



The SAS Group Annual Report 2001

& Summary of
Environmental Report

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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

Presenting the SAS Group

Since July 6, 2001, the SAS Group has had a single share through SAS AB, listed on the stock exchanges in Copenhagen, Oslo and Stockholm. The principal owners of SAS AB are the Danish, Norwegian and Swedish states.



Four business areas

The SAS Group has a consolidated operating revenue of SEK 51.4 billion and a total of 31,035 employees. The Group is divided into four business areas:

- **SAS Airline** comprises SAS's passenger transport services with its own aircraft and under its own brand. The business area includes the production company SAS Commuter as well as the independent business units Scandinavian Ground Services and Scandinavian Technical Services.
- **Subsidiary & Affiliated Airlines** comprises other airlines within the Group. The airline Braathens was acquired in 2001. Widerøe and Air Botnia were already SAS owned. In autumn 2001, an agreement was concluded to increase the holding in Spanair from 49% to 74%. The agreement is currently being examined by the EU Commission. Affiliated companies include Skyways, Cimber Air, British Midland, airBaltic and Grønlandsfly.
- **Airline Related Businesses** includes SAS Cargo, Jetpak, SMART, SAS Trading, SAS Hosting and SAS Media – all of which make most of their sales to external customers. The business area also includes SAS Flight Academy and SAS Flight Support, which sell services to internal and external airlines, as well as Scandinavian IT Group which has most of its customers within the SAS Group.
- **Rezidor SAS Hospitality** is the SAS Group's hotel business and works with two hotel chains, Radisson SAS Hotels & Resorts and Malmaison.



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Summary of 2001



- **Positive market development** in the first quarter was followed by gradually weakening demand. After September 11, demand fell sharply. Some recovery in traffic occurred towards year-end.
- **The SAS Group's operating revenue** increased by MSEK 3,893, or 8.2%, from MSEK 47,540 to MSEK 51,433, of which MSEK 937 was higher passenger revenue.
- **Earnings before depreciation, EBITDA**, amounted to MSEK 743 (3,710). The gross profit margin fell from 7.8% to 1.4%. Depreciation increased by MSEK 251 mainly due to investment in aircraft. The Group's capital gains from the sale of aircraft and buildings amounted to MSEK 673 (490). Income before tax amounted to MSEK -1,140 (2,829).
- **The SAS Group's investments** including prepayments amounted to MSEK 11,374 (9,911) for the year.
- **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.
- **Efforts to adapt operations** to the lower demand affected the SAS Group 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 also been taken to raise revenues by MSEK 2,200 on an annual basis.
- **Rezidor SAS Hospitality** opened and/or rebranded ten hotels during the year. Like the airline industry, the hotel industry was hard hit by the economic downturn and the events in September 2001. Revenues for the full year amounted to MSEK 3,510 (3,122).
- **Earnings per share** for the full year 2001 for the SAS Group amounted to SEK -6.58 (12.98) and equity per share amounted to SEK 96.06 (106.50).
- **A groupwide sustainability policy** was drafted in 2001. This was approved by Group Management in February 2002 and will be introduced throughout the Group in the coming year.

Financial key data

	Business areas**									
	The SAS Group		SAS Airline		Subsidiary & Affiliated Airlines*		Airline Related Businesses		Rezidor SAS Hospitality	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
Operating revenue, MSEK	51,433	47,540	41,166	39,233	3,123	2,568	8,148	5,788	3,510	3,122
EBITDAR, MSEK	3,168	5,608	1,802	4,308	510	376	-	-	-	-
EBITDAR margin, %	6.2	11.8	4.4	11.0	16.3	14.6	-	-	-	-
EBITDA, MSEK	743	3,710	-430	2,529	317	257	602	519	310	441
EBITDA margin, %	1.4	7.8	-1.0	6.4	10.2	10.0	7.4	9.0	8.8	14.1
CFROI, %	8	17	5	12	-	-	-	-	-	-
Income before tax, MSEK	-1,140	2,829	-1,499	1,951	7	106	160	180	208	583
Investments, MSEK	11,374	9,911	10,227	9,093	429	129	542	381	176	308
Number of aircraft	275	-	200	203	75	-	-	-	-	-
Number of daily departures (average)	1,221	1,258	915	938	306	320	-	-	-	-
Number of destinations	128	-	94	92	51	52	-	-	-	-
Average number of employees	31,035	30,943	22,364	23,777	1,530	1,495	4,038	2,540	3,103	3,131
CO ₂ 000 tonnes	-	-	4,110	4,095	-	-	-	-	0.006	-

* *Spanair is consolidated according to the equity method with 49%. Braathens' results are not consolidated in the SAS Group in 2001. Braathens is included in the SAS Group's consolidated balance sheet at December 31, 2001.*

** *Before Group eliminations.*

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 benefits.

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.

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. SAS Airline reduced capacity by 12% corresponding to 16 aircraft.
- The first of eleven new, larger aircraft for intercontinental traffic, an Airbus A340-300 with a high environmental performance, was delivered.

Fourth quarter 2001

- The Norwegian Competition Authority approved the SAS Group's 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.

After January 1, 2002

- SAS Airline's cooperation agreement with Skyways was approved by the Swedish Competition Authority.
- The intercontinental route to Delhi was suspended on February 1, due to weak passenger development.
- The SAS Group implemented earnings improvement activities totaling MSEK 6,400.

SAS shares (local currency)*

	SAS AB (average SEK)		SAS AB (listed in Copenhagen)		SAS AB (listed in Oslo)		SAS AB (listed in Stockholm)	
	2001	2000	2001	2000	2001	2000	2001	2000
Currency	SEK	SEK	DKK	DKK	NOK	NOK	SEK	SEK
Earnings per share	-6.58	12.98	-5.30	11.5	-5.72	12.5	-6.58	13.0
Market price at year-end	68.9	94.8	53.0	81.5	57.5	93.5	68.0	90.0
Dividend (2001 proposed)	0.0	4.5	0.0	3.8	0.0	4.2	0.0	4.5
Dividend yield, average price, %	0.0	5.7	0.0	5.1	0.0	5.3	0.0	6.1

* SAS AB was listed in Copenhagen, Oslo and Stockholm on July 6. The share price trend prior to July 6 pertains to the previously listed parent companies, SAS Danmark A/S, SAS Norge ASA and SAS Sverige AB.

Targets

	Targets		Result					
	2001		2001	2000	1999	1998	1997	1996
SAS Airline, Customer Satisfaction Index, CSI	75		70	72	74	70	70	65
SAS Airline, Personnel Index, PULS	2.25		2.22	2.19	2.13	2.06	-	-
SAS Airline, Environmental Index	85		80	82	88	96	97	100
Rezidor SAS Hospitality, Repeat-purchase rate, %	94		88	94	94	98	93	93

President's comments



2001 was a disastrous year for the airline business. Never before have industry conditions changed so fast and so fundamentally for the worse. The total losses in the airline industry were enormous and tens of thousands of employees have lost their jobs as airlines struggle to survive the crisis. For the SAS Group the year ended with a loss before capital gains of almost SEK 1.8 billion, the worst result in the company's history. Within the Group rationalization programs are now under way designed to restore profitability. Unfortunately, these activities also mean that many loyal and competent employees are being forced to leave SAS. The full extent of the 2001 collapse in the airline industry is difficult to visualize. There is every indication, however, that the weakened financial situation which resulted from developments and events in 2001 will lead to consolidation within the airline industry.

Behind the crisis in 2001 lies a sharp economic downturn as well as extraordinary and totally unpredictable events entirely outside the control of society or the business community.

The year started well for the SAS Group with a strong first-quarter result. The renewal of the aircraft fleet had started and the Airbus A340s and Airbus A321s were intended, among other things, to increase capacity and give SAS Airline one of the most modern and eco-compliant fleets in the world. This involved the largest investment program ever. The times were characterized by powerful optimism. This positive trend was soon to be replaced by the opposite extreme.

Economic slowdown and impact of the crisis

The airline industry is sensitive to changes in socioeconomic development. The industry was therefore soon

affected by a clear economic slowdown in summer 2001. On September 11 came the atrocious terrorist attacks in the U.S. Economic instability was now welded to political and social unease as well as reduced confidence in air transport as a safe means of travel. The result was a dramatic fall in demand. The SAS Group, like the rest of the industry, was forced to quickly adapt capacity to these lower levels. In two stages, we decided to close a number of destinations, reduce frequencies and take a total of 21 aircraft out of production.

The very negative traffic trend, changed travel patterns including fewer travelers in the traditional business class, and a new competitive scenario, further accentuated the need to address both cost structure and earnings capacity in the airline operations.

Strong earnings improvement activities

The earnings improvement activities, which were presented in November 2001, therefore include measures designed both to boost revenues and reduce costs. The changes we will achieve thus encompass everything from products and production to marketing, distribution and Group administration. Although these changes are expected to lead to some 3,500 full-time equivalent redundancies in the Group, we reckon that the SAS Group's employees today are highly aware that we must renew both our offering to customers and our working methods. Taken overall, we expect that a full earnings improvement effect of over SEK 6 billion can be achieved before the end of 2003. It is important to point out that the development we are planning represents an aggressive and expansive strategy. It is not a matter of getting SAS out of the crisis by saving, but of using our resources, quality and competence in a way that makes us one of the winners in the European airline industry of the future.

Milan disaster

On October 8, 2001, what must not happen happened; the incomprehensible tragedy when flight SK686 from Milan to Copenhagen crashed and 118 people died. Our thoughts still go out to the relatives, friends and workmates of those who perished. The despair and powerlessness felt by all of us in the SAS Group is indescribable, but sadness over what occurred will remain with the Group for a long time.

EU Commission's treatment of the Maersk cooperation

One event which attracted considerable negative attention to the SAS Group was the discovery of an unlawful division of the market between the SAS Group and Maersk Air. This illegal agreement, which lay outside the cooperation

between the two companies notified to the EU in 1998, resulted in the Commission imposing heavy fines, in the person responsible for the arrangement leaving the Group, and in SAS's Board deciding to resign. An appeal has been lodged against the size of the fine. In order to guard ourselves as far as possible against any recurrence and place a strong focus on competition rules, we have organized ourselves in a more suitable way and implemented a Competition Law Compliance Programme.

A single SAS share

However, 2001 did not only contain events of a negative nature. The introduction of a single SAS share, in place of the previous three, was a highly positive occurrence. This represents an important step towards better comparability with other airlines, greater liquidity in the shares and consequently greater interest from analysts and investors. A single share also makes it easier to invite our employees to become part-owners in the company as earnings improve. I am convinced that this would increase the feeling of participation and inspire people to even greater professionalism and even better cooperation towards achievement of our common goals.

Strategic acquisitions

During the year we also strengthened our positions through strategic acquisitions. This applies in particular to the purchase of Braathens which from 2002 is a vital part of our home market strategy. Braathens has quickly and creditably adapted its operations to present demand. Our key task now is to exploit the synergies of this coordination wisely, to safeguard the company's valuable qualities, and at the same time create an effective infrastructure which meets the demands of travelers to, from and within Norway.

The acquisition of the majority shareholding in Spanair, which is currently being examined by the EU Commission, fulfills both strategic and financial objectives. The intended increase in our stake from 49% to 74% of the company will give us control over its development while defending the investment in the company which we made in 1986. Spanair is a highly cost effective company and the SAS Group is now actively ensuring that Spanair concentrates its resources in order to be even more competitive in its home market and in the European market, while the inter-continental routes will be withdrawn in 2002.

New Group structure

My comments on 2001 have for natural reasons primarily related to airline operations within SAS Airline. This is explained by its dominance, both in terms of its impact on operating revenue and earnings in the Group and because in 2001 SAS Airline was exposed to exceptional circumstances.

The SAS Group is, however, made up of much more than SAS Airline. Prioritized activities during the year

included the creation of a new logical structure in the Group which contributes to better governance of the Group while supporting a high degree of independence and professionalism. This also facilitates analyses and valuations of the SAS Group. Operating activities are therefore now divided into four business areas. Apart from SAS Airline we find, in the first place, the Group's other wholly and partly owned airlines. This part of the SAS Group is showing profitable development. As consolidation of the European airline industry continues, this business area may grow. A third area is airline-related businesses. These have, or can have, a growing customer list aside from the Group's own airline operations and thus become more exposed to competition.

Expansion in the hotel business

The fourth area is the hotel business, Rezidor SAS Hospitality. These operations were also adversely affected by the negative business climate in 2001, which is reflected in lower earnings. All in all, however, the SAS Group's hotel business is a highly successful operation which is showing positive development and has proved well equipped to meet the powerful expansion which has been carried out and will continue.

Major challenges in the industry

The crisis in the airline industry is going to produce winners and losers. The falling profitability will force through efficiency enhancement measures, more modern products and a structure in which synergies and economies of scale can be exploited. In Europe, it is highly probable that the number of airlines will be reduced.

The SAS Group intends not only to survive but to be among the winners, after the difficult times we are now experiencing. One proviso is that we can implement the necessary changes in SAS Airline in the year ahead. In my many meetings with SAS employees I have felt that most of them have the motivation to make this happen. But change will require concessions and sacrifices and we will be forced to abandon many deep-rooted routines in order to find better working methods. We must also be highly sensitive to the demands and expectations of the market when we develop our new products and services.

I would very much like to thank our employees for their excellent contribution during a very difficult and stressful year. Sometimes the toughest conditions and considerable strain inspire the greatest achievements. That was what occurred in autumn 2001. The present year will also demand extraordinary strength. A strength that I know is to be found in the SAS Group.

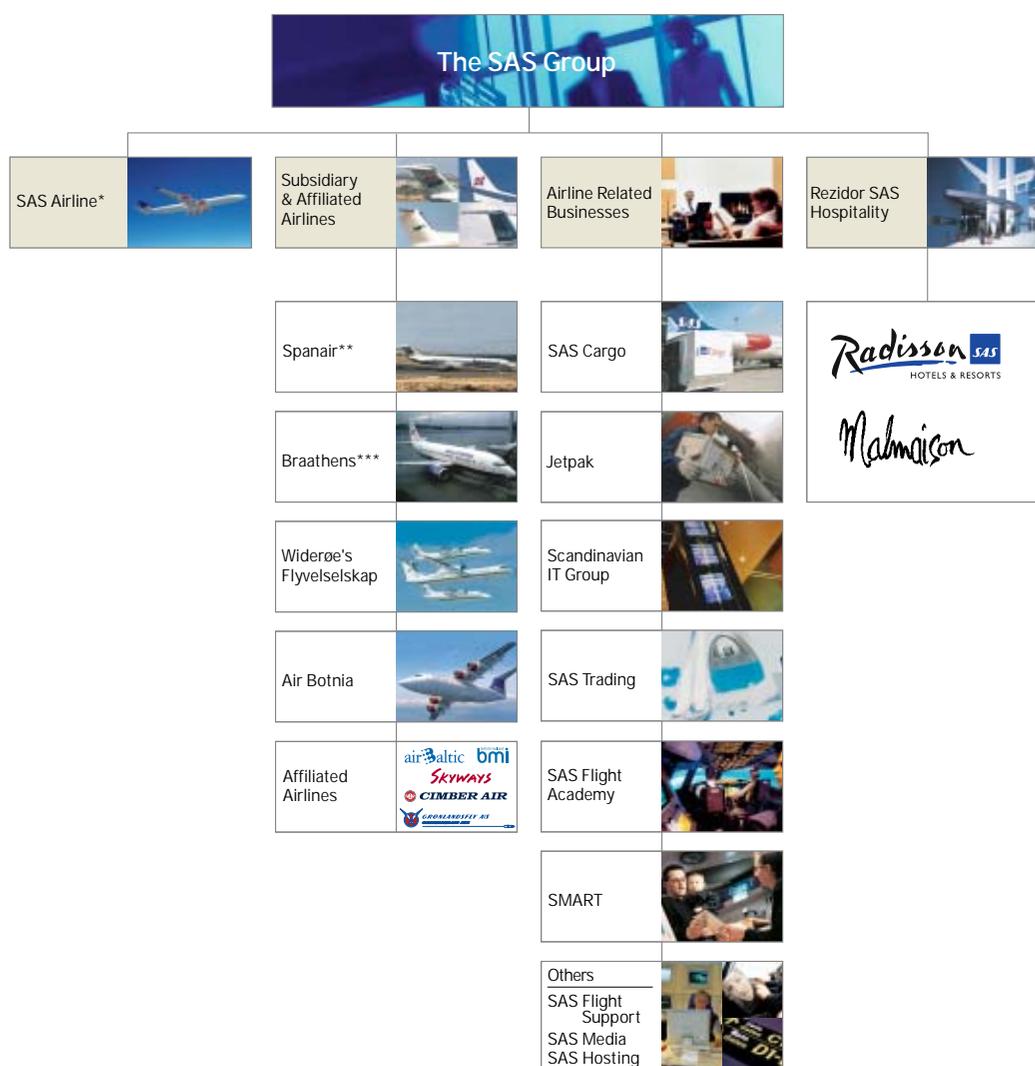
Stockholm, February 2002



Jørgen Lindegaard
President and CEO

The SAS Group's new structure

In 2001, the SAS Group completed the acquisition of Braathens and concluded an agreement to increase its holding in Spanair. One consequence of this is that starting in the fourth quarter of 2001, the SAS Group reports on its operations in four business areas. The new structure is intended to more clearly account for the operations of the entire group, thus making the large number of businesses and values in the SAS Group more transparent. In terms of operating revenue SAS Airline is the largest business area. SAS Airline accounted for 74% of the Group's operating revenue in 2001. In 2002, SAS Airline's share of consolidated operating revenue will be 55-60%, Subsidiary & Affiliated Airlines will amount to approximately 25%, Airline Related Businesses 10-12%, and Rezidor SAS Hospitality 5-10% depending on the rate of expansion.



* Includes the SAS Consortium, excluding SAS Trading, and the SAS Commuter Consortium which is a production company and consolidated in SAS Airline.

** Spanair is consolidated according to the equity method with 49%.

*** Braathens' results were not consolidated in the SAS Group in 2001. Braathens is included in the SAS Group's consolidated balance sheet at December 31, 2001.

The SAS Group's markets

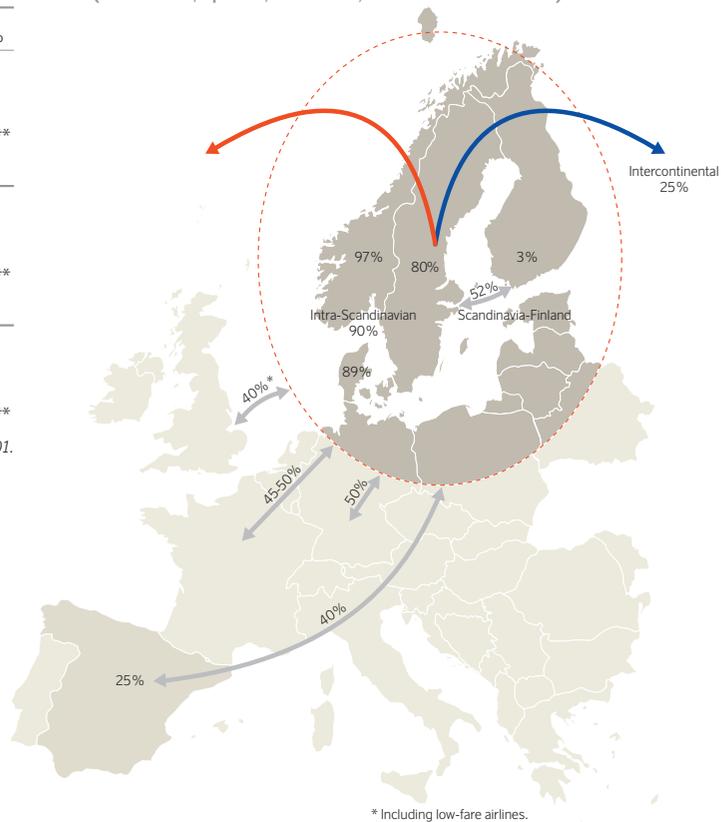
SAS Airline, with the acquisition of Braathens and the planned increase in its holding in Spanair, has strengthened its market position. In total, all the airlines in the SAS Group transported more than 36 million passengers in 2001. Competition for passengers in the international market is very intense. Ahead of the expected consolidation of the airline industry, it is important for the SAS Group and for other airlines to have a strong position in the home market in order to meet international competition. Compared with established airlines, SAS Airline has increased its market share in the key international markets. Despite the large decline in Business Class travel, the company has also strengthened its market share in this segment.

The SAS Group's total traffic and capacity development in 2001, pro forma*

Total the SAS Group	2001	Change %
Number of passengers (million)	36,049	-0.3
RPK (million)	32,171	+2.9
ASK (million)	51,644	+5.9
Cabin factor, scheduled (%)	62.3%	-1.9 **
SAS Airline		
Number of passengers (million)	23,063	-0.8
RPK (million)	22,956	+1.4
ASK (million)	35,521	+5.1
Cabin factor, scheduled (%)	64.6%	-2.4 **
Subsidiary & Affiliated Airlines		
Number of passengers (million)	12,986	+0.4
RPK (million)	9,215	+6.9
ASK (million)	16,123	+7.8
Cabin factor, scheduled (%)	57.1%	-0.5 **

* Includes Spanair and Braathens - not consolidated in 2001.
 ** Change in percentage points.
 Definitions and concepts, see page 116.

Market shares for the SAS Group's airlines (SAS Airline, Spanair, Braathens, Widerøe and Air Botnia)



Rezidor SAS Hospitality

Rezidor SAS Hospitality will become one of Europe's leading companies in hospitality management. The company has expanded considerably in recent years and now operates in 38 countries and had 160 hotels at the end of 2001. Today, Rezidor SAS Hospitality also has a strong position in the Baltic States as well as in Switzerland and the Benelux countries.

In 2001 hotels were added in markets such as France, Germany, Poland, the U.K. and Ireland. Rezidor SAS Hospitality is now in an expansive phase in these markets and the goal is to further increase market shares.

Rezidor SAS Hospitality's present and future markets

- Strong position
- Expansion phase
- Weak position
- Position on a par with industry



The SAS Group's business concept, mission, objectives and values

Business concept and mission

The SAS Group's key task is to offer air travel with a base in its home market in Northern Europe.

The SAS Group will also engage in airline related businesses provided such involvement increases the market value of the SAS Group.

Rezidor SAS Hospitality aims to be one of Europe's leading companies within hospitality management.

Objectives

The airline industry is facing continued deregulation with subsequent consolidation and restructuring. In order to remain neutral and independent in this changed scenario, a substantially increased market capitalization is required. This will be achieved through strong growth and good profitability. The SAS Group's targets over the next five years are

- to achieve minimum CFROI of 17% per year on average
- to raise operating revenue by an average of 14% per year with 2000 as the base year.

Target for shareholder value

The SAS Group's financial objective is to create value for its shareholders.

The capital market perspective governs the operation and development of the companies. Every subsidiary must be operated as if it was a publicly owned corporation although subject to the commitments of being part of the SAS Group and taking advantage of the opportunities that this creates.

The capital market perspective governs in conjunction with:

- incorporation
- long-term development
- divestment of companies or their operations.

Total shareholder return target

The target for shareholder return is a minimum annual total return (TSR) of 14% over a business cycle. The return target refers to the sum of share price appreciation and dividends. This return requirement has been translated to an internal financial target, CFROI.

The SAS Group's return concept

CFROI is the SAS Group's main return concept since this key indicator best shows the return generated by operations in relation to the actual capital investment. This return measure reflects the EV/EBITDAR multiple which is internationally regarded as the most important value indicator for an airline and which is used by the majority of analysts in the airline industry. The SAS Group's aim is to receive a market valuation which is at least on a par with the industry average.

The airline related businesses and hotel business should have a return requirement corresponding to relevant indicators for those industries.

Values in the Group

The SAS Group's goal is to be a company characterized by employees who:

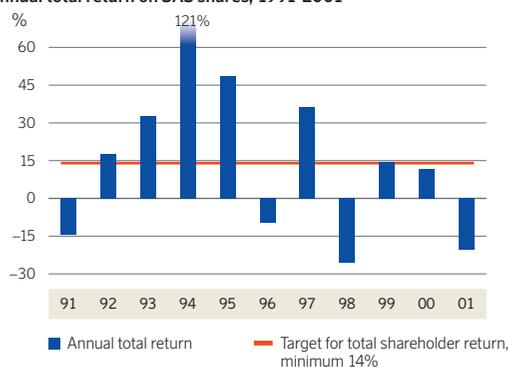
- care, can be trusted, are progressive and professional.

Development of CFROI, 1990-2001



The SAS Group's return requirement is set at a minimum of 17% as an average over a business cycle, where average capital allocation for replacement of the aircraft fleet is taken into account. The period 1990-1993 was characterized by the Gulf War and recession. The SAS Group's return was considerably below the minimum requirement during that period. In 1994-1998 the SAS Group enjoyed good profitability and return exceeded the 17% minimum requirement by a wide margin. In the last three years return has fallen below the SAS Group's 17% minimum requirement and was approximately 8% in 2001.

Annual total return on SAS shares, 1991-2001



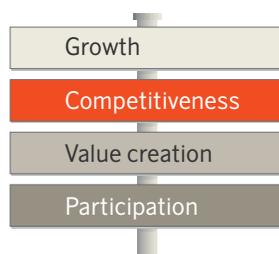
At the beginning of the period 1991-1994, return on SAS shares was affected by recession and the crisis in the airline industry. Towards the end of the period significant cost savings and economic recovery were reflected in the share price and return rose to 121% in 1994. The average annual effective return in 1991-2001 was 12.3%.

The SAS Group's strategies

Main strategic focus

The strategies for the Group's long-term development can only be implemented if SAS Airline and the other airlines in the SAS Group can pull through the present deep crisis in the industry. The primary task for 2002 is therefore implementation of earnings improvement activities which will ensure survival and provide opportunities for future competitiveness and development.

The SAS Group's main strategic focus is summarized under four main headings:



Growth

The SAS Group comprises several airlines which aim to cooperate in an effective traffic system together with partners and alliances. SAS Airline is the largest carrier and the base of the air transport operations. The SAS Group's airlines plan to expand in a profitable way and capture market shares.

Growth will be achieved in all the Group's units through a combination of organic growth and acquisitions.

Competitiveness

The SAS Group includes a number of operations whose customer base comprises SAS Airline and the other airlines in the Group. Every such operation must be competitive in its sector and have a competitive price structure. This requires ongoing efficiency enhancement and use of new technology as well as having agreements and terms on a par with the competition. Operations must also exploit their competitiveness and raise revenues from external customers.

Value creation

The SAS Group endeavors to achieve a stock market valuation which is on a level with the world's leading airlines relative to earnings capacity.

Communication with the stock market must be open, accurate, relevant and timely. Better sector information and clear communication regarding future expectations must also characterize the provision of information.

Participation

Internal communication and leadership must be characterized by openness.

There must be clear goals and remuneration structures linked to earnings development. Employees should feel that they are participating in the development of their business and that there is a personal incentive for this. Awareness creates involvement and supports a culture where it is important to be among the industry winners and thus survive in the long term, rather than cementing the present structure, conditions and working methods.

Financial strategy

Financial flexibility is maintained through high liquidity, good access to funding and an active dialog with the capital market.

The purpose of finance operations is to identify and manage financial risks, relating to currency, interest rates and credits.

The aircraft fleet is regarded and managed as a financial asset. An optimization of financing of the fleet is achieved based on requirements for operating efficiency, tax, financing costs, tied-up capital and market value.

Sustainability policy

In order to contribute to sustainable development, SAS Group employees must take the Group's economic development into account in their daily work as well as its environmental and social impact.

For the SAS Group sustainable development means a parallel focus on financial growth, environmental improvements and social responsibility. The Group's task, based on its core values, is to create long-term growth in value for its shareholders. This requires making environmental and social responsibility as well as respect for cultural diversity an integrated part of business activities.

In order to ensure that the SAS Group's policy to contribute to sustainable development permeates the entire organization at all levels, each unit will develop relevant goals and strategies in line with this policy.

The SAS Group's brands



Today, SAS has one of the best known and valuable brands in Scandinavia. It has been built up over many years and is now linked to the Corporate Identity established in 1998.

In line with the SAS Group's strategic key directions, the Group will streamline the brand structure in the future.

The SAS Group and SAS Airline are the primary carriers of identity. Furthermore, SAS Airline has strong links to the "It's Scandinavian" positioning.

New brand structure

Core values

Work has started to determine a structure for how the SAS Group uses brands. Businesses that will operate under the SAS brand must follow the SAS Corporate Identity Policy and basic values.

The dramatic events of autumn 2001 show the importance of a strong brand. A survey conducted at the end of 2001 showed that SAS's customers regarded the airline's image as twice as important as they did one year ago. According to customers, image is the most important factor when choosing an airline.

Strong brands create preference and loyalty and sell again and again.

The core values which the SAS brand represents are: reliable, professional, progressive (i.e. modern and innovative) and considerate. It is on these pillars that the SAS Group builds its brand.

The positioning of the SAS brand is regularly monitored and adjusted. A survey of the SAS Group's positioning will be conducted in 2002.

The next stage will be to establish the value of the SAS brand.

Value creation

The goal for the build-up of the SAS brand is to improve earnings relative to the competitive situation. Successfully implemented this enhances the brand's value and

supports the growth of the business. The goal is that the build-up of the brand in the SAS Group will ensure clarity and strengthen preferences and loyalty among customers and other stakeholders, create pride among employees, promote creativity, reveal values and support the SAS Group's management philosophy. This means the brand will give the business positive support while representing the SAS Group as a reliable and environmentally responsible partner.

Brand-building in the SAS Group will be streamlined in future and comprise the following components: Corporate brand, Master brand, Master brand + descriptor, Combined brands, Brand endorsements and Separate brands. (See example below.)

Brand protection

With the aim of ensuring protection for the brands developed and utilized by the SAS Group, these are duly registered in the most important markets. Furthermore, the names SAS and Scandinavian Airlines System are protected as commercial and company names in Scandinavia through registration of various companies. In its work on registration, renewal and monitoring its brands, the SAS Group cooperates with leading brand protection companies.

Sponsoring

The SAS Group's sponsoring involvement is long term (cultural, sporting and "good citizen" activities).

Sporting activities include the SAS Invitational golf tournament and sponsoring of the djuice and Assa Abloy sailing boats in the Volvo Ocean Race. The SAS Group has also become a sponsor of the Danish football league – now known as "the SAS League."

Cooperation with the Save the Children organization in Scandinavia continues. The SAS Group also cooperates with the Bellona environmental organization and supports the World Wide Fund for Nature WWF as a company sponsor.

Examples of brand structure

Corporate brand	Master brand + positioning	Master brand + descriptor	Combined brands	Brand endorsements	Separate brands
The SAS Group	SAS Airline	SAS Commuter SAS Flight Academy	Radisson SAS	Member of the SAS Group Well connected with SAS	Spanair, Braathens, Widerøe, Jetpak
	It's Scandinavian	SAS Flight Academy		Member of the SAS Group Well connected with SAS	

Capital market



Introduction of a single share
Share data
Key data per share 1997-2001
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Financing and creditworthiness
Financial risk management
The SAS Group's strategies for increased competitiveness



Introduction of a single share

SAS AB

On May 8, 2001, SAS AB made three parallel, public offers to the shareholders of SAS Danmark A/S, SAS Norge ASA and SAS Sverige AB to exchange their shares for the same number of newly issued shares in SAS AB. As of June 28, the offers had been accepted by shareholders representing more than 90% of the shares in each company. On July 6, SAS AB was listed in Stockholm and on the stock exchanges in Copenhagen and Oslo.

The main purpose of this new structure is to obtain better access to the capital market. A single share of one class is easier to analyze and provides preconditions for more efficient pricing and higher liquidity. The single share provides greater opportunities to participate in structural deals, introduce incentive programs, and achieve a more efficient decision-making structure.

In the period July 6 - December 31, 2001, the liquidity of the shares increased significantly, particularly in Stockholm. In general, there has been greater interest in the shares. From a capital market perspective, the introduction of a single share has been good for the SAS Group.

Circumstances specific to civil aviation

Civil aviation operations are subject to extensive regulation. The right to conduct international civil aviation involves specific demands on ownership and control of airlines according to bilateral civil aviation agreements. The airlines to which a state gives such a right must essentially be owned and effectively controlled by the state and/or its citizens. This rule does not apply to airlines which only conduct services within the European Economic Area (EEA). Such companies, however, must be majority owned and effectively controlled by EEA states and/or their citizens.

To avoid the risk of losing these rights, the Articles of Association for SAS AB contain a provision that gives the company the right to redeem shares held by non-Scandinavian shareholders or shareholders who are not citizens of a Scandinavian country if such a shareholding constitutes a "direct threat" to SAS's civil aviation rights. If redemption is impossible or insufficient, a general meeting can also approve new subscription of debenture shares supported by issued stock options. Similar rules exist among other European airlines and are designed to protect existing shareholders in these companies from the companies losing their civil aviation rights.

The new share structure and the four business areas

A simplified share structure with a single share and more transparent sector information divided into four business areas gives greater clarity in the capital market.



* At year-end 2001 the Danish State's holding was 14.5%, the Norwegian State 14.5%, and the Swedish State 21.8%, based on the number of shares outstanding at year-end, 161.8 million. The intention in 2002 is to increase the number of shares to 164.5 million when the above ownership structure will apply.

History of the share structure

SAS has a long stock exchange history stretching back to 1920 when Det Danske Luftfartselskab A/S was listed on the Copenhagen Stock Exchange. After the formation of the SAS Consortium in 1951, the Consortium's two other owner companies were successively listed separately on their respective exchanges in Oslo and Stockholm.



- 1918 Det Danske Luftfartselskab A/S ("DDL"), SAS's Danish parent company, founded.
- 1920 DDL listed on the Copenhagen Stock Exchange.
- 1924 AB Aerotransport ("ABA"), SAS's Swedish parent company, founded.
- 1927 Det Norske Luftfartselskap A/S ("DNL"), SAS's Norwegian parent company, founded.
- 1943 Svensk Interkontinental Lufttrafik AB ("SILA"), founded.
- 1951 ABA, DDL and DNL formed the present SAS Consortium.
- 1955 SILA (which owned 50% of ABA) was listed on the "Stockbrokers list" in Sweden.
- 1967 DNL listed on the Oslo Stock Exchange.
- 1980 SILA listed on the Stockholm Stock Exchange.
- 1996 Harmonization and change of name for SAS's parent companies to SAS Danmark A/S, SAS Norge ASA and SAS Sverige AB.
- 2001 SAS AB listed on July 6 on the stock exchanges in Stockholm, Copenhagen and Oslo. The former parent companies were delisted.

Share data

SAS share performance in 2001

SAS's share price performance, in common with that of other European airlines, was negative during the year. In 2001, market value fell 28.5% compared with a 12.6% rise in 2000. SAS shares performed 6.8 percentage points better than the seven largest listed European airlines. (See diagram, right.)

SAS's total market capitalization decreased from MSEK 15,599 to MSEK 11,147 at year-end. Average market capitalization in 2001 was MSEK 14,515. In the latter part of 2001 the share price trend was mainly affected by three factors: the global economic downturn, SAS-specific events, and the effects of the terrorist attacks on September 11. The end of the year was positive when expectations of a recovery rose and fuel prices fell.

Performance of SAS shares compared with the industry, 2001



In 2001, SAS shares had the third best price performance among the most traded airline shares. SAS's share price fell 28.5% which is 6.8 percentage points less than the average price trend for comparable competitors. (Index: Alitalia, Air France, British Airways, Finnair, KLM, Lufthansa, Ryanair, SAS.)

Source: SIX and SAS

Total market capitalization trend for SAS in 2001



In 2001, SAS's total market capitalization fell 28.5% to MSEK 11,147.

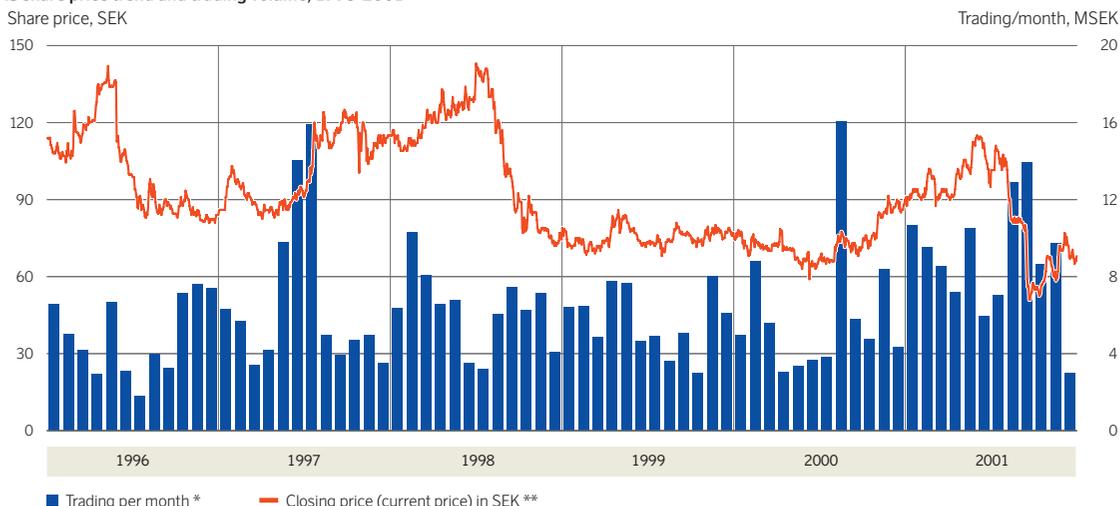
Source: SIX and SAS

Industry-wide share price trend 2001

The price trend for European airlines' shares was stable in the first half of 2001, although the market was characterized by uncertainty about economic development, particularly in the U.S. Share price performance in the second half was highly negative as an effect of the terrorist attacks in the U.S. and the worsening business climate.

Initially, the terrorist attacks led to substantial overcapacity in the market. Strong action, including capacity reductions made in autumn 2001, provided a better balance between supply and demand.

SAS share price trend and trading volume, 1996-2001

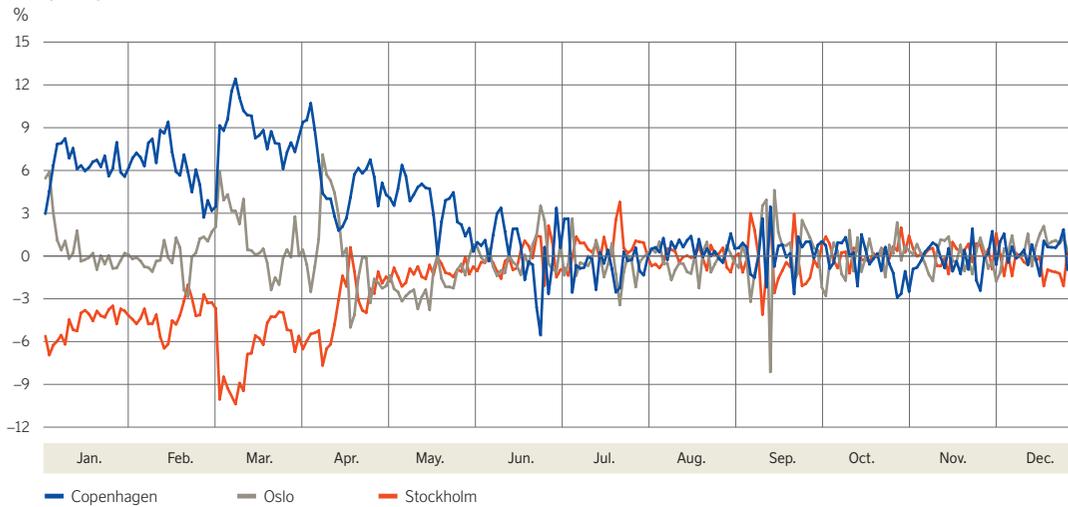


* Trading pertains to total trading on the stock exchanges in Copenhagen, Oslo and Stockholm and prior to July 6, 2001, for the former parent companies SAS Danmark A/S, SAS Norge ASA and SAS Sverige AB and subsequently applies to SAS AB.

** Prior to July 6, 2001, the share price trend pertains to the former listed parent company SAS Sverige AB. Subsequently the price trend relates to SAS AB on the Stockholm Stock Exchange.

Source: SIX and SAS

Relative pricing of SAS shares in 2001



The graph shows deviations from a mathematical parity price adjusted for currency for the three different SAS shares until June 28, 2001. During the period prices fluctuated between the extreme values 12.4% and -10.4%. After the listing of SAS AB, the difference decreased significantly and was between 4.6% and -8.1%. The largest deviations after the listing of SAS AB were noted in connection with the major uncertainty directly after September 11.

Source: SIX and SAS

In the last three months, share prices in the airline industry recovered somewhat for the reasons outlined above. The falling fuel prices were also positive for the industry in late autumn 2001.

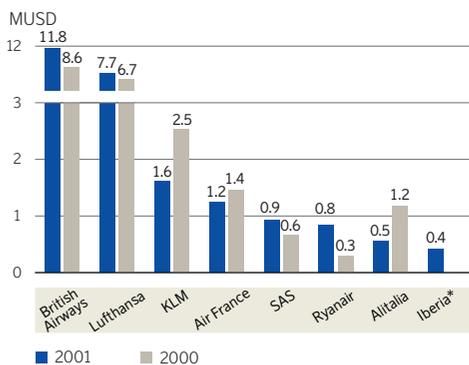
Trading in SAS shares

In conjunction with the listing of SAS AB, the SAS Group set a target to be the third most traded airline on the European stock exchanges. A total of 107.5 million (72.5) SAS shares were traded on the three Scandinavian stock exchanges in 2001, an increase of 48.4% compared with 2000. Trading in SEK totaled MSEK 9,554 in 2001, which corresponds to MUSD 932 based on daily prices in 2001. This made SAS the fifth most traded airline share in Europe.

Trading in SAS shares corresponds to a trading volume of 65% (44%) of the total number of outstanding shares (calculated on 164.5 million shares). Adjusted for the three states' 50% participation in SAS, this corresponds to a total trading volume of 131% (88%).

Trading measured in number of shares rose on all stock exchanges in 2001 and was distributed as follows: 35.5 million (35.0) in Copenhagen, 32.9 million (20.1) in Oslo and 39.1 million (17.5) in Stockholm. The increase on the Stockholm Stock Exchange (Stockholmsbörsen) corresponds to 125% in number of shares traded and should be seen in the perspective that total trading in 2001 fell 10% on Stockholmsbörsen.

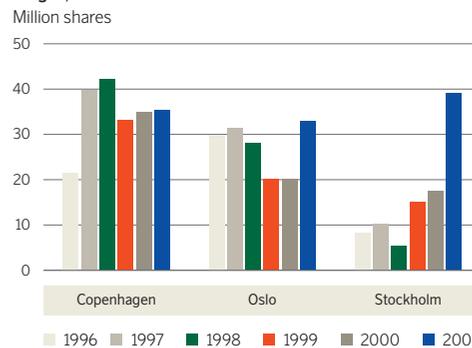
The eight most traded airline shares in Europe, 2001



SAS shares were the fifth most traded airline shares in Europe in 2001. SAS's goal is to be the third most traded airline.
* Iberia, pertains to trading since April 3, 2001.

Source: Factset

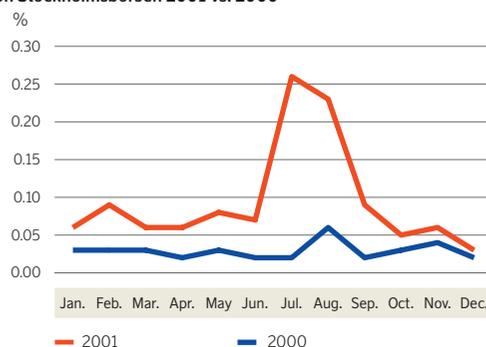
Breakdown of total number of shares traded on the three stock exchanges, 1996-2001



In 2001 trading increased compared with 2000 by 2% in Copenhagen, 64% in Oslo and 125% in Stockholm.

Source: SIX

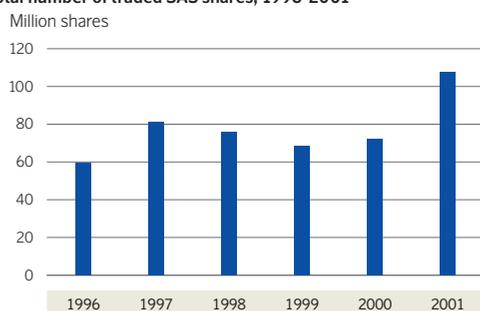
Share of total trading measured in Swedish kronor of SAS shares on Stockholmsbörsen 2001 vs. 2000



Despite a fall in trading on Stockholmsbörsen, trading in SAS shares rose. The graph shows SAS's trading share on Stockholmsbörsen in 2000-2001. The largest trading share was noted in the summer in conjunction with the listing of SAS AB. An increase in trading share could be noted throughout the 2001 calendar year. This corresponded to an average increase of 3-4 times compared with the previous year.

Source: Stockholmsbörsen and SAS

Total number of traded SAS shares, 1996-2001



Trading in SAS shares rose by a total of 48.4% in 2001 compared with 2000.

Source: SIX

Shareholders

At year-end 2001, the number of shareholders in SAS AB amounted to 19,523. In the second half of 2001 alone, the number of shareholders increased by approximately 4,000. The principal owners of the SAS Group are the Scandinavian states. The largest private shareholders are the Wallenberg foundations, Odin Fondene, Alecta Pensionsförsäkring and Folketrygdfondet. Institutional shareholders represented a total of approximately 40-45% of total ownership in SAS AB.

The proportion of shareholders outside Scandinavia is approximately 8% of share capital and voting rights. Ownership outside the EEA area amounts to approximately 4% of share capital.

Change in share capital*

Month/year	Event	Number of new shares	Total number of shares	Par value/share, SEK	Nom. share capital
05/2001	Company registration	50,000	50,000	10	500,000
07/2001	Non-cash issue	155,272,395	155,322,395	10	1,553,223,950
08/2001	Non-cash issue	6,494,001	161,816,396	10	1,618,163,960

* In 2002, SAS intends to increase the number of shares from 161.8 million to 164.5 million (164.5 million was the total number of shares before the introduction of the single share.)

15 largest shareholders in SAS AB

December 31, 2001	Number of shares	Holding, %
Swedish State	35,250,000	21.4
Danish State	23,500,000	14.3
Norwegian State	23,500,000	14.3
Wallenberg foundations	13,155,980	8.0
Odin Fondene	4,628,250	2.8
Alecta Pensionsförsäkring	4,521,997	2.7
Folketrygdfondet	4,500,000	2.7
Chase Manhattan	3,761,519	2.3
Bankers Trust	3,080,255	1.9
National Bank of Denmark	2,289,294	1.4
Handelsbanken mutual funds	1,587,470	1.0
The Swedish Trade Union Confederation	1,305,500	0.8
Northwest Mutual Fd	979,060	0.6
Vital Forsikring	849,735	0.5
Storebrand Livsforsikring	816,126	0.5
Total	123,725,186	75.2

Shareholder categories*

	% of number of shares/votes
Scandinavian states	50%
Institutional shareholders	40-45%
Private individuals	5-10%
Total	100%

* Shareholder information has been obtained from three share registers: VP, VPS and VPC. Holdings are based on the full number of shares. At year-end the number of shares was 161.8 million shares. The intention is to raise the number of shares to 164.5 million in 2002.

Breakdown of shareholders at the three Scandinavian stock exchanges

	2001	2000
Copenhagen	12,905	8,527
Oslo	1,918	3,184
Stockholm	4,700	3,544
Total	19,523	15,255

Distribution of shares

(according to VPC, VPS and VP)

SAS AB total	Number of shareholders	Number of voting rights	% of share capital	% of all shareholders
1-500	14,039	2,653,486	1.6	71.9
501-1,000	2,957	2,222,785	1.4	15.1
1,001-10,000	2,179	5,498,837	3.4	11.2
10,001-50,000	215	5,088,573	3.1	1.1
50,001-100,000	53	3,690,766	2.3	0.3
100,001-	80	139,391,913	86.1	0.4
Unknown owners	-	3,270,036	2.1	-
Total	19,523	161,816,396	100.0	100.0

Total shareholder return (TSR) on SAS shares, 1991-2001

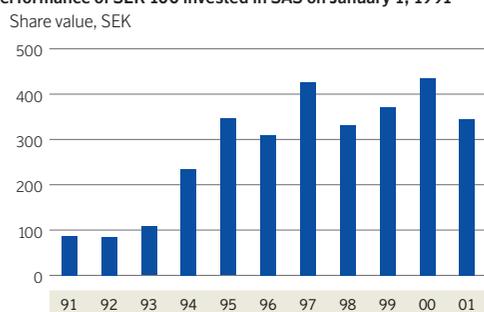
The last distinct recession for the airline industry reached its lowest point in 1990-1991. A calculation of the performance of SAS shares over the eleven years 1991-2001 shows an average annual total return of 12.3%. This is 1.7 percentage points below SAS's total return target of 14% over a business cycle.

Annual total return (TSR), 1991-2001

Shares	Average annual return (IRR)
SAS AB (Copenhagen)	9.9%
SAS AB (Oslo)	13.8%
SAS AB (Stockholm)	12.9%
Total (SAS shares)	12.3%

The table shows average total return (Total shareholder return, TSR) per year for the respective SAS shares in local currency in the period January 1, 1991 to December 31, 2001.

Performance of SEK 100 invested in SAS on January 1, 1991



SEK 100 invested on January 1, 1991, had grown to SEK 345 by year-end 2001, including reinvested dividends (corresponds to 12.3% per year).

Index = 100 (91-01-01)

Source: SIX and SAS

Dividend policy

SAS AB's annual dividend is determined taking into account the Group's earnings, financial position, capital requirements, and relevant macroeconomic conditions. The basic principle is for the dividend over a business cycle to be in the region of 30-40% of the Group's income after standard tax.

	2001	2000	1999
Dividend (proposed 2001)	0	740	658
Dividend as % of income after standard tax	0	37	49
Dividend as % of income after standard tax (average)	44	39	39

SAS AB's Board will propose that no dividend is issued for the 2001 fiscal year. This is mainly due to the SAS Group's negative earnings for 2001 and the major economic crisis currently affecting the airline industry. In such a situation financial strength is of decisive importance.

SAS's ambitions in its dialog with the capital market

SAS Investor Relations' goal is to strengthen interest in SAS shares among existing and potential investors through the provision of relevant, up-to-date and timely information.

Furthermore, investors and capital market players will be provided with information which allows them to understand the company's operations and its ability to improve shareholder value. The target group includes investors, analysts, brokers and the business press. The SAS Group has conducted activities in the capital market through various presentations, both in Scandinavia and internationally, which profile the SAS Group from a capital market perspective. In spring 2001, a major road show was carried out in Europe

and the U.S. in conjunction with the listing of SAS AB. The company plans to arrange a capital market day in 2002.

Overview – Capital market activities

Analysts

- quarterly meetings/telephone conferences
- annual capital market day

Investors

- quarterly meetings in Copenhagen, Oslo, Stockholm and London
- biannual meetings in Frankfurt and Paris
- annual meetings in the U.S. and rest of the world
- industry seminars and conferences

Brokers and business press

- quarterly meetings
- annual seminars

Increased interest in SAS shares

Interest from international analysts is growing and international banks perform regular analyses of SAS shares. A total of 15 international analysts monitor SAS shares and the number of analysts is growing steadily. In Scandinavia, consolidation of banks means that the number of analysts has decreased. SAS is monitored continuously by the largest brokerage houses/banks.

Financial information on the Internet

SAS values the Internet highly as an information channel to the capital market. The aim is to provide timely, relevant, accurate and up-to-date information. SAS Investor Relations website contains updated information about the SAS Group's financial performance. The site includes stock market information, traffic statistics, financial calendar and other key data. A new version is planned for 2002 with the aim of improving information and simplifying navigation.



Ranking of Investor Relations websites in Scandinavia, 2001

SAS Investor Relations website is ranked as follows:

- Denmark 3rd
- Norway 1st
- Sweden 12th

Source: Web ranking 2001

Key data per share, 1997-2001*

	2001	2000	1999	1998	1997
Copenhagen, DKK					
Earnings after tax	-5.30	11.45	7.07	10.92	8.77
Cash flow from operations**	-1.74	21.18	7.61	18.75	19.66
Dividend (2001 proposed)	0.00	3.80	3.50	3.15	3.50
Dividend as % of earnings after tax	0%	33%	49%	29%	40%
Equity	77.37	93.99	82.12	78.49	72.14
Market price at year-end	53.0	81.5	77.0	72.8	100.0
Highest market price during the year	97.2	87.0	85.0	141.0	119.0
Lowest market price during the year	40.0	59.0	62.8	70.0	65.0
Average price	73.8	74.2	73.7	104.0	90.0
Share price/Equity per share, at year-end	68%	87%	94%	93%	139%
Dividend yield, average price	0.0%	5.1%	4.7%	3.0%	3.9%
P/E ratio, average	neg	6.5	10.4	9.5	10.3
P/CE ratio, average	neg	3.5	9.7	5.5	4.6
Number of shares traded, millions	35.49	34.97	29.51	42.20	39.96
Oslo, NOK					
Earnings after tax	-5.72	12.47	7.91	12.31	9.38
Cash flow from operations**	-1.88	23.06	8.50	21.14	21.05
Dividend (2001 proposed)	0.00	4.20	3.75	3.70	3.70
Dividend as % of earnings	0%	34%	47%	30%	39%
Equity	83.54	102.30	91.81	88.49	77.22
Market price at year-end	57.5	93.5	87.0	64.0	103.0
Highest market price during the year	100.0	93.5	88.0	137.0	123.0
Lowest market price during the year	42.0	70.0	59.5	61.0	65.0
Average price	77.5	79.0	72.6	100.0	88.0
Share price/Equity per share, at year-end	69%	91%	95%	72%	133%
Dividend yield, average price	0.0%	5.3%	5.2%	3.7%	4.2%
P/E ratio, average	neg	6.3	9.2	8.1	9.4
P/CE ratio, average	neg	3.4	8.5	4.7	4.2
Number of shares traded, millions	32.86	20.06	20.19	28.20	31.35
Stockholm, SEK					
Earnings after tax	-6.58	12.98	8.38	12.97	10.13
Cash flow from operations**	-2.16	24.01	9.02	22.28	22.73
Dividend (2001 proposed)	0.00	4.50	4.00	4.00	4.00
Dividend as % of earnings	0%	35%	48%	31%	39%
Equity	96.06	106.50	97.33	93.25	83.40
Market price at year-end	68.0	90.0	76.0	74.5	115.0
Highest market price during the year	115.0	91.5	86.0	143.0	125.0
Lowest market price during the year	51.0	59.0	68.0	77.0	83.0
Average price	86.8	73.5	75.3	106.5	102.0
Share price/Equity per share, at year-end	71%	85%	78%	80%	138%
Dividend yield, average price	0.0%	6.1%	5.3%	3.8%	3.9%
P/E ratio, average	neg	5.7	9.0	8.2	10.1
P/CE ratio, average	neg	3.1	8.4	4.8	4.5
Number of shares traded, millions	39.16	17.43	15.01	5.50	10.25
Average on the three stock exchanges, SEK					
Earnings after tax	-6.58	12.98	8.38	12.97	10.13
Cash flow from operations**	-2.16	24.01	9.02	22.28	22.73
Dividend (2001 proposed)	0.00	4.50	4.00	4.00	4.00
Dividend as % of earnings	0%	35%	48%	31%	39%
Equity	96.06	106.50	97.33	93.25	83.40
Market price at year-end	68.9	94.8	84.2	77.9	113.8
Highest market price during the year	115.5	95.9	90.3	147.8	128.4
Lowest market price during the year	51.8	68.6	69.7	75.1	79.0
Average price	89.0	79.1	79.2	114.1	100.7
Share price/Equity per share, at year-end	72%	89%	87%	84%	136%
Dividend yield, average price	0.0%	5.7%	5.1%	3.5%	4.0%
P/E ratio, average	neg	6.1	9.4	8.8	9.9
P/CE ratio, average	neg	3.3	8.8	5.1	4.4
Total number of shares traded, millions	107.5	72.5	64.7	75.8	81.5
Number of shares at year-end, millions	161.8	164.5	164.5	164.5	164.5
Market capitalization at year-end, MSEK	11,147	15,599	13,858	12,820	18,723

* Share data prior to July 6, 2001, pertain to the previously listed parent companies SAS Danmark A/S, SAS Norge ASA and SAS Sverige AB. Key figures pertain to the SAS Group and for 2001 are calculated on 161,816,396 shares and on 164,500,00 shares for 1997-2000.

** Net financing from operations after deduction for paid tax.

Ten-year financial overview

	The SAS Group ¹					
	2001	2000	1999	1998	1997	1996
Statements of income, MSEK						
Operating revenue	51,433	47,540	43,746	40,946	38,928	35,189
Operating income before depreciation	743	3,710	2,731	4,101	4,102	3,668
Depreciation	-2,443	-2,192	-2,087	-2,125	-1,880	-1,851
Share of income in affiliated companies	-70	-1	77	-20	88	5
Income from the sale of shares in subsidiaries and affiliated companies	-24	1,033	283	1	1	-
Income from the sale of aircraft and buildings	673	490	726	1,014	83	100
Operating income	-1,121	3,040	1,730	2,971	2,394	1,920
Net financial items	-19	-211	155	-50	-80	111
Income before tax	-1,140	2,829	1,885	2,921	2,314	2,031
Balance sheets, MSEK						
Fixed assets	42,407	33,422	28,587	26,491	23,003	20,787
Current assets, excl. liquid assets	8,693	7,024	7,133	5,958	4,833	4,161
Liquid assets	11,662	8,979	8,495	8,024	9,828	11,074
Shareholders' equity	15,544	17,520	16,011	15,340	13,719	12,424
Long-term liabilities and provisions ³	24,832	15,026	12,552	11,207	13,471	14,314
Current liabilities	22,386	16,879	15,652	13,926	10,474	9,284
Total assets	62,762	49,425	44,215	40,473	37,664	36,022
Cash flow statements, MSEK						
Net financing from operations	-350	3,949	1,483	3,665	3,739	3,564
Investments	-11,676	-9,886	-5,982	-6,112	-3,256	-2,651
Sale of fixed assets, etc.	8,382	5,559	6,601	2,360	252	1,066
Dividends ⁴	-754	-666	-637	-678	-493	-2,204
Capital contributions	-	-	-	-	-	-
Financing deficit/surplus	-4,398	-1,044	1,465	-765	242	-225
External financing, net	7,081	1,528	-1,131	-1,039	-1,488	-562
New issue	-	-	-	-	-	644
Change in liquid assets	2,683	484	334	-1,804	-1,246	-143
Liquid assets in acquired (+)/sold (-) companies	-	-	137	-	-	-
Change in liquid assets according to balance sheets	2,683	484	471	-1,804	-1,246	-143
Key ratios						
Gross profit margin, %	1.4	7.8	6.2	10.0	10.5	10.4
Return on capital employed (ROCE), %	-1.4	10.9	8.7	13.4	11.6	10.7
Return on equity after standard tax, %	-6.3	13.6	9.4	15.5	13.7	13.9
Equity/assets ratio, %	25	36	37	38	36	35
Income and capital concepts included in CFROI, MSEK						
Earnings						
Earnings before depreciation, EBITDA	743	3,710	2,731	4,101	4,102	3,666
+ Operating lease costs, aircraft	2,425	1,898	1,346	1,027	859	872
EBITDAR	3,168	5,608	4,077	5,128	4,961	4,538
Adjusted average capital employed⁵						
+Shareholders' equity	16,887	16,238	15,348	14,530	13,072	12,424
+Minority interests	218	131	45	19	19	18
+Surplus value, aircraft	4,666	5,420	4,911	4,073	3,277	1,930
+Capitalized leasing costs (x 7)	15,023	11,113	8,441	6,601	6,059	6,104
-Equity in affiliated companies	-1,087	-895	-1,126	-1,102	-705	-653
+Net debt	3,629	1,434	1,887	150	-11	164
Adjusted average capital employed	39,336	33,441	29,506	24,271	21,711	19,987
Cash flow return on investments (CFROI), %	8.1	16.8	13.8	21.1	22.9	22.7
Other financial data, MSEK						
Financial income	618	518	868	634	674	745
Financial expenses	-637	-729	-713	-684	-754	-634
Interest-bearing liabilities	26,124	14,563	11,802	10,277	10,589	11,810
Operating leasing capital	16,975	13,286	9,422	7,189	6,013	6,104
Net debt ⁶	7,652	794	-107	484	-185	164
Adjusted net debt/equity ⁶	1.04	0.25	0.19	0.17	0.10	0.18
Interest expenses/average gross debt, %	4.4	5.2	5.4	6.1	6.3	5.7
Interest coverage ratio	-0.8	5.0	3.6	5.3	4.0	4.2
Debt/equity ratio	0.48	0.05	0.00	0.03	-0.01	0.02

¹ Pertains to the SAS Group pro forma 1996-2000. ² Pertains to the former SAS Group, i.e. the SAS Consortium with subsidiaries, but excluding SAS's former three parent companies (SAS Danmark A/S, SAS Norge ASA and SAS Sveige AB). ³ Including minority interests. ⁴ 1992-1995 pertains to funds paid to parent companies. ⁵ Average capital 1997-2001.

⁶ Including Braathens in 2001. Definitions and concepts, see page 116.

The former SAS Group ²

1995	1994	1993	1992
35,403	36,886	39,122	34,445
4,761	3,404	2,032	2,930
-1,840	-2,000	-1,782	-1,532
97	-13	-1	-8
6	869	511	7
83	12	45	83
3,107	2,272	805	1,480
-448	-668	-1,313	-2,329
2,659	1,604	-508	-849
19,345	20,904	24,566	28,790
3,477	3,670	9,973	6,849
10,078	10,725	9,318	9,829
10,588	9,355	8,631	8,958
11,750	15,971	22,741	24,797
10,562	9,973	12,485	11,713
32,900	35,299	43,857	45,468
4,881	2,338	1,377	1,444
-1,399	-1,391	-1,141	-3,338
619	5,305	1,852	552
-591	-	-	-
-	-	-	-
3,510	6,252	2,088	-1,342
-4,157	-3,872	-2,469	1,584
-	-	-	-
-647	2,380	-381	242
-	-973	-130	216
-647	1,407	-511	458
13.5	9.2	5.2	8.5
15.6	10.5	8.7	7.8
18.5	10.0	-	-
32	27	21	21
4,761	3,404	2,032	2,930
834	450	290	161
5,595	3,854	2,322	3,091
10,588	9,355	8,631	8,958
18	148	159	203
1,184	1,750	2,333	850
5,838	3,150	2,030	1,127
-586	-568	-517	-638
2,544	6,054	13,888	15,590
19,586	19,889	26,524	26,090
28.6	19.4	8.8	11.8
1,011	933	2,402	1,138
-1,459	-1,601	-3,715	-3,467
12,935	17,417	24,403	26,830
5,838	3,150	2,030	1,127
2,544	6,054	13,888	15,590
0.35	0.81	1.85	1.77
8.3	7.7	9.9	10.4
2.8	2.0	0.9	0.8
0.2	0.6	1.6	1.7

SAS 1992-2001

1996-2001 pertain to the SAS Group with a consolidated SAS AB. 1992-1995 presents the old SAS Group where the former three parent companies are not consolidated. When evaluating SAS over a ten-year period, several factors have to be taken into account. At the start of the period, the civil aviation market had not yet been deregulated, and SAS looked different then compared with today.

Operating income 1992-2001

At the beginning of the period, SAS was hit hard by the recession, which meant fewer passengers and lower freight volumes. The decline came at a time when the company was in the midst of increasing capacity via major investments. In 1993, price pressure combined with a recession and a weakening Swedish krona led to the Board's decision to focus on the core business and SAS started to divest its holdings in most subsidiaries. This had a negative impact on operating revenue in 1994 and 1995, while operating income strengthened. The economy recovered and air travel started to increase in 1994. By then, SAS had also implemented a restructuring program and closed unprofitable routes.

1995 was SAS's best year ever in terms of operating income. The decline in earnings in 1996 was mainly due to higher costs. 1997 was a good year but by 1998 earnings, excluding capital gains, started to fall due to increased costs.

1999 was a weak year for airline operations. 2000 was better but characterized by high prices for jet fuel. In 2001, the SAS Group's income before tax and capital gains was the worst in the Group's history and amounted to MSEK -1,790. Earnings before net financial items, tax, depreciation, capital gains and costs for operating leases for aircraft (EBITDAR) amounted to MSEK 3,168 (5,608). Placed 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.

Cash flow return on investments (CFROI) is the most important metric for value creation in operations, making it the SAS Group's main focus. It is also the key indicator used by most analysts as a basis for assessment of the value of an airline. CFROI reflects the EV/EBITDAR multiple which expresses the value of operations as a multiple of operating cash flow for the year excluding operating aircraft leasing costs.

Income and capital concepts included in CFROI

MSEK	2001
Earnings	
Earnings before depreciation, EBITDA	743
+ Operating lease costs, aircraft	2,425
EBITDAR	3,168
Adjusted average capital employed	
+ Shareholders' equity	16,887
+ Minority interests	218
+ Surplus value, aircraft	4,666
+ Capitalized leasing costs (x 7)*	15,023
- Equity in affiliated companies	-1,087
+ Net debt	3,629
Adjusted average capital employed	39,336

Calculation of CFROI

$$\frac{\text{EBITDAR}}{\text{Adjusted capital employed}} = \frac{\text{MSEK } 3,168}{\text{MSEK } 39,336} = 8.1\%$$

* In the definition of CFROI the present value of operating lease contracts (NPV) was previously used for calculating capitalized leasing costs. Starting with this report, this calculation is instead based on 7 times the annual cost for operating leases for aircraft.

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. SAS therefore chooses to discontinue NPV in favor of 7 times the annual cost for operating leases for aircraft.

Average NPV for the 12-month period amounts to MSEK 5,115 (3,765).

Adjustment to the euro

The SAS Group implemented an internal communication program for adjustment to the euro, via internal channels as follows: management information, network of euro coordinators and informants, intranet and in-house magazines and meetings at different levels. Continued activities are under way to adjust to the euro within the Group.

The SAS Group's investments and capital employed

The SAS Group's total aircraft fleet

In 2001, Braathens, Widerøe and Air Botnia were consolidated in the SAS Group's balance sheet. In 2002, consolidation of Spanair in the SAS Group is also planned. Spanair is 49% owned by the SAS Group. In November 2001, an agreement was concluded to raise the holding to 74%. This agreement is now being examined by the EU Commission. The total number of aircraft in the SAS Group will thus amount to 321 with 32 on order. The table below shows pro forma the SAS Group's total aircraft fleet.

The SAS Group's total aircraft fleet

(pro forma including Spanair)

	Owned Dec. 2001	Leased in	Total Dec. -01	Leased out	Order
Airbus A340-300	3	1	4		3
Airbus A330-300					4
Airbus A321-200	3	3	6		11
Airbus A320		3	3		6
Boeing 767-300	3	12	15		
Boeing 737-400		5	5		
Boeing 737-500		17	17		
Boeing 737-600	12	18	30		
Boeing 737-700	13	4	17		2
Boeing 737-800	12	5	17		6
Douglas MD-81	6	10	16		
Douglas MD-82	16	29	45		
Douglas MD-83	2	20	22		
Douglas MD-87	10	9	19		
Douglas MD-90-30	8		8		
Douglas DC-9-41		12	12		
Avro RJ-85		5	5		
Embraer ERJ 145		3	3		
Fokker F28	8		8		
Fokker F50	7	2	9	2	
deHavilland Q100	16	1	17		
deHavilland Q300		9	9		
deHavilland Q400	6	18	24		
SAAB 340		5	5	5	
SAAB 2000		5	5		
Total	125	196	321	7	32
Breakdown of the Group's fleet by airline:					
SAS Airline	101	99	200	2	22
Spanair		46	46		8
Braathens	8	25	33		2
Widerøe	16	11	27		
Air Botnia		15	15	5	



The SAS Group's total aircraft investments

Renewal of SAS Airline's aircraft fleet

SAS Airline is in the midst of an investment program to renew its aircraft fleet. The table below shows planned investments for SAS Airline based on orders placed for Boeing 737s, Airbus A340/330-300s and Airbus A321s. SAS's order has a total value of MUSD 985. In addition to these investments in flight equipment, other investments amount to MSEK 800-1,000 per year. (See also section on SAS Airline's aircraft fleet, page 44.)

SAS Airline

Aircraft on order 2002> (excluding aircraft placed on operating leases)

	Total	2002	2003	2004	2005
MUSD (CAPEX)	985	620	235	100	30
Number of aircraft in SAS Airline	22	12	7	2	1

Spanair's aircraft orders

Spanair is also in the process of renewing its fleet and is currently phasing out its MD-80s and phasing in Airbus A321s and Airbus A320s. The table below shows firm orders for Spanair in the period 2002 and beyond.

Spanair

Aircraft on order for the period 2002> (excluding aircraft placed on operating leases)

	Total	2002	2003>
MUSD (CAPEX)	300	40	260
Number of aircraft in Spanair	8	1	7

Braathens' aircraft orders

At year-end 2001, Braathens had 2 aircraft on order. CAPEX for these aircraft amounted to MUSD 35.

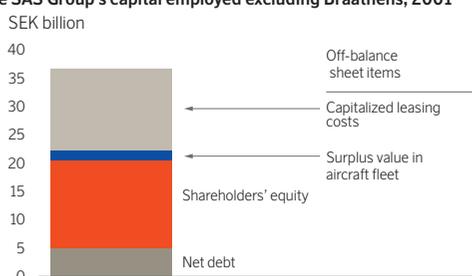
Capital employed

Airline operations are a highly capital intensive industry. This means major investments are made in production resources which are used over a large number of years. For this reason it is highly important for all airlines to have a good overview of their capital employed.

The capital concept

Calculation of the key indicator CFROI is based on a market-based capital concept in order to take all capital sources into account. Since return is assessed on the basis of the actual capital employed in operations, the SAS Group uses the market value of assets and liabilities. A substantial difference compared with book capital is

The SAS Group's capital employed excluding Braathens, 2001



The starting point when calculating the SAS Group's capital employed is the Group's total equity. The surplus value in the aircraft fleet, net debt and capitalized leasing costs are added to equity. The above diagram pertains to the SAS Group excluding Braathens which was not included in the SAS Group's statement of income in 2001 and was thus excluded from the balance sheet in the calculation of CFROI.

that adjustment is made for capitalized future costs for operating aircraft leasing and the surplus value in the owned aircraft fleet.

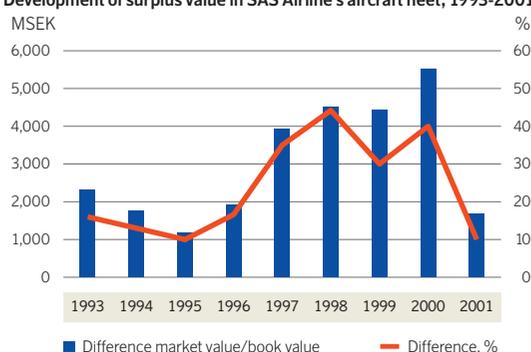
Operating lease commitments

Operating leases are used as a tool to achieve optimal financing of the aircraft fleet and reduce capital tied up. Flexible rights to extend the leases and early redemption increase operating flexibility, which allows a better adjustment of the aircraft fleet to economic fluctuations. Reduced residual value risks are another positive effect of operating leases.

SAS Airline							
Contracted* operating aircraft leasing, 2002-2007							
Net Present Value (NPV) at 5.5%	MUSD	583	MSEK	6,223			
Capitalized leasing costs (x7)	MUSD	1,170	MSEK	12,477			
MUSD	2002	2003	2004	2005	2006	2007	
Boeing 737	51.6	51.6	51.1	49.9	48.3	42.3	
Boeing 767/Airbus 340	51.8	35.2	10.4	7.1	7.1	7.1	
Douglas MD-80/90	31.7	25.3	19.0	12.6	6.3	0	
deHavilland Q400	19.1	14.4	14.4	14.4	14.4	14.4	
DC9/F50/ERJ	12.0	0	0	0	0	0	
Total	167.1	126.5	95.0	84.0	76.1	63.8	
* Only existing contracted aircraft leasing contracts at December 31, 2001.							
SAS Airline							
Number of aircraft – contracted at December 31, 2001							
	2002	2003	2004	2005	2006	2007	
Boeing 737	24	24	24	24	24	24	
Boeing 767/Airbus A340	10	6	1	1	1	1	
Douglas MD-80/90	31	24	18	12	6	0	
deHavilland Q400	17	9	9	9	9	9	
DC9/F50/ERJ	17	0	0	0	0	0	
Total aircraft	99	63	52	46	40	34	

The SAS Group previously used the present value of operating lease commitments for aircraft. Since the stock market to a greater extent uses a multiple of 7, the SAS Group has chosen to apply this method since November 2001. For the loan market the present value

Development of surplus value in SAS Airline's aircraft fleet, 1993-2001



The events of September 11 had a substantial impact on aircraft prices. At year-end 2001, the surplus value in SAS Airline's fleet was MSEK 1,756, a decrease of MSEK 3,765 since 2000. The average surplus value in 2001 was MSEK 4,666.

Spanair

Contracted* operating aircraft leasing, 2002-2007

Net Present Value (NPV) at 5.5%	MUSD	838	MSEK	8,941		
Capitalized leasing costs (x7)	MUSD	680	MSEK	7,253		
MUSD	2002	2003	2004	2005	2006	2007
Total	106.0	118.0	136.0	118.0	97.0	84.0

* Only existing contracted aircraft leasing contracts at December 31, 2001.

Braathens

Contracted* operating aircraft leasing, 2002-2007

Net Present Value (NPV) at 5.5%	MUSD	248	MSEK	2,648		
Capitalized leasing costs (x7)	MUSD	342	MSEK	3,633		
MUSD	2002	2003	2004	2005	2006	2007
Total	48.7	46.2	44.5	43.1	39.5	31.1

* Only existing contracted aircraft leasing contracts at December 31, 2001.

calculation is still relevant since it measures actual commitments. At year-end 2001 the present value of leasing contracts for SAS Airline was MSEK 6,223. SAS Airline, Braathens and Spanair had a total present value on its leasing costs at year-end 2001 of MUSD 1,669 or MSEK 17,812.

The SAS Group's program to release capital

In the last three years, the SAS Group has conducted a program to reduce the Group's total capital tied up. As part of this program, in 1999 SAS carried out a major sale and leaseback transaction together with GECAS comprising 30 aircraft. In the fourth quarter of 2001, SAS carried out a major property deal with GE Capital and Nordisk Renting. Properties were sold for a total value of SEK 3 billion with a leasing period of 20 years. The cost of leasing is neutral compared with ownership.

Surplus value in the aircraft fleet

Over several years, SAS Airline has built up substantial surplus values in the aircraft fleet. These were mainly due to a for the SAS Group stable price trend for aircraft, a

strong U.S. dollar, and a conservative depreciation method for aircraft in the SAS Group.

Events after September 11 have had a major impact on the market value of aircraft. Compared with December 2000, the surplus value of SAS Airline's aircraft fleet fell by approximately MSEK 3,800. Despite this, SAS Airline still has a surplus value in the fleet of MSEK 1,756 and the assessment is that in the present situation there is no great risk for a write-down of the book value. The table below shows SAS Airline's surplus values given variations in market value. A decline in market value in excess of approximately 10% since year-end means that the market value is less than the book value. In total, aircraft transactions provided a capital gain of MSEK 673 for the SAS Group in 2001.

Surplus value in SAS Airline's aircraft fleet

Owned at December 31, 101 aircraft	MSEK
Estimated market value	18,747
Book value	16,835
Surplus value	1,756

Summary of total surplus values in aircraft fleet in the SAS Group

Owned at December 31	MSEK
SAS Airline	1,756
Subsidiary & Affiliated Airlines	-5
Total	1,751

Average cost of capital (WACC)

The SAS Group's average weighted cost of capital is estimated at approximately 9%. The cost for shareholders' equity is calculated based on assumed inflation of 2% and a market premium of over 5%. The Group's costs for liabilities are assumed to be 5.5% and the leasing cost is based on market interest and depreciation rates.

Enterprise Value – EV/EBITDAR

EV/EBITDAR is a key ratio which shows how airlines' earning capacity is valued in the market measured against capital tied up. This ratio takes into account actual capital tied up, shareholders' equity, leasing and loans. The difference between the SAS Group's capital tied up which is included in the internal CFROI indicator (AV/EBITDAR) is that the external ratio is based on the total market value of shareholders' equity (total market capitalization). In the internal indicator book shareholders' equity plus the surplus value in the aircraft fleet is used instead. The argument for not using the market value of equity in the internal indicator is that the SAS Group's investment decisions should not be exposed to short-term fluctuations in the share price.

In 2001, EV/EBITDAR for the SAS Group was factor 10.5.

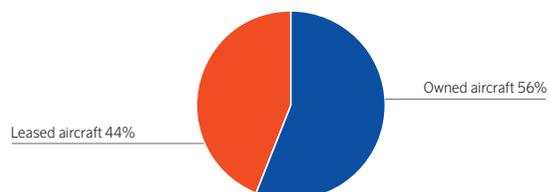
In 2000 the corresponding multiple for the SAS Group was 4.6 compared with 5-6 for the industry. This shows that the SAS Group in 2000 was valued at a discount compared with other companies in the industry.

The discount on SAS Airline's shares compared with those of its competitors has been reduced significantly compared with 2000, even if comparisons are difficult to make in a year with major share price and earnings fluctuations. The introduction of the single share in 2001, however, probably led to a decrease in the discount.

The SAS Group's value and return targets

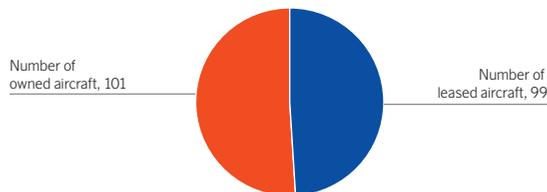
	2001	2000	1999	1998
EV/EBITDAR	10.5	4.6	5.7	5.0
CFROI, %	8.1	16.8	13.8	21.1
AV/EBITDAR	12.3	6.0	7.2	4.7

Breakdown of the market value of SAS Airline's total aircraft fleet, 2001



The total market value of SAS Airline's aircraft fleet in operation amounted to SEK 33.3 billion. The value of aircraft owned by SAS was SEK 18.6 billion.

Breakdown of owned and leased aircraft in SAS Airline at December 31, 2001



At year-end 2001 approximately 50% of the aircraft fleet was leased.

Financing and creditworthiness

The total financing requirements of the SAS Group are handled centrally by the SAS Group's Finance Unit.

Financing

Financing mainly takes the form of syndicated bank loans, bond issues, direct borrowing, debenture loans, and finance and operating leasing.

Transactions carried out in 2001

A MEUR 1,000 Euro Medium Term Note Program (EMTN Program) was set up in the spring, which is a standardized general agreement for the issue of bonds. The program was ready in the first quarter of 2001.

In the period May-June approximately MEUR 600 was issued within the framework of the EMTN Program. In addition, a MUSD 500 Euro Commercial Paper (ECP) Program was established in the first quarter, which is used for issuing short-term commercial papers. Part of SAS's capital procurement involves evaluating and implementing operating leases. In 2001, operating leases were set up in the Japanese market for financing of five Boeing 737-800s, one 737-700 and three 737-600s as well as one Airbus A340. The combined value of these transactions amounts to approximately SEK 4 billion. Including a sale and leaseback on one Boeing 767 and three deHavilland Q400s, the total value of established operating leases was approximately SEK 5 billion for 2001. As part of the financing of SAS Airline's investments in the new Airbus A340/330 and A321, a general agreement for a total of USD 1 billion was concluded towards the end of 2001 with three banks and the three export financing institutions (ECAs) in the U.K., France and Germany. In 2001, SAS utilized approximately MUSD 305 of the ECA facility.

Creditworthiness

The economic downturn and the events of September 11 have put pressure on creditworthiness throughout the airline industry. In January 2002, the SAS Group's rating

from the U.S. rating institute Moody's was downgraded three categories from A3 to Baa3 for long-term debt and from P1 to P3 for short-term liabilities. Despite this, the SAS Group's creditworthiness is good compared with other airlines. The SAS Group is making long-term efforts to regain the strength of its creditworthiness.

Short- and long-term ratings in the airline industry (Moody's)

	Short-term	Long-term	Outlook
Lufthansa	P-2	Baa1	negative
Southwest Airlines		Baa1	negative
Qantas	P-2	Baa1	negative
The SAS Group	P-3	Baa3	stable
Japan Air Lines		Baa3	negative
All Nippon Airways		Baa3	negative
British Airways	-	Ba1	negative
Delta Airlines		Ba3	negative
American Airlines	NP	B1	negative
Northwest Airlines		B1	negative
Continental Airlines		B2	negative

The SAS Group also receives credit ratings from the Japanese rating institute Japan Rating and Investment Information, Inc. In January 2002 SAS's rating was downgraded two categories from A+ to A-, but remains at A1 for short-term debt.

The equity/assets ratio deteriorated in 2001 and amounted to 25% at December 31, 2001. Net debt increased in 2001 and amounted to MSEK 7,652 at year-end.

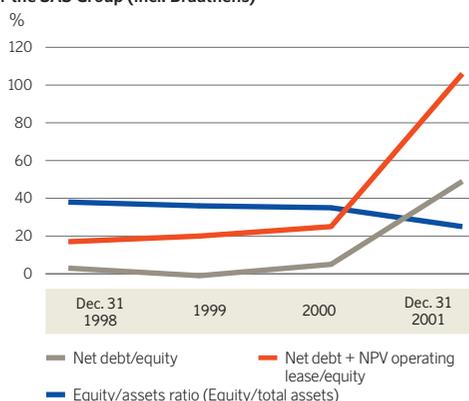
When evaluating the creditworthiness of airlines it is important to take off balance sheet financing into account. At the end of 1999, the performance of the SAS Group's lease-adjusted net debt against shareholders' equity was 19% and at year-end 2001 approximately 100%. With Spanair consolidated this burden will further increase in 2002 to 130-160% but the SAS Group's lease-adjusted net debt/equity ratio will remain among the strongest in the industry.

Development of net debt, December 1991-2001



The SAS Group's net debt rose to MSEK 7,652 at year-end 2001.

Key ratios – financial strength, equity/assets and debt/equity ratios for the SAS Group (incl. Braathens)



The SAS Group's net debt including NPV operating leases will reach its highest point in 2002. Starting in 2003, the SAS Group's financial key figures are expected to strengthen again.

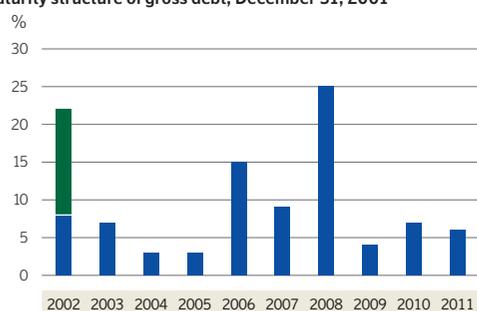
Financial risk management

The SAS Group, with its international and capital-intensive operations, is exposed to various types of financial risks – liquidity and borrowing risks, credit risks, currency risks and interest rate risks. These risks are managed centrally by the SAS Group's finance unit within the framework of a financial policy adopted by the Board, which is designed to control and manage financial risks.

Liquidity and borrowing risks

Liquidity and borrowing risks refer to the risk that sufficient liquidity is not available when required, and that refinancing of matured loans will be costly or problematic. When raising new loans, the aim is to spread the maturity profile evenly over time (see diagram).

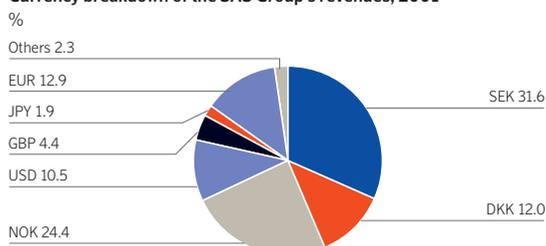
Maturity structure of gross debt, December 31, 2001



Repayment of the utilized part of a revolving credit facility (green area), corresponding to 14 percentage points of the gross debt, is planned in 2002. The facility matures in 2004.

In order to reduce the liquidity risk, actual liquidity (short-term investments, cash and bank balances) and committed credit facilities should amount to 25% of one year's fixed costs for the SAS Group. This corresponds to SEK 8.5 billion, of which 50%, corresponding to SEK 4.25 billion, must be kept in actual liquidity. Actual liquidity must be invested in instruments with high liquidity or a short remaining term. At December 31, 2001, the SAS Group's actual liquidity amounted to MSEK 11,662 (8,979) and together with committed credit facilities, liquidity preparedness was approximately MSEK 18,490. SAS had total unutilized credit commitments of MUSD 640 at December 31, 2001.

Currency breakdown of the SAS Group's revenues, 2001



Existing committed credit facilities for the SAS Group, December 31, 2001

Facility	Amount MUSD	Utilized on Dec. 31 2001 MUSD	Unutilized MUSD	Expiry of validity period
Revolving credit facility	700	300	400	May 2004
Bilateral bank facilities	150	–	150	2002/2003
ECA facility	90	0	90	–
Total	940	300	640	

Credit risks/counterparty risks

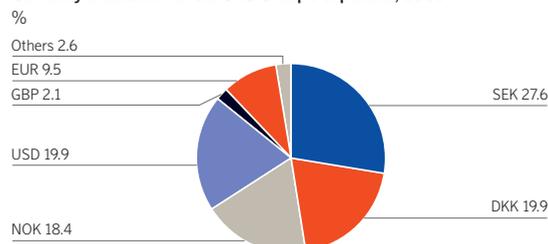
Credit risks arise from the risk that a counterparty will be unable to fulfill his part of an agreement. For investments the credit risk is the nominal amount. For derivative instruments a valuation is performed in accordance with international market practice. Derivatives are mainly used to create the desired currency and interest rate exposure on the net debt. The financial policy stipulates that transactions primarily should be carried out with counterparties with high creditworthiness. ISDA agreements (a netting agreement) are signed with most counterparties, reducing counterparty risk considerably. Limits are set for each counterparty, which are continuously monitored and revised. The SAS Group bases its credit/counterparty limits on mathematical probability calculations of anticipated future credit losses.

Currency risks

The SAS Group has currency exposure for both transaction risk and translation risk. Transaction risk comprises commercial flows in foreign currency which are exposed to risk so that earnings are affected when exchange rates change. Translation risk comprises the translation effects on balance sheet items due to changed exchange rates. In order to minimize currency risk, the currency composition of liquid assets is matched against the interest-bearing gross debt.

The currency composition of the interest-bearing net debt is spread to match the currency composition of the net operating cash flow. Net operating deficit currencies are mainly DKK and USD. The anticipated deficit in these currencies is hedged on an ongoing basis up to 90% for the next 12 months.

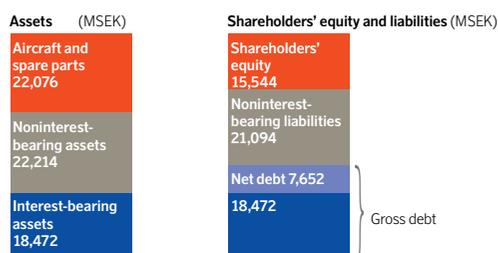
Currency breakdown of the SAS Group's expenses, 2001



Currency composition expenses/revenues

The currency composition of the net debt is revised on an ongoing basis against rolling 12-month liquidity forecasts. In addition, part of the net debt is denominated in USD to match the large asset base in USD in the form of aircraft. The size of the net debt in relation to total assets is shown in the diagram below.

The SAS Group's balance sheet, 2001



Currency and interest rate risks arise on the net debt which comprises a small part of interest-bearing liabilities. These risks are limited and related to operating activities.

Estimated breakdown of operating income (EBITDA), 2001* MSEK

Surplus currencies		Deficit currencies	
NOK	3,200	USD	4,700
SEK	2,300	DKK	3,900
EUR	1,800		
Others	800		
Total net cash flow		700	

*A table showing the impact of exchange rate fluctuations on the SAS Group's earnings is provided in Note 29 on page 93.

Interest rate risks

The SAS Group's interest rate risk comprises the negative changes in market value which arise due to movements in the yield curve (market interest rates on different terms). The interest rate risk is controlled by matching the interest rate composition of liquid assets against interest-bearing gross liabilities. The interest rate risk is spread according to the same principle as currency risks.

The fixed interest period on the net debt is between one and six years. Various derivatives, such as long-term interest rate swaps, FRAs (Forward Rate Agreements) and futures, are used to adjust interest rate terms. The average interest rate maturity varied in 2001, but averaged around 2.3 years.

The duration for the interest-bearing gross debt amounted to approximately 4.4 years at year-end. On December 31, 2001, the SAS Group's interest-bearing liabilities amounted to MSEK 26,124 (14,563).

Price risks/jet fuel

The SAS Group is exposed to price risk relating to jet fuel. Of the SAS Group's cost base in 2001, approximately 10% comprised fuel costs. The price of jet fuel fell from January to December 2001 by approximately 36%, but since the price fall mostly occurred in the final quarter of 2001, the lower prices did not have a significant impact on costs. Fuel costs'

share of total operating expenses in the global airline industry rose from an average of 11% in 2000 to approximately 12% in 2001.

Demand for crude oil and oil products has declined due to the present global business climate, and demand specifically for jet fuel has declined still further due to the sharp decline in the global airline industry.

The SAS Group's policy for hedging jet fuel

The SAS Group's policy is to hedge 40-60% of anticipated consumption on a rolling 12-month basis.

In 2001, the SAS Group hedged an average of 56% of its fuel purchases. The SAS Group has hedged 45% of anticipated consumption in 2002, mainly with caps options. In 2002, SAS intends to coordinate hedging of jet fuel for the airlines in the Group. The SAS Group is positioned ahead of a possible price fall this year as well.

Sensitivity to fuel price increases also decreases in pace with SAS Airline's renewal of its fleet. The Airbus A330/A340 which is replacing the Boeing 767, has 17% and 11% better fuel efficiency respectively per seat kilometer. The Airbus A321 is 25% more fuel efficient than the Douglas MD-81, while the Boeing 737-800 is 34% more fuel efficient per seat kilometer than the Douglas MD-82. Corresponding improvements also apply in the form of lower carbon dioxide emissions.

Changed insurance terms

The aim of the Group's insurance policy is for all assets and operations to have the best possible insurance coverage based on competitive terms in the global market. The SAS Group's airline insurance contracts are of the all risks type and cover both the aircraft fleet including spare parts and technical equipment as well as all liability exposure contingent on airline operations. Other insurance contracts cover all property as well as transport, disruption and general liability exposure. By showing good claims statistics, the SAS Group can influence the premiums charged by its insurance providers.

The airline insurance market has been dramatically affected by the events of September 11. Insurance premiums for the SAS Group in 2001 amounted to MUSD 15.5. For 2002, premiums for war and terrorist risks alone are expected to amount to approximately MUSD 55.

Since September 25, 2001, it has no longer been possible to obtain insurance in the commercial markets against third-party damage on the ground resulting from acts of war and terrorism for damage in excess of MUSD 50. This meant that the SAS Group, in common with the majority of the world's airlines, was forced to request guarantees from their respective governments at guarantee charges which were substantially higher than the market prices that applied prior to September 11. If state guarantees are no longer available, premium costs for war and terrorist risks will rise by an additional approximately MUSD 20 on an annual basis.

The SAS Group's strategies for increased competitiveness

The SAS Group's governance philosophy

In 2000, the SAS Group's governance philosophy was reformulated to reflect the move towards more independent units with clear profit responsibility. In 2001 this has taken the form of a number of profit units within the Group.

The new Group structure with four business areas supports the principle of greater clarity and transparency in the different units in the Group. The governance philosophy is based on profit responsibility encouraging professionalism and motivation. Governance and management of the SAS Group must be permeated by common values. The SAS Group is developing towards more independent businesses each of which must be competitive within its field. For example, SAS Cargo Group A/S became an independent corporation on June 1, 2001.

Program for increased competitiveness in SAS Airline

SAS Airline is today a pure-play network airline with its primary strategic focus on the business segment. This results in a large number of frequencies, average smaller aircraft sizes, a broad product range and other service elements. This leads to a higher unit cost than for comparable competitors. The diagrams below show the unit revenue (yield) and unit cost compared with the most important competitors. SAS Airline's high yield is mainly due to a higher proportion of business travelers than comparable airlines.

In 2001 economic conditions changed for the entire industry as well as for SAS Airline. The weaker business climate, the effects of September 11 and the threat of a continued recession, mean that SAS Airline does not count on Business Class returning to historically high levels or on yield and revenues strengthening significantly. SAS Airline is in the midst of its worst crisis ever, and sig-

nificant action is being taken to counteract the effects of weaker revenues and to raise long-term competitiveness.

The Group's earnings improvement activities in the short and long term

The SAS Group's action program is divided into two main parts. The first part comprises measures of a traditional nature such as strengthening costs and revenues. These activities are now under way and will have a significant earnings impact in 2002 and a full effect in 2003.

The SAS Group's short-term measures, 2001-2002

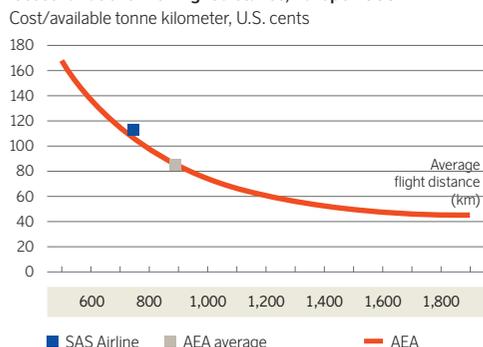
SAS Airline	MSEK 5,100
Subsidiary & Affiliated Airlines	MSEK 1,300
Total	MSEK 6,400

Measures within SAS Airline

In the wake of the events of September 11, SAS Airline decided on September 26 to reduce its fleet by 16 aircraft. This corresponds to a capacity reduction of 12%. The surplus of 16 aircraft was handled by returning 12 DC-9-41s early and by selling the four remaining aircraft. The 12 DC-9-41s were due to be phased out in 2002 but were instead phased out in the fourth quarter of 2001.

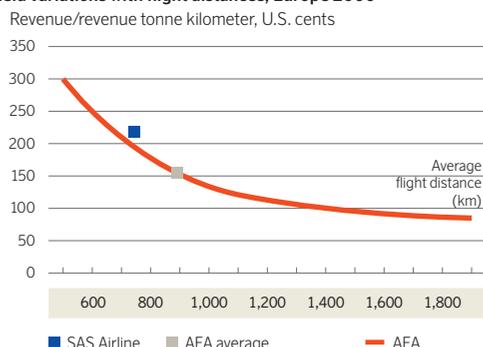
As a result of these cutbacks, 800-1,000 employees were made redundant. In order to enhance revenues, fare adjustments were implemented with effect from October 2001. As a result of the continued weak demand, further capacity reductions of 3-5% were decided on November 6, corresponding to a surplus of 5-6 aircraft. A further 2,500 jobs were affected. In order to cover dramatic increases in insurance costs and higher costs for security measures and control, a charge of USD 4 per passenger/trip was also introduced in November 2001.

Unit cost variations with flight distance, Europe 2000



SAS Airline has far shorter average flight distances than most of its competitors. The fact that SAS still stays slightly above the regression line is due to a higher proportion of business travelers and smaller aircraft types.

Yield variations with flight distances, Europe 2000



SAS Airline has a clearly higher yield than most other European airlines, which is partly due to shorter flights. Adjusted for this, the yield is still higher due to a higher proportion of full-fare passengers, smaller aircraft and active yield management.

On November 6 a cost-reduction program of MSEK 2,400 was also initiated. This program covers all parts of SAS Airline's organization and will have a full effect from 2003. Negotiations with all trade union organizations took place in February 2002. MSEK 500 still remains and will be achieved using other measures with similar effects.

SAS Airline's short-term measures, 2001-2002

Reduced route network (21 aircraft)	MSEK	500
Revenue enhancement	MSEK	2,200
Cost reductions	MSEK	2,400
Total	MSEK	5,100

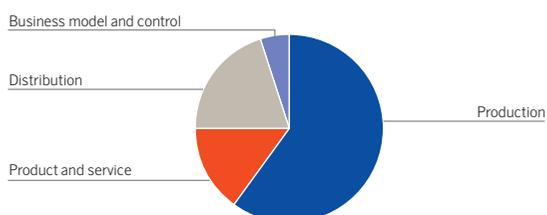
Measures within Subsidiary & Affiliated Airlines and Airline Related Businesses

The earnings improvement activities within the business areas total MSEK 1,300. The main part of the action program relates to Spanair with approximately MSEK 600. Air Botnia is affected by approximately MSEK 120, and Widerøe by MSEK 60. These measures will have a full effect in 2003.

SAS Airline's long-term restructuring, 2002-2004

In addition to the short-term measures, the second part of the program consists of more long-term structural measures which mainly concern SAS Airline's production, product and distribution areas. Planning is in the final phase. Implementation will take place in the latter part of 2002 and is expected to have an earnings impact from 2003. SAS Airline has identified four strategic structural earnings improvement areas.

Areas for SAS Airline's long-term restructuring, 2002-2004



Production strategy

In order to return to levels of a satisfactory return on capital, CFROI over 17%, SAS Airline is focusing on a structural reduction in production costs. The most important structural cost drivers are design of the traffic program, service and product content, the composition of the aircraft fleet and aircraft utilization. By changing the traffic program productivity can be improved among pilots and cabin crews, as well as within Ground Handling and technical operations.

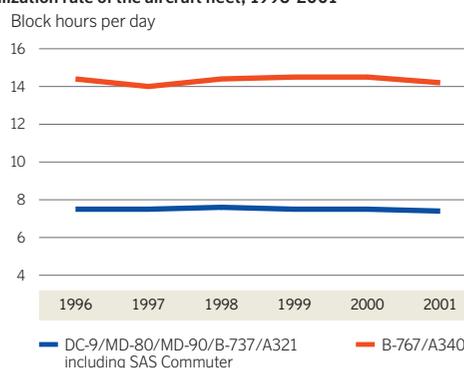
Among "network airlines" there is considerable potential to raise the utilization ratio of the aircraft fleet. Today, SAS Airline uses the short- and medium-haul fleet for just over seven hours per day. Low-fare airlines normally use their aircraft for up to 12 hours per day. This is made

possible, among other things, by shorter turnaround times, simpler handling and more effective utilization of the 24-hour day. This is also a result of focusing on point-to-point traffic rather than network traffic, which facilitates optimization. The aim is for SAS Airline to increase its utilization rate considerably.

As a result of this work has started on evaluating the present production strategy. The intention is to reduce structural costs and raise profitability. Some of the challenges are to reduce the complexity that exists today and increase flexibility and scalability, i.e. timely and profitable adjustment of production to temporary demand fluctuations and production disruptions.

Environmental aspects are also being taken into account in the development of the new production strategy. Productivity increases often have positive effects in the form of reduced negative environmental impact.

Utilization rate of the aircraft fleet, 1996-2001



The utilization rate of the aircraft fleet measured in block hours per day has remained constant for the last six years.

New customer offering

Expectations and demands on air transport are continuously changing. In recent years special requirements for business travel have changed. As Nordic business life has become more international and many foreign businesses have become established in the region, travel frequency has increased. Analyses show that customers place great importance on flexibility, simplicity and precision. SAS Airline is therefore currently developing a new short route product. Check-in via the Internet and a newly developed service concept have a central place in the new product. Moreover, there will be a dedicated fleet for this product and a new price system with more choice for business travelers and others.

Distribution strategy

The proportion of sales via the Internet and ticketless travel is increasing for airlines worldwide. The new electronic product strengthens customer relations and reduces SAS Airline's distribution costs. Additional endeavors will be made in this area. (For a description see section Distribution channels, page 49.)

Business model and control

For a year now SAS Airline has gradually been implementing a new business model where “different” service providers are given their own business responsibility within their specific area of operation.

Motives include:

- raising powers of initiative and profit awareness throughout the organization
- reaching a broader customer base and more sources of revenue than those that can be reached with the air transport business alone
- reducing overheads.

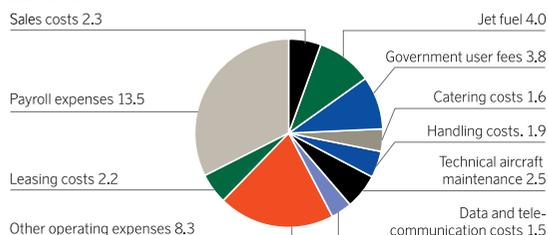
These operations are organized as independent business units with assignments for SAS Airline. Their independence from SAS Airline allows them to also generate revenues from external customers. Two such operating areas were converted into business units in the past year, Scandinavian Ground Services and Scandinavian Technical Services.

Process work

The process work which has been under way in SAS Airline for many years supports efforts to improve earnings and focuses on identifying, measuring, analyzing, improving and developing processes.

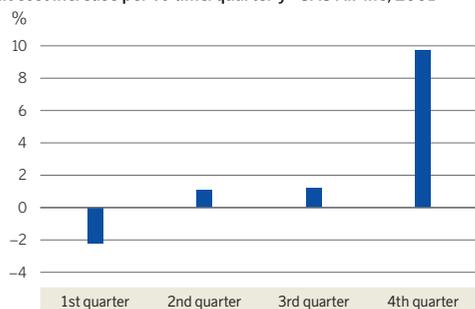
SAS Airline's total cost base, 2001

SEK billion



Breakdown of SAS Airline's total cost base (SEK 41.6 billion) into key cost types.

Unit cost increase per volume/quarterly - SAS Airline, 2001



The unit cost fell 2.2% in the first quarter of 2001 compared with the first quarter of 2000. In the second and third quarters, the increase was relatively modest. In the fourth quarter, the unit cost rose 9.7% mainly due to lower production than planned.

Unit cost development in SAS Airline in 2001

SAS Airline's unit costs increased by a total of 3.4% in 2001 compared with 2000. Sales costs and costs for jet fuel decreased during the year. On the other hand, payroll expenses and other expenses increased compared with the previous year.

At the beginning of 2001, SAS Airline planned a production increase of 8-10% for 2001/2002. Among other things, phasing in the new Airbus A321 and Airbus A340 has led to costs for training and planning for pilots and cabin crew, which had a negative impact on the unit cost.

Payroll expenses were also negatively affected by a new salary agreement concluded with the pilots in summer 2001.

Capacity was reduced considerably as market growth became lower than planned. There is a lead time for changing the cost base, which explains the increase in unit costs particularly in the fourth quarter of 2001. Normally approximately 25% of costs are variable over the short term. Increased costs for insurance and extensive security arrangements also had a negative impact on the unit cost.

SAS Airline – Unit cost development, 2001

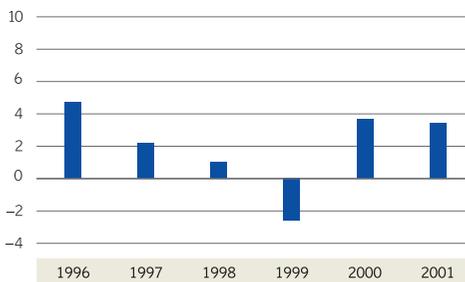
MSEK	Adjusted 2000	2001	Share of total difference, %
Sales costs	2,606	2,324	-0.8
Jet fuel	4,444	4,030	-1.2
Government user fees	3,870	3,858	0.8
Payroll expenses	13,118	13,872	2.2
Other expenses	10,515	11,659	3.3
Total	34,553	35,743	3.4

Volume component (ASK=5.1%)

The table is based on the net cost principle and excludes aircraft leasing costs.

Unit cost development - SAS Airline, 1996-2001

(Net cost/ASK)



SAS Airline previously used an average of ASK and RPK as a volume component when calculating unit costs. In 2001 this definition is changed to only ASK, which places the definition on a par with the rest of the industry.

SAS Airline



- Earnings trend
- Flight safety work within SAS Airline
- Targets
- Strategies
- Business environment for the airline industry
- Macroeconomic and sensitivity analysis
- Market and traffic trends
- Operational key figures
- Aircraft fleet
- Human resources
- Distribution channels
- Global network
 - Alliances and partnerships



SAS Airline

Key figures, SAS Airline

	2001	2000
Operating revenue, MSEK	41,166	39,233
Earnings before depreciation and leasing costs, EBITDAR, MSEK	1,802	4,308
EBITDAR margin, %	4.4	11.0
Earnings before depreciation, EBITDA, MSEK	-430	2,529
Income before tax, MSEK	-1,499	1,951
CFROI, %	5	12
Investments, MSEK	10,227	9,093
Number of aircraft	200	203
Number of passengers (000)	23,063	23,240
Number of destinations	94	92
Number of daily departures (average)	915	938
Average number of employees	22,364	23,777
CO ₂ emissions, grams per RTK	1,449	1,447

SAS Airline comprises SAS's passenger transport operations with its own aircraft and under its own brand. The business area includes the production company SAS Commuter as well as the independent business units Scandinavian Ground Services and Scandinavian Technical Services. Scandinavian Ground Services is responsible for SAS's passenger and ramp services at all airports. Scandinavian Technical Services is responsible for technical maintenance of the fleets of SAS Airline and other customers.

SAS Airline is one of the founders of the global cooperation Star Alliance in 1997. In addition, SAS Airline has a number of European cooperation partners.

In 2001 SAS Airline had an operating revenue of MSEK 41,166 (39,233) and approximately 915 daily departures to 94 destinations in 33 countries.



Earnings trend

SAS Airline's operating revenue rose 4.9% in 2001 to MSEK 41,166.

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 Airline 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%.

Flight safety work within SAS Airline

Flight safety is SAS Airline's most important prerequisite for conducting its operations. During the year SAS Airline continued with systematic efforts to improve methods and systems in order to continually enhance safety with even greater precision.

Flight safety is defined as the absence of unacceptable risk. Unacceptable risk means the risk of an incident that could lead to a crash.

The employees, their attitude and expertise, are the basic and most important factor for achieving and further developing flight safety in the company. Every employee has a defined responsibility for flight safety at SAS Airline. This is why the corporate culture in which employees work is of decisive importance. Responsibility and procedures must be well defined and exception reporting and continual improvements must be a natural part of these efforts.

Flight safety work is part of SAS Airline's quality system and is conducted with the stringency and methods provided by modern quality theory. Consequently, the entire company is covered by these methods. This holistic approach was manifested through a new central staff, Corporate Flight Safety & Security, which was set up during the reorganization in May 2001. This staff supports SAS Airline's management as regards Flight Safety, Security and Emergency Response.

Exception management and analysis

During the year extensive work was carried out to create a joint exception reporting system for flight safety incidents. The system is web-based and contains a database where different methods of analysis are applied. The sys-

tem went into operation at the beginning of 2002 and allows application of a new risk evaluation method to detect risks and more effective allocation of resources in order to improve flight safety.

The intention is also to find indicators which better describe flight safety conditions in the company. SAS has a strong flight safety culture. The aircraft are fitted with the flight safety enhancing equipment available in the market. Processes and procedures are continuously revised and further developed, both in the management system and in production.

SAS has traditionally kept flight safety separate from security. However, there has always been a connection with a need for coordination and support between these areas. SAS Airline always makes assessments of security in airspace and at airports where various types of acts of war or other disturbances have occurred.

Measures within security

Last autumn's terrorist attacks in the U.S. have in a decisive manner highlighted the importance of security for flight safety. The entire civil aviation industry is now engaged in minimizing the risks of similar and other acts of terrorism. SAS Airline has adopted the official requirements and recommendations presented in the wake of September 11. The airline industry and SAS Airline as an individual company make an assessment of the proposed security measures and their positive and possibly negative impact on flight safety. An assessment is also made of what passengers are prepared to accept if they are not to find air transport too inconvenient or too costly.

Air disaster at Milan's Linate airport

On October 8, flight SK686 collided with a Cessna at Milan's Linate airport. The SAS MD-87 had just received clearance for takeoff from the air traffic control tower for its flight to Copenhagen. While the crew on the SAS aircraft were preparing for takeoff, a German-registered Cessna Citation taxied towards the runway. The SAS MD-87 collided with the Cessna and slid sideways into an airport building.

A total of 118 people died, including the 110 people who were on board the SAS flight. Four people died in the German-registered Cessna and four people who worked in the airport building lost their lives.

This airport accident is still under investigation by the Italian Accident Investigating Authority.

SAS's Family Assistance Team is continuing its efforts to assist and support the relatives and friends of those who died.

Compensation to next-of-kin

In accordance with existing compensation rules within the EU, SAS has paid compensation to next-of-kin of USD 25,000 per passenger to cover immediate financial requirements which the relatives may have as a direct effect of this tragic accident. Additional demands for compensation have been submitted and will be submitted. SAS has a strict liability to compensate for proven damage up to 100,000 special drawing rights, SDRs (approximately MSEK 1.3) per passenger. SAS has no liability over and above this, provided SAS can prove that SAS had taken all necessary action to avoid damage or that it was impossible for SAS to take such action. The accident is still the subject of an inquiry. Both payment of the USD 25,000 amounts and additional compensation liability and legal costs are covered by SAS's third party liability insurance. The value of the totally destroyed aircraft is covered by SAS's hull insurance.



Continuous flight safety work is conducted at both strategic management level and at tactical/operational



level by everyone involved in carrying out air transport. Flight safety work includes training of employees at



all levels, established routines, high demands on materials and careful selection when recruiting new



employees. New information channels have been set up to broaden awareness of flight safety related



problem areas, including a channel aimed directly at pilots. SAS always gives priority to flight safety as its



top quality parameter.

SAS Airline's targets

Financial targets

In the period 2002-2004 SAS Airline will increase its operating revenue by an average of 5% per year and achieve a minimum CFROI of 17% over a business cycle.

Customer targets

The Customer Satisfaction Index, CSI, reflects how well SAS Airline is meeting customer expectations and how the company is assessed in relation to the "ideal" airline. The airline had set its CSI target as 75 for 2001 but only scored 70. This decline is due to the fact that it is becoming increasingly hard to meet customer expectations, which is a general trend in the airline industry. One important explanation for this negative development of customer satisfaction is the low image score. The areas where customer satisfaction has generally improved are those relating to EuroBonus and service on board (Inflight Services). Key factors for increasing customer satisfaction are image, customer treatment, timetable/route network and punctuality.

Quality targets

SAS Airline's overall punctuality declined in 2001 compared with 2000 but a clear improvement was noted in autumn 2001.

The target is to be the most punctual airline in Europe. SAS Airline's punctuality target sets a 12% limit to the number of flights that may be delayed by a maximum of 15 minutes. SAS Airline scored 14.9% (12.3) in 2001. The corresponding figures for airlines in AEA was 21%.

The target for irregularity, the proportion of canceled flights, is a maximum of 1% in the summer months and a maximum of 2% in the winter. An increase in irregularity was noted in 2001 due to canceled flights after September 11 and the difficult weather conditions at the end of December 2001.

The target for lost calls in the direct sales channel is a maximum of 10%.

Operating standards and actual results

	2001	2000	Standards
Total loss	1 ¹	0	0
Canceled flights (irregularity)	2.3%	1.7%	max. 1%
Flights delayed more than 15 minutes (punctuality)	14.9%	12.3%	max. 12%
Flights delayed more than 2 minutes	41.9%	36.9%	max. 25%
Proportion of customers who have to wait so long for a reply from SAS's telephone reservations that the call is lost	13.0%	37%	max. 10%
Delayed baggage	0.6%	0.6%	0.4%
Damaged baggage	0.09%	0.07%	0.05%

¹ Accident at Milan's Linate airport with SK686 on October 8, 2001.

Human resource targets

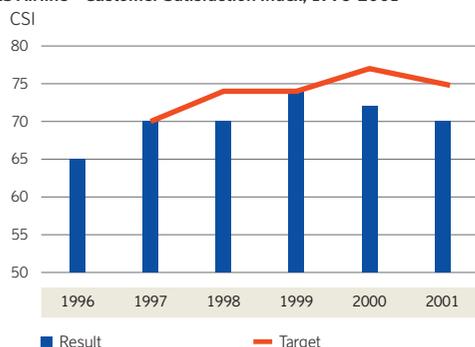
The aim is to further improve the working environment at SAS Airline and raise SAS Airline's attraction as a employer over the long term. Annual PULS surveys (PULS = Employee surveys on life at SAS) show a clear improvement. The result in the 2001 survey was 2.22 on a scale of 0-3. The target is 2.3 in 2003 and 2.5 in 2005. PULS is being developed to provide an even clearer link between motivated employees, satisfied customers and a good financial result. The aim is to increase participation in PULS over a three-year period by at least 10 percentage points so that at least 80% of employees take part.

Environmental targets

One of SAS Airline's environmental targets is to be among the airline industry leaders in adapting its operations to the environment, and to make environmental management an integral part of the business management process. These targets include:

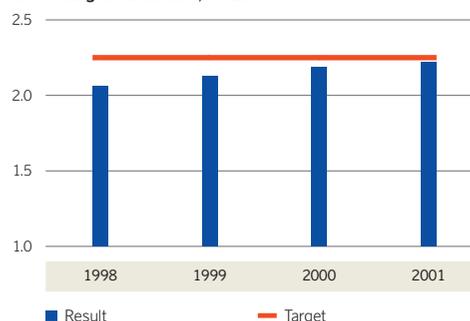
- Within the framework of SAS Airline's financial and qualitative goals all operations will be conducted with minimum environmental impact.
- SAS Airline will have an environmental standard on a par with the leading competitors in the industry
- SAS Airline's environmental objectives and measures will be coordinated and harmonized with other targets for production, quality and finances.

SAS Airline – Customer Satisfaction Index, 1996-2001



In 2001, the Customer Satisfaction Index (CSI) amounted to 70 and the target was 75.

SAS Airline – Human resource targets, employee perception of the working environment, PULS



The PULS index for 2001 rose from 2.19 to 2.22, an increase of 1.4%.

SAS Airline's strategies

SAS Airline's three top priorities are:

- Safety
- Punctuality
- Service

Flight safety

Flight safety is SAS Airline's foremost quality parameter. The already very high flight safety at SAS will be maintained and further strengthened by

- Continuous competence development within flight safety.
- The establishment of a more efficient reporting system.
- Evaluation of reported flight safety related data in a model which provides a complete picture of how flight operations are carried out and indicates where efforts should be made to further enhance safety.

Customer and product strategy

SAS Airline's customer strategy is based on three customer groups which are cultivated per segment: the customer who flies with SAS and pays for the trip personally, the customer who flies with SAS, and the purchaser, i.e. the company or organization paying for the trip.

SAS Airline's products and services are developed and adapted to meet customers' needs for simplicity, choice and consideration.

- **Simplicity** means that products and services are designed so that they are as convenient and simple as possible for the customer to use and for SAS Airline to produce and offer.
- **Choice** for the customer means that SAS Airline endeavors to offer a product range that is so broad that the customer can influence the design of his or her trip to a high level of detail.
- **Consideration** means that SAS Airline shows the greatest possible understanding and perception of customers' needs and situation.

Distribution strategy

SAS Airline's products must be available in the markets and through the channels where the prioritized customer segments wish to obtain their information.

Traffic system

SAS Airline aims to be the leading airline in Scandinavia. The traffic system is concentrated to the traffic flows

- to/from/within Denmark, Norway and Sweden
- between local markets and the rest of the world via Scandinavia
- between Europe and North America/Asia via Copenhagen.

SAS Airline's expansion of its intercontinental route network will strengthen the entire traffic system. In Copenhagen, Oslo and Stockholm, capacity will be extended and new international nonstop connections established. In other major Scandinavian cities, capacity will be extended to Copenhagen. Capacity will also be extended for the whole of Scandinavia to partners' hubs in order to offer connections to destinations not served by SAS Airline.

Partner strategy

SAS Airline's partner strategy is designed to create more and more effective connections as well as other travel benefits which SAS Airline would otherwise not be able to offer its customers. This is achieved by developing a global traffic system and uniform products within the framework of Star Alliance, and creating an effective feeder system together with regional partners in the Nordic countries and serving new markets.

Environmental strategy

Environmental activities shall be conducted at all levels and within all units in SAS Airline, thus increasing environmental awareness throughout the organization.



Business environment for the airline industry

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

The situation in which the airline industry now finds itself will accelerate the consolidation process which has been regarded for some time as both necessary and unavoidable. The attitude of the authorities to the challenges created by the crisis has varied considerably in different countries. There is a risk that this will distort competition between different airlines and airports.

Civil aviation policy

The deregulation of European civil aviation in the 1990s has meant that in recent years no civil aviation policy factors have restricted free market access for air transport within the EU/EEA area. An agreement has also been reached between the EU and Switzerland on including Switzerland in the EU's deregulated market. The agreement is currently awaiting ratification.

Fewer market restrictions in Europe

In recent years, the EU Commission has conducted negotiations with ten Eastern and Central European countries aimed at including these countries in the EU's deregulated civil aviation market. Agreements have now been reached with nine of these countries, while negotiations with the remaining tenth country are continuing. It should be noted that the agreements negotiated with these Eastern and Central European countries provide interim solutions which cover the next three to four years. These agreements are now undergoing a legal examination by the EU Court. The present crisis in the airline industry may lead to postponement of these agreements coming into force. However, it can be expected that SAS's European traffic, within a few years and with a few isolated exceptions, can be conducted without any market restrictions determined by civil aviation policy.

"Open skies" agreements

Based on a proposal from the European airline industry, talks are now being held within the EU on the possibility of starting discussions with the U.S. with a view to creating a joint, deregulated civil aviation market and harmonizing the other conditions that apply to civil aviation.

Outside the EEA, civil aviation is still regulated by bilateral agreements between governments. In recent years such agreements have increasingly taken the form of "open skies" agreements, which contain a bilaterally agreed deregulation of market access for the airlines of the coun-

tries concerned. The Scandinavian countries have concluded a number of such agreements in recent years with third countries, based on their common, very liberal aviation policy.

Even though "open skies" agreements have become more frequent, large parts of air traffic in the world are still characterized by traditional aviation protectionism, where countries through terms in the bilateral civil aviation agreements try to promote the interests of their own airlines. This is the case for the majority of countries served by SAS Airline's intercontinental operations, with the exception of the U.S. A liberalization of these bilateral relations is an essential element in the intercontinental expansion which SAS Airline has started.

Developments in the civil aviation sector

Bilateral aviation agreements with nationality clauses, i.e. that an airline must be majority owned and controlled by national interests, still provide the formal basis for international air traffic operations outside the EU/EEA area. This means that cross-border acquisitions or mergers are made difficult between airlines with operations that extend outside this area. Discussions have been initiated, however, with the International Civil Aviation Organization (ICAO) and the European Civil Aviation Conference (ECAC) about replacing the present nationality requirement with rules that provide greater flexibility as regards ownership and control. The next round of negotiations within the World Trade Organization (WTO) will also have this issue on the agenda. Therefore, cross-border acquisitions or mergers should increase in the civil aviation sector in the foreseeable future. One contributory factor to such a development is that the traditional state ownership in the major airlines is gradually decreasing.

Alliances and cooperation

The present nationality requirement has led airlines to form more or less extensive alliances designed to create global traffic systems and improve their total offer to customers. Such cooperations often require the approval of the competition authorities. The differing views which these authorities have about the effects of such cooperation on competition constitute a problem. Above all, there is a difference in approach between on the one hand the U.S. regulators, who in principle welcome the development of alliances in open civil aviation markets, and on the other the EU Commission and the European national competition authorities which have a more restrictive attitude.

Infrastructure

It has always been difficult to build new infrastructure for air transport to keep pace with traffic development. The lead time for a new runway, or a totally new terminal complex, can be more than ten years. Lack of capacity has led to greater crowding, competition for slots, an increased number of delays and a low service level for passengers. Lack of capacity also results in higher fuel consumption and consequently to both a greater environmental impact and higher costs. This situation characterized many places in Europe in the 1990s.

Stagnation and the crisis in autumn 2001 have certainly provided a short breathing space since there has been a temporary decline in air traffic. The airline industry has demanded that those responsible for infrastructure accept their share of responsibility in the crisis by avoiding price rises or reducing charges. SAS's changeover to larger aircraft has reduced the company's need to increase capacity in the three hubs in Scandinavia in the short term.

There is a risk, however, that the infrastructure providers will delay overdue, essential investments in order to meet their internal financial targets. The risk lies in the long lead times for implementation of many capacity improvements. If traffic should rise quickly after the crisis, the lack of capacity in the infrastructure will obstruct this recovery.

In its dialog with infrastructure providers, SAS is therefore recommending caution when halting investments that increase capacity.

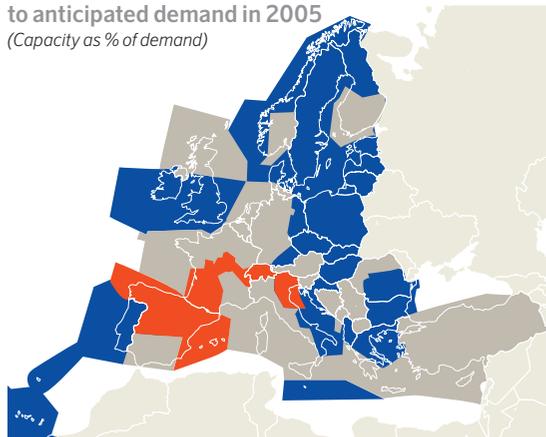
SAS welcomes the EU's "A Single European sky" initiative. This initiative is the only reasonable, accessible way to quickly create a well coordinated European airspace, with long-term capacity.

The capacity situation remains good in Scandinavia and the third runway at Arlanda airport outside Stockholm will provide good additional capacity.

The initiative to try to create a common upper airspace in the Nordic region is very important and encouraging.

Airspace capacity within Europe relative to anticipated demand in 2005

(Capacity as % of demand)



Red areas show where substantial airspace overcrowding is expected. Blue areas show where airspace capacity exceeds demand by a wide margin.

Source: AEA Yearbook

Real examples are needed to show the rest of Europe that cross-border airspace can be created and that it is possible to enhance the efficiency of these operations so that the number of control centers in Europe can be reduced.

Environment

The substantial increase in air traffic has led to the environmental effects caused by aviation attracting increasing political attention. This relates to the growing noise problem at many large airports, emissions of nitrogen oxides which are acidic and cause eutrophication, and the airline industry's effect on the global climate in the form of carbon dioxide emissions.

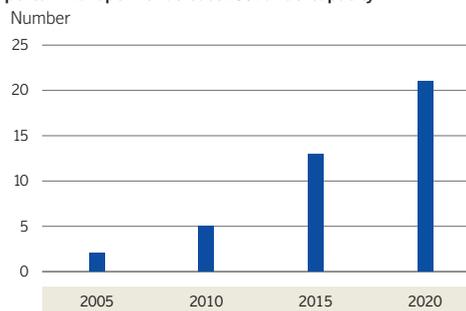
Discussions are also ongoing on different ways to reduce air transport's emissions to air. In Europe, there is considerable interest in emissions-based landing charges. An EU model is being drawn up within the framework of ECAC. This model partly follows the Swedish system which is based on how much nitrogen oxides aircraft emit. The EU Commission is taking part in this work and it is not unlikely that the EU will adopt this model as an EU recommendation, in the same way as with the corresponding ECAC model for noise-based landing charges.

ICAO is examining how air transport's contribution to climate change can be reduced and has commissioned the Committee on Aviation Environmental Protection (CAEP) to analyze the effects of various market-based solutions. The Committee recommends open trading in emission rights. In such a case, the airline industry will be a net purchaser of emission quotas. ICAO will be looking more closely at how the international airline business can be incorporated into a quota trading system.

Within the EU there is a powerful lobby for the introduction of a carbon dioxide tax on jet fuel. The Commission has expressed its approval of a tax on jet fuel but wants to see an international solution so that European airlines do not find themselves in a less favorable competitive situation. The EU is therefore actively pursuing the question of economic controls within ICAO.

More detailed information is provided in SAS's 2001 Environmental Report on the Internet.

Airports in Europe with at least 25% undercapacity



Based on growth plans in the airline industry, the number of existing airports in Europe with a lack of capacity is expected to grow if nothing radical is done.

Source: ECAC/Eurocontrol

Macroeconomic and sensitivity analysis

Macroeconomic trends in 2001

Economic development was positive in SAS Airline's main markets in the first part of 2001. Signs of an economic downturn started to show in April and intensified in summer and autumn 2001. Uncertainty increased as a result of events on September 11 and deepened the worsening economic situation in the U.S. and Europe.

The trend for SAS Airline often reflects the economic climate. Sweden is the largest market and accounts for about 40% of SAS Airline's total ticket sales. GDP growth in Sweden was 1% in 2001 compared with 2.5% in 2000. This shows a clear weakening of the Swedish economy which had a negative impact on SAS Airline in 2001.

SAS Airline sells approximately 25% of its tickets in Norway where GDP growth was 1.3% (2.2).

In Denmark, which accounts for around 15% of ticket sales, GDP growth was 0.9% (3.0).

SAS Airline – sensitivity analysis

The following approximate relations exist between the operational key figures* and SAS Airline's earnings for 2001.

Passenger traffic (RPK)

- 1% change in RPK had an earnings impact of approximately MSEK 225.

RPK (Business Class/Economy Class)

- 1% change in RPK had an earnings impact of approximately MSEK 135 in Business Class and approximately MSEK 90 in Economy Class.

Cabin factor

- 1 percentage point change in the cabin factor had an earnings impact of approximately MSEK 340.

Unit revenue (Yield)

- 1% change in passenger revenue per passenger kilometer had an earnings impact of approximately MSEK 300.

Unit cost

- 1% change in the unit cost had an earnings impact of approximately MSEK 290.

Jet fuel

- 1% change in the price of jet fuel affected costs by approximately MSEK 40 excluding hedging.
- 1% change in consumption of jet fuel corresponds to approximately 41,000 tonnes CO₂.

Exchange rate sensitivity

- 1% weakening of the SEK against other currencies means:
 - approximately MSEK 10 per year in improved operating cash flow
 - approximately MSEK 35 increase in the net debt
 - approximately MSEK 250 increase in hidden reserve in assets.

These effects on earnings cannot be totaled but reflect the earnings sensitivity of SAS Airline in the present situation.

* Definitions, see page 116.

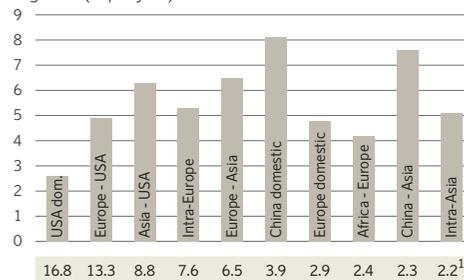
Global forecasts

One of the world's largest aircraft manufacturers, Airbus Industrie forecasts an average annual growth of 4.9% until 2019. The UN's scientific council on climate issues, the

Intergovernmental Panel on Climate Change (IPCC), has assessed that air transport will rise by an average of 5% per year by 2015. Industry experts and analysts are agreed that the airline industry will see positive development in future years. The largest traffic increases are expected in traffic within and to and from Asia, particularly China.

Global forecast average annual passenger traffic (RPK) growth, 1999-2019

Annual growth (% per year)



The figures under the columns indicate each area's forecast share of the air transport market in 2019 measured in revenue passenger kilometers (RPK).

¹ % of RPK, global 2019.

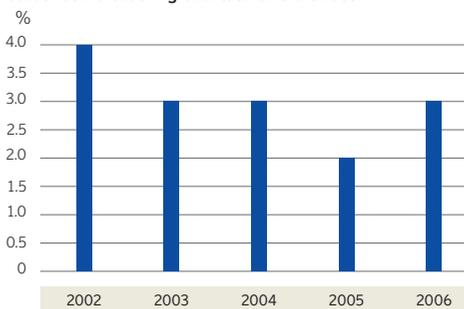
Source: Airbus Industrie

Airline industry cycles

The weak trend in the global economy in general and in the U.S. in particular was reflected in the airline industry. In addition to the global economic trend, the airline industry is also affected by other factors such as the number of aircraft in operation and available seat capacity. In 2001, especially after September 11, overcapacity in the airline industry rose despite extensive capacity adjustments. According to the latest forecasts, capacity looks set to rise by approximately 4% in 2002 and 2-3% in the period 2003-2006.

- New aircraft delivered in 2001 made up approximately 8% of the world's aircraft fleet. The corresponding figure for 2002 is estimated at 6%.
- Aircraft taken out of operation are expected to be approximately 2% per year through 2006.

Forecast net increase in global total aircraft fleet



Source: DKW

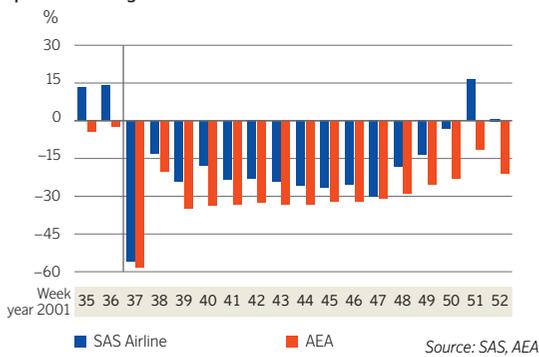
September 11, 2001

The situation for the airline industry worsened dramatically on September 11. Demand in some markets fell by more than 25% overnight. Airlines were forced to ground several aircraft which meant that capacity decreased by approximately 10% among European airlines. The number of aircraft in the parking areas, including those in California and Arizona in the U.S., has risen from approximately 1,100 aircraft at year-end 2000 to approximately 2,100 in December 2001. Compared with other airlines, SAS Airline has coped with the decline in traffic relatively well. After September 11, traffic fell by 17.6% for airlines in the AEA. In the same period, SAS Airline had a decline

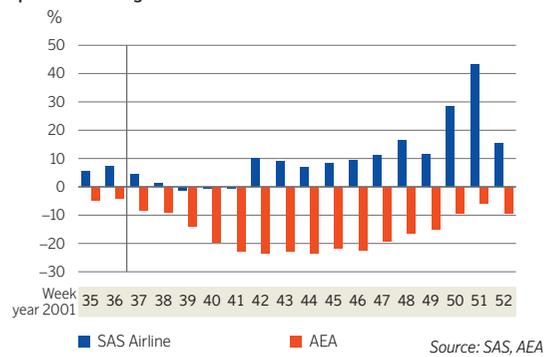
of 9.0%. This is explained by, among other things, the introduction of SAS Airline's new intercontinental aircraft fleet on Asian routes in autumn 2001. SAS Airline has captured market shares from its competitors. (See diagram below.)

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

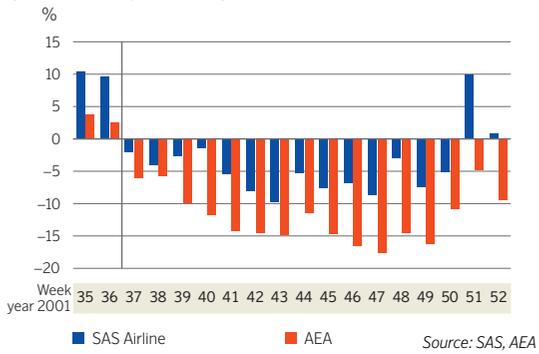
Change in RPK (revenue passenger kilometers, scheduled) per week on flights over the North Atlantic



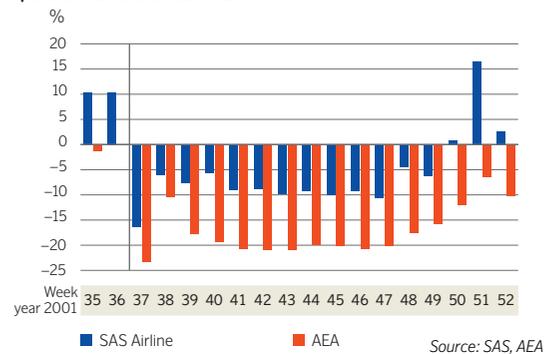
Change in RPK (revenue passenger kilometers, scheduled) per week for flights to Asia



Change in RPK (revenue passenger kilometers, scheduled) per week for flights in Europe



Change in RPK (revenue passenger kilometers, scheduled) per week international total



AEA International scheduled traffic (RPK)



Market and traffic trends

SAS Airline's route sectors

SAS Airline divides its passenger traffic operations into six route sectors: intercontinental routes, European routes, intra-Scandinavian routes, Danish domestic traffic including Greenland, Norwegian domestic traffic, and Swedish domestic traffic.

Intercontinental routes

SAS Airline's intercontinental routes serve the large traffic flows between Scandinavia and the U.S. and between Scandinavia and Asia. In the U.S., SAS runs services to four destinations: New York, Chicago, Seattle and Washington. The Copenhagen-Washington route was opened in May 2001 and is the most recent addition to the intercontinental map. Asian destinations were Delhi, Bangkok, Singapore, Tokyo and Beijing.

The events of September 11 hit SAS's intercontinental traffic hard, particularly on U.S. routes. On the other hand, Asian routes, apart from Tokyo, were only marginally affected.

Up until August 2001 there was a weaker trend in the Scandinavia-USA market. The total decline was 3%, with an 8% fall in the business segment. The effects of recession and weakening traffic numbers were felt most in the Swedish market. In a falling market, however, SAS Airline succeeded in capturing market shares of 1-2%. The total traffic figure for U.S. traffic in the first half of 2001 increased by 2% in Business Class and by 9% in Economy Class, including the new destination Washington.

Scandinavia-Asia had a positive market development until August 2001. Business Class traffic decreased but total traffic showed an increase of 10%. SAS's traffic in Asia in the same period rose 4% in Business Class and 1% in Economy Class. SAS captured market shares in Business Class on all route sectors except India, but lost ground somewhat in Economy Class. This was partly due

to insufficient capacity to meet demand in Economy Class. This is now being remedied through the successive introduction of Airbus A340/330s on intercontinental routes.

In October 2001 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 Copenhagen-New York round trips in the period November 2001 through April 2002.

As a long-term effect of the changed travel patterns, SAS Airline has decided to postpone introduction of the San Francisco route. U.S. traffic is strategically important, especially to the U.S. East Coast which is SAS Airline's main market in the U.S.

During the year a decision was made to suspend the Copenhagen-Delhi route in February 2002. The recession in India and the related decline in Business Class were the main reasons for the route's falling profitability.

Other Asian routes showed favorable development. In the autumn, SAS Airline continued to capture market shares, despite a falling total market. Demand in Economy Class was very high and the Copenhagen-Beijing route in particular had a substantial increase in both Business Class and Economy Class. China is a strategically important market for SAS. SAS will have a daily service to China in 2002.

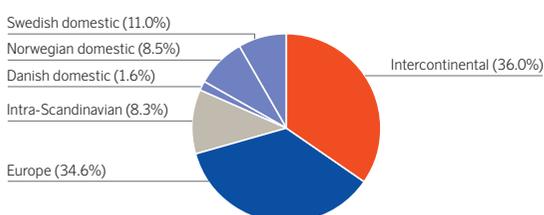
SAS is continuing the planned phasing in of the Airbus A340. This will provide an expansion in the number of seats on existing routes of approximately 40% per route.

European routes

The largest passenger flows in SAS's European traffic are between Scandinavia and the key European business centers for Scandinavian business such as London, the major German cities and Paris, Amsterdam, Brussels and Helsinki.

SAS Airline – traffic by route sector, 2001

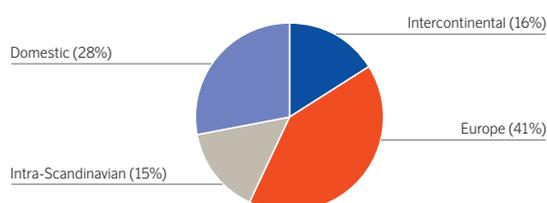
RPK, revenue passenger kilometers



The proportion of revenue passenger kilometers (RPK) for intra-Scandinavian traffic, as well as for Danish, Norwegian and Swedish domestic traffic, accounted for 29.4% of total traffic in 2001.

SAS Airline – passenger revenue, 2001

%



Passenger revenue for intra-Scandinavian traffic, as well as for Danish, Norwegian and Swedish domestic traffic, accounted for 43% of total passenger revenue in 2001.

The total market for most of these traffic flows showed fairly similar development, with a relatively strong rise at the beginning of the year followed by a weaker trend from May-June 2001. The international total traffic to and from Scandinavia therefore only showed a weak increase of approximately 1-2% in the first half of 2001. The downward trend with falling traffic in Business Class was noticeable, which was seen in a total decline of approximately 9%. In the individual Scandinavian markets the greatest decline was in the Swedish market. Total traffic in SAS Airline's most important markets to and from Sweden fell in the first half of 2001 by a full 7%. As a whole, SAS Airline was able to strengthen its position during this period through an increase in total market shares of approximately 1%. Its share of total Business Class travel rose by about 3%.

In the latter part of the year market conditions changed dramatically. In order to adjust capacity to actual demand, SAS Airline decided on different forms of production cut-backs, including closure of minor and unprofitable routes, and reduced frequencies and aircraft sizes on major routes and route sectors.

Stavanger-Aberdeen, Copenhagen-Bologna/Krakov/Kaliningrad/Barcelona/Tel Aviv were suspended in 2001. SAS Airline also streamlined its services to London by discontinuing flights to Stansted Airport and concentrating entirely on London/Heathrow.

The reduction in production was mainly achieved by phasing out the old DC9 fleet faster than planned. The introduction of the new and larger aircraft type, Airbus A321, was started in the final months of the year and is progressing at a slightly slower rate than planned.

The competitive situation changed in the autumn, drastically in some areas, which resulted in SAS Airline carrying out rapid production increases to destinations including Zurich, Brussels and London.

Intra-Scandinavian routes

The intra-Scandinavian routes have a key role, partly by meeting the local market's transportation requirements, and partly by ensuring growth in the total traffic system. Increased European and intercontinental traffic is generated through an efficient feeder system to the international traffic hub at Copenhagen airport.

The local market (excluding transfer traffic) for travel between the Scandinavian countries, which accounts for approximately half of total travel on these routes, rose approximately 3% in January-August 2001 compared with the same period in the previous year.

In total, traffic increased in this period by approximately 4%. Since the increase in production was higher (about 9%), due to anticipated faster growth, both in local traffic and international transfer traffic, the cabin factor fell. The Swedish market in particular showed a negative trend.

In October 2001, the market fell by approximately 13% compared with the same period a year ago. In the

SAS Airline's passenger traffic trend

SAS Airline total	2001	2000	Change, %
Number of passengers (000)	23,063	23,240	-0.8
RPK, millions	22,956	22,647	+1.4
ASK, millions	35,521	33,782	+5.1
Cabin factor, %	64.6	67.0	-2.4*
Cabin factor incl. other traffic/production, %	64.7	67.0	-2.3*
Cabin factor incl. EuroBonus travelers, %	68.0	**	**
Yield, adjusted for currency effects, SEK			+0.7
Business Class, % of RPK	27.4	29.0	-1.6*
Intercontinental routes			
Number of passengers (000)	1,220	1,201	+1.6
RPK, millions	8,264	8,150	+1.4
ASK, millions	10,526	10,110	+4.1
Cabin factor, %	78.5	80.6	-2.1*
Yield, adjusted for currency effects			-0.7
European routes			
Number of passengers (000)	7,838	7,650	+2.5
RPK, millions	7,937	7,702	+3.1
ASK, millions	13,588	12,527	+8.5
Cabin factor, %	58.4	61.5	-3.1*
Yield, adjusted for currency effects			-2.6
Intra-Scandinavian routes			
Number of passengers (000)	4,003	4,255	-5.9
RPK, millions	1,900	1,874	+1.4
ASK, millions	3,343	3,108	+7.6
Cabin factor, %	56.8	60.3	-3.5*
Yield, adjusted for currency effects			-0.4
Danish domestic routes, including Greenland			
Number of passengers (000)	955	980	-2.5
RPK, millions	365	372	-1.9
ASK, millions	559	550	+1.6
Cabin factor, %	65.3	67.6	-2.3*
Yield, adjusted for currency effects			+4.5
Norwegian domestic routes			
Number of passengers (000)	3,839	3,850	-0.3
RPK, millions	1,962	1,977	-0.7
ASK, millions	3,300	3,466	-4.8
Cabin factor, %	59.5	57.0	+2.4*
Yield, adjusted for currency effects			+12.2
Swedish domestic routes			
Number of passengers (000)	5,209	5,305	-1.8
RPK, millions	2,528	2,572	-1.7
ASK, millions	4,204	4,020	+4.6
Cabin factor, %	60.1	64.0	-3.9*
Yield, adjusted for currency effects			+1.1

* Change in percentage points. ** Information not available.
Definitions and concepts, see page 116

fourth quarter of 2001, the market fell by approximately 13%. Production adjustments were implemented in this market as well.

Domestic routes

Danish domestic routes including Greenland

Danish domestic traffic, which largely functions as feeder traffic to SAS Airline's international traffic system in Copenhagen, and Greenland traffic developed well. The previous downward trend in Danish air traffic, caused by an improved infrastructure for land-based traffic, has stabilized and the purely local market rose slightly com-

pared with the previous year. Most of the increase on Danish domestic routes largely comprised a growing volume of transfer traffic. In order to further strengthen the transfer flow to and from Jutland, SAS Airline decided to fly between Copenhagen and Billund. Five daily flights started in January 2002.

Norwegian domestic routes

The total domestic market in Norway fell by approximately 5% in 2001. In the same period, SAS Airline's traffic rose 1%. The decline in the total market is evenly distributed throughout the country and is due to a 8% fall in the low-fare market. This decline is largely due to increased charges and subsequent price increases from April 1. Considerable fare increases in the order of 25-30% over the last two years have also contributed to the decline in volume.

The full-fare market in total is on a par with the previous year but showed a declining trend. SAS's full-fare traffic was stable with growth in 2001 of around 3%.

This positive development was due to an improvement in SAS Airline's position in the market in southern Norway, which is the most important market in terms of domestic and international traffic.

Swedish domestic routes

The Swedish domestic market has grown strongly in recent years. This positive trend was broken in 2001. The

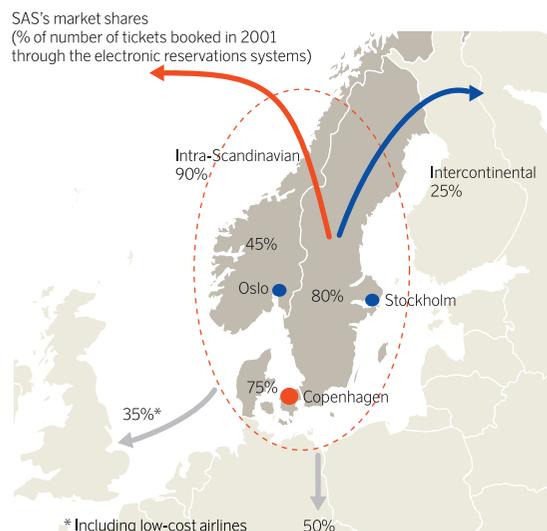
year started with a strong first quarter. A noticeable decline in growth occurred in the autumn. This weakening could already be detected at the end of the summer. The number of domestic passengers in 2001 totaled approximately 7.5 million, a decline of approximately 2% compared with the previous year. Leisure travel decreased more than business travel. Since November, the number of departures has been reduced to meet the lower demand.

Today, SAS Airline provides services to 15 destinations in Sweden. Falcon Air has stopped flying on the Stockholm-Umeå route, so this entire route's traffic requirements are now covered by SAS Airline. In the Swedish domestic market SAS Airline has competition from Malmö Aviation which flies from Bromma to Gothenburg and Malmö. A new company, Nordic Airlink, started a Stockholm-Luleå service in November. In total, SAS Airline has a market share of approximately 80%.

The Swedish Market Court's decision means that as of October 28, 2001, SAS may not issue redeemable EuroBonus points on Swedish domestic routes exposed to competition. At present, this prohibition applies to routes from Stockholm to Gothenburg, Malmö and Luleå.

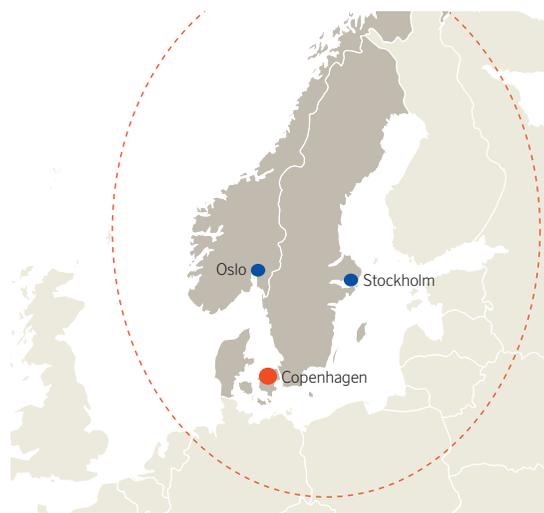
On January 1, 2001, SAS Airline reduced its fares by 6% as a result of parliament's decision to reduce the VAT rate for public transport from 12% to 6%. Otherwise, during the year fare increases were implemented due to higher costs for increased security measures.

SAS Airline's market position in Scandinavia



The above picture shows SAS Airline's market shares in domestic markets in the Scandinavian countries, intra-Scandinavian (90%), on traffic to the U.K. (35%), Europe (50%) and intercontinental traffic (25%), based on bookings in the reservations systems. Among other things through investment in the new intercontinental fleet, the aim is to raise market share to 30-35%.

SAS Airline's extended home market covers a population of over 100 million



Approximately 18 million people live in Scandinavia. SAS Airline's natural catchment area for passenger traffic also includes Finland, the Baltic States, the northern part of Poland and the northern part of Germany. SAS Airline has defined this as its extended home market with a population of over 100 million.

SAS Airline – Operational key figures

Ten-year overview

(incl. SAS Cargo)

Traffic/Production	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992 ²
Number of cities served ¹	94	92	97	101	102	104	98	96	100	98
Number of flights, scheduled	334,039	343,482	343,611	328,327	320,410	309,636	295,028	297,688	314,940	*
Kilometers flown, scheduled (million)	265.1	263.4	261.1	251.9	244.3	235.7	218.5	217.2	225.6	202.9
Total airborne hours, scheduled (000)	412.1	417.4	417.2	403.6	390.4	375.5	352.6	350.2	367.9	326.0
Number of passengers carried, total (000) ³	23,243	23,395	22,225	21,699	20,797	19,828	18,835	18,823	18,619	16,808
Available tonne kilometers, total (million)	4,846.3	4,621.5	4,621.3	4,501.1	4,346.0	4,130.8	3,586.2	3,514.0	3,576.4	3,389.8
Available tonne kilometers, scheduled	4,798.3	4,584.3	4,560.9	4,459.0	4,290.6	4,092.6	3,546.2	3,500.8	3,566.6	3,345.0
Available tonne kilometers, other	48.0	37.2	60.4	42.1	55.4	38.7	40.0	13.2	9.8	44.8
Revenue tonne kilometers, scheduled (million)	3,034.0	3,016.7	2,834.5	2,680.0	2,571.5	2,392.2	2,172.7	2,163.2	2,106.9	1,929.9
Passengers and excess baggage	2,263.9	2,204.2	2,041.9	1,877.1	1,827.7	1,754.6	1,670.4	1,666.8	1,637.3	1,488.0
Freight	717.6	758.4	741.4	755.7	693.7	590.4	452.8	445.9	420.4	391.7
Mail	52.5	54.1	51.2	47.2	50.1	48.2	49.5	50.5	49.2	50.2
Total load factor, scheduled (%)	63.2	65.8	62.1	60.1	59.9	58.5	61.3	61.8	59.1	57.7
Available seat kilometers, scheduled (million) ³	35,981	34,189	33,910	31,766	31,333	30,646	28,447	28,154	28,581	26,396
Revenue passenger kilometers, scheduled (million) ³	23,296	22,923	21,707	20,883	20,339	19,487	18,506	18,466	18,138	16,554
Cabin factor, scheduled (%) ³	64.7	67.0	64.0	65.7	64.9	63.6	65.1	65.6	63.5	62.7
Business Class, share of revenue passenger kilometers (%)	27.4	29.0	29.1	31.0	31.7	31.5	32.0	30.7	28.7	27.5
Average passenger trip length, scheduled (km)	1,010	974	966	971	986	990	989	983	976	990
Traffic revenue/revenue tonne kilometers (SEK)	11.96	11.63	11.42	11.90	11.94	11.77	12.91	12.07	11.24	10.48
Passenger revenue/revenue passenger kilometers, scheduled (SEK)	1.48	1.38	1.36	1.35	1.34	1.31	1.39	1.29	1.21	1.06
Passenger revenue/available seat kilometers, scheduled (SEK)	0.96	0.93	0.86	0.89	0.87	0.83	0.90	0.85	0.77	0.66
Airline operating expense/available tonne kilometers, scheduled (SEK)	8.72	7.96	7.39	7.17	6.73	6.53	7.17	7.21	6.69	6.18
Revenue tonne kilometers/employee, scheduled (000)	85.2	126.9	121.4	127.6	129.4	119.6	119.1	115.9	108.4	93.5
Revenue passenger kilometers/employee scheduled (000)	1,022.9	952.6	906.4	994.1	1,023.6	1,025.9	1,014.0	989.5	933.1	802.0
Jet fuel price (cents/gallon)	89	94	60	66	75	78	67	66	71	76
CO ₂ , gram/revenue passenger kilometers	176	179	192	196	194	193	184	181	188	178
Punctuality (% within 15 minutes)	85.1	88.0	83.5	82.7	88.0	87.8	87.6	91.3	90.0	90.6
Regularity (%)	97.7	98.3	97.8	98.1	99.0	98.7	97.5	98.7	98.7	99.0
Breakeven load factor (%) ⁴										
SAS Airline	72.9	68.4	64.7	60.3	56.4	55.5	55.5	59.7	59.5	61.6
AEA	*	66.5	67.4	62.7	64.6	64.0	63.9	65.7	65.5	63.8
IATA	*	63.0	61.4	60.1	61.1	60.8	59.5	61.0	61.8	61.0

¹ Destinations served by SAS aircraft (summer period).

² Figures include 7 months of Linjeflyg's traffic and production data.

³ Including other traffic/production.

⁴ Breakeven load factor.

* Figures not available.

Definitions and concepts, see page 116.

SAS Airline's aircraft fleet

A340-300 - The new aircraft for SAS Airline's intercontinental routes

In 2001, SAS started phasing in the long-haul aircraft Airbus A340-300 which together with the Airbus A330-300 will replace the Boeing 767-300ERs, which have been in SAS Airline's fleet since 1989. Four A340-300s were delivered in the second half of 2001. The first aircraft went into intercontinental traffic in September 2001. Following exercise of an option in the past year, the order totals 11 aircraft. SAS Airline has an option for an additional six aircraft.

Passenger comfort will be improved compared with today when the new aircraft are introduced. Business Class comfort will be enhanced, and part of Economy Class will become "Economy Extra." A330-300s and A340-300s have identical fuselages and their cabins will be almost identical. The real distinction between the aircraft is number of engines and range. The A340-300 has four engines and is designed to fly very long distances with a full load. The A330-300 has two engines and is optimized for shorter intercontinental flights. The flight crews are trained to fly both A330s and A340s.

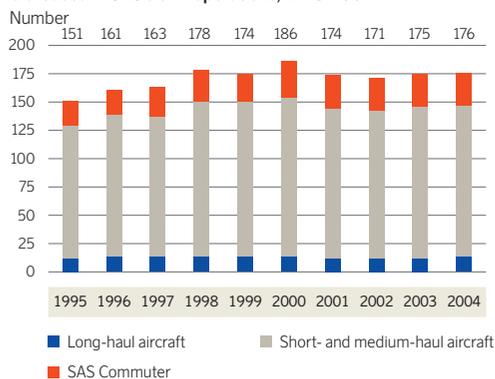
The A330-300s and A340-300s have approximately 40% more seats than the 767-300ERs. There are 261 seats in the new aircraft compared with the approximately 189 in today's aircraft. Freight capacity will also increase. In most cases the effective increase will be 40-45%, but even more in cases where the Boeing 767 had a limited range.

The first aircraft have been used on Delhi, Beijing, Bangkok/Singapore routes.

Configuration 2000 for SAS Airline's European routes

The "Configuration 2000" project will be completed in 2002, which means that SAS Airline will rebuild 72 MD-80s and MD-90s to give these aircraft more seats. In total,

Aircraft used in SAS's own operations, 1995-2004



SAS Airline's system will acquire additional seat capacity corresponding to approximately three aircraft.

Despite "Configuration 2000" larger aircraft are needed on some European routes. Larger aircraft are required because of the limited number of takeoff and landing slots at some airports. The largest European aircraft so far, the MD-90, has 147 seats in the new configuration.

A321-200 - SAS Airline's large new aircraft for Europe

Against this background, a decision was made in 1999 that SAS Airline should acquire a larger aircraft for European flights and an order for 12 A321-200s was therefore placed with Airbus. The first three A321s were phased in to the aircraft fleet in the final quarter of 2001. The A321 in SAS Airline's version is equipped with so-called flex seats which allow the cabin size to vary between 160 and 184 seats depending on the need for Business Class seats on long European routes. A typical capacity will be 174 seats. The first A321-200s will mainly traffic the so-called capital triangle between Copenhagen, Oslo and Stockholm.

Despite the decline in traffic in the second half of 2001, SAS Airline will be able to benefit from its investment in larger aircraft. It will be possible to reduce the number of flights between certain cities and thus achieve savings. For example, on weekdays SAS Airline operates 20 flights a day between Copenhagen and Stockholm. The number

SAS Airline's aircraft fleet, December 31, 2001

	Owned ³ Dec. 00	Total Dec. 00	Owned ³ Dec. 01	Leased in	Total Dec. 01	Leased out	Order ²
Airbus A340-300			3	1	4		3
Airbus A330-300							4
Airbus A321-200			3		3		9
Boeing 767-300 ER	4	13	3	9	12		
Boeing 737-600	15	30	12	18	30		
Boeing 737-700	6	6	5	1	6		
Boeing 737-800	13	13	12	5	17		6
Douglas MD-81	9	19	6	10	16		
Douglas MD-82	13	28	16	15	31		
Douglas MD-83	2	2	2		2		
Douglas MD-87	11	18	10	6	16		
Douglas MD-90-30	8	8	8		8		
Douglas DC-9-21		2			2		
Douglas DC-9-41		19		12	12		
Douglas DC-9-81		1			1		
Embraer ERJ 145		2		3	3		
Fokker F28	9	9	8		8		
Fokker F50	7	19	7	2	9		2 ¹
deHavilland Q400	5	11	6	17	23		5
SAAB 2000		3					
Total	102	203	101	99	200	2	27

¹ airBaltic

² Including aircraft expected to be delivered on operating leases

³ Owned/finance leased aircraft

of flights can now be reduced without any real reduction in service to customers.

Surplus aircraft and postponed deliveries

SAS Airline reduced its traffic program substantially in response to the downturn in the market in autumn 2001. The reduction in the intercontinental traffic program led to a surplus of two Boeing 767s.

In the short-haul fleet, all the aircraft taken out of operation so far have been DC-9-41s. All DC-9-41s are leased in and will be returned to their owners in 2002. A surplus of MD-80s and/or Boeing 737s will probably occur in 2002 as deliveries of A321s and Boeing 737s continue.

Against this background, SAS Airline has requested and been granted postponements in its deliveries from both Airbus and Boeing.

Re-deliveries of leased out aircraft increase the aircraft surplus which has arisen due to reductions in the traffic program. In most of 2001, SAS Airline had six F28-4000s leased out to Air Botnia. These were returned to SAS Airline before the end of the year.

Development of the aircraft fleet in 2001

SAS's aircraft fleet decreased by three units in 2001 and comprised 200 aircraft at year-end, of which 26 were not used in SAS's operations. Two aircraft were leased out and the others comprised a surplus or were overhauled for return to their owner.

Since the end of 2000, SAS Airline has leased a few Embraer 145s (jet with 48 seats) from Skyways on a "wet lease" basis. Skyways operates the flights with its own staff as assigned by SAS Airline. The number of leased in Skyways aircraft rose from two to three in 2001.

During the year 23 aircraft were phased in to the fleet, while 26 aircraft were phased out. One was lost in the crash in Milan. One F28-4000 was sold and 25 leased in aircraft were returned to their owners: one Boeing 767-300, one MD-87, one DC-9-81, seven DC-9-41s, two DC-9-21s, ten Fokker F50s, and three SAAB 2000s. At year-end two aircraft were leased out, which is six fewer than in 2000.

SAS Airline took delivery of 23 new aircraft during the year: four Airbus A340-300s, three A321-200s, four Boeing 737-800s, and 12 deHavilland Q400s which are used by SAS Commuter.

During the year, SAS completed sale and leaseback deals for a total of 14 aircraft: one A340-300, one Boeing 767-300, five Boeing 737-800s, one Boeing 737-700, three Boeing 737-600s, and three Q400s. At year-end, SAS owned 101 of 200 aircraft.

At year-end, SAS Airline had 27 aircraft on firm order for a total value of approximately USD 1.5 billion.

DC-9-41 – A faithful servant leaves the fleet

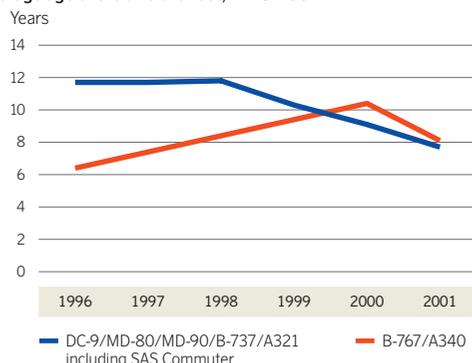
On January 1, 2002, the last flight was conducted with a DC-9-41. This flight marked the end of a historic era. SAS Airline has flown DC-9s for nearly 35 years. The first SAS Airline flight with a DC-9 took place on October 7, 1967, with an aircraft leased from Swissair. The DC-9s which SAS Airline had ordered from Douglas Aircraft started to be delivered at the end of 1968 and a total of 61 were delivered in 1968-1979.

Reduced environmental impact

In 2001, ICAO decided to introduce a new and more stringent noise certification standard for new aircraft types. This will be called Chapter 4 and is at a level which is about 3 dB lower than the present Chapter 3. The aircraft which SAS Airline is currently buying – A321, A330, A340, Boeing 737 and deHavilland Q400 all have a noise level lower than the new standard. In addition, ICAO's member states adopted a resolution which will regulate other noise-reducing activities at airports. This resolution is now being drafted by the EU as a directive which may lead to some restrictions at the most sensitive airports in Europe. SAS's fleet will probably not be affected by this directive.

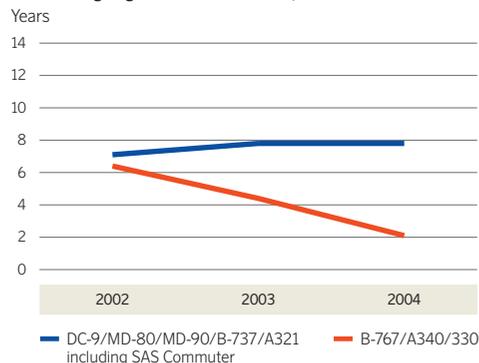
The continued modernization of SAS Airline's fleet meant that fuel consumption and therefore CO₂ emissions were reduced per available seat kilometer (ASK) by 4.6%, and despite the falling traffic base by 1.3% per paying passenger (RPK).

Average age of the aircraft fleet, 1996-2001



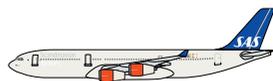
The average age in 2001 of the aircraft in SAS Airline's operations, including SAS Commuter, was 7.7 years.

Forecast average age of the aircraft fleet, 2002-2004



Average age of the total aircraft fleet in 2002 will be 7.0 years and in 2004 7.4 years.

SAS Airline's aircraft fleet in traffic, December 31, 2001



Airbus A340-300
 Number of aircraft: 4
 Number of seats: 261
 Max. takeoff weight: 275.0 tonnes
 Max. load: 43.0 tonnes
 Length: 63.7 meters
 Wingspan: 60.3 meters
 Cruising speed: 875 km/h/545 mph
 Range: 12,800 km
 Fuel consumption: 0.034 liters/
 seat kilometer
 Engine: CFM56-5C4



Airbus A321-200
 Number of aircraft: 3
 Number of seats: 160-184
 Max. takeoff weight: 85.0 tonnes
 Max. load: 19.0 tonnes
 Length: 44.5 meters
 Wingspan: 34.1 meters
 Cruising speed: 840 km/h
 Range: 3,000 km
 Fuel consumption: 0.036
 liters/seat kilometer
 Engine: CFM56-5C4



Boeing 767-300 ER
 Number of aircraft: 12
 Number of seats: SAS version 188-
 204
 Max. takeoff weight: 185 tonnes
 Max. load: 37.4 tonnes
 Length: 54.9 meters
 Wingspan: 47.6 meters
 Cruising speed: 860 km/h/535 mph
 Range: 10,500 km
 Fuel consumption: 0.038 liters/
 seat kilometer
 Engine: P&W 4060



Boeing 737-600/700/800
 Number of aircraft: 30/6/17
 Number of seats: 91-103/116-137/179
 Max. takeoff weight: 57.6-59.9/61.7/70.6
 tonnes
 Max. load: 13.0/15.5/19.5 tonnes
 Length: 31.2/33.6/39.5 meters
 Wingspan: 34.3 meters
 Cruising speed: 850 km/h/530 mph
 Range: 1 900/1 400 km
 Fuel consumption: 0.045 liters/
 seat kilometer
 Engine: CFM56-7B



MD-87
 Number of aircraft: 16
 Number of seats: SAS version 110-
 125
 Max. takeoff weight: 61.2 tonnes
 Max. load: 14.8 tonnes
 Length: 39.8 meters
 Wingspan: 32.9 meters
 Cruising speed: 815 km/h/505 mph
 Range: 3,500 km
 Fuel consumption: 0.047 liters/
 seat kilometer
 Engine: P&W JT8D-217C



MD-81/82/83
 Number of aircraft: 16/31/2
 Number of seats: SAS version
 141/145
 Max. takeoff weight:
 63.5/67.8/72.6 tonnes
 Max. load: 14.6/17.1/16.4 tonnes
 Length: 45.1 meters
 Wingspan: 32.9 meters
 Cruising speed: 815 km/h/505
 mph
 Range: 2,600/3,200/4,300 km
 Fuel consumption: 0.045/0.047/
 0.045 liters/seat kilometer
 Engine: P&WJT8D-217C/-219



MD-90-30
 Number of aircraft: 8
 Number of seats: SAS version
 141/147
 Max. takeoff weight: 70.8 tonnes
 Max. load: 16.0 tonnes
 Length: 46.5 meters
 Wingspan: 32.9 meters
 Cruising speed: 815 km/h/505
 mph
 Range: 2,800 km
 Fuel consumption: 0.041 liters/
 seat kilometer
 Engine: IAE V2525-D5



DC-9-41
 Number of aircraft: 12
 Number of seats: SAS version 105
 Max. takeoff weight: 51.5 tonnes
 Max. load: 12.5 tonnes
 Length: 38.3 meters
 Wingspan: 28.5 meters
 Cruising speed: 815 km/h
 Range: 2,600 km
 Fuel consumption:
 0.054 liters/seat kilometer
 Engine: P&W JT8D-9/-11



deHavilland Q400
 Number of aircraft: 23
 Number of seats: SAS version 72
 Max. takeoff weight: 29.0 tonnes
 Max. load: 7.3 tonnes
 Length: 32.8 meters
 Wingspan: 28.4 meters
 Cruising speed: 660 km/h/410 mph
 Range: 1,000 km
 Fuel consumption: 0.045 liters/
 seat kilometer
 Engine: P&W 150A



Fokker F50
 Number of aircraft: 9
 Number of seats: SAS version 46-
 50
 Max. takeoff weight: 20.8 tonnes
 Max. load: 4.9 tonnes
 Length: 25.3 meters
 Wingspan: 29.0 meters
 Cruising speed: 520 km/h/320
 mph
 Range: 1,400 km
 Fuel consumption: 0.038 liters/
 seat kilometer
 Engine: P&W 125 B

SAS Airline's human resources

SAS Airline's employees have experienced a year which has put all ingrained roles to the test – from an expansive program for the future at the beginning of 2000 to a comprehensive stagnation throughout the airline industry towards the end of 2001.

A new organization and partly new working methods have been introduced. The world was shaken by the terrorist attacks in the U.S. and by terrorist threats in most parts of the world. Despite all this turbulence employees have managed to handle customers in a professional way. Taking care of customers and giving them the best service in every imaginable situation has therefore really been put to the test at SAS Airline in 2001.

A number of employees have also participated in different ways with work and support to relatives in connection with the accident in Milan at the beginning of October 2001. These employees have shown both competence and empathy in these difficult encounters.

SAS Airline's human resources policy

Employees meet customers' expectations and are the airline's foremost competitive advantage.

Number of employees

At December 31, 2001, SAS Airline had a total of 25,488 employees, of whom 44.5% were women. Recalculated to full-time equivalents, the average number of employees within the business area in 2001 was 22,364 (23,777).

Employee turnover within Scandinavia in the different age groups was 4.1% (6.6). The average age of employees in Scandinavia was 39.9 years (40.4). A breakdown of employees by age is shown in the diagram below right.

Recruitment

At the beginning of 2001, SAS Airline carried out extensive recruitment of flight and sales staff in order to meet its planned expansion. This recruitment ceased entirely in autumn 2001 in conjunction with SAS Airline's improve-

ment activities. Training activities for new employees were suspended and redundancy notices were served on both probationers and permanent employees.

This has been handled in a serious and respectful way in order, among other things, to ensure that the employees concerned could consider returning to SAS Airline if the market changes and recruitment needs arise.

Earnings improvement activities

Extensive efforts to improve SAS Airline's financial position were started in late autumn 2001. Some of these activities mean that 3,500 redundant positions in the operations will be removed. Furthermore, productivity among employees will be raised through production-adjusted working hours, the introduction of improved technology and more efficient working methods. These activities have also included a salary freeze and waiving of negotiated salaries.

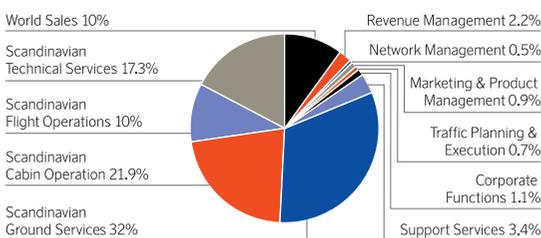
Work on SAS's earnings improvement activities is extensive and is being conducted with great intensity, involving all employee groups and managers. Everyone at SAS Airline is involved in these activities which are not confined to production-related measures but also affect head office functions. Other administration at SAS Airline has also been affected by cost savings and staff cutbacks.

Development and change

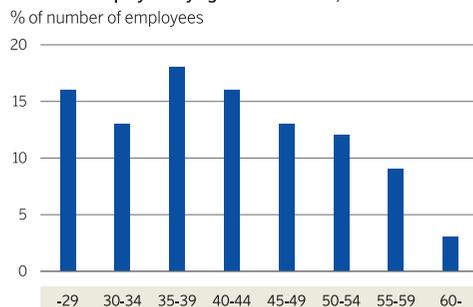
Every year SAS Airline measures how employees perceive their work situation and the conditions provided for doing their work in the annual PULS survey (PULS = Personal Undersökningar om Livet i SAS, Employee surveys on life at SAS).

The measurements for 2001 showed that the result improved by 2 points, which means an improvement of 1% over the previous year. The PULS survey was conducted at the beginning of the second quarter of 2001 and before the dramatic events which affected SAS Airline and the industry later in the year.

Breakdown of employees by unit, %



Breakdown of employees by age at SAS Airline, 2001



The purpose of PULS is to help raise SAS's attraction as an employer over the long term. PULS will now be changed through an even clearer link between motivated employees, satisfied customers and a good financial result. The aim is to increase participation in PULS over a three-year period by at least 10 percentage points to 80%.

The number of performance reviews held by managers with their employees increased by 4 percentage points in 2001 to 68%.

Training activities

Terrorist attacks in the world have led to more rigorous airline security. For this reason, SAS Airline has continued and extended its focus on safety and security issues with a large number of security related training activities.

Occupational injuries

The number of occupational injuries increased during the year compared with the previous year, but placed in relation to the size of the workforce occupational injuries decreased in 2001.

Number of occupational injuries/H value*, 2001

	Occupational injuries		H value	
	2001	2000	2001	2000
Denmark	245	214	17.8	16.6
Norway	102	82	8.1	8.5
Sweden	59	64	3.6	4.2
Total	406	360	9.5	9.7

* Number of occupational injuries in relation to number of working hours.

Working environment issues

In the spring, SAS Airline conducted an extensive program of seminars for all pilots in order to raise participation in SAS's goals, strategies and financial position, flight safety, customer satisfaction and the pilot's role. Almost 1,000 pilots participated in the two-day seminar program and their response was highly positive. There were also opportunities to meet senior management to discuss the current and future situation for SAS Airline and the airline market as a whole.

During the year an extensive neck/back project was also carried out among 800 employees at Arlanda airport. Both salaried and operational employees attended and more than 100 received successful treatment. This project will continue to identify stress-related problems among the same group so that people with such problems can be helped and treated.

In the cabin organization, where approximately 3,500 cabin crew work, development started on a new scheduling system, CAS. This tool is planned to be in operation in June 2002. PBS (Preferential Bidding System) will be implemented in autumn 2002.

Project to reduce sick leave

Work started in 2000 to reduce sick leave among employees in certain cabin groups continues. Projects designed to reduce sick leave are also under way among other employee groups.

In 2001, however, total absence due to sick leave rose by 0.6 percentage points to 6.9%.

The goal is to reduce total sick leave to 5% by 2003, which is a low figure on the Scandinavian labor market.

Sick leave, %

	2001	2000
Operational employees	7.6	7.5
Salaried employees	6.0	5.6
Cabin employees	9.2	8.1
Pilots	4.3	2.8
Total	6.9	6.3

Death in service

Six of SAS Airline's employees died in the accident at Linate airport in Milan. This tragic event represents a great loss for both the relatives and friends of those who died and for their workmates.

Union relations

During the year, SAS's new management set up a cooperation forum with the major union organizations in Scandinavia in order to create a dialog on the process of change the company is undergoing. Work in cooperation groups where the unions participate was dominated in the first six months of the year by the SAS Group's organizational changes.

In the latter half of 2001, the industry's and SAS Airline's market and price development were discussed, as well as related work to enhance efficiency and cost control. The reality which the airline industry went through in autumn 2001 has meant that the unions have had to re-evaluate their positions. SAS Airline's management has carried out comprehensive information and communication work on prerequisites for SAS Airline and the industry.

SAS Airline's distribution channels

Distribution channels are a central part of an airline's competitiveness. Effective distribution builds up both short- and long-term customer relationships, which in turn affect the development of market shares.

Distribution cost trends at SAS

In the base year 1997 SAS Airline's total distribution costs in Scandinavia comprised approximately 20% of total passenger revenue. In 2001, the figure was 16.8%, an increase of 2.8% compared with 2000, which was mainly due to reduced passenger revenue as a result of the events on September 11.

SAS Airline is continuing to adjust its distribution strategy to the market in order to further reduce costs. Distribution costs are reduced through a changed sales mix/channel mix. This is because electronic trading is rising and a differentiated remuneration structure is emerging between the traditional travel agencies and the new electronic players in the market. SAS Airline is reviewing alternative payment systems in Scandinavia. Credit card costs are expected to be reduced through the introduction of the SAS Corporate Card.

Travel agencies

SAS Airline has increased its market shares via travel agencies in a declining market. The goal is to further develop relationships with the travel agencies in 2002. Travel agencies remain SAS Airline's largest and most important distributor.

Electronic travel agencies

In 2001, SAS Airline established cooperation with a number of new electronic travel agencies, both to reduce distribution costs and raise revenues. This channel will become more important for sales efforts towards new niches and existing customer segments.

SAS Direct (Call Centers)

The restructuring of SAS Direct led to further efficiency enhancement. Sales of leisure products rose markedly during 2001.

During the year, SAS Direct worked to raise its service level and be able to answer telephone calls within the time required so that the call is not lost.

Compared with lost calls in previous years, the trend was positive in 2001. In 2000 the proportion of lost calls was 37%. The figure for 2001 was approximately 13% compared with the target of a maximum of 10%. This quality level is the best ever for SAS Direct in Scandinavia. The explanations for this positive development are a lower number of calls after September 11, on average 10% below forecast, and higher productivity among employees. Automated handling of non-revenue providing calls and calls with low revenues, via voice response systems and function development at www.scandinavian.net, contributed to an improvement in the level of lost calls.

www.scandinavian.net

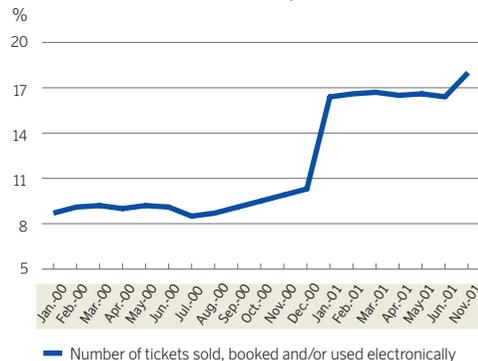
The SAS website offers SAS Airline's customers new self-service solutions. In 2001, www.scandinavian.net was the most visited travel site in Scandinavia, with 40,000 visitors a day. The trend is clear and indicates strong growth in the future. Electronic sales rose 230% in 2001 compared with the previous year and the business segment accounted for 40% of total sales. SAS Airline's own electronic sales in 2001 thus accounted for 4% of total revenues.

In 2002 the Internet website www.scandinavian.net will be upgraded to offer customers greater choice and flexibility.



SAS Corporate Card was introduced in autumn 2001.

Electronic channels – lower costs and higher customer value



SAS's goal was that 20% of all tickets should be sold and/or used electronically before year-end 2001. SAS achieved this goal, putting it in top place among European airlines for this type of distribution.

Proportion of electronic channels

	2001	2000
Sales via the Internet	4%	2%
Proportion of tickets sold, booked or used electronically	20%	10%

New concept

In 2001, SAS Airline in cooperation with Nordea developed a new credit card, called SAS Corporate Card (SCC), which functions as an electronic ticket while also containing Travel Pass and Travel Pass Corporate functions. SCC is a key component in SAS's strategy to reduce distribution costs and meet customer needs. The concept is primarily intended to create and offer a travel administration system suitable for small and medium-sized companies.

Future focus within distribution

In order to raise the proportion of electronic sales and further reduce distribution costs, SAS is working actively to develop integrated solutions for its largest customers. SAS's aim is to raise the proportion of sold electronic tickets (E-ticket), Travel Pass Corporate and the traditional Travel Pass.

Product examples - Electronic channels

E-ticket • Electronic ticket (paperless travel) requires less handling throughout the distribution chain – customer, travel agency and airline.

TP • Travel Pass, individual product. The customer either buys travel for a set period or a specific number of trips (punch ticket) between two cities or a geographic area and pays in advance. This product is paperless.

TPC • Same as above but for companies. The customer company pays per sector flown and receives statistics per TPC card, which simplifies travel administration.

SCC • SAS Corporate Card, contains E-ticket, TP and TPC in one and the same card, and is at same time a charge card since it is linked to MasterCard. This product further simplifies travel administration since the customer receives complete payment statistics for flights, hotels, car rentals, etc.



Travellink AB is a full-service travel agency with its main focus on sales of travel services over the Internet. Travellink is active in Sweden, Norway and Denmark and focuses mainly on companies. In spring 2002, Travellink will launch a service for the leisure market as well. Travellink is 60% owned by the SAS Group. Other owners are Amadeus Global Travel Distribution S.A. and Tele2 AB.

www.travellink.com

EuroBonus

The overriding strategy for SAS EuroBonus is to develop lasting and profitable relationships with frequent travelers, while at the same time this dialog with customers provides considerable information for future product development. SAS EuroBonus gained high rankings in customer surveys yet again in 2001 and received the "Freddie Award" for the Best Frequent Flyer Program for the fifth consecutive year. The number of members rose during the year to almost 2.4 million.

SAS Airline makes ongoing provisions for unutilized bonus trips. This amounted to MSEK 757 (594) at December 31, 2001.



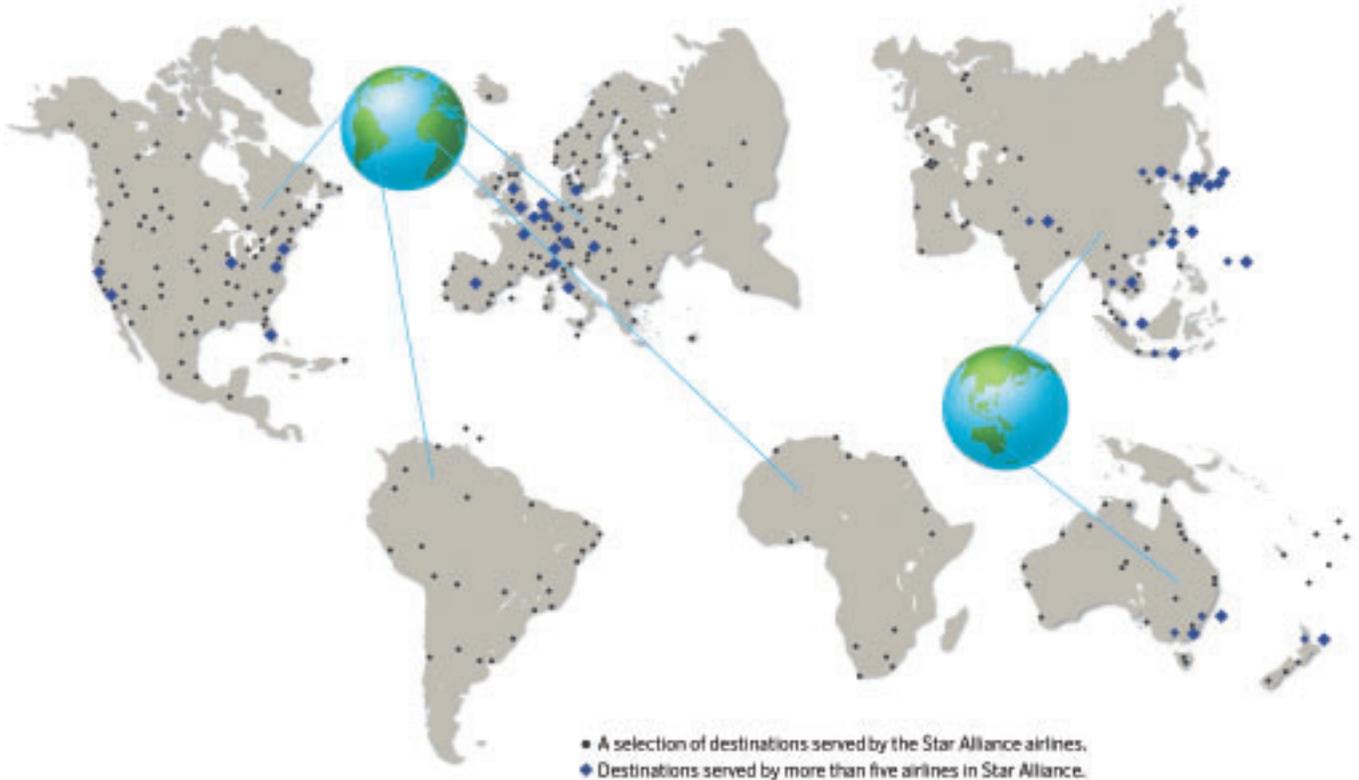
Key figures EuroBonus

	2001	2000	Change, %
Total number of members	2,394,783	2,106,783	13.7
– of whom in Denmark	378,249	331,042	14.3
– of whom in Norway	824,511	679,310	21.4
– of whom in Sweden	600,297	478,879	25.4
– of whom internationally	591,726	617,642	-4.2
Proportion of Gold members	2.6%	2.8%	-0.2 *
Proportion of silver members	7.0%	7.7%	-0.7 *

* Change in percentage points

Global network

Alliances and partnerships – SAS Airline and its airline partners within Star Alliance™ fly to nearly 900 destinations in 130 countries



Products and services within Star Alliance™

- 15 partner airlines which serve nearly 900 destinations in 130 countries.
- Coordinated timetables with extensive code-sharing.
- Earn and redeem bonus points in Star Alliance members' respective loyalty programs.
- Program with alliance-wide identification of and service to priority passengers. (Check-in, baggage, etc.)
- Access to some 500 lounges worldwide for eligible passengers.
- All the alliance's flights and timetables available in all major electronic reservations systems.
- Round-the-world tickets and Europe flight passport.
- Star Alliance website with reservations service. (www.staralliance.com).
- Star Alliance Convention Plus, a product program designed for conference organizers and participants worldwide.
- Joint ticket offices in selected major cities.
- Joint service functions at selected airports (ticket office, check-in, lounges, etc.).
- Star Connection Teams at selected airports.
- Improved through check-in to final destination.
- Development of IT infrastructure to support new products and services within the alliance.
- Functional and cultural training for alliance members' employees who work with customer service.
- Close cooperation on environmental and safety issues.

A STAR ALLIANCE MEMBER 

Industry trends

Global competition and changes in regulation of the airline industry are causing most major international airlines to continue to seek growth and consolidation through strategic alliances, mergers and other forms of integration with other airlines.

By making joint use of all partners' networks, market positions, resources and expertise, the airlines concerned can offer their customers a better and more comprehensive range of products and services than they could offer on their own.

At the same time, cost efficiency is improved through coordination and economies of scale, joint purchasing and shared IT and product development.

The difficult financial consequences for the airline industry, which were caused by a recession in 2001 and accentuated by the terrorist attacks, will probably lead to acquisitions and mergers designed to create larger and stronger airlines.

Major alliances in the airline industry

- Star Alliance™, launched in May 1997 as the first really global airline alliance, comprises SAS Airline, Lufthansa, United Airlines, Air Canada, Varig, Thai Airways International, All Nippon Airways, Singapore Airlines, Air New Zealand, Ansett Australia, British Midland International, Austrian Airlines, Lauda Air, Tyrolean Airways and Mexicana.
- oneworld™, launched in September 1998, comprises British Airways, American Airlines, Cathay Pacific, Qantas, Iberia, LanChile, Finnair and Air Lingus.
- SkyTeam™, introduced in June 2000, comprises Air France, Delta Air Lines, AeroMexico, Korean Air, Alitalia and Czech Airlines.
- KLM and Northwest Airlines launched their alliance in 1993. KLM recently announced a planned partnership with Continental Airlines, which already cooperates with Northwest Airlines in the U.S.

Star Alliance™ - SAS's global partner strategy

Star Alliance continues to be the cornerstone of SAS's partnership strategy. The advantages of membership of the alliance have been considerable for SAS Airline, especially as regards growth in passenger numbers and traffic revenues.

The world's major airline alliances in brief

	Annual revenue (USD billion)	Passengers/ year (millions)	Share of total world RPK	
			2001	2000
Star Alliance™	68.0	317	21.4%	21.3%
oneworld™	50.5	198	16.2%	16.4%
SkyTeam™	34.6	178	10.0%	10.8%
KLM/Northwest	20.2	90	7.4%	6.4%
Total alliances	173.3	783	55.0%	54.9%

Source: Airline Business/Star Alliance.

Development of Star Alliance

- 1995 SAS and Lufthansa announce a strategic cooperation, which is approved by the EU Commission. Later SAS announces cooperation with Thai Airways International and United Airlines.
- 1996 SAS and Air Canada announce cooperation. Cooperation between SAS, Lufthansa and United Airlines approved by the U.S. authorities.
- 1997 Star Alliance formed (SAS, Lufthansa, United Airlines, Air Canada, Thai Airways International). Varig joins alliance.
- 1999 Air New Zealand, Ansett Australia and All Nippon Airways join alliance.
- 2000 Austrian Airlines Group, Singapore Airlines, British Midland and Mexicana join alliance.
- 2001 An organization and management are set up to develop the Star Alliance cooperation based in Frankfurt, Germany. No new partners join.

Star Alliance's mission and vision

Star Alliance's mission is to contribute to the long-term profitability of its members beyond their individual ability.

Star Alliance's vision is to be the leading global airline alliance for the frequent international traveler.

The addition of four new airline members in 2000 allowed Star Alliance to successfully further develop its global traffic system. In order to further increase value for the alliance's customers and members, and raise competitiveness, the intention is to take advantage of the alliance's size and global presence through further integration between members' networks, products and services, IT systems and other resources.

Strategic development areas and objectives

The following objectives and strategic development areas have been identified:

- *Global network* - by creating a global route network with the best possible connections via several hub airports, Star Alliance can offer the most effective and flexible global travel in the market.
- *Simple and smooth travel* - easily accessible products and services from one total supplier of all members' product range, as well as fast and smooth transfers between members' flights.
- *Bonus program* - travel with the different Star Alliance airlines provides bonus points and other benefits linked to alliance members.
- *Brand* - Star Alliance is and will remain the leading alliance brand.
- *Sales* - the alliance's products and services are available through all members' distribution channels, giving customers easy access to and a single point of contact for the full product range.
- *IT* - common IT solutions provide effective support for the alliance's products and services.
- *Employees* - training programs ensure that customers always meet competent and well-trained staff.

European cooperation agreement

SAS Airline-British Midland-Lufthansa

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 the EU Commission in March 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 MSEK 215 for SAS Airline and MSEK -335 for the period January-December 2001.

The agreement will continue to have a negative impact on the SAS Group's earnings in 2002, but SAS Airline is evaluating possible changes designed to reduce its exposure.

Cooperation with Lufthansa

Lufthansa is SAS Airline's single most important partner. The cornerstone of this partnership is the EU Commis-

sion-approved joint venture agreement (which runs until December 2005) for air traffic between Scandinavia and Germany. Joint timetables, ticket prices, and other marketing and sales activities, including bonus programs, have strengthened market positions for both parties.

Results from the development of transfer traffic from Scandinavia via Lufthansa's main hub in Frankfurt are good. Joint venture traffic between the home markets of Scandinavia and Germany, on the other hand, was adversely affected by the trend after September 11, 2001.

Austrian Airlines Group

The joint venture cooperation between Austrian Airlines and SAS Airline for air traffic between Scandinavia and Austria, which was concluded in April 2000, encountered problems related to competition law and failed to have the anticipated effect. The parties agreed to terminate this agreement after 2001. They will continue to cooperate over air traffic outside each partner's hubs as regards marketing, sales and bonus programs.

Earnings impact - Partner cooperations 2001

The total effect from partner cooperations decreased by MSEK 250 compared with 2000, due to the crisis in the airline industry.

SAS Airline's regional airline partners - Well connected with SAS

In addition to global cooperation, SAS Airline has also established partnerships with a number of regional airlines in Scandinavia and neighboring areas. What these partners have in common is that they complement and extend SAS Airline's regional route network in Scandinavia, Finland and other Baltic countries, on routes which otherwise could not be operated at a profit. By coordinating timetables, the regional partner airlines transport passengers to and from SAS Airline's international network, with easily accessible connections via SAS Airline's Scandinavian hubs.

Key figures for Star Alliance, 2001

	Passengers/year (million)	Destina- tions	Countries	Aircraft	Daily departures	RPK (billion)	Annual operating revenue (USD billion)	Employees
Air Canada	31.0	150	28	376	1,800	60.3	6.3	45,000
Air New Zealand/Ansett Australia	21.8	190	20	191	1,000	62.4	3.7	22,966
All Nippon Airways	43.2	60	11	144	590	54.2	8.6	14,639
Austrian Airlines Group	8.0	125	67	90	410	11.6	2.0	7,162
British Midland International	6.0	31	12	60	306	3.1	0.9	6,309
Lufthansa	47.0	349	91	324	1,349	85.3	11.5	31,305
Mexicana	8.3	49	10	58	207	12.6	1.0	6,900
SAS Airline	23.0	94	33	200	915	23.3	4.0	22,968
Singapore Airlines	12.8	119	41	91	222	60.3	4.6	14,600
Thai Airways International	17.7	73	34	80	286	41.4	3.0	25,782
United Airlines	87.0	307	26	604	2,294	200.5	19.4	101,849
Varig	11.0	120	20	87	453	25.4	3.0	17,740
Star Alliance	316.8	894	129	2,305	9,832	640.4	68.0	317,220

Source: Airline Business/Star Alliance

Through the established business concept “Well connected with SAS,” based on customer needs and expectations, the advantages of the cooperation for customers are made clear.

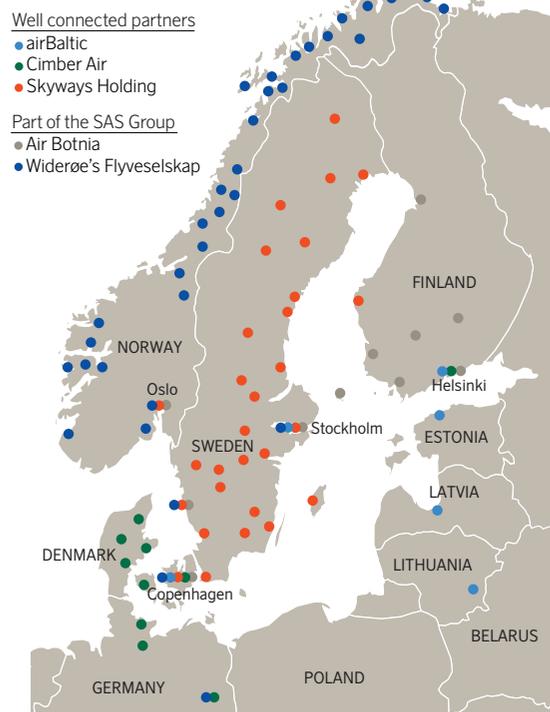
Since the selected airlines must meet a number of specific product and service requirements in order to qualify, “Well connected with SAS” also provides quality assurance. At the same time, the designation increases the exposure and draws attention to the SAS brand. “Well connected with SAS” is now displayed on some 60 aircraft.

“Well connected” partner airlines serve 50 destinations in Scandinavia and neighboring countries which are not served by SAS Airline. In total, with SAS Airline, 140 destinations are served.

Well connected partners key figures, 2001

	airBaltic	Cimber Air	Skyways Holding	Air Botnia	Widerøe's Flyveselskab
SAS Group's holding	47.2%	26.0%	25.0%	100.0%	63.3%
Passengers/year (000)	249	889	1,280	452	1,409
Number of aircraft	6	15	36	10	27
Number of destinations	8	19	31	11	40
Number of daily departures	25	91	220	66	240
RPK (million)	160	286	487	254	357
Annual operating revenue (MSEK)	462	926	–	974	2,135
Number of employees	285	366	850	303	1,227

The SAS Group's airlines and its “Well connected partners” serve 140 destinations within Scandinavia and neighboring countries



The following airlines participate in the “Well connected” concept: Air Botnia in Finland, airBaltic in Latvia, Cimber Air in Denmark, Skyways in Sweden and Widerøe in Norway.

Other European airline partners

SAS Airline has a number of cooperation partners in order to further strengthen and complement its position in markets which are important for SAS Airline and its customers.

Icelandair

Its geographic position makes Iceland a good departure point for passengers from Northern Europe to the U.S. SAS Airline has a code-sharing cooperation with Icelandair over the North Atlantic, as well as to destinations in Europe via Copenhagen. Icelandair carries 1.4 million passengers a year and serves 23 destinations outside Iceland.

The U.S. authorities have approved the cooperation agreement between SAS Airline and Icelandair.

Maersk Air

In 1999, SAS Airline and Maersk started a commercial cooperation over code-sharing, ground and IT services and Maersk Air's participation in SAS Airline's EuroBonus program. This cooperation was reported to the EU Commission.

The EU Commission made an unannounced visit to SAS Airline and Maersk Air in June 2000 and revealed that the parties had also concluded a cooperation on the division of certain markets in contravention of the EU's competition rules. Both parties were fined by the Commission in July 2001, in SAS Airline's case the fine was MEUR 39.375. SAS Airline has appealed against the size of the fine, but not the infringement as such, to the European Court of First Instance.

As a consequence of this unlawful cooperation, the person responsible for the agreement has left SAS Airline. A further consequence of these events was the resignation of the SAS Group's Board of Directors on November 6, 2001. In autumn 2001, the parties concluded a new and more limited cooperation which the parties have notified to the EU Commission.

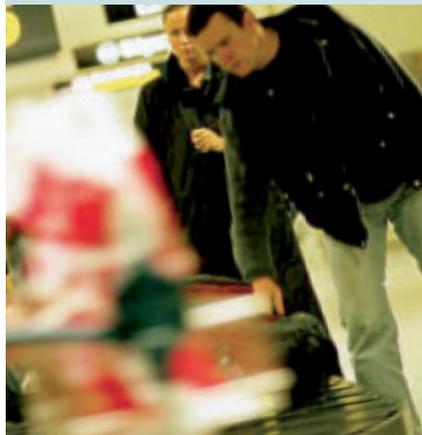
Estonian Air

Estonian Air carries 292,000 passengers per year and complements SAS Airline by flying in cooperation with SAS Airline between Estonia and Stockholm and Copenhagen respectively. Estonian Air participates in the SAS EuroBonus program.

Subsidiary & Affiliated Airlines



Subsidiary Airlines
Spanair
Braathens
Widerøe's Flyveselskap
Air Botnia
Affiliated Airlines
Skyways Holding
Cimber Air
airBaltic
Grønlandsfly
British Midland



Subsidiary & Affiliated Airlines

Key figures (Widerøe and Air Botnia)*

	2001	2000
Operating revenue, MSEK	3,123	2,568
Earnings before depreciation and leasing costs, EBITDAR, MSEK	510	376
Earnings before depreciation, EBITDA, MSEK	317	257
Income before tax, MSEK	7	106
Number of aircraft (incl. Braathens)	75	**
Number of passengers, scheduled, million	2.0	1.8
Number of destinations	51	52
Number of daily departures	306	320
Average number of employees	1,530	1,495

* Braathens' results are not consolidated in the SAS Group in 2001. Braathens is included in the SAS Group's consolidated balance sheet at December 31, 2001 and therefore in the Group's aircraft fleet. Spanair is consolidated according to the equity method with 49%.
** Information not available.

Subsidiary & Affiliated Airlines includes the subsidiaries Braathens, Air Botnia, Spanair (agreement in place on increased ownership in 2002) and Widerøe Flyveselskap and the affiliated companies Skyways Holding, Cimber Air, British Midland, airBaltic and Grønlandsfly.

The acquisition of Braathens and the changed ownership in Spanair, will give SAS Airline an opportunity to further expand and raise the efficiency of its use of Copenhagen as SAS's traffic hub. The acquisition of Braathens will also provide synergies in 2002 which are estimated to amount to approximately MSEK 800.

Business environment

Consolidation - national and regional airlines

The airline industry has traditionally been built up by national carriers which serve their home markets. These markets have functioned as catchment areas for international flights and also in some cases intercontinental flights. Deregulation of civil aviation has changed the preconditions and structure of the industry.

For airlines which previously operated under regulated conditions, airspace has successively opened, which has allowed the airlines to compete in new markets. This trend has increased the need of consolidation between the national and regional carriers since competition has intensified sharply. Survival today requires a strong position in the home market and a strong traffic hub from which travelers can be flown directly. The events of September 11 in the U.S. have accelerated consolidation in the airline industry.



Passenger traffic development - Spanair, Braathens, Widerøe and Air Botnia

	Number of passengers (000)			RPK, mill			ASK, mill			Cabin factor, %		
	2001	2000	Change, %	2001	2000	Change, %	2001	2000	Change, %	2001	2000	Change, %pts.*
Total Subsidiary & Affiliated Airlines	12,986	12,930	0.4%	9,215	8,623	6.9%	16,123	14,958	7.8%	57.1%	57.6%	-0.5%pts.
Spanair**	5,633	5,028	12.0%	5,651	5,102	10.8%	9,495	8,285	14.6%	59.5%	61.1%	-1.6%pts.
Braathens	5,492	5,995	-8.4%	2,953	2,925	1%	5,336	5,413	-1.4%	55.4%	54.0%	1.4%pts.
Widerøe	1,409	1,506	-6.5%	357	377	-5.3%	711	725	-1.9%	50.2%	52.0%	-1.8%pts.
Air Botnia	452	401	12.7%	254	219	16.0%	579	533	8.6%	44.0%	41.0%	+3.0%pts.

* Change in percentage points.

** Figures relate to Spanair's fiscal year, November-October.

Subsidiary Airlines

			
Facts	2000/01*	1999/00*	1998/99*
The SAS Group's holding	49%	49%	49%
Operating revenue, MEUR	778	611	504
EBITDAR, MEUR	53	42	95
EBITDAR, margin	6.8%	7.0%	18.8%
CFROI	4%	5%	16%
Number of cities served	35	31	29
Number of passengers, scheduled, million	5.7	5.0	3.7
Number of flights, scheduled	65,591	49,671	33,274
Punctuality (% within 15 minutes)	86%	70%	54%

* Fiscal year November 1-October 31

Background

Spanair was formed by SAS and the Spanish company Teinver in 1986. Operations started in March 1988. Spanair was initially a charter airline which served the SAS Leisure Group, among others. In February 1994, Spanair started scheduled airline operations. Scheduled flights have shown very strong growth since then and today account for 74% of Spanair's flights.

The fleet comprises 48 aircraft. The number of passengers in 2001 amounted to 8.1 million (incl. charter) and 5.7 million excluding charter. The number of employees at year-end was 2,438.

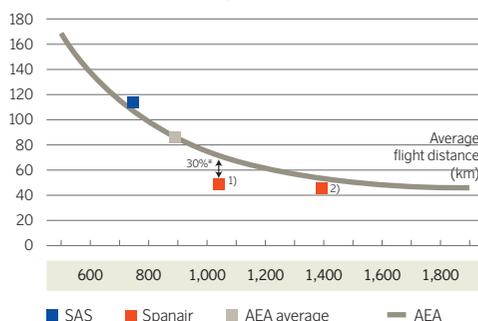
Spanair is Spain's second largest airline and investments in capacity and slots gave Spanair a 24.5% share of the Spanish domestic market in 2001. Spanair also has 14% of the landing rights at Madrid's Barajas Airport, which is of major strategic value. Spanair started intercontinental flights in November 1997, a venture which subsequently proved to be strategically incorrect.

Spanair's route network



Unit cost variations with flight distance, Europe

Cost/available tonne kilometer, U.S. cents



1) Excluding charter 2) Including charter
* Lower unit cost than AEA average

Investment case - control over a strategic asset

In November 2001, the SAS Group concluded an agreement to raise its holding from 49% to 74% in Spanair in order to gain control of a strategic holding. This agreement is being examined by the EU Commission.

The Spanish domestic market is among the fastest growing in Europe with annual growth of 11% in 1996-2000. The air travel market's penetration (the number of annual flights per inhabitant) is relatively low in Spain with less than 2 trips/inhabitant. Compared with Scandinavia with 3-4 trips/inhabitant, this shows there is major future potential for continued growth.

Spanair is a highly cost effective airline with approximately 30% lower costs than comparable competitors. Spanair also has considerable potential as regards yield. By focusing on product development, such as punctuality guarantees and VIP lounges, Spanair will attract more business travelers, for example between major business centers such as Barcelona and Madrid.

The SAS Group has three representatives on Spanair's board and key people in Spanair's management. It is the SAS Group's aim to make Spanair a Star Alliance member in the near future and thus strengthen its role in Star Alliance.

Earnings trend 2001

In 2000/01 Spanair's traffic rose 11% and capacity including charter rose 18%. Earnings were negatively affected by the intercontinental traffic, particularly after September 11. Against this background, Spanair has decided to discontinue its intercontinental routes.

Future prospects

An extensive improvement program of MEUR 67 (incl. suspension of the intercontinental traffic) is currently under way, and will have its full effect in 2003. A positive operating result is expected in 2002.

www.spanair.es



Facts*	2001	2000	1999
The SAS Group's holding	98.48%	0%	0%
Operating revenue, MNOK	6,013	5,807	5,241
EBITDAR, MNOK	505	318	-244
EBITDAR, margin	8.4%	5.5%	-4.6%
EBITDA, MNOK	-167	-362	-618
CFROI	8.0%	4.9%	-4.4%
Number of cities served	24	24	23
Number of passengers, scheduled, million	5.5	6.0	5.9
Number of flights, scheduled	93,773	104,916	108,698
Punctuality (% within 15 minutes)	91.3%	91.3%	84.5%
CO ₂ emissions, tonnes	404,215	419,267	451,798

* Excluding operations in Sweden. Braathens' results are not consolidated in the SAS Group in 2001. Braathens is included in the SAS Group's consolidated balance sheet at December 31, 2001.

Background

Braathens was established in 1946 and has 4,600 employees. The fleet comprises 33 aircraft. In 2002, the fleet will be reduced to 23 aircraft. In 2001, Braathens transported 5.8 million passengers including charter and had an operating revenue of MNOK 6,013.

In spring 2001, Braathens' financial problems became acute and the company's major shareholders saw no alternative other than to invite the SAS Group to become an owner. In May 2001, the SAS Group accepted this subject to approval from the Norwegian Competition Authority. This approval was announced on October 23, 2001.

On December 20, 2001, 98.48% of Braathens' shareholders had accepted the SAS Group's offer. The remaining shares were taken over in February 2002.

Braathens' route network

(February 2002)



Investment case

SAS Airline has had a relatively low share of the Norwegian domestic market due to competition from Braathens. The situation in Norway has been unlike that in the rest of Europe. This is due to the regulation and distribution of Norwegian civil aviation after the second world war, where Braathens mainly focused on domestic services and SAS Airline on international flights. After the deregulation of the Norwegian market in 1994 and the opening of the major airport at Gardermoen in 1998, competition has intensified. Braathens' weak position in the international market made it difficult for the airline to find a role in European air traffic.

For the SAS Group the investment in Braathens is strategically and industrially correct. The acquisition means that:

- The SAS Group strengthens its position in its home market.
- SAS/Braathens release major synergy effects. The synergy gains are expected to amount to MSEK 800 in 2002 and will then further increase.
- The merger of the airlines will make it possible to achieve the same cabin factor as Swedish domestic traffic, which will reduce carbon dioxide emissions substantially.
- SAS Airline will ensure a passenger base for its European and intercontinental networks.

Responsible takeover

The merger of SAS and Braathens gives the SAS Group a responsibility for infrastructure in Norway and the aim is to continue to offer customers a good product range at competitive prices. The route network will be restructured before April 1, 2002, so that a comprehensive and effective traffic system with less environmental impact can be provided.

Earnings trend 2001

Despite a smaller market in Norway, Braathens improved its gross operating margin from 5.5% in 2000 to 8.4% in 2001. This improvement resulted from cost reductions as well as new routes and more frequencies to Spain and Nice. EBITDAR was MNOK 505.

Future prospects

Braathens will remain as a separate subsidiary in the SAS Group, with its own organization and market. The core business and network will be on Norwegian domestic routes, but the company will also serve international niche routes and conduct charter traffic. Braathens has made major cutbacks in its operations. The network and functions will soon be coordinated with those of SAS Airline. These measures will provide a basis for Braathens to return to profitability and improve its equity/assets ratio.

www.braathens.no



Facts	2001	2000	1999
The SAS Group's holding	63.3%	63.3%	63.3%
Operating revenue, MSEK	2,135	1,851	1,699
EBITDAR, MSEK	371	318	145
EBITDAR, margin	17.4%	17.2%	8.6%
EBITDA, MSEK	254	224	119
Income before tax, MSEK	79	56	-94
CFROI	16.5%	15.5%	8.6%
Number of cities served	40	38	41
Number of passengers, scheduled, million	1.4	1.5	1.6
Number of flights, scheduled	87,455	89,931	95,968
Punctuality (% within 15 minutes)	90.4%	90.3%	86.7%
CO ₂ emissions, tonnes	94,563	97,052	100,784

Background

Widerøe's Flyveselskap was formed in 1934 and has about 1,200 employees. The SAS Group has had a 63.3% stake in the company since 1998. The head office is located in Bodø and there is also an administrative office in Oslo. Operating bases are in Hammerfest, Bergen, Bodø, Oslo and Sandefjord. Widerøe is Norway's largest regional airline with 27 aircraft in operation and services to 35 destinations in Norway and five abroad. Widerøe is included in SAS Airline's traffic system on domestic and international routes. SAS Airline's traffic system is complemented on the Sandefjord/Torp-Stockholm, Copenhagen, Bergen-Stavanger, Stavanger-Aberdeen and Oslo-Gothenburg routes.

The total travel market fell in Norway in 2001. Contributory factors to this decline were the introduction of passenger tax in April 2001 on Norwegian domestic routes and uncertainty regarding the economic outlook. Efforts were initiated in 2001 to handle this decline through adjustment of fares, capacity adjustments and a cost efficiency program.

The punctuality target was met in 2001 and during the year Widerøe received the European Regions Airline Association's (ERA) Silver Award in the "Airline of the year" competition.

Successful turnaround

Widerøe has completed an extensive restructuring program in recent years. The results of this have been successful and had a positive earnings impact in 2001.

Earnings trend 2001

In 2001 Widerøe reported income before tax of MNOK 79, which is an earnings improvement of 41% and Widerøe's best-ever result.

CFROI amounted to 16.5% which almost meets the SAS Group's return requirement.

Future prospects

Widerøe expects improved earnings in 2002 although the market situation is hard to assess. The aim is to be the leading regional airline in Northern Europe through profitable growth in new market segments with a continued focus on costs.

www.wideroe.no

Air Botnia

Facts	2001	2000	1999
The SAS Group's holding	100%	100%	100%
Operating revenue, MSEK	974	772	265
EBITDAR, MSEK	129	62	-113
EBITDAR, margin	13.2%	8.0%	-42.6%
EBITDA, MSEK	2	11	-165
Income before tax, MSEK	-33	-5	-174
CFROI	15%	16%	-31%
Number of cities served	11	14	10
Number of passengers, scheduled, million	0.5	0.4	0.2
Number of flights, scheduled	24,090	27,084	21,170
Punctuality (% within 15 minutes)	92%	92%	NA
CO ₂ emissions, tonnes	92,075	88,100	43,300

Background

Air Botnia has been 100% owned by the SAS Group since 1998 and has 303 employees. Air Botnia has 10 aircraft at its disposal which fly to 11 destinations with 66 flights per day. The company is part of SAS Airline's traffic system and contributes to the development of new markets. Products, timetable and service are coordinated with SAS Airline.

Air Botnia offers competitive feeder traffic to/from Finland, primarily to Stockholm and Copenhagen, but also to Oslo and Gothenburg and other Nordic destinations. Air Botnia and SAS Airline together have a total of more than 100 daily flights between Finland and the three Scandinavian countries.

Air Botnia renewed its aircraft fleet in 2001 with five Avro RJ85s and five SAAB 2000s.

At year-end 2001, the average age of the aircraft fleet was 2.6 years, placing it among the youngest fleets in Europe. The fleet meets all present and all known future environmental requirements.

In September, Air Botnia's technical maintenance organization was approved as a JAR-145 organization for the Avro RJ85 aircraft. Similar JAR-145 approval for the SAAB 2000 is expected in mid-2002.

Earnings trend 2001

The earnings trend declined after September 11 due to lower passenger volumes and business travel. Moreover, insurance premiums rose and security costs were charged against earnings.

An earnings improvement program was started and the traffic program was adapted to the new market situation. This program will further improve Air Botnia's competitive cost structure. Income before tax for 2001 amounted to MSEK -33.

Future prospects

The earnings improvement program will continue in 2002. The effects of measures designed to adapt resources and costs to the lower demand and the adjusted traffic program are expected to result in Air Botnia achieving a positive earnings trend in the latter part of 2002.

www.airbotnia.fi

Affiliated Airlines

Affiliated Airlines include a number of regional airlines in which the SAS Group is a part owner. The total of five airlines complement and extend SAS's traffic system by flying to and from SAS Airline's traffic hubs on routes with weak traffic. Skyways, Cimber Air and airBaltic fly under the designation "Well connected with SAS."

Regional airlines

			
Facts	2001	2000	1999
SAS Group's holding	25%	25%	25%
Operating revenue, MSEK	*	1,731	1,233
EBITDAR, MSEK	*	181.2	203.0
EBIT, MSEK	*	7.3	42.8
Number of passengers (000)	1,326	986	759

Skyways has access to 36 aircraft and flies to 31 Swedish domestic destinations and some international routes. Skyways complements SAS's traffic system on international routes.

SAS Airline and Skyways concluded a cooperation agreement in March 1997. This cooperation includes code-sharing, ground handling, bonus program and distribution. The cooperation was registered with the EU Commission in 1997. In August 2000, the Swedish Competition Authority made an unannounced visit to both SAS Airline and Skyways. In May 2001, the Competition Authority presented its preliminary findings that the parties had been involved in market division. SAS Airline and Skyways have had a close dialog with the competition authorities and made clarifications and amendments to the agreement, which is now approved by the Swedish Competition Authority.

			
Facts	2000/01	1999/00	1998/99
SAS Group's holding	26%	26%	26%
Operating revenue, MSEK	926	779	693
EBITDAR, MSEK	138.5	106.9	122.1
EBIT, MSEK	34.1	20.0	51.0
Number of passengers (000)	889	870	779

Cimber Air is a regional airline in Denmark. The company has 15 aircraft at its disposal. Cimber Air complements SAS Airline's traffic system on domestic routes in Denmark and on the Copenhagen-Berlin route. Cimber Air also cooperates with Lufthansa on German domestic and European regional routes.

The cooperation with Cimber Air is approved by the Danish competition authorities until March 2003.

The earnings trend for 2000/2001 was not affected by the events of September 11 since Cimber Air's reporting period is from May to April. Earnings instead showed a positive development compared with the previous fiscal year.

			
Facts	2001	2000	1999
SAS Group's holding	47.2%	34.2%	34.2%
Omsättning, MSEK	462	369	315
EBITDAR, MSEK	91	65	6
EBIT, MSEK	15	1	-60
Number of passengers (000)	249	218	194

airBaltic has its base in Riga, Latvia. The company has six aircraft at its disposal. airBaltic provides services between Riga and Copenhagen and Stockholm respectively, and also flies to destinations in the Baltic region and in Eastern Europe.

The earnings trend in 2001 was positively affected by an increased cabin factor and more flights combined with a stable cost development. Weak development was noted, however, in the fourth quarter.

			
Facts	2001	2000	1999
SAS Group's holding	37.5%	37.5%	37.5%
Operating revenue, DDK	*	738	724
EBITDAR, DDK	*	46	91
EBIT, DDK	*	-15	34
Number of passengers (000)	206	308	282

The company conducts air services to/from and within Greenland and has 10 aircraft and 12 helicopters in operation. Grønlandsfly serves 24 destinations and had nearly 500 employees in 2001.

European airline

			
Facts	2001	2000	1999
SAS Group's holding	20%	20%	40%
Operating revenue, MSEK	*	10,994	9,439
EBITDAR, MSEK	*	1,989	1,639
EBIT, MSEK	*	224	231
Number of passengers (000)	6,730	7,098	6,547

British Midland International, together with Lufthansa, is a SAS Airline partner in the European cooperation (ECA), and in Star Alliance. British Midland's aircraft fleet comprises 60 aircraft. 31 destinations are served in the U.K. and in the rest of Europe. The company also services the Manchester-Washington DC route.

(See also description of British Midland on page 53.)

* Information not available at the end of February 2002.

Airline Related Businesses



- SAS Cargo
- Jetpak
- Scandinavian IT Group
- SAS Trading
- SAS Flight Academy
- SMART
- Others
 - SAS Flight Support
 - SAS Media
 - SAS Hosting

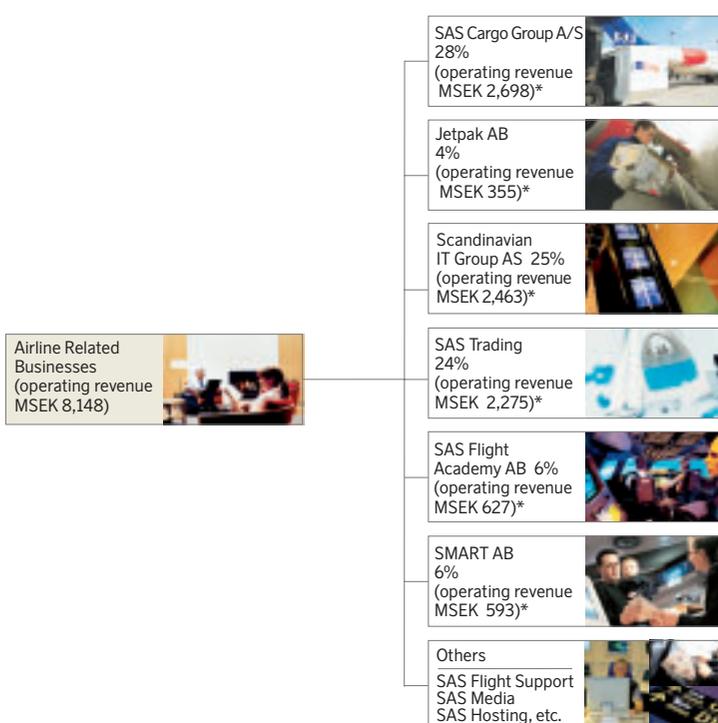


Airline Related Businesses

Key figures for Airline Related Businesses

	2001	2000
Operating revenue, MSEK	8,148	5,788
Operating income, EBIT	149	162
Income before tax, MSEK	160	180
Investments, MSEK	542	381
Average number of employees	4,038	2,540

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.



* Operating revenue before Group eliminations.

Key figures

MSEK	Operating revenue			Operating income, EBIT			% of operating revenue outside SAS		
	2001	2000	1999	2001	2000	1999	2001	2000	1999
SAS Cargo	2,698	-	-	-	-	-	-	-	-
Jetpak	355	244	222	10	16	14	99.5	97.4	97.1
Scandinavian IT Group	2,463	2,121	2,247	104	74	90	3.6	4.3	7.3
SAS Trading	2,275	2,148	2,188	2	64	21	98.0	99.0	99.9
SAS Flight Academy	627	606	607	62	98	108	35.4	37.6	32.6
SMART	593	584	683	62	-20	33	99.8	99.0	98.4



	2001	2000	1999
Operating revenue	2,698	–	–
Traffic revenue, MSEK	2,170	2,225	2,109
Flown tonnes, 000	263,431	286,785	284,675
Tonne km, 000	878,364	944,342	900,958
Cargo yield, SEK/tonne km	2.44	2.33	2.28
Number of employees	1,180	1,184	1,176

SAS Cargo was formed as an independent corporation on June 1, 2001. The figures for earlier periods pertain to the operations conducted by SAS Cargo within SAS Airline, previously called SAS airline operations.

Incorporation 2001

SAS Cargo was established on June 1 as an independent corporation, SAS Cargo Group A/S, wholly owned by the SAS Group.

Development in 2001

SAS Cargo's traffic revenue amounted to MSEK 2,170 (2,225) in 2001. The total flown tonnage amounted to 263,431 tonnes (286,785). Yield rose from SEK 2.33/tonne km to SEK 2.44/tonne km. Development in 2001 should be seen in the light of the tragic events of September 11 in the U.S. and the subsequent crisis for international civil aviation in an already weak market.

Market development

Global demand for air freight fell in 2001. The market was characterized by overcapacity and a less favorable business climate. According to IATA, the freight market fell by approximately 8% in 2001 compared with 2000. In some markets the price for air freight was under intense pressure.

Cargo yield (the price of air freight) was under strong pressure in 2001. Despite this, SAS Cargo maintained its price level which reduced competitiveness. Above all, this affected air freight volumes from the U.S. to Scandinavia, where decline in American exports to Europe was a con-

tributory factor. Within Europe it was difficult to compete with low-cost land transport. Freight tonnage to the Far East remained high but did not reach the high levels of recent years. SAS Cargo maintained its market shares in the Nordic region despite falling demand.

Towards the end of 2001, capacity within global air freight decreased substantially. This was due to SAS Cargo's competitors suspending routes and taking aircraft out of operation, which had a positive impact on SAS Cargo's air freight.

Main strategic focus

Customers

In recent years, the transport and logistics industry has undergone major structural changes which led to consolidation among market players.

In order to meet this development, SAS Cargo took the initiative to strengthen customer relations, mainly in the Nordic home market. Customer Advisory Boards and Agent Advisory Boards have been formed to develop customer relations.

During the year, SAS Cargo concluded an agreement with Northern Cargo, which is a representative for some of Norway's major fish exporters. This agreement is the first of its kind in the Nordic region and guarantees SAS Cargo a revenue of approximately MNOK 40.

Networks

In 2001, SAS Cargo maintained its agreements with other air freight companies on scheduled services to the Far East. The network includes a route between Gothenburg in Sweden and Osaka in Japan as well as scheduled services to Hong Kong and Singapore.

The phasing in of the Airbus A340 on SAS Airline's routes to the Far East will provide 45% more freight capacity for SAS Cargo to Beijing, Bangkok/Singapore and Tokyo. The Airbus A321 will allow freight containers to be transported on European routes. This will provide a better service for transit freight, shorter transport times and simpler handling routines.

Freight and mail traffic, 2001/2000

	2001			2000		
	Freight	Mail	Total	Freight	Mail	Total
	Million tonne km					
Intercontinental	452,179	29,324	481,503	501,024	28,904	529,928
Europe	21,329	13,288	34,617	25,742	14,223	39,965
Intra-Scandinavian	4,081	1,065	5,146	4,846	1,086	5,932
Total International	477,589	43,677	521,266	531,612	44,213	575,825
Denmark	5,754	1,096	6,850	5,285	1,343	6,628
Norway	3,949	7,206	11,155	4,569	7,734	12,303
Sweden	401	0	401	558	0	558
Total domestic	10,104	8,302	18,406	10,412	9,077	19,489
All Cargo	335,371	3,321	338,692	346,482	2,546	349,028
Total	823,064	55,300	878,364	888,506	55,836	944,342

Integrated freight cooperation

SAS Cargo and Lufthansa Cargo started integrating sales and marketing activities in Europe and the Nordic region two years ago. One of SAS Cargo's goals for 2001 was to raise competitiveness through an integrated freight agreement with Lufthansa Cargo and Singapore Airlines Cargo. Such a cooperation agreement was presented on September 26.

As a result of cooperation between the companies (the WOW Alliance) new, harmonized express products were launched on October 1, 2001. Since that date the three companies' express products have been handled freely over the combined route network with an improved capacity, quality and time guarantee. This means that SAS Cargo can offer customers the "SAS Priority" product to 47 new destinations. The next stage will be to harmonize the three companies' general cargo products, with a launch expected in the second quarter of 2002.

Quality, safety and environment

In 2000, SAS Cargo in North America and the freight terminals in Gardermoen-Oslo, Landvetter-Gothenburg and Arlanda-Stockholm received certification according to ISO 9002. In the first quarter of 2001, the terminal in Copenhagen also received ISO certification. In the fourth quarter of 2001, the terminals in Bergen and Stavanger in Norway, and the terminals in Malmö and Norrköping in Sweden, achieved quality certification from Det Norske Veritas.

The goal for the future is to change certification of the freight terminals to the new ISO 9000-2000 standard. This work is expected to take place over the next two years. SAS Cargo is working to formulate an environmental management system according to ISO 14001 which will be integrated with the quality system.

As a consequence of the events of September 11 in the U.S., SAS Cargo has increased security in the handling and transport of air freight. Substantial investments have been made in new security equipment. As regards security, SAS Cargo is thus on a par with existing and future official requirements.



Future prospects

In response to the weaker business climate in the market for air freight, an extensive action program was launched in the second half of 2001. This program which goes under the name "SAS Cargo Fitness" contains some 100 different activities and will run until June 2003. The action program is expected to provide an earnings boost of approximately MSEK 100.

The unstable market trend for air freight makes it difficult to assess the prospects for SAS Cargo in 2002.

www.sascargo.com

JETPAK			
	2001	2000	1999
Operating revenue, MSEK	355	244	222
of which external (%)	99.5	97.4	97.1
EBITDA, MSEK	19	20	18
Operating income, EBIT, MSEK	10	16	14
Income before tax, MSEK	10	17	16
Number of employees	125	83	76

Jetpak is the market leader in "same day" logistics in the Nordic region. These operations are conducted by Jetpak Nordic AB which is a wholly owned subsidiary of the SAS Group. The company is represented in the Nordic countries by wholly owned subsidiaries. The largest delivery firm in the Nordic region, Adena-Picko's, is part of Jetpak.

Jetpak's core business is to offer the Nordic transport market time-guaranteed door-to-door express deliveries, local delivery services and customized service logistics solutions. Jetpak is one of the fastest growing players within express logistics within the Nordic region and is represented in more than 150 locations with more than 800 delivery vans.

Jetpak has cooperation agreements with all airlines that fly within and between the Nordic countries and cooperates with the express delivery company DHL to more than 220 countries.

There was a marked decline in the market throughout 2001. The industry has enjoyed positive development for several years. This trend has now been broken. This was particularly noticeable for transport within the Nordic region where the sales increase in recent years has been 20-30%. As a result of this weaker trend, a program to compensate for lower revenues was implemented in spring 2001. A further review of costs is now under way after the weak market development in the autumn.

Despite the weak market trend, Jetpak's income before taxes reached MSEK 10 (17).

www.jetpak.com



Scandinavian IT Group

	2001	2000	1999
Operating revenue, MSEK	2,463	2,121	2,247
of which external (%)	3.6	4.3	7.3
EBITDA, MSEK	245	207	222
Operating income, EBIT, MSEK	104	74	90
Income before tax, MSEK	96	61	82
Number of employees	1,274	1,182	1,143

Scandinavian IT Group is one of the major IT operations in Scandinavia. The company is 100% owned by the SAS Group. The product portfolio ranges from advanced IT applications to the best infrastructure and consulting services in the market. The high level of expertise required in the civil aviation industry makes Scandinavian IT Group a competent partner for many airlines.

The SAS Group is Scandinavian IT Group's largest customer. One of the company's main strategies is to increase the proportion of customers outside the SAS Group. The intention is to supply the best IT solutions in the civil aviation industry and develop new product concepts within and outside the airline business.

Today, Scandinavian IT Group supplies about 40 airlines including Star Alliance members with products and services,.

Operations have seen positive development in recent years. Operating revenue has almost doubled in five years. In 2001, operating revenue totaled MSEK 2,463 and income before taxes amounted to MSEK 96 (61).

www.scandinavianIT.com



SAS Trading

	2001	2000	1999
Operating revenue, MSEK	2,275	2,148	2,188
of which external (%)	98.0	99.0	99.9
EBITDA, MSEK	38	97	49
Operating income, EBIT, MSEK	2	64	21
Income before tax, MSEK	-1	75	38
Number of employees	658	639	590

SAS Trading is an independent business unit in the SAS Group and one of the world's leading operators within Travel Retail. At year-end 2001, operations comprised 55 stores at 34 airports in Sweden, Norway, Denmark, Estonia, Latvia and Poland. The business concept is to "buy in, market and sell high-profile branded goods to frequent air travelers with a customer-perceived price advantage in its own stores."

SAS Trading has 658 employees and operating revenue amounted to MSEK 2,275 during the year. The airport

stores are operated in concession agreements where the airport operator is offered store management for a specific number of years with the rent as a value factor. When the contract expires, the store goes out to a new tender.

During the year SAS Trading submitted tenders for the tax-free stores in Copenhagen and in Sweden. In both cases the concessions went to a competitor.

Earnings during the year were negatively affected by the weak Swedish krona, the downward trend in airline traffic and the fact that SAS Trading's distributor went bankrupt.

In 2002, SAS Trading will prioritize growth and change of corporate culture. This will develop these operations into a competitive retail trading chain with a qualified businesslike approach.

www.scandinavian.net



SAS Flight Academy

	2001	2000	1999
Operating revenue, MSEK	627	606	607
of which external (%)	35.4	37.6	32.6
EBITDA, MSEK	150	176	184
Operating income, EBIT, MSEK	62	98	108
Income before tax, MSEK	56	92	103
Number of employees	200	193	189

SAS Flight Academy is a wholly owned subsidiary of SAS and operates leading training centers for pilots, air hostesses/stewards, flight technicians and ship's officers. The company has ISO 9001 certification and is a Type Rating Training Organization (TRTO) approved by civil aviation authorities for type training of pilots according to the European JAR-FCL rules.

In addition to SAS, SAS Flight Academy trains personnel from approximately 150 other airlines and military organizations. The main operations are conducted at Arlanda Airport, but also via subsidiaries in Denmark and Norway.

In order to further strengthen SAS Flight Academy's position as a leading European training centre a deHavilland Q400 full flight simulator was installed in March 2001 and an Airbus A330/A340 full flight simulator in June 2001.

The negative development in the airline industry led to slightly lower training volumes for SAS Flight Academy in the final quarter of 2001. In particular sales to customers outside SAS Airline fell in the last quarter. In response to the fast-changing market, SAS Flight Academy reviewed its organization in the autumn and prepared an action program designed to enhance organizational efficiency.

Income before tax for 2001 amounted to MSEK 56 (92).

www.sasfa.com



	2001	2000	1999
Operating revenue, MSEK	593	584	683
of which external (%)	99.8	99.0	98.4
EBITDA, MSEK	71	-5	55
Operating income, EBIT, MSEK	62	-20	33
Income before tax, MSEK	95	4	37
Number of employees	249	294	351

Scandinavian Multi Access Systems SMART AB (SMART), is owned 95% by the SAS Group and 5% by Amadeus Global Travel Distribution S.A.

SMART is Northern Europe's leading company in electronic trading and distribution of travel and travel-related services and arranges travel electronically to a value of approximately SEK 70 billion per year. The company has three business areas and at year-end had 249 employees and offices in Copenhagen, Oslo, Stockholm, Riga and Vilnius.

SMART's most important cooperation partner is Amadeus, the world's largest reservations and distribution channel for the travel industry. SMART is general agent for Amadeus in its home markets of Scandinavia and the Baltic region.

In 2001, the number of Amadeus reservations via SMART decreased by approximately 11%. In terms of earnings this could be compensated to some extent by a favorable exchange rate development between EUR and SEK. Overall, SMART's operating revenue increased by 1.5% in 2001. Earnings were positively affected by lower costs and amounted to MSEK 95 (4) before tax. In order to streamline its operations, SMART sold its subsidiary FM Partner during the year.

www.smart.se

Other units

SAS Flight Support, SAS Media and SAS Hosting are other major operations within Airline Related Businesses and have a total operating revenue of approximately MSEK 400.

SAS Flight Support AB

SAS Flight Support AB (SFS) has been 100% owned by the SAS Group since 1995 and conducts operations within flight navigation, flight planning, performance and FMS data. SFS is one of the major players in the global market.

The company gained a number of new customers during the fiscal year. Major resources have been placed in product development in order to strengthen the company's market position. The latter part of 2001 was characterized by a focus on operating strategies and organizational development. SFS is now focusing on capturing

additional market shares, product development and efficiency enhancement to position the company for the future.

The company's operating revenue amounted to MSEK 98 in 2001 and income before tax was MSEK -20.

www.sasflightsupport.com

SAS Media AB

SAS Media is 100% owned by the SAS Group. The company has 45 employees and offices in Oslo and Stockholm.

The company publishes SAS's inflight magazine Scanorama and SAS Magasinet in Denmark, Norway and Sweden. Production is financed with revenues from advertising to the target group "on board" under the Meet the Scandinavians concept. Advertisers can also communicate with the target group through other channels within the SAS Group which are also marketed by SAS Media.

In the next few years SAS Media will focus more on the digital media world. Database technology allows publication in several different channels, such as the Internet, WAP, screens on board and printed publications. The aim of this focus is to cooperate with other units in the SAS Group to produce cost-effective information, entertainment and market communication.

SAS Media works with an environmental management system which integrates external and internal environmental issues (TCO6E).

In 2001 operating revenue amounted to MSEK 63. Income before tax was MSEK 6.

www.sasmedia.se

SAS Hosting

SAS Hosting is a unit within the SAS Group which provides airline competence and sells integrated IT solutions to approximately 40 airlines and service companies. The main business is to offer solutions for airlines' core processes such as distribution, inventory systems, yield management, ticket handling, flight information, departure control, etc. In addition, SAS Hosting offers support at strategic level. SAS Hosting cooperates with its partner Scandinavian IT Group which allows SAS Hosting to offer new technical products such as Internet reservations, mobile solutions, wireless LAN, and so on.

SAS Hosting had an operating revenue of approximately MSEK 250 in 2001.

www.sashosting.com

Rezidor SAS Hospitality



Vision, objective and main strategy
Operating revenue and earnings trend
Business environment and market
Ethical, social and environmental responsibility
Future prospects



Rezidor SAS Hospitality

Key figures

	2001	2000	1999
Operating revenue, MSEK	3,510	3,122	2,963
Income before tax, MSEK	208	583	544
EBITDA ¹ , MSEK	266	354	290
Gross profit margin, % ²	33	34	33
REVPAR ² , SEK	638	619	584
Occupancy rate ²	67%	69%	69%
Number of rooms occupied (000) ²	4,964	4,876	4,506
Investments, MSEK	176	308	150
Capital employed, MSEK	1,593	1,942	2,234
Average number of employees	3,103	3,131	3,071
Energy consumption, kWh/sq.m.	303	311	346

¹ Pro forma adjusted in ownership structure.

² Including hotels operated on a management basis.

Legal structure

On October 1, 2001, SAS's hotel operations, SAS International Hotels, changed its name to Rezidor SAS Hospitality. The change of name reflects a partly new direction for the company. The company's strategic focus has changed from operating hotels primarily in its own properties with a base in Scandinavia to a worldwide hotel management business with several brands. The company operates in 38 countries from Shanghai in the east to Galway in the west, from Cape Town in the south to Svalbard in the north.

The legal structure was changed to facilitate future development. Since January 2001, all hotel operations have been conducted by a new Danish parent company: Rezidor SAS Hospitality A/S.

Financial targets

The main financial target is to achieve an annual growth in value, EBITDA, of 20% as an average over a five-year period through growth and profitability.

Operating revenue and earnings trend in 2001

Rezidor SAS Hospitality has a strong position in its home markets compared with its competitors and has little exposure to the U.S. This meant that the company performed relatively well in 2001. Operating revenue amounted to MSEK 3,510 (3,122), an increase of 12.4%. The increase in operating revenue was due to a higher number of hotels and higher average rates. The price increase is a result of a weaker Swedish krona. In total, this development meant that Rezidor SAS Hospitality captured new market shares during the year. Occupancy in the entire system (excluding hotels with license agreements) fell to 67% (69) and the gross margin (owned, leased and hotels with management agreements) decreased to 33% (34). Despite the weak market situation in 2001, the gross margin is almost unchanged compared with 2000.

Income before tax decreased to MSEK 208 (583) in 2001 and includes capital gains from property sales of MSEK 63 (267). Earnings before net financial items and depreciation (EBITDA, pro forma adjusted for sale of properties) decreased to MSEK 266 (354).

Investments totaled MSEK 176 (308) during the year.

Repeat-purchase rate

Rezidor SAS Hospitality endeavors to maintain and raise its high repeat-purchase rate (88% in 2001).



Vision

Rezidor SAS Hospitality will become one of Europe's leading companies in hospitality management – with a portfolio of strong brands, focused on different segments in the market with corresponding high-performing products.

Objective

Rezidor SAS Hospitality's objective is to be the most attractive hotel company with which to be a guest, employee or business partner.

Main strategy

The main strategy is to add more brands to the portfolio and therefore be able to offer:

- *property owners* - the optimal solution for each property
- *guests* - a broad spectrum of strong products in different price categories
- *shareholders* - active value creation through fast and focused growth
- *employees* - greater career opportunities within the different brands and continuous personal development.

Business environment

The global travel market has had a stable annual growth of approximately 5% for many years and the hotel market has generally followed this trend. Demand as well as capacity vary in the different geographic markets. In Europe, the U.K. and the Netherlands are ranked high in terms of capacity utilization, but this trend is receding. As opposed to Germany which has a low capacity utilization but with rising demand. Demand in Sweden fell significantly as a result of the economic downturn, while Denmark, Finland and France are among markets with strong demand.

Business model - operations

Within five years, Rezidor SAS Hospitality has sold four properties, which is in line with RSH's five-year old strategy to conduct hotel rather than property management operations. The business model is based on concluding operating agreements where Rezidor SAS Hospitality undertakes full management responsibility with a certain guarantee level and a varying part of business risk.

The streamlining of operations towards pure-play hotel management has meant that the number of SAS owned properties has gradually decreased, often in sale and leaseback arrangements. At year-end 2001, the company owned 2 (2) hotel properties. Total capital tied up in properties during the year amounted to MSEK 591 (916). In 2002, the intention is to sell the property in Oslo market conditions permitting. The strategy of not owning properties does not prevent Rezidor SAS Hospitality from taking temporary owner positions for business reasons, such as in Manchester Airport in 1998 and in a property at Stansted Airport at the end of 2001.

Continued growth

Growth is of major strategic importance. The main purpose is to achieve a critical mass as regards brand awareness, geographic coverage and operating economies of scale. This applies primarily to Radisson SAS, which is a strong brand in Europe and the Middle East. Growth continued during the year. At year-end the number of hotels amounted to 160 (146), of which 152 (139) under the Radisson SAS brand and 8 (7) under Malmaison's brand. The number of rooms rose to approximately 35,000 (32,000).

During the year, five new hotels were added in Scandinavia, one in Finland and Germany, and five in the U.K./Ireland. The rapid rate of establishment in Poland continued with two new hotels and secured Poland as a new home market.

New hotels were also added in Paris, Bordeaux, and in Brussels (Malmaison), Spa and Hasselt in Belgium. Rezidor SAS Hospitality's ambition is to be Europe's leading hotel operator at airports. The establishment of units at Stansted and Zurich airports are also part of this strategy. At year-end 2001, 15 airport hotels were in operation or under contract.

City hotels have been established in cities such as in Sofia, Bratislava, St. Petersburg and Tallinn. In addition to city and airport hotels, Radisson SAS has expanded in the leisure market with a focus on leisure and recreation hotels.

Brand strategies

Market development is clearly heading towards increasingly large players which work up the market with a collection of brands. The proportion of independent hotels, i.e. hotels outside the large brand families, is decreasing. The potential for branding is substantial – only 30% of all hotels in Europe are branded today, compared with 80% in the U.S. Fast growth can be achieved most effectively using established brands.

The SAS Group has conducted hotel operations since the 1960s, initially under its own brand. In 1994, SAS's hotel company, SAS International Hotels, set up a partnership with Radisson Hospitality Worldwide (a member of the Carlson Group) which gave the SAS Group exclusive rights to develop Radisson's brand in Europe, the Middle East and North Africa over a 30-year period. From a base of 29 hotels, the goal was set to have agreements to operate 100 hotels under the Radisson SAS brand by the end of 2000. This milestone was passed by 1998 and the goal has successively been adjusted upwards. For several years Radisson SAS has been one of Europe's fastest growing full-service hotel chains.

Several brands allow different concepts

For the hotel company the single brand has been a limiting factor for both expansion and value creation. All hotel properties do not suit the Radisson SAS concept.

In September 2000, Malmaison Hotels was acquired in partnership with the British property company Marylebone Warwick Balfour (MWB). The SAS Group and MWB each own 50% of the brand, while MWB owns the properties and Rezidor SAS Hospitality the management company which operates the hotels. The intention is to

Hotel development, 1996-2001



Two hotel properties are now owned: one in Oslo and one under construction at Stansted Airport. The property in Oslo is planned for sale in 2002. At year-end 2001 the total number of hotels was 160.

expand with this new brand and concept throughout Europe.

The Malmaison deal was important, and Rezidor SAS Hospitality is now established as a multi-brand operator. The SAS Group as owner has also shown that the hotel company can operate hotels without the SAS name and brand being part of operations.

The change of name to Rezidor SAS Hospitality makes it possible to build a strong, independent company brand and also provides the SAS Group with better opportunities to change ownership in the company when this is considered suitable.

Market development in 2001

2001 was a difficult year for all travel-related business. The hotel industry worldwide was severely affected by the economic downturn and in particular by the September 11 effect.

Destinations with a large proportion of American guests and hotels dependent on course and conference activities were hardest hit by developments in 2001. On the other hand, hotels which mainly cater to European, individual business and leisure travelers were scarcely affected (such as the Malmaison hotels).

Marketing and customer satisfaction

A close and successful marketing cooperation was carried out during the year with the SAS Group and other partners under the slogan "The World of Experiences."

A new program to measure customer satisfaction was introduced during the year. The repeat-purchase rate remained at a high level of 88%.

Human resources

The average number of employees in the company decreased to 3,103 (3,131). This includes employees in both owned and leased hotels. Approximately 12,000 (12,000) full-time equivalents were employed in the

entire system (including hotels under management and license agreements).

Employee satisfaction improved during the year to 79.2 (78.5) on a 100-point scale.

Responsible business

A strong program of activities relating to responsible business was implemented during the year. Radisson SAS's already established environmental involvement was complemented with long-term objectives for the different aspects of sustainable development, such as working environment, safety aspects, human rights and ethical and cultural issues.

In order to achieve these objectives, systematic working methods were introduced with an ambitious policy and related tangible targets linked to the company's internal and external stakeholders. Key ratios have been developed for all targets so that the hotels' performance can be followed up. The main purpose of this program is to create conditions for continual improvements at hotel level, which will be ensured through measurable targets and hotel-specific action plans.

Due to a hotel fire at Düsseldorf Airport in 2001, the city of Düsseldorf tightened up its regulations regarding safety in the hotel industry. Radisson SAS has taken action to comply with the new regulations.

Future prospects

Rezidor SAS Hospitality plans to expand its brand collection during the year with at least one new brand. In the first place a 2-3 star brand will be added.

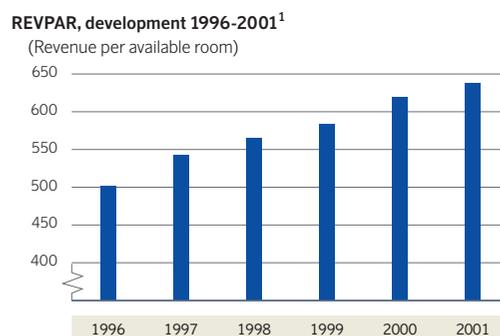
Despite a noticeable recovery in the market, development in the first quarter of 2002 is expected to be weak. The forecast for the latter part of the year is more positive, which means that profitability in 2002 is expected to be at the 2001 level.

www.rezidorsas.com



¹ Including hotels operated on a management basis and hotels with license agreements.

² Including hotels operated on a management basis.



REVPAR shows the average rate per available room and thus reflects occupancy and revenue per room. REVPAR increased in 2001 from SEK 619 to SEK 638 due to exchange rate fluctuations.

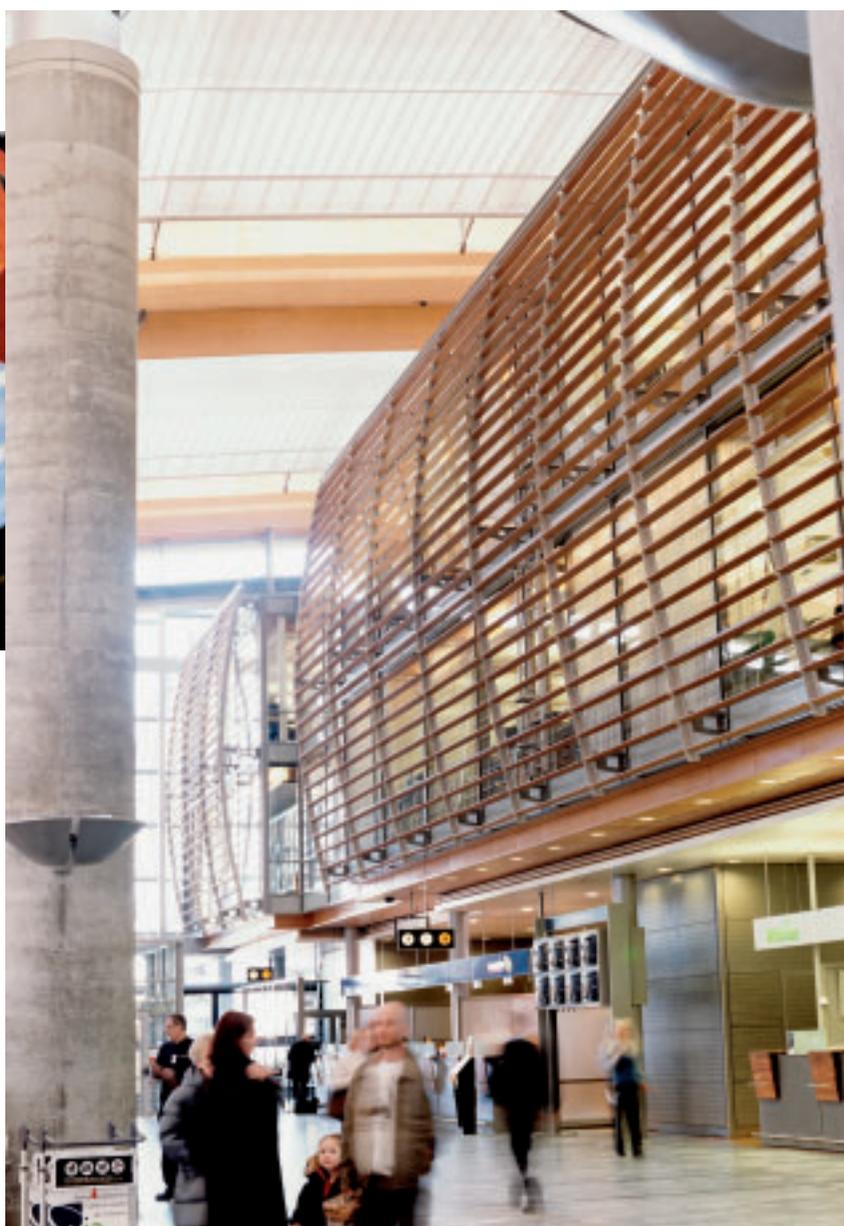
¹ Including hotels operated on a management basis.

Financial report



Report by the Board of Directors
Summary statement of income
The SAS Group statement of
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Report by the Board of Directors

Corporate Identity number 556606-8499

The Board of Directors and the President of SAS AB hereby submit the annual report for SAS AB and the SAS Group for the 2001 fiscal year. Formal fiscal year for SAS AB is February 23 - December 31, 2001.

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.

New Group structure

SAS AB, a newly formed Swedish company which was registered on February 23, 2001, made an offer on May 8 to the shareholders in SAS Danmark A/S, SAS Norge ASA and SAS Sverige AB to exchange their shares for the same number of newly issued shares in SAS AB.

The first day for listing and trading with shares in SAS AB was July 6, 2001.

SAS AB prepares consolidated accounts for the period January 1 - December 31, 2001, on the basis that consolidation of the companies acquired through the exchange of shares is carried out according to the principle for companies under joint control.

The consolidated accounts for the SAS Group were prepared through consolidation of all assets and liabilities

at the amounts at which they were stated in the respective unit.

Starting with the fourth quarter of 2001, the Group is divided into four business areas:

- SAS Airline comprises SAS's passenger transport operations with its own aircraft and under its own brand.
- Subsidiary & Affiliated Airlines comprises other airlines within the Group.
- Airline Related Businesses includes SAS Cargo, SMART and SAS Trading – all with most of their sales to external customers.
- Rezidor SAS Hospitality which is the SAS Group's hotel business.

The SAS/Maersk affair

In 1999, SAS and Maersk started a commercial cooperation which included code-sharing, ground and IT services and participation of Maersk Air in the SAS EuroBonus program. This cooperation was based on an agreement concluded in 1998.

In June 2000, the EU Commission carried out unannounced investigations at SAS in Stockholm and Copenhagen as well as at Maersk Air and Maersk's owner in Copenhagen. At the beginning of February 2001, the Commission announced that SAS and Maersk had infringed competition rules and that they intended to fine the parties. In February 2001, SAS's Board assigned SAS's management to draw up a Competition Law Compliance Programme. As part of the ongoing legal process, SAS admitted in April that an infringement of the EU's competition rules had taken place. This situation led SAS's Board to assign an external investigator to carry out an inquiry. The results of this inquiry were presented to the Board in May 2001.

On July 18, 2001, the EU Commission announced its decision. SAS's fines were set at MEUR 39.375 and Maersk Air's at MEUR 13.125. SAS has appealed against the amount of the fine, although not the infringement itself.

In August 2001, the SAS Board decided to assign an external, independent commission to examine the Board's role in the SAS/Maersk affair. The commission submitted its report on September 16, 2001. As a consequence of the criticism leveled at the Board, SAS's Board decided to convene an extraordinary general meeting to elect a new Board.

SAS also decided to make some personnel changes in the organization. In August 2001, The Board adopted the Competition Law Compliance Programme drawn up by

SAS's management and this was implemented in the organization in autumn 2001.

Some additional inquiries relating to the matter of a special investigator in the SAS/Maersk affair were carried out on assignment from the Ministry of Industry and Trade by Johan Munck, Justice of the Supreme Court. His findings were submitted on November 5, 2001, and reported at the extraordinary general meeting on November 6, 2001.

A new Board of Directors was elected at the extraordinary general meeting on November 6, 2001. A special review of the SAS/Maersk affair proposed at the general meeting did not receive the necessary support from shareholders.

In February 2002, the Stockholm Stock Exchange's disciplinary board imposed a fine on SAS of approximately MSEK 1.0 for insufficient information in spring 2001 in connection with the SAS/Maersk affair.

SAS's new Board, which took office on November 6, 2001, has among other things against the background of the above inquiries, actions and decisions, evaluated the situation and not found reason to at the present time undertake additional inquiries in the SAS/Maersk affair.

Key acquisitions and divestments

In November 2001, SAS concluded an agreement to increase its holding in Spanair from 49% to directly and indirectly own 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 in 2002, 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, but is 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 subject to certain conditions to buy back all or parts of the property portfolio after ten years. The leasing cost amounts to MSEK 209 in the first 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 the EU Commission in March 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 MSEK 215 for SAS Airline and MSEK -335 for the period January-December 2001.

Changes in the Board and Management

Jørgen Lindegaard took up his position as the new President and CEO after Jan Stenberg on May 8, 2001.

At an extraordinary general meeting held on November 6, 2001, Egil Myklebust, Jacob Wallenberg, Berit Kjøll, Fritz H. Schur, Anitra Steen and Lars Rebien Sørensen were elected as new members of the Board. The former employee representatives were re-elected by their respective employee associations.

Egil Myklebust was elected at the statutory meeting as Chairman of the Board and Jacob Wallenberg was elected as Vice Chairman.

Work of the Board of Directors

As a result of the establishment of SAS AB and the introduction of a single SAS share, the company has become the parent company in the SAS Group. This means, among other things, that the Board is responsible for

groupwide matters as well as establishing objectives and strategies, decisions on budgets and business plans, preparation of the consolidated financial statements and interim reports as well as decisions on major acquisitions and investments.

The Board consists of nine members, of whom six are elected by the Annual General Meeting and three by the employee organizations in Denmark, Norway and Sweden. The Board that was elected at the Extraordinary General Meeting on November 6, 2001, has decided that the former so-called chairmanship, which consisted of the chairman and the two vice chairmen, should be abolished. The Board has instead from among its numbers appointed a chairman and a vice chairman. The Board has not set up any special committees or bodies. SAS's chief legal counsel serves as Secretary to the Board. The work of the Board is led by the Chairman or, in the absence of the Chairman, by the Vice Chairman. The President, who is also the Chief Executive Officer, and the two deputy CEOs attend the Board meetings in a reporting capacity. In addition, other senior executives in SAS's management only attend if they have significant matters to report to the Board.

The work of the Board follows an annual agenda with special themes and fixed decision points, such as approval of the year-end report, interim reports and budget. The Board also reaches decisions on issues and matters of principle or major financial significance. The work of the Board is otherwise governed by the rules of

procedure for the Board of Directors and the instruction for the President.

The Board normally meets six times per year and otherwise when required. In 2001, the Board had 21 meetings, seven of which were directly related to the introduction of a single SAS share.

A number of Board meetings exclusively handled the SAS/Maersk affair, which led to the previous Board's decision on September 16, 2001, to convene an extraordinary general meeting to elect a new Board. At the extraordinary general meeting on November 6, 2001, the shareholders elected six new Board members.

An extra meeting was also held to handle matters concerning the new ownership structure in Spanair and acquisition of shares in Braathens as well as the introduction program for the new Board. Other special themes handled by the Board in 2001 included the incorporation of SAS's freight operations, the tragic crash in Milan, the effects on SAS and the airline industry of the terrorist attacks in New York, SAS's earnings improvement program, and the financing of SAS's aircraft investments.

Environmental impact

Flight operations account for almost 90% of the SAS Group's total environmental impact. The significant environmental impact in airline operations is caused by consumption of non-renewable fuels, emissions of carbon dioxides and nitrogen oxides, and noise. Globally, airline

Summary Statement of Income – quarterly figures

(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
Earnings before depreciation, EBITDA	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
Operating income	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
Income before tax	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 shares	3	-1	6	-10	-1	10	5	0	-24	2	-5	-27
Income after tax	833	1,379	-231	781	237	1,348	2,135	13	128	-208	-997	-1,064

emissions affect the climate and contribute to the breakdown of the ozone layer. The local environmental impact mainly comprises noise during takeoff and landing, as well as acidification and eutrophication of soil and water. The greatest potential for environmental improvement lies in continuous renewal of the aircraft fleet, which means that SAS always chooses the best commercially available technology. Environmental aspects are a key element in SAS's choice of aircraft and engines. The significant environmental impact of cabin, ground and hotel operations is caused by energy and water consumption and by waste.

The flight operations are based on internationally type-approved aircraft where environmental approval is an integral part of the Scandinavian registration system. Environmentally based national and local permits, rules and regulations provide a framework for aircraft use. The trend is towards stricter environmental frameworks conditions for the airline industry. SAS is not aware, however, of any changes to these conditions that could have significant operational and financial consequences

The only part of SAS's operations which requires a permit under environmental legislation is ground operations at Arlanda and Copenhagen airports. Of SAS's 256,000 sq.m. of space at Arlanda, operations requiring a permit are conducted on 56,000 sq.m. The permit relates to SAS's maintenance bases and regulates emissions to air, chemicals and waste management as well as target and monthly mean values for effluent from the purification plant. The permit was interim until 2001 but was made permanent in 2001. Scandinavian Technical Services (STS) submits an annual environmental report to the county administrative board for the County of Stockholm.

SAS also has operations requiring a permit at Copenhagen Airport. Of SAS's 210,000 sq.m. of space at Copenhagen Airport, operations requiring a permit are conducted at 17,472 sq.m. SAS has applied for an environmental permit for an additional 36,530 sq.m. and is awaiting a decision from the environmental authorities. The permit relates to regulation of environmental impact mainly from maintenance bases and hangars.

Neither of the two environmental permits mentioned above is due for renewal in the coming fiscal year and during the year SAS did not receive any injunctions under the Environmental Code from the regulatory authorities.

SAS has no operations requiring a permit in Norway.

During the year SAS did not cause any notifiable pollutant emissions or incidents with significant financial or environmental consequences. The Group has not been involved in any environment-related disputes or complaints and has no environment-related debts.

For several years SAS has been measuring its relative environmental impact using an environmental index. Since the base year 1996, the index has improved by 20 points. SAS's objective is a relative mean improvement of 3 points each year until 2005.

Parent Company SAS AB

The Parent Company SAS AB, with its registered office in Stockholm, was registered on February 23, 2001.

Harald Norvik, Bo Berggren, Erik Sørensen, Björn Eidem, Urban Jansson and Anders Eldrup were elected as the Board of SAS AB at an extraordinary general meeting on April 19, 2001. A new Board was elected at an extraordinary general meeting on November 6, 2001.

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

Net income for the period from February 23 - December 31, 2001, was MSEK 103. Shareholders' equity amounted to MSEK 1,721 and total assets to MSEK 3,150. In December 2001, SAS AB acquired shares in Braathens for MSEK 1,105.

The President Jørgen Lindegaard is employed in SAS AB. Payroll costs for him were charged to the SAS Consortium.

Dividend 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 including programs to enhance efficiency and productivity as well as capacity cutbacks. 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 tax, 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 statement of income (Note 1)

MSEK	Note	2001	2000 Pro forma
Operating revenue	2	51,433	47,540
Payroll expenses	3	-17,792	-14,932
Other operating expenses	4	-32,898	-28,898
Earnings before depreciation, EBITDA		743	3,710
Depreciation	5	-2,443	-2,192
Share of income in affiliated companies	6	-70	-1
Income from the sale of shares in subsidiaries and affiliated companies		-24	1,033
Income from the sale of aircraft and buildings	7	673	490
Operating income		-1,121	3,040
Income from other shares and participations		1	15
Interest income and similar income items	8	949	503
Interest expenses and similar income items	9	-969	-729
Income before tax		-1,140	2,829
Tax on income for the year	10	103	-699
Minority shares		-27	5
Net income for the year		-1,064	2,135
Earnings per share (SEK)¹		-6.58	12.98

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

Comments on the statement of income

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.

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%. This includes, as a cost decrease, reversal of a MSEK 266 provision relating

to the dispute between SAS and the Civil Aviation Administration regarding Arlanda Terminal 2 in which the Göta Court of Appeal ruled in SAS's favor in April 2001.

The EU Commission's fine of SAS for unfair cooperation with Maersk Air amounted to MEUR 39.375 and was charged against earnings in an amount of MSEK 378.

Leasing costs for aircraft rose by MSEK 527 as a result of sale and leaseback transactions.

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 was charged in 2001 with MSEK 140 higher insurance costs compared with 2000. From September 25, 2001, it was not longer possible to obtain insurance in commercial markets against third party damage on the ground as a consequence of acts of war and terrorism causing dam-

age over MUSD 50. This meant that the SAS Group, in common with the majority of the world's airlines, was forced to take out guarantees with its respective governments at guarantee charges considerably in excess of the market prices that applied prior to September 11. In the absence of state guarantees, premium costs for war and terrorism cover would increase by an additional amount of approximately MUSD 20 on an annual basis.

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, whereby affiliated companies' 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).

Income from the sale of shares in subsidiaries and affiliated companies, MSEK -24 (1,033), comprises an adjustment of the previous year's capital gain relating to British Midland by MSEK -31 and a capital gain from the sale of shares in FM Partner AB and Ego. In the previous year 20% of the shares in British Midland were sold with a reported capital gain of MSEK 1,031.

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, which due to phasing out of the Douglas DC9s in particular and phasing in of the new Airbus fleet, amounted to MSEK 684, income from the sale of aircraft is reported at MSEK -197.

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

Six Boeing 737s, six deHavilland Q400s, six Fokker F50s and one Boeing 767 were sold in the previous year.

The Group's net financial items amounted to MSEK -20 (-226). Net interest was MSEK -300 (-209). 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 tax amounted to MSEK -1,140 (2,829) MSEK.

Of the Group's tax, MSEK 264 (-427) comprised change in deferred tax.

Currency effects on the SAS Group's income

Operating revenue as well as operating expenses and financial items are affected significantly by exchange rate fluctuations. Only approximately 32% of operating revenue and 28% of operating expenses are denominated in Swedish kronor.

The aggregate effect of changed exchange rates on the SAS Group's operating income for 2001 compared with 2000 was MSEK -117 (203). This is mainly a consequence of the weak Swedish krona in relation to the U.S. dollar and euro. The difference between the years in the effect of exchange rate differences on the net financial debt was MSEK 317 (54).

The total effect on income before tax was therefore MSEK 200 (257).

MSEK	2001	2000
Operating revenue	3,251	231
Operating expenses including translation of working capital	-3,368	-28
Operating income	-117	203
Financial items	317	54
Income before tax	200	257

The SAS Group balance sheet (Note 1)

ASSETS				SHAREHOLDERS' EQUITY AND LIABILITIES			
MSEK	Note	2001	2000 Pro forma	MSEK	Note	2001	2000 Pro forma
Fixed assets				Shareholders' equity			
Intangible fixed assets	11	1,515	692	Restricted equity	22		
Tangible fixed assets				Share capital		1,618	1,645
Land and buildings	12	2,714	5,053	Restricted reserves		6,588	6,565
Aircraft		19,678	14,259	Unrestricted equity			
Spare engines and spare parts		2,398	1,727	Unrestricted reserves		8,402	7,175
Workshop and aircraft servicing equipment		359	292	Net income for the year		-1,064	2,135
Other equipment and vehicles		1,962	1,794	Total shareholders' equity			
Construction in progress		165	118			15,544	17,520
Prepayments for tangible fixed assets	13	4,110	3,575	Minority interests			
		31,386	26,818		22	263	131
Financial fixed assets				Provisions			
Equity in affiliated companies	14		977	Pensions and similar commitments		45	83
Long-term receivables from affiliated companies	15	1,128	339	Deferred tax liability	10	3,856	3,961
Shares and participations	16	950	186	Other provisions	23	1,384	719
Pension funds, net	17	359	186			5,285	4,763
Deferred tax receivable	18	5,172	3,578	Long-term liabilities			
Other long-term receivables	10	544	68		24		
		1,353	764	Subordinated debenture loan	25	920	840
		9,506	5,912	Bond issues	26	5,539	0
Total fixed assets		42,407	33,422	Other loans	27	12,479	8,721
Current assets				Long-term liabilities to affiliated companies	28	60	42
Expendable spare parts and inventories	19	1,521	1,288	Other liabilities		286	529
Prepayments to suppliers		16	6			19,284	10,132
		1,537	1,294	Current liabilities			
Current receivables				Current portion of long-term loans		2,463	2,119
Accounts receivable		3,727	3,243	Short-term loans	30	4,603	2,757
Receivables from affiliated companies		138	83	Prepayments from customers		79	58
Other receivables		1,618	1,167	Accounts payable		2,621	2,736
Prepaid expenses and accrued income	20	1,673	1,237	Liabilities to affiliated companies		36	9
		7,156	5,730	Tax payable		236	208
Short-term investments	21	10,382	8,144	Unearned transportation revenue	31	2,837	2,115
Cash and bank balances		1,280	835	Other liabilities		2,325	1,482
Total current assets		20,355	16,003	Accrued expenses and prepaid income		7,186	5,395
TOTAL ASSETS		62,762	49,425			22,386	16,879
				TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES			
						62,762	49,425
				Equity per share (SEK) ¹		96.06	106.50
				Pledged assets	32	2,382	964
				Contingent liabilities	33	1,617	878
				Leasing commitments	34		

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

Comments on the balance sheet

Assets

The SAS Group's total assets increased by 27% in 2001 from MSEK 49,425 to MSEK 62,762.

The consolidation of Braathens increased assets by MSEK 4,772. The MSEK 823 increase in intangible assets stems from acquired goodwill of MSEK 535, of which MSEK 524 from Braathens, MSEK 417 in IT development costs paid during the year, and depreciation, etc., during the year of MSEK 129.

Land and buildings decreased by MSEK 2,339 mainly due to the sale of airport properties in Scandinavia and a hotel property in Manchester.

The book value of aircraft increased by MSEK 5,419. This change comprises an increase due to investment in Boeing 737s, Airbus A340s and Airbus A321s including earlier prepayments with a total of MSEK 8,461. Deductible items are depreciation for the year of MSEK 1,019 and residual value of sold aircraft, etc., MSEK 4,135. The book value of aircraft in Braathens was added with MSEK 2,112.

Long-term prepayments to suppliers of flight equipment increased during the year by MSEK 535. Advances to Boeing, Bombardier and Airbus were utilized in an amount of MSEK 4,199 in connection with aircraft deliveries during the year. MSEK 132 was utilized for other deliveries. Prepayments of MSEK 4,001 were made for future deliveries of Airbus A321/A330/A340s. Capitalized financial expenses and translation differences were added with MSEK 219 and MSEK 646 respectively.

Equity shares in affiliated companies increased by MSEK 151 to MSEK 1,128. Investments totaling MSEK 131 were made during the year. Shares of income after tax for the year were negative at MSEK 21. In addition, equity shares increased by MSEK 41 due to exchange rate fluctuations, etc.

For all defined benefit pension plans the pension commitments are calculated and all funded assets are taken into account. At December 31, 2001, net pension funds amounted to MSEK 5,172 (3,578) (see further Note 18).

At year-end short-term liquid assets amounted to MSEK 11,662 (8,979) or 18.6% (18.2%) of total assets.

Shareholders' equity

Shareholders' equity decreased by MSEK 1,976 to MSEK 15,544 (17,520). In addition to income for the year after tax, the change comprised dividends, translation differences in foreign subsidiaries and affiliated companies, and changes in the Group's composition. At year-end the equity/assets ratio was 25% (35%) and return on equity amounted to -6% (13%).

Liabilities

MSEK 26,124 (14,563) of total liabilities were interest-bearing. This increase is attributable to new borrowing and interest-bearing liabilities in acquired companies.

In the first quarter of 2001 a MUSD 500 Euro Commercial Paper Program was established.

In the period May-June, bonds were issued for approximately MEUR 600 within the framework of a MEUR 1,000 Euro Medium Term Note Program.

A general agreement was concluded in the latter part of 2001 for a total of MUSD 1,000 with three banks and three export financing institutes (ECA) in the U.K., France and Germany, of which approximately MUSD 305 was utilized during the year.

The interest-bearing net debt amounted to MSEK 7,652 (794) at December 31, 2001. The SAS Group's average net debt during the year was MSEK 4,178 (1,434). The debt/equity ratio at December 31, 2001, was 0.48 (0.04).

Provision for marginal costs associated with the provision of free travel in exchange for redeemed EuroBonus points amounted to MSEK 757 (594) at December 31, 2001.

Total capital employed amounted to MSEK 41,931 (32,214) at year-end. Average capital employed during the year was MSEK 37,337 (29,206). Return on capital employed was -1% (12%).

The SAS Group cash flow statement

MSEK	Note	2001	2000 Pro forma
THE YEAR'S OPERATIONS			
Income before tax		-1,140	2,829
Depreciation		2,443	2,192
Income from the sale of fixed assets	35	-1,826	-1,756
Adjustment for items not included in cash flow, etc.		-94	-167
Paid tax		-200	-190
Cash flow from operations		-817	2,908
Change in:			
Expendable spare parts and inventories		-125	-227
Operating receivables		-1,058	455
Operating liabilities		1,650	813
Change in working capital		467	1,041
Net financing from operations		-350	3,949
INVESTMENTS			
Aircraft		-4,262	-5,684
Spare parts		-879	-504
Buildings, equipment and other facilities		-916	-687
Shares and participations, goodwill, etc.		-792	-744
Prepayments for flight equipment		-4,001	-2,267
Acquisition of subsidiary	36	-826	-
Total investments		-11,676	-9,886
Sale of fixed assets		8,738	5,539
Translation differences, etc.		-356	20
Net investments		-3,294	-4,327
Financing deficit		-3,644	-378
Dividend		-754	-666
EXTERNAL FINANCING			
Borrowing, amortization and early redemption including translation differences, net		8,963	2,952
Other financial receivables/liabilities, net		-1,987	-1,426
Change in minority interest		105	2
External financing, net		7,081	1,528
CHANGE IN LIQUID ASSETS according to balance sheet		2,683	484
Liquid assets, January 1		8,979	8,495
Liquid assets, December 31		11,662	8,979

Comments on the cash flow statement

The SAS Group's cash flow before changes in working capital and investments amounted to MSEK –817 (2,908). Working capital decreased by MSEK 467 (1,041).

Total investments including prepayments to aircraft suppliers amounted to MSEK 11,676 (9,886). This includes delivery payments of MSEK 4,262 for four Airbus A340s, three Airbus A321s, four Boeing 737s and four deHavilland Q400s as well as prepayments to aircraft suppliers of MSEK 4,001.

Investments in shares and participations were made in Expo Investment Partnership which owns shares in Air Canada and in the affiliated company airBaltic MSEK 266. MSEK 458 was invested in intangible assets during the year, excluding goodwill relating to Braathens.

Acquisition of subsidiary refers to the acquisition of Braathens in December. The purchase price amounted to MSEK 1,105 which after deduction for Braathens' liquid assets of MSEK 279, affected the Group's cash flow by MSEK 826.

Sale of fixed assets generated MSEK 8,738 (5,539), of which proceeds from the sale of aircraft amounted to MSEK 5,168 (3,086). Sale of properties provided MSEK 3,540 (891), of which MSEK 3,020 comprised airport-related buildings in Denmark, Norway and Sweden and MSEK 532 Radisson SAS Hotel Manchester Airport. In addition, shares and participations were sold for MSEK 30 (1,562).

Cash flow after net investments thus amounted to MSEK –3,644 (–378). After dividend to shareholders of MSEK 754 (666), the financing deficit was MSEK 4,398 (1,044).

Financial liabilities rose by MSEK 8,963 in 2001, which mainly comprised a net of just over MSEK 11,100 in new borrowing as well as amortization and redemption of loans for MSEK 2,100. Other financial assets increased by MSEK 1,987, mainly due to an increase in net pension assets.

Overall, the SAS Group's liquid assets increased by MSEK 2,683.

The Group's business areas

Statement of income	SAS Airline		Subsidiary & Affiliated Airlines		Airline Related Businesses		Rezidor SAS Hospitality		Elimination		The SAS Group	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
External sales	39,616	38,612	3,103	2,547	5,322	3,363	3,392	3,017	-503		50,930	47,539
Sales between business areas	1,550	621	20	21	2,826	2,425	118	105	-4,011	-3,171	503	1
Total operating revenue	41,166	39,233	3,123	2,568	8,148	5,788	3,510	3,122	-4,514	-3,171	51,433	47,540
Payroll expenses	-13,540	-11,647	-889	-755	-2,032	-1,401	-1,331	-1,129			-17,792	-14,932
Other expenses	-28,056	-25,057	-1,917	-1,556	-5,514	-3,868	-1,905	-1,597	4,494	3,180	-32,898	-28,898
Earnings before depreciation, EBITDA	-430	2,529	317	257	602	519	274	396	-20	9	743	3,710
Depreciation	-1,785	-1,638	-181	-134	-334	-272	-143	-148			-2,443	-2,192
Share of income in affiliated companies	66	50	-58	-11	-119	-85	36	45	5		-70	-1
Capital gains	609	1,212	-29	38	8	21	63	267	-1		650	1,538
Net financial items	41	-202	-42	-44	3	-3	-22	23			-20	-226
Minority shares			-21	-15	-6	20					-27	5
Tax	219	-411	12	-31	-56	-83	-72	-174			103	-699
Income after tax	-1,280	1,540	-2	60	98	117	136	409	-16	9	-1,064	2,135
Other disclosures												
Assets	54,826	45,851	7,057	1,529	4,232	2,740	2,533	2,572	-7,014	-4,244	61,634	48,448
Equity shares	-141	-225	1,018	895	37	145	214	162			1,128	977
Total assets	54,685	45,626	8,075	2,424	4,269	2,885	2,747	2,734	-7,014	-4,244	62,762	49,425
Total liabilities	40,788	29,573	5,948	1,148	2,775	1,795	1,652	1,779	-3,945	-2,390	47,218	31,905
Investments for the year	10,227	9,093	429	129	498	381	220	308			11,374	9,911

Comments and notes to the Report by the Board of Directors

Accounting and valuation principles

General

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

The consolidated accounts through 2000 were in all essential respects prepared in accordance with International Accounting Standards (IAS). Since there was no difference in the Group's earnings and financial position between application of IAS and generally accepted accounting principles in Sweden, adaptation to generally accepted accounting principles in Sweden did not necessitate recalculation of the previous year. Effects of new Group Structure, see Note 1.

The Group's earnings and financial position upon application of International Accounting Standards (IAS) recommendations, is stated in Note 39.

Consolidated accounts

The SAS Group's accounts comprise the Parent Company SAS AB and all companies in which SAS directly or indirectly owns more than 50% of the voting rights or has a controlling influence.

The consolidated accounts for the new SAS Group are prepared through a consolidation of all assets and liabilities at the values at which they are stated in the respective unit.

Revenues and expenses in companies acquired or divested during the year are included in the SAS Group's statement of income only with values relating to the ownership period.

Holdings in affiliated companies where the SAS Group's ownership is at least 20% and no more than 50% are reported according to the equity method.

Principles of consolidation

Consolidation of SAS Danmark A/S, SAS Norge AS and SAS Sverige AB is carried out according to the principle for companies under joint control. In other respects the consolidated financial statements are prepared according to the purchase method, whereby subsidiaries' assets and liabilities are reported at fair value according to an acquisition analysis. If the acquisition value of shares in a subsidiary exceeds the calculated fair value of the company's net assets according to the acquisition analysis, the difference is reported as consolidated goodwill. Accordingly, the SAS Group's balance sheet includes equity in acquired companies only to the extent it has arisen after the date of acquisition.

Minority interests in non-wholly owned subsidiaries are calculated on the basis of the subsidiaries' accounts and stated in the consolidated balance sheet as a separate item between shareholders' equity and liabilities. Minority share of income after tax is stated in the statement of income.

All intra-Group receivables and liabilities, intra-Group sales and intra-Group profits are eliminated entirely.

The book value of shares in affiliated companies is reported in accordance with the equity method. This means that the SAS Group's share of the affiliated companies' equity comprises its share of shareholders' equity, taking into account deferred tax according to the tax rates in the countries concerned and any residual surplus or deficit values.

The SAS Group's share of affiliated companies' income before tax, adjusted for any depreciation or dissolution of acquired surplus or deficit values, is reported in the SAS Group's statement of income as shares of income.

Intra-Group profits are eliminated based on the Group's participation in the affiliated company.

Translation of financial statements of foreign subsidiaries

The financial statements of foreign subsidiaries are translated into Swedish kronor using the current method. This entails all subsidiaries' assets and liabilities being translated at the closing rate, while all income statement items are translated at the average rate of exchange for the year. Translation differences are posted directly to the SAS Group's shareholders' equity.

Receivables and liabilities in foreign currency

Current and long-term receivables and liabilities in currencies other than the reporting currency (SEK) are stated in the balance sheet translated at closing rates. Both realized and unrealized exchange gains and losses on receivables and liabilities are reported in the statement of income. In order to reduce risks and hedge currency risks relating to aircraft investments in foreign currency, some financing is carried out in a corresponding currency to the investment, where residual value guarantees exist from suppliers. This means that assets and liabilities are stated at the exchange rate on the acquisition date.

Exchange rates

		Closing rate		Average rate	
		2001	2000	2001	2000
Denmark	DKK 100	126.65	118.64	124.15	113.32
Norway	NOK 100	118.35	107.16	114.99	104.11
USA	USD	10.67	9.50	10.33	9.16
U.K.	GBP	15.48	14.20	14.87	13.86
Switzerland	CHF 100	636.00	580.42	612.80	542.50
Japan	JPY 100	8.13	8.28	8.50	8.50
EMU countries	EUR	9.42	8.85	9.25	8.44

Financial instruments

Short-term investments are valued at the lower of acquisition value and fair value. SAS uses various derivative instruments (forward exchange contracts, interest rate and currency swap contracts) to minimize and control the company's currency and interest rate exposure against fluctuations in exchange rates and interest rate levels. Forward exchange contracts and currency swaps are valued at exchange rates on the closing date. Realized and unrealized exchange gains or losses which arise are reported in the statement of income. Forward premiums are stated under net interest and allocated over the contract period. Outstanding currency options are market valued on the closing date. Realized and unrealized exchange gains and exchange losses are reported in the statement of income. Option premiums are allocated over the contract period.

Forward exchange contracts and options which are taken out to secure future commercial flows and investments are subjected to hedge accounting and reported at acquisition value. The earnings impact is reported on the maturity date of the respective contract.

The net earnings effect of interest income and interest expenses from interest rate swaps is posted to the statement of income as incurred.

See also Note 29.

Expendable spare parts and inventories

Expendable spare parts and inventories are stated at the lower of acquisition value and net sales value. Some spare parts related to aircraft are valued according to the lower of cost or market value principle collectively with the aircraft concerned. Appropriate deduction is made for obsolescence.

Intangible assets

Intangible assets comprise goodwill, capitalized costs for systems development and other intangible assets.

Intangible assets are stated in the balance sheet when:

- an identifiable, non-monetary asset exists
- it is probable that the future financial advantages that can be attributed to the asset will accrue to the company and
- the acquisition value of the asset can be calculated in a reliable manner.

Goodwill: Goodwill which arises upon consolidation consists of a value which at acquisition of operations exceeds the book value of the assets acquired and the liabilities taken over. Goodwill is reported as an intangible asset. Goodwill is depreciated using a straight-line method over the estimated useful economic life of the asset. Investments in other airlines are regarded as strategic in nature and are therefore depreciated over a period of 20 years. The estimated useful economic life for goodwill is reviewed at the end of each fiscal year. In cases where the estimated useful economic life differs significantly from earlier assessments, the depreciation period is changed accordingly.

Goodwill which arises from acquisition of subsidiaries is stated separately in the balance sheet. Goodwill amortization is included in the item depreciation in the statement of income.

Goodwill which arises from acquisition of an affiliated company is included in the reported value of the affiliated company.

If a business to which a goodwill item is attributable is sold, the goodwill item remaining at divestment is included in the result from the divestment.

Systems development costs: Development costs which do not meet the criteria specified above are expensed in the period they arise.

Costs for development of computer systems are reported as an asset provided that they meet the criteria specified above.

Capitalized development costs are depreciated on a straight-line basis over the estimated useful economic life of the asset. The useful economic life amounts to a maximum of 5 years. Depreciation of capitalized development costs is included in the item depreciation in the statement of income.

Tangible fixed assets

Tangible fixed assets are reported at historic acquisition value less accumulated depreciation and possible write-downs. Depreciation is straight-line over the estimated useful economic life of the assets.

Interest expenses on prepayments for aircraft not yet delivered are capitalized. If a decision is made to postpone deliveries of aircraft for which prepayments have been made, capitalization of interest expenses ceases. On commissioning of the aircraft, depreciation of the capitalized interest expenses begins, in accordance with the main principle for aircraft.

Costs for routine aircraft and engine maintenance as well as repair costs are expensed on an ongoing basis. Extensive modifications and improvements to fixed assets are capitalized and written off together with the asset to which the work is related, over its remaining useful economic life.

Investments in own and leased premises are amortized over their estimated useful economic lives, but not

over a period exceeding the leasing period for leased premises.

Income from the sale or disposal of a tangible fixed asset is calculated as the difference between sales value and book value. The gain or loss which arises is reported in the statement of income.

In conjunction with major replacements of the aircraft fleet when one aircraft type is replaced by another, additional costs arise directly related to such replacement. The additional costs for phasing in new aircraft types arise in the form of training for crews and technical personnel. SAS is also charged with additional costs for phasing out aircraft which are to be delivered back to their owners or sold, for retention of crews for aircraft types being phased out and written-down surplus equipment. These additional costs reduce the capital gain on the sale of aircraft.

Depreciation is based on the following estimated periods of useful economic life:

Asset class	Depreciation
Aircraft	20*
Spare engines and spare parts	20*
Workshop and aircraft servicing equipment	5
Other equipment and vehicles	3-5
Buildings	5-50

* Estimated residual value after a useful economic life of 20 years is 10%. Through 1998 the estimated useful economic life was 15 years with an estimated residual value of 10%.

Leasing - Finance and Operating

As a lessee, SAS has entered into finance and operating leasing contracts. Leasing contracts where SAS in principle takes over all risks and benefits of the asset are reported as finance lease contracts. At the beginning of the leasing period finance lease contracts are reported at fair value. Assets held under finance leases are taken up in the balance sheet as a fixed asset and the future commitment to the lessor as a liability. Assessment of leased assets' useful economic life corresponds to the principles SAS applies to acquired assets.

Lease contracts where in principle all risks and benefits of the asset remain with the lessor, are reported as operating lease contracts. The leasing cost for operating lease contracts is expensed on an ongoing basis during the contract period.

For aircraft leased under operating leases, the contract states that when the aircraft is returned it must be in a certain specified condition. In order to meet this commitment, SAS carries out maintenance on these aircraft, both regularly and at the expiry of the leasing period. These costs are expensed on an ongoing basis when the maintenance is carried out.

Write-downs

At the end of every reporting period an assessment is made of the reported value for tangible and intangible

assets in order to determine the extent to which there is a value impairment for these assets. This assessment is made by calculating the asset in question's recoverable amount in order to establish the size of any value impairment.

The recoverable amount comprises the higher of the value in use of the asset and its net sales value. SAS uses the net sales value of the asset at the end of each reporting period as the recoverable amount.

For the Group's aircraft fleet and related spare equipment and spare parts, SAS mainly calculates the recoverable amount by estimating the market value at the end of each reporting period. Valuations specify the net sales value per aircraft type, among other things taking the aircraft's age into account.

If the net sales value of the aircraft fleet is assessed as lower than the reported value a write-down is made. Write-downs are reported as an expense in the statement of income.

At the end of each reporting period an assessment is also made of the extent to which an earlier write-down, total or partial, is no longer motivated. This assessment is also normally based on a comparison between market value and the reported value. A reversal of a write-down is reported in the statement of income and thus reduces depreciation and write-downs for the period.

Financial fixed assets

Financial fixed assets include equity shares in affiliated companies. Participations in affiliated companies are reported in the consolidated accounts by applying the equity method. Additional information on treatment of affiliated companies is provided in the section for principles for consolidated accounts and consolidation.

Provisions, contingent liabilities and contingent assets

Provisions are reported when SAS identifies legal or informal commitments as a result of historic events, where the outcome is probable and where the financial resources required to settle these commitments can be estimated with reasonable certainty.

Pension commitments

SAS's pension commitments are mainly secured through various pension plans. These vary considerably due to different legislation and agreements on occupational pension systems in the individual countries.

For pension plans where SAS has accepted responsibility for defined contribution solutions, the obligation to the employees ceases when the contractual premiums have been paid.

For other pension plans where defined benefit pensions have been agreed, the commitments do not cease until the contractual pensions have been paid. SAS calculates its pension commitments for the defined benefit

plans. Calculations of commitments are based on estimated future final salary. An estimate of accumulated funded assets is made at the same time.

Pension costs for the year comprise the present value of pension earnings for the year, plus interest on the obligation at the beginning of the year, less return on funded assets. Amortization of actuarial gains and losses and plan amendments is added to this total for certain pension plans. Such computation differences are amortized using two different methods. Plan amendments are amortized over the average remaining working lives of employees participating in the pension plan. SAS also uses an alternative method for allocating deviations between anticipated and actual results for calculated pension obligations and funded assets. Cumulative actuarial gains and losses of up to 10% of the greater of pension obligations and pension assets are exempted. When the cumulative actuarial gains and losses exceed this 10% limit, amortization starts of the excess amount over 5 years.

In 1999, an allocation in the form of so-called client company pension funds in the Alecta pensionsförsäkring (formerly Försäkringsbolaget SPP) in Sweden of MSEK 3,063 was identified for the SAS Group. This allocation did not in itself affect the SAS Group's income for 2001 since SAS has reported pension commitments including SAS's participation in Alecta since 1996.

Revenue recognition

Passenger revenue: Ticket sales are reported as traffic revenue when the air transport has been carried out.

The value of tickets sold and still valid but not used on the balance sheet date is reported as unearned transportation revenue. This item is reduced either when SAS or another airline completes the transport or when the passenger requests a refund.

A portion of unearned transportation revenue covers tickets sold that are expected to remain unutilized. An estimate of unutilized tickets' anticipated share of the unearned transportation liability is produced annually. This reserve is reported as revenue the following year in accordance with established principles.

Freight revenue: SAS Cargo's transport services are recognized as revenue when the air transport is completed.

Other revenue: Sales of hotel accommodation and conferences are recognized as revenue when completed. Sales of goods and other services are recognized as revenue when the goods are delivered or the service carried out.

Loyalty programs

The SAS Group makes ongoing provisions as EuroBonus points are earned for the marginal costs associated with the provision of free travel in exchange for redemption of the points earned by members.

Borrowing costs

Borrowing costs which arise in operations are expensed in the period in which they are incurred. Borrowing costs for prepayments attributable to aircraft not yet delivered are described in the section "Tangible fixed assets."

Tax

Actual tax for the period is based on earnings for the period adjusted for non-tax deductible costs and revenues liable to tax. The actual tax is calculated on the basis of tax rates applying on the closing date.

Deferred tax is reported according to the balance sheet method whereby temporary differences, differences between the reported and fiscal values of assets, result in a deferred tax receivable or tax liability. A deferred tax liability is normally reported for all temporary differences liable to tax while a deferred tax receivable is reported to the extent it is probable that a taxable surplus will be created against which the deductible temporary differences can be utilized.

A deferred tax liability is reported for all taxable temporary differences attributable to investments in subsidiaries and affiliated companies except in cases where the Group can control the timing of reversal of the temporary differences and it is probable that such reversal will not take place within the foreseeable future.

Deferred tax is calculated based on the tax rates which are expected to apply in the period the tax is realized. Deferred tax is reported in the statement of income.

A deferred tax receivable and deferred tax liability are reported net if the items pertain to the same tax authority.

Segmental reporting

Information is provided for business areas and geographic markets. This information is based on the SAS Group's accounting principles and the Group's internal reporting to company management.

Business area assets comprise all assets used directly in the business area's operations. Equity shares in affiliated companies, however, are presented separately. Business area liabilities and provisions comprise all commitments which are directly attributable to the business area's operations.

Notes

Expressed in millions of Swedish kronor (MSEK) unless other stated.

Note 1 – Effects of new Group structure

Until year-end 2000 consolidated accounts were reported for the former SAS Group. SAS AB's consolidated accounts (the SAS Group's accounts) only differ on a few points of any significance from those of the former SAS Group.

Effects on balance sheet at December 31, 2001

Asset items and total assets are only changed marginally compared with the former SAS Group's accounting.

More significant changes occur on the liabilities side.

- The deferred taxes of SAS Danmark A/S, SAS Norge AS and SAS Sverige AB increase the Group's deferred taxes by MSEK 3,252 to MSEK 3,856. These taxes emanate, however, from the SAS Consortium's operations and do not represent any new burden for operations.
- The former SAS Group's debts to SAS Danmark A/S, SAS Norge AS and SAS Sverige AB will only be an internal item in the new Group. The new Group's, including the parent company SAS AB, external liabilities will thus be MSEK 1,677 lower than for the former SAS Group.
- The net effect of these and other marginal changes in the balance sheet mean that the new Group's reported shareholders' equity will be MSEK 2,036 lower than for the former SAS Group. The main explanation is that the former SAS Group only paid out to SAS Danmark A/S, SAS Norge AS and SAS Sverige AB as much as was needed for them to pay a dividend and actual tax (and the company's minor running costs). In principle, the former SAS Group's shareholders' equity could be regarded as also including operations in the SAS Consortium's deferred tax liabilities.

Effects on the statement of income for January-December 2001

- Revenue are not affected while operating expenses are increased by administration costs for SAS Danmark A/S, SAS Norge AS and SAS Sverige AB of MSEK 11.
- Net financial items are improved by MSEK 64 by the new Group's external liabilities being MSEK 1,677 lower than for the old SAS Group.
- After taking tax into account the effect is that reported income after tax is MSEK 293 higher for the Group than for the former SAS Group.

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

Note 2 – Operating revenue

	2001	2000
Traffic revenue:		
Passenger revenue	36,582	33,390
Freight	2,176	2,251
Mail	317	307
Other traffic revenue	831	1,263
Other operating revenue:		
Sales of goods	2,275	2,148
Computer services	2,242	2,051
Rooms revenue	1,591	1,484
Food and beverage revenue	1,163	1,053
Administration systems services	1,043	775
Ground services	1,005	945
Distribution systems services	888	825
Technical maintenance	835	735
Flight simulator training	627	606
Terminal and forwarding services	518	370
Other operating revenue	3,351	2,417
Group eliminations	-4,011	-3,080
SAS total	51,433	47,540

Passenger revenue by geographic area

	2001	2000
Intercontinental	5,312	4,876
Europe	15,014	13,692
Intra-Scandinavian	5,502	4,771
Domestic	10,754	10,051
Total	36,582	33,390

Note 3 – Payroll expenses

Average number of employees

The average number of employees in 2001 within the SAS Group's different business areas was 31,035 (30,943), of whom 22,364 (23,777) were employed at SAS Airline, 1,530 (1,495) at Subsidiary & Affiliated Airlines, 4,038 (2,540) in Airline Related Businesses and 3,103 (3,131) at Rezidor SAS Hospitality.

A breakdown of the average number of employees by country is provided in the table below.

The average number of employees in Denmark was 10,098 (9,027), in Norway 8,857 (9,372), and in Sweden 9,310 (10,006).

	2001		2000	
	Men	Women	Men	Women
Denmark	6,512	3,587	5,855	3,172
Norway	5,119	3,738	5,393	3,979
Sweden	5,110	4,200	5,524	4,482
U.K.	210	339	261	387
Germany	168	188	200	190
France	45	87	29	68
Japan	27	19	23	49
Finland	114	191	122	211
Belgium	241	349	234	333
USA	153	94	40	36
Other countries	198	346	136	219
Total	17,897	13,138	17,817	13,126
Total men and women	31,035		30,943	

Salaries, remuneration and social security expenses

The SAS Group's total payroll expenses amounted to MSEK 17,140 (13,894), of which social security expenses comprised MSEK 2,411 (1,904) and pensions MSEK 604 (137).

MSEK	2001		2000	
	Salaries and other remuneration	Social security (of which pension costs)	Salaries and other remuneration	Social security (of which pension costs)
SAS AB	2	0 (-)	-	- (-)
SAS Consortium	10,368	2,024 (303)	9,078	1,451 (-85)
Other subsidiaries	3,755	991 (301)	2,775	590 (222)
SAS Group total	14,125	3,015 (604) *	11,853	2,041 (137)

* Of the Group's pension costs, MSEK 6 (4) pertain to the group Board and President.

A breakdown of salaries and other remuneration between Board members, presidents and vice presidents and other employees is provided in the table below.

MSEK	2001		2000	
	Board, president and vice president (of which variable component)	Other employees	Board, president and vice president (of which variable component)	Other employees
SAS AB	2 (0) *	-	-	-
SAS Consortium	27 (5)	10,341	17 (1)	9,061
SAS Commuter Consortium	2 (0)	524	2 (0)	424
Air Botnia	1 (0)	114	1 (0)	85
Widerøe's flyvselsskap	2 (0)	656	3 (0)	572
Rezidor SAS Hospitality	11 (3)	983	9 (2)	791
SAS Cargo Group	1 (0)	428	-	-
Scandinavian IT Group	0 (0)	717	0 (0)	619
SMART	3 (1)	108	5 (0)	111
SAS Flight Academy	2 (0)	86	2 (0)	75
SAS Flight Support	1 (0)	26	1 (0)	22
Other subsidiaries	7 (0)	83	7 (0)	46
SAS Group total	59 (9)	14,066	47 (3)	11,806

* Board fees for the period July 1- December 31 amounting to SEK 1,731,000.

Note 3, continued

Remuneration to senior executives

In 2001, remuneration of SEK 1,731,000 was paid to members of SAS AB's Board of Directors, of which SEK 248,000 to the Chairman of the Board, SEK 274,000 to the Vice Chairmen, SEK 531,000 to other Board members, and SEK 490,000 to employee representatives. In addition, a total of SEK 188,000 was paid to deputy employee representatives. These total fees are in accordance with the Annual General Meeting's decision. In addition, SEK 1,762,000 was paid to members and deputy members of the SAS Consortium's Board in 2001.

During 2001, no member of the Board was employed in the SAS Group, with the exception of the employee representatives and their deputies.

Salary and the value of benefits paid in 2001 to SAS AB's President, who also serves as chief executive officer, totaled SEK 4,887,000 for the period April-December. The maximum variable component for the president is 50% of fixed salary.

Salary and the value of benefits paid in 2001 to the former president and CEO amounted for the period January-July to SEK 6,132,000, of which SEK 2,240,000 was the variable component for 2000.

SAS's other managers' contracts are based on salary being paid in a fixed amount, a variable component and an earnings-related bonus. Since SAS posted a loss for 2001, no earnings-related bonus will be paid to managers or employees for that year. The variable component is based on contracted targets drawn up between the employee and his or her manager. The targets measured are usually linked to SAS's financial results, customer targets and employee targets. If earnings are negative or the target is not reached, no bonus is paid on this component. For targets apart from SAS's financial results, target achievement is measured and a payment of the variable component is made in relation to achieved targets. The total variable salary component, including financial results targets, varies between 7.2%-32%, with 100% target achievement, of the fixed annual salary. Payments of variable salary components in 2002 are expected to account for 0.15% of SAS's total payroll expenses.

The President's retirement age is 62. The pension is a defined contribution pension and based on the total interest-bearing capital paid during the period. The premium comprises 20% of annual fixed basic salary on each occasion. Other senior executives at SAS are entitled to a pension at the age of 60 and earn on a straight-line basis up to retirement age. The pension level for a Swedish employee in SAS's senior management, with fully earned entitlement amounts to 70% of pensionable salary up to 30 base amounts (SEK 1,107,000) and 35% of pensionable salary in excess of that amount. Pensionable salary refers to annual fixed basic salary with the addition of the average variable component paid in the last three years. Alternatively, a defined contribution pension plan is provided. The same basic pension system structure applies to Danish and Norwegian senior SAS executives, adjusted to Danish and Norwegian conditions, respectively.

Severance pay is payable to the President and other SAS senior executives in the event employment is terminated by SAS for reasons other than breach of contract or neglect of duty. The amount corresponds to two annual salaries and up to 50% is reduced by the remuneration received from a new employer during the same period.

Severance pay in the event employment is terminated by a senior executive may be paid in the event of changed ownership structure leading to organizational changes and therefore changed responsibilities and authority under the same conditions as in termination of employment by SAS as specified above.

Neither the President nor other senior executives are entitled to fees for directorships in the SAS Group or in companies in which SAS has ownership interests or with which SAS cooperates.

Over and above salaries and remuneration described above, no transactions with related parties have occurred.

Note 4 – Other operating expenses

	2001	2000
Leasing cost	2,425	1,898
Selling expenses	2,457	2,443
Jet fuel	4,254	3,959
Government user fees	4,203	3,740
Catering costs	1,735	1,791
Handling costs	2,228	1,926
Technical aircraft maintenance	2,733	2,285
Data and telecommunication costs	2,646	2,182
Cost of sold goods, incl. concession fees	1,727	1,669
Other operating expenses, SAS Trading	240	153
Other operating expenses, REZSAS	1,871	1,568
Other	6,379	5,284
Total	32,898	28,898

Note 5 – Depreciation

	2001	2000
Goodwill	20	8
Other intangible assets	128	197
Aircraft	1,019	870
Spare engines and spare parts	281	154
Workshop and aircraft servicing equipment	116	96
Other equipment and vehicles	607	579
Work in progress	1	0
Buildings and fittings	270	287
Land improvements	1	1
Total	2,443	2,192

Note 6 – Share of income in affiliated companies¹

	2001	2000
British Midland PLC ²	49	29
Polygon Group Ltd ³	-111	-87
Kimber Air A/S	-14	-13
Spanair S.A. ⁴	-153	7
Skyways Holding AB	-20	-2
Grönlandsfly A/S	0	-12
airBaltic Corporation A/S	-1	-9
Aerolinas Baleares S.A.	6	-
Airnet I/S	0	2
Newco Airport Services S.A	-5	-
Tradevision AB	-10	-
Commercial Aviation Leasing Ltd.	26	10
Reversal of intra-group profit for Commercial Aviation Leasing Ltd.	40	40
Casino Copenhagen K/S	24	20
ZAO St. Petersburg	-4	-
SNR Amsterdam Hotel CV	16	16
Reversal of stock reserve ⁵	80	-
Others	7	-2
Total⁶	-70	-1

¹ Share of income in affiliated companies is reported before taxes.

² Share of income includes goodwill amortization by MSEK 15 (24) and adjustment of last year's income figure by MSEK 5 (34).

³ Share of income includes adjustment of last year's income figure by MSEK -40 (-49).

⁴ Based on annual financial statements as per October 31, 2001.

⁵ The stock reserve, which was of a general nature, was reversed during the year.

⁶ Includes goodwill amortization totaling MSEK 29 (32).

In some cases, SAS's share of income in affiliated companies is based on preliminary unaudited accounts from the companies.

Note 7 – Income from the sale of aircraft and buildings

	2001	2000
Airbus A340	-83	-
Boeing 767	38	190
Douglas MD80	-	-19
SAAB 340	-	27
Boeing 737	519	121
Fokker F50	-	16
Fokker F28	15	27
deHavilland Q400	-20	51
deHavilland Dash 8	18	11
Phasing in costs, new aircraft types	-469	-127
Phasing out costs in connection with sale of aircraft	-215	-91
Hotel properties	63	286
Other properties	807	-2
Total	673	490

Note 8 – Interest income and similar income items

	2001	2000
Interest income	597	476
Exchange rate differences, net	332	15
Other financial income	20	12
Total	949	503

Note 9 – Interest expenses and similar income items

	2001	2000
Interest expenses	897	685
Other financial expenses	72	44
Total	969	729

Note 10 – Tax

The following components are included in the Group's tax expense

MSEK	2001	2000
Actual tax	-210	-271
Deferred tax	264	-427
Tax attributable to the Parent Company and its subsidiaries	54	-698
Tax attributable to participations in affiliated companies	49	-1
Total	103	-699

Actual tax is calculated based on the tax rate in each country. Deferred tax is calculated at the tax rate expected to apply when the tax is realized.

The tax expense for the fiscal year can be reconciled against income before tax as follows:

MSEK	2001	(%) 2001	2000	(%) 2000
Income before tax	-1,140		2,829	
Tax according to weighted tax rate in Denmark, Norway and Sweden (29.1%)	332	-29.1	-823	29.1
Tax effect of non-deductible costs	-192	16.8	-26	0.9
Tax effect of revenues not liable to tax	22	-1.9	76	-2.7
Taxes attributable to previous year	-57	5.0		
Reduction of opening balance for deferred tax liability due to changed tax rate			77	-2.7
Effect due to other tax rates in countries outside Denmark, Norway and Sweden	-2	0.2	-3	0.1
Tax income/expense and effective tax rate for the fiscal year	103	-9.0	-699	24.7

Note 11 – Intangible fixed assets

	Goodwill		Other assets		Total intangible fixed assets	
	2001	2000	2001	2000	2001	2000
Opening acquisition value	453	422	714	508	1,167	930
Investments	535	31	447	244	982	275
Company acquisition ¹	-	-	31	-	31	-
Sales/disposals	-	-18	-10	-27	-10	-45
Reclassifications	-5	18	-28	-12	-33	6
Exchange rate differences	-	-	2	1	2	1
Closing accumulated acquisition value	983	453	1,156	714	2,139	1,167
Opening depreciation	-257	-257	-218	-23	-475	-280
Depreciation for the year	-20	-8	-128	-197	-148	-205
Company acquisitions ¹	-	-	-10	-	-10	-
Sales/disposals	-	8	7	2	7	10
Reclassifications	-	-	16	-	16	-
Exchange rate differences	-	-	-	-	-	-
Closing accumulated depreciation	-277	-257	-333	-218	-610	-475
Opening write-down	-	-	-	-	-	-
Company acquisitions ¹	-	-	-14	-	-14	-
Closing write-down	-	-	-14	-	-14	-
Closing planned residual value	706	196	809	496	1,515	692

¹ Change for the year due to company acquisitions pertains to the Group's purchase of Braathens.

Note 10, continued

Deferred tax liability/tax receivable

MSEK	2001	2000
Deferred tax liability	3,856	3,961
Deferred tax receivable	-544	-68
Deferred tax liability, net	3,312	3,893

The below tables show the Group's most significant deferred tax liabilities and tax receivables according to category and how these liabilities and receivables changed in 2001.

	2001	2000
Deferred tax liability in the balance sheet:		
Fixed asset	2,881	2,781
Provisions	238	58
Tax allocation reserve	216	378
Other temporary differences	688	744
Fiscal loss carryforward	-167	-
	3,856	3,961

Deferred tax receivable in the balance sheet:

Fiscal loss carryforward	836	50
Provisions/receivables	210	18
Other temporary differences	-502	-
	544	68

Deferred tax liability, net

3,312 3,893

	2001	2000
Reconciliation of deferred tax liability, net:		
Opening balance	3,893	3,409
Net tax receivable in acquired companies	-263	-
Change according to the statement of income	-264	427
Exchange differences, etc.	-54	57
Deferred tax liability, net, closing balance	3,312	3,893

On the closing date the Group had unutilized loss carryforwards amounting to MSEK 3,862 (454). Based on these loss carryforwards, the Group reports a deferred tax receivable of MSEK 1,003 (50). For the remaining loss carryforward, MSEK 312 (288) no deferred tax receivable is reported due to uncertainty as regards future profit earnings. Of the loss carryforwards, MSEK 3,831 has a due date in 2011 or earlier. There are no due dates for the remaining loss carryforwards.

No provision has been made for deferred tax on temporary differences related to non-distributed profits in subsidiary and affiliated companies, since these profits will not be distributed within the foreseeable future, alternatively a distribution can be made without the profits being subject to tax.

Note 11, continued

Breakdown of planned residual value:

	2001	2000
Goodwill	706	196
Capitalized systems development costs	757	442
Development projects	43	18
Start-up costs for new hotels	0	19
Leases, etc.	9	17
Total residual value	1,515	692

Note 12 – Tangible fixed assets

	Land and buildings		Aircraft ¹		Spare engines and spare parts		Workshop & servicing equipment for aircraft	
	2001	2000	2001	2000	2001	2000	2001	2000
Opening acquisition value	6,873	7,864	20,145	15,977	2,718	2,364	932	840
Investments	73	16	4,262	5,684	879	504	130	100
Company acquisitions ³	233	–	2,389	–	347	–	256	–
Capitalized interest	–	–	–	–	–	–	–	–
Sales/disposals	-2,784	-1,384	-4,666	-3,137	-184	-151	-48	-12
Reclassifications	122	356	4,199	1,605	34	–	-8	4
Exchange rate differences	101	21	136	16	20	1	–	–
Closing accumulated acquisition value	4,618	6,873	26,465	20,145	3,814	2,718	1,262	932
Opening depreciation	-1,820	-1,898	-5,886	-5,186	-991	-905	-640	-548
Depreciation for the year	-271	-288	-1,019	-870	-281	-154	-116	-96
Company acquisitions ³	-153	–	-208	–	-240	–	-195	–
Sales/disposals	442	381	430	600	111	69	42	10
Reclassifications	-40	-2	36	-421	-4	–	6	-6
Exchange rate differences	-62	-13	-71	-9	-11	-1	–	–
Closing accumulated depreciation	-1,904	-1,820	-6,718	-5,886	-1,416	-991	-903	-640
Opening write-down	–	–	–	–	–	–	–	–
Company acquisitions ³	–	–	-69	–	–	–	–	–
Closing write-down	–	–	-69	–	–	–	–	–
Closing planned residual value	2,714	5,053	19,678 ²	14,259	2,398	1,727	359	292

	Other equipment and vehicles		Construction in progress		Prepayments fixed assets		Total tangible fixed assets	
	2001	2000	2001	2000	2001	2000	2001	2000
Opening acquisition value	5,467	5,528	118	298	3,575	2,563	39,828	35,434
Investments	399	329	314	242	4,001	2,267	10,058	9,142
Company acquisitions ³	1,079	–	–	–	–	–	4,304	–
Capitalized interest ⁴	–	–	–	–	219	195	219	195
Sales/disposals	-537	-458	-16	–	–	–	-8,235	-5,142
Reclassifications	308	20	-246	-422	-4,331	-1,527	78	36
Exchange rate differences	125	48	-4	0	646	77	1,024	163
Closing accumulated acquisition value	6,841	5,467	166	118	4,110	3,575	47,276	39,828
Opening depreciation	-3,673	-3,426	–	–	–	-9	-13,010	-11,972
Depreciation for the year	-607	-579	-1	–	–	–	-2,295	-1,987
Company acquisitions ³	-791	–	–	–	–	–	-1,587	–
Sales/disposals	349	363	–	–	–	–	1,374	1,423
Reclassifications	-41	7	–	–	–	9	-43	-413
Exchange rate differences	-116	-38	–	–	–	–	-260	-61
Closing accumulated depreciation	-4,879	-3,673	-1	–	–	0	-15,821	-13,010
Opening write-down	–	–	–	–	–	–	–	–
Company acquisitions ³	–	–	–	–	–	–	-69	–
Closing write-down	–	–	–	–	–	–	-69	–
Closing planned residual value	1,962	1,794	165	118	4,110	3,575	31,386	26,818

¹ The insured value of aircraft on December 31, 2001, amounted to MSEK 68,058. This includes the insured value of leased (operating leases) aircraft in the amount of MSEK 39,591.

² On the closing date, December 31, 2001, estimated market value, excluding options, in Swedish kronor exceeded the book value by MSEK 1,907 (5.013).

³ Change for the year due to company acquisitions pertains to the Group's purchase of Braathens.

⁴ Capitalized interest has been carried out at an average interest rate of 5.3% (6.1%).

Note 12, continued

Of previous years' aircraft acquisitions, 6 Douglas MD-90s, 5 Douglas MD-80s, 1 Boeing 767, and 1 Fokker F28 were acquired, formally via finance lease contracts, with original terms of 10-17 years. In 2001, 3 Airbus A321s and 2 Airbus A340s were acquired via finance lease with terms of 10 years.

For 3 of Douglas MD-80s and 1 Fokker F28, SAS has agreed with the banks that on SAS's behalf they will pay all accruing leasing fees and an agreed residual value at the expiry of each leasing period. SAS has irrevocably reimbursed the banks in an amount corresponding to full settlement for these payments. The total nominal value of the banks' payment commitment on behalf of SAS on December 31, 2001, was MSEK 247 (322).

With regard to other leased aircraft, the terms of the leasing contracts (particularly pertaining to SAS's call options during the contract period and at the expiry of the leasing contract, as well as the economic risk SAS has regarding the value of the aircraft) are such that the agreements, from SAS's point of view, are comparable to a purchase.

The 18 (24) finance leased aircraft are reported in the balance sheet in the amount of MSEK 5,225 (2,713).

SAS's aircraft holdings can be specified as follows:

	2001	2000
Owned	14,453	11,546
Finance leased (prepaid)	158	166
Other finance leased	5,067	2,547
Book value	19,678	14,259

Finance leasing

SAS has finance leasing contracts for aircraft with remaining terms of up to 10 years. Total leasing fees paid amounted to MSEK 1,631 (936) for 2001 and 2000 respectively. Interest expenses amounted to MSEK 148 (178) for 2001 and 2000. Depreciation amounted to MSEK 190 (216) for 2001 and 2000. Leasing to a third party does not occur.

Book values of finance lease assets on the closing date:

MSEK	2001	2000
Acquisition value, aircraft	6,380	4,481
Less accumulated depreciation, aircraft	-1,155	-1,768
Reported value finance leasing contracts, aircraft	5,225	2,713

Note 14 – Financial fixed assets

	Equity affiliated companies		Long-term receivables from affiliated companies		Shares and participations		Pension funds, net		Other long-term receivables		Total financial fixed assets	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
Opening acquisition value	977	818	339	360	261	156	3,578	2,498	1,257	1,082	10,021	6,412
Contributions	131	390	635	-	203	104	1,537	1,080	240	401	2,655	1,975
Company acquisitions ¹	-	-	-	-	-	-	57	-	839	-	987	-
Share of income	-21	-2	-	-	-	-	-	-	-	-	-21	-2
Sales	-15	-249	-	-	-8	-1	-	-	-	-	-23	-250
Amortization	-	-	-7	-56	-	-	-	-	-52	-166	-59	-222
Dividend	-35	-5	-	-	-	-	-	-	-	-	-35	-5
Reclassifications	-	-	-34	-7	-28	-3	-	-	-2	-67	-64	-77
Exchange rate differences	96	52	17	42	11	5	-	-	50	7	174	106
Other	-5	-27	-	-	-	-	-	-	-	-	-5	-27
Closing accumulated acquisition value	1,128	977	950	339	439	261	5,172	3,578	2,332	1,257	10,021	6,412
Opening depreciation	-	-	-	-	-73	-71	-	-	-	-	-73	-71
Exchange rate differences	-	-	-	-	-5	-2	-	-	-	-	-5	-2
Closing accumulated depreciation	-	-	-	-	-78	-73	-	-	-	-	-78	-73
Opening write-down	-	-	-	-	-2	-3	-	-	-425	-365	-427	-368
Write-down for the year	-	-	-	-	-	-	-	-	-4	-60	-4	-60
Reversed write-down	-	-	-	-	-	-	-	-	-	2	-	2
Reclassifications	-	-	-	-	-	1	-	-	-	-	-	1
Exchange rate differences	-	-	-	-	-	-	-	-	-6	-2	-6	-2
Closing write-down	-	-	-	-	-2	-2	-	-	-435	-425	-437	-427
Closing residual value	1,128	977	950	339	359	186	5,172	3,578	1,897	832	9,506	5,912

¹ Change for the year due to company acquisitions pertains to the Group's purchase of Braathens.

Future leasing fees and their present values for finance leasing contracts applying on closing date in 2001 and 2000.

MSEK	2001		2000	
	Future leasing fees	Present value of future leasing fees	Future leasing fees	Present value of future leasing fees
Due date:				
Within 1 year	992	979	1,532	1,499
1-5 years	3,043	2,710	1,440	1,264
Over 5 years	3,141	1,941	831	744
Total	7,176	5,630	3,803	3,507

Contractual purchase commitments

On the closing date the Group had the following commitments relating to future acquisition of tangible fixed assets:

MSEK	2002	2003	2004>
Aircraft	7,027	2,505	1,398
Hotel property		444	
Total	7,027	2,949	1,398

Tax assessment values

	2001	2000
Buildings	686	597
Frösundavik, part of Haga 2:8	26	23
Sverigehuset, part of Arlanda 2:1	9	8
Total	721	628

Note 13 – Prepayments relating to tangible fixed assets

	2001	2000
Airbus	2,947	2,307
Boeing	700	475
Bombardier	424	705
Other	39	88
Total	4,110	3,575

Note 15 – Share of equity in affiliated companies

	Reg. no.	Domicile	SAS Group's holding share of equity, %	Share of equity 2001	2000
British Midland PLC	2107441	Derby, U.K.	20.0	311	249
Cimber Air A/S	409619	Sønderborg, Denmark	26.0	114	116
Spanair S.A.	EA07225154	Palma de Mallorca, Spain	49.0	208	292
Skyways Holding AB	556021-5872	Stockholm, Sweden	25.0	95	111
Grønlandsfly A/S	30672	Nook, Greenland	37.5	68	59
airBaltic Corporation A/S	324575	Riga, Latvia	47.2	84	-4
Aerolinas Baleares S.A.	A07988728	Palma de Mallorca, Spain	25.0	10	
Newco Airport Services S.A	A-82086646	Madrid, Spain	45.0	125	122
Commercial Aviation Leasing Ltd	IE6328550R	Dublin, Ireland	49.0	174	138
Elimination of intra-group profit for Commercial Aviation Leasing Ltd				-317	-357
Tradevision AB	556590-9024	Stockholm, Sweden	30.0	9	15
Polygon Group Ltd	33173	St.Peters Port, Guernsey	30.8	28	131
Airnet I/S	17895532	Copenhagen, Denmark	-	-	14
Casino Copenhagen K/S	15751274	Copenhagen, Denmark	50.0	42	34
SNR Amsterdam Hotel CV	34114651	Amsterdam, Netherlands	50.0	24	23
Malmaison WB SAS Hotels A/S	4024442	London, U.K.	50.0	89	86
SAS Royal Viking Hotel	556068-3871	Stockholm, Sweden	50.0	15	10
TTB Leisure Luxury Hotels	99088707	Cape Town, South Africa	50.0	6	8
ZAO St Petersburg	76679	St. Petersburg, Russia	24.8	37	-
Other				6	10
Stock reserve				-	-80
Total				1,128	977

Share of equity in affiliated companies is reported by the owner company through application of the equity method. Consolidated shareholders' equity on the closing date, December 31, 2001, amounted to MSEK 15,544. If share of equity in affiliated companies had been reported according to the acquisition cost method, consolidated shareholders' equity would have amounted to MSEK 15,855.

Equity shares in affiliated companies includes acquired surplus value of MSEK 58 (27) in British Midland PLC, MSEK 72 (72) in Cimber Air, MSEK 73 (78) in Skyways Holding AB, MSEK 90 (-) in airBaltic Corporation A/S and MSEK 119 (-) in Newco Airport Services S.A.

Note 16 – Long-term receivables from affiliated companies

	2001	2000
airBaltic Corporation A/S	48	32
Commercial Aviation Leasing Ltd	336	307
Spanair S.A.	566	-
Total	950	339

Note 18 – Pension funds, net

	2001	2000
Pension funds, net, overfunded plans	6,250	4,582
Pension funds, net, underfunded plans	-1,078	-1,004
Total	5,172	3,578

When calculating SAS's pension commitments, the year's pension earnings and returns, the following long-term economic assumptions apply to the SAS Group which represent a weighted average:

Discount rate	6.8%
Long-term rate of return	8.8%
Inflation rate	3.0%
Future salary adjustments	3.0%
Future adjustments of current pensions	3.0%

In the financial statements, the commitments in the SAS Group are included as specified in the table below. The item "unrecognized amounts" includes deviations from estimates, actuarial gains and losses and plan amendments. These are allocated according to two methods. Plan amendments are spread over the average remaining working lives of employees participating in the plan. Deviations from estimates are amortized over five years when they exceed 10% of the greater of pension obligations or pension assets.

Most pension plans in Scandinavia are defined benefit. Most pension plans are secured through insurance companies. The collective pension plans for salaried employees in Sweden and for employees in Norway are secured through defined benefit pension plans with insurance companies. In Sweden, pension plans are mainly secured with Alecta. For employees in Denmark, SAS mainly has defined contribution solutions.

The normal retirement age for SAS flight personnel is 60. According to agreements with SAS pilots in Denmark, Norway and Sweden, and with cabin crew in Sweden and Norway, voluntary early retirement with pension is allowed from the age of 55 at the earliest. SAS has also undertaken to pay a pension up to normal retirement age, 60, to pilots who have lost their licenses. The retirement age for cabin crew employed in Sweden is insured at 65, but once they reach the age of 50, the retirement age is reduced to 60. The estimated present value of all these obligations is included in SAS's calculated total pension commitment.

Note 17 – Shares and participations

	Number of shares/participations	%	Par value 1,000s	MSEK Book value
Expo Investment Partnership	10,000	12.2	DKK 100,000	191.2
Copenhagen International Hotels K/S, Copenhagen	1,343	11.3	DKK 134,000	66.3
International Computer Service and Advice for Travel, Antwerpen	8,166	10	BEF 8	30.0
Feri Otelcilik Ve Turizm AS, Istanbul	270,000	10	USD 2,700	21.7
Aerexchange Ltd, Dallas	18,868	9.4	USD 0	28.8
RDS Hotellis AS, Tallinn	570	14.1	EEK 570	17.9
SITA Foundation, Amsterdam	520,101	0.3		1.0
European Aviation College SA, Matacan	14,426	15	EUR 144	0.9
Vimich Hotel Kg, Hamburg	1	5	DEM 0	0.7
Arlanda Flygbränslehantering AB, Stockholm	720	16.8	SEK 720	0.7
Others				0.2
Total shares and participations				359.4

Note 18, continued

Defined benefit pension plans

	2001	2000
Pensions earned during the year	-842	-593
Return on pension provisions	-1,249	-1,134
Return on funded assets for the year	2,155	2,028
The year's amortization of deviations from estimates and plan amendments.	49	293
Impact on income for the year, net, pertaining to defined benefit pension plans	113	594

Several of SAS's pension plans are overfunded. This contributes to return on funded assets for the year exceeding the costs for pensions earned calculated according to existing parameters.

The cost for defined contribution pension plans amounted to MSEK 717 (731).

	2001	2000
Status at December 31		
Funded assets	27,268	24,111
Pension commitments	-21,941	-18,288
Difference between funded assets and commitments	5,327	5,823
Unrecognized plan amendments, and deviations from estimates including real return	-155	-2,245
Book assets	5,172	3,578

Note 19 – Expendable spare parts and inventories

	2001	2000
Expendable spare parts, flight equipment	1,091	861
Expendable spare parts, other	163	206
Inventories	267	221
Total	1,521	1,288
Valued at acquisition cost	1,486	1,272
Valued at net sales value	35	16
Total	1,521	1,288

Note 22 – Shareholders' equity

MSEK	Share capital	Share premium reserve	Equity method reserve	Other restricted reserves	Accumulated exchange rate differences restricted res.	Unrestricted equity	Accumulated exchange rate differences unrestricted res.	Total Equity
Pro forma, January 1, 2001	1,645	488	165	5,712	200	9,312	-2	17,520
Share conversion*	-27	-	-	-271	-	-	-	-298
Exchange rate difference	-	-	-	-6	593	-959	512	140
Dividend	-	-	-	-	-	-754	-	-754
Transfer restricted/unrestricted equity	-	-	28	-321	-	293	-	-
Net income for the year	-	-	-	-	-	-1,064	-	-1,064
Closing balance, December 31, 2001	1,618	488	193	5,114	793	6,828	510	15,544

* Of the total shares outstanding in SAS Danmark A/S, SAS Norge AS and SAS Sverige AB, 164,500,000, only 161,816,396 were exchanged for newly issued shares in SAS AB. MSEK 253 was paid for compulsory redemption. In addition, MSEK 45 was paid in connection with the issue prospectus, etc. This had a negative impact on consolidated shareholders' equity totaling MSEK 298.

Minority interests

	MSEK
Opening balance, January 1, 2001	131
Minority shares in net income for the year	27
Acquired companies	91
Currency effects	14
Closing balance, December 31, 2001	263

Note 23 – Other provisions

MSEK	Restructuring	Loyalty program	Other provisions	Total
Opening balance, January 1, 2001	75	609	35	719
Provisions/utilized provisions, net	16	158	4	178
Acquired companies	278	138	58	474
Currency effects	9	-	4	13
Closing balance, December 31, 2001	378	905	101	1,384

Note 18, continued

In some pension plans the real return has been lower than SAS's estimated long-term return of 8.8% which is reflected in the item unrecognized deviations from estimates. The actual return on managed assets in 2000 was 6.5%. Information on actual return for 2001 is not yet available.

Pension assets, net, including pension commitments, assets under management and unrecognized plan amendments and deviations from estimates for the defined benefit pension plans developed as follows:

	2001	2000
Opening balance	3,578	2,498
Earnings impact for the year	113	594
Paid-in premium	1,497	1,100
Utilization/payment of client company funds in Alecta	-229	-649
Change in deviations from estimates and pension plans	96	32
Pension assets, net, in acquired companies	57	-
Currency effect	60	3
Closing balance	5,172	3,578

Of total pension commitments, MSEK 21,941 (18,288), MSEK 20,498 (16,702) were funded and MSEK 1,443 (1,586) unfunded.

Note 20 – Prepaid expenses and accrued income

This includes MEUR 52, or MSEK 490, paid to a blocked account relating to acquisition of additional shares in Spanair.

Note 21 – Short-term investments

On December 31, 2001, short-term investments consisted for the most part of deposits and investments in government securities. Short-term investments also include MSEK 299 (184) in blocked deposits in a tax deduction account in Norway.

Note 24 – Maturity of long-term liabilities

Long-term liabilities that fall due more than five years after the balance sheet date.

	2001	2000
Subordinated debenture loans	920	840
Bond issues	5,539	–
Other loans	7,802	4,596
Other liabilities	21	30
Total	14,282	5,466

Note 25 – Subordinated debenture loans

A subordinated debenture loan of 200 million Swiss francs was issued during the 1985/86 fiscal year. There is no set maturity date for this loan. SAS has an exclusive right to call in this loan every fifth year. The interest rate is fixed for 10-year periods and amounts to 3.625% per annum from 1996. In previous years, SAS has repurchased bonds for a nominal value of 55.3 million Swiss francs, after which the loan amounts to 144.7 million Swiss francs.

Note 26 – Bond issues

SAS's bond issues amounted to MSEK 5,539 (541), of which the current portion is MSEK 0 (541).

Specification of individual loans:

Issued amount	Interest rate	Maturity	Outstanding debt in MSEK Dec. 2001
1,000 MJPY	1.000%	01/07	81
1,000 MJPY	1.120%	01/07	81
5,500 MJPY	1.305%	01/08	447
750 MCZK	5.220%	01/08	220
500 MEUR	6.000%	01/08	4,710
Total			5,539
Less amortization in 2002			0
Total			5,539

The above loans are to some extent switched to other currencies and other fixed-interest periods through currency and interest-rate swap contracts and forward exchange contracts. The currency exposure of the debt has therefore changed, see section on financial risk management (page 24-25).

Note 27 – Other loans

	2001	2000
Finance leases	5,302	3,891
Other loans	9,640	6,949
Total prior to amortization	14,942	10,840
Less amortization 2002 and 2001	–2,463	–2,119
Other loans according to the balance sheet	12,479	8,721

Of the above loans in foreign currency MSEK 3,994 (520) is reported at the exchange rate on the acquisition date.

Note 28 – Long-term liabilities to affiliated companies

	2001	2000
Casino Denmark A/S	51	42
airBaltic Corporation A/S	9	–
Total	60	42

Note 29 – Financial derivatives

The SAS Group uses derivative instruments as part of its management of exposure and risks, as outlined in the section on financial risk management (page 24-25). The earnings impact attributable to currency and interest rate derivatives is realized on an ongoing basis during the year and the change in value of these contracts is taken into account in the result. For forward exchange contracts and options used to hedge future commercial flows and investments, the earnings impact is reported on the contract's maturity date. Outstanding volume and its remaining market value at December 31, 2001, is shown in the table below. A closure of all outstanding derivative instruments at market rates per December 31, 2001, would provide a positive earnings impact of MSEK 6 and a positive cash flow of MSEK 193.

Outstanding financial derivatives	Nominal value MSEK	Market-value MSEK
Currency swap contracts	1,562	–50
Forward exchange contracts	23,730	–100
Interest rate swaps and other interest rate derivatives	29,192	+343

Note 30 – Short-term loans

Overdraft facilities amount to MSEK 369 (436), of which MSEK 211 (87) has been utilized.

Note 31 – Unearned transportation revenue, net

Unearned transportation revenue consists of tickets sold and still valid but unused, see Accounting and Valuation Principles, page 85.

The estimated reserve in the unearned transportation revenue liability on December 31, 2001, amounted to MSEK 494 (434).

Note 32 – Assets pledged

	2001	2000
Related to long-term liabilities to credit institutions:		
Real estate mortgages	260	235
Aircraft mortgages	2,050	691
Chattel mortgages	–	2
Receivables	–	8
Shares in subsidiaries	0	0
Related to deposits:		
Blocked bank accounts	72	28
Total	2,382	964

Note 33 – Contingent liabilities

	2001	2000
Swap transactions	198	205
Contingent liabilities, other	1,419	673
Total	1,617	878

Contingent liabilities include a gross amount of MSEK 198 (205) attributable to swap transactions. SAS enters into currency and interest rate contracts on an ongoing basis. The values shown here are attributable to loans after swap transactions whose book value on the balance sheet date was lower than the value of the original loans and the accrued value of currency and interest rate contracts.

Under the management agreements for 29 hotels, Rezidor SAS Hospitality A/S guarantees a minimum annual cash flow until 2006-2024. For several of the agreements, the guarantee is limited to a maximum sum over the contract period, and in certain cases also to a maximum amount per annum. Guarantee payments of MSEK 46 were remitted in 2001.

Other contingent liabilities include MSEK 443 (–) relating to guarantees for aircraft leasing in Air Botnia.

Additionally, due to its size the SAS Group is involved in disputes, some of which will be settled in court. In cases where a probable and quantifiable risk of loss is judged to exist, provisions are made on an ongoing basis.

Note 34 – Leasing commitments

The different business areas in the SAS Group have entered into the following leasing commitments, with specification of the total annual rent for:

	2002	2003	2004	2005	2006	2007>
Aircraft	2,278	1,931	1,577	1,378	1,239	2,510
Hotel properties	736	873	576	859	822	10,681
Other properties	845	832	790	776	771	9,166
Machinery and equipment	33	32	30	14	12	2
Total (MSEK)	3,892	3,668	2,973	3,027	2,844	22,359

The lease contracts run for between one and seventy-one years, and individual assets with an annual leasing cost in excess of MSEK 0.5 have been included. Total leasing fees in 2001 for operating leases amounted to MSEK 3,609 (2,943). No leasing assets were leased to a third party.

The above table includes the following major items:

The sale and leaseback agreement involving 30 Douglas MD-80 aircraft concluded with GECAS in December 1999 is expected to yield an annual leasing cost of approximately MSEK 352. The agreement runs through December 2009.

In conjunction with the sale and leaseback of Boeing 767-300s in the period 1994-2001, nine aircraft are leased back on an operating lease under the terms of lease contracts that run for 2-25 months. The cost for 2002 is MSEK 495. The leasing cost for 2003 is MSEK 321.

SAS sold airport-related properties in December 2001. These were acquired by Nordisk Renting and GE Capital Real Estate for a purchase price of MSEK 3,020. At the same time, SAS leased back all the buildings for 20 years via operating leases, and has an option to back all or parts of the property portfolio after 10 years. The rent, buy amounts to MSEK 209 in 2002.

SAS and Linjeflyg AB ("SAS") on the one hand and the Swedish Civil

Aviation Administration on the other hand concluded an agreement in March 1988 regarding full compensation to the Civil Aviation Administration in conjunction with the construction of Terminal 2 at Arlanda. The pre-conditions for this agreement were changed by the deregulation of domestic aviation on June 30, 1992. An agreement in principle between SAS and the Civil Aviation Administration was reached on November 25, 1992, under which SAS will pay a fixed charge to the Civil Aviation Administration during the period 1993-2005, in addition to a variable charge per passenger. The total leasing commitment for the period 1997-2005 amounts to MSEK 258. SAS claims that all airlines should bear their share of the Civil Aviation Administration's capacity costs for Terminal 2 in a competitively neutral manner, i.e. that all airlines should pay the same cost per passenger. Attempts to renegotiate this agreement have so far been fruitless and SAS has therefore taken legal action and demanded repayment of amounts paid in 1993-1996 and waiver of payment thereafter. A ruling by the Norrköping District Court in December 1999 fully supported SAS's claims. However, the Civil Aviation Authority lodged an appeal against this ruling with Göta Court of Appeal which confirmed the district court's decision in April 2001. The Civil Aviation Administration has applied to the Supreme Court for leave to appeal. A decision on the leave to appeal is expected shortly.

Note 35 – Income from the sale of fixed assets

	2001	2000
Capital gain according to the cash flow statement	1,826	1,756
Costs of phasing in and phasing out aircraft	-684	-218
Currency effect in income from the sale of aircraft	-492	-
Capital gain according to the statement of income	650	1,538

Note 36 – Acquisition of subsidiary

Braathens was acquired in December. According to the acquisition analysis the value of acquired assets and liabilities was as follows:

Intangible fixed assets	7
Tangible fixed assets	2,648
Financial fixed assets	990
Current assets	117
Current receivables	731
Liquid assets	279
Provision	-691
Long-term liabilities	-715
Current liabilities	-2,785
Total	581
Goodwill	524
Purchase price paid	1,105
Liquid assets in Braathens	-279
Effect on the Group's liquid assets	826

Note 37 – Auditors' fees

An audit assignment refers to examination of annual accounts and accounting records and the administration of the board of directors and the president. Such assignments also include other duties incumbent on the company's auditors as well as advice and other assistance induced by observations made while performing the audit or carrying out such working duties. All other work is classified as other assignments.

The following remuneration was paid to auditors and audit firms for audit assignments and for other assignments.

	2001	Group 2000	Parent Company 2001
Deloitte & Touche			
Audit assignments	9	7	*
Other assignments	11	7	1
Total Deloitte & Touche	20	14	1
Other audit firms			
Audit assignments	0	1	-
Other assignments	1	1	-
Total other audit firms	1	2	-
Total	21	16	1

* Fees for auditing the parent company are included in fees for the SAS Consortium and are therefore included in the amount for the Group.

Note 38 – Transactions with affiliated companies

Revenues from sales to affiliated companies amounted to MSEK 384 (301). Costs of purchases from affiliated companies were MSEK 397 (426).

Note 39 – International Accounting Standards (IAS)

SAS's Annual Report is prepared in accordance with generally accepted accounting principles in Sweden.

Differences between generally accepted accounting principles in Sweden and IAS

Financial instruments differ in IAS (IAS 39) from generally accepted accounting principles in Sweden mainly as regards derivative instruments, market listed securities and hedging transactions.

According to IAS 39, derivative instruments should be valued at fair value and reported in the balance sheet. Changes in value are reported in the statement of income. According to generally accepted accounting principles in Sweden, derivative instruments are reported off the balance sheet.

According to IAS 39 market listed securities are valued at fair value and changes in value are reported in the statement of income. According to generally accepted accounting principles in Sweden, these securities are reported according to the lower of cost or market value principle where adjustments to fair value are reported in the statement of income.

According to IAS 39, changes in value of derivative instruments which are intended to hedge future cash flows (a cash flow hedge) are stated directly in shareholders' equity. The earnings impact is reported when the

Note 39, continued

contract matures. According to generally accepted accounting principles in Sweden, such hedging transactions are reported off the balance sheet and recognized as income in the period in which the hedged position is closed.

Application of IAS has the following effect on the Group's net income and shareholders' equity.

	January-December 2001
Net income according to Swedish accounting standards	-1,064
Financial instruments	17
Deferred tax	-5
Net income according to IAS	-1,052
	December 31, 2001
Shareholders' equity according to Swedish accounting standards	15,554
Financial instruments	-308
Deferred tax	86
Shareholders' equity according to IAS	15,332

Note 40 – Subsidiaries in the SAS Group

	Domicile	Registered number	No. of owned shares	Holding, %	Book value SEK 000s	Share of equity, SEK 000s
<i>Owned by SAS AB:</i>						
SAS Danmark A/S	Copenhagen	56994912	47,000,000	100	567.4	4,699.6
SAS Norge AS	Bærum	81117670200	47,000,000	100	625.6	4,349.0
SAS Sverige AB	Stockholm	556042-5414	70,500,000	100	723.5	6,817.5
Braathens ASA	Bærum	910763644	32,202,450*	100	1,105.0	581.0
					3,021.5	16,447.1
<i>Owned by SAS Danmark A/S, SAS Norge AS, SAS Sverige AB:</i>						
SAS Consortium	Solna	902001-7720	n.a.	100	15,949.0	15,949.0
SAS Commuter Consortium	Tårnby	13273073	n.a.	100	632.9	632.9
					16,581.9	16,581.9
<i>Owned by the SAS Consortium:</i>						
Widerøe's Flyveselskap ASA	Bodø	917330557	231,442	63.25	345.9	276.4
Linjeflyg AB	Stockholm	556062-8454	2,000,000	100	341.4	185.8
SAS Investment A/S	Copenhagen	25578104	292,703	100	344.2	373.3
Nordair A/S	Tårnby	24176711	10,000	100	670.5	658.8
Linjeflyg Leasing HB	Stockholm	916644-1080	n.a.	79	217.5	246.1
SAS Flight Academy Holding AB	Stockholm	556397-3378	20,000	100	100.0	391.1
Scandinavian IT Group A/S	Tårnby	111.275	25,000	100	44.6	317.5
SAS Trading Holding A/S	Tårnby	42710814	500	100	38.1	15.9
Scandinavian Multi Access Systems AB	Stockholm	556051-4571	190,000	95	19.5	141.5
Travellink AB	Stockholm	556596-2650	60,000	60	34.9	109.9
SAS Media Partner AB	Stockholm	556175-9183	5,000	100	12.3	12.7
SAS Ejendom A/S	Tårnby	105.786	20,000	100	11.0	35.7
Oy Air Botnia AB	Vantaa	409.619	150	100	10.5	-29.5
SAS Capital B.V.	Rotterdam	167071	501	100	7.7	44.7
Jetpak Nordic AB	Stockholm	556415-6650	50,000	100	7.5	51.8
SAS Flight Support AB	Stockholm	556278-5864	5,000	100	26.0	5.3
Others					1.3	7.2
					2,232.9	2,844.2
<i>Owned by the SAS Consortium's subsidiaries:</i>						
Rezidor SAS Hospitality A/S	Copenhagen	25578082	67,200,000	100	370.7	1,094.8
SAS Cargo Group A/S	Tårnby	25736443	200,500	100	253.9	196.8
					624.6	1,291.6

* Of which 488,440 shares were compulsorily redeemed in January 2002.

Parent Company, SAS AB

Statement of Income February 23 – December 31, 2001

(MSEK)	Note	2001
Payroll expenses	1	-0.2
Other operating expenses		-7.4
Operating income		-7.6
Anticipated dividend*		126.7
Interest expenses and similar income items		-16.4
Income before tax		102.7
Tax		-
Net income for the year		102.7

* Dividend from SAS Denmark A/S of MDKK 100. In the SAS Group's year-end report published on February 12, 2002, SAS AB's net income for the year was reported as MSEK -24.0. The anticipated dividend from SAS Denmark A/S of MSEK 126.7 means that net income for the year is stated as MSEK 102.7.

Balance Sheet, December 31, 2001

(MSEK)	Note	2001
ASSETS		
Fixed assets		
Financial fixed assets		
Shares in subsidiaries	2	3,021.5
		3,021.5
Current assets		
Current receivables		
Receivables from Group companies		127.9
Other receivables		0.5
		128.4
TOTAL ASSETS		3,149.9

(MSEK)	Note	2001
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Restricted equity		
Share capital, 161,816,396 par value SEK 10	3	1,618.2
Unrestricted equity		
Net income for the year		102.7
Total shareholders' equity		1,720.9
Long-term liabilities		
Long-term liabilities to the SAS Consortium		1,277.9
		1,277.9
Current liabilities		
Liabilities to the SAS Consortium		129.1
Other liabilities		21.0
Accrued expenses and prepaid income		1.0
		151.1
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		3,149.9

Notes

Note 1 – Number of employees, salaries, other remuneration and social security expenses

The President is employed in SAS AB. Payroll expenses for the President are charged against the SAS Consortium. The company has no other employees.

	2001
Fees paid to present and former Board members for the period July 1 - December 31, 2001	1.7
Social security expenses paid for present and former Board members	0.2
	1.9

Note 2 – Shares in subsidiaries

	Domicile	Registered number	Number of owned shares	Holding, %	Book value SEK 000s
SAS Danmark A/S	Copenhagen	56994912	47,000,000	100	567.4
SAS Norge AS	Bærum	81117670200	47,000,000	100	625.6
SAS Sverige AB	Stockholm	556042-5414	70,500,000	100	723.5
Braathens ASA	Bærum	910763644	32,202,450*	100	1,105.0
					3,021.5

* of which 488,440 shares were compulsorily redeemed in January 2002

Note 3 – Shareholders' equity

Change in shareholders' equity	Share capital	Unrestricted equity	Total
February 23, 2001	0.5		0.5
Non-cash issue	1,552.7		1,552.7
Non-cash issue	65.0		65.0
Net income for the year		102.7	102.7
December 31, 2001	1,618.2	102.7	1,720.9

Note 4 – Fees to audit firms

Fees to Deloitte & Touche were paid amounting to SEK 828,000 for other assignments in connection with the single SAS share and acquisition of Braathens.

Auditing fees for the 2001 fiscal year were charged to the SAS Consortium. See SAS Group, Note 37.

Proposed disposition of earnings

The SAS Group

According to the consolidated balance sheet at December 31, 2001, unrestricted equity amounted to MSEK 7,338. Of this amount MSEK 11 is expected to be allocated as a provision to restricted reserves.

SAS AB	
	MSEK
Net income for the year	102.7
Total unrestricted equity	102.7
The Board of Directors proposes that this amount be allocated as follows:	
Allocation to statutory reserve	10.3
To be carried forward to new account	92.4
Total	102.7

Stockholm, February 27, 2002

Jacob Wallenberg
Vice Chairman

Egil Myklebust
Chairman

Fritz H. Schur

Anitra Steen

Berit Kjøll

Lars Rebien Sørensen

Ulla Grøntvedt

Ingvar Lilletun

Helmuth Jacobsen

Jørgen Lindegaard
President and CEO

Our auditors' report was submitted on March 1, 2002.

The different fiscal years of the Parent Company and the Group are commented on in this report.

Deloitte & Touche AB

Jan Åke Magnuson
Authorized Public Accountant

Auditors' Report

To the Annual General Meeting of SAS AB, Corporate Identity Number 556606-8499

We have audited the annual accounts of the Parent Company for the fiscal year February 23 - December 31, 2001, the consolidated accounts for the period January 1 - December 31, 2001, the accounting records and the administration of the Board of Directors and the President of SAS AB. *For a detailed description of the background to these different fiscal years, we refer to the account in the section on Group structure in this annual report.* The accounts and the administration of the company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the annual accounts and the consoli-

dated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and the circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the President. We also examined whether any board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

We recommend to the Annual General Meeting that the statement of income and balance sheet for the Parent Company and the Group be adopted, that the profit in the Parent Company be dealt with in accordance with the proposal in the Report by the Board of Directors and that the members of the Board of Directors and the President be discharged from liability for the fiscal year.

Stockholm, March 1, 2002

Deloitte & Touche AB

Jan Åke Magnuson
Authorized Public Accountant

SAS AB's Board of Directors

The Board of Directors consists of nine members

Six members are appointed by the shareholders of SAS AB.

The employee groups in Denmark, Norway and Sweden appoint three Board members and six deputies in accordance with the law and a specially agreed procedure.

The Board has elected a Chairman and Vice Chairman from among its members. The Board's work and duties adhere to the Swedish Companies Act and the formal work plan adopted by the Board.

Day-to-day administration is conducted by the President. The Board issues more detailed instructions regarding the authority and obligations incumbent on the President.

In the opinion of the Board the most rational solution is that the Board and President of both SAS AB and SAS Danmark A/S, SAS Norge AS, SAS Sverige AB and the Scandinavian Airlines System Consortium consist of the same people and that the Chairman of the Board of SAS AB is also the Chairman of the other named companies. In the Board's opinion, such a union of people provides SAS AB with prerequisites for close relations between shareholders and operations, as well as simplifying management and administration of the SAS Group.

Nomination Committee

In accordance with the provisions of SAS AB's Articles of Association, at an Extraordinary General Meeting held on November 6, 2001, a Nomination Committee was appointed to prepare the election of members of the Board at the next Annual General Meeting. The primary function of the Nomination Committee, which comprises seven representatives for the major shareholders, is to contribute to a suitable and representative Board composition. The members of the Nomination Committee are Ramsay Brufer, Alecta, Thomas Egebo, Danish Ministry of Transport, Henrik Heideby, PFA, Pia Rudengren, Wallenberg Foundations, Reier Søberg, Norwegian Ministry of Trade and Industry, Ragnhild M. Wiborg, Odin Forvaltning, and Claes Ånstrand, Swedish Ministry of Trade and Industry.



Egil Myklebust, born 1942

Chairman of the Board
Chairman of Norsk Hydro.

Directorships: European Round Table, Executive Committee of the World Business Council for Sustainable Development (WBCSD), (Chairman in 1998 and 1999), Norske Skog ASA.

Shareholding: 0



Jacob Wallenberg, born 1956

Vice Chairman
Chairman of SEB, Skandinaviska Enskilda Banken.

Directorships: Vice Chairman of Atlas Copco, Electrolux, Investor and the Knut and Alice Wallenberg Foundation, and Member of the Boards of ABB, EQT, the Marianne and Marcus Wallenberg Foundation, AU Föreningen Svenskt Näringsliv and the Nobel Foundation.

Shareholding: 5,000



Berit Kjell, born 1955

President of Flytoget AS.

Directorships: DnB Holding ASA, GASSCO, IARO (International Air Rail Organization), TusenFryd ASA, the Skiing Association.

Shareholding: 0



At an Extraordinary General Meeting of SAS AB held on November 6, Egil Myklebust, Berit Kjøll, Fritz H. Schur, Anitra Steen, Lars Rebien Sørensen and Jacob Wallenberg were elected as new members of the Board. Egil Myklebust was appointed Chairman of the Board.



Fritz H. Schur, born 1951
 President of the companies in the Fritz Schur Group.
 Directorships: CIC A/S, Post Danmark, Bluecom Holding A/S, D.L. Clémens Eff. A/S, Dagmar Sørensen Holding A/S, Chairman of Det Danske Klasselotteri A/S, Vice Chairman of Brdr. Klee A/S.
 Shareholding: 20,000



Employee representatives

Ulla Grøntvedt, born 1948
 Employed at SAS in Sweden.
 Member of the Board of SAS AB since 2001
 Shareholding: 0
 Deputies:
 Sven-Erik Olsson, first deputy
 Gertie Gambe, second deputy



Anitra Steen, born 1949
 President of Systembolaget AB.
 Directorships: Chairman of the Board of Stockholm University, Member of the Board of the Confederation of Swedish Enterprise and Almega.
 Shareholding: 0



Helmuth Jacobsen, born 1945
 Employed at SAS in Denmark.
 Member of the Board of the SAS Consortium since 1998 and of the Board of SAS AB since 2001.
 Shareholding: 319.
 Deputies:
 Nicolas E. Fischer, first deputy
 Jens Tholstrup Hansen, second deputy



Lars Rebien Sørensen, born 1954
 President of Novo Nordisk A/S.
 Directorships: The European Federation of Pharmaceutical Industries and Associations (EFPIA), ZymoGenetics Incorporated.
 Shareholding: 0



Ingvar Lilletun, born 1938
 Employed at SAS in Norway.
 Member of the Board of the SAS Consortium since 1979 and of the Board of SAS AB since 2001.
 Shareholding: 0
 Deputies:
 John Lyng, first deputy
 Olav H. Lie, second deputy

Auditors

Deloitte & Touche AB
 Principal auditor:
 Jan Åke Magnuson
 Authorized Public Accountant

SAS Group Management



Marie Ehrling, Bernhard Rikardsen, Henry Sténson, Gunnar Reitan and Jørgen Lindegaard.

Jørgen Lindegaard, born 1948.

President and CEO.

Background in telecommunications and has held a number of senior executives positions since 1975, including President of Fyns Telefon A/S, Københavns Telefon A/S and a Director of TeleDanmark. Joined GN Store Nord A/S in 1996 and became its President and CEO in 1997. Took up his position at SAS on May 8, 2001.

Chairman of Sonofon Holding A/S, Member of the Board of the Financing Institute for Industri og Håndværk A/S and Telenor A/S.

Shareholding: 4,000

Marie Ehrling, born 1955.

Deputy CEO and Chief Operating Officer as well as Accountable Manager for SAS Airline.

Member of the SAS Management Team from October 1997 until May 8, 2001, and subsequently member of SAS Group Management with responsibility for Airline Operations. COO for SAS Airline since August 7.

Responsible for SAS's external relations in Sweden.

Joined SAS 1982 as Manager Economic Planning & Control. Vice President International Routes 1994. From October 1997 responsible for Station Services Division, from January 2001 Scandinavian Ground Services. Previous experience as a financial analyst at the 4th AP Fund, information secretary at the Swedish Government departments Education, Finance and Treasury.

Member of the Board of AB Lindex and the Confederation of Swedish Enterprise.

Shareholding: 0

Gunnar Reitan, born 1954.

Deputy CEO and Chief Financial Officer.

Member of the SAS Management Team from September 1993 to May 8, 2001, and subsequently member of SAS Group Management responsible for group staff functions within treasury and finance, investor relations, information technology and asset management.

Responsible for SAS's external relations in Norway.

Joined SAS in 1988 in Oslo as Director of SAS Station Services. Later Vice President, Finance and Administration for SAS in Norway. Has been Deputy CEO and CFO since 1993.

Experience of banking, industry and transportation.

Member of the Board of Alecta Pensionsförsäkring Ömsesidigt, Vital Forsikring A/S and Leif Høegh & Co ASA

Shareholding: 1,000

Bernhard Rikardsen, born 1956.

Senior Vice President.

Member of the SAS Management Team and head of the Human Resources staff function from November 1993 until May 8, 2001. Since May 8, member of SAS Group Management and responsible within Human Resources for Group staff functions within strategic management, employee and union relations, human capital, working environment and salary policy.

Joined the human resources at SAS in Norway in 1981. Personnel Director at SAS in Norway in 1990.

Shareholding: 0

Henry Sténson, born 1955.

Senior Vice President.

Member of the SAS Management Team from March 1998 until May 8, 2001, responsible for the staff function Public Relations & Government Affairs. Since May 8, member of SAS Group Management and responsible for Communications Group staff function including Internal and External Communication, Contacts with Authorities, Customer Relations and Brand Strategy.

Previously Head of Information at Volvo Flygmotor AB, Head of Automotive Communications at AB Volvo, Information Director of Saab Aircraft AB and Information Director of Volvo Car Corporation.

Chairman of the Board of the European Centre for Public Affairs.

Shareholding: 0

Summary of Environmental Report



The goals remain firm
Key performance indicators
and index
Operations in 2001
Environment and economy
Environmental Report
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“Our goals remain firm”

Despite the recession and the difficulties suffered by the airline and travel industry after September 11, we see long-term growth in the airline business from here on out. Annual growth in the airline industry of about 5% until 2015, as forecast by the UN Intergovernmental Panel on Climate Change (IPCC), implies an increased environmental impact. Therefore, it is one of our goals to continue growing while simultaneously reducing the relative environmental impact.

Our environmental goals remain firm, despite the recession. Our policy of constant improvement applies even in times of crisis. In 2002 we will also be developing environmental programs for airline as well as hotel operations that will be the most ambitious in their respective industries. At the same time, we will improve the way we report these environmental efforts.

Last year we were accorded with more honors than ever before for our environmental report. The SAS Environmental Report 2000 won the award for best environmental report in both Denmark and Norway. In Sweden it got the highest marks of all in Deloitte & Touche's annual review of environmental reports, in addition to being judged “an environmental report of top international caliber.”

In Sweden, Denmark and Norway the appropriate nominating committees, independently of one another, nominated SAS Environmental Report 2000 for the “European Environmental Reporting Awards,” to be presented in April 2002.

There is a trend to use the Internet for environmental communications. Since 1999 we have published our environmental report on our website in dynamic form. This has enabled readers to find more information than was available in the printed version.

This year we are taking a further step, publishing the SAS Environmental Report 2001 exclusively on the Internet. What you are reading right now is a summary of that report. All the information it contains, just like the environmentally related information in the annual report, has been taken from the complete environmental report, which, in turn, has been examined by the SAS Group's external auditors.

For a more complete picture of the environmental work of the SAS Group during 2001, please see the SAS Environmental Report 2001 on the Internet.

An important reason that we are presenting a summary of our environmental report in the annual report is our wish to provide investors and other capital market players with the environmental information they need. All this



“This year we are taking a further step, publishing the SAS Environmental Report 2001 exclusively on the Internet. We hope and trust that we have made the right choice.”

is to help them to better understand how the proactive and effective environmental work in the SAS Group can contribute to a positive trend of the shareholder value.

We hope and trust that we have made the right choice. We would therefore very much like to have a dialog with our stakeholders regarding both our environmental efforts and the way in which we report them. Constant improvement is our policy, and it applies to environmental communications, too.

Stockholm, February 2002

A handwritten signature in black ink that reads "Lindegaard". The signature is written in a cursive, flowing style.

Jørgen Lindegaard
President and CEO

Key performance indicators

Environmental performance indicators, SAS Airline

	2001	2000	1999
Environmental index, 1996 = 100	80	82	88
Fuel efficiency, kg /100 RPK	5.6	5.7	6.1
Cabin factor, %	64.7	67.0	64.0
Carbon dioxide (CO ₂) emissions, 1,000 tonnes	4,110	4,095	4,164
g/RTK	1,449	1,447	1,470
Nitrogen oxides (NO _x) emissions, 1,000 tonnes	14.8	14.3	14.5
g/RTK	5.2	5.1	5.1

Environmental performance indicators, Subsidiary and Affiliated Airlines

	2001	2000	1999
Carbon dioxide (CO ₂) emissions, Braathens, 1,000 tonnes	404	419	452
Carbon dioxide (CO ₂) emissions, Air Botnia, 1,000 tonnes	92	88	43
Carbon dioxide (CO ₂) emissions, Widerøe, 1,000 tonnes	95	97	101

Environmental Performance Indicators, Airline Related Businesses

	2001	2000	1999
Percentage of employees having had environmental education, SAS Media, %	83	n.a.	n.a.
Average number of readers per issue of Scanorama, SAS Media	22	21	16

Environmental Performance Indicators, Rezidor SAS Hospitality

	2001	2000	1999
Water consumption, 1,000 m ³	2,462	2,822	2,460
Energy consumption, GWh	392	409	390
Carbon dioxide (CO ₂) emissions, tonnes	6,13	n.a.	n.a.
Unsorted waste, 1,000 tonnes	12	n.a.	n.a.

Environmental index

SAS Airline measures its overall eco-efficiency with the aid of an environmental index. A lower index means better eco-efficiency. During 2001, the overall environmental

index improved by 2 points, which is chiefly due to improvements in ground and cabin operations, whereas flight operations' share of the index is mostly unchanged.

Environmental index, overall, SAS Airline

1996=100



SAS Airline's progress: The base year of SAS Airline's environmental index is 1996. The overall index essentially follows the trend in the index for flight operations, as this is weighted heaviest, 90%. Improvements in 2001 are primarily due to increased efficiencies in water and energy consumption in cabin operations after the inflight caterer began to put new or refurbished galleys into service. In ground operations, better energy efficiency help to improve the index. As of 2000, the environmental index for SAS Airlines is calculated according to new principles. The indexes from previous years have been recalculated for the sake of comparability.

Operations in 2001

Environmental impact

The airline business accounts for approx. 86% of the SAS Group's total environmental impact, which is illustrated on page 111 under the heading "Resource use and environmental impact." This impact stems chiefly from the use of fossil fuels, the combustion of which increases atmospheric carbon dioxide, contributing to global climate change. Aviation fuel combustion also emits nitrogen oxides, which contribute to local acidification of soil and water. Aircraft also produce noise, a local environmental problem.

The environmental impact of other businesses, especially hotels, is chiefly their energy and water consumption. Other businesses also generate large quantities of waste. However, compared with SAS's airline business, this environmental impact is relatively slight. Therefore, the report below will focus mainly on the airline business, particularly on its single largest operation – SAS Airline, also in terms of revenues the largest business area.

The world around us

Travel and tourism are extremely sensitive to the world situation. The airline and hotel businesses, especially those reliant on tourism, are profoundly affected by political conflicts, social unrest and environmental disasters. All these things result in diminished travel, which the act of terrorism last September 11 proved.

The airline and hotel businesses are also both profoundly affected by the prices of fuel, electricity, water and waste treatment – the oil price in particular fluctuates sharply depending on political factors.

At the same time it should be stressed that as part of globalized economy, the travel industry, and thus the SAS Group, is a vital communications link, contributing added value to the individual companies as well as the Group's three home countries. SAS, for example, is one of Denmark's biggest employers.

Just how vital the airlines are to the economy and employment became clear after September 11. During the

subsequent two months, between 150,000 and 200,000 jobs disappeared in the global airline industry. This, in turn, had ripple effects, since every job in the airlines generates approx. two other jobs in the local communities they affect.

Demands and expectations

In step with the deregulation and globalization of the economy, there have been increasing demands for large corporations especially to shoulder greater social responsibility. One argument is that of the world's 100 largest economies, 51 are corporations and 49 are countries. Another is that it is the large multinationals that are primarily the big winners from globalization.

Environmental and human rights organizations continuously monitor corporate behavior. Reports of improprieties spread quickly. A poor environmental or social reputation may have immediate, negative consequences for a company's bottom line. This may be because of child labor, substandard working conditions or other misdeeds. In many cases it is a subcontractor that has conducted itself poorly, but this does not matter – revelations of wrongdoing just as often affect the buyer.

This is one reason companies set environmental, ethical or social standards for their subcontractors. Such standards are also set for travel and tourism, and the SAS Group, as a purveyor of air transportation and hotel services.

In addition, all companies that have implemented an environmental management system certified according to ISO 14001 or registered according to the EU's Eco-Management and Audit Scheme (EMAS) are supposed to ensure that all their subcontractors' environmental work are at least on par with the company's own aims.

Sharpened focus on brands

Consumers are increasingly expected to see not only the product in isolation, but also what the company behind it stands for. Therefore, it has become more and more important for companies to share their assessments with



their customers and stakeholders. Developing and protecting the SAS Group's brands are therefore becoming increasingly important.

Sustainable development

The business sector has acted in various ways to meet outside demands and expectations, for instance, by forming organizations such as the World Business Council for Sustainable Development (WBCSD) and joining the Global Reporting Initiative (GRI).

WBCSD, an organization with 150 member companies, has taken on the role of stressing the business sector's part as leaders in sustainable development. In particular, WBCSD highlights such issues as eco-efficiency, innovations and corporate social responsibility.

GRI has been set up by the United Nations Environment Programme (UNEP) in collaboration with the non-profit organization CERES. GRI's chief task is to draft guidelines for reporting the environmental, economic and social dimensions of companies' efforts to create sustainable development, i.e. development in line with Agenda 21, adopted at the UN Conference on Environment and Development in Rio de Janeiro in 1992.

SAS is following developments in both the WBCSD and the GRI with great interest. For instance, the thinking behind the WBCSD's eco-efficiency project is reflected in SAS Airline's environmental index. SAS uses Deloitte & Touche's "Checklist for the development and evaluation of voluntary reports," in preparing the environmental report. This checklist, in turn, follows GRI guidelines.

The SAS Group, like its business units and various companies, also engages in an ongoing dialog with various stakeholders, not only customers, suppliers and the authorities, but also environmental and human rights organizations.

The climate issue

The single largest environmental impact of travel and tourism, and of the airline industry in particular, is emissions of the greenhouse gas carbon dioxide. Within the SAS Group, the airline business accounts for the bulk of carbon dioxide emissions.

Thus, everything concerning the climate issue is of utmost importance to SAS and the entire airline industry. Although, indeed, the link between greenhouse gas emissions and climate change is debated by scientists, SAS has chosen to follow the path of prudence and assumes that carbon dioxide emissions impact global climate.

Since there is a direct connection between reducing carbon dioxide emissions from aircraft engines and reducing aircraft fuel consumption, SAS's efforts to hold down – for economic reasons – fuel consumption coincide with the environmental aim of minimizing carbon dioxide emissions.

International air transportation remains outside the Kyoto Protocol for reducing greenhouse gases. However,

this does not mean that it will shirk its duty to reduce global emissions according to the UN Convention on Climate Change. The UN International Civil Aviation Organization (ICAO), is studying how air transportation should reduce its global greenhouse gas emissions and is leaning toward open emissions trading as the most reasonable solution. That is, the airline industry, which for the foreseeable future will be dependent on fossil fuels – and thus emit greenhouse gases – will be able to buy emission rights from those players who can more easily reduce their emissions by switching to biofuels, for example.

Cooperation

SAS Airline in particular is very active in environmental cooperation. Besides being a driving force in focusing on environmental issues in the airline network Star Alliance, representatives of SAS Airline participate in numerous international contexts associated with aviation and the environment. These include within the ICAO, where SAS represents the International Air Transport Association (IATA) on the Committee on Aviation Environmental Protection (CAEP). SAS Airline is also part of the IATA's environmental working group and promotes environmental issues in the International Flight Catering Association (IFCA) and in the Association of European Airlines (AEA).

Like SAS Airline, Radisson SAS has begun to cooperate with local and international organizations, such as Save the Children. SAS Airline also works together with the World Wildlife Fund and the Norwegian environmental organization Bellona.

Research and development

SAS Airline is one of the airlines most active in promoting environmental issues through its orders of new aircraft and engines. In many cases, SAS's environmental requirements have been decisive in getting the aircraft engine industry in particular to commit to new and greener solutions. Currently SAS, Boeing and a couple of engine manufacturers are engaged in a project to find solutions that can reduce noise from existing aircraft and engines.

New organization – new environmental organization

SAS's new management adopted a new Group structure and management organization in May 2001. SAS Group Management (GM) comprises five persons, the President and CEO included.

Group operations are grouped into four business areas. Besides GM, there are staff functions and support functions. The latter have also become independent business units and given added environmental responsibility.

Environmental matters fall under Government and External Relations (GER), which is a staff function. GER reports to the SAS Group Environmental Director, who is also part of GM.

GER deals with issues affecting extra-corporate relations, i.e. infrastructure, environment, contacts with

authorities, framework conditions for aviation and other matters affecting the SAS Group's social responsibility. This extends its responsibility for environmental issues, which assume their natural place among other matters affecting the Group's relations with the outside world.

For SAS Airline, directing environmental efforts is primarily a line responsibility within the SAS Group, with one person responsible in each country. There are also technical area coordinators, whose work crosses organizational boundaries. SAS Airline's Environmental Director also serves as an adviser to GM on environmental matters.

Rezidor SAS Hospitality has a Director, Environmental and Social Affairs, who reports directly to the head of the business area. There is also an environmental coordinator at every hotel, as well as coordinators who operate at the regional level.

The other business areas have environmental directors or environmental coordinators, depending on the extent of operations and the size of their environmental impact.

Previously the SAS Group's environmental work was coordinated via the SAS Environmental Forum. This is gradually being replaced by new, formal groups on various levels as well as new groupings of networks focused on environmental issues. These may be the environmental directors at the respective business units, or all those involved in purchasing, etc.

The new Group structure means that SAS can further streamline its environmental efforts. All businesses will eventually be subject to the new sustainability policy.

Management and follow-up

Environmental targets and strategies are set annually by GM. At the core is an environmental policy. The Group's overall objectives and strategies are then broken down and translated into operational targets and plans for the various business areas and companies. Environmental work is an integral element of the operational management system, which is why the SAS Group does not have a separate environmental management system.

In 2001, SAS's Environmental Index, which currently only covers SAS Airline, has become an increasingly vital management tool and is reported to GM twice a year. During 2001 the SAS Group has begun to use the Balanced Scorecard (BSC), as part of its business control. SAS Airline's management team has introduced an environmental key performance indicator in its BSC.

The environment is also part of the internal control audits that are regularly conducted by the Health, Environment and Safety (HES) departments within the SAS Group.

Sustainability and environmental policy

During 2001 the SAS Group has formulated a sustainability policy applicable to the entire Group, see page 9.

SAS has formulated a new environmental policy to support its sustainability policy:

"SAS aims to contribute to sustainable development by minimizing its environmental impact, thereby making the best use of natural resources".

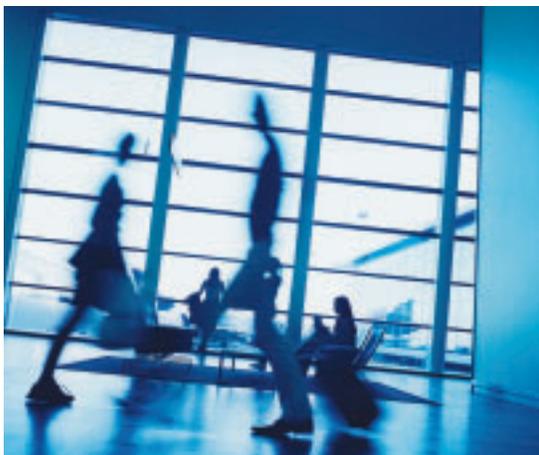
Overall environmental objectives

The aim is for SAS Airline to be the best in Europe in the environmental sphere, an aim the company intends to fulfill. Rezidor SAS Hospitality is working to take the lead among international hoteliers in the area of corporate responsibility, where environmental and social responsibility is key.

Reporting methodology

The figures reported in the Annual Report referring to results and environmental performance chiefly derive from the SAS Group's most important businesses – economically and environmentally – i.e. airline and hotels. However, the data have not been consolidated.

The reason is that differing collection and calculation methods were used and formed the basis of the various business areas', companies' or units' environmental data. This is because SAS did not previously have coordinated environmental efforts at the Group level, but the respective companies and units engaged in their own environ-





mental work. Previously the focus of reporting was primarily on the environmental impact of flight operations.

The plan is to develop uniform collection and calculation methods enabling the Group to guide and follow up its environmental performance. This will also enable us to present aggregate environmental data at the Group level in future annual and environmental reports.

Following up operational environmental targets

For information on how the SAS Group has fulfilled its environmental targets, see SAS Environmental Report 2001 on the Internet.

Major events

A new international noise certification standard was adopted in October 2001, which has also led to the creation of new EU directives on aircraft noise, see also page 46.

The deal between SAS and the Norwegian airline Braathens will, in all probability, yield environmental gains, especially in the Norwegian domestic market. This merger will help to reduce the overcapacity prevailing till now, achieving financial as well as environmental gains.

If SAS and Braathens together attain a higher cabin factor in Norway, this would mean lower fuel consumption, reduced carbon dioxide emissions and greater cost savings.

During 2001 SAS was the subject of intense media scrutiny, especially in Scandinavia. The reports dealt primarily with allegations that safety was being neglected. Although groundless, these reports had to be dealt with. In this instance SAS benefited greatly from the open and honest account in the environmental report, even of incidents and environmental results. Representatives of the media were quickly provided with the facts, and SAS's representatives were more easily able to deal with criticism.

SAS Airline – flight operations

Unlike the previous year, in 2001, SAS Airline's total production grew more than its unused capacity did. Cabin factor fell from 67% to 65%, if one counts only full-fare

passengers, i.e. those paying more than 25% of the total ticket price. Total fuel consumption grew by 0.4% to 1,652,000 m³.

In 2001, SAS Airline phased in 23 brand new aircraft, all more eco-efficient than those they are replacing.

The new Airbus A340s and A321s were not delivered until late 2001, and so were not able to have a greater impact on results. Eco-efficiency improvements will become evident during the coming years, when all the aircraft ordered go into service. The new aircraft have greater capacity and, above all, consume relatively less fuel.

In April 2001, SAS chose the Rolls Royce Trent 772B engine for its A330 long-haul aircraft. Although overall economy was decisive, this engine was also quietest, it consumes 1 percent less fuel and is also lighter than the alternatives, meaning better fuel economy and lower carbon dioxide emissions. The closest alternative from another manufacturer had better performance regarding nitrogen oxides emissions, however.

SAS has had technical difficulties with the so-called DAC engines, mounted on the new Boeing 737s. Discovered during 2000, the problem was temporarily dealt with in 2001. In the meantime, the engine manufacturer has come up with a permanent solution, namely a new turbine blade design. In 2002 and 2003, all DAC engines will gradually be fitted with the new turbine blades.

SAS Airline – cabin operations

In 2001 SAS's inflight caterer put new and refurbished galleys into service, which led to lower water and energy consumption, though quantities of waste have increased somewhat. During the year, SAS Airline and its inflight caterer worked on securing the underlying data and creating numerical values to measure the operation.

In 2001 the outbreak of foot-and-mouth-disease led Danish authorities to implement new regulations. For example, waste from all incoming flights from the U.K., Ireland, France and the Netherlands must be handled separately. In this situation SAS chose to use as many disposable items as possible. However, the environmen-

tal impact of these measures could not be ascertained.

In the SAS Group's new organization, all cabin-related operations are consolidated in the Inflight Services business unit, where the environment is a priority area. In autumn 2001, a new post of environmental engineer was filled, who is to devote 50% of his time to environmental projects.

All decision-making shall take environmental aspects into account, which also applies to developing new offerings and services on board. Thus, the feasibility of using disposable tableware of recycled paper on short-haul routes is being studied. This is also why a new wheel system has been developed that reduces the weight of serving carts.

SAS Airline – ground operations

The Copenhagen Airport property department has installed control units to optimize the operation of gas and oil furnaces at two terminal buildings with 36,000 m² total floor space. An evaluation shows that these measures have yielded energy savings of 15% per year.

In connection with its sale of 11 airport buildings in 2001 in a sale-leaseback agreement, SAS, along with the

buyers, did a thorough review of all building documentation, including annual and environmental reports. Additionally, inspections were performed, for example, to check for the presence of asbestos or other problematic building materials. No substantial existing or potential environmental problems were discovered.

SAS Cargo

In 2001 SAS Cargo initiated a project together with one of its biggest customers. Its aim is to create a model and standards calculating the environmental impact of air cargo. During 2002, SAS Cargo is continuing the project it began for introducing an environmental management system according to ISO 14001.

Air Botnia

In May 2001 Air Botnia replaced its Fokker F28s with AVRO RJ 85s, which are more eco-efficient. This ended the problems the company had previously when it exceeded the deadline for landing Chapter 2 aircraft at Gardermoen.

During 2001, Air Botnia's fuel consumption increased somewhat, to 37,000 (35,000) m³.

Fuel consumption and emissions in relation to production

Comparison with other carriers (Source: carriers' most recent annual and environmental reports)

g	British Airways 2001	Lufthansa 2000/2001	KLM 2000/2001	Alitalia 2000	Finnair 2000	SAS Airline 2000
Fuel consumption						
Per ATK	216	226	217	285	–	297
Per RTK	331	299	277	398	378	459
Per RPK	44	48	48	57	44	57
Carbon dioxide						
Per ATK	680	713	685	899	–	935
Per RTK	1,008	942	874	1,255	1,184	1447
Per RPK	139	153	150	179	137	179
Nitrogen oxides						
Per ATK	3.2	3.4	2.7	4.0	–	3,3
Per RTK	5.0	4.5	3.5	5.6	5.0	5,1
Per RPK	0.7	0.7	0.6	0.8	0.6	0,6
Average distance flown per passenger						
km/passenger	2,771	2,120	3,728	1,593	1,682	980

The tables compare various carriers' fuel consumption and emissions to production.

ATK, RTK and RPK are various measures of production. ATK (Available Tonne Kilometers) means available capacity for passengers and cargo, RTK (Revenue Tonne Kilometers) is paid capacity for passengers and cargo and RPK stands for Revenue Passenger Kilometers.

Despite the fact that SAS Airline has modernized its fleet in recent years, constantly investing in aircraft with the best environmental performance, with fuel efficiency thereby being the prime criterion for choosing aircraft and engines, SAS Airline has higher fuel consumption than its competitors.

This does not mean the SAS Airline is a worse environmental performer than its competitors, but reflects the fact that SAS's

route pattern differs from theirs. Compared with its rivals, SAS Airline has a very large percentage of short-haul flights, because SAS operates a large share of its airline business on the Scandinavian domestic market. Short flights result in greater fuel consumption per passenger kilometer, because takeoffs are the most fuel-intensive segments of flights.

Many of SAS's competitors have a very small percentage of short-haul flights, aiming their primary activities intercontinental traffic. This is one explanation of why compared with SAS Airline they have such high fuel efficiency. Other competitors also include charter service in their operations, which also normally increases fuel efficiency, as charter aircraft almost always have more seats fly long routes and nearly always operate full.

Braathens

Braathens' fuel consumption for its Norwegian domestic service fell due to a decline in production to 157,000 (162,000) m³.

Braathens is having a dialog with the authorities regarding discharge of washing water from aircraft washing at its technical base in Stavanger, where a new purification plant costing MSEK 2.9 is coming on line in 2002.

Widerøe's Flyveselskap

The SAS Group own a majority of Widerøe's Flyveselskap, the largest regional carrier in Norway. During 2001 the company's fuel consumption fell to 38,000 (39,000) m³.

Rezidor SAS Hospitality

As appears on pages 67–70, Rezidor SAS Hospitality is in a vigorous growth phase. The company currently operates two hotel chains, Radisson SAS, with 152 hotels in 34 countries, and Malmaison, with 8 hotels.

A new post of environmental director, responsible for social issues as well, was filled in spring 2001. The Responsible Business Program also came into being. It covers several aspects of sustainable development, i.e. the environment, human rights, health and safety, business ethics and risk prevention.

This year Radisson SAS in particular has made great strides, environmentally speaking. Its environmental organization has been strengthened and has set for general as well as specific environmental goals, to which performance indicators have been assigned. These embrace social as well as environmental issues.

These indicators shall also be applied in the internal planning, management, follow-up, evaluation and analysis of hotel operations. A responsible business manual for Radisson SAS was written in 2001 for distribution in early 2002. At the same time, a comprehensive training program was inaugurated.

The Responsible Business Program covers all of Rezidor SAS Hospitality, i.e. also Malmaison and new brands to come. However, Radisson SAS was the first to begin work on introducing this program.

Water and energy consumption is hotel operations' principal environmental impact. During 2001 water consumption per guest-night fell by nearly 20%. Total annual energy consumption fell by 4%, despite the addition of three new hotels.

SAS Media

This company engages primarily in office operations. SAS Media produces and publishes magazines distributed in the seatback pockets on SAS flights. The company has an environmental management system that takes into consideration the outdoor as well as working environment. Since paper consumption is its principal environmental impact, in 2001 efforts were made to reduce it, e.g. the percentage of digital advertising material grew from 50 to 99. During 2002, all ad design will be digital. Starting in 2002 there will also be an environmental officer at SAS Media's office in Oslo.

Incidents and infringements

After several cases of Legionnaire's disease, some fatal, in summer 2001, legionella bacteria was traced to the ventilation and air-conditioning system at the Radisson SAS Hotel Atlantic in Stavanger. Based on what has appeared so far, the hotel has followed all applicable regulations and maintenance routines. As of this date, the hotel has neither been charged by local authorities, fined nor taken to court. In a press release, Radisson SAS has made clear its intent to take responsibility, if it is proved that the hotel is liable for the incident.

Braathens exceeded permitted thresholds for discharge of heavy metals from washing water from aircraft washing at the technical base in Stavanger. Air Botnia was frequently cited for violating operative noise restrictions at Gardermoen up until May 2001, when new aircraft came into service.

Otherwise the SAS Group has not been guilty of any reportable emissions or contamination incidents of significance. None of its operations were involved in any environmentally-related disputes.

Today the SAS Group has no known environmental problems of material importance that will impact upon the statement of income and balance sheet in the coming years.

For more information on the SAS Group's environmental work, please see SAS Environmental Report 2001 on the Internet.

Resource use and environmental impact

Of the SAS Group's total environmental impact, airline operations account for 86%, hotel operations for 12% and other operations for 2%.

Airline operations



Hotel operations



Other operations



Environment and economy



At SAS, environmental work has several overall aims: Besides ensuring that the Group operates in accordance with environmental laws and regulations, it is also meant to contribute to more efficient use of natural resources. Moreover, this environmental work is intended to help to strengthen the SAS brand.

The SAS Group's operations are marked by a close connection between economy and environmental impact, especially between the ownership of older aircraft, the phasing-in of new aircraft and fuel consumption as well as the emissions resulting from that fuel consumption. In 2001 fuel costs amounted to 10% of the Group's overall costs. At the same time, fuel combustion in aircraft engines accounted for the bulk of the Group's total environmental impact in the form of emissions, chiefly of carbon dioxide (CO₂) and nitrogen oxides (NO_x), as well as of noise.

Another key environmental and cost aspect for the Group is energy consumption in ground and hotel operations. In 2001, the economic importance of the Group's other environmental aspects, such as permit infringements, disputes, obligations related to contaminated properties, etc., was, as in previous years, insignificant.

The airline industry pays for its infrastructure

A characteristic of the airline industry is that it pays the costs of the infrastructure it utilizes, i.e. airports and air traffic control. This payment takes the form of various charges, in addition to various kinds of environmental and environmentally related charges. During 2001 SAS Airline paid approx. SEK 5.3 billion, worldwide, for infrastructure utilization, of which approx. SEK 3.6 billion was SAS's own costs and the remainder was taxes and charges which SAS collects. Infrastructure costs correspond to 12.4% (approx. 13%) of the SAS Airline's revenues.

Environmental charges

Environmental charges are meant to cover the costs of particular environmental measures, such as noise measurement systems and noise insulation of properties outside airport areas. Environmental charges are normally linked to an aircraft's environmental characteristics and

are included in landing fees. During 2001 SAS Airline paid a total of MSEK 29 (13) in environmental charges, equal to 0.5% of infrastructure charges. About half is a Swedish noise-related charge for noise insulation of properties surrounding airports.

Environmentally related charges

Environmentally related charges need not correspond to any specific environmental costs. They have simply been created as means of rewarding those who fly aircraft with better environmental performance than others. An operator that replaces its fleet with aircraft with better environmental performance will thus be able to lower its costs relative to its competitors.

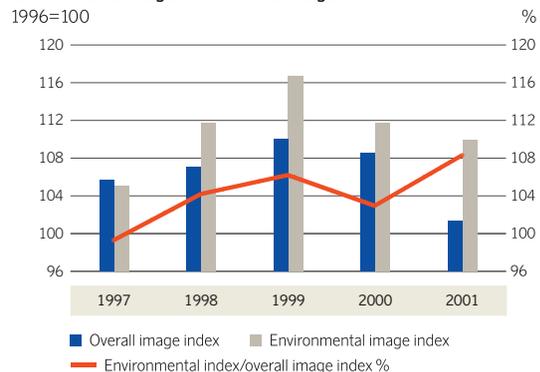
Environmental and environmentally related charges are imposed primarily for noise. However, there are ongoing discussions in several countries to introduce other environmentally related charges as well, based on the aircraft's CO₂ and NO_x emissions. Sweden and Switzerland already have such systems in place.

Emissions-related landing charges

The Swedish and Swiss systems of emissions-related landing charges differ somewhat. Whereas Switzerland bases its system on the quantity of CO₂ and NO_x the aircraft emits, Sweden's solely concerns NO_x emissions.

By phasing in new aircraft, SAS Airline lowered emis-

Environmental image versus overall image



sions-related charges in Sweden alone from MSEK 49 to 34. To compensate for these emissions-related charges, the general discount on assessed landing charges totaled MSEK 44.

Noise-related landing charges

Aircraft noise is an environmental problem that in recent years has resulted in higher costs for SAS Airline and all other carriers. Most countries have introduced noise-related landing charges that reward the quietest aircraft with a lower rate. However, it should be noted that in many cases, noise-related charges are intended to cover actual costs incurred by airport operators. This means that they can be forced to raise noise-related charges even as airlines continue to invest in quieter fleets.

Environmental taxes

Besides paying for the cost of infrastructure, SAS pays environmental taxes. SAS Airline's costs for environmentally related passenger taxes in Denmark and Norway, environmentally related fiscal CO₂ tax in Norway and the environmental portion of energy taxes in Denmark amounted to MSEK 960 (849).

Other environmentally related costs

In 2001 SAS Airline's other environmental costs for purification plants, etc. amounted to MSEK 45 (44) and the costs reported for the company's environmental organization amounted to MSEK 9.0 (9.0).

Emissions trading

The UN International Civil Aviation Organization (ICAO) is studying the airline industry can shoulder its share of the responsibility to cut greenhouse gas emissions. Air carriers, for the foreseeable future dependent on fossil fuels, will be net purchasers of emissions quotas. At present the economic consequences of this cannot be foreseen.

The environment is crucial for value

Whereas the SAS Group cannot show any specifically environmentally related revenues, its environmental efforts have an indirect impact on the value of the brand.

The diagram opposite shows that environmental work contributes substantially to developing SAS's image.

Otherwise, SAS's environmental efforts primarily help to improve its cost efficiency. Investing in the best commercially available airline technology leads to lower fuel consumption and reduced emissions per passenger kilometer, thereby to relatively lower environmental and environmentally related charges. Green purchases and waste separation reduce waste management costs. Reduced wastage and a general improvement in economizing resources are additional effects of environmental work that impact on costs.

Risks and opportunities

Well thought-out, proactive environmental efforts reduce the risk of violating environmental regulations, which creates negative publicity and leads to direct costs in the form of fines and damages claims. Proactive environmental work also lowers the risk of being caught unawares by new, tougher environmental standards from the market or authorities. Anticipating legal or tax-related requirements can give SAS a competitive advantage.

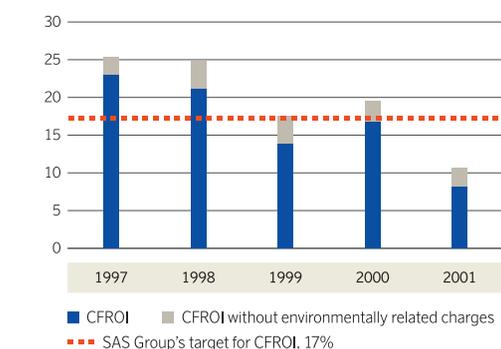
Prospects for the coming year

A new noise-related certification class, Chapter 4, has been introduced, which, however, applies only to new aircraft from 2006. All aircraft currently being purchased by SAS meet this lower noise level, which the existing MD80 fleet, however, does not. This may affect the value of MD80 aircraft, particularly if airports begin to apply Chapter 4 as an operational limit, which it is not intended to be. The ongoing phasing-in of new aircraft, primarily Airbus A321s, A340s, Q400s and Boeing 737s places SAS Airline in a relatively favorable position with regard to performance-based environmental charges, environmentally related charges and regulations.

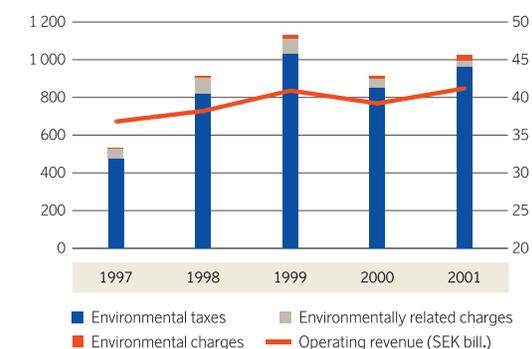
Key performance indicators

SAS Airline's key environmental performance indicator is an environmental index that measures progress in eco-efficiency. See page 104. Read more about these indicators as well as the definitions of terms on the Internet.

Effect of external environmentally related charges on CFROI
%



External environmentally related charges and operating revenue
MSEK / SEK bill.



The SAS Group's Environmental Report 2001 on the Internet

Because the SAS Environmental Report 2001 is being published exclusively on the Internet, it contains more information than ever before. The Environmental Report is formatted for both reading on-screen and printing out in A4 portrait format.

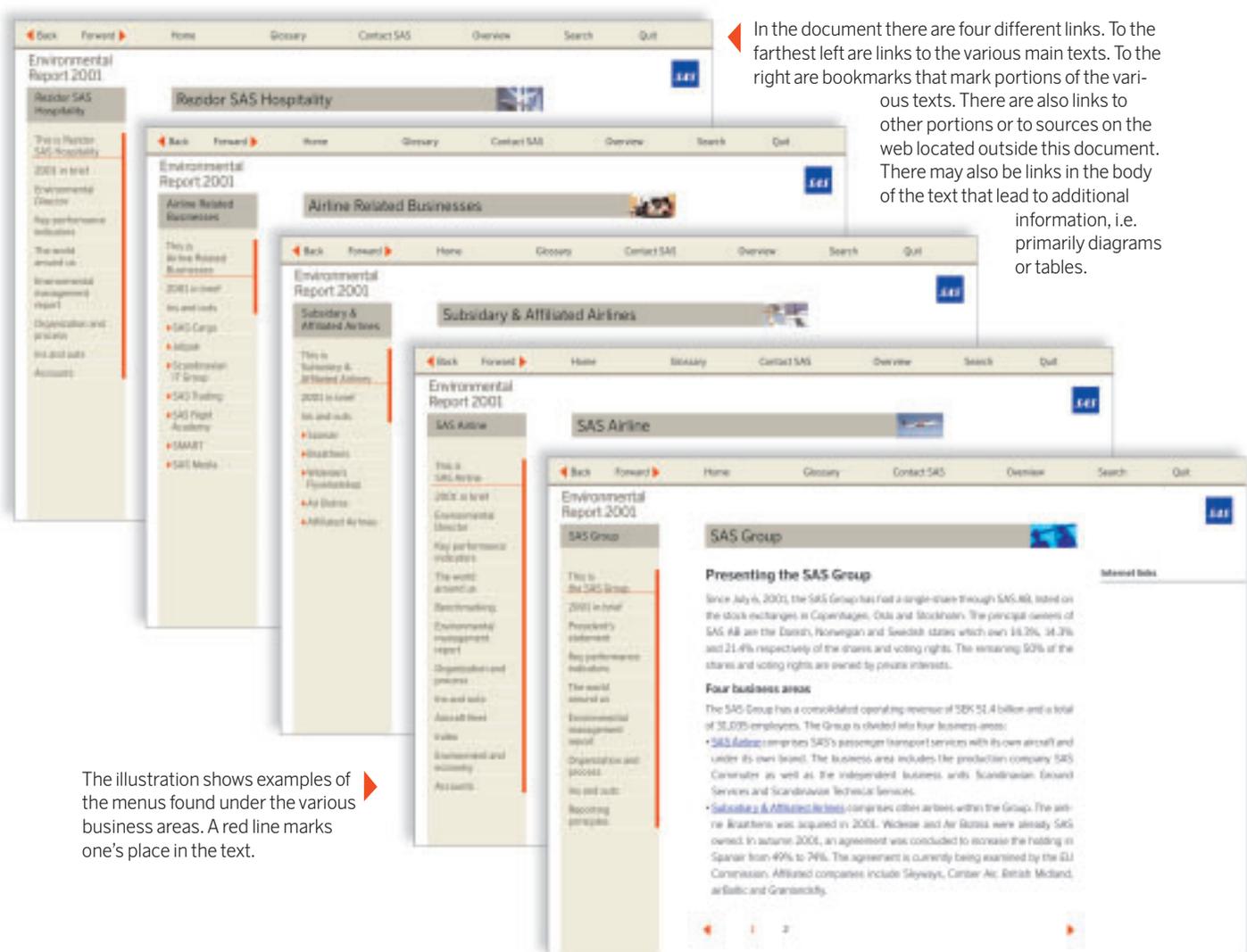
The SAS Environmental Report 2001 can be found at www.scandinavian.net/environment. From that page, the document will be downloaded to the reader's own hard drive. This will enable those without a broadband connection to read the environmental report without being connected to the Internet. It also makes reading faster because there are no perceptible delays when going from one page to another.

The layout of the environmental report is based on the SAS Group's new structure. Each page clearly shows where in the document the reader is.

Readers who are interested only in a particular question can find answers by doing a free text search. For those with special interests, there are cross-links in the document that take them on to more information on their chosen subject area.

Here there are also links to other websites with pertinent information on aviation and the environment.

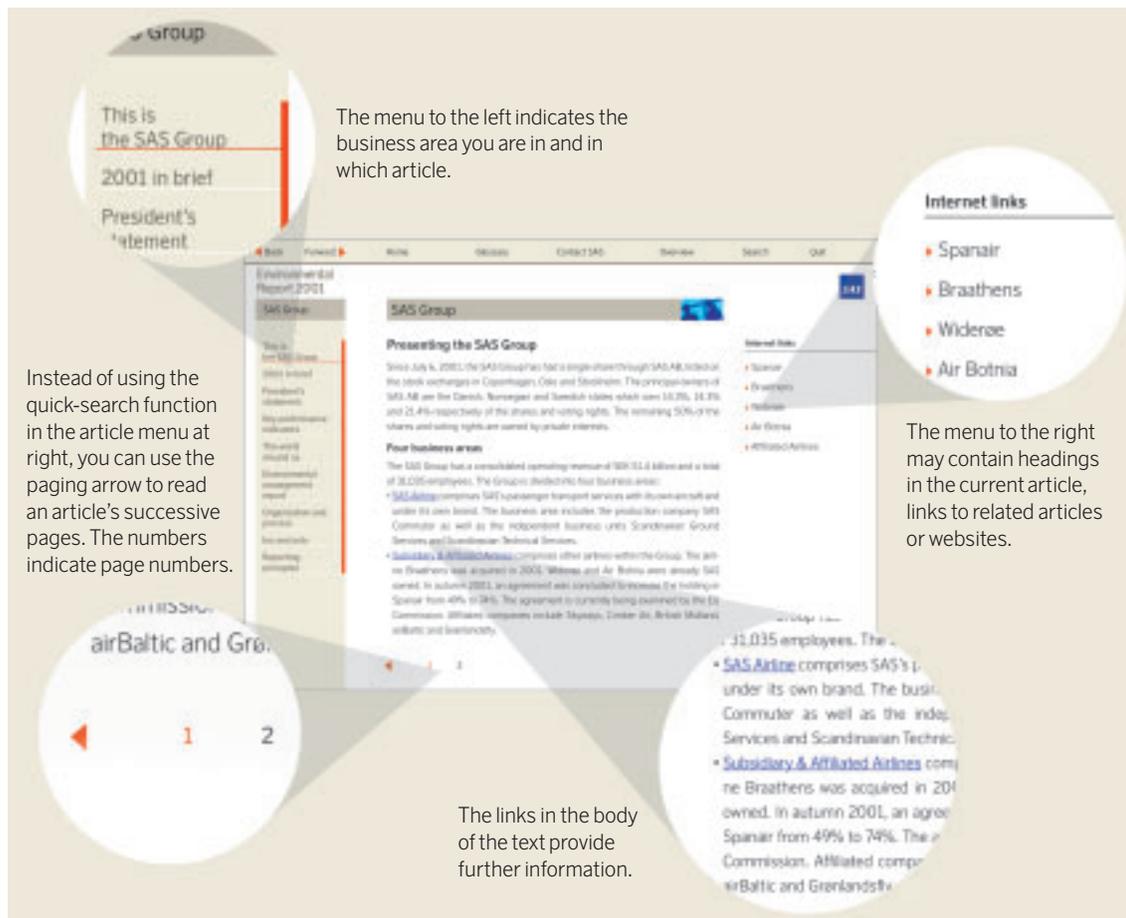
Feel free to send us your comments on the SAS Environmental Report 2001. The easiest way is via the document on the Internet or by e-mail to: environment@sas.se





On the home page there are links to the various business areas and companies in the SAS Group. Just click on the pictures to proceed.

Here is how navigating through the pages works



Instead of using the quick-search function in the article menu at right, you can use the paging arrow to read an article's successive pages. The numbers indicate page numbers.

The menu to the left indicates the business area you are in and in which article.

The menu to the right may contain headings in the current article, links to related articles or websites.

The links in the body of the text provide further information.

Definitions and concepts

Adjusted net debt • Net debt plus present value of aircraft leasing costs and minority shares

AEA, The Association of European Airlines • An association of the largest European airlines.

ASK, Available seat kilometers • The total number of seats available for passengers multiplied by the number of kilometers which they are flown.

ATK, Available tonne kilometers • The total number of tonnes of capacity available for the transportation of passengers, freight and mail multiplied by the number of kilometers which this capacity is flown.

AV, Asset value (market 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.

Available seat kilometers • See ASK

Available tonne kilometers • See ATK

Breakeven load factor • The load factor which makes traffic revenue the same size as operating expense.

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 • Future payments for aircraft on firm order.

Capital employed • Total capital according to the balance sheet minus noninterest-bearing liabilities.

Capital employed, market adjusted • See AV.

Carbon dioxide (CO₂) • A colourless gas formed during combustion. Carbon dioxide is a greenhouse gas.

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.

Code-share • When two or more airlines state their flight number in the timetable for one and the same flight, while only one of the airlines operates the flight.

(CO₂) • See Carbon dioxide.

CSI, Customer satisfaction index • Measures how SAS's services are perceived by customers. Surveys are performed every six months.

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

Dividend yield, average price • Dividend as a percentage of the average share price during the year.

Earnings per share (EPS) • Income after tax divided by the total number of shares.

EBIT (including capital gains) • Operating income.

EBITDA margin • EBITDA divided by operating revenue.

EBITDA, Earnings before depreciation • Income before net financial items, tax, depreciation, share of income in affiliated companies, and income from the sale of fixed assets.

EBITDAR margin • EBITDAR divided by operating revenue.

EBITDAR, Earnings before depreciation and leasing costs • Operating income before net financial items, tax, depreciation, share of income in affiliated companies, income from the sale of fixed assets and leasing costs for aircraft.

ECAC, European Civil Aviation Conference • Forum for cooperation between and coordination of European national authorities on civil aviation matters.

Equity method • Shares in affiliated companies are taken up at SAS's share of equity, taking acquired surplus and deficit values into account.

Equity per share • Total shareholders' equity divided by the total number of shares.

Equity/assets ratio • Shareholders' equity plus minority interests in relation to total assets.

EV, Enterprise value • Average market capitalization (market value of shareholders' equity) plus average net debt during the year and 7 times the annual cost for operating leases for aircraft.

EVA, Equity value added • Return over and above the company's average cost of capital (WACC) times market-adjusted capital.

Finance leasing • Finance leasing is based on a leasing contract where the risks and rewards of ownership of the asset are transferred to the lessee. The asset is reported as a fixed asset in the balance sheet and the commitment to pay future leasing charges is entered as a liability.

Gross profit margin • Operating income before depreciation in relation to operating revenue.

IATA, International Air Transport Association • A global association of more than 200 airlines.

ICAO, International Civil Aviation Organization • The United Nations' specialized agency for international civil aviation.

IFCA, International Flight Catering Association • Organization for all companies and suppliers which are in some way involved in the airline industry's catering operations. Has 600 member companies worldwide.

Interest coverage ratio • Operating income plus financial income in relation to financial expenses.

IPCC, Intergovernmental Panel on Climate Change • Scientific panel appointed by the United Nations Environmental Program, UNEP, and the World Meteorological Organization, WMO, to assess the consequences of human-induced climate change.

IRR, Internal rate of return • Discount rate where the present value of a project's cash flow, from investment to sales, is equal to zero.

Market capitalization at year-end • Share price multiplied by the number of outstanding shares.

Net debt • Interest-bearing liabilities minus interest-bearing assets.

Net financing from operations • Cash flow from operating activities after changes in working capital.

Net profit margin • Income after financial items in relation to operating revenue.

NPV, Net present value • Used to calculate capitalized future costs for operating leases for aircraft.

Operating cash flow • Net financing from operations for the SAS Group divided by the number of shares.

Operating leasing • Operating leasing is based on a leasing contract in which the risk and rewards of ownership remain with the lessor and is equivalent to renting. The leasing charges are expensed on a current basis in the statement of income.

Operating leasing capital • The annual cost of operating leases for aircraft multiplied by seven.

P/CE ratio • Average share price divided by cash flow per share after paid tax.

P/E ratio • Average share price divided by earnings per share after standard tax.

PULS • The Swedish abbreviation for SAS's employee surveys (Personalundersökningar om livet i SAS). These annual surveys measure how SAS employees perceive their working environment.

Regularity • The percentage of flights completed in relation to flights scheduled, excluding flights canceled for commercial reasons.

Return on capital employed • Operating income plus financial income in relation to average capital employed. Capital employed refers to total assets as specified in the balance sheet minus noninterest-bearing liabilities.

Return on equity • Income after taxes in relation to average shareholders' equity.

Revenue passenger kilometers (RPK) • See RPK.

Revenue tonne kilometers (RTK) • See RTK.

REVPAR, Revenue per available room • Revenue per available hotel room.

RPK, Revenue passenger kilometers • The number of paying passengers multiplied by the distance they are flown in kilometers.

RTK, Revenue tonne kilometers • The number of tonnes of paid traffic (passengers, freight and mail) multiplied by the distance this traffic is flown in kilometers.

Sale and leaseback • Sale of an asset (aircraft, building, etc.) which is then leased back.

Total load factor • The relation between RTK and ATK expressed as a percentage. The proportion of total available capacity sold and flown.

Total return • The sum of change in share price and dividends.

TSR, Total shareholder return • Average total return.

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

Unit revenue (yield) • Average traffic revenue per RPK.

WACC, Weighted average cost of capital • Average cost of liabilities, shareholders' equity and operating leases for aircraft. The sources of funds are calculated and weighted in accordance with the current market value of shareholders' equity and liabilities and the capitalized present value of operating lease costs for aircraft.

Wet lease agreement • Leasing in of aircraft including crew.

Yield • See Unit revenue.

Financial Calendar

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

The SAS Group'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

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