



## SAS Group 3rd Quarter 2000 Analyst meeting



Oslo, November 10, 2000



[www.scandinavian.net](http://www.scandinavian.net)

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## Contents of 3rd Quarter 2000 presentation

- ▶ The Quarter in brief
- ▶ SAS International Hotels
- ▶ Business review
- ▶ Result improvement program
- ▶ Outlook
  
- ▶ Appendices



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## The Quarter in brief



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### Summary 3rd Quarter

- ▶ Significant traffic growth in both classes
- ▶ Rising yields
- ▶ Passenger load factors sharply up
- ▶ Unit costs down except Jet Fuel
- ▶ SAS International Hotels develops well
- ▶ Nordic Travel Hub launched
- ▶ One SAS share in progress

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### Other events of note 3rd Quarter to date

- ▶ SIH in cooperation with Malmaison
- ▶ SIH sold Düsseldorf hotel
- ▶ Aeroexchange Business to Business site launched
- ▶ Star-NET launched
- ▶ SAS expands winter traffic program

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### Key airline profitability drivers JAN-SEP 2000

- ▶ Traffic growth (RPK) **up 7,6%**
- ▶ Cabin Factor **up 4,1 p.e.**
- ▶ Yields **up 0,9%**
- ▶ Unit costs **up 0,6%**
- ▶ Aircraft capacity costs **up 16,4%**

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**Financial results - 9 months 2000**

| MSEK                | 2000   | 1999   | Change |
|---------------------|--------|--------|--------|
| Revenue             | 33 367 | 30 984 | +8%    |
| Op. inc. bef. depr. | 2 256  | 1 523  | +48%   |
| Financial net       | -195   | -167   |        |
| Gain on sales       | +280   | +610   |        |
| Pre-tax profit      | 1 060  | 601    | +76%   |

**Financial results - 3rd Quarter 2000**

| MSEK                | 2000   | 1999   | Change |
|---------------------|--------|--------|--------|
| Revenue             | 11 263 | 10 019 | +12%   |
| Op. inc. bef. depr. | 1 017  | 530    | +92%   |
| Financial net       | -190   | -96    |        |
| Gain on sales       | -9     | 177    |        |
| Pre-tax profit      | 328    | 105    | +212%  |

**Passenger revenue analysis  
vs Last year**

|            | Q3    | Ch.   | 9m     | Ch.   |
|------------|-------|-------|--------|-------|
| ▶ Revenues | 7 705 | +12%  | 23 086 | +7,5% |
| ▶ Volume   |       | +8,9% |        | +7,6% |
| ▶ Yields   |       | +2,9% |        | +0,9% |
| ▶ Currency |       | +0,3% |        | -1,0% |

## Rising yields and positive mix 3rd Quarter

- ▶ Traffic growth (RPK) **up 9%**
- ▶ Business Class (RPK-C) **up 12%**
- ▶ Cabin factor **up 5,3 p.u.**
- ▶ Yields **up 2,9%**
- ▶ **EBITDAR up 32%**

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## From EBITDAR to market based EBIT

JAN-SEP 2000

| MSEK            | 2000   | 1999   | Change |
|-----------------|--------|--------|--------|
| ▶ EBITDAR       | 3 520  | 2 677  | +31%   |
| ▶ Gain on sales | +280   | +610   |        |
| ▶ Depreciation  | -1 385 | -1 498 |        |
| ▶ Δ MV aircraft | +2 643 | +50    |        |
| ▶ Leasing (40%) | -465   | -408   |        |
| ▶ EBIT, market  | 4 594  | 1 431  | +221%  |

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## Cash flow from operations (EBITDAR) up 31% Jan-Sep 2000

| MSEK                      | 2000   | 1999   | Change |
|---------------------------|--------|--------|--------|
| ▶ Revenue                 | 33 367 | 30 984 | +8%    |
| ▶ EBITDAR                 | 3 520  | 2 677  | +31%   |
| ▶ Pre tax profit ex gains | 780    | -9     |        |
| ▶ Pre-tax profit          | 1 060  | 601    | +48%   |

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**Improved EBITDAR and EBITDAR margin**

| MSEK                    | 2000   | 1999   | Change |
|-------------------------|--------|--------|--------|
| ▶ Revenue               | 33 367 | 30 984 | +8%    |
| ▶ EBITDAR               | 3 520  | 2 677  | +31%   |
| ▶ EBITDAR margin        | 11%    | 9%     |        |
| ▶ True a/c depr. +1 073 |        | -1 246 |        |
| ▶ EBIT, market          | 4 594  | 1 431  | +221%  |




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**True aircraft depreciation positively affected by strong USD**

| MSEK                         | 2000    | 1999   |
|------------------------------|---------|--------|
| ▶ Booked depreciation        | - 1 385 | -1 498 |
| ▶ Gain on sales              | +280    | +610   |
| ▶ Δ MV aircraft              | +2 643  | +50    |
| ▶ Leasing (40%)              | -465    | -408   |
| ▶ True aircraft depreciation | +1 073  | -1 246 |




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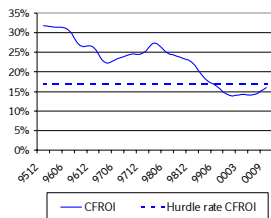
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**CFROI - close to target**



- ▶ SAS Group's key financial metric
- ▶ Focus on operating cash flow (EBITDAR)
- ▶ CFROI 9m/2000 **16%**
- ▶ Hurdle rate through cycle >17-20%




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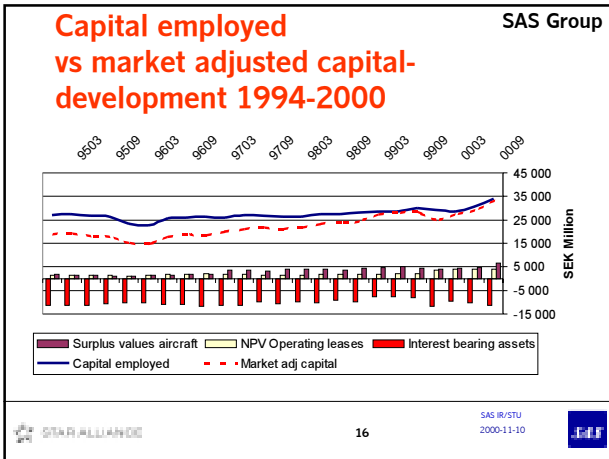
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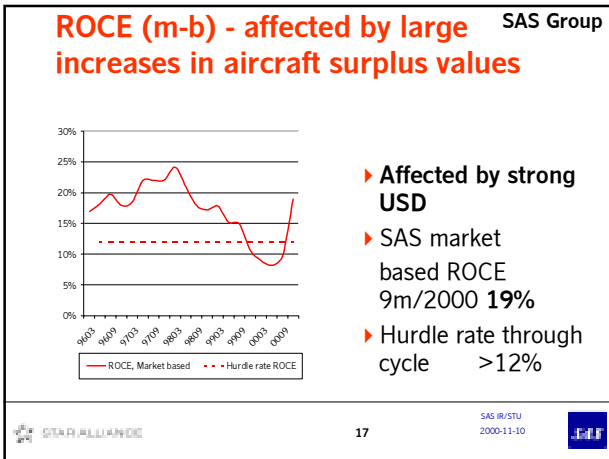
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### SAS International Hotels

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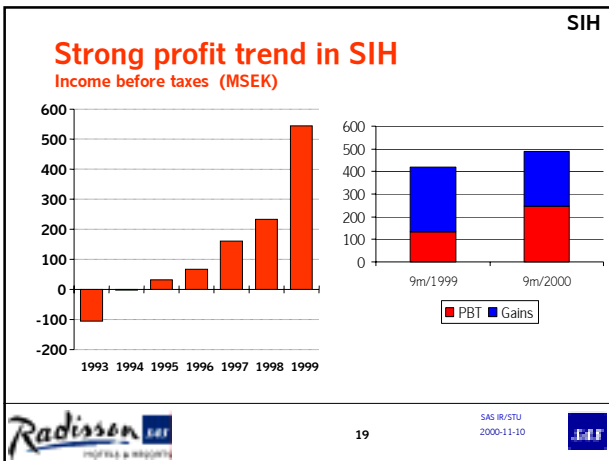
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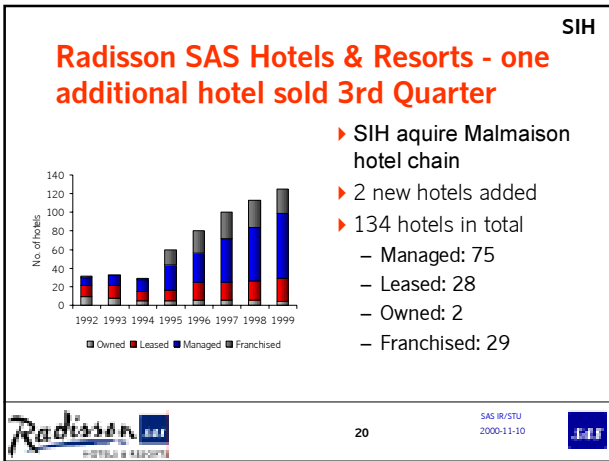
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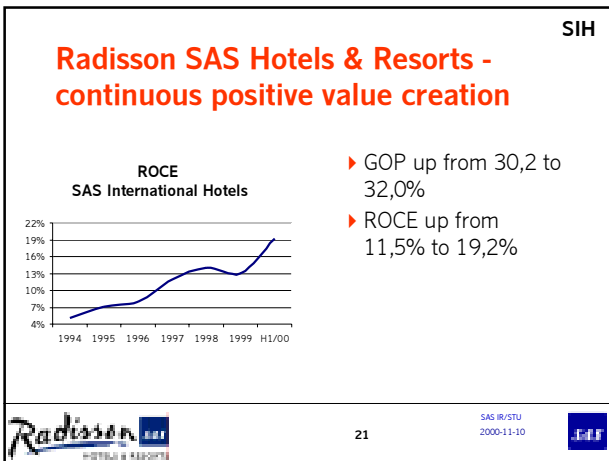
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## Business review SAS Airline



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## Business highlights - 3rd Quarter

- ▶ Capacity flat
- ▶ Strong traffic growth in both classes
- ▶ Sharply improved passenger load factors
- ▶ Strengthened home market position
- ▶ Historically high fuel costs
- ▶ Result improvement program as planned



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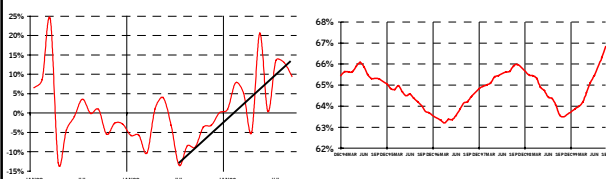
## Sharp increase in passenger load factors - growth trend in Business Class

RPK Business Class  
1998-2000

Passenger load factor  
total system 1995-2000

Year on Year values

Moving 12 months values



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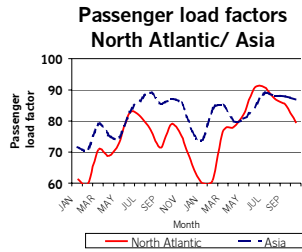
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## Strong traffic growth on Intercontinental routes

1999- October 2000

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- ▶ Positive traffic mix
- ▶ Yields up 4,9%
- ▶ Passenger load factors close to 90%
- ▶ Traffic "spill off"
- ▶ New capacity essential on long haul

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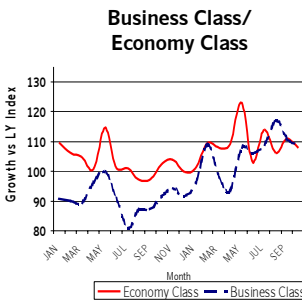
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## European routes - strong

1999- October 2000

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- ▶ Strong traffic growth but compared to a very weak Q3 in 1999
- ▶ Positive passenger mix
- ▶ Business class up 13,5% in Q3
- ▶ Economy Class up 8,1%

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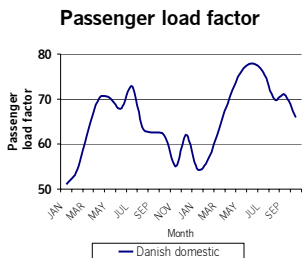
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## Danish routes affected by aircraft introductory problems

1999 - October 2000

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- ▶ Continued capacity reductions
- ▶ Passenger load factor significantly improved
- ▶ Introductory problems deHavilland Q400

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Scandinavian Airlines System, Investor Relations

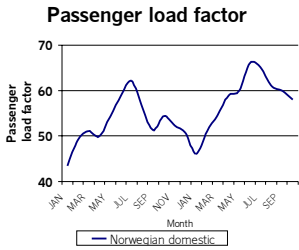
Tel. +46 (0) 8 797 1451 Fax: +46 (0) 8 85 58 76

e-mail: investor.relations@sas.se --- Homepage: www.scandinavian.net -- Results Jan - Sep 2000

## Norwegian domestic routes - weak overall development

1999 - October 2000

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- ▶ Total market continued weak
- ▶ New passenger charges to be implemented
- ▶ Seating reservation implemented
- ▶ SAS gain market shares

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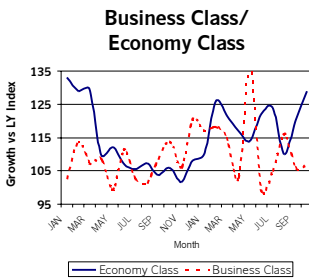
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## Swedish domestic routes strong

1999- October 2000

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- ▶ Strong Swedish economy
- ▶ Continued strong growth
- ▶ Arlanda-Gothenburg and Arlanda-Malmö gain shares from secondary airport Bromma
- ▶ Arlanda Express Train stimulates traffic
- ▶ Boeing 737-800 introduced 08MAY

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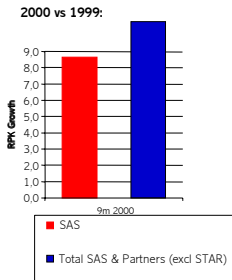
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## SAS affiliates continue to add traffic growth

2000 vs 1999:

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Q3/2000 vs Q3/1999:

- ▶ SAS RPK up 8,6%
- ▶ Total RPK growth SAS & Partners 11%

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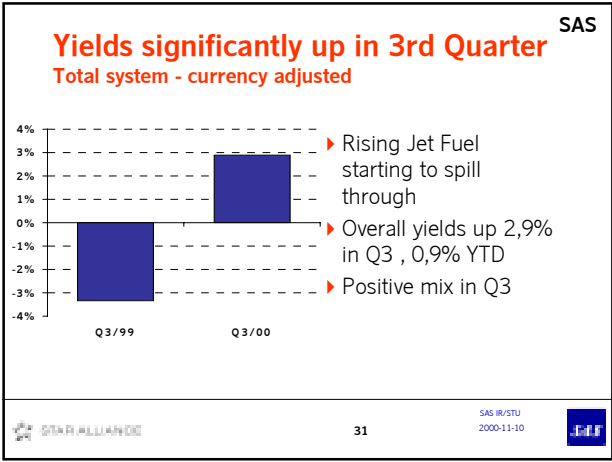
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### Passenger Yield

3rd Quarter 2000 vs 1999

| Route Sector Scheduled | Nominal yield | Currency effect | Adjusted yield |
|------------------------|---------------|-----------------|----------------|
| <b>SAS Total</b>       | <b>103</b>    | <b>100</b>      | <b>103</b>     |
| Intercontinental       | 111           | 95              | 105            |
| Europe                 | 102           | 100             | 102            |
| Intrascandinavian      | 101           | 100             | 101            |
| Denmark/Greenland      | 97            | 103             | 100            |
| Norway                 | 108           | 102             | 110            |
| Sweden                 | 100           | 100             | 100            |

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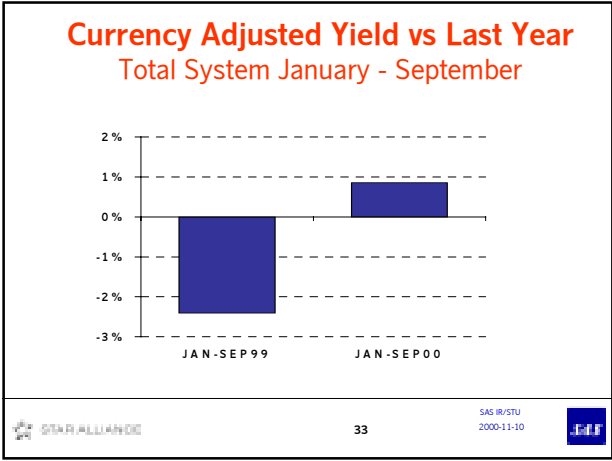
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## Cargo business - yield drop has stopped

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- ▶ New Global Cargo has been initiated
- ▶ Weak European demand

January-September 2000

- ▶ Revenue ton-km up 6%
- ▶ Revenues up 6%

Together we  
improve your logistics



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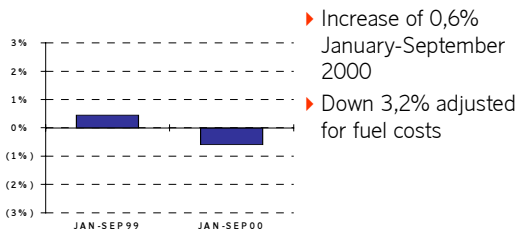
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## Favorable unit cost development except jet fuel

Index Last Year

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- ▶ Increase of 0,6% January-September 2000
- ▶ Down 3,2% adjusted for fuel costs

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## Unit Cost Effected by Fuel

January - September 2000 vs 1999

| MSEK                  | Adjusted JAN-SEP99 | JAN-SEP00     | Var. %        | Share of total var % |
|-----------------------|--------------------|---------------|---------------|----------------------|
| Commissions           | 1 602              | 1 593         | 0.6%          | 0.0%                 |
| Fuel                  | 1 778              | 2 624         | (47.5%)       | (3.8%)               |
| Government charges    | 2 664              | 2 550         | 4.3%          | 0.5%                 |
| Personnel             | 9 759              | 9 656         | 1.1%          | 0.5%                 |
| Other oper. net costs | 6 683              | 6 196         | 7.3%          | 2.2%                 |
| <b>TOTAL</b>          | <b>22 486</b>      | <b>22 619</b> | <b>(0.6%)</b> | <b>(0.6%)</b>        |

Volume = average growth in ASK and RPK = 4,3%

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## Unit Cost 3rd Quarter 2000 vs 1999

MSEK

|                       | Adjusted<br>Q3/99 | Q3/00        | Var. %      | Share of<br>total var % |
|-----------------------|-------------------|--------------|-------------|-------------------------|
| Commissions           | 512               | 544          | (6.2%)      | (0.4%)                  |
| Fuel                  | 648               | 925          | (42.7%)     | (3.8%)                  |
| Government charges    | 913               | 860          | 5.8%        | 0.7%                    |
| Personnel             | 3 211             | 3 163        | 1.5%        | 0.7%                    |
| Other oper. net costs | 2 053             | 1 804        | 12.1%       | 3.4%                    |
| <b>TOTAL</b>          | <b>7 338</b>      | <b>7 296</b> | <b>0.6%</b> | <b>0.6%</b>             |

Volume = average growth in ASK and RPK = 4,6%




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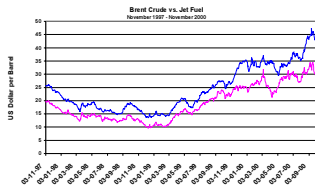
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## Estimated jet fuel expense for full year 2000 raised to MSEK 3 700

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- ▶ Spot Jet Fuel up 12 % since prognosis given in August 2000
- ▶ Crude oil /Jet Fuel differential has not decreased as anticipated
- ▶ Further strengthening of USD vs SEK




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## Result Improvement Program




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### Result Improvement Program 1999/00

- ▶ MSEK 2150 achieved as of 3rd quarter 2000
- ▶ Increased pace during rest of year 2000

| Area                               | Achived effect vs. 1998 |
|------------------------------------|-------------------------|
| Cargo                              | 90 MSEK                 |
| Catering & In-flight service       | 300 MSEK                |
| IT & communications                | 130 MSEK                |
| Distribution & Electronic channels | 610 MSEK                |
| Air crew                           | 380 MSEK                |
| Ground handling                    | 210 MSEK                |
| Technical maintenance              | 200 MSEK                |
| Overhead & other                   | 230 MSEK                |
| <b>Total</b>                       | <b>2150 MSEK</b>        |




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### Electronic Channels - current volumes of total sales first 9 months 2000



- ▶ Travel Pass
- ▶ TPC (new in 1999)
- ▶ E-TIX
- ▶ Other Internet
- ▶ Total volume E-channels MSEK 2 200
- ▶ 10% of total passenger sales




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### Outlook 2000




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## Macroeconomic outlook SAS' main markets - a general softening

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|---|--|---|
| <p><b>Sweden:</b> ↗</p> <ul style="list-style-type: none"> <li>• Export, consumption and GDP somewhat weaker</li> </ul> <p><b>Norway:</b> ↗</p> <ul style="list-style-type: none"> <li>• GDP 2.5-3%</li> <li>• Int. rates uncertain</li> </ul> <p><b>Denmark:</b> ↗</p> <ul style="list-style-type: none"> <li>• Better growth</li> </ul> | <p><b>UK:</b> ↗</p> <ul style="list-style-type: none"> <li>• Slightly weaker</li> <li>• GDP +2-3%</li> </ul> <p><b>Euroland:</b> ↗</p> <ul style="list-style-type: none"> <li>• Germany &amp; Italy catching up</li> </ul> | <p><b>US:</b> →</p> <ul style="list-style-type: none"> <li>• Soft landing?</li> <li>• GDP +2-3% (down.)</li> </ul> <p><b>Japan:</b> ↗</p> <ul style="list-style-type: none"> <li>• Slightly better but from low level</li> </ul> <p><b>Asia excl. Japan:</b> ↗</p> <ul style="list-style-type: none"> <li>• Continued recovery in most regions</li> </ul> |
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## October traffic figures- slightly lower growth

- ▶ Continued positive passenger mix
- ▶ Business Class +8,2% - Economy Class +4,0%

|                               | Passenger-traffic (RPK) | Seat capacity (ASK) | Cabin-factor |
|-------------------------------|-------------------------|---------------------|--------------|
| SAS Total                     | +5,3%                   | +3,0%               | +1,5 p.u.    |
| Intercontinental              | +1,2%                   | +0,8%               |              |
| Europe                        | +7,7%                   | +4,5%               |              |
| Domestic and Intrasandinavian | +7,7%                   | +3,4%               |              |




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## SAS expands winter traffic program

- ▶ Capacity up 9% on European & Intrasandinavian routes
- ▶ Birmingham, U.K.
  - ▶ Active business and industrial area
  - ▶ Copenhagen efficient for Eastbound flights
- ▶ Week-end Palma de Mallorca, Spain
  - ▶ Spare capacity
- ▶ Increased capacity on Dublin, Zurich, Paris, Tel Aviv, Budapest, Hamburg and St. Petersburg
- ▶ Capital triangle




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## Operating key figures - year 2000

- ▶ Increased traffic growth scenario
- ▶ Rising yields
- ▶ Underlying unit costs down

| Key figure                          | 2000           |
|-------------------------------------|----------------|
| ASK                                 | Up approx 2,5% |
| Frequencies                         | Up 1%          |
| RPK                                 | Up approx. 8%  |
| Passenger yield (currency adjusted) | Up 1-2%        |
| Unit costs                          | Up 1-2%        |



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## The Board of Directors

### Assessment for full year 2000:

- ▶ Full year forecast from February 17 maintained
- ▶ Reduced unit cost except jet fuel
- ▶ Jet fuel expense estimated at MSEK 3700 for 2000 as a whole
- ▶ Income before taxes ex gains - around MSEK 1000



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