



Scandinavian Airlines System
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4th draft Stock Market Release

November 12, 2002

Target for SAS Group structural improvement measures – increased from MSEK 4 000 to MSEK 6 400

The SAS Group has previously announced two step improvement measures amounting to gross SEK 10,4 billion in total. These measures contains short-term measures of gross SEK 6,4 billion and structural measures of approximately SEK 4 billion. The implementation of the short-term measures started in 2001 and is implemented according to set out plan.

Summary measures short term in Scandinavian Airlines:

Revenue enhancements	MSEK 2 200 (Largely offset by higher insurance costs, security costs and pressure on yields)
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Cost reductions:	MSEK 2 400 (Implemented according to plan – effect on Jan-Sep 2002 result approx MSEK 1 000)
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Network reductions:	MSEK 500 (Implemented according to plan)
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Measures in other group companies MSEK 1 300 (Implemented according to plan)
(Primarily in Spanair, SAS Cargo, Scandinavian IT Group)

The total number of redundancies in Scandinavian Airlines from the short-term measures amounted to 3 500. As of September 30, approximately 1 100 full time employees have been reduced on a net basis. The remaining part has partly been handled through natural attrition, leave of absence and new businesses for Scandinavian Airlines and the remaining part will be handled during 2003.

These short-term measures were introduced in November 2001 to offset the adverse situation in the aftermath of September 11, 2001. In order to restore profitability structural measures was introduced early 2002.

During the past few months an extensive work has been carried out in Scandinavian Airlines in order to verify the measures, but also to find additional measures.

This work has now been completed and as a result, the previously announced measures amounting to SEK 4 billion have now been adjusted upwards to at total of MSEK 6 400 (gross EBT effect) in 2005. These measures include MSEK 1 600 in revenue enhancements and MSEK 4 800 in cost reduction measures.

Distribution of structural measures in business area Scandinavian Airlines:

- | | |
|-------------------------------|------------------------------------|
| • Production concept | MSEK 1 600 |
| • Commercial strategies | MSEK 1 200 (incl. 700 on revenues) |
| • Distribution & Sales | MSEK 1 300 (incl. 800 on revenues) |
| • Management & Administration | MSEK 1 200 |

Additional measures in business area Support Businesses

- | | |
|--------------------------------|----------|
| • Scandinavian Ground Services | MSEK 500 |
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- Scandinavian Technical Services MSEK 600

Total structural measures

6 400 MSEK

The new production concept was introduced as of October 26, 2002 with the winter traffic program and will be further improved in the summer 2003 program. The improvements include improved aircraft utilization rates (from 7,5 to 9 block hrs/aircraft), reduced turn around time by 5-10 min and generally improved productivity through "ping-pong" routing of aircraft. Pilot hours per annum in Scandinavian Airlines will increase from 490 to 600 hrs within 2004. Within the area commercial strategies, new configuration of aircraft with more seats will be introduced. Improved efficiency onboard and reduced ground has already been initiated. Within the distribution and sales area the number of call centers will be reduced from 43 to 13. Target for Internet sales is to increase from 1% today to 25% within 2004. The reduction within overhead, support and administration is carried out through reduced ambition levels, removal of activities and change of policies. Within Scandinavian Ground Services the main portion of the savings comes from reduced peak structure from new traffic system, increased automation on check in and generally increased efficiency.

The implementation of these measures has already been initiated and the net effect for EBT in 2003 is expected to be approx 3 000 MSEK. All measures will be implemented at the latest during 2004. The net effect in 2004 is expected to be MSEK 5 500 and full effect is expected in 2005. It is the management ambition that the short term and structural measures is to reduce unit cost in Scandinavian Airlines by 20%

Staff redundancies of 2 700 for structural measures within 2005

The implementation of the above measures will lead to staff redundancies of a total of 2 700 employees in addition to the redundancies announced in the short-term program. Of these redundancies 600 has been handled through natural attrition and voluntary solutions. 300 persons within administrative functions will be laid off during November. In addition 300 pilots was laid off as of November 1, 2002. Remaining redundancies will be handled gradually throughout 2003 and 2004 as improvement measures are implemented.

Surplus aircraft in Scandinavian Airlines due to capacity reductions and improved aircraft utilization

As a result of the capacity reductions in Scandinavian Airlines in 2001 and 2002 and improved aircraft utilization, the winter program employ a total of 153 aircraft (including reserves) compared with a total fleet of 199. 8 of this surplus, DC9-41 is already sold on sale & leaseback. In addition 4 Boeing 737-800 and 3 MD 80's are leased out. 13 of the surplus are fully depreciated Fokker 50 and Fokker 28's with limited market values. The remaining 18 aircraft including 3 Boeing 767 will be sold or leased out as soon as market conditions permits.



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It must be noted that in practical terms –no aircrafts are parked at this point and as a result the surpluses only lead to temporarily reduced aircraft utilization rates until the aircraft is sold or leased out.

Restructuring charges

As a result of the redundancies a restructuring charge of approx. MSEK 500 will be incurred in the 4th Quarter 2002. The restructuring charge will not affect the 3rd Quarter 2002 result. The restructuring charge is related to extended notice periods for redundancies of personnel.

SAS GROUP INVESTOR RELATIONS