



## Teleconference First Quarter 2002

May 15th, 2002



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## 1<sup>st</sup> Quarter 2002

- ▶ Situation from the 4<sup>th</sup> Quarter 2001 carried on 1<sup>st</sup> Quarter 2002, but worst has now passed
- ▶ Ongoing capacity reductions
  - Significant improvements in passenger load factors
- ▶ Significant result improvement measures in pipeline
  - Limited effects 1<sup>st</sup> Quarter
  - Significant effects going forward

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## "Loss carry forward" from 4<sup>th</sup> Q 2001 into 1<sup>st</sup> Q 2002

- ▶ Total traffic improved
  - Group passenger load factors at record levels  
SAS Airline (+1,3p.u.) Braathens (+5,5), Spanair (+4,3)
- ▶ Negative mix and yield pressure severe
  - Significant losses January/ February
  - Improvements noted in March/April
- ▶ Group result improvement measures
  - According to set out plan
  - Effects in second half

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## Business structure – five business areas introduced




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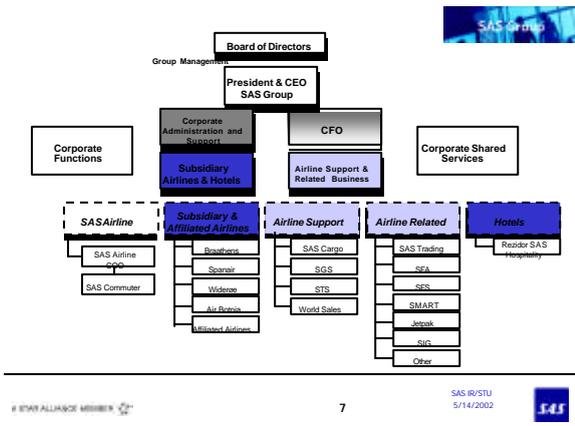
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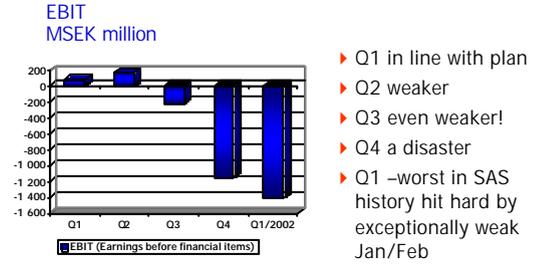
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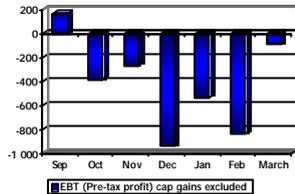
1<sup>st</sup> Quarter growth in revenues driven by acquisitions

MSEK	2002	2001	Change
▶ Revenue	13 775	12 137	+13%
▶ Operating result	-1 406	83	-
▶ Pre tax profit	-1 446	40	-

SAS Group 2002 – loss carry forward from 2001



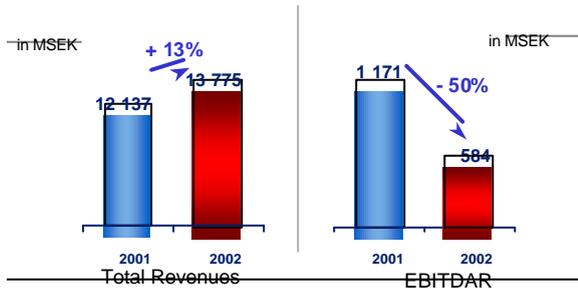
1<sup>st</sup> Q Group loss incurred mainly in January and February



- ▶ Group losses incurred in January/ February
- ▶ March almost flat even with Easter effect
- ▶ April traffic improvements noted (SAS Airline with Easter effect)
  - Total traffic + 3%
  - Business Class -1%



Growth in revenues driven by acquisitions EBITDAR down 50%



One-offs in the first quarter 2002



	MSEK
▶ Adjusted result in Spanair Nov-Dec 2001	185
▶ Passenger Traffic Øresund	58
▶ ECA	113
<b>TOTAL</b>	<b>356</b>





## SAS shares




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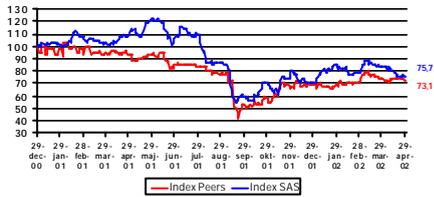
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## SAS share price vs. Peers 2000-Apr 2002

SAS Market Capitalization vs. European Peers\* measured in SEK  
(Rebase 29 DEC 2000)




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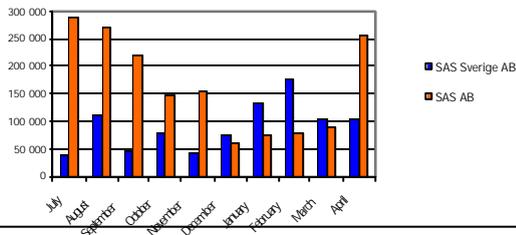
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## Increased volume in SAS AB vs SAS Sverige AB

Average daily number of shares traded in Stockholm per month




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## Significant loss for SAS Airline



	(MSEK)	
	January - March	
	2002	2001
Passenger revenues	7 866	8 096
Other revenues	1 472	1 886
EBITDAR	60	860
EBITDA	-455	385
<b>Income before taxes</b>	<b>-1 035</b>	<b>-91</b>



## Key airline drivers

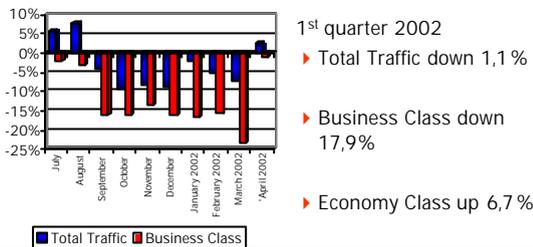
January-March 2002 vs 2001



▶ Traffic growth (RPK)	down	1.1%
▶ Cabin Factor	up	1.3 p.u.
▶ Yields	down	5.9%
▶ Unit costs	up	8.9%



Economy Class traffic has recovered  
Business Class still weak – Total Traffic



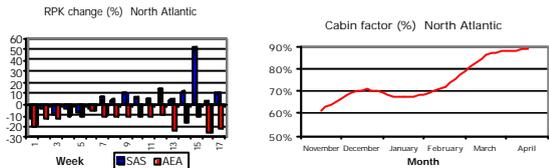
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SAS Airline gain market shares  
on North Atlantic



- ▶ Week 01-week 17:
  - SAS traffic up 4,9%
  - European airlines (AEA) traffic down 15,3%

- ▶ Airbus A340 introduced on New York March 1st
- ▶ Positive trend in cabin factors

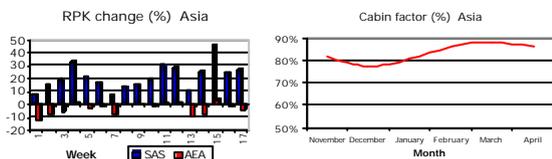
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Solid performance on Asian routes with  
Airbus 340's



- ▶ Week 01-week 17:
  - SAS traffic up 20,9%
  - AEA traffic down 4,4%

- ▶ New capacity incremental growth in RPK
- ▶ Stable cabin factors

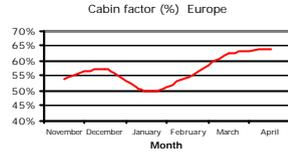
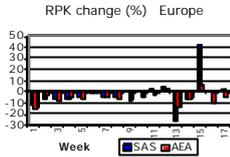
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## In weak market SAS Airline gains market shares - Europe



- ▶ Week 01 -week 17:
  - SAS traffic down 1,7%
  - AEA traffic down 5,7%
- ▶ Cabin factor improved in Q1
- ▶ Seasonal effect in Jan, Feb

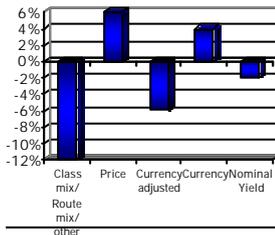
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## Negative class mix - only partly offset by price increases Total system Jan-Mar 2001



- ▶ Class mix/ Price mix affect negatively by 12%
  - Weak business class
  - More long haul traffic
- ▶ Prices up 6% overall
- ▶ Currency yield adjusted down 2%

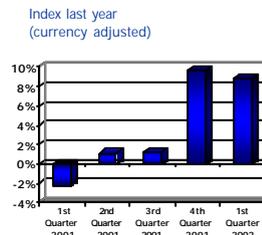
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## Unit cost increase as volumes are weaker - overhang of costs



- ▶ Decrease of 2.2% 1<sup>st</sup> Quarter
- ▶ Increase of 1.1% 2<sup>nd</sup> Quarter
- ▶ Increase of 1.2% 3<sup>rd</sup> Quarter
- ▶ Increase of 9,7% 4<sup>th</sup> Quarter
- ▶ Increase of 8,9% 1<sup>st</sup> Quarter 2002

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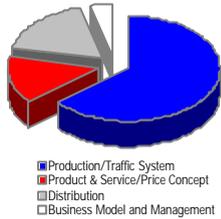
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Structural improvement measures with effect from 2003>



- ▶ 5 areas of focus
  - Production concept
  - Product & services
  - Distribution
  - Management & Administrations
  - Price concept




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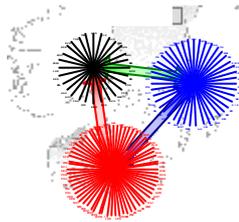
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Changes in production process announced April 17



- ▶ New production philosophy
  - Improved aircraft utilization rates
  - Capacity utilization
  - Aircraft turn around
  - Utilize peak/ off peak for maintenance etc.
- ▶ Potential approx. MSEK 2 000 in savings 2003/2004
  - Includes closure of unprofitable Swedish domestic routes-MSEK 350




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Scandinavian Direct ready for implementation June 1, 2002



A new, easier and more intelligent way of travelling with SAS




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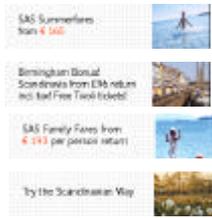
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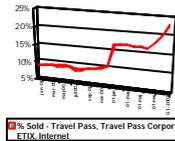
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Marketplace is characterized by many campaigns and price initiatives from SAS



- ▶ SAS offer to London from Scandinavia 895,-
  - Highly successful
  - Excess capacity sold + 40 000 bookings so far!

Electronic Channels strategy volumes rose steadily to 23%



- ▶ Total volume E-channels in Q1 MSEK 1 838
- ▶ 22,7% of total passenger sales in Q1
- ▶ New web site to be launched in June



## Income Subsidiary Airlines & Affiliates – Braathens fully consolidated

(MSEK)	January - March	
	2002	2001
Passenger revenues	2 264	584
Other revenues	568	156
Operating revenues	2 832	740
Operating expences	-2 379	-630
EBITDAR	453	110
<b>Income before taxes</b>	<b>-350</b>	<b>34</b>

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## Spanair consolidated as from March 2002

MSEK	March 2002	
Passenger revenue	339	▶ Transaction approved and fully consolidated as from March 2002.
Other revenues	176	
Operating revenues	515	▶ Spanish market generally weak
EBITDAR	49	▶ Significantly increased yield 23%
EBIT	-46	▶ Closure of intercontinental traffic
Income before taxes	-59	▶ Focus on high yield markets



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## Spanair outlook 2002

- ▶ Ceased long-haul operations as from March 2002
- ▶ Improved mix
  - ▶ Shift from low yield to high yield markets
- ▶ Cost reductions
- ▶ Capacity reductions
- ▶ Positive operating profit for 2002



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The SAS Group Investor Relations

Tel. +46 (0) 8 797 1451 Fax: +46 (0)8 797 5110

e-mail: investor.relations@sas.se --- Homepage: www.scandinavian.net -- Results Jan -Mar 2002



## Braathens acquisition – strategic for SAS Group

- ▶ Fully consolidated in SAS Group 2002
- ▶ New route schedule as from April 2
- ▶ Removal of double functions
- ▶ Create profitability
  - ▶ Synergies of MSEK 800 to be realized
  - ▶ Secure feed to long haul



## Braathens – adequate result expected for 2002

January-March	2002	2001
Passenger Revenue	1 287	1 330
Other Revenues	209	234
<b>Operating Revenues</b>	<b>1 496</b>	<b>1 564</b>
<b>EBITDAR</b>	<b>283</b>	<b>44</b>
<b>Income before taxes</b>	<b>38</b>	<b>-181</b>



## Widerøe's flyveselskap and AirBotnia

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>▶ Weaker performance in Q1, but outlook for full year unchanged</li> </ul> <p>Jan – March 2002</p> <ul style="list-style-type: none"> <li>▶ Total Revenues MSEK 586 (+14%)</li> <li>▶ EBITDAR MSEK 83 (-13%)</li> <li>▶ EBITDA MSEK 51 (-23%)</li> </ul> | <ul style="list-style-type: none"> <li>▶ Will as from winter schedule take over Stockholm-Turku/Tammerfors from SAS Airline</li> </ul> <p>Jan – March 2002</p> <ul style="list-style-type: none"> <li>▶ Total Revenues MSEK 231 (+3%)</li> <li>▶ EBITDAR MSEK 38 (+192%)</li> <li>▶ EBITDA MSEK -1 (-114%)</li> </ul> |
|---|---|



Income Business Area  
Airline Related Business  
EBITDA down 22%



MSEK	January - March	
	2002	2001
Operating revenues	2 098	1 524
Operating expenses	1 967	1 356
EBITDA	<del>131</del>	<del>168</del>
<b>Income before taxes</b>	<b>23</b>	<b>100</b>

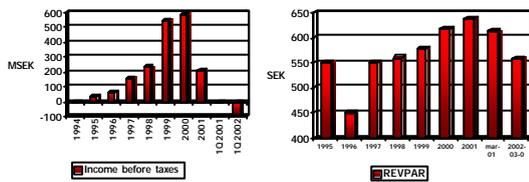


## REZIDOR SAS Hospitality – negatively affected by weaker markets

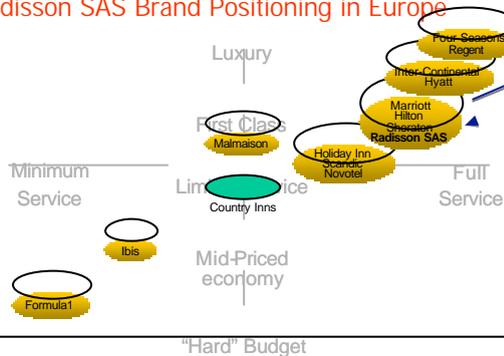
in MSEK

	Jan-Mar 2002	Jan-Mar 2001	Change
Revenues	746	791	-5,7%
Operating result	-61	33	-
Adjusted EBITDA	-58	43	-
Pre tax profit Including gains	-85	-3	-

## REZIDOR SAS Hospitality – REVPAR under pressure in weak Quarter



## Radisson SAS Brand Positioning in Europe



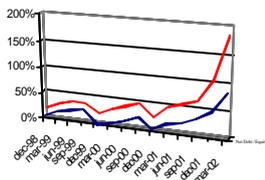
## Radisson SAS current growth strategy

- ▶ Expansion in existing home markets – Scandinavia, Finland, Germany
- ▶ Extend home markets to UK, France, Benelux & Poland
- ▶ Expand in capitals & other important cities - e.g. Athens, Barcelona, Cairo, Rome, Zagreb...
- ▶ Extend into leisure & resorts
- ▶ Focus on airport hotels



## Investments and Financial position

## Rising gearing levels but in line with industry average



- ▶ Leverage to peak during 2002
- ▶ Moody's Baa3 Stable rating  
Investment grade

■ Net Debt / Equity  
■ Net Debt + NPV op lease / Equity

## Development of net debt 9112-0203



## Firm Order CAPEX MUSD 1,240



### Aircraft Orders

	Total	2002	2003	2004	2005
		Q2-Q4			
CAPEX (MUSD)	1,240	555	550	105	30
Aircraft on order	32	12	17	2	1
Airbus A340/330	6				
Airbus A320/321	17				
Boeing 737	6				
deHavilland Q400	3				
	32				



## Clear targets to reduce indebtedness 2004



### Current situation

- ▶ Loss situation and peak in investments and acquisitions
- ▶ Key figures Q1/02 vs Q1/01
  - Solidity: 21% (34%)
  - Net debt/ equity 0,86 (0,17)
  - Adj net debt to equity 1,82 (0,45)
- ▶ Financial position adequate, to be safeguarded
- ▶ Clear targets introduced
- ▶ Net debt to peak at MSEK 14 000 end 2002
- ▶ Targets 2004
  - Solidity >30%
  - Net debt/ equity <50%
  - Adj net debt/ equity <150%
- ▶ Surplus values in fleet reduced after Sep 11
- ▶ Release of main assets:
  - Properties
  - Non-core subs



## Outlook 2002

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## Outlook – operating key figures - year 2002

- ▶ Growth expectations reduced
- ▶ Further capacity adjustments planned

Key figure	Group	SAS Airline
ASK	-9%	-3%
Frequencies		-8%
RPK	-2%	+3%
Passenger yield (currency adjusted)	n.m.	flat
Unit costs	n.m.	-2%

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## April figures includes all airlines in Group

- ▶ Group improved passenger load factor by 1,7 p.u.
- ▶ SAS Airline Business Class -0,9% - Economy Class +3,9%

	Passenger- traffic (RPK)	Seat capacity (ASK)	Cabin- factor
SAS Group Total	-4,6%	-7,0%	66,1%
Intercontinental	-1,7%	-13,9%	
Europe	-8,5%	-8,8%	
Domestic and Intrascandinavian	-1,7%	1,2%	

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## March-April figures includes all airlines in Group



- ▶ Group improved passenger load factor by 3,4 p.u.
- ▶ SAS Airline Business Class -13,1% - Economy Class +6,8%

	Passenger-traffic (RPK)	Seat capacity (ASK)	Cabin-factor
SAS Group Total	-5,4%	-10,2%	66,7%
Intercontinental	-1,9%	-12,1%	
Europe	-5,2%	-10,4%	
Domestic and Intrasandinavian	-9,2%	-8,4%	



## The Board of Directors



### Assessment for full year 2002:

- ▶ Result levels has passed the bottom
- ▶ Result improvement measures takes effect according to plan
- ▶ Forecast from February 12 maintained
  - SAS Pre-tax profit before gains is expected negative 2002 but better than 2001
  - Cash flow from operations expected positive 2002



## Sum up – 1<sup>st</sup> Quarter 2002



- ▶ Industry has passed the worst
- ▶ Balance between supply and demand
- ▶ SAS Airline has forceful measures in process
  - Short term 2002/2003
  - Structural 2003/2004
- ▶ Braathens and Spanair expected to bring profits to Group 2002





## SAS Group Investor Relations on the Internet



<http://www.scandinavian.net>



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