employed (average) <sup>1</sup></b>		
+ Shareholders' equity	16,887	16,238
+ Minority interests	218	131
+ Surplus value, aircraft	4,666	5,420
+ Capitalized leasing costs (x 7) *	15,023	11,113
- Equity in affiliated companies	-1,087	-895
+ Net debt	3,629	1,434
<b>Adjusted capital employed</b>	<b>39,336</b>	<b>33,441</b>
<b>CFROI</b>	<b>8%</b>	<b>17%</b>

<sup>1</sup> Excluding Braathens 2001 since Braathens is not consolidated in the Group's result for 2001.

\* The majority of SAS's operating leases are so-called phasing out leases with a remaining term of less than two years. In the capital market, the calculation model 7 times the annual cost is used regardless of the term of the leases. Average NPV (net present value) for the 12-month period amounted to MSEK 5,115 (3,765).

### Development of Cash Flow Return on Investments, CFROI (%) (12-month rolling values)



In the period January-December 2001, the Group generated earnings before net financial items, taxes, depreciation, capital gains and operating lease costs for aircraft (EBITDAR) of MSEK 3,168 (5,608). Set in relation to market-based capital employed, CFROI was 8% (17%). The minimum return requirement is set at 17% as an average over an investment cycle, where average capital allocation for replacement of the aircraft fleet is taken into account.

CFROI (Cash Flow Return on Investments) is an important metric for reflecting value creation in operations. CFROI reflects the EV/EBITDAR multiple which expresses the value of operations as a multiple of operating cash flow for the year excluding operating lease costs for aircraft.

### **Parent Company SAS AB**

At December 31, 2001, SAS AB had 161,816,396 registered shares at a par value of SEK 10 each.

Reported income before taxes for the period from February 23, when the company was registered, until December 31, 2001, was MSEK -24. Shareholders' equity amounted to MSEK 1,594 and total assets to MSEK 3,032. In December 2001, SAS AB acquired shares in Braathens for MSEK 1,105.

### **Proposed Dividend for 2001**

In the present circumstances, with negative earnings in operations and uncertainty regarding market development in the airline industry, financial strength is of decisive importance.

The Board of Directors therefore proposes that no dividend be paid to SAS AB's shareholders for the 2001 fiscal year.

### **Outlook for the Full Year 2002**

There is considerable uncertainty regarding market development and demand in the airline industry following the crisis situation after September 11, 2001. Above all, the weak demand in the business travel segment, which has affected SAS Airline in particular, still shows no signs of improvement compared with the level prevailing since the end of the third quarter last year.

Considerable overcapacity exists within European civil aviation despite capacity cutbacks implemented by most airlines. This causes price pressure which brings further uncertainty as regards revenue development.

SAS's assessment is that the weak demand will continue in the first half of 2002 and that there will be some improvement in the second half of the year.

Towards the end of 2001 a number of action programs were initiated within the Group, designed to enhance efficiency and productivity as well as reduce capacity. These measures are expected to be completed with the intended impact on earnings in 2002.

In view of the present situation in the market and SAS Airline's precarious situation as described above, the SAS Group's income before taxes, excluding capital gains, is expected to be negative for the full year 2002 but better than in 2001. Cash flow for the full year 2002 is expected to be positive.

Stockholm, February 12, 2002

SAS AB

Jørgen Lindegaard  
*President and CEO*

# SAS Airline

## Market Development

In SAS Airline's main markets the business climate showed positive development in the first part of 2001. Signs of an economic downturn started to become obvious in April and then accelerated in summer and autumn 2001. Uncertainty increased still further as a result of September 11 and reinforced the less favorable economic situation in the U.S. and Europe.

The events of September 11 in New York led to a sharp decline in air traffic in almost all markets, while costs for, among other things, insurance and airport security rose. Extensive rationalization has been started in the industry, with major adjustments to most large airlines' route networks, redundancies and other restructuring measures.

Demand in some markets fell by more than 25%. Almost all airlines were forced to ground several aircraft which meant that capacity decreased by over 10% among the European airlines. Compared with other airlines in the industry, SAS Airline survived the decline in traffic relatively well. After September 11 traffic among the Association of European Airlines' (AEA) members decreased by 17.6%. In the same period SAS Airline had a decline of 9.0%. This is explained by, among other things, the introduction of SAS's new intercontinental aircraft fleet in autumn 2001 on Asian routes. Due to the capacity that became available, SAS succeeded in recapturing market shares from its competitors.

Air traffic over the North Atlantic was hit hardest and fell 56% (AEA) in the first week after the events on September 11. In the period September 11 through December 31, traffic for AEA companies declined by an average of 31%. European traffic (AEA) increased in the weeks prior to September 11 by approximately 3%. In the subsequent period until year-end 2001, traffic fell 12%.

## Earnings Trend

Passenger traffic development and passenger mix deteriorated gradually since July 2001 due to the weak economic climate. This negative trend was accentuated after the events of September 11 and intensified in October when acts of war were started. A less favorable capacity utilization with a production level which was lower than planned, also led to a negative development of the unit cost in the fourth quarter.

In the fourth quarter of 2001, SAS Airline's operating income showed marked negative development compared with the previous year due to a 7.2% decline in traffic which led to a reduction in passenger revenue, adjusted for currency effects, of 6.3%.

Earnings before depreciation and leasing costs (EBIT-DAR) amounted to MSEK -428 (1,488) in the fourth quarter.

Capacity utilization in the traffic system decreased compared with the same period in 2000 by 4.4 percentage points to 59.9%. Yield adjusted for currency effects rose by 1.4%.

Production expressed in ASK decreased by 0.4% compared with the fourth quarter of 2000.

Earnings before depreciation and leasing costs (EBITDAR) for the period January-December amounted to MSEK 1,802 (4,308), a decrease of 58.2%. Operating income is affected by costs relating to the European Cooperation Agreement (ECA) of MSEK 335 (see below). In addition, earnings were charged with an EU fine of MSEK 378, higher insurance costs particularly in the fourth quarter, and increased costs for engine maintenance and traffic disruptions.

Production increased by 5.1% during the year. In view of the less favorable traffic trend, SAS decided in the autumn to cut production by 5-7% compared with the 2001 level. Capacity plans are changed continuously to adjust production to market demand.

Operating expenses increased in the period January-December by MSEK 4,439 or 12.7%, of which higher payroll expenses accounted for MSEK 1,893 MSEK and other expenses for MSEK 2,546. Adjusted for currency effects, operating expenses increased by 5.1%.

The unit cost increased by 3.4% compared with 2000. The production increase was 5 percentage points lower than planned.

Payroll expenses amounted to MSEK 13,540 (11,647). Taking currency effects into account the increase was 9.1% and the average number of employees rose by 1.4%.

Depreciation and leasing costs increased by a total of MSEK 600 or 17.6% as a result of new investments in the aircraft fleet.

In January-December sale and leaseback transactions were carried out for one Boeing 767, nine Boeing 737s, three deHavilland Q400s and one Airbus A340 as well as the sale of one Fokker F28. During the year four Boeing 737s, four Airbus A340-300s, three Airbus A321-200s and twelve deHavilland Q400s went into operation, of which two Airbus A340-300s and three Airbus A321-200s in the fourth quarter.

Income before capital gains amounted to MSEK -2,108, which is MSEK 2,847 lower than in the previous year.

## Joint Venture British Midland, Lufthansa and SAS

On November 9, 1999, British Midland, Lufthansa and SAS concluded a three-party joint venture agreement, the European Cooperation Agreement (ECA), whereupon the parties agreed to coordinate their existing and future scheduled traffic within the EEA (European Economic Area) to and from London and Manchester. The agreement was approved by

## Statement of Income SAS Airline

(MSEK)	October-December		January-December	
	2001	2000	2001	2000
Passenger revenue	8,307	8,254	34,108	31,340
Freight revenue	-3	680	856	2,278
Other traffic revenue	178	525	1,313	1,315
Other revenue	1,567	1,214	4,889	4,300
<b>Operating revenue</b>	<b>10,049</b>	<b>10,673</b>	<b>41,166</b>	<b>39,233</b>
Payroll expenses	-3,647	-2,843	-13,540	-11,647
Selling costs	-566	-726	-2,324	-2,319
Jet fuel	-898	-1,141	-4,030	-3,766
Government user fees	-933	-867	-3,842	-3,413
Catering costs	-391	-344	-1,647	-1,713
Handling costs	-490	-421	-1,863	-1,741
Technical aircraft maintenance	-595	-478	-2,542	-2,142
Data and telecommunications costs	-405	-334	-1,538	-1,240
Other operating expenses	-2,552	-2,031	-8,038	-6,944
<b>Operating expenses</b>	<b>-10,477</b>	<b>-9,185</b>	<b>-39,364</b>	<b>-34,925</b>
<b>Earnings before depreciation and leasing costs, EBITDAR</b>	<b>-428</b>	<b>1,488</b>	<b>1,802</b>	<b>4,308</b>
Leasing costs	-600	-475	-2,232	-1,779
<b>Earnings before depreciation, EBITDA</b>	<b>-1,028</b>	<b>1,013</b>	<b>-430</b>	<b>2,529</b>
Depreciation	-537	-598	-1,785	-1,638
Share of income in affiliated companies	15	13	66	50
Capital gains	407	1,205	609	1,212
Net financial items	-6	-31	41	-202
<b>SAS Airline – Income before taxes</b>	<b>-1,149</b>	<b>1,602</b>	<b>-1,499</b>	<b>1,951</b>

the EU Commission on March 1, 2001 with effect from January 1, 2000. The agreement runs for eight years until December 31, 2007. The main purpose of this agreement was to "integrate each party's scheduled European air passenger transport services to and from London Heathrow and Manchester airport."

The market showed negative development in 2001 and routes within the U.K. and between the U.K. and the rest of Europe were affected by a weaker economy, foot-and-mouth disease and finally the events of September 11. The ECA agreement contains a profit and loss distribution structure which means that the parties' overall result on the routes covered by the agreement, is distributed in relation to set targets based on previously reported earnings trends.

There is still considerable uncertainty regarding earnings development on the ECA routes and the parties are examining a number of measures designed to improve profitability. Despite this, a negative result is also expected in the current year which is taken into account in the SAS Group's full year forecast for 2002. In the fourth quarter of 2001, the ECA agreement had a negative earnings impact of SEK 215 for SAS Airline and MSEK -335 for the period January-December 2001.

## Passenger Traffic

A continued substantial decline in traffic was noted in the fourth quarter. The number of passengers decreased by 7.8% and traffic, RPK, by 7.2%. The cabin factor amounted to 59.9%, a decline of 4.2 percentage points. In December, punctuality also showed a sharp decline due to the difficult weather conditions in Scandinavia. Passenger revenue amounted to MSEK 8,307 in the fourth quarter, which adjusted for currency effects is 6.3% lower than in the previous year.

Traffic measured in RPK increased by 1.4% for the full year, although total traffic in Business Class decreased by 4%.

Development in SAS Business Class traffic has been negative since the second quarter. In the period January-December, total traffic was at the same level as in the previous year. Business Class accounted for 27.4% of total traffic, which is a decline of 1.6 percentage points compared with 2000. Traffic in Economy Class increased by 6% compared with 2000. The cabin factor decreased by 2.4 percentage points to 64.6%. Yield increased, adjusted for currency effects by 0.7%, compared with January-December last year.

Passenger revenue amounted to MSEK 34,108 (31,340), an increase of 8.8%. Adjusted for currency effects, the increase was 2.3%.

The events of September 11 had an intense impact on SAS's intercontinental traffic, particularly on U.S. routes. Until August 2001, a downward trend was noted in the market Scandinavia-USA and USA-Scandinavia. The total decline was 3% and 8% in Business Class. In October, the total market between Scandinavia and the U.S. decreased by 43%. The decline in Business Class was 52%. SAS has adjusted its traffic program to the U.S. by suspending the Oslo-New York route and canceling one of two round trips, Copenhagen-New York for the period November 2001-April 2002. As a long-term effect of the changed travel patterns, SAS has chosen to postpone introduction of the San Francisco route. During the year a decision was made to suspend the Copenhagen-Delhi route in February 2002. The economic recession in India and the related decline in Business Class were the reasons for this route's falling profitability. Other Asian routes showed good development. The cabin factor on the intercontinental routes in the fourth quarter was 71.0%, a decrease of 7.2 percentage points compared with 2000. Yield decreased by 5.3% in the fourth quarter compared with the previous year and yield for the full year was 0.7% lower than in 2000.

On European routes market conditions changed dramatically towards the end of the year. To adapt capacity to the current demand, SAS decided on various forms of production cutbacks. The decrease in production was mainly achieved through a considerably faster phasing out of the old DC9 fleet than planned. Traffic measured in RPK showed an increase for the full year of 2.5%. Business Class decreased by 9%. In the fourth quarter, the decline in RPK was 7.4%. Yield for the 12-month period decreased by 3.1% and by 3.9% in the fourth quarter. Intra-Scandinavian traffic also decreased substantially in the fourth quarter, with a 6.5% decline in the number of passengers and a 5.6% decrease in traffic measured in RPK. Production adjustments were also made in this market.

Danish domestic traffic which largely functions as feeder traffic to SAS Airline's international traffic system in Copenhagen, developed well, as did traffic to Greenland. The earlier downward trend in Danish air traffic, due to an improved infrastructure for land traffic, has now stabilized and the purely

local market increased slightly compared with the previous year. The number of passengers decreased by 11.9% in the fourth quarter compared with 2000, the decrease for the full year was 2.5%. Traffic in the fourth quarter decreased by 15.1%, while production fell 4.8%. The cabin factor for the quarter amounted to 56.8%, a decrease of 6.9%.

The total domestic market in Norway fell by approximately 5% in 2001. SAS's traffic decreased by 0.7%. The decline in the total market is evenly distributed throughout the country and is due to a 8% decrease in the low-fare market. This decline is mainly due to higher charges and subsequent fare increases.

The Swedish domestic market has shown strong development in recent years, but in 2001 this positive trend was broken. The number of domestic passengers in 2001 totaled approximately 7.5 million, a decrease compared with the previous year of approximately 2%. In the fourth quarter, the decrease was 8.3%. Since November, SAS has reduced the number of departures in order to meet the lower demand. Traffic for the full year declined by 1.7% and in the fourth quarter the decline was 8.1% compared with the previous year.

The total number of passengers in SAS Airline during the period was 23.06 million (23.24), a decrease of 0.8%. The number of SAS EuroBonus members compared with December 31, 2000, was 13.7% higher and totaled 2.4 million.

## Traffic, Production and Yield

		Oct.-Dec. 2001	Oct.-Dec. 2000	Change	Jan.-Dec. 2001	Jan.-Dec. 2000	Change
<b>SAS Airline Total</b>							
Number of passengers	(000)	5,300	5,747	-7.8%	23,063	23,240	-0.8%
Revenue passenger kilometers (RPK)	(mill)	5,097	5,492	-7.2%	22,956	22,647	+1.4%
Available seat kilometers (ASK)	(mill)	8,509	8,541	-0.4%	35,521	33,782	+5.1%
Cabin factor		59.9%	64.3%	-4.4%pts.	64.6%	67.0%	-2.4%pts.
Yield, adjusted for currency effects				+1.4%			+0.7%
<b>Intercontinental routes</b>							
Number of passengers	(000)	270	289	-6.7%	1,220	1,201	+1.6%
Revenue passenger kilometers (RPK)	(mill)	1,827	1,950	-6.3%	8,264	8,150	+1.4%
Available seat kilometers (ASK)	(mill)	2,574	2,494	+3.2%	10,526	10,110	+4.1%
Cabin factor		71.0%	78.2%	-7.2%pts.	78.5%	80.6%	-2.1%pts.
Yield, adjusted for currency effects				-5.3%			-0.7%
<b>European routes</b>							
Number of passengers	(000)	1,716	1,854	-7.4%	7,838	7,650	+2.5%
Revenue passenger kilometers (RPK)	(mill)	1,719	1,856	-7.4%	7,937	7,702	+3.1%
Available seat kilometers (ASK)	(mill)	3,126	3,150	-0.8%	13,588	12,527	+8.5%
Cabin factor		55.0%	58.9%	-3.9%pts.	58.4%	61.5%	-3.1%pts.
Yield, adjusted for currency effects				-1.6%			-2.6%
<b>Intra-Scandinavian routes</b>							
Number of passengers	(000)	918	982	-6.5%	4,003	4,255	-5.9%
Revenue passenger kilometers (RPK)	(mill)	432	458	-5.6%	1,900	1,874	+1.4%
Available seat kilometers (ASK)	(mill)	820	792	+3.4%	3,343	3,108	+7.6%
Cabin factor		52.7%	57.8%	-5.0%pts.	56.8%	60.3%	-3.5%pts.
Yield, adjusted for currency effects				+2.8%			-0.4%
<b>Danish domestic</b>							
Number of passengers	(000)	220	249	-11.9%	955	980	-2.5%
Revenue passenger kilometers (RPK)	(mill)	69	82	-15.1%	365	372	-1.9%
Available seat kilometers (ASK)	(mill)	122	128	-4.8%	559	550	+1.6%
Cabin factor		56.8%	63.7%	-6.9%pts.	65.3%	67.6%	-2.3%pts.
Yield, adjusted for currency effects				+9.8%			+4.5%
<b>Norwegian domestic</b>							
Number of passengers	(000)	864	942	-8.2%	3,839	3,850	-0.3%
Revenue passenger kilometers (RPK)	(mill)	419	460	-8.9%	1,962	1,977	-0.7%
Available seat kilometers (ASK)	(mill)	779	847	-8.1%	3,300	3,466	-4.8%
Cabin factor		53.8%	54.3%	-0.5%pts.	59.5%	57.0%	+2.4%pts.
Yield, adjusted for currency effects				+20.7%			+12.2%
<b>Swedish domestic</b>							
Number of passengers	(000)	1,311	1,430	-8.3%	5,209	5,305	-1.8%
Revenue passenger kilometers (RPK)	(mill)	631	686	-8.1%	2,528	2,572	-1.7%
Available seat kilometers (ASK)	(mill)	1,088	1,129	-3.7%	4,204	4,020	+4.6%
Cabin factor		58.0%	60.8%	-2.8%pts.	60.1%	64.0%	-3.9%pts.
Yield, adjusted for currency effects				+0.8%			+1.1%

## Subsidiary & Affiliated Airlines

(MSEK)	October-December		January-December	
	2001	2000	2001	2000
Passenger revenue	695	542	2,474	2,050
Freight revenue	12	15	46	46
Other traffic revenue	7	10	19	33
Other revenue	144	69	584	439
<b>Operating revenue</b>	<b>858</b>	<b>636</b>	<b>3,123</b>	<b>2,568</b>
Payroll expenses	-247	-191	-889	-755
Selling costs	-30	-31	-133	-124
Jet fuel	-58	-59	-224	-193
Government user fees	-94	-81	-340	-323
Catering costs	-23	-27	-88	-78
Handling costs	-87	-21	-149	-86
Technical aircraft maintenance	-51	-39	-190	-143
Data and telecommunications costs	-9	-12	-41	-42
Other operating expenses	-100	-79	-559	-448
<b>Operating expenses</b>	<b>-699</b>	<b>-540</b>	<b>-2,613</b>	<b>-2,192</b>
<b>Earnings before depreciation and leasing costs, EBITDAR</b>	<b>159</b>	<b>96</b>	<b>510</b>	<b>376</b>
Leasing costs	-58	-34	-193	-119
<b>Earnings before depreciation, EBITDA</b>	<b>101</b>	<b>62</b>	<b>317</b>	<b>257</b>
Depreciation	-51	-36	-181	-134
Share of income in affiliated companies	-86	-1	-58	-11
Capital gains	-29	15	-29	38
Net financial items	-14	-8	-42	-44
<b>Subsidiary &amp; Affiliated Airlines - Income before taxes</b>	<b>-79</b>	<b>32</b>	<b>7</b>	<b>106</b>

The Subsidiary & Affiliated Airlines business area provided income before capital gains for the full year of MSEK 36 (68). The fourth quarter showed a deficit before capital gains of MSEK -144 (-9).

The affiliated company British Midland, BM (20% holding), provided a share of income of MSEK 49 (29). The result for the year was due to the fact that the company sold its ground handling operations with a capital gain of MGBP 41. The ordinary operating income in BM was negative, MGBP -27, even after a contribution from ECA partners Lufthansa and SAS totaling MGBP 40.

Spanair (49% holding) which was consolidated as an affiliated company in 2001, provided a negative share of income of MSEK 153. In common with other European air-

lines, Spanair suffered from the effects after September 11 and a generally weaker economy in Southern Europe as well.

Following conclusion of an agreement to take over a further 25% of the shares, whereupon SAS's holding amounts to 74%, an extensive restructuring of the company has been started. This includes discontinuation of intercontinental routes, consolidation of production and efficiency enhancement of operations and production concept. The savings plan will provide significant improvements in earnings and the company is expected to provide a considerably improved operating income in 2002, despite the market conditions after the events in September 2001.

### Widerøe's Flyveselskap ASA

(MSEK)	Jan.-Dec. 2001	Jan.-Dec. 2000
Operating revenue	2,135	1,851
of which external (%)	99.7	99.0
EBITDA	254	224
EBITDAR	371	318
Operating income	144	117
Income before taxes	79	56
Number of employees	1,227	1,238

Income before taxes amounts to MSEK 79, an improvement of approximately 40% compared with the previous year.

Three main factors lie behind this improvement in earnings: better market adjustment on the commercial routes, a strong focus on cost-cutting activities, and the full effect of a new tender period with better conditions.

Traffic, RPK, decreased by 5.3% compared with the previous year, which was due to a general decline in travel. For the fourth quarter, the decrease in the number of passengers was 9% and traffic decreased by 6.4%.

Traffic, production and yield		Oct.-Dec. 2001	Oct.-Dec. 2000	Change	Jan.-Dec. 2001	Jan.-Dec. 2000	Change
Number of passengers	(000)	341	374	-9.0%	1,409	1,506	-6.5%
Revenue passenger kilometers (RPK)	(mill)	88	94	-6.4%	357	377	-5.3%
Available seat kilometers (ASK)	(mill)	183	181	+1.1%	711	725	-1.9%
Cabin factor		48.1%	51.9%	-3.8%pts.	50.2%	52.0%	-1.8%pts.
Yield, adjusted for currency effects				+19.0%			+12.0%

### Air Botnia

(MSEK)	Jan.-Dec. 2001	Jan.-Dec. 2000
Operating revenue	974	772
of which external (%)	100	99.2
EBITDA	2	11
EBITDAR	129	62
Operating income	-34	-4
Income before taxes	-33	-5
Number of employees	303	264

Air Botnia's expansion continued during the year and operating revenue rose 26% to MSEK 974.

Income before taxes deteriorated during the year, MSEK -33 (-5). The main reason is that Air Botnia replaced its entire aircraft fleet, which led to higher costs for training and maintenance.

Traffic, production and yield		Oct.-Dec. 2001	Oct.-Dec. 2000	Change	Jan.-Dec. 2001	Jan.-Dec. 2000	Change
Number of passengers	(000)	114	109	+4.3%	469	409	+14.6%
Revenue passenger kilometers (RPK)	(mill)	64	60	+6.7%	256	212	+20.8%
Available seat kilometers (ASK)	(mill)	163	150	+8.7%	597	540	+10.6%
Cabin factor		39.3%	40.0%	-0.7%pts.	42.9%	39.9%	+3.6%pts.
Yield, adjusted for currency effects				+16.0%			-3.2%

## Airline Related Businesses

(MSEK)	October-December		January-December	
	2001	2000	2001	2000
Operating revenue	2,307	1,514	8,148	5,788
Payroll expenses	-586	-362	-2,032	-1,401
Handling costs	-39	-25	-216	-99
Costs of goods sold, incl. concession charges	-375	-415	-1,727	-1,669
Data and telecommunications costs	-308	-259	-1,176	-1,015
Other operating expenses	-903	-315	-2,395	-1,085
<b>Earnings before depreciation, EBITDA</b>	<b>96</b>	<b>138</b>	<b>602</b>	<b>519</b>
Depreciation	-99	-70	-334	-272
Share of income in affiliated companies	-40	-72	-119	-85
Capital gains	1	4	8	21
Net financial items	12	-2	3	-3
<b>Airline Related Businesses - Income before taxes</b>	<b>-30</b>	<b>-2</b>	<b>160</b>	<b>180</b>

SAS Cargo		
(MSEK)	Jan.-Dec. 2001	Jan.-Dec. 2000
Operating revenue	2,698	2,225
Flown tonnes	263,431	286,785
Tonne km (000)	878,364	945,621
Cargo yield, SEK/ tonne kilometer	2.44	2.33
Number of employees	1,180	1,184

Since June 1, 2001, all operations have been conducted in an independent corporation, SAS Cargo Group A/S, which is 100% owned by SAS. Since prior to this date, the operations were integrated with SAS's airline operations, results cannot be reported for 2001.

2001 was characterized by a strong fall in freight volumes. The number of tonne kilometers fell approximately 7% compared with the previous year, while flown tonnage decreased by approximately 8%. In order to counteract this negative trend, SAS Cargo has initiated an efficiency enhancement program. By the end of December, a number of activities had been identified and the program will continue over the next two years.

There has been a focus on security since September 11. SAS Cargo has identified a 10-point program which is under implementation. This program will ensure compliance with the stricter requirements which are expected to be implemented within the EU at the beginning of 2002.

Scandinavian IT Group		
(MSEK)	Jan.-Dec. 2001	Jan.-Dec. 2000
Operating revenue	2,463	2,121
of which external (%)	3.6	4.3
EBITDA	245	207
Operating income	104	74
Income before taxes	96	61
Number of employees	1,274	1,182

Despite a clear downturn in the airline industry in the second half of the year, Scandinavian IT Group showed an improved income before taxes for 2001, MSEK 96 (61).

Operating revenue for the year rose to MSEK 2,463 (2,121), an increase of 16%. Adjusted for currency effects the increase was 6%.

A continued downturn in the airline industry is expected in 2002 and both operating revenue and earnings are therefore expected to decrease.

Scandinavian IT Group has set up and started an action program which will adapt its operations to the changed market conditions, and continue the expansion of the customer base outside the SAS Group.

### SAS Trading

(MSEK)	Jan.-Dec. 2001	Jan.-Dec. 2000
Operating revenue	2,275	2,148
of which external (%)	98.0	99.0
EBITDA	38	97
Operating income	2	64
Income before taxes	-1	75
Number of employees	658	639

Income before taxes was MSEK -1, which is MSEK 76 lower than in the previous year. Costs, primarily payroll expenses, rose considerably more than revenues. A nonrecurring item of MSEK 51, which is an estimated repayment from the Civil Aviation Administration, had a positive impact on earnings.

Operating revenue rose 6% compared with the previous year and amounted to MSEK 2,275 (2,148). Sales fell sharply, however, in the fourth quarter, when the number of passengers decreased after the events on September 11.

SAS Trading submitted tenders for the tax-free stores in Copenhagen and Sweden during the year. In both cases the concessions went to a competitor. Agreements were made, however, in Gdansk, Poland, for perfumes and cosmetics, and in Oslo for fashion accessories and toys. Efforts to find new concessions are continuing and a number of new acquisition and cooperation opportunities have been identified.

### SMART

(MSEK)	Jan.-Dec. 2001	Jan.-Dec. 2000
Operating revenue	593	584
of which external (%)	99.8	99.0
EBITDA	71	-5
Operating income	62	-20
Income before taxes	95	4
Number of employees	249	294

Revenues totaled MSEK 593 for the full year, an increase of 1.5%.

Income before taxes showed a major improvement compared with 2000, MSEK 95 (4). These improved earnings are mainly attributable to a lower number of employees, a sharp reduction in distribution costs due to new agreements, and a favorable exchange rate development between EUR and SEK of approximately 6%.

### SAS Flight Academy

(MSEK)	Jan.-Dec. 2001	Jan.-Dec. 2000
Operating revenue	627	606
of which external (%)	35.4	37.6
EBITDA	150	176
Operating income	62	98
Income before taxes	56	32
Number of employees	200	193

Operating revenue for the full year amounted to MSEK 627, an increase of 3.4% compared with the previous year. Sales to customers outside SAS declined towards the end of the year and were more than 20% below the previous year's level in the fourth quarter. Additional measures are now being taken to attract customers, particularly in markets where the economic downturn is not as marked as it is in Europe and elsewhere.

It is expected that the negative trend will be reversed at the beginning of 2002 and sales to customers outside SAS are expected to increase, although they will not reach the same levels as in the same period last year.

Income before taxes amounted to MSEK 56 (32).

### Jetpak

(MSEK)	Jan.-Dec. 2001	Jan.-Dec. 2000
Operating revenue	355	244
of which external (%)	99.5	97.5
EBITDA	19	20
Operating income	10	16
Income before taxes	10	17
Number of employees	125	83

Jetpak is one of the fastest growing companies within express logistics in the Nordic region. Jetpak's revenue for the year amounted to MSEK 355 (244). This revenue increase is attributable to company acquisitions and start-ups, among other things Schenker-BTL's share of the delivery service company Adena-Pickos was acquired.

Income before taxes amounted to MSEK 10 (17).

# Rezidor SAS Hospitality

Although the market was more subdued than in the previous year, some improvements could be detected towards the end of the fourth quarter. Revenue per available room (REVPAR), adjusted for currency effects, was 8% lower than in 2000. In October, the discrepancy was -19% and -13% in November. Reservations fell approximately 60% in the days following September 11, but were back at the previous year's level by year-end.

There are major differences, however, between different hotels. Hotels in capital cities were more negatively affected than hotels in smaller cities, and hotels with a large proportion of guests from the U.S. were worse affected than hotels with local guests. Furthermore, hotels with a high proportion of conferences and group bookings noted the downturn more than those that mainly have individual guests.

Ten hotels were opened or re-branded during the year. In addition, by the end of the year REZSAS had signed a further 21 new contracts, including hotels in Paris, Frankfurt and Bordeaux, as well as at Stansted and Frankfurt airports.

Revenues for the full year amounted to MSEK 3,510 (3,122), which is an increase of approximately 12%, of which approximately MSEK 250 is attributable to the fact that three hotels previously operated under management agreements are now leased. Adjusted for currency effects the revenue increase is 2%.

Income before taxes amounted to MSEK 208 (583). This result includes a MSEK 63 (267) capital gain.

## Statement of Income

(MSEK)	October-December		January-December	
	2001	2000	2001	2000
Rooms revenue	376	355	1,591	1,485
Food and beverage revenue	349	320	1,163	1,053
Other revenue	224	178	756	584
<b>Total operating revenue</b>	<b>949</b>	<b>853</b>	<b>3,510</b>	<b>3,122</b>
Operating expenses	-327	-298	-1,191	-1,047
Payroll expenses	-345	-304	-1,331	-1,129
Rental expenses, property insurance and property tax	-206	-152	-714	-550
<b>Operating income before depreciation</b>	<b>71</b>	<b>99</b>	<b>274</b>	<b>396</b>
Depreciation	-24	-45	-143	-148
Share of income in affiliated companies	8	11	36	45
Capital gains	63	24	63	267
Net financial items	9	7	-22	23
<b>Income before taxes</b>	<b>127</b>	<b>96</b>	<b>208</b>	<b>583</b>

## Key figures

	Dec. 31 2001	Dec. 31 2000
EBITDA <sup>1</sup>	310	441
EBITDA, pro forma <sup>2</sup>	266	354
Revenue per available room (REVPAR) <sup>3</sup>	638	619
Gross profit margin	28.1%	30.3%

<sup>1</sup> Including share of income in affiliated companies.

<sup>2</sup> Pro forma, adjusted for sale of properties.

<sup>3</sup> Including hotels operated on a management basis.

# Definitions

## **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 annual cost for operating leases for aircraft, plus net interest-bearing liabilities, minus share of equity in affiliated companies. Can also be expressed as book value of total assets, plus surplus value in the aircraft fleet, plus 7 times the annual cost for operating leases for aircraft, minus share of equity in affiliated companies, minus noninterest-bearing liabilities and interest-bearing assets.

## **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)**

Delivery payments for aircraft on firm order.

## **Cash flow from operations**

Cash flow from operating activities before change in working capital.

## **CFROI, Cash flow return on investment**

EBITDAR in relation to AV.

## **Debt/equity ratio**

Interest-bearing liabilities minus interest-bearing assets in relation to shareholders' equity and minority interests.

## **Earnings per share (EPS)**

Income after taxes divided by the total number of shares.

## **EBITDA, Earnings before depreciation**

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

## **EBITDAR, Earnings before depreciation and leasing costs**

Operating income before net financial items, taxes, 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 SAS's share of shareholders' 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 SAS share price at the end of the accounting period plus average net debt during the year and 7 times the annual cost for operating leases for aircraft.

## **Gross profit margin**

Operating income before depreciation in relation to operating 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 equals total assets as specified in the balance sheet less noninterest-bearing liabilities.

## **Return on equity**

Income after taxes in relation to average shareholders' equity.

## **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.) which is then leased back.

## **Unit cost**

Airline operations' total operating expenses minus non-traffic related revenue per ASK.

## **Unit revenue (yield)**

Average traffic revenue per RPK.

## **Yield**

See Unit revenue.

# Financial Calendar

Annual Report 2001 and Environmental Report .....	March 13, 2002
Annual General Meeting .....	April 17, 2002
Interim Report 1, January-March 2002 .....	May 14, 2002
Interim Report 2, January-June 2002 .....	August 7, 2002
Interim Report 3, January-September 2002 .....	November 12, 2002
Year-end Report 2002 .....	February 2003
Annual Report 2002 and Environmental Report .....	March 2003

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