

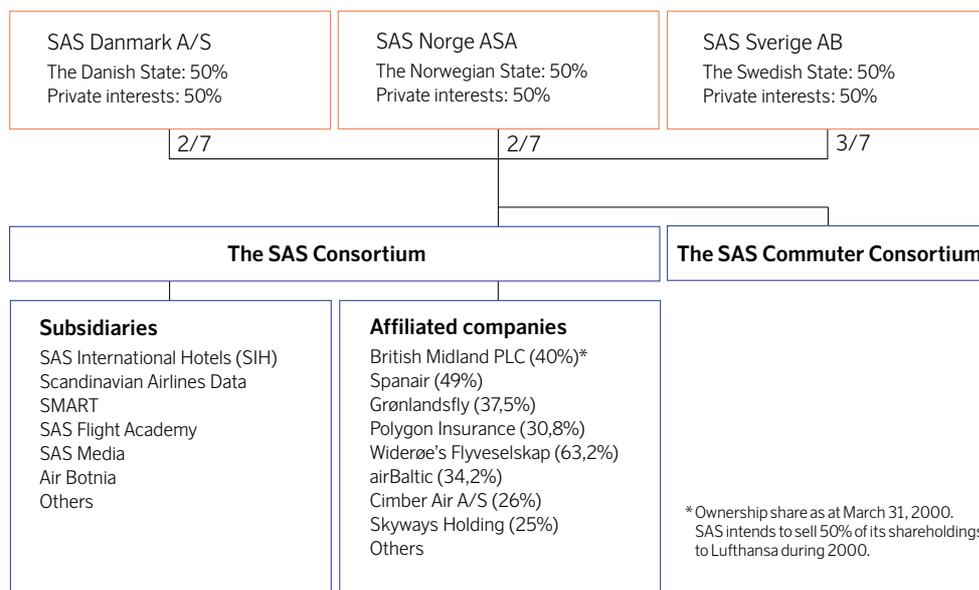


# Interim Report 1:2000 January-March

The SAS Group

SAS Danmark A/S • SAS Norge ASA • SAS Sverige AB

# Corporate Structure



- **SAS Danmark A/S, SAS Norge ASA and SAS Sverige AB** are the parent companies whose shares are listed on the stock exchanges in Copenhagen, Oslo and Stockholm, respectively.
- **The SAS Consortium** comprises passenger transport services, SAS Cargo (freight) and SAS Trading (trade with goods on board aircraft and at airports).
- **The Consortium SAS Commuter** is a production company which conducts flights for SAS in Scandinavia and northern Europe.

# Operating Areas



- **The SAS Group** comprises the SAS Consortium, including wholly or partly owned subsidiaries and affiliated companies. The financial statements of the SAS Group and its two operating areas are prepared in accordance with the recommendations of the International Accounting Standards Committee (IASC). Subsidiaries more than 50% owned are consolidated in the SAS Group. Affiliates between 20 and 50% owned are reported according to the equity method.
- **SAS** comprises the SAS Consortium with subsidiaries and affiliated companies, excluding SAS International Hotels, as well as the Consortium SAS Commuter with subsidiaries.
- **SAS International Hotels** comprises its wholly and partly owned subsidiaries, and affiliated companies.

# The SAS Group

SAS Danmark A/S      SAS Norge ASA      SAS Sverige AB

Highlights of the Interim Reports as per March 31, 2000

- **The SAS Group's income** before taxes was MSEK –297 (–11).
- **Income excluding capital gains** was MSEK –310 (–398).
- **Passenger traffic (RPK)** increased 5.9%. Traffic in Business Class increased 5%.
- **Increased fuel costs** had a negative impact of MSEK 368 on income compared with the previous year.
- **Earnings per share** amounted to SEK –1.16 (–0.02) for SAS Danmark A/S, SEK –1.40 (0.22) for SAS Norge ASA and SEK –1.55 (–0.10) for SAS Sverige AB.

• **SAS's parent companies report the following income after taxes:**

SAS Danmark A/S	MDKK	–48	(–1)
SAS Norge ASA	MNOK	–63	(10)
SAS Sverige AB	MSEK	–109	(–7)

- **Income before taxes**, excluding capital gains, is estimated at around MSEK 1,000 for 2000 as a whole. In addition, capital gains from aircraft transactions and the sale of shares are estimated to total around MSEK 1,700.

The interim report has not been reviewed by the company's auditors.

A complete copy of the report can be found on [www.scandinavian.net](http://www.scandinavian.net)

## Important Events during the First Quarter

### January

- SAS launched a WAP service for ticket reservations and information via mobile telephones.
- SAS was ranked best domestic airline in Norway, and received the “Grand Travel Award”.
- SAS EuroBonus won the “Freddie Award” for the fourth consecutive year.

### February

- SAS decided to buy 12 Airbus A321s and options for a total of SEK 4.5 billion. The aircraft meet high standards as regards low fuel consumption and noise levels and raise SAS's transport capacity to/from several major European cities and between the three Scandinavian capitals.

### March

- SAS Cargo, Lufthansa Cargo and Singapore Airlines intensified their partnership plans in the air freight field.
- SAS, British Midland and Lufthansa entered a Joint Venture agreement regarding European traffic to/from London Heathrow and Manchester.
- The Star Alliance was broadened to incorporate two more members, Singapore Airlines and Austrian Airlines Group.
- SAS signed an agreement with Sabre, a world leader in the field of advanced IT-solutions for the travel and transport industry, regarding wider distribution of SAS's products and services.

## Important Events after March 31, 2000

- Star Alliance members announced their intention to establish the first customer driven, Internet based marketplace for business-to-business commerce in the airline industry.
- SAS was the first airline in Europe to start communicating interactively with customers via Digital TV.

# The SAS Group

## Market and Competition

Economic growth continues to be strong in the majority of SAS's markets in Europe, North America and Asia, and this has a positive impact on the airline industry. This applies particularly within Sweden, but also internationally and especially in Asia. The Association of European Airlines estimates the total increase in air travel at just over 6%. This growth helps decrease over-capacity within the industry, easing the heavy downward pressure on prices that characterized the second half of 1999. Competition remains intense, however, with the European airline industry showing, with a few exceptions, signs of consolidation. In the first quarter, SAS's sales were in line with market growth, and increased more than production capacity in several markets, resulting in a higher cabin factor. The strong development of the Swedish krona has had a positive impact on SAS, while the rising costs of fuel constitute a considerable burden on SAS and the industry in general.

## Financial Development

### Currency Effects

Income for the period January-March has been affected by a positive currency effect of MSEK 10 due to the strong development of the Swedish krona against the euro and the Norwegian and Danish currencies.

### January-March

As of 2000, Air Botnia is reported as a subsidiary. Last year's figures have been adjusted for comparability.

The SAS Group's operating revenue increased MSEK 600 or 6.2%. MSEK 356 of this amount represents increased passenger revenues and MSEK 244 increased operating revenue in other business areas. SAS's passenger traffic measured in RPK, Revenue Passenger Kilometers, increased 5.9% compared with the first quarter of 1999. Unit revenue, yield, fell 0.6%, excluding currency effects.

Operating expenses rose MSEK 614 or 6.4%. The number of employees at the SAS Group increased by 3.4% and payroll expenses were MSEK 84, or 2.4% higher than in the previous year. Other operating expenses rose MSEK 530 or 8.6%. Fuel costs account for MSEK 368 of this amount. Operating income before depreciation fell MSEK 14. The gross profit margin decreased from 0.7% to 0.5%.

Share of income before taxes in affiliated companies totaled MSEK 65 (41). Depreciation of goodwill is included in the amount of MSEK 10 (10).

In the first quarter of 2000, one Fokker F28 has been sold with a capital gain of MSEK 13.

The SAS Group's net financial items totaled MSEK 9 (-51). Net interest was MSEK -31 (-48) due to the lower average net debt compared with 1999. The currency effect was MSEK 48 (4) due to the strong development of the Swedish krona against the currencies to which the SAS Group's net debt is exposed.

Income before taxes amounted to MSEK -297 (-11).

## Investments

The SAS Group's investments, including prepayments, totaled MSEK 1,283 (1,464) in the first quarter. The airline operations accounted for MSEK 1,237 (1,394) of these investments, and SAS International Hotels for MSEK 46 (70). Investments in aircraft and other aircraft material amounted to MSEK 1,078 (1,096). The investment in five Boeing 737s and three deHavilland Q400s is included in this amount.

At the end of March 2000, the value of orders for Boeing 737, deHavilland Q400, Airbus A340/330 and Airbus A321 amounted to MUSD 2,800. During the period April-December 2000, 15 Boeing 737s and 16 deHavilland Q400s are due to be delivered.

### Planned investments in aircraft during the period 2000-2003>

	Total	April-Dec. 2000	2001	2002	2003>
MUSD	2,800	800	670	650	680
Number of aircraft	62	31	11	9	11

Other investments usually total MSEK 800-900 on a yearly basis.

## Financial Position

The SAS Group's liquid assets on March 31, 2000 totaled MSEK 5,885 (5,706).

Cash flow from operations during the period amounted to MSEK -8 (-28). The net sum of investments and sales of fixed assets totaled MSEK -680 (-880). For the first quarter of 2000, the financing deficit was MSEK -1,643 (-2,584).

The equity/assets ratio on March 31, 2000 was 41% (41) and the debt/equity ratio was 0.14 (0.29). The net debt totaled MSEK 2,322 (4,627), an increase of MSEK 1,648 since the turn of the year.

The calculated surplus value of the aircraft fleet

owned by SAS was approximately MSEK 4,500 (4,800) on March 31, 2000.

### **Personnel**

The average number of employees at the SAS Group in the first quarter was 28,060 (27,258), of whom 25,000 (24,147) were employed at SAS and 3,018 (3,071) at SAS International Hotels.

## **SAS**

### **Airline Operations**

#### **Market and Competition**

The overall market for traffic to and from Scandinavia is growing. During the first months of the year, market growth was 5% compared with the previous year. Traffic to/from Sweden showed the fastest growth, with an increase of 10%.

SAS's international traffic, however, grew less than the market as a whole, which means a certain reduction in market share. SAS's share of total production offered between Scandinavia and Europe fell four percentage points compared with the the previous year's first quarter.

However, SAS's market share of intra-Scandinavian traffic and Swedish and Norwegian domestic traffic improved.

SAS's total passenger traffic rose 5.9% compared with the previous year. Total traffic growth for SAS and the regional and European partners in which SAS holds important ownership stakes was around 10%.

The negative trend in Business Class traffic noted throughout 1999 is now being reversed. In the first quarter, Business Class traffic increased 5% compared with the same period in 1999. Business Class accounted for 30.9% of total RPK. Traffic in Economy Class increased 6% compared with 1999. The cabin factor rose 2 percentage points to 60.5%. Yield, excluding currency effects, fell 0.6%.

Intercontinental traffic increased 5.3% compared with the previous year. Business Class traffic remained unchanged and Economy Class rose 6%. The cabin factor on intercontinental routes was 72.9% (68.1), an increase of 4.8 percentage points. It is mainly traffic to Tokyo and Bangkok that has performed well, although traffic to/from Chicago and Seattle also displayed a positive trend.

During the period under review, air traffic within the Association of European Airlines, AEA, increased 6% in Europe. SAS's traffic in Europe, including intra-Scandinavian traffic, increased 4.2%. The AEA companies increased their total production by 9%, while SAS increased its production by 2.4%.

Traffic on European routes increased 5.0%. Business Class traffic rose 3% and Economy Class 6%. The cabin factor was 0.8 percentage points higher than in the same period the previous year. Production increased 3.6%. Traffic to/from the UK performed well, reporting growth in Business Class.

Intra-Scandinavian traffic increased 1.2%. Business Class traffic rose 4% while Economy Class fell 1%. The passenger load factor showed an improvement of 0.6 percentage points compared with the previous year. Production remained unchanged and was further adapted to traffic flows.

Traffic between Sweden and Norway reported the largest growth compared with 1999.

In the Swedish domestic market, SAS and its partners increased their market share by 9 percentage points to 77%. The total market grew 5% and SAS's traffic grew 17.9% compared with the previous year. The increase in Business Class was 17% and in Economy Class 19%. Capacity rose 17.9% in terms of ASK, mainly due to the transition to larger aircraft. Traffic growth to/from Gothenburg and Malmö has been excellent, due to the introduction of the Arlanda Express high-speed train, which considerably shortens traveling time.

The Norwegian domestic market declined marginally during the first quarter. Business Class traffic rose 10% over the period and Economy Class traffic rose 1%. This led to an increase of 8.4% in the yield, excluding currency effects. Capacity has been cut by 15% since November 1999 and was 1% lower during the first quarter than in the same period last year. The cabin factor was 50.6%, an improvement of 2.7 percentage points on the first quarter of 1999.

Danish domestic traffic showed a 20% decline in Business Class and a 5% increase in Economy Class. Total traffic fell 8.3% compared with the previous year. After the implementation of capacity cut-backs, Danish domestic operations had a cabin factor of 58.4%.

There were 5.3 (5.0) million passengers in the first quarter. The number of SAS EuroBonus members was 18% greater than on March 31, 1999, totaling 1.9 million.

### **Freight Operations**

Freight revenues for the period totaled MSEK 572 (542). This represents an increase of just under 2% compared with the previous year. Tonnage flown was 7% greater than in 1999.

Together with Lufthansa Cargo och Singapore Airlines Cargo, SAS Cargo has decided to establish an integrated freight partnership known as New Global Cargo. The agreement was signed on April 26, 2000. Collaboration will escalate gradually, and it will be some three or four years before integration is complete. The first phase will focus on the development of joint products, IT harmonization and the coordination of sales and handling processes.

### **Income Trend**

Operating income before depreciation totaled MSEK 9 (23). Capacity utilization in the traffic system showed an increase of 2.0 percentage points compared with the first quarter of 1999.

# Traffic, Production and Yield

		January-March 2000	January-March 1999	Change
<b>SAS Total</b>				
Number of passengers	(000)	5,314	5,018	+5.9%
Revenue Passenger Kilometers (RPK)	(mill)	4,992	4,713	+5.9%
Available Seat Kilometers (ASK)	(mill)	8,253	8,062	+2.4%
Cabin factor		60.5%	58.5%	+2.0 p.u.
Yield, adjusted for currency effects				-0.6%
<b>Intercontinental routes</b>				
Number of passengers	(000)	264	252	+4.7%
Revenue Passenger Kilometers (RPK)	(mill)	1,795	1,705	+5.3%
Available Seat Kilometers (ASK)	(mill)	2,463	2,502	-1.6%
Cabin factor		72.9%	68.1%	+4.8 p.u.
Yield, adjusted for currency effects				-0.5%
<b>European routes</b>				
Number of passengers	(000)	1,641	1,574	+4.2%
Revenue Passenger Kilometers (RPK)	(mill)	1,647	1,568	+5.0%
Available Seat Kilometers (ASK)	(mill)	3,018	2,913	+3.6%
Cabin factor		54.6%	53.8%	+0.8 p.u.
Yield, adjusted for currency effects				-1.6%
<b>Intra-Scandinavian routes</b>				
Number of passengers	(000)	997	974	+2.4%
Revenue Passenger Kilometers (RPK)	(mill)	414	409	+1.2%
Available Seat Kilometers (ASK)	(mill)	766	765	+0.1%
Cabin factor		54.1%	53.5%	+0.6 p.u.
Yield, adjusted for currency effects				+4.0%
<b>Danish domestic</b>				
Number of passengers	(000)	232	266	-12.8%
Revenue Passenger Kilometers (RPK)	(mill)	79	87	-8.3%
Available Seat Kilometers (ASK)	(mill)	136	154	-11.8%
Cabin factor		58.4%	56.2%	+2.2 p.u.
Yield, adjusted for currency effects				-5.0%
<b>Norwegian domestic</b>				
Number of passengers	(000)	901	840	+7.2%
Revenue Passenger Kilometers (RPK)	(mill)	440	421	+4.6%
Available Seat Kilometers (ASK)	(mill)	870	878	-1.0%
Cabin factor		50.6%	47.9%	+2.7 p.u.
Yield, adjusted for currency effects				+8.4%
<b>Swedish domestic</b>				
Number of passengers	(000)	1,280	1,111	+15.2%
Revenue Passenger Kilometers (RPK)	(mill)	617	524	+17.9%
Available Seat Kilometers (ASK)	(mill)	1,000	849	+17.9%
Cabin factor		61.7%	61.7%	+0.0 p.u.
Yield, adjusted for currency effects				-1.7%

Production increased 2.4% during the first quarter. A capacity increase of around 3% is planned for the full year 2000.

Total operating expenses for the period increased by MSEK 584 or 6.5%. Increased fuel costs account for MSEK 368 of this sum.

The unit cost rose 0.6% compared with the first quarter of 1999. Excluding the increase in the fuel price, the unit cost fell 3.5%.

Payroll expenses rose 2.6% compared with the previous year. The average number of employees grew by 3.5%.

The price of jet fuel in Europe, which is where the greater part of SAS's jet fuel is consumed, has been around 121% higher in the first quarter of 2000 than in the previous year. SAS is involved in the ongoing price hedging of part of its anticipated consumption on a rolling twelve-month basis, and it has therefore been possible to avoid much of the jet fuel price rise. SAS's jet fuel expense increased 74% compared with the first quarter of the previous year. The increased price of jet fuel accounts for 62%, and volume and currency effects for 12%. The increased jet fuel expense had a negative impact on the unit cost of 3.9%. There is a balance between supply and demand for crude

oil, mainly due to the fact that OPEC has, to a considerable extent, respected the agreed production quotas. For jet fuel, the situation is more precarious, particularly in Europe, where refinery capacity is falling, while dependence on imports is growing and new product specifications have reduced jet fuel production.

Decreased selling expenses compared with 1999 have led to a 0.9% reduction in unit cost.

Taking account of currency effects and volume changes, government user fees are now 10% lower than in the first quarter of 1999, mainly due to the change in the levels of these fees and to the fact that a larger share of the passenger fees are charged separately in the ticket price.

Other operating expenses rose 5.9%.

At the end of March 2000, cost cuts of MSEK 1,350 (calculated on an annual basis) had been achieved within the framework of SAS's operational improvement program.

One Fokker F28 was sold during the first quarter. During the period, five Boeing 737s and three deHavilland Q400s were put into operation.

Income before taxes totaled MSEK -304 (-149).

Operating income reported a positive performance due to improved traffic and revenue trends, better capacity

## Income Statement (SIH)

(MSEK)	January-March		April-March	
	2000	1999	1999-2000	1998-1999
Rooms revenue	326	341	1,461	1,454
Food and beverage revenue	242	237	1,025	999
Other revenue	128	97	499	396
<b>Total operating income</b>	<b>696</b>	<b>675</b>	<b>2,985</b>	<b>2,849</b>
Operating expenses	-522	-497	-2,066	-1,962
Rental expenses, insurance of properties and property tax	-127	-131	-460	-447
<b>Operating income before depreciation</b>	<b>47</b>	<b>47</b>	<b>459</b>	<b>440</b>
Depreciation	-41	-48	-175	-165
Share of income in affiliated companies	9	5	30	16
Income from the sale of shares in subsidiaries	-	150	136	151
Net financial items	-6	-15	-37	-86
<b>Income before taxes</b>	<b>9</b>	<b>139</b>	<b>413</b>	<b>356</b>
			<b>January-March</b>	<b>January-March</b>
			<b>2000</b>	<b>1999</b>
EBITDA			57	53
Return on capital employed (ROCE) *			13.3%	12.7%
Revenue per available room (REVPAR)			590	592
Gross profit margin			25.0%	26.4%

\* On a 12-month rolling basis

utilization and a positive trend for the unit cost. This was counteracted by the substantial increase in the price of jet fuel, for which it has not been possible to compensate on the revenue side.

Income excluding capital gains was MSEK –317, an improvement of MSEK 69 on the first quarter of 1999.

### **SAS International Hotels (SIH)**

The hotel market has continued to display a healthy trend in most markets in which Radisson SAS Hotels & Resorts has hotels. In the Nordic countries (with the exception of Norway) and in Belgium, the Netherlands, Germany and southern Europe, the demand for hotel accommodation over the period has been strong. All newly opened hotels have performed very well. The hotel market in Norway, however, has been weak. Due to SIH's exposure to this market, this weakness has had a negative impact.

Revenues for the period totaled MSEK 696 (675), an increase of 3%.

Five hotels have been opened and/or taken over during the period.

During the first quarter, management- or licence agreements were concluded for another four hotels.

Income before taxes totaled MSEK 9 (139).

### **Forecast for the full year 2000**

The forecast for 2000 as a whole presented on February 17, 2000 is being maintained. SAS expects a substantial improvement in income compared with the previous year.

The efforts made to reduce the unit cost within the operations are continuing and are expected to lead to a planned reduction in the unit cost during the current year, in spite of the sizeable increase in the price of jet fuel.

On the basis of current price levels and SAS's hedging agreements, the jet fuel expense for 2000 as a whole is estimated at around MSEK 3,000.

Income before taxes, excluding capital gains, is estimated at around MSEK 1,000 for 2000 as a whole. In addition, capital gains from aircraft transactions and the sale of shares are estimated to total around MSEK 1,700.

Stockholm, May 11, 2000  
Scandinavian Airlines System

Jan Stenberg  
*President and CEO*

# The SAS Group

## Summary of Statement of Income

(MSEK)	January-March		April-March	
	2000	1999	1999-2000	1998-1999
Operating revenue	10,305	9,705	42,662	41,182
Payroll expenses	-3,570	-3,486	-14,228	-13,506
Other operating expenses	-6,680	-6,150	-25,858	-24,349
<b>Operating income before depreciation</b>	<b>55</b>	<b>69</b>	<b>2,576</b>	<b>3,327</b>
Depreciation	-439	-457	-1,934	-2,046
Share of income in affiliated companies	65	41	34	5
Income from sale of shares in subsidiaries and affiliated companies	-	150	133	151
Income from the sale of aircraft and buildings	13	16	728	733
<b>Operating income</b>	<b>-306</b>	<b>-181</b>	<b>1,537</b>	<b>2,170</b>
Income from the sale of other shares and participations	-	221	196	222
Net financial items	9	-51	-173	-165
<b>Income before taxes</b>	<b>-297</b>	<b>-11</b>	<b>1,560</b>	<b>2,227</b>

## Summary of Balance Sheet

(MSEK)	March 31 2000	December 31 1999	March 31 1999
Aircraft and spare parts	11,935	11,302	12,201
Other non interest-bearing assets	19,473	19,601	20,042
Interest-bearing assets (excl. liquid assets)	3,604	3,356	2,125
Liquid assets	5,885	8,368	5,706
<b>Assets</b>	<b>40,897</b>	42,627	40,074
Shareholders' equity	16,637	17,061	16,016
Minority interests	20	25	20
Subordinated debenture loan	755	772	810
Other interest-bearing liabilities	11,056	11,626	11,648
Operating liabilities	12,429	13,143	11,580
<b>Shareholders' equity and liabilities</b>	<b>40,897</b>	46,627	40,074

### Shareholders' equity

January 1, 2000	17,061
Change in translation differences	-77
Income 2000	-347
<b>March 31, 2000</b>	<b>16,637</b>

## Cash Flow Statement

(MSEK)	January-March		April-March	
	2000	1999	1999-2000	1998-1999
Income before taxes	-297	-11	1,560	2,227
Depreciation	439	457	1,934	2,046
Income from the sale of fixed assets	-13	-387	-1,057	-1,106
Adjustment for items not included in cash flow, etc.	-137	-87	-364	-160
<b>Cash flow from operations</b>	<b>-8</b>	<b>-28</b>	<b>2,073</b>	<b>3,007</b>
Change in working capital	-185	-719	236	97
<b>Net financing from operations</b>	<b>-193</b>	<b>-747</b>	<b>2,309</b>	<b>3,104</b>
Investments including prepayments to aircraft suppliers	-1,283	-1,464	-5,689	-6,498
Sale of fixed assets, etc.	603	584	6,455	2,177
Payment to parent companies	-770	-957	-770	-2,098
<b>Financing surplus/deficit</b>	<b>-1,643</b>	<b>-2,584</b>	<b>2,305</b>	<b>-3,315</b>
External financing, net	-840	244	-2,126	-69
<b>Change in liquid assets according to the balance sheet</b>	<b>-2,483</b>	<b>-2,340</b>	<b>179</b>	<b>-3,384</b>

## Key Figures

	March 31	December 31	March 31
<b>Key Financial Ratios</b> (based on statutory financial statements)	<b>2000</b>	1999	1999
Return on capital employed, (12-month rolling)	8%	9%	11%
Return on equity *, (12-month rolling)	6%	8%	10%
Equity/assets ratio	41%	41%	41%
Net debt, MSEK	2,322	674	4,627
Debt/equity ratio **	0.14	0.04	0.29
Interest coverage ratio, (12-month rolling)	3.5	3.7	3.8
<b>Key Value Drivers</b> (based on market-adjusted capital employed)***			
CFROI, (12-month rolling)	14%	14%	18%
ROCE, market-based, (12-month rolling)	8%	9%	15%

\* After standard tax.

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

\*\*\* The market values of the aircraft fleet and the present value of operational lease contracts are included in the market-adjusted capital employed.

## Income by Operating Area

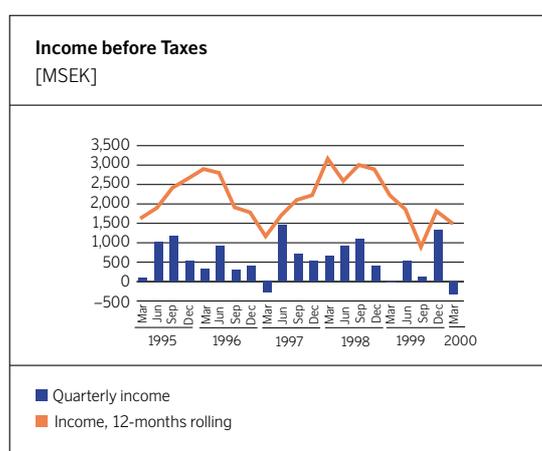
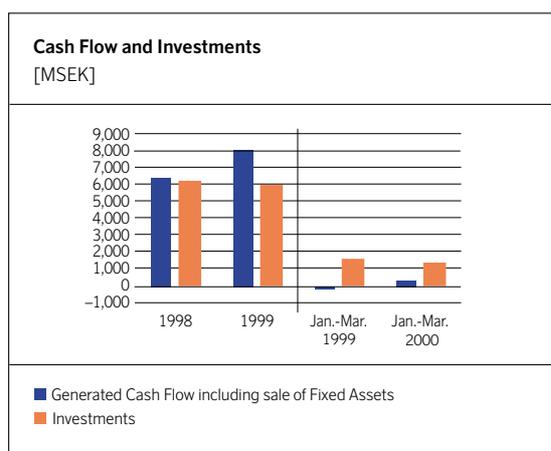
(MSEK)	January-March		April-March	
	2000	1999	1999-2000	1998-1999
<b>SAS</b>				
Passenger revenue	7,199	6,706	29,476	28,367
Freight revenue	572	542	2,358	2,227
Other traffic revenue	283	224	1,375	1,376
Other revenue	1,578	1,590	6,545	6,428
<b>Operating revenue</b>	<b>9,632</b>	<b>9,062</b>	<b>39,754</b>	<b>38,398</b>
Payroll expenses	-3,302	-3,219	-13,135	-12,449
Leasing costs	-360	-324	-1,350	-1,152
Selling expenses	-474	-513	-1,964	-2,086
Jet fuel	-862	-494	-2,575	-2,242
Government user fees	-871	-929	-3,456	-3,645
Catering costs	-449	-402	-1,773	-1,622
Handling costs	-511	-462	-1,941	-1,734
Technical aircraft maintenance	-574	-503	-2,167	-1,768
Other operating expenses	-2,220	-2,193	-9,272	-8,821
<b>Operating expenses</b>	<b>-9,623</b>	<b>-9,039</b>	<b>-37,633</b>	<b>-35,519</b>
<b>Income before depreciation</b>	<b>9</b>	<b>23</b>	<b>2,121</b>	<b>2,879</b>
Depreciation	-397	-408	-1,756	-1,880
Share of income in affiliated companies	55	36	2	-11
Income from the sale of shares in subsidiaries and affiliated companies	0	0	-3	1
Income from the sale of aircraft and buildings	13	16	726	733
Income from other shares and participations	0	221	196	222
Net financial items	16	-37	-134	-81
<b>SAS – Income before taxes</b>	<b>-304</b>	<b>-149</b>	<b>1,152</b>	<b>1,863</b>
SAS International Hotels	9	139	414	356
Other operations/Group eliminations	-2	-1	-6	8
<b>Income before taxes</b>	<b>-297</b>	<b>-11</b>	<b>1,560</b>	<b>2,227</b>

## Revenue by Operating Area

(MSEK)	January-March		April-March	
	2000	1999	1999-2000	1998-1999
SAS	9,632	9,062	39,754	38,398
SAS International Hotels	696	675	2,984	2,850
Other operations/Group eliminations	-23	-32	-76	-66
<b>Total operating revenue</b>	<b>10,305</b>	<b>9,705</b>	<b>42,662</b>	<b>41,182</b>

## Summary of Income on a Quarterly Basis

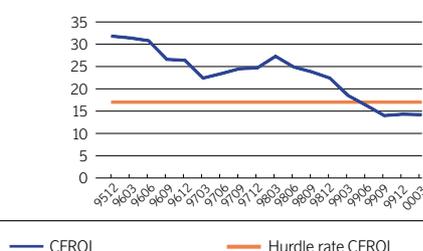
(MSEK)	1998					1999					2000
	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Full year Jan.-Dec.	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Full year Jan.-Dec.	Jan.-Mar.
Operating revenue	9,469	10,323	10,245	10,909	40,946	9,705	11,260	10,019	11,078	42,062	<b>10,305</b>
Payroll expenses	-3,060	-3,194	-3,231	-3,595	-13,080	-3,486	-3,711	-3,445	-3,502	-14,144	<b>-3,570</b>
Other operating expenses	-5,552	-5,749	-5,947	-6,503	-23,751	-6,150	-6,625	-6,044	-6,509	-25,328	<b>-6,680</b>
<b>Operating income before depreciation</b>	857	1,380	1,067	811	4,115	69	924	530	1,067	2,590	<b>55</b>
Depreciation	-536	-530	-522	-537	-2,125	-457	-490	-520	-485	-1,952	<b>-439</b>
Share of income in affiliated companies	16	5	-28	-13	-20	41	47	14	-92	10	<b>65</b>
Income from sale of shares in subsidiaries and affiliated companies	0	0	0	1	1	150	2	134	-3	283	<b>0</b>
Income from the sale of aircraft and buildings	297	2	538	177	1,014	16	44	43	628	731	<b>13</b>
<b>Operating income</b>	634	857	1,055	439	2,985	-181	527	201	1,115	1,662	<b>-306</b>
Income from other shares and participations	0	0	0	1	1	221	0	0	196	417	<b>0</b>
Net financial items	-15	-12	-40	-62	-129	-51	-20	-96	-66	-233	<b>9</b>
<b>Income before taxes</b>	619	845	1,015	378	2,857	-11	507	105	1,245	1,846	<b>-297</b>



## Income and Capital Concepts Included in the Key Value Drivers

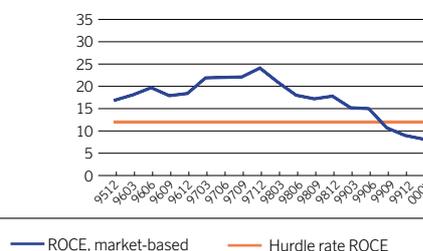
(MSEK)	March 2000
<b>Earnings (12-months)</b>	
EBIT, earnings before net financial items and taxes	1,733
+ Depreciation	1,934
+ Depreciation of goodwill	41
- Capital gains	-1,158
+ Operational leasing expenses, aircraft	1,350
<b>EBITDAR (Numerator in CFROI)</b>	<b>3,900</b>
EBIT	1,733
+ Operational leasing expenses, aircraft	1,350
<b>EBITR</b>	<b>3,083</b>
- 40% of operational leasing expenses	-540
± Change in surplus value, aircraft	-300
<b>EBIT, market-adjusted</b>	<b>2,243</b>
(Numerator in market-based ROCE)	
<b>Market-adjusted capital employed (average)</b>	
Total assets	41,264
+ Surplus value, aircraft	4,597
+ NPV of operational lease contracts	2,648
- Interest-bearing assets	-9,015
- Non-interest bearing liabilities	-12,234
<b>Market-adjusted capital employed</b>	<b>27,260</b>
(Denominator in CFROI and market-based ROCE)	

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



CFROI expresses the return generated by operations in the form of operative cash flow, excluding capital gains, as a ratio of the market-adjusted capital employed. CFROI for the period April 1999 - March 2000 was 14%. The minimum return required is 17%.

**Development of Market-based Return on Capital Employed, ROCE**  
[%] (12-month rolling values)



The SAS Group's market-based ROCE was 8% for the period April 1999 - March 2000, calculated on the basis of the market-adjusted EBIT of MSEK 2,243 in relation to the average capital employed, which includes the market values of the aircraft fleet and the NPV of operational lease contracts. After deduction for capital gains for the sale of shares in Equant N.V. totaling MSEK 196 and the sale of hotel properties totaling MSEK 136, the operations' market-adjusted EBIT was MSEK 1,911. Accordingly, the operational activities produced a return of 7%, which is 5 percentage points less than the minimum requirement.

# SAS Parent Companies

## Accounting Principles

The SAS Consortium and the Consortium SAS Commuter report according to IAS, which implies that subsidiaries and affiliated companies are reported in accordance with the equity method, whereby income and shareholders' equity in the SAS Group, on the one hand, and income and shareholders' equity in the SAS Consortium and the Consortium SAS Commuter, on the other hand, correspond to each other.

Taxes pertain to both actual tax expenses and to the change in deferred taxes, while negative tax refers to corresponding items previously reported as taxes payable, or as tax receivables, the latter to be offset against taxes on future profits.

## Key ratios

	SAS Danmark A/S	SAS Norge ASA	SAS Sverige AB
Earnings per share, local currency	-1.02	-1.34	-1.55
Earnings per share, SEK	-1.16	-1.40	-1.55
Equity per share, local currency	82.38	88.17	92.40
Equity per share, SEK	91.83	90.44	92.40

## SAS Danmark A/S

SAS Danmark A/S's share of income in the SAS Group for the period totaled MDKK -74 (-3). SAS Danmark A/S's other operations yielded a total of MDKK 6 (6). Income before taxes totaled MDKK -68 (3).

The operations of SAS Danmark A/S include 2/7 of the income of the SAS Group.

The exchange rate, as of March 31, 2000, was SEK 100 = DKK 89.79 (1999: DKK 83.64). The average exchange rate for the period January-March 2000 was SEK 100 = DKK 87.60 (1999: DKK 82.83).

The accounting principles remain unchanged from last year.

### Forecast for 2000

For details of the forecast for 2000, please see information supplied by SAS.

Copenhagen, May 11, 2000

Erik Sørensen                      Jan Stenberg  
Chairman of the Board              President

Statement of Income (MDKK)	Jan.-Mar. 2000	Jan.-Mar. 1999
Share of income in the SAS Group*	-74	-3
Other operating expenses	-1	-1
<b>Operating income</b>	<b>-75</b>	<b>-4</b>
Net financial items	7	7
<b>Income before taxes</b>	<b>-68</b>	<b>3</b>
Taxes	20	-4
<b>Income after taxes</b>	<b>-48</b>	<b>-1</b>

\* Share in the SAS Group before subsidiaries' and affiliated companies' taxes.

Balance Sheet (MDKK)	Mar. 31 2000	Dec. 31 1999
<b>Fixed assets</b>		
Share in the SAS Group	4,268	4,238
<b>Current assets</b>		
Short-term receivables	809	805
<b>TOTAL ASSETS</b>	<b>5,077</b>	<b>5,043</b>
Share capital	470	470
Premium reserve	411	411
Other reserves	2,991	2,923
<b>Total shareholders' equity</b>	<b>3,872</b>	<b>3,804</b>
Deferred taxes	1,073	1,073
Short-term liabilities	132	166
<b>TOTAL SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>	<b>5,077</b>	<b>5,043</b>

Shareholders' Equity (MDKK)	Mar. 31 2000	Dec. 31 1999
Share capital	470	470
Premium reserve	411	411
<b>Other reserves</b>		
January 1, 2000	2,923	2,923
Exchange difference for share of the SAS Group	116	-
Transferred from net income for the year	-48	-
<b>Total shareholders' equity</b>	<b>3,872</b>	<b>3,804</b>

## SAS Norge ASA

Income before taxes totaled MNOK –81, compared with MNOK –3 for the same period the previous year.

The operations of SAS Norge ASA comprise the administration and management of the company's 2/7 share of the income of the SAS Group.

The average exchange rate for the period January-March 2000 and the closing day rate on March 31, 2000 are used to convert the Statement of Income and the Balance Sheet respectively. These rates are, respectively, SEK 100 = NOK 94.43 (1999: NOK 95.79) and SEK 100 = NOK 97.48 (1999: NOK 93.46).

### Forecast for 2000

For details of the forecast for 2000, please see information supplied by SAS.

Bærum, May 11, 2000

The Board of Directors

Statement of Income (MNOK)	Jan.-Mar. 2000	Jan.-Mar. 1999	Jan.-Dec. 1999
Share of income in the SAS Group*	-81	-3	497
Other operating expenses	-1	-1	-3
<b>Operating income</b>	<b>-82</b>	<b>-4</b>	<b>494</b>
Financial income	1	1	3
<b>Income before taxes</b>	<b>-81</b>	<b>-3</b>	<b>497</b>
Taxes	18	13	-145
<b>Income after taxes</b>	<b>-63</b>	<b>10</b>	<b>352</b>

\* Share in the SAS Group before subsidiaries' and affiliated companies' taxes.

Balance Sheet (MNOK)	Mar. 31 2000	Mar. 31 1999	Dec. 31 1999
Machinery and equipment	2	2	2
Share in the SAS Group	4,634	4,277	4,597
<b>Total fixed assets</b>	<b>4,636</b>	<b>4,279</b>	<b>4,599</b>
Short-term receivables	204	250	208
Cash and bank	1	1	1
<b>Total current assets</b>	<b>205</b>	<b>251</b>	<b>209</b>
<b>TOTAL ASSETS</b>	<b>4,841</b>	<b>4,530</b>	<b>4,808</b>
Shareholders' equity	4,144	3,859	4,077
Deferred taxes	521	419	552
Short-term liabilities	176	252	179
<b>TOTAL SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>	<b>4,841</b>	<b>4,530</b>	<b>4,808</b>

Shareholders' Equity (MNOK)	Mar 31 2000	Dec 31 1999
Share capital	470	470
Equity method reserve	307	307
<b>Other reserves</b>		
January 1, 2000	3,300	3,300
Transferred from net income for the year	-63	-
Change in exchange difference	130	-
<b>Total shareholders' equity</b>	<b>4,144</b>	<b>4,077</b>

## SAS Sverige AB

The report comprises an account of the operations of SAS Sverige AB, which has a 3/7 share of the SAS Group.

SAS Sverige AB, including 3/7 of the SAS Group, reports income before taxes of MSEK –121 (–1).

Available liquidity including short-term receivables for SAS Sverige AB totaled MSEK 1,059 on March 31, in comparison with MSEK 852 at the beginning of the year.

### Forecast for 2000

For details of the forecast for 2000, please see information supplied by SAS.

Stockholm, May 11, 2000

Jan Stenberg  
President

Statement of Income (MSEK)	Jan.-Mar. 2000	Jan.-Mar. 1999
Share of income in the SAS Group*	-127	-5
Other operating expenses	-1	-3
<b>Operating income</b>	<b>-128</b>	<b>-8</b>
Net financial items	7	7
<b>Income before taxes</b>	<b>-121</b>	<b>-1</b>
Taxes	12	-6
<b>Income after taxes</b>	<b>-109</b>	<b>-7</b>

\* Share in the SAS Group before subsidiaries' and affiliated companies' taxes.

Balance Sheet (MSEK)	Mar. 31 2000	Dec. 31 1999
Share in the SAS Group	7,130	7,312
<b>Total fixed assets</b>	<b>7,130</b>	<b>7,312</b>
Short-term receivables	1,092	1,182
Cash and bank	1	1
<b>Total current assets</b>	<b>1,093</b>	<b>1,183</b>
<b>TOTAL ASSETS</b>	<b>8,223</b>	<b>8,495</b>
Shareholders' equity	6,514	6,656
Deferred taxes	1,404	1,404
Other long-term liabilities	22	22
Short-term liabilities	283	413
<b>TOTAL SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>	<b>8,223</b>	<b>8,495</b>

Shareholders' Equity (MSEK)	Mar. 31 2000	Dec. 31 1999
Share capital	705	705
Revaluation reserve	179	179
Restricted reserves	4,561	4,561
<b>Other reserves</b>		
January 1, 2000	1,211	1,211
Transferred from net income for the year	-109	-
Change in exchange difference	-33	-
<b>Total shareholders' equity</b>	<b>6,514</b>	<b>6,656</b>

# Definitions

## **ASK, Available Seat Kilometers**

The total number of seats available for transportation of passengers multiplied by the number of kilometers which they are flown.

## **AV, Asset Value**

Total book value of assets plus surplus value in aircraft and net present value (NPV) of operating lease rental expenses for aircraft, less non-interest-bearing liabilities and interest-bearing assets. Can also be expressed as booked shareholders' equity plus surplus value in aircraft and net present value (NPV) of operating lease rental expenses for aircraft plus net debt.

## **Cabin Factor**

Relation between RPK and ASK expressed as a percentage. Describes the capacity utilization of available seats. Also called occupancy rate.

## **Cash Flow from Operations**

Cash flow from operations before change in working capital.

## **CFROI**

Cash flow return on investment. EBITDAR divided by AV.

## **Debt/Equity Ratio**

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

## **Earnings per Share**

Profit after taxes divided by the number of shares.

## **EBITDA**

Income before net financial income/expenses, taxes, depreciation, goodwill and capital gains from the sale of aircraft.

## **EBITDAR**

Income before net financial income/expenses, taxes, depreciation, goodwill, capital gains from the sale of aircraft and operating lease rental expenses.

## **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 deferred tax liability and minority interests in relation to total assets.

## **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 non interest-bearing liabilities.

## **Return on Capital Employed (ROCE), Market-based**

EBITR less the depreciation portion of the operating lease rental expense for aircraft plus change in surplus values (aircraft) divided by AV.

## **Return on Equity**

Income after taxes in relation to average shareholders' equity. Tax on the income of the SAS Consortium and the Consortium SAS Commuter is calculated here using a standard tax rate of 29.1% (weighted average tax rate for Denmark, Norway and Sweden).

## **RPK, Revenue Passenger Kilometer**

The number of paying passengers multiplied by the distance they are flown in kilometers.

## **Unit Cost**

Airline operations' total operating expenses less non-traffic related revenue per weighted ASK/RPK.

## **Unit Revenue**

Average amount of traffic revenue received per RPK.

## **Yield**

See Unit revenue.

# Financial Calendar

Interim Report 2, January-June 2000 .....	August 11, 2000
Interim Report 3, January-September 2000 .....	November 9, 2000
Year-End Report 2000 .....	February 2001
Annual Report 2000 .....	March 2001
Environmental Report 2000 .....	March 2001

SAS's monthly traffic and capacity statistics are published on the sixth working day of each month.

All reports are available in English, Danish, Norwegian and Swedish and can be ordered from SAS, SE-195 87 Stockholm, telephone +46 8 797 00 00, fax +46 8 797 15 15. The reports are also available on the Internet: [www.scandinavian.net](http://www.scandinavian.net)  
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