SAS's profitability improved for the second consecutive year. In 1995, the SAS Group's income before taxes increased to 2,632 MSEK (1,505) and return on capital employed was 15%.

During the year SAS transported 18,835,000 fare-paying passengers to 106 destinations.

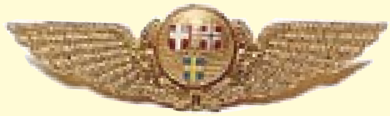
SAS formed extensive alliances in 1995 with Lufthansa, United Airlines and Thai Airways International. Together with these new partners, SAS will offer more than 400 destinations in a coordinated traffic program in 1996.

SAS

ANNUAL REPORT

1995

During the year SAS decided to replace one-third of its aircraft fleet, an approximately 10 billion SEK investment. The new airplanes have excellent environmental qualities and are therefore in line with SAS's endeavor to implement one of the most ambitious environmental programs in the airline industry.



CONTENTS

SAS in brief

■ The SAS Group conducts passenger air transport operations, freight operations (SAS Cargo), inflight and airport sales (SAS Trading) and hotel operations through SAS International Hotels under the trade name Radisson SAS Hotels Worldwide.

■ At year-end 1995 the SAS Group had 22,731 (28,425) employees. SAS carried 18,835,000 (18,823,000) passengers to 106 (102) destinations. The number of aircraft in SAS's own scheduled services totaled 152 (156) units. SAS International Hotels operated 64 (29) hotels in 20 (12) countries.

■ The SAS Group's income before depreciation increased to 4,787 MSEK (3,404) and income before taxes to 2,632 MSEK (1,505). Return on capital employed rose to 15% (7%) and return on equity to 18% (10%). The equity/assets ratio rose to 32% (27%) and the debt/equity ratio fell to 0.2 (0.6).

■ The SAS Consortium is owned by the three national airlines, DDL (2/7), DNL (2/7), and ABA (3/7). The Danish and Norwegian parent companies, DDL and DNL, are listed on the stock exchange, as is Swedish SILA of which ABA is a wholly owned subsidiary.

KEY FIGURES, THE SAS GROUP, SAS AND SAS INTERNATIONAL HOTELS

	SAS Group		SAS		SAS International Hotels	
MSEK	**1995**	1994	**1995**	1994	**1995**	1994
Operating revenue	**35,403**	36,886	**33,819**	32,365	**1,729**	1,577
Income after depreciation, etc.	**3,019**	1,165	**2,865**	1,053	**148**	91
Income before the sale of flight equipment and shares, etc.	**2,566**	624	**2,506**	388	**59**	0
Income before taxes	**2,632**	1,505	**2,592**	428	**34**	67
Gross profit margin, %	**14**	9	**13**	9	**15**	13
Return on capital employed, %	**15**	7	**15**	7	**8**	5
Investments	**1,399**	1,391	**1,289**	1,211	**107**	107
Number of employees: women	**8,780**	11,259	**7,677**	7,786	**1,084**	1,327
men	**13,951**	17,166	**12,822**	13,102	**1,117**	1,058
Total	**22,731**	28,425	**20,499**	20,888	**2,201**	2,385

Total SAS Group and SAS Consortium, see pages 38–39.

A stronger, clearer and less conflict-prone SAS

Nearly fifty years ago representatives for the national airlines in Scandinavia– Denmark's DDL, Norway's DNL and Sweden's SILA – signed the memorandum of association for Scandinavian Airlines System, SAS. This took place on August 1, 1946, right here in Oslo.

Cooperation in the SAS Consortium pertained primarily to intercontinental air services, and the parent companies continued for a number of years to fly under their own flags. Eventually all air transport operations were placed in the SAS Consortium and the present ownership structure was established. At the same time, the original parent companies became listed on the stock exchanges in their respective countries.

The Consortium's structure has made it difficult for investors to fully understand SAS and evaluate the three "SAS shares." Furthermore, the parent companies have developed differently over the years as regards peripheral operations and real estate holdings. The construction in Sweden with two owners – state-owned ABA, and listed company SILA – has made it even more difficult for investors to make their assessments. All this has combined to handicap SAS in the capital market.

The aim to make the three "SAS shares" of equal value has existed for a long time. ABA and SILA were integrated in terms of ownership back in 1993, and SILA's sole activity today is to own shares in ABA, which is the company which participates in the SAS Consortium.

The parent companies are now preparing to streamline their operations still further. In addition, the share and capital structures are to become uniform and to this end DDL has announced a new issue and SILA a one-time dividend. It is important to underline that these actions are designed solely to make SAS clearer in the capital market and to allow the three shares to be compared. They are not designed to change the present ownership structure or the companies' national affiliations in the three countries. SAS is the foremost example in Scandinavia of a large company being successfully owned and operated across national boundaries, in spite of the tensions that shared ownership naturally implies.

The industrial conflicts at SAS caused considerable problems during the year. The strikes have damaged relations with customers and the company's image. In order to secure SAS's future it now rests with management and the employee organizations to seek solutions through dialog and avoid industrial action. Everyone at SAS must put the customers first.

Work in the Board in 1995 included a number of weighty strategic issues and decisions to invest in new aircraft and equipment for a total of 12–15 billion SEK. After thorough groundwork, SAS has concluded an extensive strategic alliance with Lufthansa. SAS has also established cooperation with United Airlines and intensified its long-standing cooperation with Thai Airways International, which SAS helped to launch in 1959.

SAS reports its strongest result ever for 1995, a result which was earned from regular operations. Return on capital employed has risen from 7% to 15% and return on equity from 10% to 18%. With the net debt greatly reduced, and expected to be eliminated entirely in 1996, I am convinced that SAS is entering its second half century as a financially sound and operationally strong airline.

On behalf of the Board I would like to thank management and employees for this achievement.

Oslo, March 1996
Bjørn Eidem
Chairman of the Board

Now SAS is starting to perform well

For 1995, SAS is able to report a considerable improvement in earnings for the second consecutive year. This follows a consolidation of our activities to focus on airline and hotel operations. The SAS Group's 1995 pretax income increased to 2,632 MSEK (1,505), which is in line with our profitability targets.

In 1995 we saw the full effect of the multi-year action program in the airline operations, which was completed at the end of June. More than one billion SEK of our result is attributable to the action program. Costs in general were kept under control, while revenues rose, increasing 5% for comparable units to 35,403 MSEK. Yield also rose by 5%, due mainly to a consistent focus on business travelers, which resulted in an increased number of EuroClass passengers.

SAS International Hotels, which has been conducting hotel operations under the Radisson SAS Hotels Worldwide trade name since the end of 1994, improved its income before the sale of fixed assets to 59 MSEK (0).

The present situation for SAS therefore looks satisfactory. Nevertheless, we cannot assume that favorable development will continue without considerable effort. In the first place, we have had the advantage of operating for two years in a dynamic air transport market, and there is now a risk that this will weaken. Furthermore, we must regain customers' confidence in SAS, which has been shaken by labor disputes and poor punctuality. Finally, SAS must improve its range of products and services so as to become fully competitive. Today we have the financial resources for such improvements. At the same time, SAS cannot allow itself to lose control of costs. I see safeguarding this balance as one of my most important tasks.

The strategic alliances that SAS has concluded with Lufthansa, United Airlines and Thai Airways International will have a favorable impact on revenue and costs. These cooperations will include code-sharing, i.e. SAS and a partner airline offering a particular route together, while one company actually operates it.

Our goal is that cooperation with Lufthansa and other partners will provide a 5% improvement in SAS's operating revenue within five years. During this period improvements will be achieved gradually through synergies in the traffic system, market and production. In the current year, however, these benefits will be at a more modest level.

During the next few years SAS will invest approximately 10 billion SEK in new aircraft. It has been of decisive importance that the new airplanes have the market's best environmental performance in their category. Eight McDonnell Douglas MD-90s, with delivery starting this year, 41 Boeing 737-600s to be delivered from 1998 onwards, and finally a new generation of larger airplanes, will provide SAS with a highly competitive fleet in every respect.

With a streamlined core business, one of the most competitive traffic systems in the world supported by our strong partners, and a steady upgrade to one of the foremost fleets in Europe, the fundamental pieces are now in place. We now have to continuously improve our day-to-day performance so that we can retain, regain and further develop the confidence of our customers.

Stockholm, March 1996
Jan Stenberg
President and Chief Executive Officer

Board of Directors' Report

Report by the Board of Directors and the President for the fiscal year January 1 – December 31, 1995.

THE SAS GROUP 1995
The SAS Group's financial statements are prepared in accordance with International Accounting Standards.
(Figures in parentheses refer to 1994.)

The SAS Group's operating revenue amounted to 35,403 MSEK (36,886). Adjusted for units sold in 1994, last year's operating revenue totaled 33,722 MSEK, which provides an increase of 5%. Operating income before depreciation, etc., amounted to 4,787 MSEK (3,404). Operating expenses for comparable units rose by 3% excluding 1994 restructuring costs of 1,005 MSEK. Income before depreciation, etc., rose from 3,019 MSEK to 4,787 MSEK.

Depreciation was at the same level as in 1994 excluding sold units, 1,840 MSEK (1,874).

After shares of income in affiliated companies of 72 MSEK (–13), income after depreciation, etc., amounted to 3,019 MSEK (1,391).

The restructuring of the airline operations was completed in 1995. These measures have enabled a reduction in operating expenses. Compared with 1994, operating expenses are estimated to have been reduced by 1,300 MSEK as a result of the action program. This substantial reduction in costs, combined with higher operating revenues, contributed to the improved result on which, however, labor disputes had a negative effect of 350–400 MSEK.

Net financial items amounted to –302 MSEK (–761). The substantially reduced net debt during the year and lower interest rates helped reduce negative net interest income. In addition, net foreign exchange differences totaled –151 MSEK (93). Exchange differences include realized exchange losses, primarily on liquid funds, and recovery of unrealized exchange losses on long-term loans reported in previous years.

The development of net financial items and net debt are described in more detail in the section "Financial Overview."

Income after financial items but before minority shares was 2,568 MSEK (723).

Gain on the sale of flight equipment and shares, etc., includes capital gains from the sale of one Boeing 767 and six SAAB 340s totaling 81 MSEK. Adjustment of previous years' capital gains due to guarantee payments have been made for Radisson SAS Hotel Hamburg and Radisson SAS Hotel Brussels in the amount of –26 MSEK. Sale of other shares, etc., amounted to 11 MSEK.

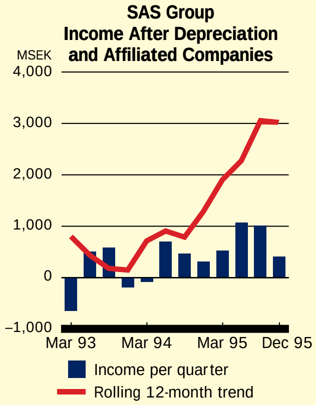
Income before taxes was 2,632 MSEK (1,505).

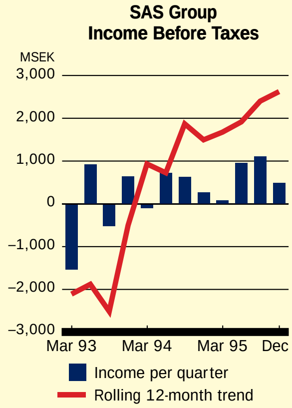
Income (MSEK)	**1995**	1994[1]
Operating revenue	**35,403**	33,722
Operating expenses	**–30,616**	–30,703
Operating income before depreciation, etc.	**4,787**	3,019
Depreciation	**–1,840**	–1,874
Shares of income in affiliated companies	**72**	20
Income after depreciation, etc.	**3,019**	1,165
Dividends	**2**	–
Financial items, net	**–302**	–751
Foreign exchange differences, net	**–151**	42
Income after financial items	**2,568**	456
Minority shares in income after financial items	**–2**	–44
Income before the sale of flight equipment and shares, etc.	**2,566**	412
Income in sold units	**–**	212
Gain on the sale of flight equipment and shares, etc.	**66**	935
Provisions to reserve for decline in value of hotel investments	**–**	–54
Income before taxes	**2,632**	1,505

[1]The 1994 statement of income included Income before the sale of flight equipment and shares, etc., for comparable units.

Key Ratios	**1995**	1994
Investments including advance payments, MSEK	**1,399**	1,391
Return on capital employed, %	**15**	7
Return on equity, %	**18**	10
Equity/assets ratio, %	**32**	27
Debt/equity ratio	**0.2**	0.6
Average number of employees	**22,731**	23,307
Average number of employees in sold units	**–**	5,118

1995 investments including advance payments increased by 8 MSEK over 1994 to 1,399 MSEK. Investments in flight





equipment accounted for 529 MSEK. Return on capital employed was reported at 15% (7%) and return on equity after standard tax was 18% (10%). The debt/equity ratio as of December 31 decreased from 0.6 to 0.2. The equity/assets ratio increased from 27% to 32%.

Balance Sheet (MSEK)	**1995**	1994
Liquid funds	**10,078**	10,725
Other interest-bearing assets	**313**	638
Aircraft	**12,822**	14,202
Other assets	**9,687**	9,734
Total assets	**32,900**	35,299
Operating liabilities	**9,359**	8,379
Interest-bearing liabilities	**12,097**	16,594
Subordinated debenture loans	**838**	823
Minority interests	**18**	148
Equity	**10,588**	9,355
Total liabilities and equity	**32,900**	35,299

Income by Business Unit (MSEK)	**1995**	1994
SAS		
Income after depreciation, etc.	**2,865**	1,053
Financial items, net	**–205**	–662
Foreign exchange differences, net	**–153**	41
Minority shares	**–2**	–44
SAS total	**2,505**	388
SAS International Hotels	**59**	0
Other operations/Group eliminations	**2**	24
Income before the sale of flight equipment and shares, etc.	**2,566**	412
Sold units	**–**	212
Gain on the sale of flight equipment and shares, etc.	**66**	935
Provisions to reserve for decline in value of hotel investments	**–**	–54
Income before taxes	**2,632**	1,505

SAS

SAS comprises SAS's airline operations and SAS Trading, including subsidiaries related to these operations, SAS Commuter and joint-Group costs.

SAS's traffic growth during the year was lower than the average among members of the Association of European Airlines (AEA) where an increase of nearly 8% was noted. This was due partly to structural changes in the route network for intercontinental and Swedish domestic routes, while labor disputes and increasing competition also contributed. Measured in revenue passenger kilometers, RPK, the increase was 1% with a 2% increase in capacity.

Passenger revenues, adjusted for exchange effects, increased by 6%. Yield, which expresses the average passenger revenue per passenger kilometer, increased 5% over 1994. The increased proportion of EuroClass passengers, changed route structures and some fare increases made a substantial contribution to improved yields. The average cabin factor for scheduled services was somewhat lower than in 1994, 65.1% (65.6%). The number of passengers totaled 18.8 million (18.8).

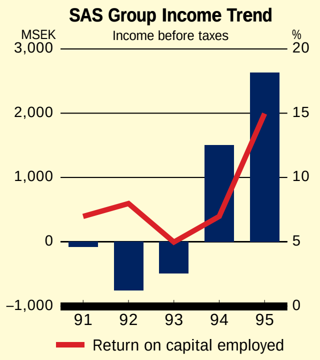
In May 1995 an extensive cooperation agreement was concluded between SAS and Lufthansa, which received final approval from the EU Commission in January 1996. This alliance involves coordination of schedules, products and resources – among other things – with regard to sales and station services. Traffic between Scandinavia and Germany will be conducted in a joint organization.

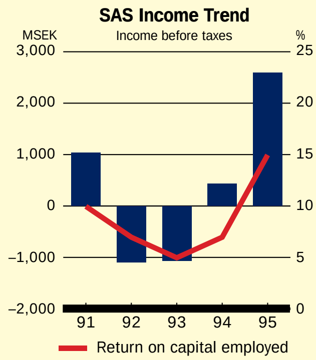
Income Trend

SAS's 1995 operating revenue amounted to 33,819 MSEK, representing an increase over 1994 when operating revenue was 32,365 MSEK. Traffic revenues rose by 7% to 28,049 MSEK. Adjusted for exchange effects, the increase in traffic revenue was 1,572 MSEK or 6%, of which 1,200 MSEK is attributable to increased yield and the remaining 372 MSEK to volume.

Fuel costs totaled 1,752 MSEK (1,819). This decrease was mainly due to lower rates for the USD than in 1994.

Payroll costs decreased from 10,219 MSEK to 9,487





MSEK. Excluding currency effects and restructuring costs, payroll costs remained unchanged. The average number of employees was 20,499 compared with 20,888 in 1994, a reduction of just over 2%.

Compared with 1994 and taking restructuring costs, currency and inflation effects, volume effects and other nonrecurring items into account, the airline's operating expenses decreased by approximately 5% or 1,300 MSEK. This is in accordance with the planned effects of the restructuring program which was started at the end of 1993 and completed during 1995. At the end of 1995 projects which had a full-year impact of 2,700 MSEK had thus been completed. The accumulated effect on earnings achieved during 1994 and 1995 is 2,500 MSEK.

Operating income before depreciation, etc., was 1,729 MSEK better than in 1994, 4,517 MSEK (2,788).

Shares of income in affiliated companies amounted to 62 MSEK (16).

Net financial items were reported at –205 MSEK (–662). The change is attributable to lower interest and reduced net debt. Exchange differences of –153 MSEK (41) are reported.

Income after financial items and minority shares was 2,505 MSEK (388).

Gains on the sale of flight equipment and shares related to SAS's operations amounted to 87 MSEK (40).

Income before taxes was 2,592 MSEK (428).

Investments including advance payments to aircraft suppliers totaled 1,289 MSEK (1,211), of which 529 MSEK (484) was invested in flight equipment. In order to strengthen the traffic system in the Baltic region, SAS acquired a 16.5% stake in the newly formed Air Baltic, Riga, Latvia, in 1995.

Intercontinental Routes

Following three years of cooperation with Austrian Airlines, SAS resumed its own service to Chicago in summer 1995 and flights to Delhi were resumed in cooperation with Air India.

The substantial improvement in results on intercontinental routes continued in 1995. Results were the best for many years and this route sector is now profitable.

Both production (ASK) and traffic (RPK) decreased slightly, 1% compared with 1994. The cabin factor remains at an unchanged high level, 77.8%.

Adjusted for currency effects, yield (revenue per passenger kilometer) improved by 9%.

European Routes

Production on European routes increased by 4%. Nonstop routes were introduced between Copenhagen and Lyon, Dublin, and Moscow, and between Stockholm and Warsaw. Poznan, Poland, became a new SAS destination on October 30.

EuroClass traffic increased by 3% and Tourist Class by 6%. The total traffic increase was 5% and the cabin factor rose from 55.7% to 56.3%.

Excluding exchange rate adjustments, yield rose by 2%.

Intra-Scandinavian Routes

Free competition inside Scandinavia still did not lead to any appreciable increase in competing traffic during 1995.

SAS opened a new route between Borlänge and Copenhagen in November 1995.

In total ASK increased by 5% and RPK by 4%. EuroClass traffic rose by 5% while Tourist Class traffic went up by 2%. The proportion of EuroClass passengers increased to 45.7%.

The yield trend was favorable, 2%, after exchange rate adjustments.

Danish Domestic and Greenland

The positive trend continued during the year with a 3% increase in both production and traffic. As in the previous year, the cabin factor was just below 64%.

Cooperation with Danair ceased on October 1, in conjunction with deregulation of Danish domestic routes.

A cooperation with Cimber Air on routes served by SAS was established in the autumn. The route to Narssarssuaq could be reinstated through an agreement with Grønlandsfly.

Adjusted for currency effects, yield remained unchanged compared with the previous year.

Norwegian Domestic

Traffic development failed to meet expectations during 1995. In spite of a 2% increase in production, both full-fare and discount traffic measured in RPK fell by 2%. The cabin factor therefore decreased from 63.8% to 61.4%.

The traffic program was steadily strengthened during the year which is expected to have a positive effect in 1996.

Adjusted for currency effects, yield rose 2% over 1994.

Swedish Domestic

The recent economic upswing combined with the action program implemented on Swedish domestic routes in 1994, resulted in a strong improvement in results in 1995. The Swedish domestic route sector has returned to profitability.

Production decreased by 9% compared with 1994 and traffic decreased by 10%. Traffic in the business segment, however, rose by 6% while leisure travel decreased by 23%. The greater proportion of business travelers combined with increased fares contributed to an average rise in yield of 22%.

A new concept for SAS Domestic was launched during the year. This included ticketless travel, automatic check-in at Arlanda, Malmö and Gothenburg, and a new design for domestic production.

The route to Visby, Gotland, was suspended during the year.

SAS Cargo

Following SAS's acquisition of Jetpak AB in 1995, SAS Cargo today works with four main products: SAS General Cargo – traditional air freight for regular shipments and small consignments. SAS Priority – time-guaranteed "to the airport" and "to the door" for small consignments with extensive coverage in Europe, the U.S. and the Far East. Jetpak – express product for "door-to-door" deliveries with wide Nordic coverage, and Air Mail.

During 1995 SAS Cargo transported 206,000 tons of freight and mail, an increase of 1% over the previous year. Revenues and yield remained unchanged after adjustment for currency effects.

A marked increase in competition was noted particularly in the Swedish market, which in spite of this had a favorable export trend linked with foreign exchange and economic developments. Competition in Europe was tough, which affected the U.K. in the latter part of the year. In intercontinental markets, Southeast Asia and China had difficulty in achieving anticipated levels.

SAS Cargo has concluded an agreement for its own freight terminal in New York (Newark), and is planning

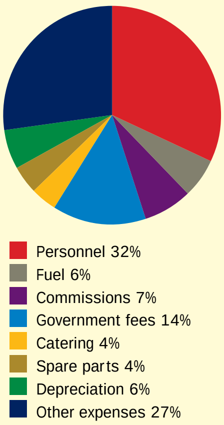
PRODUCTION AND TRAFFIC (per geographic area)

	AVAILABLE TON KILOMETERS (ATK)			REVENUE TON KILOMETERS (RTK)			LOAD FACTOR	
12 months	Million ton km	Change %	Share %	Million ton km	Change %	Share %	%	Change % points
Intercontinental	1,391	–1	39	1,074	0	49	77.2	0.8
Europe	1,236	4	35	592	5	27	47.9	0.2
Intra-Scandinavian	278	5	8	137	3	6	49.2	–1.3
International	**2,905**	**2**	**82**	**1,803**	**2**	**83**	**62.0**	**0.0**
Denmark	94	4	3	50	2	2	53.3	–1.1
Norway	267	3	8	153	–2	7	57.2	–3.1
Sweden	280	–6	8	167	–10	8	59.8	–2.9
Domestic	**641**	**–1**	**18**	**370**	**–6**	**17**	**57.8**	**–2.8**
TOTAL	**3,546**	**1**	**100**	**2,173**	**0**	**100**	**61.3**	**–0.5**

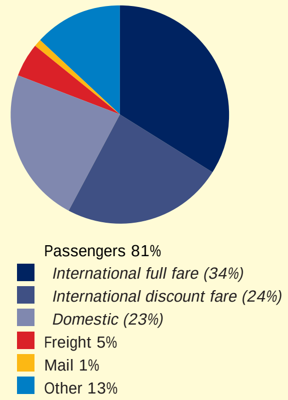
PASSENGER, FREIGHT AND MAIL TRAFFIC (per geographic area)

	PASSENGERS			CABIN FACTOR		FREIGHT		MAIL	
12 months	Million pass. km	Change %	Share %	%	Change % points	Million ton km	Change %	Million ton km	Change %
Intercontinental	7,112	–1	38	77.8	–0.3	394.0	3	24.8	–3
Europe	6,005	5	32	56.3	0.5	41.3	–2	15.6	–3
Intra-Scandinavian	1,449	4	8	59.3	–1.0	5.9	–7	1.9	–20
International	**14,566**	**2**	**79**	**65.4**	**–0.3**	**441.2**	**2**	**42.3**	**–3**
Denmark	488	3	3	63.6	–0.3	4.2	–19	2.2	22
Norway	1,606	–2	9	61.4	–2.5	4.9	–17	4.8	2
Sweden	1,846	–10	10	65.7	–0.7	2.6	–33	0.3	1
Domestic	**3,940**	**–5**	**21**	**63.6**	**–1.5**	**11.7**	**–22**	**7.3**	**7**
TOTAL	**18,506**	**0**	**100**	**65.1**	**–0.5**	**452.9**	**2**	**49.6**	**–2**

SAS Expenses, 1995



SAS Revenues, 1995



new terminals in Copenhagen (Kastrup) and Oslo (Gardermoen), both of which are scheduled for completion in 1998.

SAS Trading

The increased volume of passengers in Scandinavia had a favorable impact on sales and earnings. Operating revenues decreased, however, because since July 1, 1995, SAS Trading only operates a chocolate and gift store in Copenhagen instead of the former wine/spirits and perfumes store.

Revenues were boosted by new gift stores at Arlanda domestic and international and at Landvetter. In addition, a new extended store opened at Fornebu in September 1995, which provided a considerable increase in revenues.

Competition from the local market has increased due to changed tax rules for alcohol in Sweden and Norway, and abolition of the luxury tax on perfume in Scandinavia. SAS Trading has a strong position in the Swedish and Norwegian markets.

Inflight sales were made more efficient during the year with the help of point-of-sale terminals. SAS Trading started sales on board SAS's charter aircraft during the year.

A customer loyalty program, taxfree PLUS, was launched in Sweden and Norway with excellent results. A purchasing and distribution agreement for duty-free goods valid until June 30, 1999, has been signed with Europa-Linien A/S. The purchase and distribution agreements with Silja Line, Premiair and Spanair have been extended until 1998–2000.

AIRCRAFT FLEET

SAS signed contracts for 43 new aircraft during 1995. At the end of the year, SAS had firm orders for a total of 49 airplanes, worth nearly 1.5 billion USD.

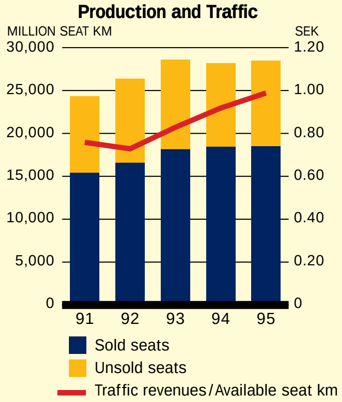
The largest single order is for 41 Boeing 737-600s which will gradually replace the DC9s and F-28s between 1998 and 2002. It had initially been decided that SAS's firm order would be for 35 aircraft, but during contract negotiations previous orders for two Boeing 737-500s and two Boeing 767-200s were changed for an order for a further six Boeing 737-600s. In addition to firm orders for 41 units, SAS has options to purchase a further 35 aircraft. The first Boeing 737-600 will be delivered to SAS in August 1998.

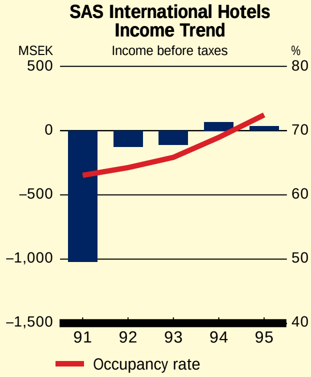
In 1992 SAS changed its order for seven MD-80s to an order for six MD-90s and in 1995 SAS increased its order

Aircraft Fleet Dec. 31, 1995	**Owned / finance lease**	**Leased on operational lease**	**Total**	**Leased out**	**On order**
Boeing 767-300	7	6	**13**		
Boeing 767-200	1		**1**	1[1]	
Douglas MD-81	31		**31**		
Douglas MD-82	16		**16**	4[2]	
Douglas MD-83	4		**4**	2[3]	
Douglas MD-87	16	1	**17**		
Douglas MD-90					8
Boeing 737-300QC		2	**2**		
Boeing 737-500*	9	3	**12**	12[4]	
Boeing 737-600					41
Douglas DC9-21	4		**4**		
Douglas DC9-41	20	5	**25**		
Douglas DC9-51	1		**1**	1[5]	
Douglas DC9-81		5	**5**		
Fokker F-28**	14	5	**19**		
Fokker F-50***	13	9	**22**		
SAAB 340****	6		**6**	6[6]	
Total:	**142**	**36**	**178**	**26**	**49**

* Owned by Linjeflyg Leasing HB
** 12 Fokker F-28s owned by Linjeflyg Leasing HB
2 Fokker F-28s owned by Linjeflyg AB
*** Owned by SAS Commuter Consortium
**** 3 SAAB 340s owned by Swedair AB, 3 SAAB 340s owned by SAS Consortium

[1] Leased out to Transbrasil
[2] Leased out to Reno Air
[3] Leased out to Spanair
[4] Leased out to British Midland
[5] Leased out to Hawaiian Airlines
[6] Leased out to Air Nelson





for MD-90s by two units to a total of eight airplanes. Six MD-90s will be delivered in the final quarter of 1996 and a further two at the beginning of 1997. In addition to these, SAS has options on a further six airplanes.

Over the next two years SAS will investigate the possible need for new aircraft for commuter operations and intercontinental routes. Furthermore, individual markets both in the European and domestic networks will need larger aircraft than the MD-90. While the MD-90 takes 141 passengers in the SAS EuroClass configuration, tomorrow's aircraft for short and medium-haul flights will need to take approximately 180 passengers.

In 1995 it was decided to hushkit all SAS's DC9s. This will cost a total of approximately 70 million USD and is being done in order to ensure that the DC9 can continue to be used in a flexible manner. It is also an expression of increased environmental awareness at SAS. It is worth mentioning here that although the Boeing 737-600 meets all adopted norms for future aircraft, SAS has ordered an improved combustion chamber for its airplanes at a cost of approximately half a million USD per airplane. This measure will reduce nitrogen oxide emissions by 40%.

Although the number of aircraft in SAS's own scheduled services remained largely unchanged compared with 1994, SAS reduced its fleet by ten units from 188 aircraft to 178. The number of owned airplanes was reduced by six, and the number of leased airplanes by four. The reduction in the number of owned aircraft was due primarily to the sale of six SAAB 340s during the year. One Boeing 767-300 which was leased out to Avianca was sold in January and a secondhand MD-83 was bought by Scandinavian Leisure in the same month.

The number of leased aircraft was decreased by four, net, during 1995. Leasing of four DC10-10s ceased, as well as five DC9-21s and one DC9-41 leased by SAS as part of a sale and leaseback agreement from 1994. While leases on a total of ten aircraft were cancelled, a new contract to lease six aircraft was concluded: five DC9-81s and one MD-87. An additional four aircraft will be leased under this contract in 1996. All were formerly used by Swissair and SAS is leasing them for a period of about three years in order to meet capacity requirements until delivery of the Boeing 737-600s starts.

Negotiations on the sale of seven Boeing 737-500s were started at the beginning of 1996.

SAS INTERNATIONAL HOTELS

Since the start of 1995, SAS International Hotels (SIH) has been conducting its operations under the name Radisson SAS Hotels Worldwide (RSH).

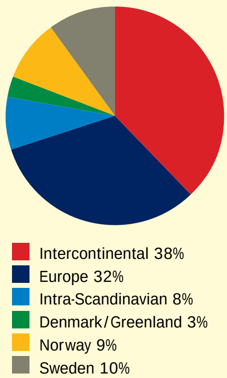
RSH's markets generally developed well in 1995. Increased demand for hotel rooms was strongest in Sweden, the U.K., the Netherlands and China, while a weaker trend was noted in Germany and neighboring markets. During the year RSH increased the number of hotels by 35 to a total of 64 in 20 countries, making it the fastest growing first-class hotel chain in Europe. The greatest expansion took place in Germany, the Middle East and Scandinavia and included Radisson SAS Plaza Hotel Oslo, which is the largest hotel in Northern Europe, and Radisson SAS Scandinavia Hotel Aarhus.

Radisson SAS Daugava Hotel, Riga, Latvia, opened during the year. The stockholding in Palais am Stadtpark Betriebs AG Vienna, was sold in 1995 and a management contract for operation of the hotel was signed.

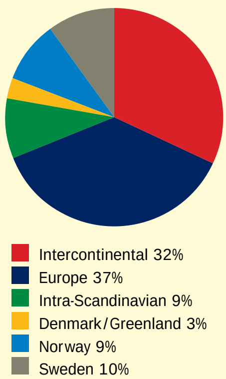
Operating revenue amounted to 1,729 MSEK (1,577). The increase in revenues compared with 1994 was due to a positive yield trend in the hotels, increased management fees and currency effects. Including hotels operated under management contracts, operating revenue amounted to 3,436 MSEK (2,806).

Income before the sale of fixed assets amounted to 59

Traffic Per Geographic Market, 1995
Paid passenger km



Production Per Geographic Market, 1995
Available passenger km



MSEK (0). In addition, guarantee payments of –26 MSEK for sold hotels were charged against income. The average number of employees decreased from 2,385 to 2,201.

AFFILIATED COMPANIES

Affiliated companies are companies in which the SAS Group's ownership stake is between 20% and 50%. They include Airlines of Britain Holdings PLC (40%) – comprising British Midland, Manx Airlines and Logan Air – Spanair S.A. (49%), and Polygon Insurance Company Ltd (30.8%).

Airlines of Britain Holdings PLC's earnings developed favorably during the year. This applies particularly to the regional companies Manx Airlines and Logan Air. British Midland opened two new routes from Heathrow to Zürich and Prague. Airlines of Britain Holdings PLC's income after taxes amounted to 2 MGBP (–3). SAS's share of this income, including a 29 MSEK (25) write-down of goodwill and a 22 MSEK adjustment to the 1994 result, amounted to 2 MSEK (–56).

Spanair's focus on domestic scheduled traffic has developed well. Of the total of 3.1 million passengers, an increase of 16% compared with 1994, scheduled traffic accounted for more than one-third. At the end of 1995 scheduled traffic totaled 256 frequencies per week on eight routes, an increase from 162 frequencies on six routes at the same time last year. Charter traffic to Germany, Italy and the Caribbean increased substantially during the year, while a negative trend was noted for traffic to and from Spain. Income after taxes amounted to 16 MSEK (–42). SAS's share was 8 MSEK (–20).

SAS's share of income in Københavns Lufthavns Forretningscenter K/S (40.8%), which was sold on June 30, 1995, was 25 MSEK (49) and share of income in Polygon Insurance Company Ltd was 21 MSEK (10).

The SAS Group's income after depreciation, etc., includes shares of affiliated companies' income after taxes of 72 MSEK (–13). Equity in affiliated companies amounted to 586 MSEK (568).

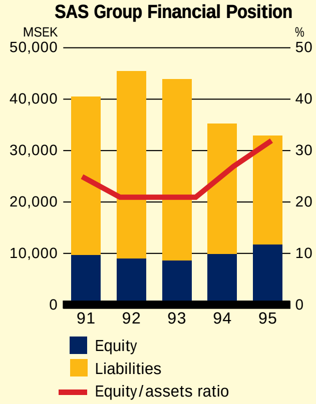
FINANCIAL OVERVIEW: A YEAR DOMINATED BY STRONG FINANCIAL CONSOLIDATION

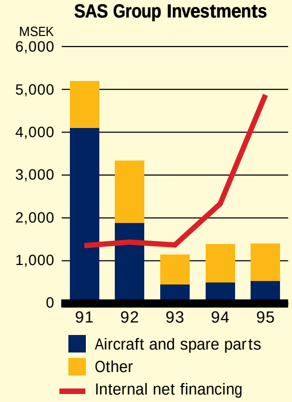
The increase in liquid funds provided by surpluses in operations and limited new investment, resulted in a continued consolidation of the SAS Group. In 1995 net debt decreased from 6,054 MSEK at the beginning of the year to 2,544 MSEK at year-end.

The financing surplus during the year amounted to 3,510 MSEK, of which 3,482 MSEK was attributable to a net surplus from operations. Sale of fixed assets provided 565 MSEK. 591 MSEK was distributed to the SAS Consortium's three parent companies.

Gross debt was 12,935 MSEK at year-end 1995, representing a 4,482 MSEK reduction since the beginning of the year when debt totaled 17,417 MSEK. This was achieved through early redemption of long-term loans and purchases of the Group's own bond issues. The average remaining term for the outstanding debt is just over four years. In view of the considerable financing surplus for the year, no new borrowing has taken place. In order to prepare financing of SAS's Boeing 737 orders, a new loan facility for 310 MUSD was signed in January 1996. In addition, SAS has unutilized credit facilities of 100 MUSD as well as unutilized commercial paper programs of 2,000 MSEK, 1,500 MDKK and 200 MUSD.

Liquid funds amounted to 10,078 MSEK on December 31, 1995, which is somewhat lower than at year-end 1994 ,when liquid funds totaled 10,725 MSEK. This high liquidity is due to the attractive terms on which the SAS Group was able to conduct long-term borrowing at the end of the 1980s and in the early 1990s, in the form of





bond issues and Japanese finance leases.

SAS's credit rating from Moody's remains P1 for short-term debt and A3 for long-term debt.

The SAS Group's financial statements are prepared in accordance with International Accounting Standards (IAS). This means that SAS's net debt in foreign currencies is revalued when the accounting currency, the Swedish krona (SEK) changes, while a corresponding revaluation of assets denominated in foreign currencies, such as aircraft, does not take place.

SAS's financial policy means that the currency composition of the net debt corresponds to the operational cash surplus from operations. Since net debt has decreased considerably, percentage changes in the SEK index have a more limited nominal effect than in previous years.

The foreign exchange markets remained volatile in 1995. On the other hand, SAS's consolidated financial position means that this will have far less impact on income than previously. However, a weakening of the Swedish krona still constitutes a risk with regard to the net debt. However, this will be compensated to a considerable extent in operating income since SAS has a positive cash flow in currencies other than Swedish kronor.

Since SAS's liquid funds have a currency composition which matches the underlying debt, foreign exchange exposure only exists on the net debt. Furthermore, since the portion of liquid funds which can be regarded as "surplus" has an interest rate composition which is neutral in relation to the underlying debt, interest rate risks only arise on part of liquid funds.

The SAS Group's financial items amounted to –302 MSEK (–761), which corresponds to an effective interest expense on the average net debt of 6.3% (7.7%). The main reasons for this improvement in net interest income are the reduced net debt, generally lower interest rates, and capital gains in SAS's bond portfolio.

The SAS Group's financial development can be summarized in the following Statement of Changes in Financial Position:

Statement of Changes in Financial Position (MSEK)	**1995**	1994
Net financing from operations	**4,881**	2,338
Investments	**–1,099**	–1,277
Advance payments, net	**–300**	–114
Sale of fixed assets, etc.	**619**	5,305
Payments to parent companies	**–591**	–
Financing surplus	**3,510**	6,252
Amortization and early redemption, including exchange differences	**–4,481**	–5,238
Other financial receivables/ liabilities, net	**324**	1,366
Change in liquid funds	**–647**	2,380
Liquid funds in sold companies	**–**	–973
Change in liquid funds according to the balance sheet	**–647**	1,407

Net financing from operations, including changes in working capital, amounted to 4,881 MSEK (2,338). Investments, including advance payments to aircraft suppliers, totaled 1,399 MSEK (1,391). This includes 62 MSEK for hushkits for DC9-21s and 137 MSEK for an MD-80 taken over from Scandinavian Leisure. To this should be added 215 MSEK for acquisition of shares in Linjeflyg AB and Linjeflyg Leasing HB, and a 43 MSEK capital contribution to Spanair S.A. Sale of fixed assets, etc., includes – among other things – the sale of one Boeing 767 and six SAAB 340s.

After the sale of fixed assets, a financing surplus of 3,510 MSEK (6,252) is reported. Amortization and early redemption, 4,481 MSEK, mainly comprise redemption of long-term loans.

INVESTMENTS

The SAS Group's 1995 investments, including advances to aircraft suppliers, totaled 1,399 MSEK (1,391). SAS accounted for 1,289 MSEK (1,211) of investments and

SAS International Hotels for 107 MSEK (107). Investments in aircraft and other flight equipment amounted to 529 MSEK (484).

PERSONNEL

The average number of employees in the various business units of the SAS Group in 1995 was 22,731 (28,425). Of this total, 20,499 (20,888) were employed in SAS and 2,201 (2,385) in SAS International Hotels. The average number of employees in units sold during 1994 was 5,118.

A breakdown of the average number of employees per country is provided in the table below.

The average number of employees in the SAS Consortium totaled 18,710 (19,139), including 6,216 (6,442) in Denmark, 4,113 (4,047) in Norway, and 6,959 (7,154) in Sweden.

The SAS Group's total payroll costs, including payroll-related costs, amounted to 9,711 MSEK (11,000). Corresponding costs for the SAS Consortium amounted to 8,185 MSEK (8,424) (see also Note 3).

Average number of employees – SAS Group	1995 Men	1995 Women	1994 Men	1994 Women
Denmark	**4,867**	**2,436**	5,254	2,820
Norway	**3,475**	**1,878**	3,573	2,259
Sweden	**4,743**	**3,354**	5,297	3,674
U.K.	**183**	**232**	844	687
Germany	**208**	**248**	656	506
France	**26**	**49**	28	51
Finland	**37**	**68**	35	63
Belgium	**36**	**33**	33	24
USA	**85**	**132**	101	170
Japan	**29**	**11**	70	28
Other	**262**	**339**	1,275	977
Total	**13,951**	**8,780**	17,166[1]	11,259[1]

[1]Of which 2,993 and 2,125 respectively in units sold during 1994.

BENEFITS PAID TO SENIOR EXECUTIVES

During 1995, 1,979,000 SEK was paid to members of the SAS Consortium's Board of Directors, of which 286,000 SEK to the Chairman of the Board, a total of 604,000 SEK to the two Vice Chairmen and a total of 1,089,000 SEK to other members of the Board including employee representatives. A total of 436,000 SEK was paid to deputy members of the Board. These fees are set by the Assembly of Representatives (representatives from the Boards of the three parent companies).

During 1995 no member of the Board was employed by the SAS Group, with the exception of the employee representatives and their deputies. Two members of the Board received consultancy fees as remuneration for work carried out in the SAS Group's finance committee.

The salary and value of benefits paid to the SAS Consortium's president, who also serves as chief executive officer, amounted to 5,313,101 SEK in 1995.

The president's retirement age is 62 years. Pension is based on salary at retirement date and between 62 and 65 years of age comprises 41.5% of total salary expressed at the 1995 level, and 38.2% from the age of 65. Other senior executives in the Consortium earn entitlement to pension at 60 years of age and earn on a straight-line basis up until retirement age a pension level of up to 70% of salary up to 30 base amounts (1,086,000 SEK). Alternatively, a plan is provided based on premiums on salaries up to 30 base amounts.

Severance pay is payable to the president and other senior executives in the Consortium, in the event employment is terminated by SAS for reasons other than breach of contract or disregard of responsibilities. The amount corresponds to two annual salaries of which up to 50% shall be reduced by the remuneration received from a new employer during the same period.

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 cooperation.

SAS AND THE ENVIRONMENT

SAS publishes its first environmental report in March 1996. This is an expression of SAS's conviction that environmental issues and environmental work are of strategic importance to civil aviation. It also reflects our ambition to develop one of the leading environmental programs in the airline industry.

A new environmental organization was established in 1995. It is headed by an environmental manager who works directly under the SAS Management Team. The environmental manager is also in charge of SAS's Environmental Forum, a new agency with representatives from the various business units, which will ensure coordination and two-way communication on environmental issues in the functional organization. SAS Management Team adopted a new environmental vision and strategy to guide the work of the environmental organization.

1995 was therefore a significant year for environmental work at SAS. Although SAS has been conducting extensive environmental work for several years, the level of ambition was raised during the year by environmental issues being afforded greater strategic significance in the new environmental organization.

This resulted in a number of tangible measures and decisions of environmental significance. Among these, special attention should be given to the considerable investments in SAS's aircraft fleet which were decided in 1995, and will have noticeable environmental consequences for SAS's operations in 1996:

- 41 Boeing 737-600s were ordered for delivery starting in 1998. They will be equipped with the new double annular combustor which will reduce emissions of nitrogen oxides by 40% and of carbon dioxide by 20% compared with the DC9s they will replace. The double combustion chamber represents a future investment of 150 MSEK, made purely for environmental reasons.

- 8 Douglas MD-90s were ordered with delivery starting in 1996. This is the jet airliner which has the lowest noise levels in the market. It is 30% more fuel efficient and thus causes 30% lower emissions of carbon dioxide than the DC9.
- SAS's DC9s type 41 will be hushkitted so that they meet Chapter III requirements and can continue in service.

Of SAS's operating areas – flight, cabin and ground operations – it is the actual flight operations which account for the most significant share of environmental impact. It is the flight operations which generate most of the noise, which account for the largest consumption of fossil fuels, and it is aircraft emissions of carbon dioxide which account for approximately 98% of SAS's total emissions of greenhouse gases. This is why development of the aircraft fleet provides many more opportunities for environmental improvements than any other measures taken by SAS.

During the year SAS carried out a considerable adjustment of the aircraft fleet and route planning, in response to restrictions which Scandinavian authorities, at times at short notice, introduced on the use of Chapter II aircraft (such as concession requirements on Swedish line stations and limited opening hours in Oslo).

On April 1, an environment-based passenger fee was introduced on routes in Norway which are also served by the railroad. For SAS this amounted to 240 MSEK during the year. In 1995 SAS paid a total of approximately 400 MSEK in environmental charges and taxes.

Intensification of environmental efforts in cabin and ground operations was also started during the year. Among other things, SAS is reviewing choice of materials and cooperation with its suppliers, at the same time as projects have been started designed to reduce waste volumes and increase source separation. In Norway, this process was accelerated by official requirements for collection of aluminum packaging.

Energy-saving campaigns were conducted in all Scandinavian countries during the year. The campaign in Denmark was particularly successful.

In Oslo and Copenhagen, where SAS runs the airport bus service itself, the replacement of older buses continued. As a result the vehicle park has a high standard even compared with a dedicated bus company.

THE SAS CONSORTIUM

The SAS Consortium is formed by the three national airlines of Denmark, Norway and Sweden: Det Danske Luftfartselskab A/S (DDL), Det Norske Luftfartselskap A/S (DNL), and AB Aerotransport (ABA), respectively. The SAS Consortium comprises SAS excluding subsidiaries and the SAS Commuter Consortium.

The SAS Consortium's assets, liabilities and earnings are divided among the parent companies at the end of each fiscal year according to their respective ownership shares: DDL 2/7, DNL 2/7, ABA 3/7.

The SAS Consortium's operating revenue amounted to 32,559 MSEK (31,003).

Financial items totaled –206 MSEK (136) and include dividends from subsidiaries and other companies of 55 MSEK (632).

Income after financial items amounted to 2,310 MSEK (1,049). The net gain from the sale of flight equipment and shares, etc., was 56 MSEK (1,220), and unusual items totaled –1 MSEK (–88). Income before taxes was 2,365 MSEK (2,181).

The SAS Consortium's accounts are prepared in accordance with the same principles as the SAS Group, except for the accounts of subsidiaries and affiliated companies. See the section "Accounting and Valuation Principles." The SAS Consortium's accounts are presented separately in the following financial statements and notes.

THE SAS COMMUTER CONSORTIUM

The SAS Commuter Consortium has the same ownership and legal status as the SAS Consortium and is consolidated in the SAS Group in the SAS business unit.

SAS Commuter is a production company which conducts air transport on behalf of SAS in Scandinavia and Northern Europe, using Fokker F-50 aircraft. The total fleet comprises 22 aircraft, of which 15 were used in Euro-Link, a southern traffic system based in Copenhagen

Statement of Income (MSEK)	**1995**	1994
Operating revenue	**644**	602
Operating expenses	**–528**	–468
Operating income before depreciation	**116**	134
Depreciation	**–70**	–71
Operating income after depreciation	**46**	63
Financial items, net	**–15**	–34
Income after financial items	**31**	29
Capital gains, etc.	**16**	–
Income before taxes	**47**	29

Balance Sheet (MSEK)	**1995**	1994
Liquid funds	**35**	28
Other current assets	**16**	26
Total current assets	**51**	54
Fixed assets	**720**	836
Total assets	**771**	890
Current liabilities	**76**	68
Long-term liabilities	**202**	378
Equity	**493**	444
Total liabilities and equity	**771**	890

in 1995. The remaining seven were used in NorLink, a northern system based in Tromsø and Oslo.

Approximately 53,000 flights carrying a total of 1.5 million passengers were made during the year. Operating revenue totaled 644 MSEK (602). Production increased by 10% which resulted in increased costs which were not fully compensated by revenues. This contributed to a decrease in operating income before depreciation to 116 MSEK. Income before taxes was 47 MSEK (29). This result includes gain on the sale of spare part stocks, 26 MSEK, and a –10 MSEK write-down of a receivable from subsidiary.

ALLOCATION OF INCOME AND EQUITY IN THE SAS CONSORTIUM

SAS's parent companies: DDL in Denmark, DNL in Norway and ABA in Sweden, all pay taxes in their respective countries on their share of the SAS Consortium's income.

The Board of Directors and the President propose to the SAS Assembly of Representatives that of the income before taxes in the SAS Consortium for the fiscal year, an amount of 1,150 MSEK be transferred to the parent companies. The remaining amount, 1,215 MSEK will be transferred to the SAS Consortium's capital account which will thereafter total 9,868 MSEK.

1996 FORECAST

A weakening economic trend has been noted in several of SAS's markets at the beginning of 1996, which will probably result in reduced traffic growth.

The favorable yield trend may not continue due to increased competition.

Considerable investments in product and service improvements are being made in order to raise the quality of SAS's product and regain customer confidence.

Although deliveries of ordered aircraft will take place towards the end of 1996, the financial position is expected to strengthen still further.

Stockholm, February 20, 1996

Bjørn Eidem	***Hugo Schrøder***	***Bo Berggren***
Harald Norvik	***Anders Eldrup***	***Tony Hagström***
Ingvar Lilletun	***Jens Tholstrup Hansen***	***Leif Kindert***

Jan Stenberg
President and Chief Executive Officer

SAS Group Statement of Income (Note 1)

MSEK	**1995**	1994
Operating revenue – *Note 2*	**35,403**	36,886
Operating expenses – *Note 3*	**–30,616**	–33,482
Operating income before depreciation, etc.	**4,787**	3,404
Depreciation – *Note 4*	**–1,840**	–2,000
Shares of income in affiliated companies – *Note 5*	**72**	–13
Income after depreciation, etc.	**3,019**	1,391
Dividends	**2**	–
Financial items, net – *Note 7*	**–302**	–761
Foreign exchange differences, net – *Note 7*	**–151**	93
Income after financial items	**2,568**	723
Minority shares of income after financial items	**–2**	–99
Income before the sale of flight equipment and shares, etc.	**2,566**	624
Gain on the sale of flight equipment – *Note 8*	**81**	12
Gain on the sale of shares, etc. – *Note 9*	**–15**	923
Provisions to reserve for decline in value of hotel investments	**–**	–54
Income before taxes	**2,632**	1,505
Taxes payable by subsidiaries – *Note 11*	**–84**	–94
Income before taxes relating to the SAS Consortium and the SAS Commuter Consortium	**2,548**	1,411

SAS Group Balance Sheet (Note 1)

MSEK

ASSETS	1995	1994
Current assets		
Liquid funds – *Note 12*	**10,078**	10,725
Accounts receivable	**1,705**	1,882
Prepaid expenses and accrued income	**714**	619
Other accounts receivable	**567**	683
Expendable spare parts and inventories – *Note 13*	**487**	480
Advances to suppliers	**4**	6
Total current assets	**13,555**	14,395
Fixed assets		
Restricted accounts – *Note 14*	**10**	17
Shares and participations – *Note 15*	**83**	61
Equity in affiliated companies – *Note 16*	**586**	568
Other long-term accounts receivable	**238**	566
Goodwill and other intangible assets – *Note 18*	**35**	49
Long-term advances to suppliers – *Note 19*	**781**	508
Fixed assets: – *Note 20*		
New investments	**112**	128
Aircraft	**12,170**	13,504
Spare engines and spare parts	**652**	698
Maintenance and aircraft servicing equipment	**60**	59
Other equipment and vehicles	**1,145**	1,141
Buildings and improvements	**3 317**	3,445
Land and land improvements	**156**	160
Total fixed assets	**19,345**	20,904
TOTAL ASSETS	**32,900**	35,299
Assets pledged, etc. – *Note 28*	**719**	1,163

MSEK

LIABILITIES AND EQUITY	1995	1994
Current liabilities		
Accounts payable	**1,424**	1,034
Taxes payable	**53**	50
Accrued expenses and prepaid income	**3,104**	3,362
Unearned transportation revenue, net – *Note 21*	**1,573**	1,377
Advances from customers	**29**	29
Current portion of long-term debt	**1,953**	1,845
Proposed dividend to parent companies	**1,150**	560
Other current liabilities	**1,276**	1,716
Total current liabilities	**10,562**	9,973
Long-term debt		
Bond issues – *Note 22*	**3,459**	5,587
Other loans – *Note 23*	**5,436**	7,514
Other long-term debt – *Note 24*	**1,999**	1,899
Total long-term debt	**10,894**	15,000
Subordinated debenture loan – *Note 25*	**838**	823
Minority interests	**18**	148
Equity – *Note 27*		
Capital account	**9,868**	8,684
Other equity	**720**	671
Total equity	**10,588**	9,355
TOTAL LIABILITIES AND EQUITY	**32,900**	35,299
Contingent liabilities – *Note 29*	**1,226**	1,363
Leasing commitments – *Note 30*		

SAS Consortium Statement of Income (Note 1)

MSEK	**1995**	1994
Operating revenue – *Note 2*	**32,559**	31,003
Operating expenses – *Note 3*	**–28,732**	–28,747
Operating income before depreciation	**3,827**	2,256
Depreciation – *Note 4*	**–1,311**	–1,343
Income after depreciation	**2,516**	913
Dividends – *Note 6*	**55**	632
Financial items, net – *Note 7*	**–57**	–477
Foreign exchange differences, net – *Note 7*	**–204**	–19
Income after financial items	**2,310**	1 049
Gain on the sale of flight equipment – *Note 8*	**45**	12
Gain on the sale of shares, etc. – *Note 9*	**11**	1,208
Unusual items – *Note 10*	**–1**	–88
Income before taxes [1]	**2,365**	2,181

[1] Taxes are the responsibility of the SAS Consortium's parent companies.

SAS Consortium Balance Sheet (Note 1)

MSEK

ASSETS	1995	1994
Current assets		
Liquid funds – *Note 12*	**9,820**	10,408
Accounts receivable, subsidiaries	**780**	604
Accounts receivable	**1,469**	1,656
Prepaid expenses and accrued income	**555**	416
Other accounts receivable	**454**	566
Expendable spare parts and inventories – *Note 13*	**349**	336
Advances to suppliers	**3**	1
Total current assets	**13,430**	13,987
Fixed assets		
Shares and participations in subsidiaries – *Note 15*	**1,351**	1,131
Other shares and participations – *Note 15*	**556**	497
Long-term accounts receivable, subsidiaries and affiliated companies – *Note 17*	**1,313**	1,904
Other long-term accounts receivable	**112**	86
Intangible assets – *Note 18*	**32**	42
Long-term advances to suppliers – *Note 19*	**737**	467
Fixed assets: – *Note 20*		
New investments	**106**	120
Aircraft	**10,052**	11,176
Spare engines and spare parts	**614**	581
Maintenance and aircraft servicing equipment	**60**	59
Other equipment and vehicles	**314**	274
Buildings and improvements	**1,664**	1,618
Land and land improvements	**85**	86
Total fixed assets	**16,996**	18,041
TOTAL ASSETS	**30,426**	32,028
Assets pledged, etc. – *Note 28*	**34**	43

MSEK

LIABILITIES AND EQUITY	1995	1994
Current liabilities		
Accounts payable, subsidiaries	**687**	436
Accounts payable, suppliers	**1,074**	739
Accrued expenses and prepaid income	**2,738**	2,968
Unearned transportation revenue, net – *Note 21*	**1,573**	1,340
Current portion of long-term debt	**1,862**	1,707
Proposed dividend to parent companies	**1,150**	560
Other current liabilities	**1,050**	1,579
Total current liabilities	**10,134**	9,329
Long-term debt		
Bond issues – *Note 22*	**3,441**	5,587
Other loans – *Note 23*	**4,374**	6,031
Other long-term debt – *Note 24*	**1,771**	1,574
Total long-term debt	**9,586**	13,192
Subordinated debenture loan – *Note 25*	**838**	823
Equity – *Note 27*		
Capital account		
DDL	**2,819**	2,481
DNL	**2,819**	2,481
ABA	**4,230**	3,722
Total equity	**9,868**	8,684
TOTAL LIABILITIES AND EQUITY	**30,426**	32,028
Contingent liabilities – *Note 29*	**1,124**	1,313

Statement of Changes in Financial Position

MSEK	SAS Group 1995	SAS Group 1994	SAS Consortium 1995	SAS Consortium 1994
THE YEAR'S OPERATIONS				
Income before taxes	**2,632**	1,505	**2,365**	2,181
Depreciation	**1,840**	2,000	**1,311**	1,343
Revaluations, write-downs, etc.	**26**	38	**22**	–
Gain on the sale of fixed assets	**–95**	–975	**–60**	–1,252
Other, net	**–88**	64	**–**	–
Funds provided by the year's operations	**4,315**	2,632	**3,638**	2,272
Change in:				
Expendable spare parts and inventories	**19**	0	**14**	3
Current receivables	**228**	–112	**157**	209
Current liabilities	**319**	–182	**387**	–127
Change in working capital	**566**	–294	**558**	85
Net financing from the year's operations	**4,881**	2,338	**4,196**	2,357
INVESTMENTS				
Aircraft	**–199**	–325	**–199**	–219
Spare parts	**–30**	–45	**–102**	–45
Buildings, improvements and other equipment	**–579**	–754	**–361**	–412
Shares and participations, goodwill, etc.	**–291**	–153	**–283**	–195
Advance payments for flight equipment, net	**–300**	–114	**–290**	–140
Total investments	**–1,399**	–1,391	**–1,235**	–1,011
Sale of fixed assets	**565**	5,217	**454**	4,802
Translation differences, etc.	**54**	88	**–**	–
Net investments	**–780**	3,914	**–781**	3,791
Payments to parent companies	**–591**	–	**–591**	–
Financing surplus	**3,510**	6,252	**2,824**	6,148
EXTERNAL FINANCING				
Amortization and early redemption, incl. foreign exchange differences	**–4,481**	–5,238	**–3,803**	–5,083
Other financial receivables/liabilities, net	**325**	1,422	**391**	916
Change in minority interest	**–1**	–56	**–**	–
External financing, net	**–4,157**	–3,872	**–3,412**	–4,167
Change in liquid funds (cash, bank balances and short-term investments)	**–647**	2,380	**–**	–
Liquid funds in sold companies	**–**	–973	**–**	–
CHANGE IN LIQUID FUNDS				
according to Balance Sheet	**–647**	1,407	**–588**	1,981
Liquid funds at beginning of the year	**10,725**	9,318	**10,408**	8,427
Liquid funds at year-end	**10,078**	10,725	**9,820**	10,408

Notes to the Financial Statements

ACCOUNTING AND VALUATION PRINCIPLES

General

Changed accounting principles, see Note 1.

The SAS Group's financial statements are prepared in accordance with the recommendations of the International Accounting Standards Committee (IASC).

The same accounting principles are applied by the SAS Consortium with the exception that shares in affiliated companies, which are reported according to the equity method by the SAS Group, are reported according to the purchase method by the SAS Consortium. The SAS Consortium also reports shares in subsidiaries according to the purchase method.

Consolidated Financial Statements

Definition of Consolidated and Affiliated Companies:

The consolidated financial statements of the SAS Group include the SAS Consortium, its wholly owned subsidiaries and those partly owned companies in which the SAS Consortium has a controlling interest, as well as the SAS Commuter Consortium. Certain wholly owned subsidiaries which are closely connected with the business of the SAS Consortium are directly included in the accounts of the SAS Consortium. For further information see Note 15, the specification of shares and participations.

Income and expenses of companies acquired or sold during the fiscal year are included in the SAS Group's Statement of Income for the period in which they belonged to the SAS Group.

Holdings in major affiliated companies in which the SAS Group's ownership is at least 20% and not more than 50%, are reported according to the equity method.

Principles of Consolidation

The consolidated financial statements are prepared according to the purchase method, whereby subsidiaries' assets and liabilities are reported at market value according to the acquisition analysis. If the acquisition value of shares in a subsidiary exceeds the estimated market 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 was earned after the date of acquisition.

The book value of shares in major affiliated companies is reported in accordance with the equity method. This means that the SAS Group's share of the affiliated companies' equity amounts to the share of equity taking into account deferred taxes according to the tax rates in the countries concerned and any residual values of surpluses/deficits.

The SAS Group's share of affiliated companies' income after taxes, adjusted for any depreciation/dissolution of acquired surplus/deficit values, is reported in the SAS Group's Statement of income.

Translation of Foreign Subsidiaries' Financial Statements

The financial statements of foreign subsidiaries are translated into Swedish kronor using the current-rate method. All subsidiaries' assets and liabilities are thus converted to Swedish kronor at year-end rates of exchange, while all income statement items are translated at the average annual rate of exchange. Translations differences are transferred directly to the SAS Group's equity.

Receivables and Liabilities in Foreign Currencies and Financial Instruments

Current and long-term receivables and liabilities in currencies other than Swedish kronor (SEK) are stated in the balance sheet translated at year-end rates of exchange. Realized and unrealized exchange gains and losses on receivables and liabilities are reported above income. (See also Note 7.)

SAS uses various financial instruments to control the company's total currency and interest exposure. The use of these instruments must be seen in relation to the above-named receivables and liabilities. The following accounting and valuation principles are used:

FORWARD EXCHANGE CONTRACTS: Financial forward exchange contracts are valued at market rates at year-end. Unrealized exchange gains and losses are reported above income. The difference between the forward rate and the current market rate on the date of the contract (forward premium) is an interest rate difference, which is reported under net interest income. This is accrued over the term of the contract.

CURRENCY SWAP CONTRACTS: Foreign currency swap contracts are valued at market exchange rates at year-end. Unrealized exchange gains or losses are reported above income. The net income effect of interest income and interest expense connected to a currency swap contract is accrued over the term of the contract and included in income.

CURRENCY OPTIONS: Financial currency options are valued at market value at year-end. Unrealized exchange gains or losses are reported above income. Option premiums are capitalized and accrued over the term of the option.

INTEREST RATE SWAP CONTRACTS: Interest rate swap contracts' net income effect on interest income and interest expense is taken to income as accrued. For further information, see Note 26 – Financial Instruments.

Exchange rates to SEK for some principal currencies:

			Year-end rate		Average rate	
Currency			**1995**	1994	**1995**	1994
Denmark	DKK	100	**120.00**	122.50	**127.39**	121.42
Norway	NOK	100	**105.20**	110.30	**112.64**	109.37
USA	USD		**6.67**	7.46	**7.13**	7.72
U.K.	GBP		**10.33**	11.65	**11.26**	11.81
Switzerland	CHF	100	**579.60**	568.75	**604.02**	564.80
Germany	DEM	100	**464.45**	481.65	**498.28**	475.91
Japan	JPY	100	**6.48**	7.49	**7.63**	7.55
European Currency Unit	XEU		**8.54**	9.15	**9.23**	9.13

Expendable Spare Parts and Inventory

Expendable spare parts and inventory are stated at the lower of cost or market value. Appropriate deduction for obsolescence has been made.

Fixed Assets and Depreciation

Fixed assets are booked at cost less accumulated depreciation. Depreciation is booked according to plan based on the assets' estimated economic lives.

A straight-line depreciation method over 15 years with 10% residual value applies to aircraft.

Interest expenses on advance payments for aircraft not yet delivered, are capitalized. If it is decided to postpone delivery of aircraft for which advance payments have been made, capitalization of interest expenses ceases. Once the aircraft in question goes into operation, depreciation is begun on the capitalized interest, in accordance with the main principle for aircraft.

Maintenance and aircraft servicing equipment and other equipment and vehicles are depreciated over a period of 5 years. The annual depreciation of buildings varies between 2% and 20%.

Goodwill and other intangible assets are depreciated over their estimated economic lives, whereby long-term investments of strategic importance for SAS's operations are depreciated for up to 10 years, and other investments over a 5-year period.

Major modifications and improvements of fixed assets which increase their value are capitalized and depreciated over their estimated economic lives.

Improvements to the Group's owned and leased premises are, in principle, depreciated over their estimated useful lives, but not to exceed the leasing period for leased premises.

Pension Commitments

SAS's pension commitments are mainly secured through various pension plans. These vary considerably due to different legislation and occupational pension agreements in individual countries.

For pension plans where SAS has accepted responsibility for premium-based solutions, the obligation to employees ceases once the agreed premiums have been paid. This also applies to benefit-based central collective pension plans in Sweden.

For other pension plans where benefit-based pensions have been agreed, obligation does not cease until the agreed pension has been paid. SAS calculates pension commitments for benefit-based pension plans according to FASB87. Calculations are made of both the Accumulated Benefit Obligation (ABO) and the Projected Benefit Obligation (PBO). Under ABO commitments are based on current salary, while under PBO commitments are calculated based on estimated final salary. An estimate of funds invested is made at the same time. PBO forms the basis of accounting for these commitments.

Traffic Revenue

Ticket sales are reported as traffic revenue only upon completion of the air travel in question.

The value of tickets sold but not yet used is reported as unearned transportation revenue. This item is reduced either when SAS or another airline completes the transportation or after the ticket holder has requested a refund.

A portion of unearned transportation revenue covers tickets sold which are expected to remain unused. A reserve against the unearned transportation revenue liability is assessed annually. This reserve is reported as revenue the following year.

Maintenance Costs

Routine aircraft maintenance and repairs are charged to income as incurred.

Accrual accounting is carried out for future costs for heavy maintenance of aircraft of the MD-80 type. This maintenance is carried out on average every tenth year and the annual allocation per aircraft is 1.5 MSEK. Allocations for future engine maintenance are made for Boeing 767s and allocations for future maintenance costs are made for Fokker F-50s (belonging to the SAS Commuter Consortium).

SAS Consortium

The SAS Group's accounts are prepared in accordance with the IASC's recommendations. Out of regard for local regulations concerning accounting and taxation in Sweden and Norway, the principles applied by the SAS Consortium deviate primarily in that shares in subsidiaries and affiliated companies are reported at cost, and dividends are transferred to income.

Definitions of Terms Used in This Annual Report

AVAILABLE SEAT KILOMETERS (ASK). The total number of seats available for the transportation of revenue passengers multiplied by the number of kilometers which those seats are flown.

AVAILABLE TON-KILOMETERS (ATK). The total number of metric tons available for the transportation of passengers, freight and mail multiplied by the number of kilometers which this capacity is flown.

BREAKEVEN LOAD FACTOR. The load factor at which operating revenues will cover operating costs.

DEBT/EQUITY RATIO. Interest-bearing liabilities minus interest-bearing assets in relation to equity.

EQUITY/ASSETS RATIO. Equity plus deferred taxes and minority interests in relation to total assets.

GROSS PROFIT MARGIN. Operating income before depreciation, etc., in relation to operating revenue.

INTEREST COVERAGE RATIO. Income after depreciation etc., plus financial income in relation to financial expense.

NET DEBT. Interest-bearing debts minus interest-bearing assets.

NET FINANCING FROM OPERATIONS. Funds provided internally including change in working capital.

NET PROFIT MARGIN. Income after financial items in relation to operating revenue.

OVERALL LOAD FACTOR. The percentage of total capacity available for passengers, freight and mail which is actually sold and utilized. Total RTK divided by ATK.

PASSENGER CABIN FACTOR. The percentage of seating capacity which is actually sold and utilized. RPK divided by ASK.

REGULARITY. The percentage of flights completed to flights scheduled, excluding flights cancelled for commercial reasons.

RETURN ON CAPITAL EMPLOYED. Income after depreciation, etc. plus financial income in relation to average capital employed. Capital employed equals total assets less noninterest-bearing liabilities.

RETURN ON EQUITY. Income after tax in relation to average equity. Tax on the earnings of the SAS Consortium and the SAS Commuter Consortium is thus calculated with a standard tax rate of 29.7% (weighted average tax rate for Denmark, Norway and Sweden).

REVENUE PASSENGER KILOMETERS (RPK). The number of revenue passengers multiplied by the kilometers they are flown.

REVENUE TON-KILOMETERS (RTK). Total revenue traffic transported multiplied by the number of kilometers this traffic is flown.

UNIT COST. The average operating cost incurred per available ton kilometer (ATK).

YIELD. The average amount of revenue received per revenue ton kilometer (RTK).

Notes

All amounts in MSEK unless otherwise stated.

Note 1 – Changed Accounting Principles

SAS Group and SAS Consortium

With effect from 1995, proposed dividends to the SAS parent companies are booked as a liability. The 1994 accounts have been adjusted accordingly.

Note 2 – Operating Revenue

		1995	1994
Traffic revenues:	Passengers	**25,647**	23,798
	Freight	**1,378**	1,406
	Mail	**259**	252
	Other	**670**	664
Other operating revenue		**4,605**	4,883
SAS Consortium operating revenue		**32,559**	31,003
Subsidiaries' operating revenue		**3,051**	6,961
Group eliminations		**–207**	–1,078
SAS Group operating revenue		**35,403**	36,886

SAS's traffic revenues are reported after deducting discounts, which amounted to 2,081 (1,910).

Note 3 – Operating Expenses

SAS Group	1995	1994
Personnel/payroll costs	**10,042**	11,065
Restructuring costs	**84**	1,005
Aviation fuel	**1,752**	1,819
Government-user fees	**3,967**	3,715
Other operating expenses	**14,771**	15,878
Total	**30,616**	33,482

SAS Consortium	1995	1994
Personnel/payroll costs	**8,453**	8,329
Restructuring costs	**84**	933
Aviation fuel	**1,756**	1,823
Government-user fees	**3,965**	3,714
Other operating expenses	**14,474**	13,948
Total	**28,732**	28,747

The Consortium's other operating expenses comprise commissions, purchased services, supplies, etc.

Note 4 – Depreciation

SAS Group	1995	1994
Goodwill and intangible assets	**29**	36
Aircraft	**1,215**	1,241
Spare engines and spare parts	**64**	92
Maintenance and aircraft servicing equipment	**33**	55
Other equipment and vehicles	**354**	400
Buildings and improvements	**144**	175
Land improvements	**1**	1
Total	**1,840**	2,000

SAS Consortium	1995	1994
Goodwill and intangible assets	**10**	10
Aircraft	**989**	995
Spare engines and spare parts	**58**	82
Maintenance and aircraft servicing equipment	**33**	55
Other equipment and vehicles	**137**	125
Buildings and improvements	**83**	75
Land improvements	**1**	1
Total	**1,311**	1,343

Note 5 – Shares of Income in Affiliated Companies

SAS Group	1995	1994
Airlines of Britain Holdings PLC (ABH)[1]	**2**	–56
Spanair S.A.	**8**	–20
Grønlandsfly A/S	**7**	–1
Polygon Insurance Company Ltd	**21**	10
Københavns Lufthavns Forretningscenter K/S	**25**	49
SAS Casinos Denmark A/S /Casino Copenhagen K/S	**10**	4
Others	**–1**	1
Total	**72**	–13

[1] Share of income includes write-down of goodwill totaling 29 (25) and adjustment to 1994 income of 22 (–20).

SAS's share of income in affiliated companies is based on the companies' unaudited results.

Note 6 – Dividends

SAS Consortium	**1995**	1994
Dividends from:		
SAS Trading Holding A/S	**48**	–
SAS Media Partner AB	**5**	–
SAS Service Partner A/S	**–**	579
Diners Club Nordic AS	**–**	52
Dividends from subsidiaries	**53**	631
Dividends from other companies	**2**	1
Total dividends	**55**	632

Note 7 – Financial Items

SAS Group	**1995**	1994
Interest income	**1,002**	904
Interest expenses	**–1,287**	–1,623
Interest, net	**–285**	–719
Other	**–17**	–42
Foreign exchange differences, net	**–151**	93
Total financial items, net	**–453**	–668

SAS Consortium	**1995**	1994
Interest from subsidiaries	**242**	345
Other interest income	**1,003**	793
Total interest income	**1,245**	1,138
Interest paid to subsidiaries	**–114**	–241
Other interest expenses	**–1,178**	–1,331
Total interest expenses	**–1,292**	–1,572
Interest, net	**–47**	–434
Other	**–10**	–43
Foreign exchange differences, net	**–204**	–19
Total financial items, net	**–261**	–496

Note 8 – Gain on the Sale of Flight Equipment

SAS Group	**1995**	1994
SAS – sale of one Boeing 767	**52**	–
SAS – sale of one SAAB 340	**29**	–
SAS – sale of one DC9-41	**–**	12
SAS – sale of five DC9-21s	**–**	1
SAS – selling expenses Boeing 767 (1993)	**–**	–1
Total	**81**	12

SAS Consortium	**1995**	1994
SAS – sale of one Boeing 767	**52**	–
SAS – sale of one SAAB 340	**–7**	–
SAS – sale of one DC9-41	**–**	12
SAS – sale of five DC9-21s	**–**	1
SAS – selling expenses Boeing 767 (1993)	**–**	–1
Total	**45**	12

Note 9 – Gain of the Sale of Shares, etc.

SAS Group	**1995**	1994
Radisson SAS Hotel Hamburg	**–20**	–
Radisson SAS Hotel Brussels	**–6**	91
Shares in SAS Leisure AB	**–**	363
Shares in SAS Service Partner A/S	**–**	256
Shares in Diners Club Nordic AS	**–**	147
Shares in Inversiones SAS Chile Limitada	**–**	29
Nord Norsk Hotelldrift AS	**–**	30
Reversal of reserve for guarantee commitments	**4**	–
Other properties	**2**	–
Other shares	**5**	7
Total	**–15**	923

SAS Consortium	**1995**	1994
Shares in SAS Leisure AB	**–**	543
Shares in SAS Service Partner A/S	**–**	445
Shares in Diners Club Nordic AS	**–**	210
Reversal of reserve for guarantee commitments	**4**	–
Other properties	**3**	–
Other shares	**4**	10
Total	**11**	1,208

Note 10 – Unusual Items

SAS Consortium	**1995**	1994
Shareholders' contribution to subsidiaries	**–1**	–
Reversal of write-down of receivables in subsidiaries	**–**	24
Provision to cover loss in Swedair AB	**–**	–112
Total	**–1**	–88

Note 11 – Subsidiaries' Taxes

SAS Group	**1995**	1994
Taxes payable by subsidiaries	**–54**	–118
Minority share in subsidiaries' taxes	**1**	22
Allocation(–)/reversal(+) of deferred tax attributable to untaxed reserves	**–31**	9
Minority share of reversed deferred tax	**–**	–7
Total	**–84**	–94

The SAS Group's statement of income and balance sheet only include taxes payable by subsidiaries and affiliated companies, since the tax liability in Denmark, Norway and Sweden related to the activities of the Consortia lies with their parent companies.

Taxes during the period are calculated as paid taxes plus estimated tax on fiscal allocations made during the period. Allocations to reserves in previous periods are divided between deferred taxes and equity.

Note 12 – Liquid Funds

SAS Group	**1995**	1994
Cash and bank accounts	**648**	1,038
Short-term investments	**9,430**	9,687
Total liquid funds	**10,078**	10,725

SAS Consortium	**1995**	1994
Cash and bank accounts	**450**	814
Short-term investments	**9,370**	9,594
Total liquid funds	**9,820**	10,408

The balance of liquid funds in the SAS Consortium includes 82 (74) in a restricted tax deduction account in Norway.

On December 31, 1995, short-term investments comprised primarily special bank deposits and investment in government securities and bonds. The bond holding is reported at the lower of cost or market value.

Uncompleted interest arbitrage transactions are reported net and amounted to 67 (373) on December 31, 1995. No assets have been pledged.

Note 13 – Expendable Spare Parts and Inventories

SAS Group	**1995**	1994
Expendable spare parts, flight equipment	**248**	188
Expendable spare parts, other	**65**	121
Inventories	**174**	171
Total	**487**	480

SAS Consortium	**1995**	1994
Expendable spare parts, flight equipment	**242**	176
Expendable spare parts, other	**65**	121
Inventories	**42**	39
Total	**349**	336

Note 14 – Restricted Accounts

SAS Group	**1995**	1994
Investment reserves	**10**	12
Other	**–**	5
Total	**10**	17

Note 15 – Shares and Participations

	Number of shares	%		Par value in 000s	Book value MSEK
SAS Consortium					
Subsidiaries					
SAS International Hotels AS, Oslo	7,000,000	100	NOK	700,000	775.0
Linjeflyg AB, Stockholm	2,000,000	100	SEK	200,000	341.4
SAS Flight Academy Holding AB, Stockholm	20,000	100	SEK	2,000	100.0
Scandinavian Airlines Data Holding A/S, Copenhagen	25,000	100	DKK	25,000	44.6
Linjeflyg Leasing HB, Stockholm		79	SEK		28.0
Scandinavian Multi Access Systems AB, Stockholm	190,000	95	SEK	19,000	19.5
SAS Media Partner AB, Stockholm	5,000	100	SEK	500	12.3
SAS Ejendom A/S, Copenhagen	20,000	100	DKK	20,000	11.0
SAS Capital B.V., Rotterdam	501	100	NLG	2,500	7.7
Jetpak AB, Stockholm	50,000	100	SEK	5,000	7.5
Danair A/S, Copenhagen	1,710	57	DKK	1,710	1.2
SAS Trading Holding A/S, Copenhagen	300	100	DKK	300	0.9
SAS Cargo Center A/S, Copenhagen	500	100	DKK	500	0.4
SAS Flight Support AB, Stockholm	5,000	100	SEK	500	0.5
SAS Oil Denmark A/S, Copenhagen	500	100	DKK	500	0.5
Others					0.9
Total shares and participations in subsidiaries					**1,351.4**

The wholly owned subsidiaries Scandinavian Airlines System of North America Inc., and SAS France S.A., with a combined book value of 1.4, are directly included in the accounts of the SAS Consortium.

Note 15, continued

	Number of shares	%		Par value in 000s	Book value MSEK
Affiliated companies					
Airlines of Britain Holdings PLC (ABH), Derby	26,035,317	40.0	GBP	6,509	337.8
Polygon Insurance Company Ltd, Guernsey	15,407,316	30.81	GBP	15,407	86.2
Spanair S.A., Mallorca	1,519,000	49	ESP	1,519,000	88.1
Grønlandsfly A/S, Nuuk	286	37.5	DKK	9,000	22.6
Copenhagen Excursions A/S, Copenhagen	106	25	DKK	300	1.2
Aviation Holdings PLC	29,411,600	26.78	USD	2,941	0.0
Others					0.8
Total affiliated companies					536.7
Other companies					
Air Baltic Corporation SIA, Riga	19,300	16.5	USD	1,930	14.1
SITA Telecommunications Holding N.V.	66,272	1.3	NLG	7	2.1
Dar-es-Salaam Airport Handling Co Ltd, Dar-es-Salaam	27,000	15	TZS	2,700	1.4
Amadeus Marketing S.A., Madrid	17,800	7.9	ESP	178,000	1.0
Airline Tariff Publishing Company, Washington D.C.	17,737	4.2	USD	18	0.4
Others					0.4
Total other companies					19.4
Total other shares and participations					**556.1**

SAS Group					
Shares and participations					
Copenhagen International Hotels K/S, Copenhagen	1,343	11.3	DKK	134	54.0
Oslo Plaza, Oslo	3,100	10	NOK	3,100	7.4
Others					2.5
SAS Consortium's holdings in other companies					19.4
Total shares and participations					**83.3**

					Book value in SAS Group
Affiliated companies owned by other Group companies					
SAS Casinos Denmark A/S/Casino Copenhagen K/S	500	50	DKK	1,000	16.9
Airnet I/S	–	50	DKK	4,000	9.1
Förvaltningsaktiebolaget Terminalen AB	375	50	SEK	38	3.5
European Aviation College S.A.	34,300	49	ESP	34,300	1.8
SAS Grand Hotel Beijing J.V. Co Ltd	–	50	USD	4,500	0

Affiliated companies owned by other Group companies are not included in the SAS Group's book value of shares and participations. These are reported together with the Consortium's affiliated companies as equity in affiliated companies, see Note 16.

Note 16 – Equity in Affiliated Companies

SAS Group	**1995**	1994
Airlines of Britain Holdings PLC (ABH)	**349**	382
Polygon Insurance Company Ltd	**142**	139
Grønlandsfly A/S	**64**	59
Spanair S.A.	**80**	30
SAS Casinos Denmark A/S /Casino Copenhagen K/S	**17**	14
Københavns Lufthavns Forretningscenter K/S	**0**	5
Others	**14**	19
Shareholding reserve	**–80**	–80
Total	**586**	568

Equity in affiliated companies includes acquired surplus value in ABH, amounting to 154 (204).

Note 17 – Long-Term Accounts Receivable, Subsidiaries and Affiliated Companies

SAS Consortium	**1995**	1994
Linjeflyg Leasing HB	**909**	1,098
Konsortiet SAS Commuter	**178**	355
SAS Flight Academy AB	**100**	150
Scandinavian Airlines Data Denmark A/S	**–**	147
SAS International Hotels AS	**5**	100
SAS Oil Denmark A/S	**21**	24
Scandinavian Multi Access Systems AB	**50**	15
Scandinavian Airlines Data Sweden AB	**50**	10
SAS Mailorder (Brands A/S)	**–**	1
Others	**–**	4
Total	**1,313**	1,904

Note 18 – Goodwill and Other Intangible Assets

SAS Group	**1995**	1994
Consolidated goodwill	**3**	2
Development costs	**–**	5
Other intangible assets	**32**	42
Total	**35**	49

SAS Consortium	**1995**	1994
Other intangible assets	**32**	42
Total	**32**	42

Other intangible assets include the net book values of the non-recurring payment made for SAS's access to and user-rights for the terminal at Newark Airport outside New York, amounting to 32 (42).

Note 19 – Long-Term Advances to Suppliers

SAS Consortium	**1995**	1994
Boeing (B-767)	**62**	29
McDonnell Douglas (MD-90)	**651**	433
Other (engine equipment)	**24**	5
Total	**737**	467

In addition, long-term advances to subsidiaries of 44 (41) are included in the SAS Group.

Note 20 – Fixed Assets

	Acquisition value		Accumulated depreciation		Book value	
SAS Group	**1995**	1994	**1995**	1994	**1995**	1994
New investments	**112**	128	**–**	–	**112**	128
Aircraft[1]	**17,648**	17,913	**5,478**	4,409	**12,170**	13,504[2]
Spare engines and spare parts	**953**	1,030	**301**	332	**652**	698
Maintenance and aircraft servicing equipment	**518**	493	**458**	434	**60**	59
Other equipment and vehicles	**4,052**	4,067	**2,907**	2,926	**1,145**	1,141
Buildings and improvements	**4,533**	4,598	**1,216**	1,153	**3,317**	3,445
Land and land improvements	**162**	166	**6**	6	**156**	160
Total	**27,978**	28,395	**10,366**	9,260	**17,612**	19,135

[1] The insured value of aircraft in the SAS Group as per December 31, 1995, amounted to 20,753. This includes the insured value of leased-in aircraft in the amount of 4,356.

[2] Estimated market value in Swedish kronor exceeded the book value by 1,200 on the closing date, December 31, 1995.

Note 20, continued

	Acquisition value		Accumulated depreciation		Book value	
SAS Consortium	**1995**	1994	**1995**	1994	**1995**	1994
New investments	**106**	120	**–**	–	**106**	120
Aircraft	**14,385**	14,598	**4,333**	3,422	**10,052**	11,176
Spare engines and spare parts	**900**	896	**286**	315	**614**	581
Maintenance and aircraft servicing equipment	**518**	493	**458**	434	**60**	59
Other equipment and vehicles	**1,159**	1,184	**845**	910	**314**	274
Buildings and improvements	**2,197**	2,084	**533**	466	**1,664**	1,618
Land and land improvements	**92**	92	**7**	6	**85**	86
Total	**19,357**	19,467	**6,462**	5,553	**12,895**	13,914

Changes in the book value of aircraft in the SAS Consortium were as follows:

Acquisition value:	
December 31, 1994	14,598
Investments	199
Sales 1995	–412
	14,385
Accumulated depreciation:	
December 31, 1994	3,422
Depreciation 1995	989
Reversal of depreciation upon sale	–78
	4,333
Book value:	
December 31, 1995	10,052

Of previous years' aircraft acquisitions, 30 Douglas MD-80s and 5 Boeing 767s were acquired, formally through finance leasing contracts, with 10–17 year terms.

On behalf of the SAS Consortium, a number of banks have agreed to pay all accruing leasing fees and an agreed residual value for 15 of the Douglas MD-80s at the expiry of each leasing period. The Consortium has irrevocably reimbursed the banks for these payments. The total nominal value of the banks' payment commitment on behalf of the Consortium amounted to 1,911 (2,238) on December 31, 1995.

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 financial risk SAS has regarding the value of the aircraft) are such the agreements, from SAS's point of view, are comparable to a purchase.

The 35 (35) aircraft are reported at 4,738 (5,174) in the balance sheet.

The SAS Consortium's aircraft fleet can be specified as follows:

	1995	1994
Owned	**5,314**	6,002
Formally leased (paid)	**1,442**	1,595
Other leased	**3,296**	3,579
Book value	**10,052**	11,176

In addition are the following aircraft in the SAS Group:

	1995	1994
Owned	**1,767**	1,877
Formally leased (paid)	**42**	54
Other leased	**309**	397
Book value	**2,118**	2,328

Note 21 – Unearned Transportation Revenue, Net

Unearned transportation revenue consists of sold unutilized tickets, see Accounting Principles, page 20.

The estimated reserve for unearned transportation revenue on December 31, 1995, amounted to 443 (422) in both the SAS Group and the SAS Consortium.

Note 22 – Bond Issues

The SAS Consortium's bond issues totaled 4,578 (6,897). Specification of individual issues:

Issued amount		Interest rate %	Term	Outstanding debt in MSEK
50 M	U.S. dollars	10.650	88/08	334
700 M	French francs	9.250	89/99	487
200 M	U.S. dollars	10.000	89/99	691
200 M	U.S. dollars	9.125	89/99	894
100 M	Swiss francs	5.000	89/01(96)	489
500 M	Danish kroner	9.000	90/00	130
200 M	Swedish kronor	14.000	90/00	181
10 000 M	Japanese yen	6.921	90/97	409
10 000 M	Japanese yen	6.100	91/01	315
10 000 M	Japanese yen (FRN)	variable	91/96	648
Total				4,578
Less repayments 1996				–1,137
Total				**3,441**
In addition, in the SAS Group:				
15 M	Danish kroner	11.000	87/98	18
Total				**3,459**

The majority of the above issues have been switched to other currencies and other fixed interest periods through currency and interest rate swap agreements and forward exchange contracts. The currency exposure of the debt has thus been changed so that the debt primarily comprises exposure in European currencies, see Note 26.

SAS's own bonds totaling 702 (1,309) were repurchased and are netted under this balance sheet item.

Note 23 – Other Loans

SAS Group	**1995**	1994
Finance leases	**4,731**	5,565
Other loans	**1,514**	2,457
Total prior to amortization	**6,245**	8,022
Less amortization 1996 and 1995, respectively	**–809**	–508
Other loans according to the balance sheet	**5,436**	7,514

SAS Consortium	**1995**	1994
Finance leases	**4,330**	5,039
Other loans	**750**	1,366
Total prior to amortization	**5,080**	6,405
Less amortization 1996 and 1995, respectively	**–706**	–374
Other loans according to the balance sheet	**4,374**	6,031

Currency exposure, see Note 26.

Loans for the Consortium fall due for payment as follows:

1996	706
1997	292
1998	386
1999 and thereafter	3,696
Total	**5,080**

Note 24 – Other Long-Term Debt

SAS Group	1995	1994
PRI	**18**	17
Pension provisions	**603**	472
Other obligations to employees	**225**	344
Deferred taxes	**161**	133
Other liabilities	**992**	933
Total	**1,999**	1,899

SAS Consortium	1995	1994
Pension provisions	**588**	467
Other obligations to employees	**225**	344
Other liabilities	**958**	763
Total	**1,771**	1,574

SAS reports pension provisions according to PBO (Projected Benefit Obligation). The differences which arose on transfer to this accounting principle are called "Implementation differences." When calculating SAS's pension commitments the following long-term economic assumptions have been adopted as applying to the entire SAS Group, and thus representing an average:

Discount rate	7.0%
Long-term return	8.0%
Inflation	3.0%
Future salary adjustments	3.0%
Future adjustments of pensions in payment	3.0%

In the financial statements, commitments in the SAS Consortium are included in the manner set out in the table below. Implementation differences and deviations from estimates are accrued over the average remaining period of service for employees. The item "Non-amortized deviations from estimates" contains actuarial calculation differences. The item "Non-amortized changes in plans" contains changes resulting from changes to pension plans.

Changes in opening balances regarding the value of PBO have been made, which have not affected non-amortized implementation differences and deviations from estimates.

Denmark:
Most pension plans in Denmark are defined-benefit. Most of the pension plans are secured through insurance companies or own pension funds.

Norway:
Pension plans in Norway are defined-benefit. Most pension plans are secured through insurance companies.

Sweden:
The major defined-benefit pension schemes are secured in insurance companies through central collective pension plans. Pension plans are considerably over-financed (collective reserve). SAS has no direct access to this reserve, but will benefit through future premium reductions. It has been decided to repay part of this reserve to the insurance company's customers in the form of reduced premiums. The principles for such repayment mean that the companies which have contributed most to the surplus will receive the largest premium reductions. The table below only includes insurance arrangements which are not secured through central collective pension plans.

Normal retirement age for SAS flight personnel is 60. According to agreements with SAS pilots in Denmark, Norway and Sweden and with cabin staff 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. Cabin staff employed in Sweden are insured with 65 as retirement age, once they reach the age of 50, retirement age is reduced to 60. The probable current value of these commitments is reported in SAS's total pension commitments as specified above.

Other obligations to employees include long-term commitments made by SAS in connection with the action program.

Deferred taxes are attributable to subsidiaries' untaxed reserves and are calculated in accordance with the full-tax method (estimated tax on year-end provisions).

MSEK	Denmark	Norway	Sweden	Outside Scandinavia	1995 Total	1994 Total
Pensions earned during the year	655	331	76	44	1,105	1,112
The year's return on invested funds	–447	–189	–5	–41	–681	–704
The year's amortization of implementation differences, deviations from estimates and changes in plans	43	26	23	4	96	91
Pension cost for the year, net	251	168	94	8	521[1]	499[1]
PBO	6,736	3,326	739	566	11,366[2]	10,547
Invested funds	–5,818	–2,452	–55	–537	–8,862[2]	–8,235
Difference between PBO and invested funds	918	874	683	29	2,504	2,312
Non-amortized implementation differences	–777	–262	–327	–51	–1,416	–1,358
Non-amortized deviations from estimates	–51	–374	–15	–23	–416	–394
Non-amortized changes in plans	0	–85	0	0	–85	–93
Booked pension commitments as per December 31	90	154	342	2	588	467

[1] A further 195 (203) in premiums was paid to insurance companies in Sweden in respect of central collective pension plans.

[2] The increase is mainly attributable to the inclusion in 1995 of an amount pertaining to operations outside Scandinavia.

Note 25 – Subordinated Debenture Loan

A perpetual 200 million Swiss franc subordinated debenture loan was issued in the 1985/86 fiscal year. There is no set maturity date for this loan. The SAS Consortium has an exclusive right to terminate the loan once every five years. The interest rate is fixed for periods of 10 years and is currently 5 3/4%. In previous years, SAS repurchased bonds for a nominal 55.3 million Swiss francs, following which the loan amounts to 144.7 million Swiss francs.

Note 26 – Financial Instruments

As per December 31, 1995, the SAS Group had currency swap contracts for a nominal value corresponding to 2,900. Valuation at market exchange rates provides a net exchange gain of 368. Outstanding financial forward exchange contracts amount to a gross nominal value corresponding to 10,600. Market valuations provide a net gain of 29. All exchange gains/losses for the above valuations are taken into account in income.

Outstanding forward exchange contracts and options raised to hedge future commercial payment obligations amount to a nominal value of 2,800. The effect on income is reported on the due date of the contract concerned. A valuation at market exchange rates on December 31, 1995, shows a net gain of 16, which is not included in income.

Note 26, continued

Financial currency exposure takes into account exposure from all liquid fund investments, short-term and long-term borrowing, and the above-named financial instruments, with the exception of forward exchange contracts for future commercial payments. Currency exposure is subject to constant change.

As per December 31, 1995, the SAS Group's approximate financial currency exposure (net) on the net debt was as follows:

	Value in MSEK
Norwegian kroner	–500
French francs	–100
Belgian francs	–100
Finnish marks	–200
British pounds	–100
Japanese yen	–200
Other currencies	100
Swedish kronor or currencies without exposure	–1,400
Total net debt	**–2,500**

Note 27 – Equity

	Paid-in capital SAS Consortium	Paid-in capital SAS Commuter Consortium	Restricted reserves	Unrestricted reserves	Equity SAS Group
January 1, 1995	8,684	444	330	–103	9,355
Foreign exchange difference on dividend to parent companies	–31[1]				–31
Transfer between restricted and unrestricted reserves			118	–118	
Change in translation differences		2	–60	–76	–134
Income 1995	2,365	47		136	2,548
Proposed dividend for 1995	–1,150				–1,150
December 31, 1995	**9,868**	**493**	**388**	**–161**	**10,588**

[1]Exchange difference on dividend adopted in DKK and NOK.

The following specifications show the difference between equity and income in the SAS Consortium and the SAS Group, resulting from different accounting principles for subsidiaries and affiliated companies.

Equity	
Equity in the SAS Consortium	**9,868**
Difference between equity/ Consortium's book value of shares in subsidiaries	209
Difference between equity share/ acquisition value of affiliated companies owned directly by the Consortium	18
Equity in the SAS Commuter Consortium	493
Total equity in the SAS Group	**10,588**

Income	
Income before taxes in the SAS Consortium	**2,365**
Reversal of provisions for subsidiaries and dividends from subsidiaries, net	–50
Income in subsidiaries before taxes, net	239
Shares of income in affiliated companies owned directly by the Consortium	31
Income in the SAS Commuter Consortium	47
Income before taxes in the SAS Group	**2,632**
Subsidiaries' taxes	–84
Income before taxes attributable to the SAS Consortium	**2,548**

Note 28 – Assets Pledged, etc.

	SAS Group		SAS Consortium	
	1995	1994	**1995**	1994
Mortgages in real estate	**592**	839	**–**	–
Corporate mortgages	**15**	15	**–**	–
Receivables	**112**	309	**34**	43
Total	**719**	1,163	**34**	43

Note 29 – Contingent Liabilities

	SAS Group		SAS Consortium	
	1995	1994	**1995**	1994
Contingent liabilities for subsidiaries	**–**	–	**275**	–
Total contingent liabilities for subsidiaries	**–**	–	**275**	–
Contingent liabilities, other	**1,226**	1,363	**849**	1,313
Total	**1,226**	1,363	**1,124**	1,313

Note 29, continued

Contingent liabilities include a gross amount of 656 (811) attributable to swap transactions in foreign currencies for swapped loans the value of which on the closing date was lower than the value of the original loans. 97 (188) is also included attributable to the difference between accrued debt and income interest for swap transactions.

SAS International Hotels AS has issued a guarantee on behalf of Radisson SAS Palais Hotel, Vienna, for the performance of the leasing contract, as well as for rebuilding and renovation at the end of the contract period. A bank has provided a counter-guarantee which covers these commitments.

Under the management contract for Radisson SAS Plaza Hotel, Oslo, SAS International Hotels AS guarantees the owner a minimum annual cash flow. The total guarantee after January 1, 1996, amounts to 22.5 MNOK.

Under the management contracts for Radisson SAS Palais Hotel, Vienna, Radisson SAS Hotel, Hamburg, and Radisson SAS Hotel, Brussels, SAS International Hotels AS guarantees a minimum annual cash flow until the year 2006 and 2007 (Brussels), respectively.

Due to its size, the SAS Group is in addition to this involved in disputes, some of which will be a matter for litigation. In cases where a probable risk of loss is judged to exist, provisions are made on an ongoing basis.

Note 30 – Leasing Commitments

The business units in the SAS Group have the following leasing commitments. The amounts specified are total annual leasing costs for:

	1996	1997	1998	1999	2000	2001 and thereafter
Aircraft	764	573	532	183	84	–
Hotel properties	221	209	212	217	199	1,028
Other properties	271	261	228	210	207	798
Machinery and equipment	8	2	1	1	1	2
Total (MSEK)	**1,264**	**1,045**	**973**	**611**	**491**	**1,828**

Leasing contracts run for between one and thirty years and individual objects with an annual leasing cost in excess of 0.5 have been included.

The above table includes large items as specified below:
In conjunction with the sale and leaseback transaction for Boeing 767-300s, six aircraft are leased back on an operational lease according to a leasing contract which runs for 30–42 months and can be extended for one to two years. For 1996–1997, the annual cost is 334. The leasing cost for 1998 is 305 and 76 for 1999.

Linjeflyg Leasing HB leases 5 Fokker F-28s on an operational lease. The leasing cost for these in 1996, the final year of the contract, is 70.

SAS and Linjeflyg AB (SAS) on the one part and the Swedish Board of Civil Aviation (Luftfartsverket) on the other part, concluded an agreement in March 1988 on full compensation to Luftfartsverket in connection with the construction of Terminal 2 at Arlanda. The prerequisites for this agreement changed with the deregulation of domestic air transport on June 30, 1992. An agreement in principle between SAS and Luftfartsverket was reached on November 25, 1992, under which SAS will pay a fixed charge to Luftfartsverket during the period 1993–2000, in addition to a variable charge per passenger. The total leasing commitment for the period 1996–2000 amounts to 126. SAS claims that all Swedish domestic airlines should bear their share of Luftfartverket's capacity costs for Terminal 2 in a competitively neutral manner, i.e. that all airlines should pay the same cost per passenger. SAS has therefore demanded renegotiation of the agreement in principle, which is currently taking place. A provision has been made for the estimated share of future capacity costs which will be carried by SAS.

Auditors' Report

for Scandinavian Airlines System (SAS)
Denmark – Norway – Sweden

We have audited the Financial Statements of the SAS Group and the SAS Consortium for 1995. Our audit was performed according to generally accepted auditing standards.

The Financial Statements of the SAS Group and the SAS Consortium are based upon the accounting principles described in the section of the Annual Report entitled "Accounting and Valuation Principles."

In our opinion the Financial Statements present a true picture of the financial position of the SAS Group and the SAS Consortium on December 31, 1995, and the results of operations for the fiscal year then ended, in accordance with the principles described above.

Stockholm, March 6, 1996

Arne Brendstrup **Bernhard Lyngstad** **Roland Nilsson**

Ole Koefoed **Olav Revheim** **Jan Åke Magnuson**

Authorized Public Accountants

SAS's Board of Directors

BJØRN EIDEM born 1942, Supreme Court Attorney. Chairman of SAS's Board 1995. Alternating Norwegian Chairman of SAS's Board since 1992 and member of SAS's Board since 1983. Chairman of the Board of DNL in 1995, as representative of the private Norwegian owners. Senior Vice President of Fred. Olsen & Co. Chairman of the Boards of Norges Handels og Sjøfartstidene and Widerøe's Airlines. Member of the Boards of Ganger Rolf, Bonheur and Harland & Wolff, among others.
Personal Deputy: Mads Henry Andenæs

HUGO SCHRØDER born 1932, Engineer. First Vice Chairman of SAS's Board 1995. Danish Chairman of SAS's Board since 1994 and Chairman of DDL's Board, as representative of the private Danish owners. Chairman of the Boards of DANISCO and DONG. Member of the Boards of a number of other companies and organizations.
Personal Deputy: Axel greve af Rosenborg

BO BERGGREN born 1936, Honorary Doctor of Technology. Second Vice Chairman of SAS's Board 1995. Swedish Chairman of SAS's Board since 1992 and Chairman of the Boards of ABA and SILA, as representative of the private Swedish owners. Chairman of the Boards of STORA and ASTRA. Vice Chairman of the Board of Investor and the Federation of Swedish Industries. Member of the Boards of a number of companies and organizations.
Personal Deputy: Erik Belfrage

HARALD NORVIK born 1946, M.B.A. Alternating Norwegian Chairman of SAS's Board since 1992. Vice Chairman of the Board of DNL 1995, as representative of the Norwegian government. CEO of Statoil. Member of the Board of Orkla Borregaard AS.
Personal Deputy: Åshild M. Bendiktsen

TONY HAGSTRÖM born 1936, Ph.D. Member of SAS's Board since 1993 and Vice Chairman of ABA and SILA, as representative of the Swedish government. Chairman of the Boards of Swedtel AB and Svenska IT-Forum, Vice Chairman of the Boards of ASTRA and SSAB, and member of the Board of Scandiaconsult.
Personal Deputy: Ingemar Eliasson

ANDERS ELDRUP born 1948, B.Pol.Sc. Member of SAS's Board since 1993. Vice Chairman of the Board of DDL, as representative of the Danish government. Head of Department, Ministry of Finance. Member of the Board of DONG, DMF (Danish Management Forum) and CIMI.
Personal Deputy: Poul Andersen

Employee Representatives:

INGVAR LILLETUN born 1938. Member of SAS's Board since 1979. Employed in SAS Norway.
Deputies: Randi Kile and Svein Vefall

JENS THOLSTRUP HANSEN born 1950. Member of SAS's Board since 1995. Employed in SAS Denmark.
Deputies: Helmuth Jacobsen and Leif Christoffersen

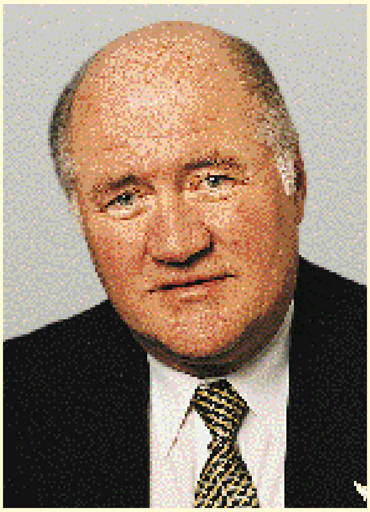
LEIF KINDERT born 1941. Member of SAS's Board since 1992. Employed in SAS Sweden.
Deputies: Ulla Gröntvedt and Bertil Hägg

Bjørn Eidem

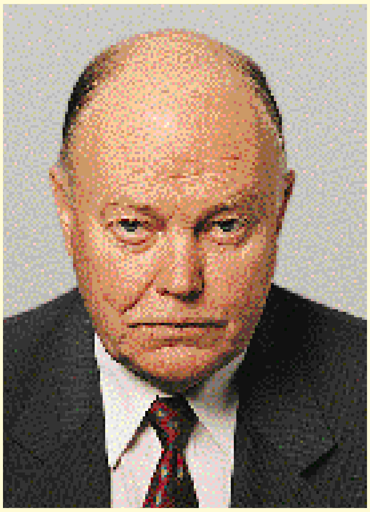
Bo Berggren

Anders Eldrup

Tony Hagström



Leif Kindert



Ingvar Lilletun

Harald Norvik

Hugo Schrøder

Jens Tholstrup Hansen

Continued sharp rise in share prices

The three national carriers Det Danske Luftfartselskab A/S (DDL), Det Norske Luftfartselskap A/S (DNL), and AB Aerotransport (ABA) are the parent companies of the SAS Consortium and the SAS Commuter Consortium. The parent companies hold licenses/concessions to conduct air services. However, they have been authorized by the Scandinavian authorities to transfer all operations to the SAS Consortium. The current consortium agreement will run until September 30, 2005.

DDL and DNL each own 2/7 of the consortia, while ABA owns 3/7.

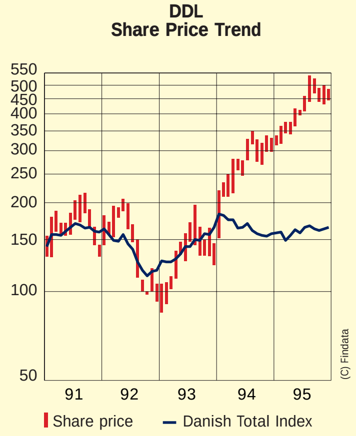
At the end of each accounting period the consortia's profits, assets and liabilities are reported in the accounts of the three parent companies in a 2-2-3 ratio. The SAS Consortium's highest decision-making body is the Assembly of Representatives, comprising the parent companies' boards of directors. The Assembly of Representatives appoints the board of directors for SAS, approves the financial statements, and decides the share of profit to be transferred to the parent companies.

Responsibility for SAS's day-to-day operations rests with the Chief Executive. SAS Commuter is managed within the framework of SAS.

CAPITAL STRUCTURE AND TAXES

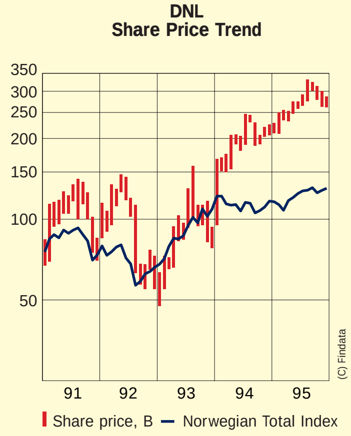
The consortia's equity is made up of the capital account, which consists of funds contributed by the parent companies and surpluses retained in operations. Increases in the capital account and distributions of profit may only be made through the parent companies.

The consortia are not tax-paying entities. The parent companies make allocations for tax purposes and pay taxes on their share of the consortia's profits in accordance with their respective national regulations. The consortia's subsidiaries pay taxes in their respective countries.



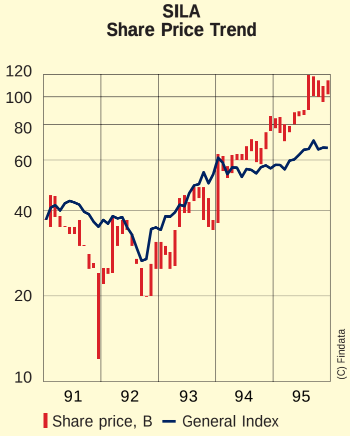
Number of shares: 8,128,000

Market value at year-end 95/96: DKK 3,925,824,000



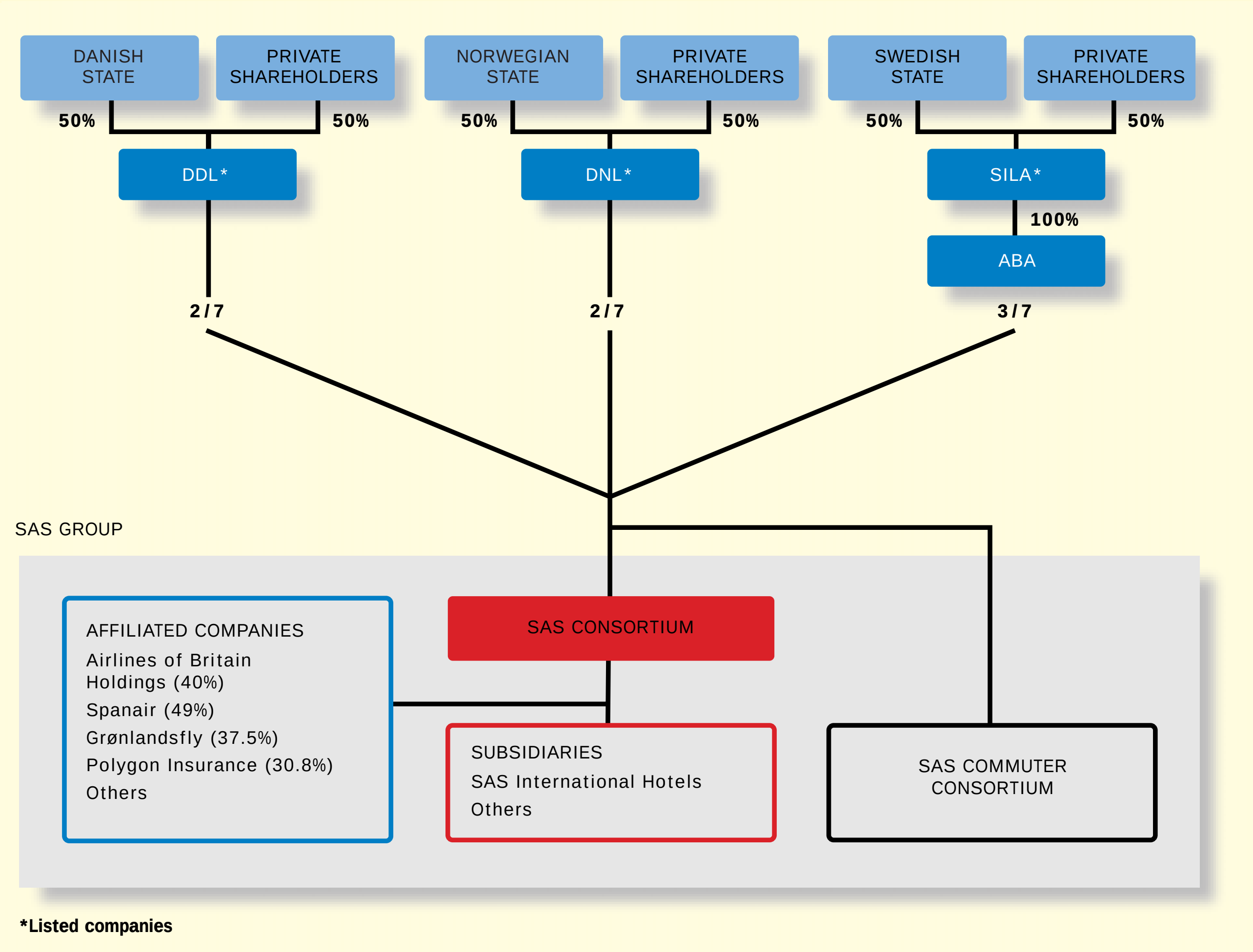
Number of shares: 12,581,678 (A+B)

Market value at year-end 95/96: NOK 3,510,288,162 (A+B)



Number of shares: 70,500,000 (A+B)

Market value at year-end 95/96: SEK 8,178,000,000 (A+B)



DET DANSKE LUFTFARTSELSKAB A/S (DDL)

DDL's main business is its shareholdings in the SAS and SAS Commuter Consortia and related capital management.

In addition, DDL owns hangars, workshops and warehouses at Copenhagen Airport which are leased to SAS. Annual leasing revenues amount to approximately 15 MDKK. DDL also owns the site on which the Radisson SAS Royal Hotel in Copenhagen is located.

The Danish government owns 50% of the company's shares. DDL's shares are listed on the Copenhagen Stock Exchange.

Following a bonus issue DDL's 1995 share capital amounted to 203.2 MDKK.

DET NORSKE LUFTFARTSELSKAP A/S (DNL)

DNL conducts its air transport operations through the two consortia. In addition DNL owns office buildings at Fornebu which are leased to SAS. Leasing revenues totaled 17 MNOK in 1995.

DNL's stock is divided into equal numbers of A and B shares. All A shares are owned by the Norwegian government, while B shares are owned by private investors and traded on the Oslo Stock Exchange. Approximately 20% of the shares are held by foreign investors.

DNL's share capital amounted to 315 MNOK at year-end 1995.

AB AEROTRANSPORT (ABA)

ABA conducts air transport operations through its shareholdings in the three consortia. ABA also conducts its own capital and real estate management activities.

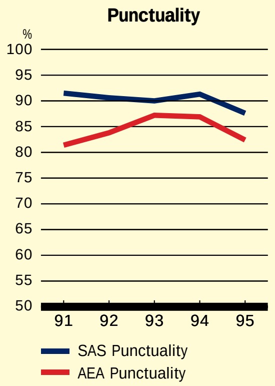
ABA is a wholly owned subsidiary of Svensk Interkontinental Lufttrafik AB (SILA), whose shares are 50% owned by the Swedish government and 50% owned by institutions, listed Swedish companies and private investors.

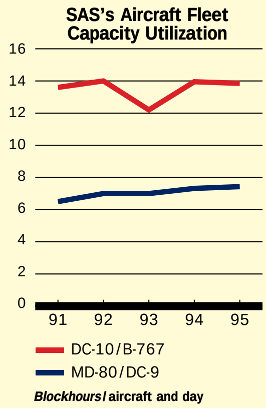
SILA's share capital amounted to 705 MSEK at year-end 1995.

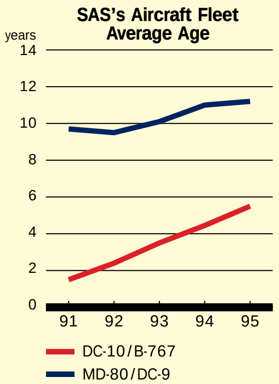
Operational Key Ratios

TRAFFIC/PRODUCTION		1995	1994	1993	1992[1]	1991
Number of cities served		**106**	102	104	98	82
Kilometers flown, scheduled	(millions)	**218.5**	217.2	225.6	202.9	190.7
Total airborne hours	(000)	**352.6**	350.2	367.9	326.0	286.6
Number of passengers carried, total	(000)	**18,835**	18,823	18,619	16,808	13,949
Available ton kilometers*, total	(millions)	**3,691.6**	3,579.4	3,633.4	3,389.8	3,074.4
Available ton kilometers, charter		**145.4**	78.6	66.8	44.8	7.5
Available ton kilometers, scheduled		**3,546.2**	3,500.8	3,566.6	3,345.0	3,066.9
Revenue ton km*, scheduled	(millions)	**2,172.7**	2,163.2	2,106.9	1,929.9	1,847.2
Passengers and excess baggage		**1,670.4**	1,666.8	1,637.3	1,488.0	1,394.5
Freight		**452.8**	445.9	420.4	391.7	406.4
Mail		**49.5**	50.5	49.2	50.2	46.3
Total load factor*, scheduled	(%)	**61.3**	61.8	59.1	57.7	60.2
Available seat km*, scheduled	(millions)	**28,447**	28,154	28,581	26,396	24,317
Revenue seat km*, scheduled	(millions)	**18,506**	18,466	18,138	16,547	15,416
Cabin factor*, scheduled	(%)	**65.1**	65.6	63.5	62.7	63.4
Punctuality	(% within 15 minutes)	**87.6**	91.3	90.0	90.6	91.5
Regularity*		**97.5**	98.7	98.7	99.0	99.2
Average passenger trip length, scheduled	(km)	**989**	983	976	990	1,108
Traffic revenue[2]/Revenue ton km	(SEK)	**12.91**	12.07	11.24	10.04	10.06
Passenger revenue[2]/Revenue passenger km	(SEK)	**1.39**	1.29	1.21	1.06	1.10
Airline oper. expense/Available ton km	(SEK)	**7.73**	7.22	7.19	6.18	6.22
Revenue ton km/Employee	(scheduled)	**119,052**	115,920	108,388	93,500	99,300
Revenue passenger km/Employee	(scheduled)	**1,014,027**	989,532	933,053	802,000	828,800
Fuel price	(cent/gallon)	**67**	66	71	76	82
Break-even load factor*	(%)					
SAS		**56.4**	58.6	59.5	58.6	59.3
AEA		[3]	65.2	65.5	63.8	62.8
IATA		[3]	60.7	61.4	60.7	61.9
US Majors		[3]	54.6	53.5	56.0	55.8

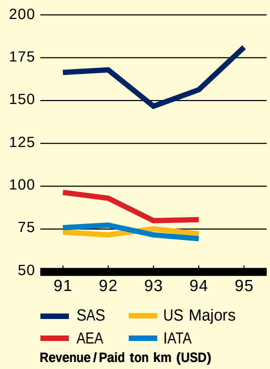
[1] The 1992 figures include 7 months of traffic and production figures from Linjeflyg.
[2] SAS's traffic revenues are reported after deduction of discounts provided. [3] Figures not available. *For definitions, see page 20.



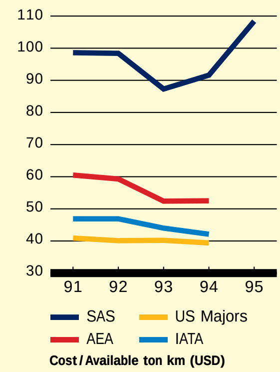




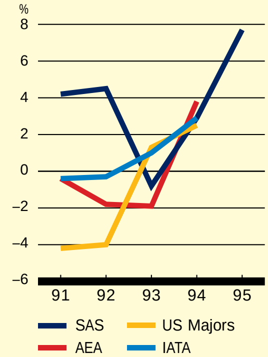
Yield*



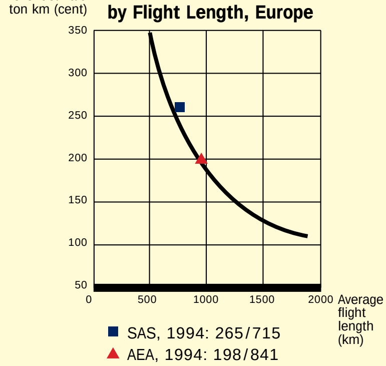
Unit Costs*



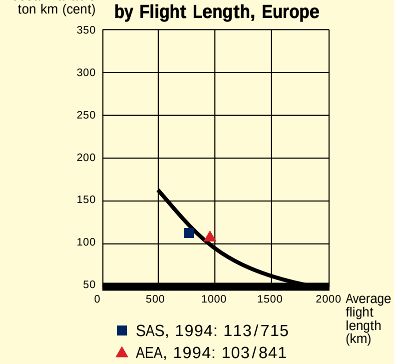
Operating Margin



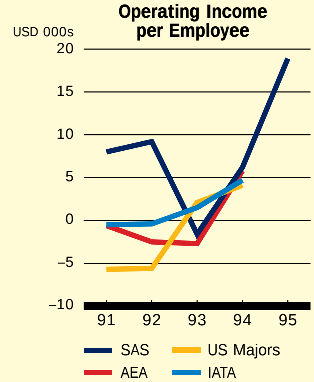
Unit Cost* Variation by Flight Length, Europe



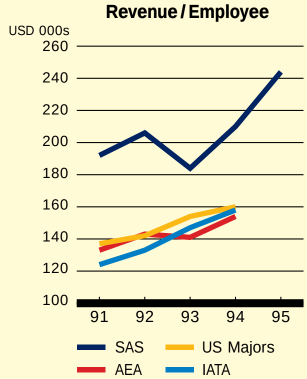
Unit Cost* Variation by Flight Length, Europe



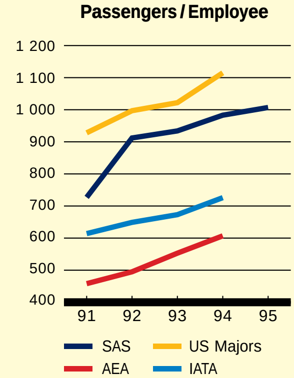
Operating Income per Employee



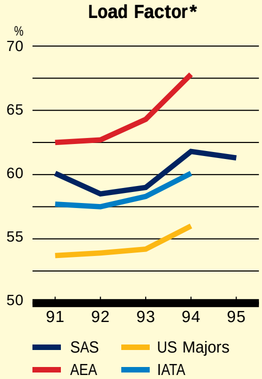
Revenue / Employee



Passengers / Employee



Load Factor*



*For definitions, see page 20.

Economic and Financial Key Ratios

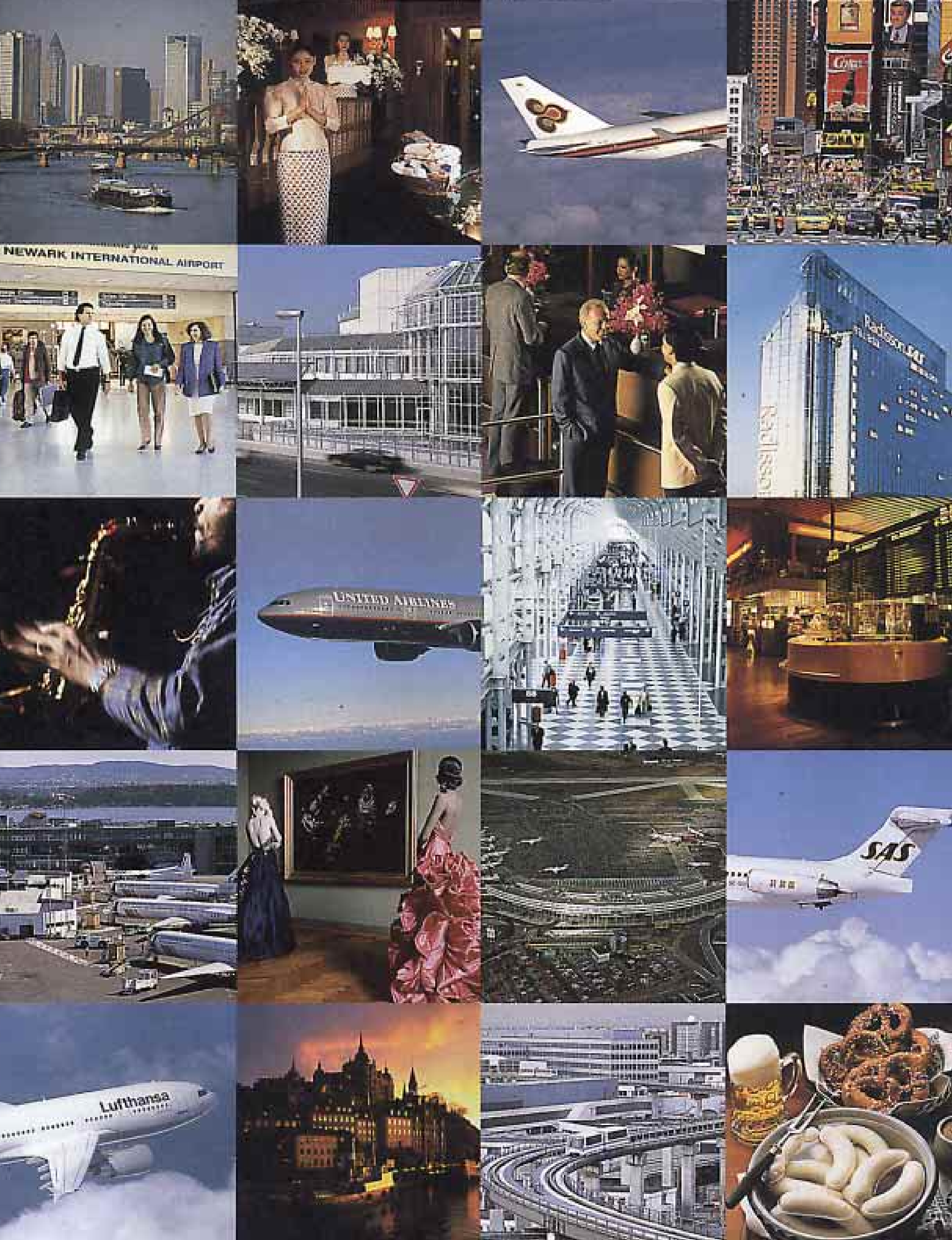
SAS GROUP, MSEK INCOME STATEMENTS	**1995**	1994	1993	1992	1991
Operating revenue	**35,403**	36,886	39,122	34,445	32,286
Operating income before depreciation, etc.	**4,787**	3,404	2,032	2,930	2,717
Depreciation, etc.	**1,840**	2,000	1,782	1,532	1,338
Shares of income in affiliated companies	**72**	–13	–1	–8	–871
Financial items, net	**–451**	–668	–1,313	–2,244	–882
Minority shares in income after financial items	**–2**	–99	16	89	–17
Gain on the sale of flight equipment and shares, etc.	**66**	881	556	5	313
Unusual items	**–**	–	–	–	–
Income before extraordinary items	**2,632**	1,505	–492	–760	–78
Extraordinary items	**–**	–	–	–	–1,214
Income before taxes	**2,632**	1,505	–492	–760	–1,292
STATEMENTS OF CHANGES IN FINANCIAL POSITION					
Net financing from the year's operations	**4,881**	2,338	1,377	1,444	1,362
Investments	**–1,399**	–1,391	–1,141	–3,338	–5,197
Sale of fixed assets, etc.	**619**	5,305	1,852	552	1,591
Funds paid to parent companies	**–591**	–	–	–	–
Financing surplus/deficit	**3,510**	6,252	2,088	–1,342	–2,244
External financing, net	**–4,157**	–3,872	–2,469	1,584	227
Change in liquid funds	**–647**	2,380	–381	242	–2,017
Liquid funds in sold/acquired companies	**–**	–973	–130	216	–
Change in liquid funds according to balance sheets	**–647**	1,407	–511	458	–2,017
BALANCE SHEETS					
Liquid funds	**10,078**	10,725	9,318	9,829	9,371
Current assets, other	**3,477**	3,670	9,973	6,849	6,289
Fixed assets[1]	**19,345**	20,904	24,566	28,790	24,854
Current liabilities	**10,562**	9,973	12,485	11,713	10,471
Long-term debt[2]	**11,750**	15,971	22,741	24,797	20,404
Equity	**10,588**	9,355	8,631	8,958	9,639
Total assets	**32,900**	35,299	43,857	45,468	40,514
KEY RATIOS					
Gross profit margin, %	**13**	9	5	9	8
Return on capital employed, %	**15**	7	5	8	7
Return on equity, %	**18**	10	–	–	–
Equity/assets ratio, %	**32**	27	21	21	25

[1] Including blocked accounts. [2] Including minority interests.

OTHER FINANCIAL FIGURES AND RATIOS	**1995**	1994	1993	1992	1991
Income after depreciation	**3,019**	1,391	249	1,390	508
Financial income	**1,008**	933	1,592	1,181	1,542
Financial expenses	**–1,459**	–1,601	–1,905[3]	–2,275[3]	–2,424
Interest income	**1,002**	904	1,550	1,127	1,458
Interest expenses	**–1,287**	–1,623	–2,839	–2,526	–2,087
Interest-bearing assets	**10,391**	11,363	10,515	11,240	10,109
Interest-bearing liabilities	**12,935**	17,417	24,403	26,830	21,645
Interest coverage ratio	**2.8**	1.4	1.0	1.1	1.2
Net interest income/average net debt, %	**6**	7	8	11	6
Debt/equity ratio	**0.2**	0.6	1.6	1.7	1.2
SAS CONSORTIUM[4], MSEK INCOME STATEMENTS					
Operating revenue	**32,559**	31,003	28,509	22,093	22,340
Operating income before depreciation, etc.	**3,827**	2,256	726	1,739	1,676
Depreciation, etc.	**1,311**	1,343	967	749	748
Financial items, net	**–206**	136	–225	–1,644	–383
Gain on the sale of flight equipment and shares, etc.	**56**	1,220	43	20	–1,666
Unusual items	**–1**	–88	–203	–131	269
Income before extraordinary items	**2,365**	2,181	–626	–765	–852
Extraordinary items	**–**	–	–	–	24
Income before taxes	**2,365**	2,181	–626	–765	–828
STATEMENTS OF CHANGES IN FINANCIAL POSITION					
Net financing from year’s operations	**4,196**	2,357	979	1,870	1,151
Investments	**–1,235**	–1,011	–828	–2,638	–4,238
Sale of fixed assets, etc.	**454**	4,802	1,172	605	1,970
Funds paid to parent companies	**–591**	–	–	–	–
Financing surplus/deficit	**2,824**	6,148	1,323	–163	–1,117
External financing, net	**–3,412**	–4,167	–1,798	369	–851
Change in liquid funds according to balance sheets	**–588**	1,981	–475	206	–1,968
BALANCE SHEETS					
Liquid funds	**9,820**	10,408	8,427	8,902	8,696
Current assets, other	**3,610**	3,579	7,436	4,984	4,437
Fixed assets	**16,996**	18,041	20,362	22,855	21,305
Current liabilities	**10,134**	9,329	9,606	7,762	8,067
Long-term debt	**10,424**	14,015	19,556	21,290	17,917
Equity	**9,868**	8,684	7,063	7,689	8,454
Total assets	**30,426**	32,028	36,225	36,741	34,438
KEY RATIOS					
Gross profit margin, %	**12**	7	3	8	8
Return on capital employed, %	**15**	9	7	9	10
Return on equity, %	**18**	22	–	–	–
Equity/assets ratio, %	**32**	27	19	21	24
PERSONNEL (average)					
Consortium	**18,710**	19,139	19,931	18,420	19,190
Group	**22,731**	28,425	37,330	40,140	38,940

[3]Excluding unrealized exchange losses. [4]SAS Consortium includes SAS and SAS Trading, both excluding subsidiaries.

"Together with our new partners we at SAS offer one of the most competitive traffic systems in the world, with strong hubs in Scandinavia, Europe, the U.S. and the Far East."


NEWARK INTERNATIONAL AIRPORT
Radisson SAS
UNITED AIRLINES
SAS
Lufthansa

Clear for takeoff for the next 50 years

The first flight under SAS colors took place on September 17, 1946. The aircraft was a new DC4, which could take 28 passengers. The destination was New York and the trip from Stockholm took 27 hours with three stopovers.

This makes 1996 the year of SAS's 50th anniversary, which is worth celebrating for several reasons. First and foremost because the SAS constellation has proved sustainable. It is unique. SAS is still the only multinationally owned airline of any significance. It is also worth celebrating that SAS has managed to return to good profitability, which was achieved mainly in flight operations. Moreover, we are entering our second half century with almost all the key pieces of the strategic jigsaw in place.

SAS's fifty years have been a rough ride in many respects. This applies in particular to my two years as President.

When I joined SAS in 1994 the company was already in a phase of extensive restructuring designed to focus operations around the core airline business and create a competitive operating economy. My task at this stage was to complete the restructuring program and ensure that rationalization work achieved its goal.

It did just that halfway through 1995. The company's controllable costs have now been reduced to a level on a par with other effective European airlines. Here we must remember that nearly all airlines have been implementing efficiency programs at the same time as SAS. More than 1 billion SEK of the SAS's Group's 2,632 MSEK pretax result is directly related to the completed rationalization program.

Life inside SAS in the 1990s has been characterized by a number of rationalization programs. The common aim was to improve utilization of resources, including employees. These have been trying years and almost everyone at SAS has become involved and shared the burden, particularly in the form of a heavier workload. Under these circumstances, motivation inside the company has wavered. In a service company such a trend is soon reflected in the product, and this is what happened to SAS in the second half of 1995.

"'SAS cares' is very much about attitude: SAS must provide an ambience throughout the journey in which it is easy to feel at home."

Prior to this we had a number of labor disputes which had a direct impact on our ability to maintain our services. So the quality of our basic product was impaired. This had no impact whatsoever on the most important criterion of all – safety. But regularity (flights actually being carried out and not cancelled), punctuality and the level of service were adversely affected. In particular unacceptably long waits were experienced at every point from telephone reservations to check-in.

At SAS it became obvious in conjunction with the labor dispute with cabin staff in the autumn, that the company had problems with both motivation and quality, and that these were partly related. Management and the unions realized that SAS's position could be seriously undermined. We therefore agreed to seek new forms for dialog with the unions, designed to minimize the risk of passengers suffering from labor conflicts in the future.

PUNCTUALITY, A BASIC SAS QUALITY

SAS has been the most punctual airline in Europe for fifteen years. This is a basic quality which it is important to safeguard when you have the business traveler as a priority customer. The key task for 1996 is to quickly remedy SAS's shortcomings, but also to implement and carry out everything we have decided and transform it into smooth and efficient everyday operations.

The past year was also characterized by work on a number of major strategic issues and decisions, which in many ways will shape SAS in the years to come. Significant examples include our choice of international partners, and investments in a new, advanced aircraft fleet, as well as in our own facilities at Copenhagen Airport in Denmark and the new Gardermoen Airport in Norway. These represent investments totaling 12–15 billion SEK.

SAS CARES AND CAN BE RELIED ON

SAS's entire strategic platform has been analyzed during the past two years. Much has been reappraised, but some solid foundations from the old strategy have been retained. The focus on the business traveler in daily operations and product development is one example.

During the year we agreed on a number of fundamental values which will control all work at SAS in the future, and thus become part of the company's culture. They are simple concepts which everyone will be able to apply in their daily work: SAS cares and can be relied on, SAS is assertive and professional.

Caring means primarily that SAS always gives absolute safety top priority, and does its utmost to fly according to the timetable. It also means that SAS listens to its customers and sees them as individuals, who must be given as much choice as possible and whose trip must be individually tailored. It is very much a question of attitude: SAS must provide an ambience throughout the journey in which it is easy to feel at home.

The fact that SAS cares is also reflected in our environmental policy. Environmental considerations were afforded considerable importance when SAS decided to upgrade one-third of the aircraft fleet. The smaller aircraft are to be replaced between 1998 and 2002. We chose the Boeing 737-600, a modern, cost-effective and flexible small aircraft, which will allow us to offer our customers more frequencies and greater choice. The new airplane will have the best environmental performance in the market with low emissions and considerably lower noise levels than the quietest aircraft in operation today.

Parallel with this annual report, SAS is publishing its first environmental report, which describes the company's environmental policy, goals and performance. SAS's environmental reports will allow the extent to which SAS is living up to its environmental goals to be monitored continuously. It confirms that SAS can be relied on, that we keep our promises.

SAS's environmental program also shows that SAS is assertive and professional. I am convinced that SAS's initiatives in environmental matters will be repaid many times over, and that customers regard environmental profile as an important product quality.

THE GOAL IS PREFERENCE AND THE MEASURE IS THE REPEAT RATE

Our goal is that customers will prefer to fly with SAS for rational reasons. Because SAS offers the best traffic program, the most robust basic quality, and service which has the edge on the competition. In brief, because SAS is the company which best serves the Scandinavian market. We feel very humbled by what is demanded of SAS in free competition, where a growing number of competitors are realizing the attractions of the Scandinavian market, which actually has the highest intensity of air transport in Europe.

The traffic program is naturally our main competitive tool – to fly to the right place at the right time. Our own traffic program with a large selection of frequencies to and from key destinations provides the base. SAS operates nearly a thousand flights a day, and measured in this way is one of Europe's largest airlines. Still we have realized that SAS on its own cannot provide services to all the destinations our customers demand.

Strategic alliances have been concluded with Lufthansa, United Airlines and Thai Airways International. This means that from 1996 onwards SAS will offer one of the most competitive traffic programs in the world, with global coverage and smooth connections, where no non-stop services are available.

In order to guarantee customers' preference and take initiatives in the market, we are now focusing on product development. This year we will begin an extensive renewal of the SAS products, both

on the ground and in the air. A foretaste of this was the re-launch of SAS Domestic in Sweden during 1995.

We have formulated an overall goal that all our customers must want to fly with us again. By this we mean that the repeat rate and customer loyalty must be the highest in the industry, and reflect our customers' complete satisfaction with what we supply.

We will not be content until we have a 100% potential repeat rate, in the form of passengers' expressed desire to travel with SAS again next time.

SAS celebrates its 50th anniversary this year. Our customers will notice a number of jubilee activities in the autumn. But our main celebration will be ensuring our customers receive a noticeably better product.

After all, the first fifty years are only just the beginning.

Jan Stenberg
President and
Chief Executive Officer

Open markets, "open skies"

The travel industry is the largest single industry in the world. In 1995 the industry had sales totaling 3,500 billion USD and employed 215 million people, corresponding to one in nine employees around the world. Although sensitive to economic fluctuations, the travel industry's average development has been twice as fast as the economy in general over the past fifteen years. Globalization of the economy favors the travel industry and therefore air transport. A key component in this process is the ongoing deregulation.

Deregulation of European civil aviation is now nearing completion. The EU's aviation policy today covers 18 European countries, including non-member Norway. Air traffic between these countries is thus fully deregulated.

Danish domestic traffic was deregulated in October 1995 for national companies, as previously in Norway and Sweden. Starting in 1997, there will be free access to all domestic markets in the 18 countries.

During 1995 the Scandinavian countries concluded new bilateral agreements with the U.S. For SAS, this means totally free market entry without limitations on capacity and frequencies. SAS can now offer services to anywhere in the U.S., either on its own or in cooperation with an American partner. The agreements thus provide new opportunities and maximum flexibility in the North Atlantic market.

Similar liberal agreements were signed between the U.S. and six other European countries during the year, following the first Open Skies Agreement between the U.S. and the Netherlands in 1992.

Traditional bilateral agreements with detailed regulation of civil aviation still apply to relations with other countries outside the EU.

STRONGER MARKET

Competition remained tough in 1995, in both Europe and Scandinavia, but declined on the traditionally competitive transatlantic routes.

At the same time demand for air transport services strengthened for the second consecutive year. The AEA (Association of European Airlines) reported a 7.6% rise in sold international passenger traffic, measured in RPK (Revenue Passenger Kilometers). The increase in capacity, measured in ASK (Available Seat Kilometers), was 5.7%.

The economic outlook for civil aviation between 1996 and 1999 remains favorable, and growth in air traffic will outpace the economy in general. Annual growth in traffic is expected to average 6% between Scandinavia and Europe, and 10% between Europe and Asia. Leisure travel is expected to increase more than business travel, where there is some risk of a weaker trend.

Pressure from competition is expected to decrease as market growth reduces overcapacity.

GNP Trend (%)

	91	92	93	94	E*95	P96	P97
OECD	0.9	1.5	1.0	3.0	2.5	2.4	2.6
OECD-Europe	1.4	1.0	–0.6	2.8	2.7	2.5	2.7
Denmark	1.3	0,8	1.4	4.5	3.6	2.8	2.5
Norway	2.9	3.3	2.1	5.7	4.3	3.9	2.5
Sweden	–1.1	–1.4	–2.6	2.2	3.6	2.0	2.1

*E=Estimate December 1995 Source: Swedish Institute of Economic Research

SAS's Production and Traffic (bn)

	91	92	93	94	95
Prod./ASK	24.3	26.4	28.6	28.2	28.4
Sold/RPK	15.4	16.6	18.1	18.5	18.5

IMPROVED PROFITABILITY IN THE AIRLINE INDUSTRY

1995 was characterized by a continued improvement in the profitability of the European airline industry. In 1994 European airlines were able to present an overall operating profit for the first time for five years. This positive development was due to market growth and completed rationalization programs.

Several major carriers, however, still report considerable losses. Six companies depend entirely on large state subsidies approved by the EU Commission. Between 1991 and 1997, government subsidies totaling 11 billion USD have been paid or are under payment to six European airlines. The total support to these companies in 1996 will be approximately 50 MSEK per day.

In spite of deregulation and the difficulties of recent years, there has been no major restructuring of European civil aviation, along the lines of what occurred in the U.S. after deregulation. All of the some twenty major airlines operating in 1985 are still going in 1996. This is due both to state ownership and the EU Commission's restrictive attitude to mergers, which it is afraid will reduce competition. Although no full-scale mergers have taken place in Europe, some companies have become closer through acquisition of shares. Swissair, for example, has acquired a stake in Belgium's Sabena.

Instead of mergers, a number of strategic cooperations and alliances have been formed, primarily between European and American airlines. Starting in 1996, SAS has an extensive strategic alliance with German Lufthansa, and cooperation agreements with United Airlines in the U.S., and Thai Airways International in the Far East.

INFRASTRUCTURE ESSENTIALS

In addition to financial support from various countries' treasuries, there are other factors which distort competition. The government fees which airlines in Europe have to pay to use the infrastructure are one example. These fees vary in different European countries, but are generally higher in Europe than in the U.S., providing American carriers with a general cost advantage.

The liberal rules on free access to the market within and between the countries covered by EU regulations have not been followed up in such important areas as ground services. At airports where several handling companies compete to provide ground services, airlines have been able to reduce their costs by up to 50%.

The fact that air traffic control in Europe lacks a uniform system and joint administration leads to considerable costs. The demands for harmonization which airlines are facing in a free and competitive market, such as restructuring and cost efficiency, must also apply to the infrastructure in which they operate.

HUBS IN SAS's NEW TRAFFIC SYSTEM

EWR / NEWARK

Gateway to New York

Its manageable size perhaps made Newark International Airport in New Jersey New York's most efficient airport even before the international Terminal B was renovated. Twenty-three million passengers flew in and out of here in 1995, 3.8 million of them on international routes. This makes Newark primarily a domestic airport and therefore the perfect hub for SAS's U.S. traffic. From Newark, SAS and United Airlines operate code-shares to Chicago, Denver, San Francisco and Los Angeles.

At the end of March 1996, SAS transferred all its activities to the recently extended Terminal B with new check-in and transfer facilities conveniently located opposite the new Monorail station. The train goes every other minute and travel time between each terminal is just two minutes. A shuttle bus runs between the terminals every five minutes. United Airlines is in Terminal A. Transfers from international arrivals take just over an hour, now that passport control has been expanded to 50 counters. Baggage has to clear customs in Terminal B, even if it is labeled to another U.S. destination, but can be handed in again just beyond the customs area. Baggage carts are available free of charge.

If you have an hour to spare: SAS recently opened a very well-equipped 700 m² EuroClass lounge with a business center, conference facilities, café, two bars, a relax center and 165 seats. The lounge is located in satellite B 3. The airport has some thirty restaurants and bars, approximately ten in each terminal, and around forty stores, specialized in everything from sunglasses: Sunglass Hut in Terminal A, to music: AltiTunes in A and B.

To and from the city center: Express buses to New York leave from the bus station outside each terminal every quarter/half an hour, 24 hours a day. The car journey takes between 30 and 50 minutes, depending on the traffic, but there are generally less traffic jams than from JFK Airport on Long Island. Taxis are entitled to charge double the rate on the meter for crossing the state line to New York. All major car rental firms are just four minutes away by Monorail.

A day or a weekend in the city: New York is probably the only city in the world with an alter ego in the comic-strip world: Gotham City. The name is borrowed from a small village outside Nottingham in England, known for its crazy inhabitants, and New York does its best to live up to this image. Gotham City has been brought to life mainly through the Batman films, which also feature a retro-futuristic architecture, sometimes called American Neo-Gothic: pompous, highly decorated, madly conceited. Architectural tours in Gotham City are arranged by The Municipal Art Society of New York (tel. +1 212 935 3960) and naturally include such classics as Dakota Apartments on Central Park West and the Chrysler Building on Lexington Avenue.

A big-hearted city: It is no coincidence that the city's old "apple" symbol has now been replaced by a heart. Because in spite of its hectic pace and sharp elbows, the city has a big, warm heart.

One of the most extensive traffic systems in the world

The international air transport industry is moving towards global alliances between European, American and Asian companies. SAS has been involved in a number of cooperation projects during the past five years.

Initially, SAS sought cooperation with and a stake in airlines which were smaller than SAS, such as Belgium's Sabena, British Caledonian and British Midland (in which SAS still has an interest).

At the end of the 1980s operational cooperation without ownership ties was started with Swissair, Austrian Airlines, and for a time Finnair, under the name EQA – European Quality Alliance. Cooperation including an ownership stake was also developed with the American airline Continental Airlines.

FULL-SCALE MERGERS DIFFICULT IN EUROPE

In 1993 SAS participated in the Alcazar Project, where three medium-sized European airlines: KLM, SAS, and Swissair, and one smaller one, Austrian Airlines, tried to carry out a full-scale merger. The project failed, partly because the companies had different American partners.

One lesson from SAS's cooperation projects has been that mergers or cross-ownership between partly state-owned airlines are difficult to implement. International aviation still basically depends on bilateral agreements. Traffic rights are exchanged between countries and governments are entitled to specify which carrier shall conduct traffic, often so-called flag carriers. A country without a national airline loses some control over its international civil aviation. The nationality requirement is thus a conservative factor when it comes to major restructuring in the European airline industry. Thirteen of the major European airlines are owned wholly or to a considerable extent by their respective home countries.

This helps explain why SAS, where the Danish, Norwegian and Swedish states indirectly own 50%, is still more or less the only multinationally owned airline.

OPERATIONAL COOPERATION WITH STRONG PARTNERS

When the Alcazar Project collapsed, SAS revised its goals and strategies for cooperation. First, it was established that SAS can conduct its own profitable air transport operations based on the main task of offering competitive services to, from, between and within each of the Scandinavian countries. Scandinavia's geographic and demographic situation, however, provides limited scope for an extensive intercontinental route network.

SAS therefore decided to seek operational cooperation with suitable partners, whose traffic systems could complement its own and even provide SAS with customers. SAS sought forms of cooperation which would also offer economies of scale in marketing and production. The basic premise, however, was that all cooperation should take place without ownership ties and with SAS retaining its identity.

SAS concentrated primarily on finding a strong European partner with a traffic system which could complement SAS. If this partner also cooperated with an attractive American airline, SAS too would seek cooperation with that company.

Following over a year of discussions, an extensive cooperation agreement was signed between SAS and Lufthansa in May 1995, which received final approval from the EU Commission in January 1996. This alliance involves coordination of schedules, products and resources – among other things – with regard to sales and station services.

SAS and its new partners
All the information below pertains to air transport operations under own trade name.

1995	SAS	Lufthansa	United Airlines	Thai
No. of destinations/countries	106/32	213/84	143/30	52/36
No. of passengers (000s)	18,835	31,960	78,665	12,833
Production (million ASK)	28,447	86,124	255,137	39,795
No. of employees	20,499	26,255	82,321	21,541
No. of aircraft in operation	152	218	555	69
Operating revenue (million USD)	5,070	9,200[1]	14,900	2,900

[1] Preliminary figure.

SAS EuroBonus and Lufthansa's Miles & More frequent-flier programs will be integrated from January 1996. Traffic between Scandinavia and Germany will be conducted in a joint organization.

In June 1995, SAS signed a new cooperation agreement with Thai Airways International. This represents a deepening of the cooperation which dates from the 1950s. The new agreement is based on code-sharing for all of the two companies' departures between Thailand and Scandinavia, i.e. both companies market these services, regardless of which company operates the flight.

In September 1995, SAS and United Airlines concluded a cooperation agreement. This too is based on code-sharing, coordination of timetables and mutual access to each other's airport lounges. This cooperation will give passengers a highly effective choice of flights between Scandinavia and the U.S.

During 1996 SAS EuroBonus will be totally integrated with United Airlines' loyalty program and partly with Thai's.

A WORLDWIDE TRAFFIC SYSTEM

Lufthansa has also concluded agreements with United Airlines and Thai, and the four companies are therefore able to cooperate in a worldwide airline alliance.

SAS's timetables will now be coordinated with those of its three partner airlines, providing customers with efficient connections to a highly competitive global traffic program.

Lufthansa is the second-largest airline in Europe in terms of number of passengers and its traffic system is among the most extensive in the world. Its main hub is Frankfurt, backed up by Munich. The company is known for its high quality.

Deutsche Lufthansa AG is a listed company. The German state was the main owner for many years, but following privatization in 1994 now has an ownership stake of 36%.

Based on number of passengers, United Airlines is one of the largest airlines in the U.S. and therefore the world. The international traffic system is particularly strong in the Pacific region. The main hub is Chicago, with Denver, San Francisco and Washington D.C. providing additional hubs.

Following a reconstruction in 1994, United Airlines is 55% owned by its employees. It is the biggest listed company in the world in which employees have majority ownership.

Thai Airways International is one of Asia's most highly reputed airlines and has been reporting a profit for the past thirty years. The traffic system is extensive, with Bangkok as the hub. Thai is known for its high level of service.

OTHER COOPERATIONS

Cooperation with the jointly owned airlines British Midland and Spanair (SAS owns 40% and 49% respectively) was also extended during the year through an increased number of code-shares.

During 1995 SAS participated in the formation of a new national airline for Latvia, Air Baltic, in which SAS's interest increased to 28.51% in 1996. The company cooperates closely with SAS and code-sharing between the airlines is part of SAS's focus on the area around the Baltic Sea.

SAS also cooperates with Qantas Airways and Air New Zealand in SAS EuroBonus. Bonus points can be earned on all Qantas' routes except to and from Europe, and on all Air New Zealand's routes except to and from Europe and between Sydney and Bangkok.

SAS and Icelandair cooperate with code-shares between Iceland and Scandinavia, and SAS EuroBonus points can be earned on all Icelandair's flights to and from Scandinavia.

SAS and the Brazilian airline Varig operate code-shares between Copenhagen, Rio and São Paulo, on which full bonus points can be earned.

In the domestic markets in Scandinavia, SAS cooperates with Cimber Air in Denmark, Widerøe Norsk Air in Norway, and Skyways in Sweden.

The former cooperation with Swissair and Austrian Airlines has been discontinued, and cooperation with Continental will be phased out gradually.

HUBS IN SAS's NEW TRAFFIC SYSTEM

FRA / FRANKFURT-MAIN

An aviation city, in the heart of Europe

After Neuschwanstein, Ludwig II's fairy-tale castle in Bavaria, Frankfurt Airport is Germany's biggest tourist attraction, measured in number of visitors. But Flughafen Frankfurt Main covering 19 square kilometers and with 52,000 employees is as big as a city. 106 scheduled airlines fly to 242 destinations from here with more than 1,000 take-offs and landings every day. With 37.5 million passengers in 1995, of which more than 30 million were international, the airport is the second largest in Europe. Every second passenger is in transit and transfers here can be really fast. Connecting flights within just 45 minutes are allowed, because Frankfurt Airport has the most advanced baggage handling system in Europe. Arriving passengers can often reclaim their luggage 25 minutes after leaving the aircraft. Modern technology, good ground service and an unmatched range of services characterize the airport. Attention to detail is considerable. For example, special baggage carts have been designed which can be used on escalators.

The ultramodern Terminal 2, which opened in 1994 and a variety of other expansion programs will boost the airport's capacity to around 55 million passengers. Lufthansa now has new, extensive facilities in Terminal 1, which also handles passengers from SAS. The terminals are linked via the driverless Sky Line people mover, which runs every 2.5 minutes. The journey takes two minutes.

If you have an hour to spare: Killing an hour or half a day is not difficult. There are continuous guided tours lasting 45 minutes, 1.5 or 2.5 hours. Flughafen Frankfurt has been called a shopping center with three runways. Nearly 50 restaurants, bars and pubs and more than 120 shops, including Harrods, make spending money easy. Terminal 2 houses Europe's biggest McDonalds, which also has a fish and shellfish section. There are well-equipped playrooms for children traveling alone, peaceful lounges for senior citizens, galleries for art-lovers, a well-equipped medical clinic with operating facilities, a church, a synagogue and a mosque. Frankfurt's most popular disco, Dorian Gray, is located in Terminal 1, Hall C. There are two hotels at the airport, the Sheraton located adjacent to Terminal 1, and the Steigenberger Avance just five minutes away by shuttle bus.

To and from the city center: S-Bahn commuter trains travel between the airport train station and downtown Frankfurt every 15 minutes. Travel time to Frankfurt Central Station is 11 minutes. InterCity and EuroCity trains depart from the airport to most major cities. Buses run every 20 to 30 minutes. The car journey along the well-signposted autobahn takes about 20 minutes. Car rental is unusually convenient with a garage for rental cars adjacent to Terminal 1.

A day or weekend in the city: Frankfurt today is best known as Europe's financial center and the city landscape with its skyscrapers is usually referred to as Mainhattan. But it is also home to some of the finest museums in Germany. The new Museum of Modern Art is well worth a visit, not only for its exhibitions and collections, but also for its architecture. Along "Museum Ufer"

as one of the banks of the river Main is called, you will find a chain of fine museums, including the popular Museum of Applied Arts.

Toast of the city: Ebbelwei, the traditional dry cider, is served at many small taverns. In winter, for example, in Frankfurt's oldest restaurant Haus Wertheym (est. 1479) at Fahrtor 1. In summer by all means in the garden of one the fifty or so taverns in Sachsenhausen on the other side of the Main, such as Zum Gemalten Haus at Schweizerstrasse 67.

OVER 400 DESTINATIONS IN A SINGLE SYSTEM

SAS's task is to meet the air travel needs of each Scandinavian country. On domestic routes to and from each capital; on intra-Scandinavian routes to, from and between each capital; to and from each Scandinavian country and to key business destinations in Europe; and also on intercontinental routes to and from Scandinavia.

SAS will also offer a strong traffic program in the Baltic Sea region.

The development of SAS's traffic program is controlled by which routes and departures meet the needs of the Scandinavian business traveler. Nonstop routes to and from the Scandinavian capitals have top priority. Copenhagen is used as the main traffic hub, when demand does not justify nonstops from Oslo and Stockholm.

In 1995, SAS's traffic program covered 106 destinations. Four new SAS routes from Copenhagen were opened during the year: Poznan, Poland; Delhi, India; Chicago; and Borlänge, Sweden. New direct routes have been opened between Stockholm and Prague, Budapest, Barcelona, Rome, Warsaw, Munich and Osaka. The routes to Visby and Kiev have been suspended.

The number of daily departures in SAS's timetable has increased from 970 to 998. Offering such a large number of frequencies is an important part of SAS's focus on choice and flexibility.

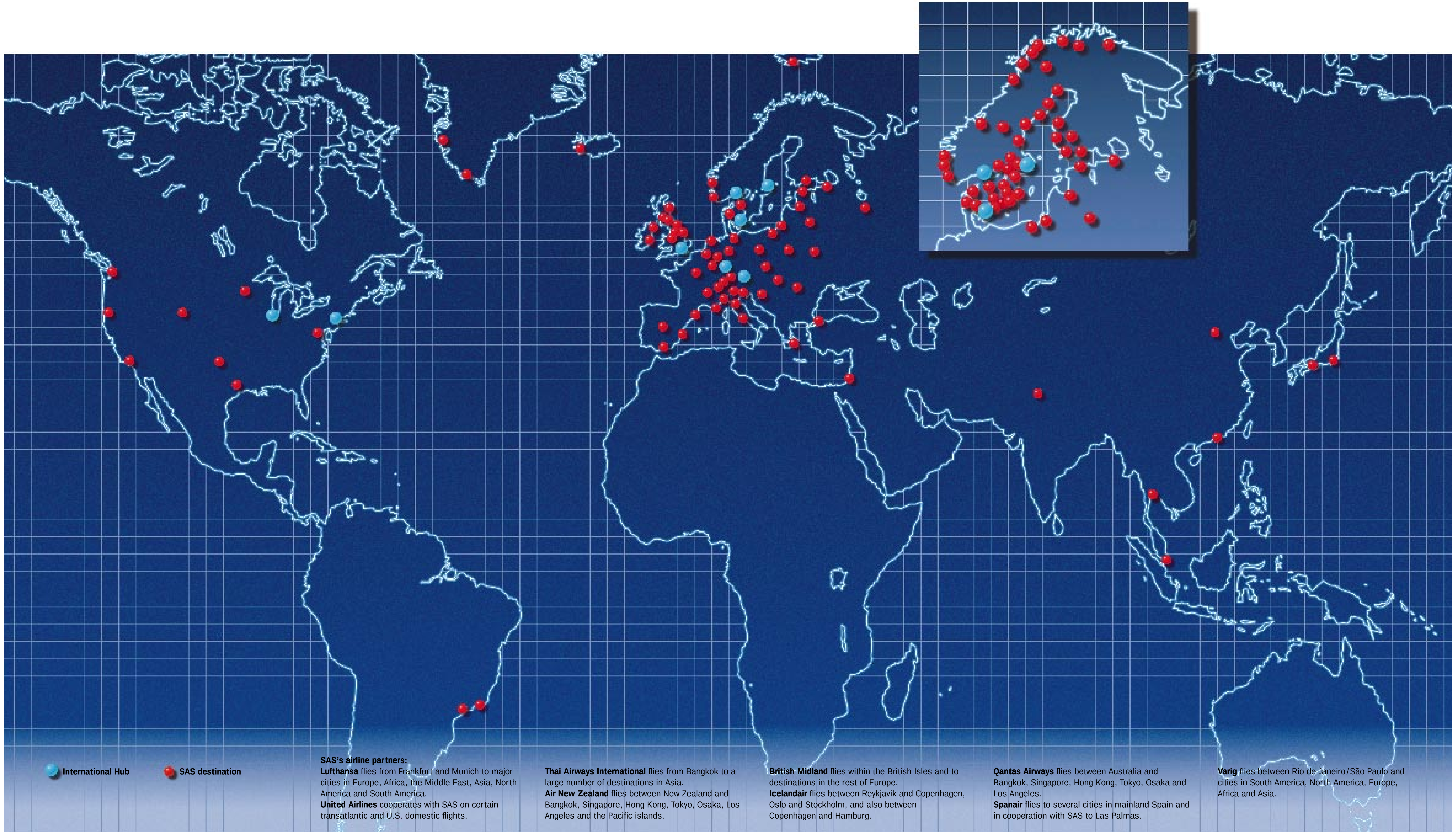
In the first half of 1996, SAS will start services from Copenhagen to Bologna, Italy, and Newcastle, England.

The cooperation with SAS's strategic partners will provide a highly competitive global timetable with many effective connections via a SAS or partner airline hub.

Frankfurt and Copenhagen are two very strong hubs, which can optimize SAS and Lufthansa's traffic flow in Northern Europe. Copenhagen will offer many travelers in Northern Europe the best connections to the north and east.

Together with Lufthansa, United Airlines and Thai Airways International, SAS offers over 400 destinations from Scandinavia.

SAS'S TRAFFIC SYSTEM



SAS's airline partners:
Lufthansa flies from Frankfurt and Munich to major cities in Europe, Africa, the Middle East, Asia, North America and South America.
United Airlines cooperates with SAS on certain transatlantic and U.S. domestic flights.

Thai Airways International flies from Bangkok to a large number of destinations in Asia.
Air New Zealand flies between New Zealand and Bangkok, Singapore, Hong Kong, Tokyo, Osaka, Los Angeles and the Pacific islands.

British Midland flies within the British Isles and to destinations in the rest of Europe.
Icelandair flies between Reykjavik and Copenhagen, Oslo and Stockholm, and also between Copenhagen and Hamburg.

Qantas Airways flies between Australia and Bangkok, Singapore, Hong Kong, Tokyo, Osaka and Los Angeles.
Spanair flies to several cities in mainland Spain and in cooperation with SAS to Las Palmas.

Varig flies between Rio de Janeiro/São Paulo and cities in South America, North America, Europe, Africa and Asia.

SAS'S TRAFFIC SYSTEM

HUBS IN SAS's NEW TRAFFIC SYSTEM

CPH / COPENHAGEN

The hub in SAS's traffic flow

No-one arriving today at the ultra-modern Copenhagen airport would ever dream that it is the oldest civil airport in the world. It was opened in 1925. Today's Copenhagen is the largest international airport in the Nordic region and SAS's main hub. 60 scheduled airlines serve 130 destinations from here. During 1995 a total of 15.1 million passengers passed through the airport, 12.5 million on international flights, via 247,000 takeoffs and landings. The airport is warmly modernistic with typical Nordic prize-winning architecture. Functionality is high, the check-in desks are just a few steps from the street and passengers can reclaim their baggage just 15 minutes after the airplane has parked. Copenhagen Airport was recently named "the third best airport in the world" by Business Traveller magazine.

Copenhagen Airport is currently undergoing extensive development which will be completely finished in 2005, when capacity will increase to 28 million passengers. SAS will bring together most of its traffic in a new ultra-modern terminal, from which partner airlines will also operate. The SAS terminal is being built in four stages, and the first will be ready before the turn of the century. When completed, the 90,000 m² terminal will be able to serve 40 aircraft simultaneously and 15 million passengers a year.

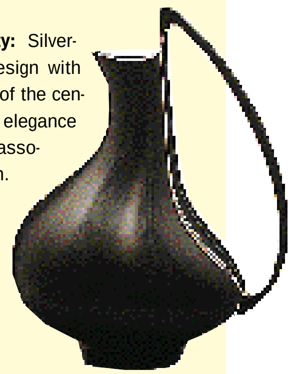
If you have an hour to spare: Copenhagen Airport has a generous 30,000 m² transit area. Some 30 stores are grouped in a town-square type atmosphere, the design of which was inspired by Copenhagen's famous Tivoli. A big new restaurant, Tivolikroen, has just opened, one of 23 restaurants and bars, five of which are located in a gourmet center in the transit hall. There is a wide range of shopping opportunities, everything from world-famous Nordic glassware and exclusive Danish chocolates to Volvo cars and live lobsters, ready for transport. There are four lounges, two of which are operated by SAS: SAS RVC lounge and SAS EuroClass lounge. Showers and genuine Nordic saunas are also available. The airport also has an in-Transit hotel, where passengers wishing to sleep in a real bed for a few hours can rent a cabin.

To and from the city center: Copenhagen is only 8 km away via the motorway. Buses depart every 15 minutes and take 20–40 minutes. The journey by taxi, SAS Limousine or rental car takes 15–20 minutes. A catamaran operated by SAS takes the sea route from the airport to Malmö in Sweden. Travel time: 35 minutes.

A day or a weekend in the city: Copenhagen is Cultural Capital of Europe in 1996 and the normally wide range of cultural activities has multiplied several times. More permanent exhibitions include "Now Here," Louisiana's major display of

modern international art, Kunstforeningen's Hapsburg exhibition and "Update," an open forum at Turbinhallen, where young artists display modern provocative works.

A silhouette of the city: Silversmith Georg Jensen's design with its roots at the beginning of the century, captures the gentle elegance which has come to be associated with Copenhagen. As well as in the airport stores, the entire range can be admired in the main store on the famous Strøget shopping street, at Amagertorv 4.



Henning Koppel, 1952

SAS takes initiative in product development

Following some difficult years in the early 1990s, air transport has enjoyed favorable conditions for the past two years. In 1995 European airlines' passenger traffic rose by 7.8%, calculated in RPK (revenue passenger kilometers).

SAS's passenger traffic has expanded throughout the 1990s. SAS carried 18,835,000 passengers in 1995, which represents a small increase over the previous year. In Europe, although SAS's traffic rose by 4.7%, overall market share declined. This did not apply, however, to business travel where SAS has instead advanced its positions this year as well. This mix swing towards a greater number of full-fare tickets improved SAS's yield (average revenue per passenger kilometer) during the year, which contributed to the favorable result. Average capacity utilization on flights, the cabin factor, remained largely unchanged.

A HIGHLY INTENSIVE HOME MARKET FOR AIR TRANSPORT

Measured in number of passengers, SAS is one of the three to four largest airlines in Europe and calculated in number of flight movements (takeoffs and landings) SAS is in second place. SAS is among the five to six largest in terms of passenger revenues.

These positions show that short and medium-haul flights dominate SAS's traffic, which reflects the main strategy of offering competitive air connections between and within each of the Scandinavian countries, as well as between them and all key destinations in Europe.

SAS's strategy has refocused on the home market. Its long distances, sophisticated economy and high standard of living make Scandinavia one of the most intensive markets for air transport in the world. SAS has a very strong position in its home market. This applies to both domestic and intra-Scandinavian traffic.

In 1995 SAS regained the initiative in domestic traffic in Sweden following a number of difficult years characterized by turbulence in the market and integration with Linjeflyg. SAS's new domestic product, which was launched in autumn 1995, has been very successful and Swedish domestic is now profitable. Norwegian domestic, on the other hand, encountered problems during the year and lost market share. SAS will therefore focus on Norwegian domestic along the lines of the last year's successful relaunch in Sweden.

SAS's European routes are highly successful, in particular all traffic to and from the U.K., the Netherlands, Belgium, Germany and the Baltic countries. Intercontinental traffic also returned to profitability during 1995.

THE BUSINESS TRAVELER COMES FIRST

SAS is now focusing strongly on product quality. First, SAS's basic qualities will be secured following disruptions in regularity and punctuality during 1995. Within the framework of absolute safety, SAS will have a broad, reliable traffic program which quickly and efficiently and with many frequencies will carry our passengers in comfort to, from and around Scandinavia. In addition the actual air transport product will be provided with a competitive service content.

Business travelers will continue to be SAS's main target group and SAS will offer the best business travel product in the market. Leisure travelers and cargo customers are also key target groups and SAS is now developing competitive products for them as well. We increasingly meet the same customer in different roles and different classes. Naturally, the customer must recognize SAS in all our products, at the same time as fare differences must be clearly reflected in different product profiles.

The SAS Jackpot low-fare product was revitalized during 1995, among other things through introduction of SAS SuperJackpot and SAS Jackpot Weekend. SAS will be developing new products for the leisure market in 1996.

SIMPLICITY, CHOICE AND CARE

Product development at SAS is based on three maxims: simplicity, choice and care. Simplicity means that SAS's services must be designed so that they are uncomplicated and easy to use. It must be easy to book, pay for and re-book tickets, easy to check in and obtain help if something goes wrong. Simplicity can partly be achieved through modern technology and automation of many practical details of the trip. This leaves SAS's staff free to take care of passengers in a more personal way.

Choice and flexibility are growing in importance to the traveler. SAS is therefore making every effort to provide more frequent and better connections with the major business centers in Europe, that SAS's customers visit often. But we must also offer such a wide range of products and services that travelers can influence the design and content of their own trip. Check-in alternatives, being able to eat in the lounge or on board, to sleep, work, or be entertained in the cabin, are all examples of the choice offered by SAS's products.

Care is about how the product makes people feel. It includes personal and professional service, friendly and respectful attention at every stage of the trip, an understanding of the customer's situation, and the willingness and ability to provide comfort and solve problems.

CONTINUED HIGH GROWTH FOR SAS EUROBONUS

Airlines throughout the world use their bonus programs to create loyalty and increasingly to compete using the customer benefits from strategic alliances with other airlines and their loyalty programs.

SAS EuroBonus – under the rules that apply today and which have been harmonized with rules in most other markets – plays a significant role in SAS's long-term survival. SAS EuroBonus has made a strong contribution to strengthening customer loyalty among SAS's frequent travelers over the years, and it is of decisive importance for SAS's efforts to raise the repeat purchase rate still further. In times of trouble, such as during the strikes last autumn, the bonus program helped SAS not to lose customers.

For SAS's EuroBonus members cooperation with Lufthansa's Miles & More program, and future affiliations with other strategic partners, will provide access to the most extensive traffic system available in a Scandinavian perspective, both in

HUBS IN SAS's NEW TRAFFIC SYSTEM

ORD / CHICAGO

Our kind of town

Chicago-O'Hare International is the world's largest airport in terms of traffic. More than 67.2 million passengers used the airport in 1995, although only 6.8 million were on international flights. 58 scheduled airlines fly nonstop to 284 destinations from here and the 900,000 flight movements in 1995 beat all records. O'Hare is also the home base of United Airlines, SAS's new partner in the U.S., which has services to 100 American destinations from O'Hare and takes care of 40,000 passengers daily.

United has its own terminal – Terminal 1 – which is also the departure point for Lufthansa's flights. All international arrivals go via the brand new Terminal 5, the largest international terminal in the U.S., where SAS also has its departures. The terminals are linked by a fast driverless train, with the Terminal 5 station conveniently located inside the building. The train runs every three to six minutes, and the trip from Terminal 5 to Terminal 1 takes five minutes.

In spite of its considerable size, O'Hare has the same welcoming, small-scale atmosphere as the city of Chicago itself. This is particularly noticeable at passport control which is efficient, friendly and manned by helpful "receptionists" as well as regular immigration personnel. All signs change automatically between 17 languages, depending on where flights arrive from. Baggage can be reclaimed in an average of 30 minutes and carts are free.

If you have an hour to spare: The airport has a total of 75 stores, including a duty-free area of more than 2,000 m², and some hundred restaurants, cafés and bars, many in the classic Chicago style such as Lou Mitchell's and Pizzeria Uno in Terminal 5. Stores include FAO Schwartz, one of the finest toystores in the U.S., for children, and parents with a guilty conscience. SAS has taken over Lufthansa's comfortable lounge in Terminal 5 and EuroClass passengers can use United's Red Carpet Club in Terminal 1. There is plenty of art to look at and anyone seeking physical exercise can go to the gym, water aerobics or play virtual golf, where you drive on a projected course. This can be enjoyed at the Hilton right by Terminal 2.

To and from the city center: Buses and taxis right outside the door. The journey takes between 30 minutes and one hour depending on the traffic. The subway station is in Terminal 3 and trains run every seventh minute, the trip takes 40 minutes. Car rental firms have shuttle buses outside Terminal 5.

A day or a weekend in the city: Chicago is one of the most spectacular cities in the world with dramatic skyscrapers all the way down to the beach along Lake Michigan. The prosperous, dynamic business and shopping metropolis which is Chicago, is transformed during the summer into a civilized Rio with a swarming beach life which spreads into the city. Visitors interested in architecture perhaps have more to see here than in any other town, particularly Frank Lloyd Wright's many unique houses in the so-called Prairie style.

A sound from the city: Chicago is a rich musical city and home to some of America's best jazz clubs and musicians. Listen to trad jazz from lunchtime onwards at Andy's (11 E Hubbard), swing with the local be-bop talent at The Bulls (1916 Lincoln Park W) or squeeze into the Gold Star Sardine Bar (680 North Lake Shore Drive), where Bobby Short sometimes plays. A note for your diary: A magnificent open-air jazz weekend, July 5–7, in Ravinia, organized by legendary jazz pianist Ramsey Lewis.

THE '95 MODEL: MAKING TRAVEL EASIER

For a number of years SAS has been packaging new products based on the automotive industry's annual model formula.

The '95 Model included a number of innovations based on the three principles of simplicity, choice and care. A buffet concept was introduced on intercontinental routes which offers the passenger greater choice. In a similar way, the EuroClass passenger can choose a light bistro-type meal in the EuroClass lounges in Scandinavia as a complement or alternative to the meal on board.

Automatic ticketing machines, known as "express ticketing," are now available on Swedish domestic routes. Domestic services also offer simultaneous ticket and baggage check-in, and fresh fruit at the gates. The meal service has also been upgraded. A new lounge has been opened at SAS's Arlanda terminal for EuroBonus Silver and Gold members.

Cabin comfort has been improved still further, among other things with wardrobes in EuroClass on SAS's MD-81s. New, adjustable headrests and back cushions installed on long-haul routes make it even easier to relax.

The '95 Model also included an extensive program for taking care of customers in the event of delays, cancelled flights, overbooking, delayed or lost luggage, and other irregularities.

In September 1995 the new SAS Domestic in Sweden was introduced under the slogan "Making Travel Easier." This is the most revolutionary new SAS product so far in the 1990s and a foretaste of the renewal process which the whole of SAS will undergo over the next few years, starting this autumn.

Shuttle flights with dedicated gates and ground staff, and departures nearly every hour have been introduced between Arlanda and Malmö and Arlanda and Gothenburg. The new SAS Domestic has been given its own identity in the form of a colorful design program, which even includes special livery on a couple of airplanes.

The concept includes ticketless travel with the Travel Pass, either general or destination-specific. Reservations can be made 24-hours a day by calling 020-727 666 (freephone in Sweden only). The customer simply quotes his or her Travel Pass number, and at the airport the card is swiped through a reader which also ensures bonus points are registered. Automatic check-in is also available for passengers with new-style tickets with magnetic stripes, and who have an advance seat reservation.

SAS is also first in Europe with a full-coverage digital telephone system in its entire fleet. The telephones were installed in the armrests between the seats in 1995 and went into operation in 1996. Passengers can use a regular credit card, which is passed through a reader in the handset.

terms of earning points and redeeming them for bonus travel.

At the end of 1995 the bonus program had approximately 800,000 members and membership growth remained high. During the year, members also began to redeem points for bonus travel to a greater extent.

The customer database set up as a result of SAS EuroBonus provides a platform for the increasingly more individual dialog with frequent travelers, as well as an opportunity to direct special offers to them. Improved and extended service benefits when traveling with SAS, its airline and other partners, and more opportunities to earn and redeem points will be launched in 1996.

GOOD STORES IN THE AIR AND AT AIRPORTS

Since 1994 SAS Trading has been operated as a SAS business unit tasked with satisfying air travelers' requirements for goods on board and at airports. SAS Trading is a world-leading operator in the duty-free sector and revenues totaled 2,495 MSEK (2,690) in 1995.

In addition to sales on board SAS and Spanair's aircraft, travelers encounter SAS Trading in 40 stores at 23 airports in five countries. These operations are strongly placed in Sweden and Norway and the total sales trend continues to exceed passenger increases, in spite of the loss of important concessions at Copenhagen Airport.

Sales on board have been rationalized

by the installation of point-of-sale terminals, which make it easy to pay with a credit card. Advanced ordering of perfumes and cosmetics for fast "pick-up" at the airport shop has been introduced in Oslo, following earlier success in Copenhagen.

During 1995 SAS Trading started sales on board SAS's charter flights through advanced ordering and on board delivery.

The first customer loyalty program for duty-free goods, taxfree PLUS, was introduced in Sweden with considerable success in 1995. The program gives a bonus of up to 10% depending on purchasing volume during the year, which is paid out in the form of vouchers. The taxfree PLUS program currently has 65,000 members and it will be introduced in Norwegian airport shops and on board SAS aircraft in 1996.

During 1996 SAS Trading will concentrate on developing new store concepts designed to strengthen the airports as marketplaces.

FOCUS ON AN "ALL CARGO OPERATION"

In 1995 SAS Cargo's total tonnage reached 565 (558) MTKM (million ton kilometers) with unchanged production, and freight revenues remained unchanged at 1.6 billion SEK. Considerable increases in exports from Sweden were counteracted by reduced imports.

Following SAS's acquisition of Jetpak AB in 1995, SAS Cargo works with four main products: SAS General Cargo (normal air cargo for regular shipments and joint loads), SAS Priority (time-guaranteed "to the airport" and "to the door" for small consignments), Jetpak (express product for "door-to-door" deliveries with superior speed and Nordic coverage) and AirMail.

In order to meet Scandinavian export companies' demands for greater air freight capacity, SAS Cargo has started traffic using designated cargo aircraft, in addition to the capacity available in SAS's regular fleet. SAS Cargo has a long-term lease on a Boeing 747 solely for cargo which from its Gothenburg base runs services to Osaka, Hong Kong/Macao and

HUBS IN SAS's NEW TRAFFIC SYSTEM

ARN / STOCKHOLM

Gateway to the Baltic

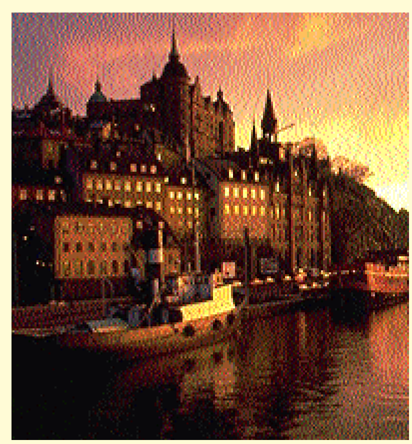
Stockholm-Arlanda is among the most traffic-intensive airports in Europe with 225,000 takeoffs and landings in 1995. Arlanda is constantly being extended and now has four terminals. Terminal 4 is used exclusively by SAS for its extensive domestic traffic for which Arlanda is the hub. The airport is a complementary hub for traffic to the Baltic region. In 1995 Arlanda served 13.3 million passengers, including 7.7 million on international routes. 58 scheduled airlines fly from here to 66 destinations outside Sweden, and 39 inside the country. The airport handles check-in and transfers quickly and arriving passengers can reclaim their luggage within an average of fifteen minutes.

There are indoor walkways and shuttle buses between the terminals. Terminal 5, for international traffic only, and Terminal 4 are linked by SkyCity, a service complex of hotels, conference facilities, stores, restaurants and offices. In Terminal 4, SAS has opened a shuttle service to Gothenburg and Malmö with dedicated gates.

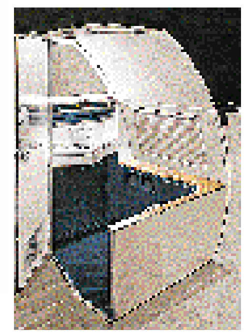
If you have an hour to spare: The airport has 14 restaurants and bars, five of which are in the transit areas. In addition, SkyCity has a Food Terrace with three widely different restaurants all with the same fine view over the indoor plaza and the parked and taxiing aircraft. Here there is also the first-class Radisson SAS SkyCity Hotel. A short-stay hotel for passengers wishing to rest for a few hours is located in Terminal 5. Some thirty stores, 12 in the transit areas, sell everything from perfume and clothes to Swedish glassware. Arlanda's duty-free shop is famous for its excellent selection of wines, where everyone can find a bargain. This includes real connoisseurs who find Arlanda worth visiting in order to choose between rarities such as Chateau Mouton-Rothschild 1979 and Taylor's Vintage Port 1924. The airport has six lounges, three of which are operated by SAS.

To and from the city center: Arlanda is 42 km from the center of Stockholm and the motorway journey with SAS Limousine, bus, taxi or rented car takes between 35 and 50 minutes depending on the traffic. Special couriers help summon a taxi and explain fares. A new railroad will go into operation in 1999.

A day or a weekend in the city: Stockholm is built on islands and is seen at its best from the water. Classic steamboats and small ferries are part of the inner-city infrastructure. These include services between the Old Town and the Royal Deer Park, into Lake Mälaren or out to the archipelago. You can take a boat to Drottningholm Palace, the residence of the Swedish royal family, which UNESCO has put on its "world heritage" list. Drottningholm has a baroque park, an English park, the Chinese Palace – a unique folly in Chinese rococco style – and the beautiful Drottningholm Theater.



A shimmering city: Stockholm's numerous waterways give the sky a special shimmer on cloudless summer evenings. An even more dramatic display can be seen at the Stockholm Water Festival (to be held August 2–10 1996) when the traditional fireworks world championships take place. The festival had nearly 3.5 million visitors last year.



THE ’96 MODEL: CARE ALL THE WAY

SAS has its 50th anniversary in 1996. This will be celebrated in several ways starting in August. But above all we feel this is the right occasion to launch a number of product innovations which provide obvious customer benefits and show that SAS intends to take the initiative as far as products are concerned over the next half century.

Here is a foretaste.

SAS’s restaurant operations have nearly 20 million guests a year – in the air. Next autumn the level of what we serve on board will be upgraded considerably. This will be done using a concept which demonstrates some of the best aspects of modern Scandinavian cooking.

We call the concept “Scandinavian World Cooking,” partly to emphasize that it is world-class, and partly to signal that it does have international influences.

SAS takes a pride in Scandinavian cuisine, its fine basic traditions and the level to which modern exponents have taken it. Some of the leading master chefs from Denmark, Norway and Sweden are already composing the autumn menus for our guests. Because that is how we want our passengers to feel, like cherished and welcome guests. So that more of them become regular guests.

Product development at SAS in 1996 will concentrate on offering passengers travel which includes an extra touch of care. Frequent travelers will receive more benefits. In the cabin these will include priority for the best seats. On the ground, an express parking service, separate baggage handling and new, extremely comfortable lounges at Arlanda, Fornebu, Helsinki and Newark Airport.

Families will also be offered a special product with service appropriate for small children.

Other new products to be launched in autumn 1996 will include even greater seating comfort, and larger, more pleasant lavatories with an entirely new functional design, including windows, which will be introduced on the MD-90s.

New York. Cargo capacity to the Baltic countries is particularly attractive to North American companies and SAS Cargo has deliberately developed and improved its traffic and distribution systems in that area.

Cooperation with Lufthansa Cargo, the second largest air cargo company in the world, will give SAS Cargo’s customers considerable benefits, including better coverage in key markets and more capacity to intercontinental destinations.

SAS Cargo has also signed a contract for a new freight terminal in New York (Newark) and is planning new freight terminals in Copenhagen (Kastrup) and Oslo (Gardermoen). Both these terminals are scheduled for completion in 1998. In 1995 SAS Cargo received ISO 9000 certification for its freight terminal in London (Heathrow).

SAS Cargo will continue to develop its position as a “quality carrier” of air freight.

SAS Cargo’s operations focus primarily on qualified freight products as well as expertise development and logistics planning under the Cargonomics® – Economy by Air Freight – concept.

THE FASTEST GROWING FIRST-CLASS HOTEL CHAIN IN EUROPE

Since the end of 1994 operations in SAS International Hotels have been conducted under the Radisson SAS Hotels Worldwide trade name. Since Radisson SAS focuses on operating rather than owning, hotel properties are being sold on an ongoing basis.

Radisson SAS's business objective is to operate effective and modern first-class hotels through management contracts or on a franchise basis, primarily in Europe, the Middle East and China. The franchise concept includes the market-leading reservations system PIERRE, which is operated by SAS's hotel partner Radisson Hospitality Worldwide and on-line to flight reservation systems in more than 125 countries.

It is important for SAS to be able to offer good hotels as a complement to air travel. It is important for SAS's customers that hotel stays also provide EuroBonus points. This is why the broadest possible hotel program is desirable.

Radisson SAS is Europe's fastest-growing hotel chain in the first-class segment and increased in 1995 from 29 to 64 hotels in 20 countries. In other words, the number of hotels has more than doubled in just one year. The base is business hotels in key commercial destinations. During 1995 operations were expanded to include full-scale leisure hotels and today the chain has a wide range of hotels from 65-room "boutique hotels" to 700-room conference complexes.

The greatest expansion has been in Germany and the Middle East. The German market has high priority and during the year the number of hotels increased from two to ten, mainly in northern Germany, where Radisson SAS is now established in Berlin, Hamburg and Dusseldorf. This expansion is continuing to cities such as Frankfurt, Munich, Dresden, Dortmund, Hannover and Stuttgart.

Operations in the Middle East have

HUBS IN SAS's NEW TRAFFIC SYSTEM

BKK / BANGKOK

Gateway to the Orient

Bangkok's airport, Don Muang International, is one of Asia's key hubs and is very well placed geographically. Thailand itself is a major business and tourist center, with Indochina, Indonesia and Malaysia only a short flight away. In 1995 more than 70 airlines flew over 22 million passengers to or from the airport – including 17 million on international routes.

SAS and Thai Airways are located in Terminal 1, while Lufthansa is in the new Terminal 2. The terminals, including domestic, are located along the same street and linked by sidewalks and shuttle buses. Distances between terminals and gates are considerable, but baggage carts are available free. Passport formalities take some time and passengers can collect their baggage within three-quarters of an hour.

If you have an hour to spare: The SAS EuroClass lounge is in Terminal 1 between Pier 1 and 2 in the transit area. The business traveler also has fully-equipped business centers at his disposal and everyone can pay to enjoy the facilities of the Louis Tavern luxurious first-class lounges. The same company operates several short-stay hotels in the transit area, where you can take a shower and catch up on your sleep just like at any other first-class hotel, although an hourly rate is charged. Baby care centers are also available. There are plenty of restaurants and bars outside the transit area, including Thai, Japanese and Chinese food malls, which even serve Peking duck. Although the transit hall only has one restaurant, there are ample shopping facilities offering everything from tax-free de luxe and brand name goods to fresh Thai fruit and seductive orchids.

To and from the city center: The airport is 25 km north of the city and the trip to the city center can take between forty-five minutes and two hours in the sometimes heavy traffic along the urban freeways. People in a hurry can take the helicopter which lands at the Shangri-La Hotel. The majority of hotels pick up at the airport, hotels by the river collect their guests by boat. Thai International has a 24-hour limousine service. Taxis abound and the price is negotiable. There are bus and train connections, and Tourist Information counters can provide detailed information.

A day or weekend in the city: Apart from its teeming street life, magnificent temples and palaces and exciting gastronomy, Bangkok also offers fantastic experiences for body and soul. This culture has been pushed to its limits at Oriental Spa – a temple of physical fitness and contemplation for men and women. After a whole day including hydro and herb therapy, massage, facials, a health food lunch and meditation, you are literally a new person. The health center is part of the Mandarin Oriental Hotel, and can be reached straight across the river in the hotel's own boat.

A glimpse of the city: Thailand has more than 1,000 kinds of orchid and these flowers intensify the city landscape with strong flashes of color. The orchid with its strange beauty has come to symbolise the mystery and sensuality of the Orient.

A GOOD ENVIRONMENTAL PROFILE – A KEY PRODUCT QUALITY

Society is showing a clear trend towards greater environmental awareness. People are increasingly weighing environmental aspects when faced with a choice, not least when they are the consumers.

SAS is convinced that this will apply to our industry and our products. Customers will simply demand that the companies they elect to fly with have a good environmental profile. SAS has therefore decided to develop one of the leading environmental programs in the industry.

To perform equally well in terms of the environment as in other quality parameters, which for the airline industry include safety, punctuality and service, can give a company competitive advantages which cannot be directly converted into dollars and cents. There is therefore no conflict of interest between environmental work and financial profitability. It can even be said that many efforts designed to reduce environmental impact in themselves lead to reduced costs.

The most obvious example of this connection in air transport is the relationship between fuel consumption and emissions. Incomparably, SAS's greatest environmental impact is caused by burning aviation fuel. The reduction of emissions by achieving greater fuel efficiency, i.e. consuming less fuel per passenger kilometer, therefore provides a double gain. But even lesser forms of environmental impact can be reduced and result in lower costs. For example, one effective way to reduce the impact on the environment of the use of various chemicals in aircraft maintenance, is simply to use less chemicals.

If customers are to be able to make decisions which also take environmental aspects into account, they must be able to evaluate these in the same way as more traditional product quality. This is one of the reasons why SAS is publishing a separate environmental report starting this year. One of the main tasks of environmental work in 1996 is to improve the collection and presentation of environmental data, in order to create an even better basis for decisions.

A summary of SAS's environmental efforts in 1995 is provided on pages 11–12 of this annual report. More detailed information is available in SAS's separate environmental report for 1995, which can be ordered from SAS's Information Departments, telephone numbers are provided on page iii.

Radisson SAS Oslo Plaza

grown from one hotel to eleven, three of which are still under construction.

In Scandinavia, six new hotels were added in 1995. These include Radisson SAS Oslo Plaza, Northern Europe's highest building and largest hotel with 662 rooms. The newly opened Radisson SAS Daugava Riga, Latvia, is part of the focus on the Baltic countries.

A contract for Radisson SAS Bonaparte Milan and three hotels in northern Italy will mark the beginning of a similar focus in the Mediterranean region.

Radisson SAS has profiled its hotels with innovative service concepts based on simplicity, choice and care. Offering customers a choice of room style, such as Scandinavian, Japanese or British furnishings, has been much appreciated and now been introduced in the majority of Radisson SAS hotels. The hotels also have a very ambitious environmental program with the main focus on using recycled and degradable materials.

HUBS IN SAS's NEW TRAFFIC SYSTEM

MUC / MUNICH

The pulsating heart of Central Europe

Munich's new airport, Franz Josef Strauss, 29 km outside the city center, was opened in 1992 replacing an airport from the 1930s. The new complex is one of the most modern in the world and is designed for fast check-in and arrival. The terminal is divided into five sections for different airlines, and the distance between street and gate is very short. Your luggage is through in an average of fifteen minutes. 2.7 km of travelators move people between sections.

As well as serving Munich's over one million inhabitants, Franz Josef Strauss is Lufthansa's hub for Southern and Eastern Europe. 55 scheduled airlines fly from here to 134 destinations. In 1995 the airport handled nearly 15 million passengers and 214,000 takeoffs and landings.

If you have an hour to spare: Fourteen restaurants and snack bars offer a tempting range of cuisine, including modern Italian at Il Mondo and classic Bavarian fare at Max Emanuel. In the summer you can enjoy the delicious local beer al fresco in the Biergarten. Some sixty well-stocked shops sell everything from Lederhosen and local delicacies to the latest BMW. If you've an ache in your head or your heart, the medical center can help with physical problems, while spiritual comfort can be sought in the chapel.

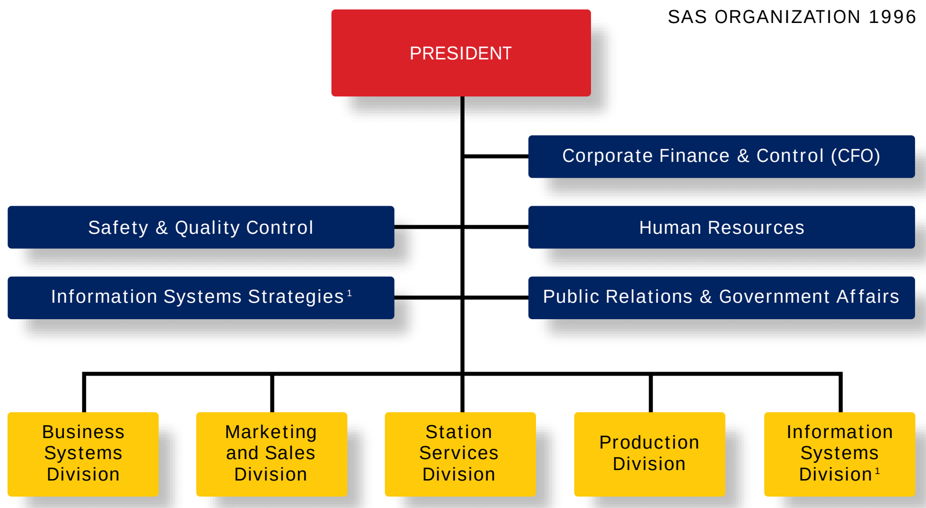
To and from the city center: The S-bahn express with a station in the building runs every 20 minutes, except for three hours at night. The journey to and from the Central Station takes 39 minutes. A bus or car on the motorway takes 20 to 30 minutes. Car rental agencies at the airport often have special offers on a BMW or Mercedes.

A day or a weekend in the city: Munich is one of the most beautiful cities in Europe with a rich and rather special culture – a sparkling metropolis with the romantic charm of a small town. And for people interested in science and technology the huge, exciting Deutsches Museum is a real El Dorado. Here everyone becomes a child again while enjoying the didactically dramatized development of everything from oil exploration, to cars and space technology.

A taste of the city: Weisswurst, the lightest, most elegant of sausages, is stuffed every morning with the finest veal and herbs or made especially for you while you wait. It is such a modern idea that it could have been created yesterday, but its history goes back several hundred years. The sausage is simmered gently and served with a crispy salt pretzel and sweet mustard. It is traditionally eaten at breakfast and according to legend must not hear the Frauenkirche clock strike twelve because it will wither like a flower. Munich's residents prefer their Weisswurst with a glass of pilsner at Franziskaner at Perusastrasse 5, right next to the old Palace of the Bavarian Kings. Weisswurst is also served in every departure lounge at the airport.

Focus on motivation and quality

SAS ORGANIZATION 1996



[1]Joint function and management

Since 1994, SAS's operations have been conducted in an effective, functional organization on the basis that SAS is and must be operated as one company, owned by its three parent companies in Denmark, Norway and Sweden.

This functional organization was refined in 1995, among other things in order to guarantee good local support in the three parent countries. In the SAS Management Team (SMT), which comprises nine people, Vagn Sørensen is responsible for strategically important Danish issues and Gunnar Reitan has a similar responsibility for Norway. Since SAS has its head office in Sweden, it was not considered necessary to appoint someone to be responsible for Swedish issues.

SAS's central organization has five operational line functions and five staff functions.

The line functions are Business Systems (Routes/products, SAS Trading and Cargo), Marketing & Sales, Station Services, Production (service on board, technical and flight operations), and Information Systems.

The five staff functions are Corporate Finance & Control, Human Resources, Public Relations & Government Affairs, Safety & Quality Control, and Information Systems Strategies.

SAS RECRUITING AGAIN AFTER SEVERAL YEARS OF REDUCTIONS

1995 was dominated by the task of ensuring implementation of the final phase of SAS's cost rationalization program. The last phase of such a program is normally extremely painful, and in SAS's case it coincided with increased demand, which put a considerable strain on resources – particularly on the employees. The action program, designed to reduce costs by 2.9 billion SEK, was completed in July 1995 at a level of 2.7 billion SEK. (Most of the remaining 0.2 billion SEK were EU-related costs.)

At year-end 1995, SAS's workforce had been reduced in accordance with the plan in SAS's action program. This also led to an improvement in productivity per employee.

The average number of employees in the SAS Group in 1995 was 22,731 (28,425). The average number of employees in SAS (including SAS Trading) was 20,499 (20,888) in 1995. The average number of employees in SAS International Hotels in 1995 was 2,201 (2,385).

As a result of increased demand and production, flight personnel were recruited at the beginning of 1996 for the first time in five years.

A NEW CLIMATE OF COOPERATION

For several years, all employee categories at SAS have been affected by a number of consecutive action programs and the consequences of such programs. Management giving priority to completion of the rationalization program and the development of long-term strategies has led to less attention being paid to employee relations.

In 1995 negotiations on a collective agreement for flight personnel were only completed after extensive labor disputes. The strikes, which affected two personnel categories organized in seven unions, had a direct negative impact on earnings due to loss of production.

SAS's management and the union representatives have now agreed on a joint approach to basic strategies and the importance of wholehearted efforts in product quality and employee motivation.

SAS NOW GIVING PRIORITY TO QUALITY

Having worked on SAS's structure in 1994, cost rationalization and strategies in 1995, 1996 is the year when the focus will be on the operations themselves. SAS's basic quality will be returned to the international level it once had, and product content and standard will be developed to become fully competitive.

Naturally this will require motivated employees who work consistently in line with the strategies. During the year SAS will focus strongly on internal information and measures designed to increase motivation.

During 1995 TQM (Total Quality Management) was introduced at SAS. This led to the 100 senior managers at SAS working consistently according to this model. In 1996 the entire company will be operated based on this customer-oriented approach. Continuous and systematic improvements will be made using the least possible resources and with everyone taking part.

Focus on the customer is a cornerstone of quality work at SAS. The CPQ (Customer Perceived Quality) system was introduced in 1995. This system allows customer satisfaction with different products and services to be continuously monitored and followed up. These surveys cover all key services during the trip – from reservation to arrival. The system will provide a basis for improvements and product development through regular information to those responsible in the company.

HUBS IN SAS's NEW TRAFFIC SYSTEM

OSL / OSLO FORNEBU

At the head of the fjord

Oslo's present airport, Fornebu, dating from 1939, will be closed when Gardermoen opens in autumn 1998. Although Oslo will then have one of the most modern airports in Europe, many people will miss Fornebu which has developed into one of Europe's most pleasant airports. It is also Europe's most cost effective and profitable airport, according to the trade magazine Airline Business (Sept. 95).

Fornebu is served by 24 airlines, which fly to 57 destinations from here, and the airport is the hub for Norway's extensive domestic traffic. Although Fornebu accounts for 75% of all international flights, Norwegian domestic traffic dominates the airport with a 62% share. During 1995, 9.2 million passengers (3.8 million on international flights) passed through the airport via 161, 000 takeoffs and landings.

Fornebu is nearly in the city center, on a promontory in Oslo Fjord, 8 km from the city center. The approach is breathtakingly beautiful with mountains, fjords and archipelago. You can reclaim your luggage in an average of 10 minutes and check in 30 minutes before departure.

If you have an hour to spare: Fornebu has 17 restaurants and bars with different images, everything from the Waffle House serving delicious, crispy waffles to a Seafood Bar. In some twenty stores you can buy everything from cosy Norwegian sweaters to the unique Linje Akvavit, guaranteed to have crossed the equator. SAS will open a well-equipped EuroClass lounge during the year.

To and from the city center: Oslo is just a ten-minute car or bus ride away. Buses depart every ten minutes. All major car rental firms are represented.

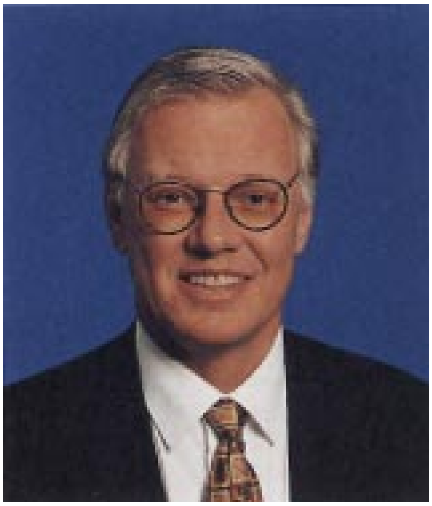
A day or a weekend in the city: The Munch Museum with 24,000 works by Edvard Munch is alone worth the journey, as is the Maritime Museum at Bygdøy, with a Viking Ship, Nansen's North Pole ship Fram, Heyerdahl's Kon Tiki and Ra II. Anyone who feels like a taste of something more modern should know that in recent years the city has been known as "swinging Oslo" due to its active restaurant and nightlife. It is also worth renting a car or taking a taxi up to the local "hill" Holmenkollen, famous as a skiing center. Drive slowly past the magnificent old shipowners' villas and turn off at Holmenkollen. Go for a walk, fill your lungs with the clean mountain air. The view over the city and the fjord is guaranteed to take your breath away.

Edvard Munch, *Skrik*, 1893. © NG 1994

A cry from the city: After being stolen, Munch's famous painting "The Scream" has now been returned safely to the National Gallery.

Jan Stenberg
President & CEO

Gunnar Reitan Executive Vice President
and CFO Corporate Finance & Control



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