

SAS is now once again a profitable airline. The SAS Group's 1994 income before taxes totaled 1,505 MSEK.

During 1994, SAS focused on its core airline business and is now putting all its resources into becoming one of the best and most successful airlines in the world.

SAS will serve its Scandinavian home market with an effective traffic system and a highly competitive air transport product.

SAS carried 18,823,000 paying passengers in 1994, which makes SAS the third largest airline in Europe. In terms of passenger revenues, SAS is in fifth place in Europe and in second place with regard to the number of flights.

SAS must be profitable and operate unaided. In cooperation with other quality airlines, SAS will offer a global traffic system and an attractive loyalty program.

SAS's top priority is safety. SAS follows the airline industry's highest level of safety regulations.

SAS is first and foremost the business traveler's airline. This means that after absolute safety our priorities are punctuality and service. SAS was the most punctual airline in Europe in 1994.

Simplicity, choice and care are bywords for SAS's relationship with its customers and all product development.

SAS is developing one of the most ambitious environmental programs in the airline industry.

SAS's continued success will be achieved by motivated employees who take pride in their work and are inspired by and accept responsibility for the company's goals for high-quality service and profitability.



ANNUAL REPORT

1994



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A financially sound SAS

From the Board's point of view, 1994 was characterized by efforts to bring down the total risk in SAS to a level where the company's long-term survival could be guaranteed on a stand-alone basis. This will also ensure SAS's ability to meet its commitment – to provide its three home markets with effective air transport services, and to meet its owners' requirements for a return on their investments.

The deregulation of European civil aviation has taken place during a deep recession, which has resulted in major losses for the airline industry in recent years. Many national carriers, which are wholly or mainly state-owned, are operating today with substantial financial support from their owners. SAS has protested against this, since in a deregulated civil aviation market we cannot accept competition which is directly financed by the taxpayer.

FOCUS ON CORE BUSINESS

Following four loss-making years and a main strategy – to find merger partners in Europe – which proved impossible to implement, the Board was convinced that the level of risk in SAS was too high in several respects. The structure was fragmented and resources were spread among too many noncore activities. This meant that the excellence of the primary function, the airline business, was not being given the priority it deserved. In the end, the financial exposure proved too great.

SAS's Board therefore decided to implement an extensive program of restructuring and consolidation during the year.

This program had three main components: to focus on the core business and discontinue noncore operations, to achieve a competitive level of costs in the airline operations, and to carry out a financial consolidation.

The Board is of the opinion that the total risk in SAS is now at a reasonable level.

FINANCIAL CONSOLIDATION COMPLETED

As a result of financial consolidation, the SAS Group's equity/assets ratio rose from 21% at year-end 1993 to 29% at the end of 1994.

Following the sale of subsidiaries, hotel properties, and overcapacity in the aircraft fleet, the SAS Group's total assets have decreased by 8.5 billion SEK to approximately 35 billion SEK. Net debt has been reduced from 14 billion to 6 billion SEK. The debt/equity ratio has therefore fallen from 1.6 to 0.6.

To sum up, the financial consolidation of SAS has provided – as was the intention – a satisfactory equity/assets ratio, a reasonable burden of debt, good liquidity and considerable financial flexibility.

Return on equity amounted to 10% in 1994, while return on capital employed was 7%. Although this is not a satisfactory level, it represents a big step in the right direction.

Finally, I would like to thank SAS's management and staff for their excellent work during the year. It is my personal conviction that we now have a sound platform on which to build the future of SAS.



*Stockholm, March 1995
Bo Berggren
Chairman of the Board*

We now have a sound base

When I took up my post as president of SAS on April 1, 1994, my immediate task was to implement the action program initiated by my predecessor Jan Reinås. This program was designed to create a cost-effective core business on which to base profitability. Nearly one year later, I can report that we are well on our way to completing this program.

We have taken action to reduce operating expenses which will provide a full-year effect of 2 billion SEK. The effect achieved in 1994 was naturally less, since not all the measures were initiated at the same time, and we have had to pay a price in the form of restructuring costs of 1,005 MSEK (530). According to the plan, it now remains for us to cut costs by a further 0.9 billion SEK by mid-1995.

The financial restructuring program is now completed and surpassed its goals, since we were able to make a number of sales at higher prices than anticipated.

SHARP IMPROVEMENT IN RESULTS

The SAS Group's 1994 income before taxes amounted to 1,505 MSEK (-492).

Operating income (before depreciation, etc.) rose to 3,404 MSEK (2,032). Operating revenue in the airline business and hotel operations amounted to 33,851 MSEK (31,471). The SAS Group's net financial items including exchange rate differences improved to -668 MSEK (-1,313).

The new depreciation principles introduced by SAS in 1994, resulted in a 613 MSEK charge against income. SAS previously applied the reducing balance depreciation method but has now introduced the same principles as most of the airline industry: straight-line depreciation over 15 years with 10% residual value.

Through the restructuring program carried out during the year, SAS has focused on its core business - air transport and the naturally related trading and hotel operations.

Air transport operations performed well during the year. Cost-cutting made a contribution, but we were also helped by the recovery in the international airline industry. This was particularly apparent in the second half of the year.

During the year, SAS International Hotels started a close cooperation with Radisson Hotels International, and some fifty hotels in Europe and the Middle East have been renamed Radisson SAS. In 1994 the hotel operations reached break-even before capital gains.

FORECAST

During 1994 we have reviewed SAS's strategies, based on a partly reassessed market scenario.

Scandinavia has been given greater prominence in SAS's strategy. It is the task of SAS as an independent company to serve the home market with an effective and in every way attractive air transport product. Reliable cooperation partners, with good traffic systems which complement SAS, will be an important part of what we have to offer. But we no longer regard the partners issue as a matter of survival.

SAS has now established a sound base. In my opinion the favorable trend in SAS's results will continue in 1995.



*Stockholm, March 1995
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, 1994.

THE SAS GROUP 1994

The SAS Group's financial statements are prepared in accordance with International Accounting Standards.
(Figures in parentheses refer to 1993.)

THE SAS GROUP

The SAS Group's operating revenue amounted to 36,886 MSEK (39,122). Adjusted for units sold, operating revenue totaled 33,851 MSEK (31,471), an increase of nearly 8%. Operating income before depreciation, etc. amounted to 3,404 MSEK (2,032). Operating expenses for comparable units rose by 1% excluding restructuring costs of 1,005 MSEK (530), and income before depreciation, etc. rose from 1,597 MSEK to 3,019 MSEK.

Depreciation was 2,000 MSEK (1,782), representing an increase due primarily to the changed depreciation method for aircraft. (See Note 1.)

After shares of income in affiliated companies of -13 MSEK (-1), income after depreciation, etc. amounted to 1,391 MSEK (249).

The action program in the airline operations was completed during 1994 although there was some delay compared with the original plan. These measures had a positive effect on costs, however. In addition to increased traffic and rising yields, this helped improve income after depreciation, etc., in spite of restructuring costs and increased depreciation of 613 MSEK due to the changed depreciation method being charged against income. Excluding these costs, the improvement in results was 2,230 MSEK.

Net financial items amounted to -761 MSEK (-1,322). In addition, net exchange rate differences totaled 93 MSEK (-801). The substantially reduced net debt during the year helped reduce negative net interest income.

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

Income after financial items but before minority shares was 723 MSEK (-1,064).

Gain on the sale of flight equipment and shares, etc., includes the sale of units which did not belong to the core

business. SAS Leisure was sold in May 1994 to Airtours Plc. with a capital gain of 363 MSEK.

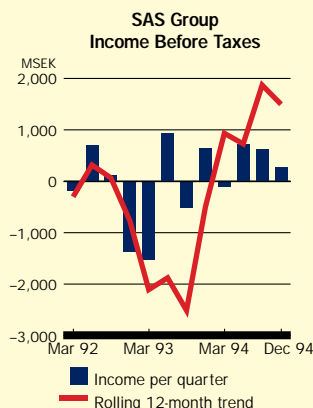
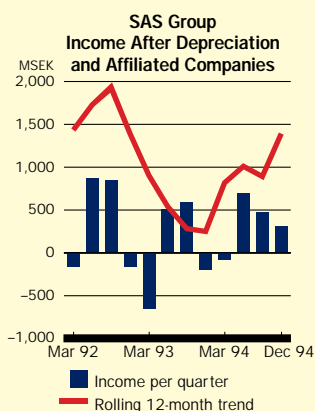
In June, SAS Service Partner was sold to Gate Gourmet International with a capital gain of 256 MSEK.

Diners Club Nordic was transferred to Skandinaviska Enskilda Banken in August 1994, the capital gain was 147 MSEK.

Until the dates they were sold, the above-named units contributed 212 MSEK to the SAS Group's income before the sale of flight equipment and shares, etc.

Income and Key Ratios (MSEK)	1994	1993
Operating revenue	36,886	39,122
Operating expense	-33,482	-37,090
Operating income before depreciation, etc.	3,404	2,032
Depreciation	-2,000	-1,782
Share of income in affiliated companies	-13	-1
Income after depreciation, etc.	1,391	249
Financial items, net	-761	-1,322
Exchange rate differences, net	93	-801
Realized exchange gains on the sale and leaseback of aircraft	-	810
Income after financial items	723	-1,064
Minority shares in income after financial items	-99	16
Income before the sale of flight equipment and shares, etc.	624	-1,048
Gain on the sale of flight equipment and shares, etc.	935	666
Provisions to reserve for decline in value of hotel investments	-54	-110
Income before taxes	1,505	-492
Key Ratios		
Investments	1,277	1,112
Return on capital employed, %	7	5
Return on equity, %	10	neg.
Equity/assets ratio, %	29	21
Debt/equity ratio	0.6	1.6
Average number of employees	28,425	37,330

Nord-Norsk Hotell drift AS and SAS Royal Hotel in Brussels, were sold during the year. SAS International



Hotels continues, however, to operate the hotel in Brussels under a management contract. These sales provided a capital gain of 121 MSEK. Provisions to reserves for the decline in value of hotel properties were made in the amount of 54 MSEK.

Sales of other shares, flight equipment, etc., amounted to 48 MSEK.

Income before taxes was 1,505 MSEK (-492).

1994 investments increased by 165 MSEK compared with 1993 to 1,277 MSEK. Investments in flight equipment accounted for 370 MSEK. Return on capital employed was reported at 7% (5%) and return on equity was 10% in 1994. The debt/equity ratio as of December 31 decreased from 1.6 to 0.6. The equity/assets ratio rose to 29% (21%).

Balance Sheet (MSEK)	1994	1993
Liquid funds	10,725	9,318
Other interest-bearing assets	638	1,197
Aircraft	14,202	15,582
Other assets	9,734	17,760
Total assets	35,299	43,857
Operating liabilities	7,819	10,664
Interest-bearing debt	16,594	23,267
Subordinated debenture loans	823	1,136
Minority interests	148	159
Equity	9,915	8,631
Total liabilities and equity	35,299	43,857

FINANCIAL OVERVIEW:

A YEAR OF STRONG FINANCIAL CONSOLIDATION AND MANAGEMENT

The increase in liquid funds provided by surpluses in operations and sold units was used to pay off outstanding debts. The SAS Group's net debt was thus more than halved during 1994 from 13,888 MSEK at the beginning of the year to 6,054 MSEK at year-end.

The financing surplus during the year amounted to 6,252 MSEK, of which 947 MSEK was attributable to a net surplus from operations, 3,031 MSEK to the sale and

leaseback of five Boeing 767-300s in December 1993, and 2,186 MSEK to the sale of subsidiaries. In addition, the SAS Group's gross debt was reduced by 1,295 MSEK, due to debt formerly part of the sold business units.

Gross debt was 17,417 MSEK at year-end 1994, representing a 6,986 MSEK reduction since the beginning of the year when debt totaled 24,403 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 approximately five years. In view of the year's substantial financial surplus, no new borrowing took place.

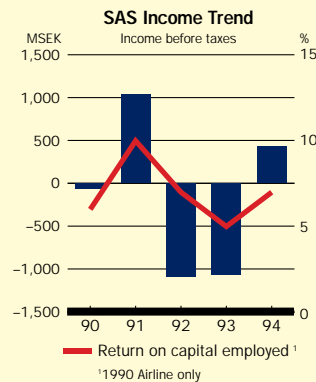
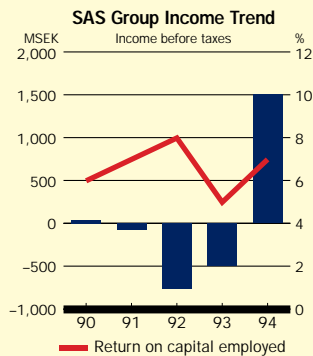
Liquid funds amounted to 10,725 MSEK on December 31, 1994, which is somewhat higher than at year-end 1993, when liquid funds totaled 9,318 MSEK. This high liquidity is due to the attractive terms on which the SAS Group was able to conduct long-term borrowing at the end of the 1980s and in the early 1990s, in the form of bond issues and Japanese financial leases. This provided limited opportunities to redeem the underlying debt with a better financial return than the level at which liquid funds could be managed. 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.

SAS's credit rating from Moody's remains P1 for short-term debt and has been A3 for long-term debt since July 1994.

As reported previously, 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 consolidation currency, the Swedish krona (SEK), is depreciated, while a corresponding revaluation of assets denominated in foreign currencies, such as aircraft, may not be made. The substantial weakening of the Swedish krona in 1992/93, thus had

BOARD OF DIRECTORS' REPORT



negative effects on the financial statements in the form of unrealized exchanges losses reported among net financial items.

During 1994, SAS applied a full-scale real-economic financial policy under which the currency composition of the net debt corresponds to the operational cash surplus from operations.

Due to the substantial reduction in the company's net debt, percentage changes in the SEK index have a more limited nominal effect. In addition, the SEK index recovered slightly during the year, resulting in a positive exchange difference of 93 MSEK.

The fluctuations on the foreign exchange market continue and this has been particularly noticeable during the latter part of the first quarter of 1995. SAS's financial position means, however, that this will have far less impact on income than previously. 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, currency 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 net interest income of -719 MSEK (-1,289) corresponds to an effective interest expense on the average net debt of 7.3% (8.1%). The main reasons for this improvement in net interest income are the reduced net debt and generally lower interest rates.

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)

	1994	1993
Net financing from operations	2,338	1,377
Investments	-1,277	-1,112
Advance payments, net	-114	-29
Sales of fixed assets, etc.	5,305	1,852
Financing surplus	6,252	2,088
Amortization and early redemption	-5,238	-2,995
Other financial receivables/liabilities, net*	1,366	626
Change in liquid funds	2,380	-381
Liquid funds in sold companies	-973	-130
Change in liquid funds according to the balance sheet	1,407	-511

*) Excluding unrealized exchange rate effects on net debt in 1993.

Net financing from operations, including changes in working capital, amounted to 2,338 MSEK (1,377).

Investments totaled 1,277 MSEK (1,112), of which 216 MSEK related to a Boeing 737 and 109 MSEK an MD-80 taken over from Scandinavian Leisure in June. In addition 95 MSEK related to acquisition of shares, 5.1% in Airlines of Britain Holdings, and 54 MSEK to a capital contribution to Polygon Insurance Company.

Sale of fixed assets, etc., includes 2,186 MSEK from the sale of SAS Leisure AB, SAS Service Partner A/S, Diners Club Nordic AS, Nord-Norsk Hotelldrift AS, SAS Royal Hotel in Brussels, and other sales.

In addition, 3,031 MSEK was received during the year from sales carried out at the end of 1993 (this amount was not included in the 1993 Statement of Changes in Financial Position). After the sale of fixed assets, a financing surplus of 6,252 MSEK (2,088) is reported. Amortization and early redemption, -5,238 MSEK, mainly comprise redemption of long-term loans. Other financial receivables/liabilities, net, include a net amount of 1,492 MSEK in settlement of internal balances from sold subsidiaries.

BOARD OF DIRECTORS' REPORT

Income by Business Unit (MSEK)	1994	1993
SAS		
Income after depreciation, etc.	1,053	113
Financial items, net	-662	-1,111
Exchange rate differences, net	41	-801
Realized exchange gains on sale and leaseback of aircraft	-	810
Minority shares	-44	76
SAS total	388	-913
SAS International Hotels		
Sold units	0	-110
Other operations/Group eliminations	212	6
	24	-31
Income before the sale of flight equipment and shares, etc.	624	-1,048
Gain on the sale of flight equipment and shares, etc.	935	666
Provisions to reserve for decline in value of hotel investments	-54	-110
Income before taxes	1,505	-492

SAS

SAS includes SAS's airline operation and, with effect from 1994, 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 9% increase among members of the Association of European Airlines (AEA). This was partly due to deliberate consolidation of Swedish domestic traffic by suspending unprofitable routes and frequencies. In addition, tough competitive pressure continued in both Scandinavia and Europe. Measured in revenue passenger kilometers, RPK, the increase was 2% with a

decrease in capacity of 1%. Passenger revenues adjusted for exchange effects rose by 7%. The increase in RPK was 6% on European routes, 8% on Danish domestic routes, 4% on Norwegian domestic and inter-Scandinavian routes, and 1% on intercontinental routes, while RPK fell by 10% on Swedish domestic routes. The average cabin factor was approximately two percentage points higher than in 1993, 65.5%. The number of passengers amounted to 18.8 million (18.6).

Income Trend

SAS's 1994 operating revenue amounted to 32,365 MSEK, representing an increase over 1993 when operating revenue was 29,723 MSEK. Traffic revenue rose by 9% to 26,114 MSEK. Adjusted for exchange effects, the increase in traffic revenue was 1,956 MSEK or 8%.

Fuel costs totaled 1,819 MSEK (2,000). This decrease was mainly due to 7% lower fuel prices in cents per gallon and to lower consumption.

Payroll costs increased from 9,613 MSEK to 10,219 MSEK. Excluding exchange effects and restructuring costs, payroll costs decreased by 2%. The average number of employees was 20,888 compared with 21,958 in 1993, a reduction of 5%.

As part of the action program now in progress, projects which will have a full-year effect of approximately 2,000 MSEK were completed by December 31, 1994. The nominal effect achieved during 1994 was slightly less than half this amount.

Compared with 1993 and taking restructuring costs,

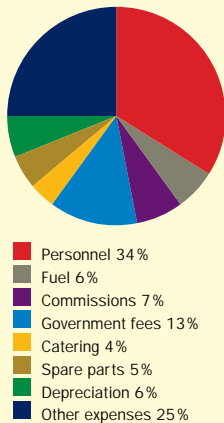
PRODUCTION AND TRAFFIC (per geographic area)

	AVAILABLE TONNE KILOMETERS (ATK)			REVENUE TONNE KILOMETERS (RTK)			LOAD FACTOR	
	Million tonne km	Change %	Share %	Million tonne km	Change %	Share %	%	Change %-points
12 months								
Intercontinental	1,414	-2	40	1,074	3	49	75.9	3.8
Europe	1,211	0	34	575	6	26	47.4	2.8
Nordic countries	286	-2	8	140	4	6	49.2	2.6
International	2,911	-1	81	1,789	4	82	61.5	3.1
Denmark	93	2	3	50	6	2	54.1	2.3
Norway	268	7	8	158	4	7	59.0	-2.1
Sweden	302	-12	8	187	-11	9	61.9	0.7
Domestic	663	-3	19	395	-3	18	59.6	-0.3
TOTAL	3,578	-2	100	2,184	3	100	61.1	2.5

PASSENGER, FREIGHT AND MAIL TRAFFIC (per geographic area)

	PASSENGERS			CABIN FACTOR		FREIGHT		MAIL	
	Million pass. km	Change %	Share %	%	Change %-points	Million tonne km	Change %	Million tonne km	Change %
12 months									
Intercontinental	7,213	1	39	78.1	2.0	384.2	6	25.4	0
Europe	5,736	6	31	55.7	3.2	47.4	6	16.0	6
Nordic countries	1,401	4	8	60.3	3.5	13.4	6	2.3	-2
International	14,350	3	77	65.7	2.7	445.1	6	43.7	2
Denmark	475	8	3	63.9	4.0	6.1	-4	1.8	1
Norway	1,648	4	9	63.8	-2.9	6.7	-7	4.7	7
Sweden	2,052	-10	11	66.4	1.5	3.9	-44	0.3	33
Domestic	4,175	-3	23	65.1	0.1	16.8	-19	6.8	6
TOTAL	18,525	2	100	65.5	2.1	461.9	5	50.5	2

SAS Expenses, 1994



SAS Revenues, 1994



exchange effects, volume effects and other nonrecurring items into account, the airline's operating expenses decreased by approximately 1%. Taking account of an average inflation of 3% during the year, the actual decline in costs can be estimated at 4%.

Operating income before depreciation, etc., was 1,379 MSEK better than in 1993, 2,788 MSEK (1,409).

Operating income was affected favorably by increased traffic and higher yields. Restructuring costs were 475 MSEK higher than in the preceding year.

Shares of income in affiliated companies amounted to 16 MSEK (-8) and include Spanair S.A., formerly part of SAS Leisure, since June 1, 1994.

Net financial items were reported at -662 MSEK (-1,111). The change is mainly attributable to lower interest expenses due to the reduced net debt.

Income after financial items and minority shares was 388 MSEK (-913).

Gains on the sale of flight equipment and shares related to SAS's operations amounted to 40 MSEK (49).

Income before taxes was 428 MSEK (-864).

Investments totaled 1,142 MSEK (704), of which 370 MSEK (380) was invested in flight equipment.

Intercontinental Routes

The Los Angeles route was suspended on August 31, 1994. This route had been in operation for nearly 40 years. At the same time, Osaka became a new destination.

A substantial improvement in results was noted on intercontinental routes in 1994, to the best level for several years.

Overall intercontinental RPKs increased by 1% and the cabin factor rose from 76.1% to 78.1%.

EuroClass traffic increased by 13% over the previous year, while Tourist Class decreased by 1%.

Adjusted for exchange effects, yield (revenue per passenger kilometer) improved by 4%.

European Routes

The traffic trend was very positive. Traffic increased by

6% in spite of largely unchanged production. The cabin factor thus rose from 52.8% to 55.7%.

EuroClass traffic increased by 4% and Tourist Class by 7%. The market share for EuroClass fluctuates between 45% and 75% compared with major competitors in the individual route sectors. The cabin factor for EuroClass fell by 1% to 34.8% for the full year.

Excluding exchange rate adjustments, yield rose by 2%.

Inter-Scandinavian Routes

Free competition inside Scandinavia did not lead to any appreciable increase in competing traffic during 1994.

The routes from Copenhagen to Kristiansand and Trondheim, and from Stockholm to Bergen were suspended in spring 1994. On August 1, hovercraft were replaced by catamarans on the Copenhagen-Malmö route.

Traffic on inter-Scandinavian routes increased by 4% in spite of a 2% production decrease. EuroClass traffic rose by 8% while Tourist Class traffic remained unchanged. The cabin factor therefore increased from 56.8% to 60.3%, with the cabin factor for EuroClass rising to 45%.

The yield trend was very favorable, 6%, adjusted for changed exchange rates.

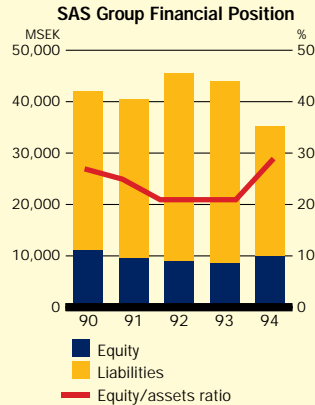
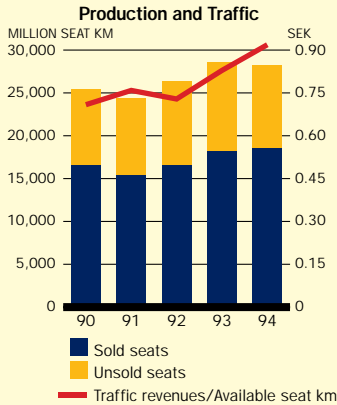
Danish Domestic and Greenland

The trend for both Danish domestic and Greenland was satisfactory. Traffic rose by 8%, with a slight predominance of full-fare traffic, while production remained largely unchanged. The cabin factor was 63.9%.

Yield remained at the 1993 level.

Norwegian Domestic

The deregulation of Norwegian domestic traffic was completed on April 1, 1994. This resulted in SAS increasing the number of flights on routes from Oslo to Stavanger and Trondheim, and between Bergen and Stavanger, while competition intensified on routes to northern Norway and Bergen.



Total market growth, measured in the number of passengers, on sectors exposed to competition was 13%, which corresponded to SAS's growth on the same sectors. Of the total traffic on the Norwegian regular routes, SAS faces competition on 80% of its routes.

Total traffic increased by 4%. The business sector increased by 7% and the tourist sector by 3%, while production rose by 9%. The cabin factor decreased from 66.7% to 63.8%. Yield remained unchanged.

Swedish Domestic

The deregulation of the Swedish domestic market in 1992, resulted in substantial fare reductions combined with overcapacity. This meant that 1993 was financially a disastrous year for many Swedish airlines.

1994 on the other hand was characterized by consolidation in the form of a better balance between supply and demand and some increases in fares.

SAS's production decreased by 12% compared with 1993, which was attributable to suspended routes, Gällivare, Jönköping and Borlänge, as well as a generally better adjustment to demand on other routes. Traffic decreased by a total of 10% due to a reduction in production and increased competition. However, a sharp increase was noted in the business sector of 14%, while the tourist sector declined by 23%.

Yield increased by 14% as a result of a greater proportion of business travel and fare increases during the year.

During the autumn operations were expanded for the first time for several years through production increases on routes to Malmö, Gothenburg, Östersund and Ängelholm.

SAS Cargo

In 1994, SAS Cargo transported 186,000 tonnes, an increase of 6% over the previous year. Paid tonne kilometers increased by 4%. Freight capacity remained unchanged compared with 1993, which improved the freight load factor.

Freight revenues rose by 4%, after adjustment for exchange effects.

In the last two quarters of 1994 clear improvements in the market situation were noted in the majority of SAS Cargo's markets, with the exception of Japan, which contributed to a satisfactory business trend.

SAS and Københavns Lufthavne A/S (KLH) concluded an agreement in 1994 under which KLH will invest in a new freight terminal for SAS in Copenhagen. This is a sign of SAS's commitment to its freight operations and their importance for long-haul routes.

SAS Trading

The increased number of passengers in Scandinavia had a favorable impact on sales in airport shops.

Competition in the duty-free market has increased considerably, resulting in more operators becoming interested in the Scandinavian market. When Københavns Lufthavns Forretningscenter K/S ceases to operate on June 30, 1995, the concession will be transferred to another operator following invitations to tender.

As a result of Sweden joining the EU, vendor control rules will be applied to perfumes and cosmetics. This means there is a ceiling for purchases of duty-free perfume and cosmetics. Purchase and sales quotas for wine, spirits and tobacco will also be adjusted to the EU quotas.

During the year a customer loyalty program (TAX-FREE Plus) was developed further and full-scale introduction will take place in 1995.

A system has been started whereby perfume and cosmetics can be ordered in advance. This has been greatly appreciated. SAS Trading received an international award for this system.

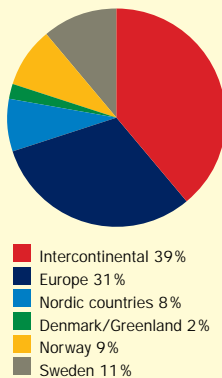
Marketing has otherwise been focused on other airports.

In May 1994, SAS Trading opened a duty-free shop in Terminal 2 at Arlanda Airport.

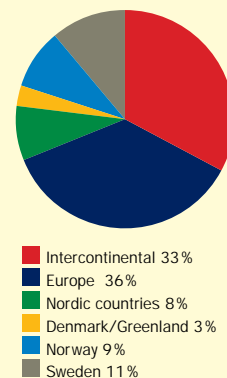
Installation of point-of-sale terminals on board SAS

BOARD OF DIRECTORS' REPORT

Traffic Per Geographic Market, 1994
Paid passenger km



Production Per Geographic Market, 1994
Available passenger km



aircraft was started during the year in order to simplify and increase sales.

In January 1995 a purchasing and distribution agreement was signed with Europe-Linien A/S which operates ferries between Gedser in Denmark and Rosstock in Germany.

Sales surpassed the favorable passenger trend due to increased sales promotion activities and unchanged costs. This led to improved results compared with 1993.

AIRCRAFT FLEET

The EU's rules on noise reduction will lead to changes in SAS's aircraft fleet. As of April 1995 aircraft which do not meet the noise level norms, and which are more than 25 years old, must be phased out or modified. As of the year 2002, no aircraft may be used which do not meet these norms. Since SAS's DC9s and F-28s do not meet the norms, they are affected by these rules.

In accordance with these EU rules, the ten oldest DC9 aircraft will be phased out of SAS's fleet during 1995. In 1994, six of these aircraft were sold with a lease-back option which will be exercised and extends into the first quarter of 1995.

According to present plans, the other four DC9s will be sold during 1995. This loss of capacity will be covered in the short term by the remaining surplus capacity from 1994, changes in the traffic program, and a number of leased in aircraft. In the longer term SAS must replace the DC9s and F-28s which will be phased out of the fleet by 2002.

The evaluation of a new "small aircraft" resulted on March 14, 1995, in a decision that SAS will order 35 Boeing 737-600s, an order worth 8.5 billion SEK, and acquire options on a further 35 aircraft. The possibility of modifying the newest DC9s with special noise reduction equipment is now being examined. Such a measure could extend the life of these aircraft by a few years and help to even out the rate of investment in new aircraft.

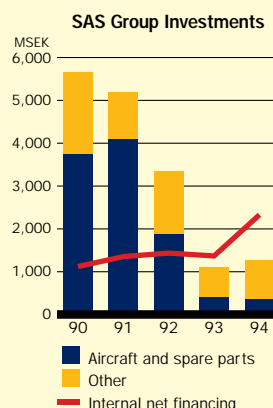
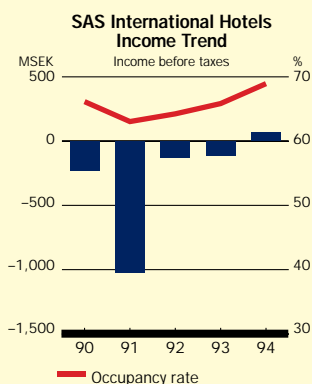
Aircraft Fleet Dec. 31, 1994	Owned/ financial lease	Leased in on operational lease	Leased out Total	On Order
Boeing 767-300	8	6	14	1 ¹⁾
Boeing 767-200	1		1	1 ²⁾
Douglas DC10-10		4	4	4 ³⁾
Douglas MD-81	31		31	
Douglas MD-82	16		16	6 ⁴⁾
Douglas MD-83	3		3	1 ⁵⁾
Douglas MD-87	16		16	
Douglas MD-90				6
Douglas DC9-21	4	5	9	
Douglas DC9-41	20	6	26	
Douglas DC9-51	1		1	1 ⁶⁾
Boeing 737-300QC		2	2	
Boeing 737-500 *)	9	3	12	7 ⁷⁾
Fokker F-28 **)	14	5	19	
Fokker F-50 ***)	13	9	22	
SAAB 340 ****)	12		12	11 ⁸⁾
Total:	148	40	188	32

*) Owned by Linjeflyg Leasing HB
 **) 12 Fokker F-28s owned by Linjeflyg Leasing HB
 2 Fokker F-28s owned by BTS Business Travel Systems, formerly Linjeflyg AB
 ***) Owned by SAS Commuter Consortium
 ****) 8 SAAB 340s owned by Swedair AB
 4 SAAB 340s owned by SAS Consortium

¹⁾ Leased out to Avianca (sold in January 1995) ³⁾ Leased out to Spanair
²⁾ Leased out to Transbrasil ⁴⁾ Leased out to Hawaiian Airlines
³⁾ Leased out Premiair (SAS's leasing in and out expires March 1995) ⁷⁾ Leased out to British Midland
⁴⁾ Leased out to Reno Air ⁸⁾ 6 aircraft leased out to Air Nelson, 5 aircraft leased out to Skyways

During the year the number of owned aircraft in the SAS Group's fleet was reduced by five units, and at year-end the SAS Group owned 148 aircraft. Seven aircraft were sold in 1994: five DC9-21s, one DC9-41, and one SAAB 340. Two aircraft were purchased: Linjeflyg Leasing HB took delivery of a new Boeing 737-500 in March, and SAS purchased a secondhand MD-83 from Scandinavian Leisure in June as part of the transfer of SAS Leisure to Airtours Plc. At year-end it was clear that the Boeing 767-300 which is leased out to Avianca should be sold, and this transaction was completed in January 1995.

While the number of owned aircraft decreased, the



number of leased aircraft increased by ten units. However, this entire increase is of a temporary nature. When the operations in Scanair were transferred to the newly formed charter airline Premiair, SAS concluded an agreement to lease in four DC10s on a short term basis on behalf of Premiair. The leases on these aircraft expired in March 1995. In addition, the leases on the six DC9s which were leased in conjunction with a sale and leaseback transaction in 1994, expired in the first quarter. Thus the net increase in SAS's total aircraft fleet (owned and leased aircraft) was five units in the past year and the number of aircraft at year-end was 188.

During 1994 a process was started whereby all Boeing 737-500s will be leased to British Midland Airways for four to six years. The financial motivation behind this process was primarily to cut down the aircraft surplus. In addition to the Boeing 737-500s which are used by SAS today, British Midland will also lease the two Boeing 737-500s which are contracted for delivery. SAS will cease to fly with Boeing 737-500s in May 1995.

A process designed to phase the SAAB 340 out of SAS's aircraft fleet was started at the end of 1993. Of the 13 aircraft which were transferred to SAS in conjunction with the takeover of Linjeflyg AB, 11 were leased out and one had been sold by the end of the year. The unplaced aircraft was sold in January 1995. During the year four SAAB 340s were transferred to the SAS Consortium from Swedair AB, a subsidiary of the SAS Com-muter Consortium.

SAS has contracted deliveries of aircraft with an acquisition value of approximately 450 MUSD.

SAS INTERNATIONAL HOTELS

A cooperation agreement was signed with the American group Radisson Hotels International during the year. The cooperation with Swissôtel was terminated at the end of 1994.

In the future, SAS International Hotels will market its operations under the name Radisson SAS Hotels

Worldwide (RSH), which also means that all existing hotels have changed name to Radisson SAS. The agreement gives RSH exclusive rights to operate and develop hotels under the name Radisson SAS in Europe and the Middle East. It also means that all Radisson SAS hotels will communicate with PIERRE, one of the most advanced reservations systems in the hotel industry.

The favorable development of RSH continued in 1994. Occupancy levels rose in the hotels in Scandinavia, Finland, the U.K., Kuwait and China, as a result of a healthy economic trend in these markets. RSH retained its strong position in the Scandinavian market and continued to increase its already high market share.

A favorable trend was also noted in Central Europe, although not to the same extent.

Ten-year management contracts were signed for the operation of hotels in Dubai and Sharm El Sheik, Egypt, scheduled to open in 1996 and 1997, respectively. At the beginning of 1995, a further five management contracts were signed for hotels in Germany, as well as a franchise agreement in Shanghai.

RSH is currently concluding agreements which will result in the number of hotels increasing from the current 29 to 50 before the end of 1995, with approximately half the increase comprising takeovers of already existing Radisson hotels.

Occupancy rose from 67% in 1993 to 69% in 1994. The increase in room rates was only marginal. Profitability improved sharply, from a 26% gross profit margin in 1993 to 30% in 1994 for the hotel chain as a whole, including hotels operated under management contracts.

Nord-Norsk Hotell drift which operates hotels in the Norwegian Finnmark area was sold in June 1994, which marked the end of RSH's operations in the area. The capital gain was 30 MSEK.

SAS Royal Hotel in Brussels was sold with effect from January 1, 1994, which provided a capital gain of 91 MSEK. RSH will continue to operate this hotel, however,

under a 20-year management contract with the new owner.

A 54 MSEK provision was made to the reserve for the decline in value of hotel properties.

Operating revenue amounted to 1,577 MSEK (1,853). The decline in revenues compared with 1993 was due to the sale of hotels. However, yield per available room rose by 6% compared with 1993. Including hotels operated under management contracts, revenues totaled 2,806 MSEK (2,786).

As a result of improved profitability, income before the sale of fixed assets amounted to 0, which represents an increase of 110 MSEK over 1993.

The average number of employees decreased from 2,926 to 2,385, primarily due to the sale of hotels.

AFFILIATED COMPANIES

Affiliated companies are companies in which the SAS Group's ownership stake is between 20% and 50%. These 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%).

Traffic and yield developed favorably in British Midland Airways, particularly during the second half. A new route was opened between Heathrow and Orly. Income after taxes which amounted to -3 MGBP (1) was charged with a deficit in the regional airlines which are part of Airlines of Britain Holdings PLC. SAS's share of this income, including a 25 MSEK (22) write-down of goodwill and a -20 MSEK adjustment of the 1993 result, amounted to -56 MSEK (-20).

During 1994, Spanair S.A. started its own ground services at the major Spanish airports and began operating domestic scheduled flights in Spain in March. Charter traffic to Spain developed well in summer 1994 while traffic out from Spain was very weak throughout the year. Income after taxes amounted to -42 MSEK (10). SAS's share was -20 MSEK (5).

SAS's share of income in Københavns Lufthavns Forretningscenter K/S (40.8%) was 49 MSEK (36) and share of income in Polygon Insurance Company Ltd was 10 MSEK (-26).

The SAS Group's income after depreciation, etc. includes shares of affiliated companies' income after tax of -13 MSEK (-1). Equity in affiliated companies amounted to 568 MSEK (517).

INVESTMENTS

The SAS Group's 1994 investments totaled 1,277 MSEK (1,112). SAS accounted for 1,097 MSEK of investments and SAS International Hotels for 107 MSEK. Investments in aircraft and other flight equipment amounted to 370 MSEK.

PERSONNEL

The average number of employees in the various business units of the SAS Group in 1994 was 28,425 (37,330). Of this total, 20,888 (21,958) were employed in SAS, 2,385 (2,926) in SAS International Hotels, 3,998 (9,012) in SAS Service Partner, and 908 (3,081) in SAS Leisure.

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 19,139 (19,931), including 6,442 (6,549) in Denmark, 4,047 (4,071) in Norway, and 7,154 (7,679) in Sweden.

The SAS Group's total payroll costs, including payroll-related costs, amounted to 11,000 MSEK (12,935). Corresponding costs for the SAS Consortium amounted to 8,424 MSEK (8,321). (See also Note 3.)

Average number of employees - SAS Group	1994		1993	
	Men	Women	Men	Women
Denmark	5,254	2,820	5,902	3,376
Norway	3,573	2,259	3,998	3,256
Sweden	5,297	3,674	6,365	4,687
U.K.	844	687	1,522	1,095
Germany	656	506	1,036	783
Spain	237	313	596	678
Turkey	469	136	782	228
Greece	76	65	211	180
USA	101	170	144	199
Other	659	629	1,303	989
Total	17,166	11,259	21,859	15,471

BENEFITS PAID TO SENIOR EXECUTIVES

During 1994, 1,477,000 SEK was paid to members of the SAS Consortium's Board of Directors, of which 175,000 SEK to the Chairman of the Board, a total of 393,000 SEK to the two Vice Chairmen and a total of 909,000 SEK to other members of the Board including employee representatives. A total of 398,000 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 1994 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 3,944,958 SEK during the period March 1 - December 31, 1994. No bonus or commission on profit was paid.

The president's retirement age is 62 years. Pension is based on salary at retirement date and between 62 and 65 years of age is 41.5% of total salary expressed at the 1994 level, and from the age of 65, 38.29%. Other senior exec-

utives in the Consortium earn during five years in a senior position entitlement to pension at 60 years of age and earn on a straight-line basis up until retirement age a pension level of 65–70% of salary up to 30 base amounts (1,071,000 SEK). Alternatively, a plan is provided based on premiums on salaries up to 30 base amounts.

Severance pay is paid out 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, in an amount corresponding 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 owner interests or cooperates with.

SAS AND THE ENVIRONMENT

Intensive environmental efforts were initiated at SAS in 1994. This work is designed to produce an environmental program which will more than meet present and future Scandinavian and international requirements. Environmental considerations weighed heavily when SAS decided to invest in new aircraft.

SAS's environmental policy is based on providing and developing effective air transport with the least possible environmental impact. Environmental activities largely coincide with SAS's general efficiency program. SAS is constantly striving to achieve a better utilization of resources. Energy saving and recycling have favorable effects on both economy and environment. In addition, SAS is determined to be in the forefront when it comes to environmentally sound technology and production, and to minimize the waste from its operations. Frequent environmental audits are an important means of guaranteeing that the environmental policy is being adhered to.

During the year SAS has been an active participant in policy and working groups for environmental issues in airline organizations such as IATA, ICAO, AEA and N-ALM.

Practical environmental work at SAS is decentralized.

SAS in Denmark has built up an environmental control system and formed a new environmental organization which uses environmental audits for control and follow up. One example of tangible action taken to improve the environment during the year is that painting of aircraft, which takes place in Copenhagen Airport's number 5 hangar, is now carried out in a manner which has less environmental impact. The paint is no longer sprayed on but is applied using an electrostatic method. This provides more effective use of paint, lower con-

sumption of solvents, better quality and longer life. A similar method has also been used in Norway during the past year. An extensive environmental audit of SAS's wheel and brake maintenance base was carried out which led to a considerable reduction of energy consumption and solvent use.

In Norway, SAS conducted two environmental audits and the Norwegian anti-pollution authority conducted an unannounced audit. The latter showed that SAS's emissions are well below the requirements of the emission concession. Paint, solvents and other organic waste from the maintenance bases have been reduced by 30% compared with 1993. SAS has also started a program for sorting, collecting and recycling aluminium boxes from inflight service. This program has been approved for 1995 by the Norwegian authorities. SAS is now actively engaged in planning its operations at Gardermoen, Oslo's new main airport, which will go into operation in 1998 and will have a very high environmental profile.

In Sweden technical cleaning of aircraft at Arlanda using water-based cleaning agents and steam was started during the year. This has resulted in a considerable reduction in the use of the solvent Varnolen. The environmentally friendly electrostatic method is also used for most painting. Emissions of sulfur and polycyclical aromatic hydrocarbons have also been reduced through a transfer to environmental class 1 diesel fuel for all vehicles at Arlanda. An extensive program designed to reduce emissions of heavy metals and oil into water is under development and will be presented to the National Licensing Board for Environment Protection in 1995.

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 Luftfarselskap 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 31,003 MSEK (28,509).

Financial items totaled 136 MSEK (–225) and include dividends from subsidiaries and other companies of 632 MSEK (473).

Income after financial items amounted to 1,049 MSEK (–466). The net gain from the sale of flight equipment and shares, etc. was 1,220 MSEK (43), and unusual items totaled –88 MSEK (–203). Income before taxes was 2,181 MSEK (–626).

BOARD OF DIRECTORS' REPORT

As of February 15, 1995, 49% of the shares in BTS Business Travel Systems AB (formerly Linjeflyg AB) were acquired from ABA. The SAS Consortium's shareholding then amounted to 100%. ABA's remaining share in Linjeflyg Leasing HB, 38.71%, was acquired at the same time, after which the SAS Consortium's holding amounted to 79%. The SAS Group's holding is thereafter 100% since 21% is held by BTS Business Travel Systems AB.

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 EuroLink, a southern traffic system based in Copenhagen in 1994. The remaining seven were used in NorLink, a northern system based in Tromsø and Oslo.

Approximately 51,000 flights carrying a total of 1.5 million passengers were made during the year. Operating revenue totaled 602 MSEK (636) and income before taxes was 29 MSEK (70). The changed depreciation method for aircraft resulted in a 38 MSEK charge against income.

Statement of Income (MSEK)	1994	1993
Operating revenue	602	636
Operating expense	-468	-480
Operating income before depreciation	134	156
Depreciation	-71	-30
Operating income after depreciation	63	126
Financial items, net	-34	-56
Income before taxes	29	70

Balance Sheet (MSEK)	1994	1993
Liquid funds	28	38
Other current assets	26	25
Total current assets	54	63
Fixed assets	836	904
Total assets	890	967
Current liabilities	68	70
Long-term liabilities	378	482
Equity	444	415
Total liabilities and equity	890	967

ALLOCATION OF INCOME AND EQUITY IN THE SAS CONSORTIUM

Allocations are made by SAS's parent companies: DDL in Denmark, DNL in Norway and ABA in Sweden, all of which also 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 560 MSEK be transferred to the parent companies (no transfer was made in 1993). The remaining amount, 1,621 MSEK will be transferred to the SAS Consortium's capital account which will thereafter total 8,684 MSEK.

1995 FORECAST

Further growth in the international air transport market is expected in 1995. However, continued deregulation will lead to increased competition and pressure on fares.

SAS expects the favorable improvement in results noted so far to continue in 1995, and that the financial position will strengthen still further.

Stockholm, March 14, 1995

Bo Berggren *Hugo Schröder* *Bjørn Eidem*
Tony Hagström *Anders Eldrup* *Harald Norvik*
Leif Kindert *Leif Christoffersen* *Ingvar Lilletun*

Jan Stenberg
 President and Chief Executive Officer

SAS Group Statement of Income (Note 1)

MSEK	1994	1993
Operating revenue – <i>Note 2</i>	36,886	39,122
Operating expense – <i>Note 3</i>	-33,482	-37,090
Operating income before depreciation, etc.	3,404	2,032
Depreciation – <i>Note 4</i>	-2,000	-1,782
Shares of income in affiliated companies – <i>Note 5</i>	-13	-1
Income after depreciation, etc.	1,391	249
Financial items, net – <i>Note 7</i>	-761	-1,322
Exchange rate differences, net – <i>Note 7</i>	93	-801
Realized exchange gains on sale and leaseback of aircraft	-	810
Income after financial items	723	-1,064
Minority shares of income after financial items	-99	16
Income before the sale of flight equipment and shares, etc.	624	-1,048
Gain on the sale of flight equipment – <i>Note 8</i>	12	6
Gain on the sale of shares, etc. – <i>Note 9</i>	923	660
Provisions to reserve for decline in value of hotel investments	-54	-110
Income before taxes	1,505	-492
Taxes payable by subsidiaries – <i>Note 11</i>	-94	-99
Income before taxes relating to the SAS Consortium	1,411	-591

SAS Group Balance Sheet (Note 1)

MSEK			MSEK		
ASSETS	1994	1993	LIABILITIES AND EQUITY	1994	1993
Current assets			Current liabilities		
Liquid funds – <i>Note 12</i>	10,725	9,318	Accounts payable	1,034	1,671
Accounts receivable – <i>Note 13</i>	1,882	4,195	Taxes payable	50	153
Prepaid expense and accrued income	619	692	Accrued expense and prepaid income	3,362	4,084
Other accounts receivable – <i>Note 13</i>	683	4,448	Unearned transportation revenue, net – <i>Note 22</i>	1,377	1,402
Expendable spare parts and inventories – <i>Note 14</i>	480	582	Prepayments from customers	29	480
Prepayments to suppliers	6	56	Current portion of long-term debt	1,845	1,579
Total current assets	14,395	19,291	Other current liabilities	1,716	3,116
Fixed assets			Total current liabilities	9,413	12,485
Restricted accounts – <i>Note 15</i>	17	33	Long-term debt		
Shares and participations – <i>Note 16</i>	61	127	Bond issues – <i>Note 23</i>	5,587	8,594
Equity in affiliated companies – <i>Note 17</i>	568	517	Other loans – <i>Note 24</i>	7,514	10,896
Other long-term accounts receivable	566	786	Other long-term debt – <i>Note 25</i>	1,899	1,956
Goodwill and other intangible assets – <i>Note 19</i>	49	293	Total long-term debt	15,000	21,446
Long-term prepayments to suppliers – <i>Note 20</i>	508	395	Subordinated debenture loan – <i>Note 26</i>	823	1,136
Fixed assets: – <i>Note 21</i>			Minority interests	148	159
New investments	128	242	Equity – <i>Note 28</i>		
Aircraft	13,504	14,716	Capital account	7,483	8,127
Spare engines and spare parts	698	866	Restricted reserves	330	708
Maintenance and aircraft servicing equipment	59	80	Unrestricted reserves	691	387
Other equipment and vehicles	1,141	1,673	Net income for the year	1,411	–591
Buildings and improvements	3,445	4,538	Total equity	9,915	8,631
Land and land improvements	160	300	TOTAL LIABILITIES AND EQUITY	35,299	43,857
Total fixed assets	20,904	24,566			
TOTAL ASSETS	35,299	43,857	Contingent liabilities – <i>Note 30</i>	1,363	2,641
			Leasing commitments – <i>Note 31</i>		
Assets pledged, etc. – <i>Note 29</i>	1,163	1,817			

SAS Consortium

Statement of Income (Note 1)

MSEK	1994	1993
Operating revenue – <i>Note 2</i>	31,003	28,509
Operating expense – <i>Note 3</i>	-28,747	-27,783
Operating income before depreciation	2,256	726
Depreciation – <i>Note 4</i>	-1,343	-967
Income after depreciation	913	-241
Dividends – <i>Note 6</i>	632	473
Financial items, net – <i>Note 7</i>	-477	-857
Exchange rate differences, net – <i>Note 7</i>	-19	-651
Realized exchange gains on the sale and leaseback of aircraft	-	810
Income after financial items	1,049	-466
Gain on the sale of flight equipment – <i>Note 8</i>	12	-4
Gain on the sale of shares, etc. – <i>Note 9</i>	1,208	47
Unusual items – <i>Note 10</i>	-88	-203
Income before taxes¹⁾	2,181	-626

¹⁾ Taxes are the responsibility of the SAS Consortium parent companies.

SAS Consortium Balance Sheet (Note 1)

MSEK			MSEK		
ASSETS	1994	1993	LIABILITIES AND EQUITY	1994	1993
Current assets			Current liabilities		
Liquid funds – <i>Note 12</i>	10,408	8,427	Accounts payable, subsidiaries	436	1,604
Accounts receivable, subsidiaries	604	1,680	Accounts payable, suppliers	739	997
Accounts receivable	1,656	1,610	Accrued expense and prepaid income	2,968	3,039
Prepaid expense and accrued income	416	402	Unearned transportation revenue, net – <i>Note 22</i>	1,340	1,392
Other accounts receivable – <i>Note 13</i>	566	3,412	Current portion of long-term debt	1,707	1,437
Expendable spare parts and inventories – <i>Note 14</i>	336	328	Other current liabilities	1,579	1,137
Prepayments to suppliers	1	4	Total current liabilities	8,769	9,606
Total current assets	13,987	15,863			
Fixed assets			Long-term debt		
Shares and participations in subsidiaries – <i>Note 16</i>	1,131	1,710	Bond issues – <i>Note 23</i>	5,587	8,575
Other shares and participations – <i>Note 16</i>	497	313	Other loans – <i>Note 24</i>	6,031	8,659
Long-term accounts receivable, subsidiaries and affiliated companies – <i>Note 18</i>	1,904	2,935	Other long-term debt – <i>Note 25</i>	1,574	1,186
Other long-term accounts receivable	86	311	Total long-term debt	13,192	18,420
Intangible assets – <i>Note 19</i>	42	51	Subordinated debenture loan – <i>Note 26</i>	823	1,136
Long-term prepayments to suppliers – <i>Note 20</i>	467	327	Equity – <i>Note 28</i>		
Fixed assets: – <i>Note 21</i>			Capital account		
New investments	120	115	DDL	2,017	2,196
Aircraft	11,176	11,966	DNL	2,017	2,196
Spare engines and spare parts	581	714	ABA	3,029	3,297
Maintenance and aircraft servicing equipment	59	80	Total capital account	7,063	7,689
Other equipment and vehicles	274	269	Net income for the year	2,181	–626
Buildings and improvements	1,618	1,493	Total equity	9,244	7,063
Land and land improvements	86	78	TOTAL LIABILITIES AND EQUITY	32,028	36,225
Total fixed assets	18,041	20,362			
TOTAL ASSETS	32,028	36,225	Contingent liabilities – <i>Note 30</i>	1,313	2,130
Assets pledged, etc. – <i>Note 29</i>	43	53			

Statements of Changes in Financial Position

MSEK	SAS Group		SAS Consortium	
	1994	1993	1994	1993
THE YEAR'S OPERATIONS				
Income before taxes	1,505	-492	2,181	-626
Depreciation	2,000	1,782	1,343	967
Revaluations, write-downs, etc.	38	128	-	51
Gain on the sale of fixed assets	-975	-1,451	-1,252	-796
Unrealized exchange rate effects, net	-	1,000	-	850
Other, net	64	-115	-	-
Funds provided by the year's operations	2,632	852	2,272	446
Change in:				
Expendable spare parts and inventories	0	62	3	26
Current receivables	-112	-659	209	-301
Current liabilities	-182	1,122	-127	808
Change in working capital	-294	525	85	533
Net financing from the year's operations	2,338	1,377	2,357	979
INVESTMENTS				
Aircraft	-325	-380	-219	-354
Spare parts	-45	-28	-45	-19
Buildings, improvements and other equipment	-754	-661	-412	-191
Shares and participations, goodwill, etc.	-153	-43	-195	-1
Equipment taken over from Linjeflyg AB, etc.	-	-	-	-259
Total investments	-1,277	-1,112	-871	-824
Advance payments for flight equipment, net	-114	-29	-140	-4
Sale of fixed assets	5,217	2,115	4,802	1,172
Exchange rate effects, etc.	88	-263	-	-
Net investments	3,914	711	3,791	344
Financing surplus	6,252	2,088	6,148	1,323
EXTERNAL FINANCING				
Amortization and early redemption	-5,238	-2,995	-5,083	-2,870
Borrowings excl. unrealized exchange rate effect on net debt	-	341	-	916
Other financial receivables/liabilities, net	1,422	231	916	156
Change in minority interest	-56	-28	-	-
External financing, net	-3,872	-2,469	-4,167	-1,798
Change in liquid funds (cash, bank balances and short-term investments)	2,380	-381	1,981	-475
Liquid funds in sold companies	-973	-130	-	-
CHANGE IN LIQUID FUNDS				
according to Balance Sheet	1,407	-511	1,981	-475
Liquid funds at beginning of the year	9,318	9,829	8,427	8,902
Liquid funds at year-end	10,725	9,318	10,408	8,427

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 16, the specification of shares and participations.

Income and expense 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. SAS's share of such translation difference is transferred directly to the equity of the SAS Group.

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 com-

pany's total currency and interest exposure. The use of these instruments must be seen in connection with 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 exchange 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.

CURRENCY SWAP CONTRACTS: 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: 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 transferred to income as incurred. For further information, see Note 27 – Financial Instruments.

Exchange rates to SEK for some principal currencies:

Exchange rates	Year-end rate		Average rate	
	1994	1993	1994	1993
Denmark DKK 100	122.50	123.65	121.42	120.06
Norway NOK 100	110.30	111.25	109.37	109.68
USA USD	7.46	8.33	7.72	7.78
U.K. GBP	11.65	12.35	11.81	11.69
Switzerland CHF 100	568.75	568.00	564.80	527.06
Germany DEM 100	481.65	482.20	475.91	468.22
Japan JPY 100	7.49	7.45	7.55	7.00
European Currency Unit XEU	9.15	9.34	9.13	9.10

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.

Between 1988 and year-end 1993, a reducing balance method of depreciation was applied to aircraft (Boeing 767, Boeing 737, MD-80 and Fokker F-50) over the economic life of the investments, resulting in full depreciation of the asset after approximately 19 years. Depreciation during the first year amounted to 2%, thereafter it increased by 1/3 percentage point annually, i.e. 2 1/3% in year 2, 2 2/3% in year three, and so on.

With effect from January 1, 1994, a straight-line depreciation method over 15 years with 10% residual value applies to the above aircraft types. (See also Note 1.)

Fokker F-28 aircraft are depreciated over 15 years with 10% residual value. SAAB 340 aircraft are depreciated according to the annuity method over 12 years with 20% residual value.

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, capi-

talization of interest expenses ceases. Once the aircraft in question goes into operation, depreciation is begun on the capitalized interest charges, 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 strategic investments in SAS's operations are depreciated for up to 15 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 own 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 out. 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 (PBS). 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 every tenth year and the annual allocation per aircraft is 1 MSEK. Allocations for future maintenance costs are also made for Fokker F-50s (belonging to the SAS Commuter Consortium). Charges for engine services for Fokker F-28s are capitalized and depreciated over four years.

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

BREAK-EVEN LOAD FACTOR. The load factor at which operating revenues will cover operating costs. Unit cost is divided by yield.

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. 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 LOAD 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 according to the balance sheet less noninterest-bearing liabilities.

RETURN ON EQUITY. Income before tax in relation to average equity. Tax on the SAS Consortium and SAS Commuter Consortium's income is calculated using a standard tax rate of 29.7% (weighted average tax rate in Denmark, Norway and Sweden).

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

REVENUE TONNE-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 tonne kilometer (ATK).

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

Notes

All amounts in MSEK
unless otherwise stated.

Note 1 – Changed Accounting Principles

SAS Group and SAS Consortium

To allow comparisons between the 1994 and 1993 financial statements, some items relating to the 1993 fiscal year have been reclassified.

With effect from January 1, 1994, SAS has changed over to a straight-line depreciation method for aircraft (Boeing 767, Boeing 737, Douglas MD-80 and Fokker F-50), resulting in depreciation over 15 years with 10% residual value. The reducing balance depreciation method applied by SAS during the period from 1988 to 1994 provides even today a book value which is lower than the market value, but due among other things to the present low rate of inflation fails to provide a correct accrual of capital costs over time. SAS's depreciation method for aircraft is thus well in line with the average in the industry. The effect of the changed depreciation method was a total 613 charge against income for the year.

As of January 1, 1994, the difference in the book values between the new and former depreciation method amounted to 1,883. This will be accrued by increased depreciation until 10% residual value remains. 1994 income has thus been charged with 187 in increased depreciation which is included in the total effect described above.

In connection with the changed depreciation method, the 363 allocation made in the 1993 financial statements against future additional costs of leasing Boeing 767s has been revalued, whereby 323 was reversed.

Note 2 – Operating Revenue

	1994	1993
Traffic revenue: Passengers	23,798	21,936
Freight	1,406	1,331
Mail	252	245
Other	664	363
Other operating revenue	4,883	4,634
SAS Consortium operating revenue	31,003	28,509
Subsidiary operating revenue	6,961	12,988
Group eliminations	-1,078	-2,375
SAS Group operating revenue	36,886	39,122

SAS's traffic revenue is reported after deducting discounts, which amounted to 1,910 (1,590).

Note 3 – Operating Expense

	1994	1993
SAS Group		
Personnel/payroll costs	11,065	13,145
Restructuring costs	1,005	530
Aircraft fuel	1,819	2,205
Government user-fees	3,715	3,889
Other operating expenses	15,878	17,321
Total	33,482	37,090
SAS Consortium		
Personnel/payroll costs	8,329	8,368
Restructuring costs	933	530
Aircraft fuel	1,823	1,982
Government user-fees	3,714	3,529
Other operating expenses	13,948	13,374
Total	28,747	27,783

Other operating expenses of the SAS Consortium include commissions, purchased services, supplies, etc.

In 1993 six Boeing 767-300s were sold and leased back for a period of five years on an operational lease. A 363 allocation to reserves was made in the 1993 financial statements against future additional costs of leasing these aircraft.

The above-named allocation was based on the reducing balance depreciation method for aircraft. In connection with SAS's changeover to a straight-line method of depreciation on January 1, 1994, the reserve was revalued and a nonrecurring reversal of 323 was made. In addition, a deduction of 7 was made from the year's leasing costs.

Thus, 33 remained at year-end 1994, which will be reversed over the remaining leasing period.

According to the agreement signed between SAS and the Swedish Board of Civil Aviation (Luftfartsverket) in 1988 regarding capacity cost compensation to Luftfartsverket in connection with the construction of Terminal 2 at Arlanda, SAS must provide compensation for capital and operating costs for baggage handling systems, etc. until year-end 2005. Since SAS has ceased to utilize Terminal 2, the current value of the agreed compensation for these systems, 210, was allocated to a reserve in the 1994 financial statements. (See also Note 31.)

Since SAS intends to discontinue its own operation of Boeing 737-500s, an allocation of 80 was made for accrued heavy maintenance of these aircraft.

Note 4 – Depreciation

	1994	1993
SAS Group		
Goodwill and intangible assets	36	161
Aircraft	1,241	657
Spare engines and spare parts	92	115
Maintenance and aircraft servicing equipment	55	53
Other equipment and vehicles	400	571
Buildings and improvements	175	224
Land improvements	1	1
Total	2,000	1,782
SAS Consortium		
Goodwill and intangible assets	10	102
Aircraft	995	506
Spare engines and spare parts	82	86
Maintenance and aircraft servicing equipment	55	53
Other equipment and vehicles	125	134
Buildings and improvements	75	85
Land improvements	1	1
Total	1,343	967

FINANCIAL REVIEW

Note 5 – Share of Income in Affiliated Companies

SAS Group	1994	1993
Airlines of Britain Holdings PLC (ABH) ¹⁾	-56	-20
Spanair S.A.	-20	5
Grønlandsfly A/S	-1	0
Polygon Insurance Company Ltd	10	-26
Københavns Lufthavns Forretningscenter K/S	49	36
SAS Casinos Denmark A/S/ Casino Copenhagen K/S	4	5
Others	1	-1
Total	-13	-1

¹⁾ Share of income includes write-down of goodwill totaling 25 (22) and adjustment to 1993 income of -20.

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

Note 6 – Dividends

SAS Consortium	1994	1993
Dividends from:		
SAS Service Partner A/S	579	472
Diners Club Nordic AS	52	-
Dividends from subsidiaries	631	472
Dividends from other companies	1	1
Total dividends	632	473

Note 7 – Financial Items

SAS Group	1994	1993
Interest income	904	1,550
Interest expense	-1,623	-2,839
Interest, net	-719	-1,289
Other	-42	-33
Exchange rate differences, net	93	-801
Total financial items, net	-668	-2,123
SAS Consortium	1994	1993
Interest from subsidiaries	345	434
Other interest income	793	1,344
Total interest income	1,138	1,778
Interest paid to subsidiaries	-241	-380
Other interest expense	-1,331	-2,260
Total interest expense	-1,572	-2,640
Interest, net	-434	-862
Other	-43	5
Exchange rate differences, net	-19	-651
Total financial items, net	-496	-1,508

Note 8 – Gain on the Sale of Flight Equipment

SAS Group	1994	1993
SAS – sale of one DC9-41	12	-
SAS – sale of five DC9-21s	1	-
SAS – selling costs for Boeing 767 (1993)	-1	-
SAS – sale of one Boeing 767-200	-	-6
SAS – sale of one Twin Otter	-	6
SAS Leisure	-	6
Total	12	6

SAS Consortium	1994	1993
SAS – sale of one DC9-41	12	-
SAS – sale of five DC9-21s	1	-
SAS – selling costs for Boeing 767 (1993)	-1	-
SAS – sale of one Boeing 767-200	-	-6
SAS – other	-	2
Total	12	-4

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

SAS Group	1994	1993
Shares in SAS Leisure	363	-
Shares in SAS Service Partner	256	-
Shares in Diners Club Nordic	147	-
Shares in Inversiones SAS Chile Limitada	29	-
SAS Royal Hotel, Brussels	91	-
Nord-Norsk Hotelldrift AS	30	-
SAS Royal Hotel, Cologne	-	-17
SAS Plaza Hotel, Hamburg	-	127
Operations in Terminal & Contract Catering	-	500
Other real estate	-	39
Other shares	7	11
Total	923	660

SAS Consortium	1994	1993
Shares in SAS Leisure	543	-
Shares in SAS Service Partner	445	-
Shares in Diners Club Nordic	210	-
Other real estate	-	38
Other shares	10	9
Total	1,208	47

FINANCIAL REVIEW

Note 10 – Unusual Items

SAS Consortium	1994	1993
Write-down of shares in subsidiaries	–	–51
Write-down of receivables in subsidiaries	–	–156
Reversal of write-down of receivables in subsidiaries	24	5
Provision to cover loss in Swedair AB	–112	–
Shareholders' contribution to subsidiaries	–	–16
Repayment of shareholders' contribution from subsidiaries	–	15
Total	– 88	–203

Note 11 – Subsidiaries' Taxes

SAS Group	1994	1993
Taxes payable by subsidiaries	–118	–137
Minority share in subsidiaries' taxes	22	–
Reversal of deferred tax attributable to untaxed reserves	9	90
Minority share of reversal of deferred tax	–7	–52
Total	–94	–99

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 relating 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 split between deferred taxes and equity.

Note 12 – Liquid Funds

SAS Group	1994	1993
Cash and bank accounts	1,038	1,100
Short-term investments	9,687	10,157
Total	10,725	11,257
Less early redemption of loans	–	–1,939
Liquid funds	10,725	9,318

SAS Consortium	1994	1993
Cash and bank accounts	814	606
Short-term investments	9,594	7,821
Total	10,408	8,427
Liquid funds	10,408	8,427

The balance of the liquid funds of the SAS Consortium includes 74 (58) in a restricted tax deduction account in Norway.

On December 31, 1994, short-term investments consisted primarily of special deposits in banks 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 373 (295) on December 31, 1994. No assets have been pledged.

Note 13 – Accounts Receivable/Other Receivables

Accounts Receivable

Accounts receivable in the SAS Group amounted to 1,882 (4,195). The change between the years is primarily due to exclusion of accounts receivable in sold operations from the 1994 financial statements.

Other Receivables

In the SAS Group receivables of 3,267 were included in 1993 related to the sale of flight equipment and shares, etc. The amount in the SAS Consortium was 2,776.

Note 14 – Expendable Spare Parts and Inventories

SAS Group	1994	1993
Expendable spare parts, flight equipment	188	246
Expendable spare parts, other	121	45
Inventories	171	291
Total	480	582

SAS Consortium	1994	1993
Expendable spare parts, flight equipment	176	237
Expendable spare parts, other	121	45
Inventories	39	46
Total	336	328

Note 15 – Restricted Accounts

SAS Group	1994	1993
Investment reserves	12	32
Other	5	1
Total	17	33

FINANCIAL REVIEW

Note 16 – Shares and Participations

	Number of shares	Percent holding		Par value in 000s	Book value MSEK
SAS Consortium					
<i>Subsidiaries</i>					
SAS International Hotels AS, Oslo	7,000,000	100	NOK	700,000	775.0
BTS Business Travel Systems AB in liquidation (formerly Linjeflyg AB), Stockholm	1,020,000	51	SEK	102,000	153.7
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
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
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 Oil Denmark A/S, Copenhagen	500	100	DKK	500	0.5
Others					4.6
Total shares and participations in subsidiaries					1,131.4
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.					
<i>Affiliated companies</i>					
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	784,000	49	ESP	784,000	44.5
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					0.6
Total affiliated companies					492.9
<i>Other companies</i>					
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					0.8
Total other companies					3.6
Total other shares and participations					496.5

FINANCIAL REVIEW

Note 16, continued

	Number of shares	Percent holding		Par value in 000s	Book value MSEK
SAS Group					
<i>Shares and participations</i>					
Copenhagen International Hotels K/S, Copenhagen	–	11.3	DKK	134,300	55.1
Others					1.9
SAS Consortium's holdings in other companies					3.6
Total shares and participations					60.6

					Book value in SAS Group
<i>Affiliated companies owned by other Group companies</i>					
SAS Casinos Denmark A/S/Casino Copenhagen K/S	500	50	DKK	1,000	14.2
Airnet I/S	–	50	DKK	4,000	7.1
Förvaltningsaktiebolaget Terminalen AB	375	50	SEK	38	2.8
European Aviation College S.A.	34,300	49	ESP	34,300	2.0
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 SAS Consortium's affiliated companies as equity in affiliated companies, see Note 17.

Note 17 – Equity in Affiliated Companies

SAS Group	1994	1993
Airlines of Britain Holdings PLC (ABH)	382	325
Polygon Insurance Company Ltd	139	63
Grønlandsfly A/S	59	61
Spanair S.A.	30	52
SAS Casinos Denmark A/S/ Casino Copenhagen K/S	14	10
Københavns Lufthavns Forretningscenter K/S	5	5
Aviation Holdings PLC	0	0
Premiair A/S	–	31
Tenerife Sol S.A.	–	20
International Service Partner Inc.	–	11
Asiana Catering Inc.	–	10
Plusresor AB	–	3
Others	19	6
Shareholding reserve	–80	–80
Total	568	517

Note 18 – Long-term Accounts Receivable, Subsidiaries and Affiliated Companies

SAS Consortium	1994	1993
Linjeflyg HB	1,098	1,280
SAS Commuter Consortium	355	460
SAS Flight Academy AB	150	275
Scandinavian Airlines Data Denmark A/S	147	87
SAS International Hotels AS	100	226
SAS Oil Denmark A/S	24	28
Scandinavian Multi Access Systems AB	15	15
Scandinavian Airlines Data Sweden AB	10	10
SAS Mailorder (Brands A/S)	1	6
SAS Leisure AB	–	389
Diners Club Nordic AS	–	150
Others	4	9
Total	1,904	2,935

Equity in affiliated companies includes acquired surplus in ABH, amounting to 204 (156).

The affiliated companies owned by the subsidiaries SAS Leisure AB and SAS Service Partner A/S, with the exception of Spanair S.A., were sold in connection with the sale of these subsidiaries.

FINANCIAL REVIEW

Note 19 – Goodwill and Other Intangible Assets

SAS Group	1994	1993
Consolidated goodwill	2	204
Development costs	5	29
Other intangible assets	42	60
Total	49	293
SAS Consortium	1994	1993
Other intangible assets	42	51
Total	42	51

Other intangible assets include the net book values of the nonrecurring payment made for SAS's access to and user-rights for the terminal at Newark Airport outside New York amounting to 42 (51).

Note 20 – Long-term Advance Payments to Suppliers

SAS Consortium	1994	1993
Boeing (B-767)	29	29
McDonnell Douglas (MD-90)	433	292
Other (engines)	5	6
Total	467	327

In the SAS Group, an additional 41 (68) pertained to long-term advance payments to subsidiaries.

Note 21 – Fixed Assets

SAS Group	Acquisition value		Accumulated depreciation		Book value	
	1994	1993	1994	1993	1994	1993
New investments	128	242	-	-	128	242
Aircraft ¹⁾	17,913	18,010	4,409	3,294	13,504 ²⁾	14,716
Spare engines and spare parts	1,030	1,219	332	353	698	866
Maintenance and aircraft servicing equipment	493	492	434	412	59	80
Other equipment and vehicles	4,067	5,067	2,926	3,394	1,141	1,673
Buildings and improvements	4,598	5,873	1,153	1,335	3,445	4,538
Land and land improvements	166	305	6	5	160	300
Total	28,395	31,208	9,260	8,793	19,135	22,415
SAS Consortium						
New investments	120	115	-	-	120	115
Aircraft	14,598	14,514	3,422	2,548	11,176	11,966
Spare engines and spare parts	896	1,025	315	311	581	714
Maintenance and aircraft servicing equipment	493	492	434	412	59	80
Other equipment and vehicles	1,184	1,125	910	856	274	269
Buildings and improvements	2,084	1,889	466	396	1,618	1,493
Land and land improvements	92	83	6	5	86	78
Total	19,467	19,243	5,553	4,528	13,914	14,715

¹⁾ The insured value of aircraft in the SAS Group as per December 31, 1994 was 24,726, including the insured value of leased-in aircraft in the amount of 4,901.

²⁾ Estimated market value in Swedish kronor exceeded the book value by 1,800 on closing date December 31, 1994.

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

Acquisition value:	
December 31, 1993	14,514
Investments	218
Sales 1994	-134
	14,598
Accumulated depreciation:	
December 31, 1993	2,548
Depreciation 1994	995
Reversal of depreciation upon sale of aircraft	-121
	3,422
Book value:	
December 31, 1994	11,176

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

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 SAS Consortium has irrevocably reimbursed the bank for these payments. The combined nominal value of the banks' payment commitment on behalf of the SAS Consortium was 2,238 (2,375) on December 31, 1994.

With regard to other leased aircraft, the terms of the leasing contracts (especially pertaining to SAS's call options during the contract period and at the expiry of the leasing contract, as well as the financial risk regarding the value of the aircraft) are such that the agreement, from SAS's point of view, is comparable to a purchase. These 35 (35) aircraft are reported at 5,174 (5,607) in the Balance Sheet.

FINANCIAL REVIEW

Note 21, continued

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

	1994	1993
Owned	6,002	6,359
Formally leased (paid)	1,595	1,752
Other leased	3,579	3,855
Book value	11,176	11,966

In addition are the following aircraft in the SAS Group:

	1994	1993
Owned	1,877	2,256
Formally leased (paid)	54	66
Other leased	397	428
Book value	2,328	2,750

Note 22 – Unearned Transportation Revenue, Net

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

The reserve for unearned transportation revenue on December 31, 1994, amounted to 422 (335) in both the SAS Group and the SAS Consortium.

Note 23 – Bond Issues

The SAS Consortium's bond issues totaled 6,897 (9,246). Specification of individual issues:

Issued amount	Interest rate, %	Tenor	Outstanding debt in MSEK	
150 M	U.S. dollars	10.125	85/95	777
50 M	U.S. dollars	10.650	88/08	373
700 M	French francs	9.250	89/99	681
200 M	U.S. dollars	10.000	89/99	931
200 M	U.S. dollars	9.125	89/99	1,130
100 M	Swiss francs	5.000	89/01	544
100 M	Swiss francs	7.000	90/00	412
500 M	Danish kroner	9.000	90/00	133
500 M	Norwegian kronor	10.750	90/95	121
200 M	Swedish kronor	14.000	90/00	181
10,000 M	Japanese yen	6.921	90/97	487
10,000 M	Japanese yen	6.100	91/01	378
10,000 M	Japanese yen (FRN) variable		91/96	749
				6,897
				Less repayments in 1995
				-1,310
Total				5,587

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 27.

SAS's own bonds totaling 1,309 (2,150) were repurchased and are netted under this balance sheet item.

Note 24 – Other Loans

SAS Group	1994	1993
Financial leases	5,565	6,510
Other loans	2,457	7,233
Total prior to early redemption	8,022	13,743
Less early redemption	-	-1,939
Less repayments in 1995 and 1994, respectively	-508	-908
Other loans according to the Balance Sheet	7,514	10,896
SAS Consortium	1994	1993
Financial leases	5,039	5,835
Other loans	1,366	3,494
Total prior to early redemption	6,405	9,329
Less early redemption	-	-
Less repayments in 1995 and 1994, respectively	-374	-670
Other loans according to the Balance Sheet	6,031	8,659

Currency exposure, see Note 27.

The loans for the Consortium fall due for payment as follows:

1995	374
1996	727
1997	399
1998 and thereafter	4,905
Total	6,405

FINANCIAL REVIEW

Note 25 – Other Long-term Debt

SAS Group	1994	1993
PRI	17	76
Pension provision	472	444
Other obligations to employees	344	10
Deferred taxes	133	231
Other liabilities	933	1,195
Total	1,899	1,956
SAS Consortium	1994	1993
Pension provision	467	420
Other obligations to employees	344	10
Other liabilities	763	756
Total	1,574	1,186

In calculating SAS's pension commitment for 1994, the following long-term economic conditions 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 adjustment of current pensions	3.0%

In the financial statements, commitments in the Scandinavian countries are included as specified in the table below. Actuarial differences and deviations from estimates are accrued over the employees' average remaining earning periods. The item "non-amortized deviations from estimates" includes actuarial calculation differences and changes due to changed pension plans.

For the Scandinavian countries, the situation at year-end was as follows:

	Denmark	Norway	Sweden	Total
PBO	6,558	3,366	622	10,547
Invested funds	5,770	2,430	35	8,235
Non-amortized actuarial differences	731	292	334	1,358
Non-amortized deviations from estimates	39	457	-9	487
Booked liability as per December 31, 1994	18	187	262	467
Pension cost for the year	729	311	72	1,112
Return on funds for the year	-509	-193	-2	-704
Amortizations	53	14	24	91
	273	132	94	499 ¹⁾

¹⁾ A further 203 in premiums was paid to insurance companies in Sweden with respect to central collective pension plans.

Denmark:

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

Norway:

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

Sweden:

The major benefit-based pension plans are secured in insurance companies through central collective pension plans. The pension plans appear to be considerably over-financed (surplus arising from net consolidation). SAS has no direct access to this surplus, but will benefit through lower future premiums. It was recently decided to repay part of the surplus to the insurance company's customers, resulting in a reduced premium as of January 1, 1995. According to the principles of this repayment, the companies which have contributed most to the surplus will be given the greatest premium reduction. The table above only includes insurance arrangements which are not secured through central collective pension plans.

SAS has undertaken to pay a pension up until normal retirement age, 60, to pilots who have lost their licenses. The probable current value of these commitments is reported in SAS's calculated 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 comprehensive tax allocation method (calculated tax on year-end provisions).

Note 26 – Subordinated Debenture Loan

A perpetual 200 million Swiss franc subordinated loan was issued during the 1985/86 fiscal year. There is no set maturity date on the loan. The SAS Consortium has the exclusive right to terminate the loan once every five years. The interest rate, fixed for periods of 10 years, at present amounts to 5 3/4% p.a. During the year, SAS repurchased bonds for a nominal 55.3 million Swiss francs of the outstanding loan, following which the loan amounts to 144.7 million Swiss francs.

FINANCIAL REVIEW

Note 27 – Financial Instruments

SAS's currency exposure is monitored on the basis of net debt, i.e. gross debt in Notes 23, 24, 25 and 26, and current interest-bearing liabilities minus interest-bearing assets, primarily Note 12.

As per December 31, 1994, the SAS Group had currency swap contracts for a nominal value of 4,300. Valuation at market exchange rates provides a net exchange gain of 414. SAS has outstanding currency options for a nominal value of 600, and with an exchange gain of 1. Outstanding forward exchange contracts amount to a gross nominal value of 14,000. Market valuations provide a net negative value of 112. 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 2,100. The effect on income is reported on the due date of the contract concerned. A valuation at market exchange rates as per December 31, 1994, shows a net positive value of 11, which is not included in income.

The financial currency exposure includes exposure from all liquid fund investments, short-term and long-term borrowing and the above-named financial instruments, but does not include forward exchange contracts for future commercial pay-

ments. Currency exposure is subject to constant changes.

As per December 31, 1994, the SAS Consortium's approximate financial currency exposure (net) on the net debt was as follows:

	Value in MSEK
Norwegian kroner	-1,800
German marks	-500
French francs	-300
Belgian francs	-400
Spanish pesetas	-100
Finnish marks	-600
Swiss francs	-100
British pounds	-300
Japanese yen	-400
Other currencies	200
Swedish kronor and currencies without exposure in the accounts	-1,700
Total net debt	-6,000

Note 28 – Equity

	Paid-in capital	Restricted reserves	Unrestricted reserves	Year's income	Equity
SAS Group					
December 31, 1993	8,127	708	387	-591	8,631
Income 1993	-642	-	51	591	
Transfer between restricted and unrestricted reserves		-421	421		
Change in translation differences		-8	-168		-176
Other changes	-2	51			49 ¹⁾
Income 1994				1,411	1,411
December 31, 1994	7,483	330	691	1,411	9,915
SAS Consortium					
December 31, 1993	7,689			-626	7,063
Income 1993	-626			626	
Income 1994				2,181	2,181
December 31, 1994	7,063			2,181	9,244

¹⁾ -2 attributable to deconsolidation of the Scanair Consortium, and 51 to changed ownership stake in an affiliated company.

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	9,244
Difference between equity/Consortium's book value of shares in subsidiaries	187
Difference between equity share/acquisition value of affiliated companies owned directly by the Consortium	40
Equity in the SAS Commuter Consortium	444
Total equity in the SAS Group	9,915

Income

Income before taxes in the SAS Consortium	2,181
Reversal of provisions for subsidiaries, dividends from subsidiaries, net	-521
Difference in capital gains on the sale of subsidiaries	-436
Income in subsidiaries before taxes, net	291
Share of income in affiliated companies owned directly by the Consortium	-39
Income in the SAS Commuter Consortium	29
Income before taxes in the SAS Group	1,505
Subsidiaries' taxes	-94
Income before taxes attributable to the SAS Consortium	1,411

FINANCIAL REVIEW

Note 29 – Assets Pledged, etc.

	SAS Group		SAS Consortium	
	1994	1993	1994	1993
Mortgages in real estate	839	1,480	-	-
Corporate mortgages	15	25	-	-
Aircraft mortgages ¹⁾	-	132	-	-
Receivables	309	118	43	53
Securities on deposit	-	62	-	-
Total	1,163	1,817	43	53

¹⁾ Re. aircraft, see also Note 21.

Note 30 – Contingent Liabilities

	SAS Group		SAS Consortium	
	1994	1993	1994	1993
Contingent liabilities for subsidiaries		-	-	2
Total contingent liabilities for subsidiaries		-		2
Contingent liabilities, other	1,363	2,507	1,313	1,994
Pension commitments, other		134	-	134
Total	1,363	2,641	1,313	2,130

Contingent liabilities include a gross amount of 811 (973) attributable to swap transactions in foreign currencies for loans for which the currency swapped to has a lower value than the original loan. 188 (252) is also included attributable

Note 31 – Leasing Commitments

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

	1995	1996	1997	1998	1999	2000 and thereafter
Aircraft	716	693	454	409	154	80
Hotel properties	251	259	265	273	273	1,571
Other properties	345	299	262	223	193	1,163
Machinery and equipment	9	7	1	1	1	1
Total	1,321	1,258	982	906	621	2,815

Leasing contracts run for between two and 30 years and individual objects with an annual leasing cost in excess of 0.5 have been included.

In conjunction with the sale and leaseback transaction for Boeing 767-300s, six aircraft will be leased back on an operational basis in accordance with a leasing contract which runs for 52–64 months, with the right to extend the contract for 1–2 years. For 1995–1997, the annual cost amounts to 374. The leasing cost for 1998 is 329, and for 1999, 73.

Linjeflyg HB leases in five Fokker F-28s on an operational lease. The leasing cost for these in 1995 and 1996, the final two years of the contract, amounts to 68 per year.

In March 1988, SAS and Linjeflyg AB ("SAS") on the one part and the Swedish Board of Civil Aviation (Luftfartsverket) on the other part, signed an agreement in which SAS would provide full compensation to Luftfartsverket in connection

to the difference between the accrued debt and income interest for swap transactions.

SAS has issued guarantees from the beginning of 1994 until March 31, 1995, for a leasing contract for two aircraft leased by Premiair AB. Premiair A/S has in turn issued a counter-guarantee to cover SAS's guarantee commitments.

SAS International Hotels AS has, for SAS Palais Hotel in Vienna, issued a guarantee for the performance of the leasing contract. A bank has provided a counter-guarantee which covers these commitments.

Under the management contract for the SAS Plaza Hotel in Hamburg, SAS Hotel Einrichtungs GmbH guarantees the owner a minimum annual gross profit during a fixed period.

Under the management contract for SAS Royal Hotel in Brussels, SAS Hotels A/S guarantees the owner a minimum annual gross profit during a fixed period.

SAS has undertaken to pay a pension up until normal retirement age, 60, to pilots who have lost their licenses. The probable current value of these commitments, including payroll tax, amounted to 134 on December 31, 1993. Starting in 1994 these commitments will be reported in SAS's total calculated pension commitments. (See Note 25.)

with the construction of Terminal 2 at Arlanda. The prerequisites for the said 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 1995–2000 amounts to 180. SAS claims that all Swedish domestic airlines should bear their share of Luftfartsverket's capacity costs for Terminal 2 in a competitively neutral manner, i.e. that all airlines should pay the same cost per passenger, and has therefore demanded renegotiation of the agreement in principle. The total amount under dispute is 65. No provisions were made for this in the financial statements. In addition SAS meets capital and operating expenses for baggage handling systems, etc. (See Note 3.)

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 1994. 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, 1994, and the results of operations for the fiscal year then ended, in accordance with the principles described above.

Stockholm, March 23, 1995

Arne Brendstrup

Bernhard Lyngstad

Roland Nilsson

Ole Koefoed

Olav Revheim

Jan Åke Magnuson

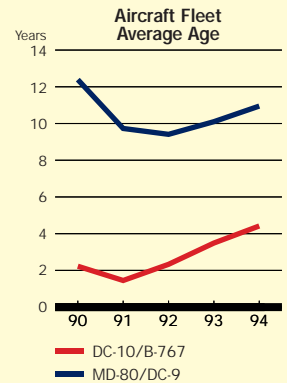
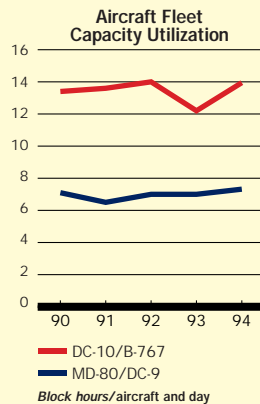
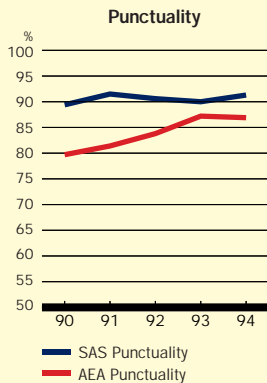
Authorized Public Accountants

Operational Summary and Graphs

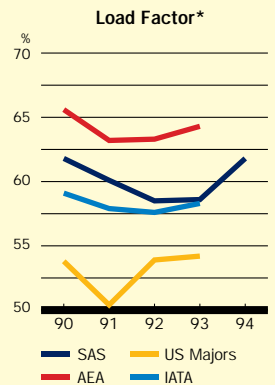
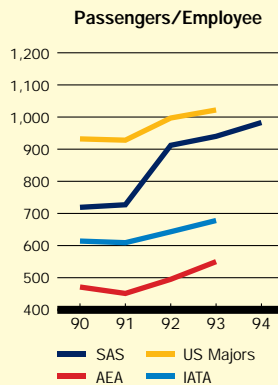
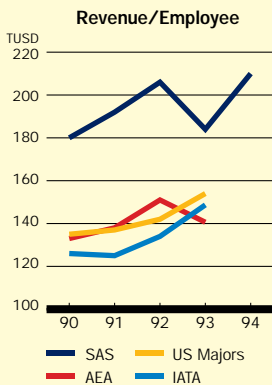
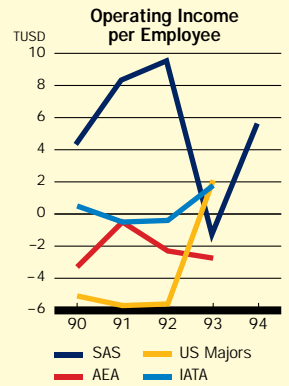
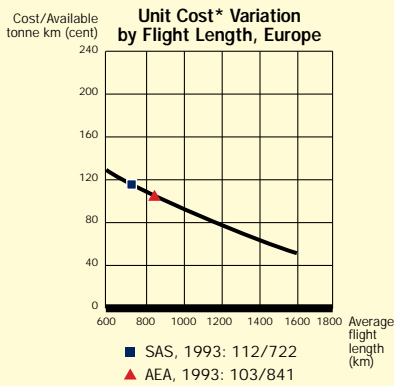
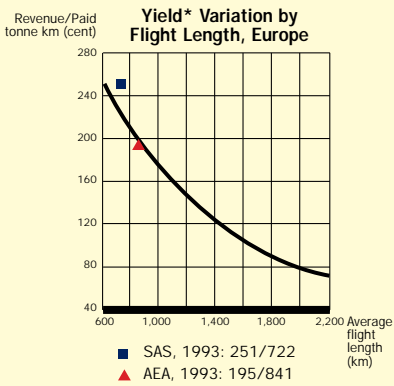
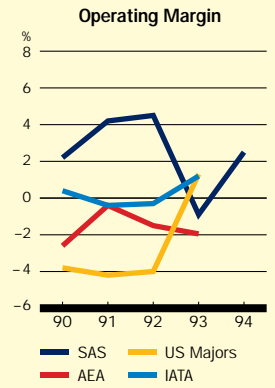
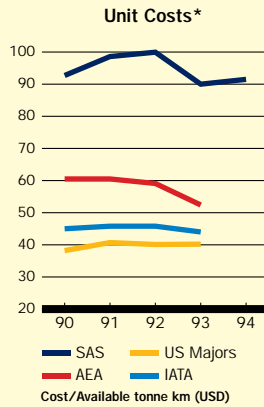
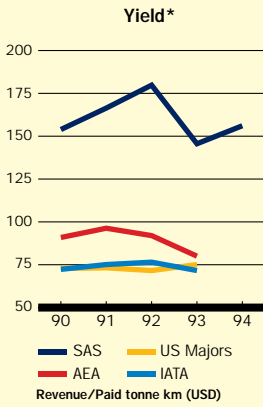
TRAFFIC/PRODUCTION		1994	1993	1992 ¹⁾	1991	1990
Number of cities served		102	104	98	82	85
Kilometers flown, scheduled	(millions)	217.2	225.6	202.9	190.7	188.4
Total airborne hours	(000)	350.2	367.9	326.0	286.6	298.3
Number of passengers carried	(000)	18,823	18,619	16,808	13,949	14,962
Available tonne kilometers*, total	(millions)	3,579.4	3,633.4	3,389.8	3,074.4	3,278.4
Available tonne kilometers, charter		78.6	66.8	44.8	7.5	12.0
Available tonne kilometers, scheduled		3,500.8	3,566.6	3,345.0	3,066.9	3,266.4
Revenue tonne km*, scheduled	(millions)	2,163.2	2,106.9	1,929.9	1,847.2	2,002.9
Passengers and excess baggage		1,666.8	1,637.3	1,488.0	1,394.5	1,514.5
Freight		445.9	420.4	391.7	406.4	429.8
Mail		50.5	49.2	50.2	46.3	58.6
Total load factor*, scheduled	(%)	61.8	59.1	57.7	60.2	61.3
Available seat km*, scheduled	(millions)	28,154	28,581	26,396	24,317	25,475
Revenue seat km*, scheduled	(millions)	18,466	18,138	16,547	15,416	16,493
Cabin factor*, scheduled	(%)	65.6	63.5	62.7	63.4	64.7
Punctuality	(% within 15 minutes)	91.3	90.0	90.6	91.5	89.4
Regularity*		98.7	98.7	99.0	99.2	98.4
Average passenger trip length	(km)	983	976	990	1,108	1,102
Traffic revenue ²⁾ /Revenue tonne km	(SEK)	12.07	11.24	10.04	10.06	9.07
Traffic revenue ²⁾ /Revenue passenger km	(SEK)	1.29	1.21	1.06	1.10	1.00
Airline oper. expense/Available tonne km	(SEK)	7.22	7.19	6.18	6.22	5.73
Revenue tonne km/Employee	(scheduled)	115,920	108,388	93,500	99,300	99,000
Revenue passenger km/Employee	(scheduled)	989,532	933,053	802,000	828,800	815,300
Fuel price	(cent/gallon)	66	71	76	82	90
Break-even load factor*						
SAS		58.6	59.5	58.6	59.3	60.2
AEA		3)	65.5	63.7	62.8	66.6
IATA		3)	61.5	60.7	61.9	61.2
US Majors		3)	53.5	56.0	55.8	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.



FIVE - YEAR SUMMARY



Financial Summary

SAS GROUP, MSEK

INCOME STATEMENTS	1994	1993	1992	1991	1990
Operating revenue	36,886	39,122	34,445	32,286	31,883
Operating income before depreciation, etc.	3,404	2,032	2,930	2,717	2,011
Depreciation, etc.	2,000	1,782	1,532	1,338	1,362
Share of income in affiliated companies	-13	-1	-8	-871	-156
Financial items, net	-668	-1,313	-2,244	-882	-258
Minority shares in income after financial items	-99	16	89	-17	-
Gain on the sale of flight equipment and shares, etc.	881	556	5	313	701
Unusual items	-	-	-	-	-898
Income before extraordinary items	1,505	-492	-760	-78	38
Extraordinary items	-	-	-	-1,214	-801
Income before taxes	1,505	-492	-760	-1,292	-763

STATEMENTS OF CHANGES IN FINANCIAL POSITION

Net financing from the year's operations	2,338	1,377	1,444	1,362	1,130
Investments	-1,277	-1,112	-3,338	-5,197	-5,651
Sale of fixed assets, etc.	5,191	1,823	552	1,591	1,791
Financing surplus/deficit	6,252	2,088	-1,342	-2,244	-2,730
Capital infusion from parent companies	-	-	-	-	305
External financing, net	-3,872	-2,469	1,584	227	6,921
Change in liquid funds	2,380	-381	242	-2,017	4,496
Liquid funds in sold/acquired companies	-973	-130	216	-	-
Change in liquid funds according to balance sheets	1,407	-511	458	-2,017	4,496

BALANCE SHEETS

Liquid funds	10,725	9,318	9,829	9,371	11,388
Current assets, other	3,670	9,973	6,849	6,289	6,362
Fixed assets ¹⁾	20,904	24,566	28,790	24,854	24,265
Current liabilities	9,413	12,485	11,713	10,471	12,805
Long-term debt ²⁾	15,971	22,741	24,797	20,404	18,113
Equity	9,915	8,631	8,958	9,639	11,097
Total assets	35,299	43,857	45,468	40,514	42,015

KEY RATIOS

Gross profit margin, %	9	5	9	8	6
Return on capital employed, %	7	5	8	7	6
Return on equity, %	10	-	-	-	-
Equity/assets ratio, %	29	21	21	25	27

FIVE-YEAR SUMMARY

OTHER FINANCIAL FIGURES AND RATIOS	1994	1993	1992	1991	1990
Income after depreciation	1,391	249	1,390	508	493
Financial income	933	1,592	1,181	1,542	1,310
Financial expense	-1,601	-1,905 ³⁾	-2,275 ³⁾	-2,424	-1,568
Interest income	904	1,550	1,127	1,458	1,198
Interest expense	-1,623	-2,839	-2,526	-2,087	-1,565
Interest-bearing assets	11,363	10,515	11,240	10,109	12,543
Interest-bearing liabilities	17,417	24,403	26,830	21,645	21,790
Interest coverage ratio	1.4	1.0	1.1	1.2	1.2
Net interest income/average net debt %	7	8	11	6	5
Debt/equity ratio	0.6	1.6	1.7	1.2	0.8

SAS CONSORTIUM⁴⁾, MSEK INCOME STATEMENTS

Operating revenue	31,003	28,509	22,093	22,340	22,399
Operating income before depreciation, etc.	2,256	726	1,739	1,676	1,406
Depreciation, etc.	1,343	967	749	748	914
Financial items, net	136	-225	-1,644	-383	-479
Gain on the sale of flight equipment, shares, etc.	1,220	43	20	-1,666	918
Unusual items	-88	-203	-131	269	-768
Income before extraordinary items	2,181	-626	-765	-852	163
Extraordinary items	-	-	-	24	-801
Income before taxes	2,181	-626	-765	-828	-638

STATEMENTS OF CHANGES IN FINANCIAL POSITION

Net financing from year's operations	2,357	979	1,870	1,151	419
Investments	-871	-824	-2,638	-4,238	-4,691
Sale of fixed assets, etc.	4,662	1,168	605	1,970	3,026
Financing surplus/deficit	6,148	1,323	-163	-1,117	-1,246
External financing, net	-4,167	-1,798	369	-851	6,094
Change in liquid funds according to balance sheets	1,981	-475	206	-1,968	4,848

BALANCE SHEETS

Liquid funds	10,408	8,427	8,902	8,696	10,664
Current assets, other	3,579	7,436	4,984	4,437	6,734
Fixed assets	18,041	20,362	22,855	21,305	17,434
Current liabilities	8,769	9,606	7,762	8,067	10,010
Long-term debt	14,015	19,556	21,290	17,917	15,687
Equity/Reserves	9,244	7,063	7,689	8,454	9,135
Total assets	32,028	36,225	36,741	34,438	34,832

KEY RATIOS

Gross profit margin, %	7	3	8	8	6
Return on capital employed, %	9	7	9	10	7
Return on equity, %	22	-	-	-	-
Equity/assets ratio, %	29	19	21	24	26

PERSONNEL (average)

Consortium	19,139	19,931	18,420	19,190	20,820
Group	28,425	37,330	40,140	38,940	40,830

¹⁾ Including restricted account balances. ²⁾ Including minority interests. ³⁾ Excluding unrealized exchange losses.

⁴⁾ SAS Consortium includes SAS and SAS Trading, both excluding subsidiaries.

***“Customers
want choice and
value for money, and
the more they can get
this from us, the less
risk there is that they
will seek alternatives
elsewhere.”***



All our customers must want to travel with SAS again

A deregulated civil aviation environment gives customers more choice. And it is the confidence and preference of its customers which determine an airline's success.

Today we know that the future for SAS lies in ongoing development of our product in competition with skilled rivals. At the same time we must keep our costs down to at least the same low level as our foremost competitors.

SAS's new strategy places a renewed focus on the home market. Scandinavians are among the most inveterate flyers in the world, due to the long distances, a high level of economic development and a good standard of living. Few airlines have such a favorable home base as SAS.

When SAS was formed as a company owned jointly by the three Scandinavian states and representatives for their business communities, this was part of efforts to build a modern infrastructure in Scandinavia. SAS would provide the general public and business communities in the three countries with effective air transport to, from and within Scandinavia. In common with other national airlines, SAS enjoyed a protected position in its home markets.

The majority of national European airlines, known as flag carriers, were formed against the same background. The airlines were commissioned by their owners to maintain traffic which was in many cases not commercially justifiable. Civil aviation was therefore strictly regulated. This resulted in a tradition where-

by the state would provide funds to maintain the infrastructure.

SAS only once received financial support from its state owners, in 1961, but in Europe this is still happening on a wide scale. In 1994 alone 7.35 billion USD was announced in new support from public funds to European airlines with severe problems. It is naturally totally unac-

"We face skilled competitors almost everywhere. SAS's survival depends on customers preferring SAS to the excellent alternatives available."

ceptable to be forced to compete with airlines which operate with the aid of state subsidies.

European civil aviation is now in the final phase of deregulation and with certain minor exceptions is entirely open to competition. In practice, however, full competition does not exist everywhere. The old national operators often have such strong positions in their home countries that a "natural monopoly" still prevails.

SAS is no longer part of the public infrastructure in Scandinavia. We are

not obliged to maintain unprofitable traffic. Nor can we expect any privileges. The Swedish domestic market was deregulated in 1992 and the Norwegian market followed in 1994. The competition here is now intense. The same applies to traffic to and from Scandinavia. The Danish domestic market will be deregulated in October 1995.

WINNING CUSTOMERS IN OPEN COMPETITION

We face skilled competitors almost everywhere. SAS's survival depends on customers preferring SAS to the excellent alternatives available.

That is why it is gratifying to note that our customers' loyalty is increasing. SAS has gone through a difficult period of adjustment since 1990, at the same time as the market has been deregulated. This explains the decline in the repeat purchasing trend among SAS's customers from a top position in 1990, although this was in a monopoly. Repeat purchases are now rising again in a deregulated world where customers have an increasing number of alternatives.

Naturally, the loyalty program with SAS EuroBonus has played a major part in this development. At the end of 1994, SAS had more than 600,000 EuroBonus members, earning points in a constantly expanding bonus program. By gradually developing the SAS EuroBonus program, we will ensure even greater loyalty to SAS.

Even so, customers would not have preferred SAS had we failed to supply a worthwhile product every bit as good as that offered by our competitors.

Our goal is that 100% of our customers must want to travel with SAS again. 95% of them do today. So there is some room for improvement.

SAS is now focusing strongly on product development. This means offering a competitive timetable with routes and departures tailored in the first place for the Scandinavian business traveler and with as many nonstop flights as possible. It is also about improving the actual air transport product, all within the framework of absolute safety and maximum punctuality.

SIMPLICITY, CHOICE, CARE

Business travelers will continue to be SAS's main target group. Private travelers and freight customers are also important target groups. We must develop the products which these customers want and are willing to pay for.

No-one will catch us out when it comes to our business travel product. We must offer the best traffic program which quickly and effectively and with a high level of frequencies transports our passengers in comfort to, from and within Scandinavia. And we must offer good service around and during the flight, based on three principles: simplicity, choice and care.

Simplicity means that our products should be as uncomplicated and easy to use as possible. Air travel is not a luxury, particularly for the business traveler. Over the next few years, air travel will become increasingly undramatic and it will be easy to book, pay for and re-book tickets, easy to check in and obtain help if something goes wrong.

Choice and flexibility are key concepts in our product development, to create good alternatives within our own products. Customers want choice and value for money, and the more they can get this from us, the less risk there is that they will seek alternatives elsewhere.

For that reason we are trying to

“Our goal is that 100% of our customers must want to travel with SAS again. 95% of them do today. So there is some room for improvement.”

create even more frequent and better connections with the major cities in Europe which our customers often visit. But we must also offer such a wide range of products and services that travelers can more or less custom-design 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 more examples of choice.

Care is about how our 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.

Once simplicity, choice and care are truly associated with the SAS product, I am convinced that we will create even higher preference and loyalty among our customers.

ON NEW WINGS

We at SAS will meet our goals and commitments to all intents and purposes through our own efforts. This is fully compatible with close cooperation with other airlines. Our partners will provide strong complements to our own traffic system and through coordinated timetables offer our customers effective travel around the world, while earning bonus points with SAS at the same time.

Over the next few years we will renew one-third of our aircraft fleet. For some considerable time we have been looking for a modern, cost-effective and flexible smaller aircraft, which will allow us to offer our customers more frequencies and

greater choice. We have chosen the Boeing 737-600, an aircraft which will also offer the best environmental performance in the market with a low level of emissions and noise. SAS is currently developing its environmental policy and here we intend to have the most ambitious profile in the airline business.

This is also a quality which I believe our customers appreciate.

Welcome to SAS in the near future.

*Jan Stenberg
President and
Chief Executive Officer*



An open, dynamic aviation market

SAS today is 5/7ths an EU company. In the 1994 referendums, Sweden voted "yes" to EU membership while the Norwegians said "no." SAS was already regarded as an EU company due to Denmark's membership, and Sweden and Norway had become integrated with Europe in terms of civil aviation policy through the EEA agreement. In the future, however, the EU rules regarding a third country may have effects on some SAS traffic, such as border control routines in Norway.

The joint Scandinavian approach to a third country, which has been the practice thus far, may also become more difficult.

FAVORABLE MARKET TREND

Tough competitive pressure continued in 1994, both in Europe and Scandinavia. At the same time, the demand for air transport services rose.

The Association of European Airlines (AEA) reported a growth in international traffic, measured in RPK (Revenue Passenger Kilometers), of 9.0%.

The increase in capacity, measured in ASK (Available Seat Kilometers), amounted to 5.0%.

The economic outlook for civil aviation between 1995 and 1998 is good and the volume of air traffic is expected to grow faster than the overall economy, by between 3-5% a year in Europe and the U.S., and 6-8% in Asia.

GNP Trend

	90	91	92	93	94	F95	F96
OECD	2.6	1.0	1.5	1.1	3.0	3.0	2.8
Europe	2.9	1.2	0.8	-0.5	2.8	3.2	3.2
Denmark	2.1	1.2	1.2	1.4	4.7	3.5	2.9
Norway	1.7	1.6	3.3	2.7	5.0	3.0	2.8
Sweden	1.4	-1.1	-1.9	-2.6	2.2	2.5	2.5

Source: Swedish Institute of Economic Research

SAS's Production and Traffic

	90	91	92	93	94
Prod/ASK (billions)	25.5	24.3	26.4	28.6	28.2
Sold/RPK (billions)	16.5	15.4	16.6	18.1	18.5

REASSESSMENT OF THE MARKET

The profitability of the European airline industry improved in 1994. This was due partly to stronger demand, and partly to rationalization programs. Following a combined loss among the twenty largest carriers of approximately 20 billion SEK in 1993, many airlines including SAS were able to show a sharp improvement in 1994, while others continued to report major losses.

In spite of the difficulties of recent years, no major restructuring of European civil aviation has taken place. So far there have been no mergers. Nor have there been any major closures. All of the twenty or so major airlines which were operating in 1985 are still going in 1995. In other words developments in the European airline industry have not led to the same concentration which deregulation caused in the U.S.

Outside the deregulated European market civil aviation is regulated by

bilateral agreements. These give governments the right to decide which airlines will conduct traffic, often flag carriers. A country without a nationally controlled airline loses control over its international air traffic. This means the nationality requirement is holding back major structural changes in the European airline industry.

Thirteen of the major European carriers are owned wholly or to a large extent by their home states.

Between 1991 and 1997, six European airlines will receive more than 11 billion USD in government subsidies. Four of these are 100% state-owned, one 99% and one 62%. Most of this money, more than 7 billion of the 11 billion USD, will be paid between 1994 and 1997.

The EU Commission, which has been pushing for the deregulation of European civil aviation, has approved these subsidies, which naturally distort competition to a considerable extent.

The legal competitive position for the airline industry in the EU is inconsistent. While billions are approved in the form of subsidies, the EU Commission has a highly restrictive attitude to close operational cooperation which would result in structural development and therefore increased competition in the European airline industry.

CONTINUED DEREGULATION

A survey conducted by the International Air Transport Association (IATA) shows

that the price of air tickets has fallen by more than 60% in real terms during the past 20 years. This underlines the necessity of operating airlines at a dramatically lower cost level.

The liberal Phase 3 EU rules, designed to support competitive neutrality and free competition, have been in effect since 1993. In brief, Phase 3 means licensed airlines have unrestricted access to the market and that there is no regulation of fares. Certain restrictions still apply to domestic traffic in this phase.

Norway and Sweden have had a civil aviation agreement with the EU since 1992, and became parties to the Phase 3 rules in mid-1993. The EU's deregulation rules currently apply to 18 countries.

The Swedish domestic market was the first in Europe to become totally deregulated, on July 1, 1992. Norwegian domestic traffic was deregulated on April 1,

1994. Danish domestic traffic will follow in October 1995. This means that the Scandinavian market will be completely open to competition.

GOVERNMENT
FEES DISTORT COMPETITION

In addition to financial support from various countries' state funds, there are other factors which distort competition.

One example is the government fees which airlines in Europe are forced to pay. These vary between different European countries, but are generally higher in Europe than in the U.S., which gives American carriers a cost advantage.

SAS's government fees including environmental taxes totaled 3.7 billion SEK in 1994, corresponding to 13% of operating expenses. In four years these costs have increased by a full 24% (after exchange and volume adjustments).

A WORD FROM SAS'S CUSTOMERS:



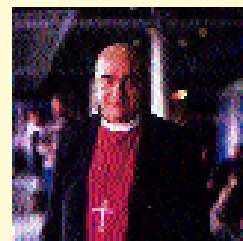
Anders Karlsson, Sweden –
Company Director

Works at a company in Örnsköldsvik and travels to Stockholm about 60 times a year. His job also includes a lot of business in Europe.

"Times and connecting flights are the most important criteria for European destinations, so I try to fly with SAS because the connections are better if you continue with the same company you started your domestic flight with.

"I have a season ticket for domestic flights and a RVC card. On domestic flights it is very important to have a season to be sure of a seat. This means that I can arrange a meeting in Stockholm only two days ahead and be sure of getting there.

"I often decide things at the last minute, so I use the late check-in facilities available in SAS EuroBonus and get priority on waiting lists."



Samir Kafity, Israel – President Bishop
The Arab bishop of the Anglican Church in Jerusalem; has attended the Nobel Peace Prize ceremony.

"I am a frequent flyer with several airlines since my work demands continuous travel within the Middle East, Africa and the USA. I visited the SAS lounge in Copenhagen as well as here in Oslo and I appreciate your facilities, especially the availability of fresh fruit."



Simplicity, choice and care



Things are starting to go well for SAS again. We must exploit this trend to develop our product still further, so that customers prefer SAS to other airlines.

In 1994, SAS carried 18,823,000 passengers, an increase of more than 1% over the previous year. Only two other European airlines have more passengers than SAS. When it comes to the number of air transport movements (take-offs and landings) SAS is in second place.

Scandinavia is one of the most active and attractive air transport markets in the world. This applies to both demography and geography. There are not many of us, 18 million people, but the Scandinavian countries have a high economic standard and an extensive business sector with considerable activity in markets outside the region.

And the long distances, both within Scandinavia and to the rest of Europe, favor flying as a means of transport. Scandinavia covers an area as large as Germany and France combined, but it is spread out and thinly populated with only 22 inhabitants per square kilometer compared with 164 in the rest of Western Europe.



COLLECT SAS EUROBONUS POINTS

The SAS EuroBonus program is based on flying with SAS and staying at Radisson SAS hotels. When you have earned enough points, you can redeem them for bonus trips or other attractive bonus offers. You can also earn points by using the services of a number of affiliated companies:

Airlines: Air New Zealand, Austrian Airlines, British Midland, Continental Airlines, Qantas Airways, Swissair.

Hotels: Hilton International, Inter-Continental Hotels, Swissôtel.

Rental cars: Avis, Hertz

SAS'S MAIN STRATEGY

At SAS we have been reviewing our position and our strategies during the year. We remain convinced that we have an excellent home market, which must form the basis for our strategy.

At the same time, Scandinavia is too small a market base for an extensive intercontinental route network, and our base is not located centrally in Europe.

SAS's key task is to offer competitive air services to, from, between and within each of the Scandinavian countries. First and foremost on our own, but also in



A PRE-FLIGHT MEAL IN THE EUROCLASS LOUNGE!

Half an hour until the plane leaves, and maybe an hour before you get something to eat. If you're traveling in EuroClass, you may prefer a light meal before boarding. This is now available in the EuroClass lounges at Copenhagen Airport, Arlanda, Oslo and Landvetter. The buffet is displayed in the café corner.



PHONE HOME?

SAS passengers can make calls from their seats on European and domestic flights. You pay with any widely accepted credit card. It will soon be possible to make phone calls on SAS intercontinental flights, where we are installing a satellite-based system.

partnership with selected airlines so as to ensure effective global coverage. Although cooperation may be developed with several different companies and take various forms, one European, one American and one Asian carrier will be given priority.

Business travelers will continue to be SAS's key target group, and our build up of resources and our development will be dictated by their needs. SAS will also offer private travelers and freight customers good services at reasonable prices.

The key elements of what we have to offer are absolute safety, maximum punctuality, good personal service, an attractive traffic system, and flexible travel terms.

LARGER PROPORTION OF EUROCLASS TRAVELERS

Since the beginning of the 1990s, there has been a continuous mix swing in the European airline industry – from full-fare business class tickets to various forms of discount fares. For many airlines, discounts have been a way of buying market share at the expense of profitability.

At SAS we have managed to reverse this trend. SAS's total traffic increase in 1994 included an improved mix. Business class traffic rose by 8% while tourist class traffic declined by 1%.

The proportion of business (EuroClass) travelers in SAS on international routes rose for the second consecutive year in 1994 to 39%. This means that SAS has the highest proportion of business travelers among European airlines, and it shows that there is real meaning behind the slogan the business traveler's airline. Revenues from EuroClass sales accounted for 59% (57) of the 1994 total.

Demand in the business segment also increased in 1994 and the beginning of 1995 which reflects the generally improved economy. Swedish business travel is also increasing as a result of recovery in the export industry.

ABSOLUTE SAFETY, MAXIMUM PUNCTUALITY

When it comes to safety SAS applies rules



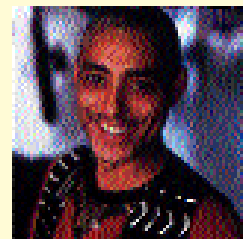
Pekka Patjas, Sweden – President

Works for an electronics company with international operations. Is on his way from Helsinki to Malaga via Barcelona. Most often flies between Helsinki and Kalmar.

"I always fly with SAS when possible. I have EuroBonus and I think its practical to be able to earn points and use them later.

"I think SAS has improved through the years – both service and keeping to the timetable. When I'm forced to, I use other airlines as well. In my experience, the biggest difference is that they don't follow the timetable.

"I have a PC which I would like to plug in to recharge the batteries during the flight. I would also appreciate telephones on board."



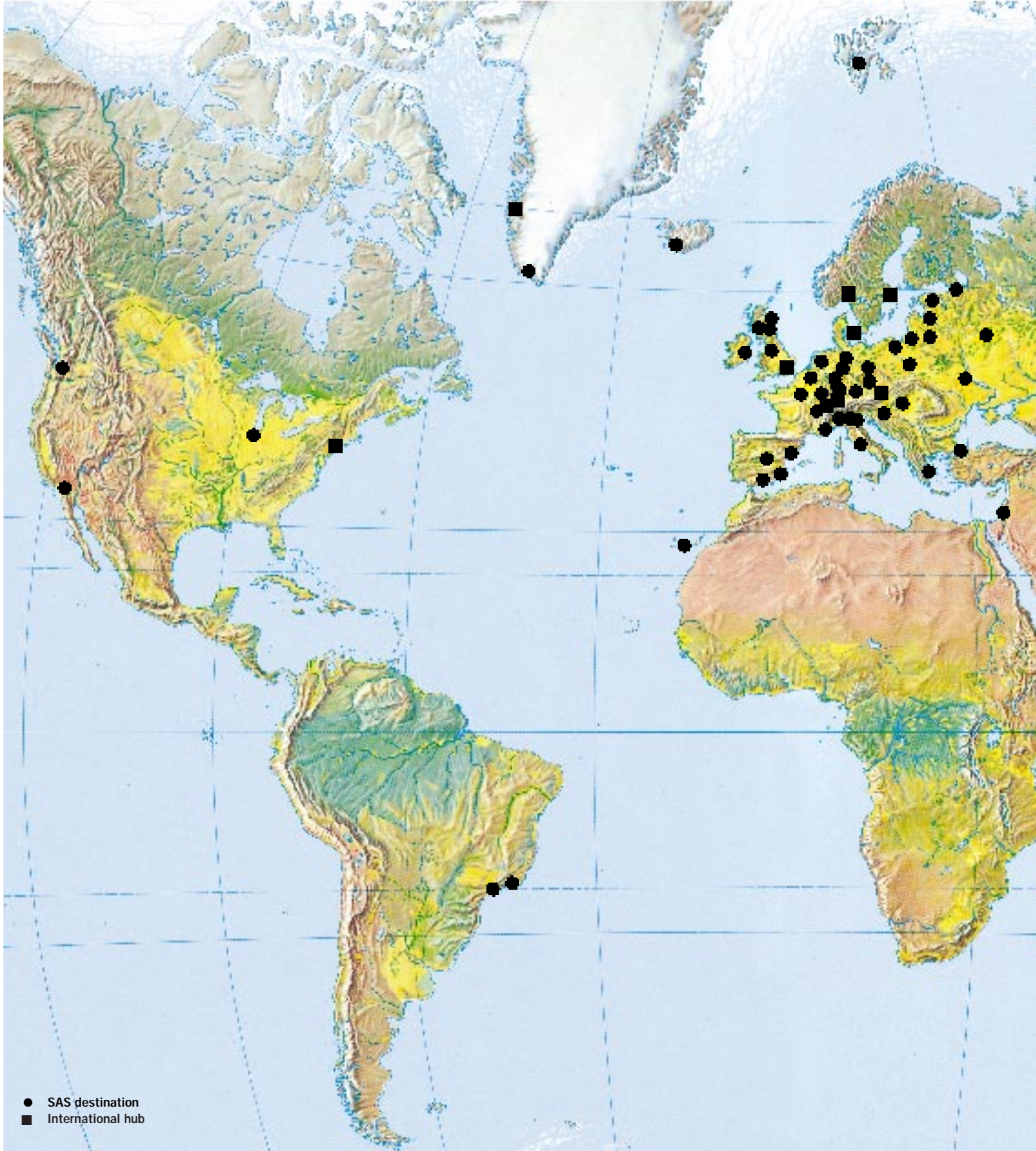
Paul I. Carrier, Jr., Norway – Artist

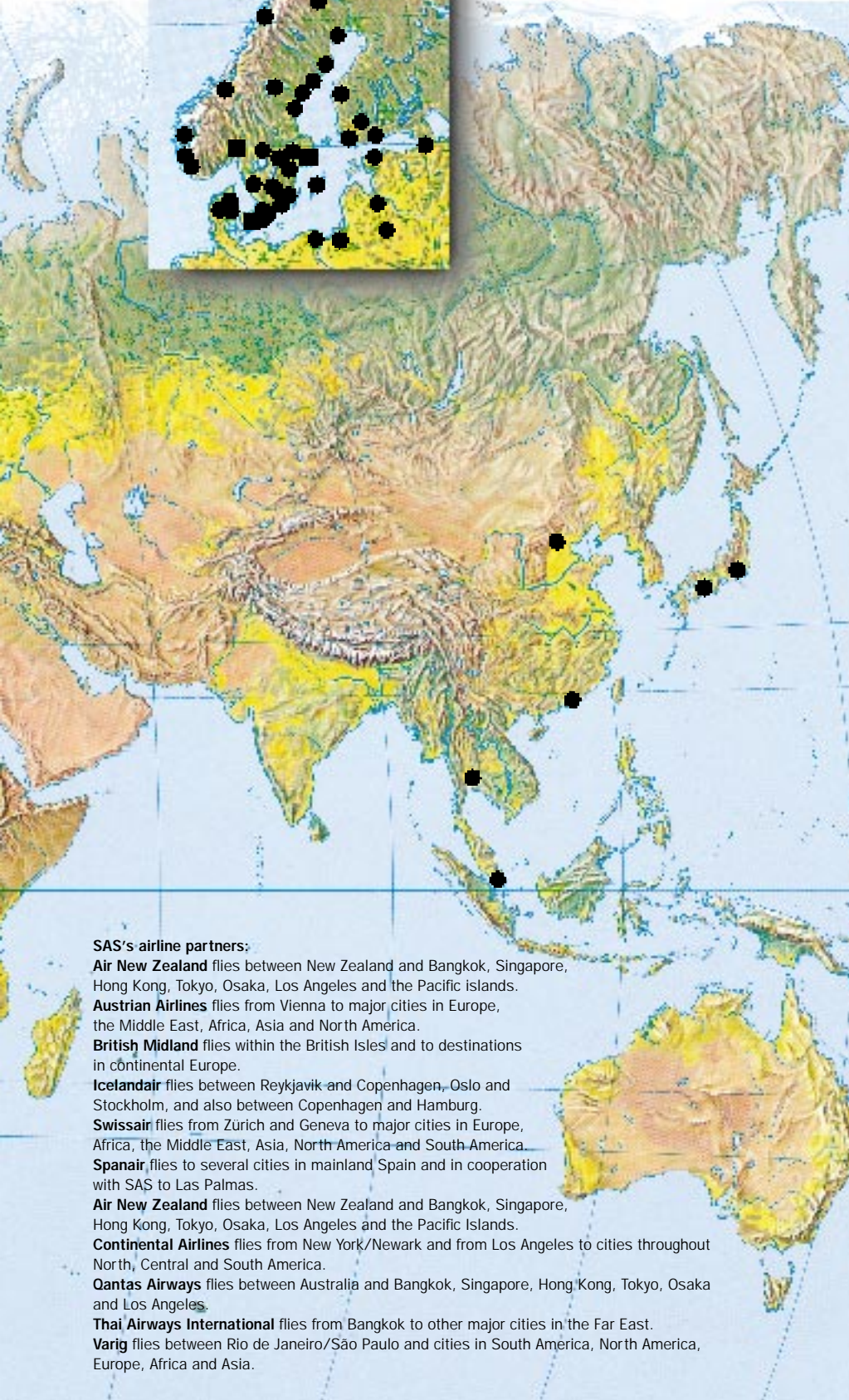
American artist, lives in Norway. Going on vacation to visit his family in North Carolina.

"I'm very afraid of flying. But I'm relaxed with I'm with this airline. It makes me feel safer. There can never be too much security.

"I can also afford the price level at SAS. It was actually cheaper this year than last year. It's important for me as a painter, since most painters do not have the economy..."

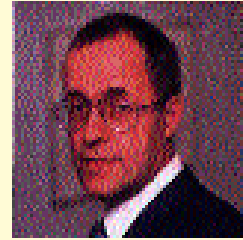
THE AIRLINE TODAY AND TOMORROW





SAS's airline partners:

- Air New Zealand** flies between New Zealand and Bangkok, Singapore, Hong Kong, Tokyo, Osaka, Los Angeles and the Pacific islands.
- Austrian Airlines** flies from Vienna to major cities in Europe, the Middle East, Africa, Asia and North America.
- British Midland** flies within the British Isles and to destinations in continental Europe.
- Icelandair** flies between Reykjavik and Copenhagen, Oslo and Stockholm, and also between Copenhagen and Hamburg.
- Swissair** flies from Zürich and Geneva to major cities in Europe, Africa, the Middle East, Asia, North America and South America.
- Spanair** flies to several cities in mainland Spain and in cooperation with SAS to Las Palmas.
- Air New Zealand** flies between New Zealand and Bangkok, Singapore, Hong Kong, Tokyo, Osaka, Los Angeles and the Pacific Islands.
- Continental Airlines** flies from New York/Newark and from Los Angeles to cities throughout North, Central and South America.
- Qantas Airways** flies between Australia and Bangkok, Singapore, Hong Kong, Tokyo, Osaka and Los Angeles.
- Thai Airways International** flies from Bangkok to other major cities in the Far East.
- Varig** flies between Rio de Janeiro/Sao Paulo and cities in South America, North America, Europe, Africa and Asia.



Jan Lilja, Sweden – Project Leader

On route from Copenhagen to Stockholm.

“I fly to various European destinations, most often with SAS. There are many good connections from Stockholm and the service is good.

“With SAS you take a piece of Sweden with you when you leave, and it’s just the same when you board a SAS plane on the way back – you’re almost home already.”



Lena Hultgren Kamil, Malaysia

Lives in Malaysia and is going home for the Christmas holidays.

“I’ve only flown with SAS in Europe, but all my experiences there have been positive. The lounges especially are better. I’m a smoker, and other airlines’ lounges seldom have smoking areas. And where I arrived this morning before I flew here to Copenhagen, I was able to shower after the long flight. They also have a good selection of food and magazines.”



which are among the strictest in the industry. SAS's performance in this field continues to be well within the adopted standards.

SAS has been Europe's most punctual airline for a number of years. In 1993 the number of flights which departed within 15 minutes of scheduled time decreased by one percentage point – from 91% to 90%, which was still considerably better than the 87.2% average in Europe (AEA). During 1994 punctuality improved to 91.3% compared with the AEA average of 86.9%.

Measured in the number of flights which departed within two minutes of scheduled time, SAS also improved punctuality in 1994, from 65% to 68%. SAS's goal, however, is far higher.

REDUCED PRODUCTION, INCREASED CAPACITY UTILIZATION

SAS's international traffic production measured in available seat kilometers decreased overall by 1.2% during 1994 as a result of the suspension of unprofitable routes and frequencies. On the other hand traffic for which SAS received payment increased by 3.1%. In the AEA total traffic production rose by 5.0% and traffic which was paid for by 9.0%.

These figures indicate a slight reduction in SAS's total market share, but this only applies to discount tickets. In the business segment, SAS strengthened its position still further.

The average cabin factor, which measures capacity utilization, remains higher in the AEA with 69.0% than in

SAS with 65.7%, although SAS increased capacity utilization by 2.7 percentage points compared with the AEA's 2.6 percentage points.

SAS's traffic increased on all route sectors in 1994 with the exception of Swedish domestic routes where passenger traffic fell by 10% and production by 12%, which still provided a 1.5% improvement in capacity utilization. The only sector where the load factor fell was on Norwegian domestic routes (-2.9%), as a result of the Norwegian domestic market becoming open to competition during the year.

SAS noted particularly good traffic growth on traditional European routes, inter-Scandinavian routes and in Eastern Europe.



CHOOSE YOUR OWN MOVIE

How about a little action, romance or culture to exercise your brain? All EuroClass passengers on SAS's intercontinental routes have their own personal VCR mounted on the armrest. A large selection of new films gives you the chance to see the movie you didn't catch before the trip.



MAKE YOUR SELECTION FROM THE BUFFET TROLLEY

Care for some salmon? Or why not taste the sushi? Or both! On SAS intercontinental flights, EuroClass passengers compose their own meal from the generous buffet trolley.

TRAFFIC SYSTEM DEVELOPMENT

During 1994 SAS's traffic program covered 102 destinations, with the main focus on Scandinavia, Western Europe, the Baltic region and the Far East.

The key task of SAS's traffic system is to meet travel needs according to the following priorities:

- Domestic in Denmark, Norway and Sweden – to and from each capital.
- Inter-Scandinavian – to and from each capital.
- In Europe – to and from Denmark, Norway and Sweden.
- Intercontinental – to and from Scandinavia.

As far as possible SAS offers nonstop flights to and from each of the Scandinavian capitals. When the passenger base does not justify this, Copenhagen is used as the hub for ongoing international traffic.

In addition to serving its home market, SAS is also developing its traffic system to meet travel needs between the Baltic countries and the rest of the world via Scandinavia, what we call the Baltic Hub, as well as between Europe and Northeast Asia via Scandinavia.

Scandinavia's geographical position provides a natural competitive edge in the eastward traffic flow – both to northern Eastern Europe and Northeast Asia. We have the shortest flight distances, and therefore the shortest flight times.

This explains why we added Osaka, Kaliningrad and Zagreb to our destinations in 1994. A new route to Turin was opened at the beginning of 1995.

COOPERATION IN PRACTICE

Although SAS is no longer seeking a merger partner, cooperation with other airlines is important for strengthening the traffic program and achieving economies of scale in production and marketing.

SAS cooperates with a number of airlines, with Swissair and Austrian Airlines in Europe through the EQA (European Quality Alliance), and with partly owned British Midland (40%), and Spanair (49%). SAS cooperates with Continental Airlines in the U.S.



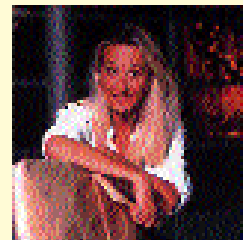
Ann-Mari Hustrulid, USA – Flight Attendant

Born in Sweden, now living in New York. Arriving from the USA and going to Kiruna.

"I'm going to visit my family. My father is Swedish and my mother is half Swedish.

"Since I work as a flight attendant for an American airline, I flew with them to Helsinki, but from there it's been SAS.

"You can tell when the flight attendants actually like what they're doing and are enthusiastic about it, as opposed to just doing it to make a pay check, for a living. And that's when they are making sure that people are happy with what they are doing and are positive about what they have accomplished. The SAS staff go out of their way to help, which is something that you need in an airline."



Kari Hübner, Norway – Hotel Employee Works in Austria. Travels home to her parents about four times a year.

"I usually fly with SAS since they have more flights. Otherwise the differences aren't that big, it's really the flight times that are crucial for me.

"Although I must admit it's important to get a Norwegian newspaper. The seats are better on SAS and the service is good.

"I used to travel with children quite a lot before and then the service is better with SAS than many other airlines."



"BEST CELLAR IN THE SKY"

Our wines reach great heights. Business Traveller magazine named SAS "Best Cellar in the Sky" in 1994. One of the world's foremost wine experts, the legendary Oz Clarke, helps us select the beverages we serve on board.

The EQA cooperation is based on a strong joint traffic system with Copenhagen, Zürich and Vienna as the largest hubs. During 1994 total traffic between Scandinavia and Switzerland increased by 11% and between Scandinavia and Austria by 13%.

The cooperation with Continental at Newark Airport (outside New York) allows SAS to offer effective services to 110 cities in the U.S. and some fifty destinations in Central and South America, and the West Indies. This cooperation also provided SAS with nearly 180,000 transfer passengers in its traffic system in 1994.

A growing number of airlines are cooperating via code-sharing. This means that two carriers market the same flight each with its own flight number, while one company actually operates the service.

In the intercontinental market SAS has discontinued its own flights to Los Angeles but offers this route as a code-share with Continental via Newark.

Other examples of code-sharing include the Bergen-London, Copenhagen-Glasgow, and Copenhagen-Edinburgh routes in cooperation with British Midland, and Las Palmas with Spanair which takes over in Madrid.

When SAS offers a route via code-sharing full SAS EuroBonus points and check-in right through to the final destination still apply.

RUNNING THE '95 MODEL

For two years SAS has been packaging new products based on the automotive industry's annual model formula. The '95 Model, which was presented at the end of 1994, includes a number of innovations based on the three principles of simplicity, choice and care.

Our aim is to improve our service in EuroClass and provide a simple, effective service in tourist class, which still gives good value for money. Examples of this from the '95 Model include further improvements in the quality of the food in EuroClass and that it is served on linen and china.

Passengers on intercontinental routes can compose their meals themselves from

a generous selection on a buffet trolley.

In Scandinavia, EuroClass passengers are also offered the choice of a light meal in a EuroClass lounge.

In tourist class we have replaced the hot meals with good cold food on short-haul flights. Hot food is served on flights which are more than three hours long.

Innovations in the cabins provide greater enjoyment and comfort on board many of our aircraft. These include a wardrobe for the use of EuroClass passengers on our MD-81s. New adjustable headrests and back cushions have been installed in our Boeing 767s, making it even easier for passengers to relax.

SAS will be first in Europe with a full coverage digital telephone system on its entire European and domestic fleet. The telephones will be installed in spring 1995 in the armrests between the seats. An aircraft of the MD-80 type will have approximately 80 telephones.

Passengers can pay with an ordinary credit card, which is passed through a reader on the handset. Installation of telephones in a satellite-based system will start on the intercontinental fleet in spring 1995.

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

FOCUS ON FARES

SAS developed its fare concepts still further in 1994. The success of SAS EuroTicket, a discount EuroClass ticket which requires the passenger to travel with SAS in both directions, continued in 1994.

Directed campaigns, such as our special offers for EuroClass travel to Germany in 1994, also proved effective.

SAS Jackpot is a very popular product, where passengers must book their tickets at least seven days prior to departure. Jackpot sales have become established as a value-for-money alternative in the discount fare market.

Other fare offers, such as discounts for co-travelers in Sweden, were also successful.



WE SINCERELY REGRET...

SAS is one of Europe's most punctual airlines. Still, delays do sometimes occur. When that happens, it's good to make the best of the situation. All passengers who are delayed more than four hours are given a Customer Message Card, where they can fill in messages to be forwarded by SAS via telephone or fax. Many passengers are insured against delays through their credit cards. The Message Card has a detachable certificate where SAS confirms the delay.

In the event of overbooking, a SAS Airline Check is offered as an alternative to cash. The check is valid only for new purchases of SAS tickets, but the check amount is double the cash compensation.

SAS EUROPLUS MEMBERSHIP RISING

SAS's frequent flyer program, SAS EuroBonus, attracted a large number of new members during the year. The number of members increased by approximately 60% to more than 600,000, including 200,000 members outside Scandinavia.

20% of all members are frequent or very frequent travelers and are members at the Silver or RVC Gold levels.

Two types of points can be earned. Basic points are earned with SAS and Radisson SAS hotels and are valid for bonus offers and upgrading to the next membership level.

Extra points can also be earned by using the services of a number of affiliated companies such as Avis and Hertz. These points are valid for bonus offers only.

During 1994 and early in 1995 the program has been extended with regard to both earning and redeeming bonus points. Points can now be both earned and redeemed at Continental Airlines, Air New Zealand and Qantas Airways. This means that SAS EuroBonus members now enjoy a worldwide bonus system when traveling by air. SAS's domestic routes in Denmark have been included since the beginning of 1994.

The number of Basic points which must be earned in a single calendar year in order to qualify for the Silver and RVC Gold levels was reduced at the beginning of 1995. The number of points needed to take bonus trips in EuroClass has also been decreased.

SAS IS DEVELOPING THE INDUSTRY'S BEST ENVIRONMENTAL PROFILE

SAS has been actively engaged in environmental work for many years. The use of disposable materials has decreased, waste is now sorted and recycled, and more environmentally friendly working routines have been introduced.

We are now aiming even higher with a view to making SAS the leading airline when it comes to environmental effort. Environmental qualities weighed heavily when SAS decided to invest in new aircraft. SAS will replace one-third of its fleet during the next few years. It is the smaller aircraft that will be gradually replaced between 1998 and 2002. SAS will be the first airline to operate the new Boeing 737-600 which will have far lower emissions of oxides of nitrogen (NOx) and make far less noise than the most silent aircraft in operation today.



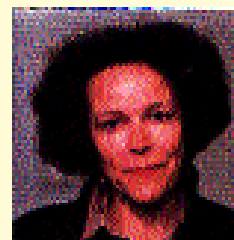
Bengt Alm, Sweden – Unit Manager

Lives in both Malmö and Karlskrona. Flies frequently, mostly between the head office in Stockholm and the Malmö office.

"It's mainly flight times that decide which airline I choose, although fares matter as well – the fares are quite reasonable at certain times.

"I must say, I think it's nice if they offer you something, a drink or a sandwich. And that newspapers are available that you can take on board with you.

"But the important thing is to reach your destination as quickly as possible."



Helle Katholm Ingvarsen, Denmark – Public Relations Manager

Travels frequently within Europe, this time to Hamburg.

"I travel with SAS very often. SAS used to be better than other airlines. But several times recently I've felt that they didn't bother to apologize for delays. And the other advantages, such as lounges, cabin service and so on, are the same all over no matter what company in Europe you travel with.

"I used to think I was almost home when I boarded a SAS plane, but I don't feel that way any more."

One of Europe's leading hotel chains

It is important for SAS to be able to offer good hotels as a complement to its air transport services. It is important for SAS's customers to earn SAS EuroBonus points on hotel stays. This is why the broadest possible hotel program is desirable.

Since November 15, 1994, SAS International Hotels (SIH) has operated under the trademark Radisson SAS Hotels Worldwide (RSH), following the signing of an extensive cooperation agreement with the American group Radisson Hotels International. Under this agreement, SIH has sole rights to the Radisson name in Europe and the Middle East. SIH is 100% owned by SAS.

Before the end of 1995, more than 50 hotels will be operated under the new name, and the goal is that within five years RSH will have approximately 100 hotels in Europe and the Middle East.

RSH previously operated 27 hotels in Europe, one in the Middle East and one in China. In addition to its hotels in Europe, Radisson has more than 300 hotels, the majority of which are in the U.S. But the company also operates hotels in Canada, Mexico, the Caribbean, Central and South America, Asia and Australia.

The operations of Radisson and SIH complement each other well geographically, which provides good global coverage and an attractive bonus program. Radisson has a very strong position in North America, and to some extent in the U.K., while SIH is strong in continental Europe, particularly in the north.

MODERN FIRST-CLASS HOTELS

Radisson SAS hotels are modern, three and four-star hotels in excellent repair and offering high standards, good service and environmental awareness. The aim is to provide an efficient, comfortable and in every way enjoyable hotel stay, which also offers very good value for money.

The hotel product is now being developed with the focus on choice. One example is Radisson SAS Portman Hotel in London which underwent extensive renovation in 1994 and where guests can choose between rooms decorated in a Scandinavian, Oriental or British style. A choice of different room styles is now available at the majority of RSH's hotels.

Another example is that Radisson hotels in Europe also offer facilities for EuroClass travelers, including a baggage check-in service at the hotel.

MORE VALUE FOR MONEY

The travel industry is the largest single industry in the world. In 1994 the industry had sales totaling 3,400 billion USD and employed 204 million people, corresponding to one in nine of employees around the world. The average annual growth for the entire travel industry was 4.3% between 1980 and 1993 and 12% for international tourism.

In order to gain from this development, hotel groups have joined global reservations and distribution systems. All RSH hotels are connected to PIERRE, which is the Radisson Group's own reser-

ervations system. It is one of the most effective on the market and on-line to flight reservations systems in more than 125 countries. RSH expects more than 350,000 reservations through this system in 1995.

The dynamic development of the travel industry combined with the upswing in the property market has stimulated construction of new hotels. The global supply of hotel rooms increased by 45% between 1981 and 1991. This led to a considerable improvement in product quality. Due to overcapacity in recent years and pressure on room rates, today's hotel guests get far more value for money than at any time during the past 30 years.

DEVELOPMENT NEEDS PROFITABILITY

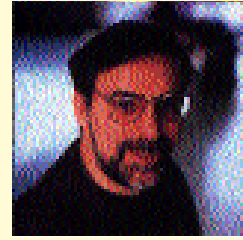
RSH's business concept is to operate effective and modern first-class hotels and to provide hotel owners with a market-leading franchise concept and reservations system. Although the business concept does not include owning hotel properties, RSH owns five properties, following the sale of two during 1994. The sale of these remaining properties is not urgent and will take place when the property market recovers.

The efficiency program initiated in SIH in 1993 has been very successful and resulted in the gross profit margin for the hotel chain, including hotels operated under management contract, rising from 21% in 1992 to 30% in 1994. The busi-

ness volume also rose and occupancy increased in 1994 from 67% to 69%. Income after depreciation improved to 90 MSEK (45).

Continued efficiency gains, without any adverse effects on customers, and a more favorable economic climate in the

majority of markets will lead to even greater improvements in 1995. This in turn will make it possible to exploit the potential of the new RSH concept – to provide travelers with the most efficient hotels in the market.

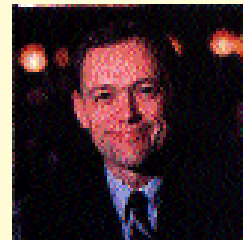


Dov Hikind, USA – Member of the New York State Assembly

Has been in Oslo for the Nobel Peace Prize ceremony and is now going back to New York.

“It’s my first SAS flight, but I have used almost every other airline during the past 25 years. I find the service excellent – people being available, the stewardesses very helpful, a very nice experience.

“And oh, another thing – the bathroom was very clean. I think they were the cleanest bathrooms I have ever seen. Unbelievable, they looked brand new!”



Michael Maagefelt, Denmark – Sales Manager

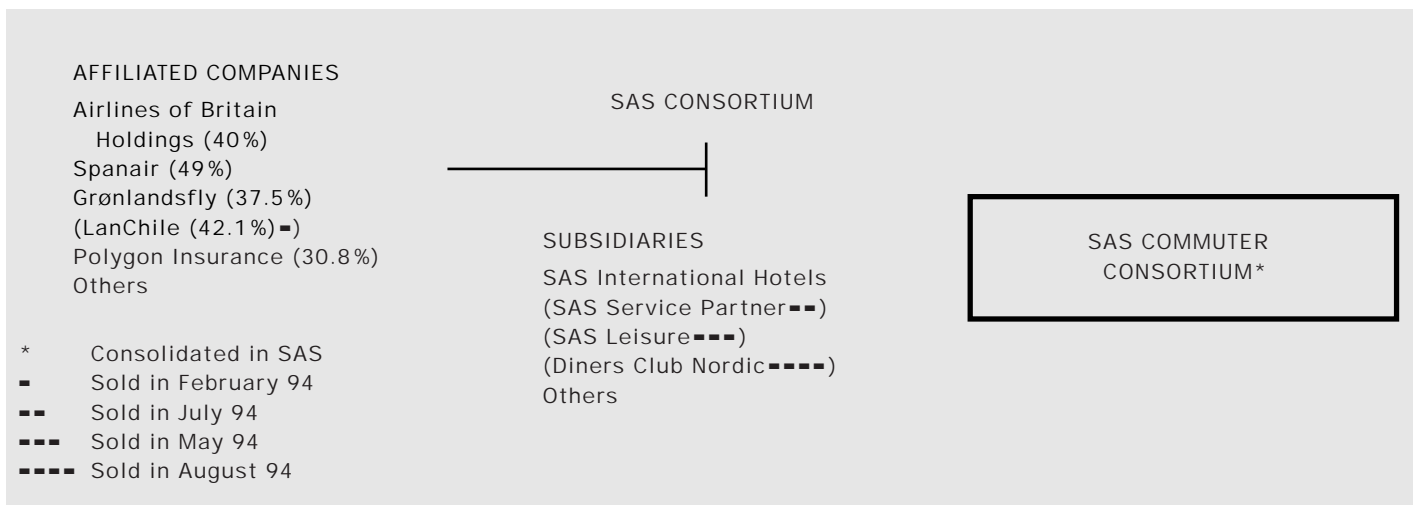
Started in Copenhagen and flew to Oslo, then to Gothenburg and now to Zurich.

“Sometimes I need to work on my PC. A few times I’ve been irritated by the batteries running out, and I would appreciate an electric socket built into the seat.

“SAS’s automated check-in system is excellent, when it works. Twice I was able to get an earlier flight because I was able to check in that way when there was a long line at the counter.”

Streamlined operations

SAS GROUP



The SAS Group underwent radical restructuring in 1993 and 1994, designed mainly to focus operations on the core business – air transport.

At the end of 1994, the SAS Group comprised SAS including SAS Trading, as well as SAS International Hotels and a number of other subsidiaries.

These include Scandinavian Airlines Data Holding A/S, Scandinavian Multi Access Systems AB (main owner of the SMART reservations system), and SAS Flight Academy Holding AB.

Maintenance of aircraft components became a separate business unit on January 1, 1995, SAS Components Maintenance. During 1994 the unit supplied 50% of its services to SAS, 15% to other units in the SAS Group, and 35% to external customers.

SALE OF THREE SUBSIDIARY GROUPS

The SAS Leisure Group was sold in May (excluding the share in Spanair) to Airtours Plc., Britain's second largest leisure tour operator. In July, SAS Service Partner was sold to Gate Gourmet International AG, part of the Swissair Group. In August 1994, Diners Club Nordic AS was sold to S-E Banken, which already operates the Eurocard system in Sweden. It was important for SAS to find commercially viable solutions for these subsidiaries, so that they can develop successfully under new ownership. We are glad to have succeeded with this in each case.

OWNERSHIP STAKE IN OTHER AIRLINES

Under an earlier agreement, SAS increased its stake in Airlines of Britain

Holdings, which operates the airline British Midland, to 40% in 1994.

SAS intends to further develop the commercial cooperation with British Midland, and with Spanair in which SAS has a 49% stake. SAS already cooperates with these airlines via code-sharing, i.e. joint flights on certain destinations.

SAS is also the principal shareholder in the Danish domestic carrier Danair A/S, with 57%.

The SAS Commuter Consortium is also reported in SAS. SAS Commuter conducts flights for SAS in Scandinavia and Northern Europe, with Fokker F-50 aircraft.

DUTY FREE AND SALES ON BOARD

Since 1994, SAS Trading has been operated as a business unit within SAS, but is

reported separately here. SAS Trading's task is to satisfy air travelers' requirements for goods on board and at airports.

Travelers encounter SAS Trading in the form of approximately 40 shops at 20 airports in five countries, and in sales on board SAS and other companies' aircraft.

SAS Trading operates a purchasing pool in cooperation with shipping companies Silja Line and Europa-Linien, airlines Premiair, Spanair and Lan Chile, and the high-speed AVE-Trains.

SAS Trading has a strong market position in Denmark, Norway and Sweden. SAS Trading's sales trend has outpaced the sharp increase in passengers in Scandinavia, making the 1994 result the best ever. The concession agreement for alcohol, perfume and chocolate at Copenhagen Airport expires on June 30, 1995, after which SAS Trading will only operate the chocolate store and Art shop under a new concession agreement.

SAS's sales on board have a good reputation in the industry. Shopping on board must also be based on simplicity, choice and care. We are therefore installing effective point-of-sale terminals which make it easy to pay with a credit card. We have introduced a system whereby

perfumes and cosmetics can be ordered in advance. SAS Trading received an international award for this system.

A customer loyalty program, TAX-FREE Plus, was developed in 1994 and will be introduced on a full scale in 1995.

As a result of Sweden's entry into the EU, vendor control rules will apply to perfume and cosmetics with a ceiling for duty free purchases. Quotas which regulate how much wine, spirits and tobacco can be taken into Sweden will also be adjusted to EU rules.

CARGONOMICS AND QUALIFIED FREIGHT PRODUCTS

SAS Cargo is a business unit in SAS. In 1994 total tonnage reached 558 (532) MTKM (million tonne kilometers) and freight revenues increased by 4% to 1,652 MSEK.

SAS Cargo has four main products: General Cargo, Priority Cargo, JetPak (the Scandinavian door-to-door product) and Mail.

SAS Cargo is concentrating more and more on qualified freight products, since the airline's focus on small and medium-sized aircraft does not allow large freight volumes. SAS is therefore working with "cargonomics" which is an advanced logistics concept for air freight.



Thomas Hancock, Shipping Manager at Ericsson Radio, Sweden

Cooperates with SAS Cargo for worldwide air freight of mobile telephones and parts for mobile telephone systems.

"Our business demands very short lead times – in many cases we must deliver within 24 hours of getting an order. That's a major reason why actually as much as 90–95 % of our intercontinental transports, which in themselves account for around 70 % of our total transport volume of approximately 15,000 tonnes per year, go by air.

"We choose SAS mainly because they offer frequent flights, which are easily accessible because of their location at Arlanda. We work first and foremost with a system of flows with fixed departures, and today we have reserved space on flights several times a week to all the major markets, such as Hong Kong, Tokyo and Bangkok. But if we happen to be short of time, we only need to leave the factory in Gävle, for example, by 8:00 a.m. for the goods to arrive in Tokyo the next morning local time. With another airline it would take several days.

"We feel that we get a good response from SAS's project leaders, who are genuinely interested in meeting our special needs and providing service to just our destinations."

KEY RATIOS PER BUSINESS AREA

MSEK	SAS		SAS Trading		SAS International Hotels	
	94	93	94	93	94	93
Operating revenue	29,742	27,538	2,690	2,259	1,577	1,853
Income after depreciation, etc.	830	-50	223	163	90	45
Income before the sale of flight equipment and shares, etc.	139	-1,114	249	201	0	-110
Income before taxes	176	-1,068	253	204	67	-110
Gross profit margin, %	9	5	7	7	26	24
Return on capital employed, %	7	5	-	-	5	4
Investments	1,116	674	26	30	150	47
Number of employees: Men	12,881	13,135	221	208	1,058	1,372
Women	7,369	8,217	417	398	1,327	1,554

Totals for the SAS Group and SAS Consortium, see pages 34–35.

High function, low costs

In 1994 the concentration of SAS's business on air transport was matched by a new functional organization focused on daily operations and business control.

The new organization replaced SAS's former group organization which included central functions as well as regional organizations in Denmark, Norway and Sweden. This led to a costly duplication of administrative functions, poor coordination and even suboptimization.

The new streamlined SAS will be operated as one company. All functions have therefore been grouped in a line organization without duplication. After nearly a year in operation, we can see that the functional organization with its clear areas of responsibility, management functions and direct control has led to greater efficiency and higher quality.

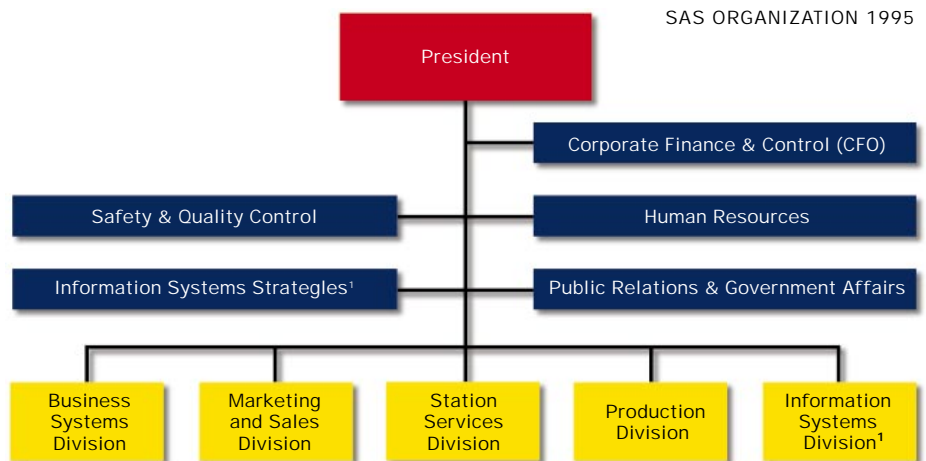
Today SAS's central organization has five operational line functions and five staff functions.

The line functions are Business Systems (Routes, products, SAS Trading and Cargo), Marketing & Sales, Station Services, Production (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.

EMPLOYEE PERFORMANCE

The average number of employees in the SAS Group in 1994 was 28,425. The corresponding figure for 1993 was 37,330, including personnel in subsidiaries which have been sold. The average number of



¹ Joint function and management

employees in SAS in 1994 was 20,888 (previous year 21,958 including SAS Trading), of which, 2,385 (2,926) were employed in SAS International Hotels.

At year-end 1994, SAS's work force had been reduced by 1,495 net man years (reductions minus new appointments), which is in line with the goals of the action program. This also led to an improvement in productivity per employee.

1994 was in many ways a difficult year for SAS's employees. The rationalization program was afforded top priority resulting in redefined roles and an increased work load for many people. This placed great demands on motivation and the ability to perform efficiently in the middle of a period of adjustment. Earlier goals and priorities have been questioned and sometimes reassessed. These circumstances had an unavoidable effect on the atmosphere in the company.

During 1994, SAS's management

adopted and communicated a new personnel strategy based on motivation through customer satisfaction and success for SAS.

This represents the initial buildup of a new culture in the company, a culture based on profitability awareness, high quality performance and procedures, and the ability to truly see things from the customer's point of view. During 1995 every effort will be made to inspire the entire organization with this new culture. Motivated, harmonious employees who take pride in what they do, are one of SAS's top priorities. This will be achieved through participation, respect for the individual and his or her qualities, and an accurate assessment of completed assignments.

NETWORKS DEVELOP COMPETENCE

A new type of management training was introduced at SAS in 1994. It is linked to SAS's actual operations, and uses networks



Jan Stenberg
President



Gunnar Reitan Executive Vice President
and CFO Corporate Finance & Control



Björn Boldt-Christmas
Senior Vice President Information Systems Division



Peter Forssman Senior Vice President
Public Relations & Government Affairs



Otto Lagarhus Senior Vice President
Production Division



Bernhard Rikardsen
Senior Vice President Human Resources

and dialogue to find ways of achieving SAS's business goals while increasing the real level of competence in the organization.

Basically, we can learn from each other, our competitors and our customers. And our own reality is the best school.

SAS has set up three new forms of dialogue designed to increase competence: Top 100 Forum – dialogue between a large number of people in management positions, Network Groups – dialogue for some cross-functional groups, and Mentorship – dialogue between two people.

SAS's vision is to be completely permeated by this culture of competence within four years.



Hans-Erik Stuhr Senior Vice President
Station Services Division



Vagn Sørensen Senior Vice President
Business Systems Division

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 concessions to operate scheduled and non-scheduled air services to and from the Scandinavian countries. However, they have been authorized by the Scandinavian authorities to transfer all operations to the SAS Consortium for scheduled air transport, and to SAS Commuter for non-scheduled flights. 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 overall operations rests with the Chief Executive. SAS Commuter is managed within the framework of SAS.

CAPITAL 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.

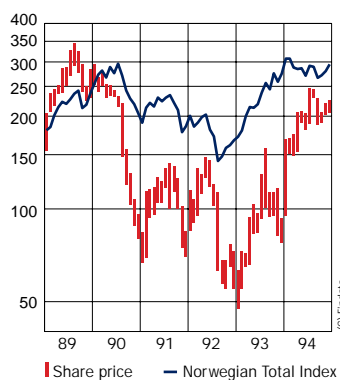
DET DANSKE LUFTFARTSELSKAB A/S
(DDL)

DDL's primary business covers its shareholdings in the SAS and SAS Commuter

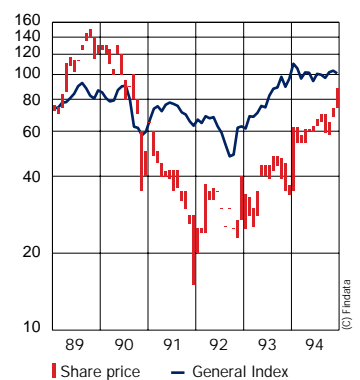
DDL
Share Price Trend



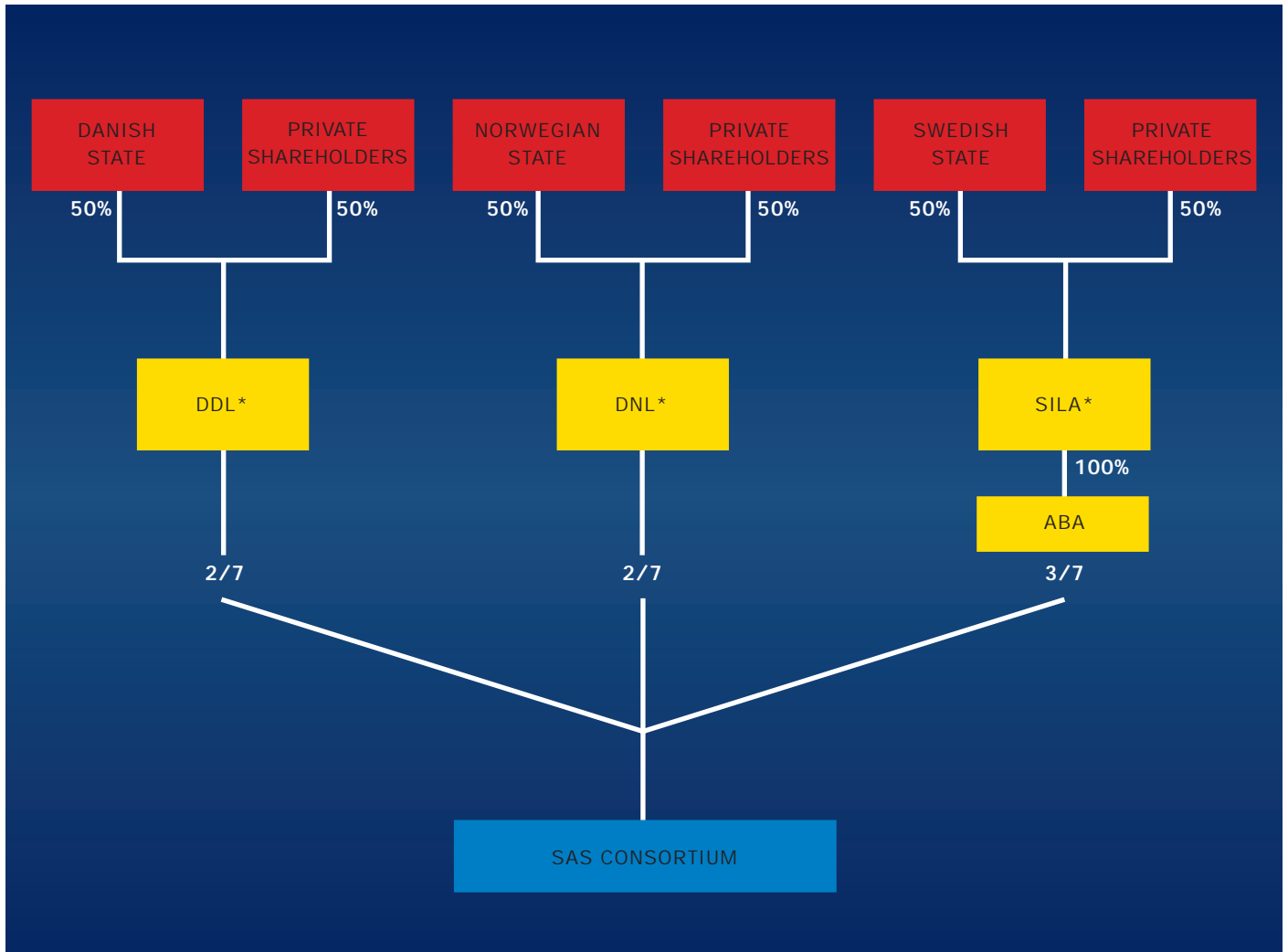
DNL
Share Price Trend



SILA
Share Price Trend



OWNERSHIP STRUCTURE AND SHARES



* Listed companies

consortia and related capital management. In addition, DDL owns hangars, maintenance bases and warehouses at Copenhagen Airport which are leased to SAS. Annual leasing revenues amount to approximately 15 MDKK. DDL also owns the property on which the Radisson SAS Royal Hotel is located in Copenhagen.

50% of the company's stock is owned by the Danish government. DDL's stock is listed on the Copenhagen Stock Exchange.

DDL's share capital totaled 50.8 MDKK at year-end 1994.

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 1994.

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 are traded on the Oslo Stock Exchange. Approximately 22% of DNL's stock is held by foreign investors.

DNL's share capital amounted to 315 MNOK at year-end 1994.

AB AEROTRANSPORT (ABA)

ABA conducts air transport operations through its shareholdings in the three consortia. ABA also conducts its own cap-

ital 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 and listed Swedish companies.

SILA's share capital amounted to 705 MSEK at year-end 1994.

SAS's Board of Directors

BO BERGGREN born 1936, Honorary Doctor of Engineering. Chairman of SAS's Board 1994. 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. Member of the Boards of a number of companies and organizations. *Personal Deputy: Erik Belfrage*

HUGO SCHRØDER born 1932, Engineer. Second Vice Chairman of SAS's Board 1994. 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. Vice Chairman of Chr. Augustinus Fabrikker. Member of the Boards of a number of other companies and organizations. *Personal Deputy: Povl Hjelt*

BJØRN EIDEM born 1942, Supreme Court Attorney. Alternating Norwegian Chairman of SAS's Board since 1992 and member of SAS's Board since 1983. Vice Chairman of the Board of DNL 1994, 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*

HARALD NORVIK born 1946, M.B.A. First Vice Chairman in SAS 1994. Alternating Norwegian Chairman of SAS's Board since 1992. Chairman of the Board of DNL 1994, 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. Member of the Boards of Swedtel AB (Chairman), Svenska IT-Forum (Chairman), ASTRA, SSAB (Vice Chairman), and 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. Secretary of State at the Ministry of Finance. Member of the Board of DONG and member of DMC (Danish Management Center). *Personal Deputy: Jimmy Stahr*

Employee Representatives:

INGVAR LILLETUN born 1938. Member of SAS's Board since 1979. Employed in SAS Norway.

Deputies: Randi Kile and Svein Vefall

LEIF CHRISTOFFERSEN born 1946. Member of SAS's Board since 1991. Employed in SAS Denmark.

Deputies: Jens Tholstrup Hansen and Ib Jensen

LEIF KINDERT born 1941. Member of SAS's Board since 1992. Employed in SAS Sweden.

Deputies: Harry Sillfors and Ulla Grøntvedt

BOARD OF DIRECTORS



Bo Berggren



Leif Christoffersen



Bjørn Eidem



Anders Eldrup



Tony Hagström



Leif Kindert



Ingvar Lilletun



Harald Norvik



Hugo Schröder

ASSEMBLY OF REPRESENTATIVES

Sweden

Members

Bo Rydin
Chairman
 Georg Andersson
 Erik Belfrage
 Bo Berggren
 Annika Christiansson
 Rolf Clarkson
 Ingemar Eliasson
 Sören Gyll
 Tony Hagström
 Tom Hedelius
 Per-Egon Johansson*
 Bertil Jonsson
 Jan-Olov Selén
 Sven Wallgren

Deputies

Ulf Dahlsten
 Gösta Gunnarsson
 Gunilla Olofsson
 Björn Svedberg
 Tom Wachtmeister
 Marcus Wallenberg

Employee Representatives

Leif Kindert
 Harry Sillfors (deputy)
 Ulla Grøntvedt (deputy)

Denmark

Members

Niels Frandsen
First Vice Chairman
 Count Axel af Rosenborg
 Peter Duetoft
 Anders Eldrup
 Jørgen L. Halck
 Povl Hjelt
 Svend Jakobsen
 Torben Rechendorff
 Hugo Schrøder
 Jimmy Stahr

Employee Representatives

Leif Christoffersen
 Jens Tholstrup Hansen (deputy)
 Ib Jensen (deputy)

Norway

Members

Johan Fr. Odfjell
Second Vice Chairman
 Mads Henry Andenæs
 Åshild M. Bendiktsen
 Bjørn Eidem
 Kaare Granheim
 Helge Kvamme
 Torstein Ljøstad
 Harald Norvik
 Fred. Olsen
 Jan Reinås
 Ole Rømer Sandberg

Deputies

Bjørge Eikum Tang
 Marit Høvdig
 Sissel Rønbeck
 Erik Tønseth

Employee Representatives

Ingvar Lilletun
 Randi Kile (deputy)
 Svein Vefall (deputy)

AUDITORS

Sweden

Jan Åke Magnuson
Authorized Public Accountant
 Deloitte & Touche
 member of Deloitte Touche
 Tohmatsu International

Roland Nilsson
Authorized Public Accountant
 KPMG BOHLINS AB
 member of KPMG

Denmark

Arne Brendstrup
Authorized Public Accountant
 Appointed by the Ministry of
 Transport under agreement
 with the National Tax Authority

Ole Koefoed
Authorized Public Accountant
 KPMG C. JESPERSEN
 member of KPMG

Norway

Bernhard Lyngstad
Authorized Public Accountant
 Deloitte & Touche
 member of Deloitte Touche
 Tohmatsu International

Olav Revheim
Authorized Public Accountant
 Deloitte & Touche
 member of Deloitte Touche
 Tohmatsu International

*Per-Egon Johansson until October 3, 1994.

ADDRESSES

HEAD OFFICE

SAS
 S-195 87 Stockholm
 Street address:
 Frösundaviks Allé 1
 Solna
 Telephone: +46 8 797 00 00

Denmark

SAS
 Postboks 150
 DK-2770 Kastrup
 Street address:
 Hedegårdsvej 88
 Kastrup
 Telephone: +45 32 32 00 00

Norway

SAS
 N-1330 Oslo Lufthavn
 Street address:
 Snarøyveien 57
 Oslo Lufthavn
 Telephone: +47 67 59 60 50

SAS's Scandinavian

telex number is
 22263 SASXT DK

The comments from passengers on pages 41–53 are extracts from interviews conducted at Arlanda Airport, Fornebu Airport and Copenhagen Airport on December 9–13, 1994.

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