SAS Group

The SAS Group's Annual Report 2003 & Sustainability Report

www.sasgroup.net

"The SAS Group is Europe's fourth-largest airline group ▪ Turnaround 2005 will be the platform that ensures profitability and long-term competitiveness ▪ Innovation and new business models will help us take better care of our customers ▪ The preferred choice"

A STAR ALLIANCE MEMBER

The SAS Group www.sasgroup.net

The Group in brief

SAS AB is the Nordic region's largest listed airline and travel group and the fourth-largest airline group in Europe, in terms of number of passengers and operating revenue. The SAS Group offers air transport and related services from its base in Northern Europe. Scandinavian Airlines provides services within Scandinavia, and to/from Europe, North America and Asia. Scandinavian Airlines is a founding member of the world's largest global airline alliance - Star Alliance™. The Group also includes the airlines Spanair, Braathens, Widerøe's Flyveselskap and Blue1 and the partly-owned airlines airBaltic and Estonian Air. The Group's business areas Airline Support Businesses and Airline Related Businesses include companies that support the airline operations. The Group also includes hotel operations with Rezidor SAS Hospitality.

* *Not a profit unit. Production company for Scandinavian Airlines.*
** *As of September 2003.*
*** *Sold during the fourth quarter 2003.*

Company information

All reports are available in English and Swedish and can be ordered from SAS, SE-195 87 Stockholm, telephone +46 8 797 17 88, fax +46 8 797 51 10. The reports can also be accessed and ordered via the Internet: www.sasgroup.net The SAS Group's monthly traffic and capacity statistics are normally published on the fifth working day of each month. Direct further questions to Investor Relations SAS Group: Sture Stølen, telephone +46 8 797 14 51 or e-mail: investor.relations@sas.se

Financial calendar

Annual General Meeting, April 22, 2004 ▪ Interim Report 1, January-March 2004, May 4, 2004 ▪ Interim Report 2, January-June 2004, August 11, 2004 ▪ Interim Report 3, January-September 2004, November 2, 2004 ▪ Year-end Report 2004, February 2005 ▪ Annual Report 2004 & Sustainability Report, March 2005 ▪ The most recent updated financial calendar can be accessed at www.sasgroup.net

Annual General Meeting

The SAS Group's Annual General Meeting will be held on April 22 at 4:00 p.m. in

- Copenhagen, Radisson SAS Falconer, Falconer Scenen, Falkoner allé 9.
- Stockholm, Berns hotell, Kammarsalen, Näckströmsgatan 8.
- Oslo, Radisson SAS Scandinavia, Holbergsgate 30.

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The SAS Group's Annual Report 2003 & Sustainability Report is the first to contain both financial and sustainability-related results.

The financial statements have been audited and the sustainablility-related information examined by the Group's external auditors.

"Scandinavian Airlines was Scandinavia's largest overall provider of low-fare travel in 2003"

The year in brief

Operating revenue

Operating revenue for the full year amounted to MSEK 57,754 (64,944), a decrease of 11.1%. For comparable units and adjusted for currency effects, operating revenue for the period decreased by 8.7% or MSEK 5,639.

Income

Income before depreciation and leasing costs for aircraft (EBITDAR) amounted to MSEK 3,761 (7,294) for the year. Adjusted for restructuring costs and nonrecurring items, EBITDAR was MSEK 4,269 (7,261) for the full year.

Income before capital gains and nonrecurring items amounted to MSEK –2,221 (–736) for the period. This negative result is mainly attributable to the first quarter.

Income before tax amounted to MSEK –1,470 (–450).

Income after tax amounted to MSEK –1,415 (–132).

Earnings per share

Earnings per share for the SAS Group amounted to SEK –8.60 (–0.81) for the full year. Equity per share was SEK 79.84 (92.33).

Unit cost

The unit cost for Scandinavian Airlines decreased currency-adjusted by 11.8% for the full year.

Dividend

The Board of Directors proposes to the Annual General Meeting that no dividend be paid to SAS AB's shareholders for the 2003 financial year.

Turnaround 2005

By the end of 2003, actions had been carried out corresponding to the financial effect of 54% of Turnaround 2005. The earnings impact in 2003 was SEK 3.6 billion. The SAS Group's restructuring costs for 2003 amounted to MSEK 496 and primarily concern provisions for 2004 payroll expenses for idled staff under notice.

Outlook

The SAS Group's Board and management's primary aim is to ensure that the SAS Group attains positive earnings before tax, capital gains and nonrecurring items for the full-year 2004.

Environmental index

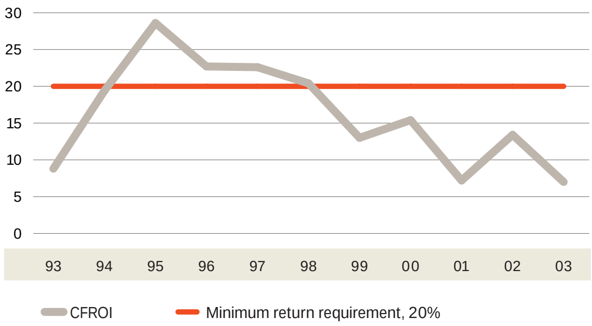
The environmental index for 2003 remained unchanged for both Scandinavian Airlines 78 (78) and Braathens 86 (86).

Performance of CFROI

The SAS Group's overall financial objective is to achieve an average CFROI of at least 20% over a business cycle.

CFROI for the twelve-month period January - December 2003 was 7% (13%).

CFROI, %, 1993-2003



Important events

First quarter 2003

- Spanair launched a new fare concept for Spanish domestic flights in March ■ Scandinavian Airlines' new low-fare concept snowflake was launched.

Second quarter 2003

- Spanair became a member of Star Alliance on April 1 ■ The Board gave the SAS Group's management a mandate to carry out additional cost reductions of approximately SEK 9 billion. Measures amount to a total of SEK 14 billion ■ Scandinavian Airlines announced a major reorganization as part of the implementation of the new cost-cutting measures ■ SAS Technical Services decided to locate its main facility for base maintenance in Stockholm, while heavy maintenance remains in Oslo ■ The SAS Group was downgraded by credit rating agency Moody's to Ba3 ■ The SAS Group joined the UN Global Compact.

Third quarter 2003

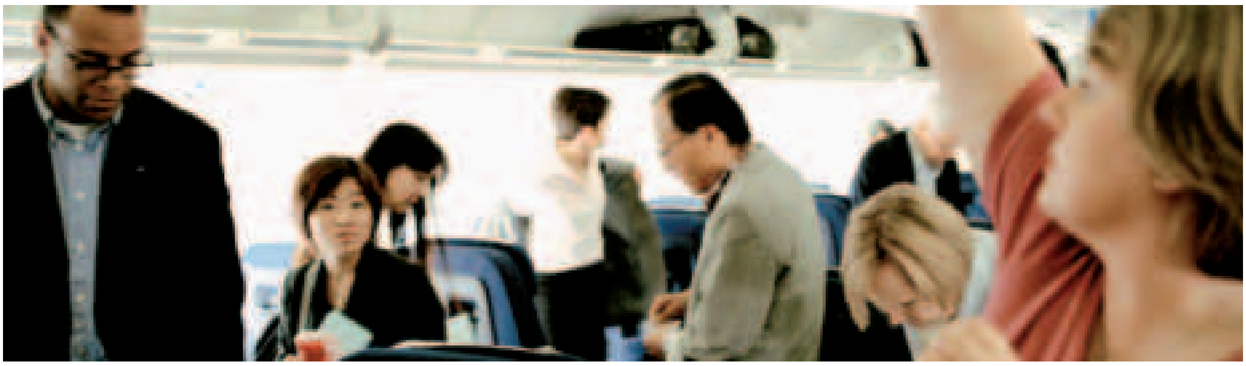
- Agreements reached allowing for a 40% increase in productivity for pilots and cabin crew as well as productivity improvements in operations ■ The SAS Group announced that parts of Revenue Accounting will be relocated to India ■ The SAS Group acquired 49% of the shares in Estonian Air ■ The SAS Group's airlines Scandinavian Airlines, Braathens and Widerøe announced fare reductions of 20-30% within Scandinavia and the introduction of more flexible ticket rules ■ Air Botnia changed its name to Blue1 ■ The SAS Group announced that five office properties in Copenhagen had been sold and leased back.

Fourth quarter 2003

- Scandinavian Airlines introduced a new reservations dialog for leisure travel on its website, with greater price transparency and simpler reservation procedures ■ Scandinavian Airlines chosen as best European airline by Danish Travel Award ■ The properties at the head office in Frösundavik were sold to Nordisk Renting and leased back ■ Braathens increased its measures within Turnaround 2005 to MSEK 1,000 ■ A new loan facility of MEUR 400 was raised ■ Scandinavian IT Group was sold to Computer Sciences Corporation (CSC) ■ At the end of December, intra-group transfers were made of subsidiaries from the SAS Consortium to SAS AB.

After January 1, 2004

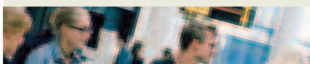
- In January 2004 the SAS Group increased its holding in Spanair to 94.9% ■ A strategic decision was made to explore incorporation of SAS Ground Services and SAS Technical Services ■ As part of Turnaround 2005, the SAS Group initiated negotiations with the trade unions on salaries, benefits and pensions for 2004 ■ The SAS Group's Board made a strategic decision to integrate the Norwegian flight operations of Braathens and Scandinavian Airlines to form a single unit in Norway. The decision is pending new collective agreements ■ FAR, the Swedish accounting industry's professional organization, voted the SAS Group's 2002 annual and environmental report the best Swedish environmental report and nominated it to be the Swedish entry for the European Sustainability Award 2003 ■ Discussions have been initiated on establishing a corporation for Scandinavian Airlines' future activities.



Key figures - traffic and capacity, airlines in the SAS Group	2003	Change
Number of passengers (000)	**31,004**	–6.7%
RPK (million)	**30,402**	–1.6%
ASK (million)	**47,881**	–1.5%
Cabin factor, scheduled	**63.5%**	–2.0 pts.*

* *Change in percentage points.*

Key figures - the SAS Group´s share		
SEK	**2003**	2002
Earnings per share	**–8.60**	–0.81
Market price at year end	**68.0**	49.4
Dividend (2003 proposed)	**0.0**	0.0
Dividend yield, average price, %	**0.0**	0.0



President's comments

"The SAS Group's Turnaround 2005 is creating competitiveness. A new Group structure of many airlines affords us new opportunities and a stronger platform for the future."

So far, every year of this decade has seen major changes in the airline industry, with a stream of new players. Never before have so many aircraft been available at such low prices on the aircraft leasing market, resulting in new players appearing in the market almost daily. Customers have changed their travel patterns and become more cost-conscious. This has occurred at a time of a generally weak global economy and external events such as SARS and the war in Iraq, which have adversely impacted the industry.

We in the SAS Group have had to deal with weak demand combined with heavy pressure on yield, with our primary focus on securing long-term competitiveness and profitability for the Group through deep cost-cutting measures. A constant barrage of challenges is now the norm in our industry. Meeting them requires a high level of adaptability in all our business units.

As far as can be judged, 2004 will likewise present serious challenges, from continued increased competition and from our implementation of the remainder of our Turnaround 2005 program. We see continued stabilization in the market regarding passenger volumes.

The SAS Group's income before capital gains and nonrecurring items for the full year of SEK –2.2 billion for 2003 largely corresponds to the figures from the extremely weak first quarter. Although the third and fourth quarters stabilized somewhat, they could not compensate for the losses from the spring. However, it is worth noting that the SAS Group's revenues were just over SEK 7 billion lower than in 2002, and the Group was able to limit the deterioration in earnings compared with the previous year to SEK 1.5 billion.

Turnaround 2005 yielding results

To ensure the Group's long-term competitiveness and profitability, Turnaround 2005 is being implemented with full force. Along with the new Group structure, these measures will thoroughly simplify and streamline the way the various business units work.

The unit cost we need to attain to ensure profitability on our various traffic flows has governed the design of Turnaround 2005, which has been broken down into interim targets and activities in all areas.

The target for overall cost savings is SEK 14 billion. Though we have come far, we have not reached our goal. The measures had a clear impact in 2003, and the remainder will be implemented in the current year.

As of this writing, the final decision and negotiations remain on approximately SEK 2 billion. This chiefly concerns changes in salaries, benefits and pensions, but also involves the choice of business model in our various markets. We are therefore conducting a total benchmarking study of all personnel groups to ascertain the proper level of compensation for each group. Negotiations are to conclude in the first quarter. Turnaround 2005 is the most comprehensive restructuring program in the company's history and naturally involves a strain on all employees and their work situations.

Turnaround 2005 prompts one to ask: Are these costs necessary, can we utilize our resources more effectively? Working on constant improvements is something we intend to retain even beyond 2005 and the Turnaround measures now being implemented.

New business models, a single unit in Norway

The airline industry is an increasingly deregulated market with increasingly keen competition. The customers' role in propelling product development is intensifying, and they are demanding low fares and uncomplicated, easily available products that also make travel more efficient. We are constantly assessing the customers' various demands and are adapting and refining our products. In October 2003, Scandinavian Airlines launched a new Internet booking function that better enables customers to evaluate fares in relation to departure and travel time. Changes in customer demands and new opportunities to offer service lead to new business models.

Efforts to analyze, assess and design appropriate models for the various airlines in the Group are now bearing fruit. As of August 2003, Scandinavian Airlines' operations have been divided among the three bases in Denmark, Norway and Sweden plus intercontinental traffic. The reason for this change is to create competitive production platforms.

In Norway, the best solution from a business viewpoint is to integrate Braathens and Scandinavian Airlines into a single unit. This work has already begun, and a decision on the form this unit will take will be made during the first quarter.

Streamlining the Group

In 2003 we continued to streamline the Group. In December we sold Scandinavian IT Group, while signing a five-year outsourcing agreement. We are convinced that Scandinavian IT Group will thrive under its new ownership, while the SAS Group achieves substantial cost reductions in the coming years through this sale.

The Group has also sold RampSnake to create better conditions for development and sales within the company.

Strengthened position in the Baltic Sea region

The SAS Group's primary mission is to serve Northern Europe with air travel, and our vision is to be the customer's preferred choice.

The SAS Group's home market comprises the region surrounding the Baltic Sea. With approximately 100 million people, the region's air travel market is estimated at approximately SEK 80 billion. In all, 31 million passengers flew with the SAS Group's various airlines in 2003, which secured our position as Europe's fourth largest airline group, measured in both operating revenue and passenger volume.

In 2003 we acquired 49% of Estonian Air, and are from before part-owners of airBaltic, based in Riga, cementing our position in the Baltic region. During the year our Finnish company underwent a major rebranding, and Blue1 has greatly expanded the number of departures from Finland.

In this way we are also active participants in the consolidation of the European airline industry now expected to gather speed. This consolidation is related to the deregulation of civil aviation, away from earlier national limits on ownership and traffic rights. Beginning on May 1, the Baltic countries and seven other European countries will join the Union and thus the deregulated civil aviation market that today covers the EU/EEA. This gives us extra flexibility and maneuvering room in a changing region with prospects for substantial growth.

Our global partner strategy through our cooperation with Star Alliance will be developed further. The fact that two of the Group's airlines, Scandinavian Airlines and Spanair, are members of the world's leading airline alliance is a plus for the Group.

Airlines' growing role in setting demands

Most players in the aviation industry, from aircraft manufacturers to travel agents, have generally created value for their shareholders. Only in certain boom years have airlines been able to do the same.

This imbalance in the value chain is unacceptable. The underlying growth in aviation provides ample opportunities for all players to create value - not just the new low-cost carriers.

We are now working in a number of areas to create long-term shareholder value. Making each unit in the Group more independent creates a more transparent cost picture. The Group's role in setting terms both internally and externally will become clearer to the various units.

Sustainable development

In recent years we have been pleased to receive a number of awards for our environmental reporting. But we wish to go further. Like other large companies we sense growing expectations from the outside world that we should help to create what is called "sustainable development." That is why this year we are taking the first step toward evolving the annual report into a sustainability report. The SAS Group will deliver and report results that are sustainable economically, but also environmentally and socially.

The biggest future challenge to our airline business is minimizing the environmental impacts of the use of fossil fuels and of noise. A continuously renewed aircraft fleet and utilizing capacity to the maximum are the way to go. For our hotel business, this means primarily reducing energy consumption and making positive contributions to sustainable development in the countries where the hotels operate.

The Group's employees are one of its leading competitive advantages, and in their day-to-day work they create long-term relationships with customers, thus strengthening the company's brand.

The SAS Group operates in a global market, and diversity, like equality, are key factors for success for a modern service business.

In 2003 the SAS Group collectively made an effort to strengthen the Group's corporate citizenship. An important first step was when we joined the Global Compact, a UN corporate responsibility initiative.

Continued challenges in 2004

Industry restructuring goes on, and we will meet the customers' demands for cheaper and flexible travel through a new focus on products tailored to customers. That is why Turnaround 2005 is being supplemented by a corresponding commercial Turnaround in 2004. Price pressures and overcapacity remain, but we also expect the market to eliminate some of the new players.

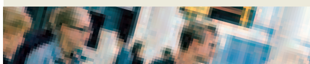
Scandinavian Airlines was Scandinavia's largest provider of low-fare travel in 2003. In all, over 2 million passengers flew with Scandinavian Airlines at a fare per route (including taxes and charges) of under SEK 600 in 2003. Turnaround 2005 will enable us to offer even more low-fare flights during the coming years, while continuing to offer efficient travel with other advantages such as networks, interlining, more frequent flights, etc.

We have delivered real cost reductions, and in 2004 we will do more. We have not reached our goal, but we are getting closer. Increased economic activity in the market in general and a recovery in a number of countries will mean more stable demand for air travel.

The different Group companies will play increasingly distinct roles, and by positioning themselves forcefully in their respective markets, they will meet the competition. We will unite our new, lower cost level with our vast experience and be the customer's preferred choice. This is an exacting challenge, which requires the continued rapid restructuring of the various companies in the Group.

Stockholm, March 2004

Jørgen Lindegaard
President and CEO



The SAS Group

The SAS Group has five business areas. The purpose of the Group structure is to increase transparency, clarify responsibilities for earnings, foster a businesslike approach and simplify both internal and external benchmarking.

Key figures *

	2003	2002
Operating revenue, MSEK	**57,754**	64,944
EBITDAR, MSEK	**3,761**	7,294
EBITDAR margin, %	**6.5**	11.2
EBIT, MSEK	**–881**	682
EBIT margin, %	**–1.5**	1.1
CFROI, %	**7**	13
EBT, income before tax, MSEK	**–1,470**	–450
Investments, MSEK	**4,495**	10,054
Average number of employees	**34,544**[1]	35,506
Number of aircraft	**302**	314
Number of daily departures, average	**1,377**	1,471
Number of destinations	**130**	123
Carbon dioxide (CO_2) 000 tonnes	**5,597**	5,757
Nitrogen oxides (NOx) 000 tonnes	**21.3**	19.9

[1] *Of which women 42% and men 58%.*

Management model

SAS's Group Management provides the framework for the Group's businesses by setting overarching strategies and policies. Each business is to be managed in accordance with growth, earnings and return targets for capital employed. The management targets are tailored to the respective industry and are compared with competitors from a capital market perspective. The purpose is to improve competitiveness and contribute to the Group's overall value creation. For Group airlines, operational management will focus on key data that indicate an efficient production platform. Management is exercised through Group Management representation on the operations' boards of directors or internal boards.

All operations, whether they are legal entities or business units, are to have businesslike relations with customers and suppliers in the Group. There are advantages to being a large corporation and exploiting synergies. The Group's experience, however, is that large complex systems increase costs and have accordingly not been a competitive advantage.

Through smaller units and a greater degree of local identity and flexibility, the goal is to create a positive dynamic among the management and employees. The division into business units will take place without loss of the Group's economies of scale.

*** *Definitions and concepts, see page 88.*

Airline operations

Scandinavian Airlines p.31

Key figures

	2003	2002[1]
Operating revenue, MSEK	**31,664**	38,104
EBITDAR, MSEK	**1,501**	3,495
EBITDAR margin, %	**4.7**	9.2
EBIT, MSEK	**–1,076**	56
EBIT margin, %	**–3.4**	0.1
CFROI, %	**5**	9
EBT, income before tax, MSEK	**–1,743**	–940
Investments, MSEK	**1,033**	6,203
Average number of employees	**9,147**	10,046
Carbon dioxide (CO_2) 000 tonnes	**3,529**	3,765
Nitrogen oxides (NOx) 000 tonnes	**14.1**	13.7

[1] *Pro forma including SAS World Sales.*

Operation

Scandinavian Airlines is Northern Europe's largest airline and carried nearly 20 million passengers in 2003. The sales operation is an integral part of Scandinavian Airlines and also coordinates the Group's sales resources in Scandinavia. The business area includes the low-fare concept snowflake.

Market and competition

Main markets are Scandinavia, Europe, North America and Asia. Scandinavian Airlines competes primarily with airlines in Scandinavia and Europe. Its main competitors are Air France, KLM, British Airways and Finnair.

Customer relations

Scandinavian Airlines is the largest airline in the Nordic countries and focuses on both the business and leisure travel segments.

Return requirement: 20% CFROI over a business cycle.

Sales per country*

	2003
Sweden	31%
Norway	22%
Denmark	13%

** before Group eliminations*

Scandinavian Airlines
Share of Group's operating revenue: 44%

Subsidiary & Affiliated Airlines p.37

Key figures

	2003	2002
Operating revenue, MSEK	**17,515**	17,525
EBITDAR, MSEK	**2,288**	3,389
EBITDAR margin, %	**13.1**	19.3
EBIT, MSEK	**86**	484
EBIT margin, %	**0.5**	2.8
EBT, income before tax, MSEK	**–67**	120
Investments, MSEK	**1,970**	1,618
Average number of employees	**7,032**	6,392
Carbon dioxide (CO_2) 000 tonnes	**2,052**	1,971
Nitrogen oxides (NOx) 000 tonnes	**7.18**	6.15

Operation

Subsidiary & Affiliated Airlines consists of Spanair, Braathens, Widerøe and Blue1 airlines, which carry altogether approximately 12 million passengers per year. The business area also includes the affiliated companies airBaltic and Estonian Air.

Market and competition

Airline operations are run on the basis of the respective markets in Norway, Finland, Spain and the Baltic region. Main competitors are Iberia, Norwegian, Finnair and Sterling.

Customer relations

The airlines have different business models suited to customer demands in the respective home markets.

Return requirement: 20-25% CFROI over a business cycle.

Sales per country *

	2003
Norway	59%
Spain	28%
Finland	3%

** before Group eliminations*

Subsidiary & Affiliated Airlines
Share of Group's operating revenue: 25%

Airline-related operations

Airline Support Businesses p.47

Key figures

	2003	2002[1]
Operating revenue, MSEK	**13,850**	14,409
EBITDA, MSEK	**608**	616
EBITDA margin, %	**4.4**	4.3
EBIT, MSEK	**157**	162
EBIT margin, %	**1.1**	1.1
EBT, income before tax, MSEK	**67**	167
Investments, MSEK	**494**	1,131
Average number of employees	**11,691**	11,844
Unsorted waste, tonnes[2]	**550**	786

[1] *Pro forma excluding SAS World Sales*
[2] *Pertains to both Airline Support Businesses and Airline Related Businesses*

Operation
Airline Support Businesses consists of the SAS Technical Services and SAS Ground Services units. These businesses offer baggage handling, ground services and technical maintenance of aircraft. The business area also operates cargo transport through SAS Cargo.

Market and competition
The various units run their operations on the basis of the Scandinavian markets with service all over the world. The units compete with large international companies.

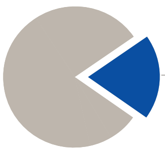
Customers
Its customers are mainly in the SAS Group although SAS Cargo is basically directed at customers outside the SAS Group.

Return requirement: See respective units.

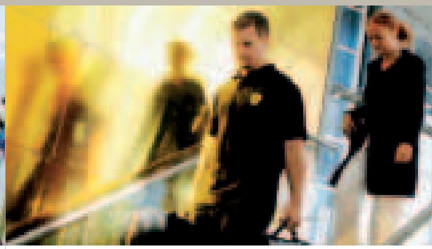
Sales per country *

	2003
External operating revenue	31.4%
of which Denmark 37%, Sweden 12%, Norway 12%	
SAS Group	68.6%

** before Group eliminations*



Airline Related Businesses p.51



Key figures

	2003	2002
Operating revenue, MSEK	**4,776**	6,052
EBITDA, MSEK	**328**	471
EBITDA margin, %	**6.9**	7.8
EBIT, MSEK	**52**	134
EBIT margin, %	**1.1**	2.2
EBT, income before tax, MSEK	**33**	84
Investments, MSEK	**177**	408
Average number of employees	**2,107**	3,042
Unsorted waste, tonnes *		

** See Airline Support Businesses*

Operation
Airline Related Businesses comprises SAS Trading, SAS Flight Academy, Jetpak, European Aeronautical Group, SAS Media and Travellink. The units are engaged in airline-related activities such as retailing at airports, training pilots and cabin crew, express deliveries of packages, production of flight planning systems and inflight magazines.

Market and competition
The operation is mainly active in the Scandinavian market in competition with local and global players.

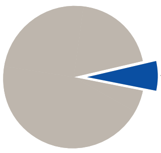
Customers
Its customers are in the public and private sectors, airlines and companies.

Return requirement: See respective units.

Sales per country *

	2003
External operating revenue	52.2%
of which Norway 58%, Sweden 19%, Denmark 6%	
SAS Group	47.8%

** before Group eliminations*



Hotel operations

Hotels p.55

Key figures

	2003	2002
Operating revenue, MSEK	**3,558**	3,570
EBITDA, MSEK	**–106**	220
EBITDA margin, %	**–3.0**	6.2
EBIT, MSEK	**–240**	102
EBIT margin, %	**–6.7**	2.9
EBT, income before tax, MSEK	**–253**	85
Investments, MSEK	**576**	265
Average number of employees	**3,474**	3,117
Unsorted waste, tonnes	**10,002**	10,746
Energy consumption per m^2, kWh	**276**	289
Water consumption per guest night, liters	**473**	423

Operation
Rezidor SAS Hospitality operates the SAS Group's hotel business and has 162 hotels. The business area has five brands: Regent, Radisson SAS, Country Inn, Park Inn and Cerruti. In 2003 the business had 5.1 million sold rooms.

Market and competition
Rezidor has a strong position in the Nordic countries, the Baltic region, Benelux countries, the U.K. and Ireland and is strengthening its position in other European countries. Its main competitors are Hilton, Marriott, Sheraton, Novotel, Scandic and Choice hotels.

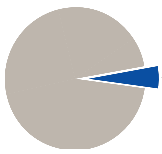
Customers
Rezidor is aimed at leisure and business travelers in the luxury, first class and mid-market segments.

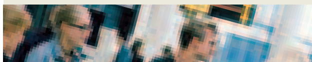
Return requirement: EBITDA margin 10% over a business cycle and EBITDA growth of 15%.

Sales per country *

	2003
Norway	43%
Sweden	14%
Denmark	14%

** before Group eliminations*





Business concept, mission, vision, objectives and strategies

The SAS Group has a strong position in an important Northern European airline market. To retain and strengthen this position in the face of increasingly tougher competition, the Group's airlines must offer air travel at lower fares than the Group has been able to do until now. Lower fares require lower costs. The SAS Group is carrying out a very ambitious program to reduce its costs without sacrificing fundamental quality. Through lower fares the Group aims to attract more travelers and thereby offer more frequent flights and destinations to, from, in and via Northern Europe.

Business concept and mission

The SAS Group's main mission is to serve Northern Europe with air travel.

Vision

The preferred choice!

Objectives

The SAS Group's overall financial objective is to create value for its shareholders. The SAS Group's objectives in the coming five-year period are:

- to achieve an average CFROI of at least 20%
- to increase the Group's share of the Northern European airline market
- for each unit to achieve its customer satisfaction, employee satisfaction and environmental impact targets
- for airline operations to achieve their flight safety targets.

Overall business strategy

The SAS Group shall develop airlines and supporting activities that have a great potential to become profitable market leaders in selected market segments.

Strategies for airline operations

The SAS Group's airlines are mainly concentrated on traffic flows:

- in Northern Europe
- between Northern Europe and the rest of Europe
- between Northern Europe and North America/Asia.

These traffic flows differ with respect to size, travel purpose, competitive situation and travel distance, which is why different traffic flows require different business models and cost levels.

Countries in Northern Europe are different in terms of language, culture, business and industry, economic situation, airline operation rules and labor market. Consequently, it is important for the Group's airlines to have a strong local connection.

The SAS Group has therefore decided to operate its airline business as several independent carriers with full earnings responsibility, with each one having its own business model and local identity, as well as a clearly defined role in the Group's traffic system.

Strategies for airline-related activities

Airline operations are the SAS Group's core business. Airline-related activities consist of two business areas: Airline Support Businesses and Airline Related Businesses. To carry out the SAS Group's main mission, it is important to control and develop the units in Airline Support Businesses, which are part of the Group's core business. The goal is to run all businesses on a level with the best ones in their respective sectors and offer competitive and market prices to the SAS Group's airlines and external customers. The units must follow structural developments in their respective sectors and may expand, enter into alliances or outsource parts of their operations if it creates added value for the SAS Group.

The units in Airline Related Businesses consist of activities that are not as strategically important to control. In many cases their services can be purchased externally without risking execution of the SAS Group's main mission. These companies should also be able to follow the structural changes taking place in their respective sectors, enter into alliances or be moved completely or partly outside the Group.

Strategies for the hotel business

Hotel operations are an independent business area in the Group. Like the other airline-related activities, the hotel business must follow the structural developments in its sector. Growth of the hotel business will mainly take place via the Park Inn and Radisson SAS brands. The current Country Inn hotels will gradually be converted to Park Inns. The majority of the new hotels will be franchise hotels outside city centers. Park Inn's growth will largely follow Radisson SAS's geographic pattern of growth in the Nordic countries and the Baltic region, with subsequent expansion in Western Europe and the Mediterranean region.

Strategies for sustainability

Sustainable development for the SAS Group will be attained through a simultaneous focus on financial growth, environmental improvements and social responsibility. By facilitating passenger and cargo transportation, the SAS Group contributes to greater value creation for individuals, companies and society in general. The SAS Group's aim is also to create long-term growth in shareholder value. This will be accomplished by optimizing use of resources and systematically choosing green solutions.

The SAS Group's values

Consideration	Reliability	Value creation	Openness
for customers and employees and general social responsibility	safe, trustworthy and consistent in word and deed	based on a professional businesslike approach and innovation	open and honest management focused on clarity to all stakeholders

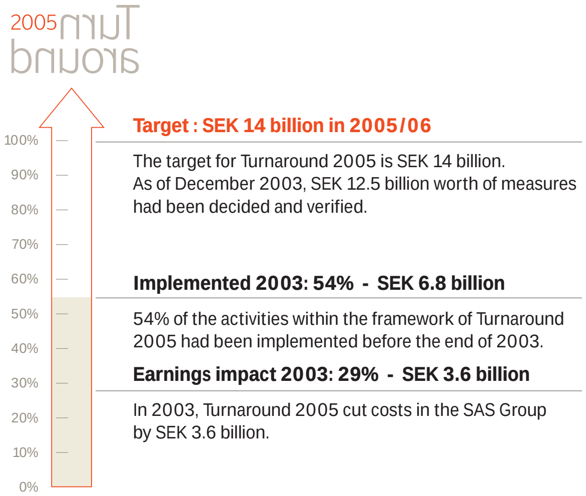
Turnaround 2005

The SAS Group is carrying out restructuring measures with total cost savings of SEK 14 billion. The measures go under the collective name Turnaround 2005. The goal of the structural earnings improvement measures is to achieve long-term profitability and competitive overhead and productivity levels in all the Group's airlines in 2005.

SAS Group's Turnaround 2005

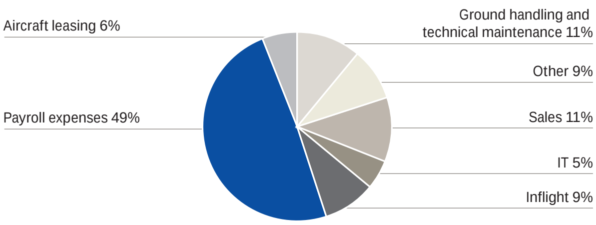
The SAS Group has analyzed the Group's markets, traffic flows and competitive situation and set requirements for efficient flight operations. These requirements have been translated into requirements for competitive unit costs. These measures will simplify and enhance the efficiency of the airlines' working methods.

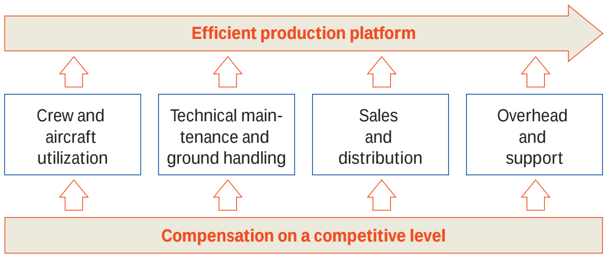
The target for Turnaround 2005 is SEK 14 billion in total cost savings. As of December 2003, SEK 12.5 billion worth of measures had been decided and verified. The remaining approximately SEK 2 billion required to reach the target is mainly in the area of salaries, benefits, pensions, etc. as well as choice of business model (e.g. service level) including the form of distribution the SAS Group uses for different traffic flows.



SAS Group's cost reductions in Turnaround 2005	
(SEK billion)	Total
Overhead functions (Group & Scandinavian Airlines)	2.1
Scandinavian Airlines	
Production concept	2.8
Inflight	0.7
Distribution and sales	1.5
Airline Support Businesses	
SAS Ground Services	1.0
SAS Technical Services	1.6
Subsidiary Airlines and Hotels	2.8
Total	**12.5**

Breakdown of Turnaround 2005





Cost inflationary factors

In *planning* Turnaround 2005 the SAS Group has taken various cost inflationary factors into account:

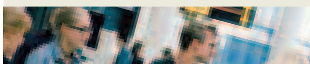
- *Aircraft utilization rate.*
- *Crew utilization rate* expressed in block hours per category/year for pilots and cabin crew.
- *Sales costs* as a proportion of revenues. These costs are to reflect a high percentage of sales over the Internet, an optimal mix of distribution channels and efficient call centers.
- *Technical maintenance* with competitive prices per airborne hour. Such prices assume, for example, critical mass per aircraft type, a high degree of adjustment to season or hour of the day, efficient planning of aircraft maintenance and the optimal size and placement of technical bases.
- *Station services* with competitive prices per landing. The unit price reflects, for example, a high degree of automation, short aircraft turnaround times and a high degree of flexibility.
- *Administration costs* as a share of total operating costs. This requires an administration with "the right focus on the right things."

Overhead functions (Group & Scandinavian Airlines)

Measures comprise extensive efficiency enhancement and rationalization in the overhead functions of the Group and Scandinavian Airlines in Stockholm, Copenhagen and Oslo. A large part of these reductions have been achieved thanks to Scandinavian Airlines' changed base distribution, and general efficiency enhancements. In 2003 a decision was made to relocate parts of Revenue Information (ticket settlement) to India, which will provide annual savings of approximately MSEK 85 from May 2004. A total of 800 FTEs were phased out in 2003. In 2004, it is planned to phase out a further 400 FTEs as a result, among other things, of full implementation of the new base organization. Approximately 500 ground positions will be phased out in 2005. In total, measures in overhead functions amount to SEK 2.1 billion, of which approximately MSEK 800 relates to non-employee costs for consultants, IT, etc.

Scandinavian Airlines

A new traffic program, the base distribution and altered collective agreements provide opportunities for significant efficiency gains in Scandinavian Airlines.



Target operational key figures

Scandinavian Airlines (incl. Corp. Functions)

Measures amounting to SEK 7.1 billion with full effect in 2005

Aircraft, block hours/day	9
Pilots, block hours/year	700-750
Cabin crew, block hours/year	700-750
Aircraft's turnaround time	30 to 40 min

+ Airline Support Businesses

Measures amounting to SEK 2.6 billion with full effect in 2005

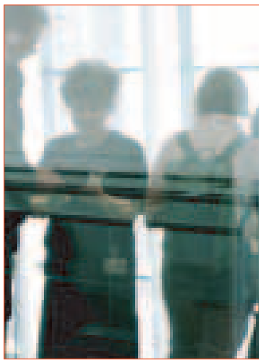
Technical maintenance	–10 to –15%
Ground services	–10 to –15%

+ Subsidiary Airlines and Hotels

Measures amounting to SEK 2.8 billion with full effect in 2005

A majority of key figures	See unit concerned

= SEK 12.5 billion



Long-term competitive overhead and productivity levels and profitability in all traffic flows in SAS Group airlines

In 2004 aircraft utilization is expected to increase from 7.4 block hours/day in 2003 to approximately 8.0 block hours/day for jet and turboprop production. The altered collective agreements with pilots and cabin crew allow an increase in productivity of approximately 40% to 700-750 hours from 470 and 530 block hours respectively in 2003.

In distribution and sales the call center structure is being simplified and the number of call centers reduced. In Sweden and Denmark new agreements were concluded in January 2004 which provide a salary reduction for sales staff against retention of call center operations in Scandinavia. Internet sales and the proportion of electronic tickets will increase considerably. The goal is to increase the proportion of tickets sold via the Internet to 40%. A new Internet site with clearer, more transparent and simpler booking was introduced in October 2003 and has been well received. As part of cost-efficiency enhancing measures at EuroBonus certain functions have been moved to Bangkok. Additional savings will be realized through the sale of Scandinavian IT Group.

Airline Support Businesses

At SAS Ground Services some of the savings will come from reduced traffic peaks over the traffic day following the introduction of Scandinavian Airlines' traffic system, greater automation at check-in, and generally improved efficiency in the area of passenger service. The aim includes increasing the total proportion of self-service check-in to 60% by 2005 among Scandinavian Airlines' customers. Cost flexibility will be increased by purchasing services to meet volume changes, renegotiating agreements with external handling suppliers, simplifying all operations at the three base stations, reorganizing staff functions, exposing operation and administration of computer systems to competition, and renegotiating collective agreements. Savings can be achieved through the sale of Scandinavian IT Group. The measures at SAS Ground Services amount to SEK 1 billion.

Since August 2003, Scandinavian Airlines' pilots have performed the PFI (Pre Flight Inspection) and in 2003 a new operational schedule for technical maintenance was introduced. The full effect of this reorganization is expected to be achieved in spring 2004. SAS Technical Services (STS) established a new organizational structure in 2003. The main base has been located at Stockholm-Arlanda, which will centralize Base Maintenance (medium-heavy aircraft maintenance) and overhead/support functions, which will be fully implemented by the end of 2004. A central store for materials and spare parts was introduced in the first quarter of 2004, which will gradually release capital. Efficiency was further improved through new collective agreements on unpaid meal breaks, changes in shift planning, etc.

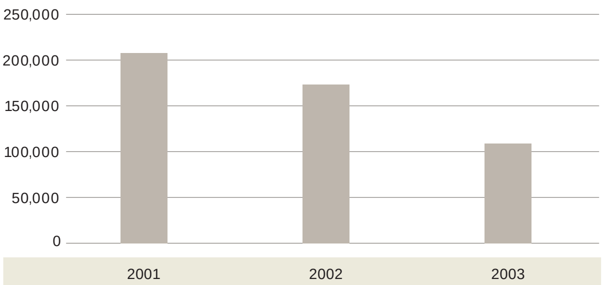
As a result of rationalization in STS, heavy maintenance of Scandinavian Airlines' MD fleet can be made more efficient which means that from the second quarter of 2004 maintenance of the MD fleet will be carried out at Oslo Gardermoen instead of at Shannon, Ireland. STS is achieving total cost savings of SEK 1.6 billion.

Subsidiary Airlines & Hotels

Savings of over SEK 2.8 billion have been identified in Subsidiary Airlines and the Hotels business area which will have their full effect in 2005, including SEK 2.1 billion in 2004. Braathens will implement savings and productivity improvements amounting to approximately SEK 1.0 billion, which means that Braathens will achieve a unit cost of approximately NOK 0.60 per ASK by early 2006.

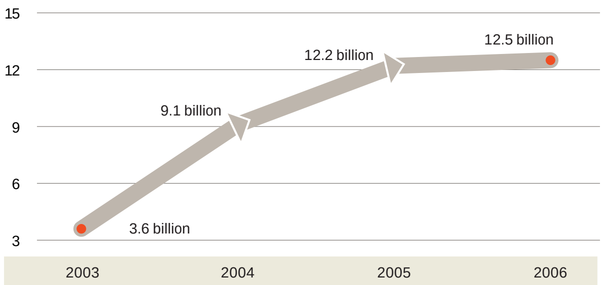
Widerøe and Spanair will implement measures worth SEK 0.3 billion and SEK 1.1 billion respectively. Rezidor SAS Hospitality and Blue1 are both implementing efficiency enhancements of MSEK 150 each.

Number of hotel stays for Scandinavian Airlines' flight crew (cabin) 2001-2003



The change in the traffic system and volume decrease has cut the number of hotel stays by nearly half compared with 2001.

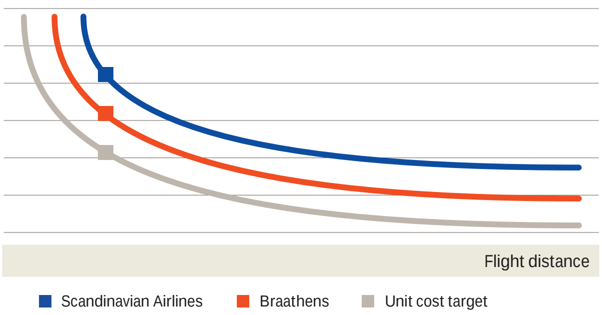
Accumulated earnings effects of Turnaround 2005
SEK billion



The diagram shows gross cost effects. Yield pressure and inflationary net effects will reduce the net effect on EBT.

Target for efficient aircraft operation - Norwegian domestic (example)

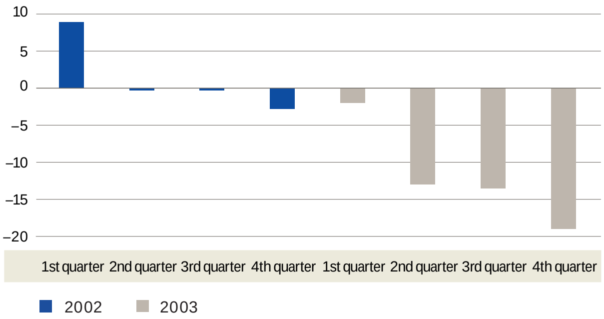
Unit cost



The gray line shows the unit cost reflecting a competitive level. Braathens already has on average a 17% lower unit cost than Scandinavian Airlines and will through Turnaround 2005 reach the level for competitiveness. Further measures remain to reach this level at Scandinavian Airlines.

Operational unit cost (currency adjusted) trend Scandinavian Airlines 2002-03

%



The unit cost rose sharply in the beginning of 2002 before the effects of Turnaround 2005 began showing results. Since then, the unit cost has gradually declined.

Reduction of full-time positions

Under Turnaround 2005 redundancies totaling 6,000 full-time positions have been identified. Of these, 2,450 full-time positions have been phased out (employees have left the SAS Group) through December 2003 (250 in Corporate Functions, 1,450 in Scandinavian Airlines, 550 in Airline Support Businesses and 200 in Subsidiary Airlines).

The remaining redundancies are: Corporate Functions 250, Scandinavian Airlines 1,850, Airline Support Businesses 1,300 and approximately 150 in Subsidiary Airlines.

Competitive salaries, benefits and pensions

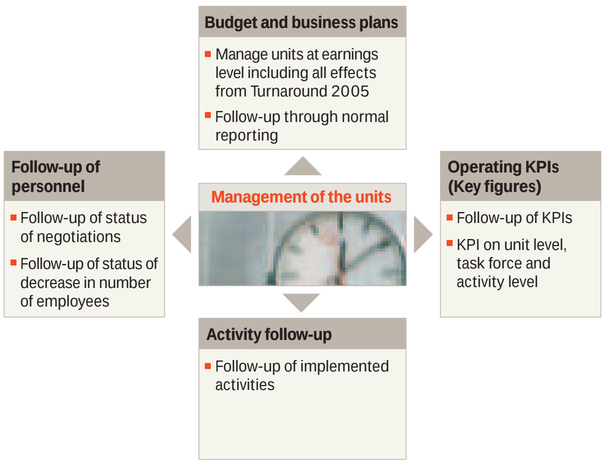
The SAS Group has started collective agreement negotiations with all employee groups for 2004 with the aim of ensuring salaries, benefits and pensions at market levels in relation to competitors. A large portion of the remaining approximately SEK 2 billion in Turnaround 2005 would thus be achieved. Negotiations are expected to be finalized during the first quarter of 2004.

Follow-up of Turnaround 2005

Follow-up of Turnaround 2005 is based on four criteria: integration in internal budgets and business plans, follow-up of operational key figures (including block hours for aircraft, pilots and cabin crew), follow-up of full-time equivalents (FTEs), and completed activities.

At year-end 2003, activities corresponding to 54% of the financial effect of measures decided had been completed. The total earnings impact of the measures in Turnaround 2005 during 2003 amounted to approximately SEK 3.6 billion.

Management and follow-up



Development of the unit cost

Turnaround 2005 has produced visible effects on Scandinavian Airlines' unit cost. The unit cost has declined month after month and in the fourth quarter it had fallen by 19%. For the full year 2003 the reduction was 11.8%. The goal is to decrease the unit cost by approximately 30% compared with 2002.

Turnaround 2005 is also producing effects in Subsidiary & Affiliated Airlines. Spanair's unit cost decreased in 2003 by 7.1%, Braathens' by 2.1%, Widerøe's by 9.9% and Blue1's by 19.7%.

Scandinavian Airlines - currency adjusted unit cost trend 2003

MSEK	2002	2003	Share of difference
Sales costs	1,893	**852**	–3.3%
Jet fuel	2,719	**2,894**	0.6%
Government user fees	3,347	**3,170**	–0.6%
Personnel	7,854	**7,816**	–0.1%
Handling costs	5,225	**4,679**	–1.8%
Technical aircraft maintenance	4,826	**4,287**	–1.7%
Other costs	5,303	**3,788**	–4.9%
Total operating costs	31,168	**27,486**	–11.8%

Volume component (ASK = –2.2%).

Turnaround 2005 - follow-up and outcome of financial earnings targets

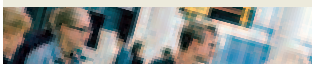
2003	September	December
Outcome	42%	54%
Plan	37%	50%

Restructuring costs

The SAS Group has chosen to maintain a fast pace in its Turnaround 2005 efforts and restructuring costs have arisen. The restructuring costs related to Turnaround 2005 during the full-year 2003 were MSEK 496, of which MSEK 400 relates to payroll expenses for 2004. The costs primarily relate to employees idled under notice. The cash effect is very limited.

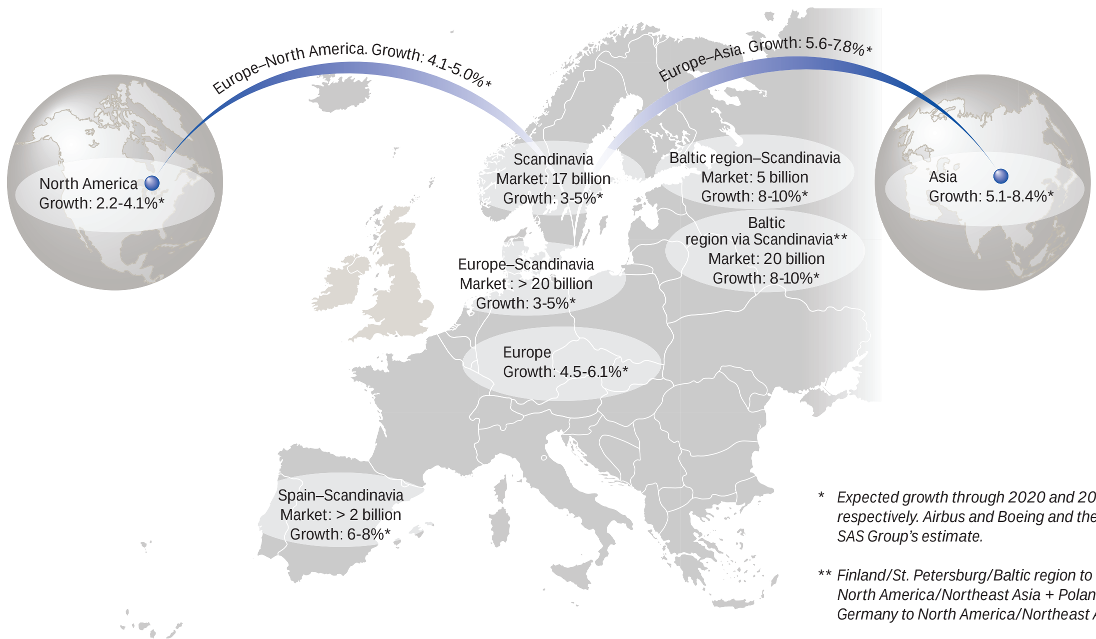
Greater cost flexibility

A characteristic of the airline industry is its high share of fixed costs and low flexibility in its cost base. Consequently, it is important to increase the mobility of costs for the SAS Group's operations so as to increase its competitiveness and reduce the effects on earnings in the face of negative external events. Part of this involves focusing on smaller independent units. The Group also intends to reorganize the majority of fixed costs as flexible costs by changing, among other things, the planning of the aircraft fleet, aircraft leasing and personnel levels.



Market growth and value creation

In transporting passengers as well as cargo, aviation plays a key role in a country's growth and value creation. This is especially true of Scandinavia with its unique topography, geographically diffuse population structure and long distances. The SAS Group has a big responsibility for Scandinavian infrastructure because it serves a total of 60 airports in Scandinavia. The majority of these are small regional airports that serve as a lifeline for the inhabitants, public services and business and industry.



* *Expected growth through 2020 and 2022, respectively. Airbus and Boeing and the SAS Group's estimate.*

** *Finland/St. Petersburg/Baltic region to Europe/ North America/Northeast Asia + Poland/Northern Germany to North America/Northeast Asia*

Prognoses for growth in the airline industry

Normally, the airline industry grows faster than the gross domestic product. Because of lengthy investment cycles and long lead times, it has traditionally been difficult for the airline industry to quickly adjust its capacity to changes in demand. For example, the situation in Iraq and the SARS epidemic led to overcapacity in the first half of 2003.

A crucial factor in the market's contribution to capacity is net deliveries of aircraft. New aircraft delivered globally in 2003 comprised 5.2% of the world's total aircraft fleet. Aircraft removed from service in 2003 amounted to 1.6%. In 2004 net deliveries will amount to an estimated 3.0% and approximately 2.2% in 2004-2007.

In the airline industry, RPK has grown by approximately 5% per year. The world's two largest aircraft manufacturers, Airbus and Boeing, are forecasting an annual growth rate of approximately 4.7% and 5.1%, respectively, until 2020. The biggest increase is expected to take place in traffic in as well as to and from Asia, particularly China. At the same time, the IPCC estimates that thanks to technological development, fuel consumption will grow only 3% per year until 2015.

Value chain in the aviation industry

Airlines are the final link in the value chain of transporting airline passengers. Studies show that most of the players in the value chain from aircraft manufacturers to travel agencies create value for shareholders. Airlines have historically only succeeded in creating value for shareholders during economic booms. Part of the explanation for the imbalance in the value chain is inefficient operation due to the legacy of a monopolistic market structure and airline overcapacity. Further factors are low flexibility in the personnel structure and a weak negotiating position vis-à-vis other players in the value chain. If the industry is to grow, it is important for all players in the value chain to create value, airlines included.

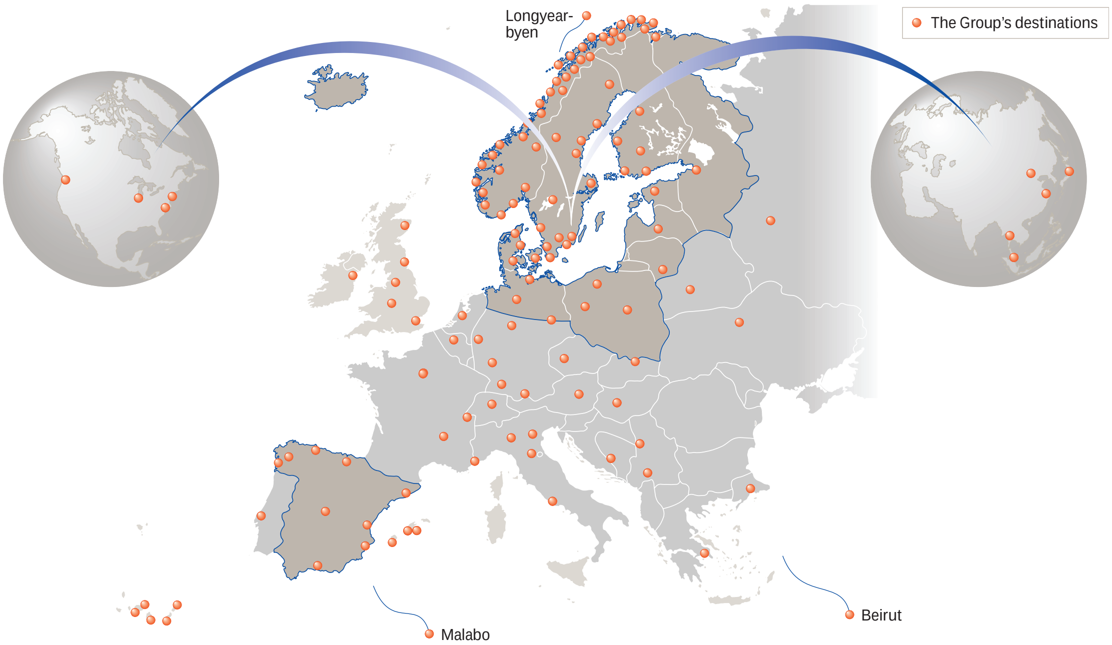
The underlying growth in the aviation industry provides good conditions for all players to create value. New low-cost players are showing that it is possible, even though price competition and major overcapacity also make it difficult for them to create value in the current situation. The traditional airlines including the SAS Group are working on increasing their efficiency and renegotiating terms with other players with the aim of generating long-term and sustainable value creation among all players in the aviation industry.

Value chain in the aviation industry

Aircraft manufacturers	Aircraft leasing companies	Airports	Ground Services	Technical Services	CRS Computer Reservation Systems	Traditional airlines
Examples: ▪ Boeing ▪ Airbus ▪ Bombardier	Examples: ▪ GECAS ▪ ILFC	Examples: ▪ Copenhagen Airport ▪ Vienna Airport ▪ Fraport	Passenger and baggage handling Examples: ▪ Globe Ground ▪ SGS	Aircraft maintenance Examples: ▪ STS ▪ LH Technik	Travel agencies Reservation system, e.g. ▪ Amadeus ▪ Galileo	Value creation by airlines has historically only taken place in peak years
Value-creation	Value-creation	Value-creation	Value-creation	Value-creation	Value-creation	Value-creation
EBIT margin approx. 7%	EBIT margin approx. 30%	EBIT margin approx. 26%	EBIT margin approx. 6%	EBIT margin approx. 6%	EBIT margin approx. 15%	EBIT margin approx. 3%

Strategic market positioning in the airline business

The SAS Group enjoys a strong position in its home market in the Baltic Sea region. In 2003 the SAS Group increased its presence in this region through its purchase of Estonian Air, thereby taking an active part in the consolidation of the airline industry. In all, the SAS Group's airlines flew to 130 destinations and carried 31 million passengers in 2003, consolidating the SAS Group's position as Europe's fourth largest airline measured both in operating revenue and passenger volume.



Europe's fourth-largest airline group

The SAS Group's home market has a catchment area of approximately 100 million people, including mature markets like Scandinavia, Iceland, Finland and northern Germany as well as growth markets such as western Russia, the Baltic countries and Poland. The total volume of traffic to, from and within this market is 45-50 million passengers per year, with operating revenue of over SEK 80 billion. Within its defined home market the SAS Group has a market share of around 40-50% plus a growing market share in Spain.

Consolidation in Europe

In the years ahead a consolidation is expected within the various regions in Europe. Through its acquisition of Braathens, Estonian Air and airBaltic, the SAS Group has begun this consolidation. Estonian Air and airBaltic have unit costs that are lower than the best low-fare players. It is of strategic importance for the SAS Group to secure its position in its home market, create flexibility and increase its room to maneuver.

Policy framework for civil aviation

Beginning on May 1, 2004, ten new countries will become members of the EU, which means that these countries will be full members of the deregulated civil aviation market prevailing in the EU/EEA area today.

Outside the EU/EEA, civil aviation continues to be regulated by bilateral governmental agreements. Such agreements, even those that are very liberal in content, i.e. so-called "open skies" agreements, are in most cases not compatible with EU provisions. This was the ruling of the European Court of Justice in December 2002. One reason for this is that the bilateral agreements grant exclusive market access to the parties' flag carriers, a limitation contravening the EU's right of free establishment. Therefore, within the EU an arrangement has been discussed that will govern aviation relationships between the EU and its member states and other countries. In brief this arrangement means that from now on a member state must look after the possible interests of airlines from other member states. The bilateral markets that heretofore have been reserved for flag carriers are in principle to be opened up to airlines from the entire EU. This means increased access to the Scandinavian market for EU-based carriers. At the same time the SAS Group's airlines will obtain greater market access to the other countries in the EU.

The arrangement in the EU also means that aviation negotiations with other countries will increasingly take place on a community basis. The member states have given the Commission a mandate to negotiate with the U.S. To date, two rounds of negotiations have concluded, with negotiations expected to continue in 2004. It is unlikely that an all-encompassing agreement will be reached in 2004. The aim of the Europeans is to conclude an agreement that can serve as a future model for regulating aviation relations between countries or groups of countries.

As this arrangement is accepted by third countries, this development will lead to new opportunities for cross-border acquisitions or mergers between airlines operating outside the EEA.

Positioning the Group's airline business

The European civil aviation market comprises various traffic flows that differ with regard to distance, volume, customer composition and competition. These various traffic flows require different business models tailored to their respective markets. One example of such flows is domestic traffic; another is the traffic between the three Scandinavian capitals and other capitals in Northern Europe. The Group's airlines operate on traffic flows ranging from intercontinental routes to domestic routes in the Scandinavian countries and Spain as well as charter.

For each traffic flow, an airline is assigned the chief responsibility of enhancing the Group's position in that market. The airline is responsible for coordinating departures and arrivals to facilitate good connections to affected destinations. All routes to other Group airlines' hubs are planned jointly and the traffic programs are set up to achieve the best result for the SAS Group.

The SAS Group has specified requirements for productivity and business models on its various traffic flows. Each unit in the SAS Group has to meet these requirements as the basis of operating its airline business competitively. Here are some examples of traffic flows:

- *Intercontinental traffic* - Scandinavia's geographical position and passenger base in its home market permit intercontinental routes to certain destinations in North America and Asia. Some important parameters for operating intercontinental production competitively are high aircraft productivity and a high level of service. Scandinavian Airlines operates the SAS Group's intercontinental production, offering three classes on board with regard to comfort and level of service. The SAS Group's market share on traffic flows to and from Scandinavia is between 25% and 30%. Its share of transfer traffic is approximately 60%.

- *Major European destinations, the "Big Five"* - Destinations with heavy volumes of both business and leisure travelers. Since these flights are shorter than the intercontinental flights, the requirements for aircraft utilization are somewhat lower, but the requirements for onboard personnel and ground services are just as high. The level of service on these flows is differentiated. The "Big Five" are served primarily by Scandinavian Airlines, which has a market share of 35-50% on these routes. Approximately 75% is point-to-point traffic and about 25% is transfer traffic.

- *Other European destinations* - Destinations in Central Europe and the U.K., often with a high percentage of business travelers, which require a differentiated product and high productivity. The SAS Group's market share on these flows varies widely by destination.

- *Southern Europe* - Destinations primarily with leisure travelers and competition from major European full-service carriers and charter airlines. In this market the SAS Group operates chiefly through Spanair, snowflake and Braathens. Through Spanair the SAS Group has built up its market position within Spain as well between Spain and Scandinavia. On Spanair's routes in Spain the SAS Group's market share is 25-30% and on flows between Spain and Scandinavia the Group's market share is just over 50% of the scheduled market. The share of transfer traffic is approximately 40%.

- *Scandinavia* - The markets between and within the Scandinavian countries represent a substantial share of the Group's airline business. Flight times on these routes are usually under an hour and a half, making the fare crucial for the product's competitiveness. To be able to offer low fares the business model requires simple production, high utilization of aircraft and flight crews and a high level of automation of check-in and distribution. The competition on these traffic flows increased in 2003. The SAS Group's market share is 60-80%. The share of transfer traffic varies widely by route.

Baltic region

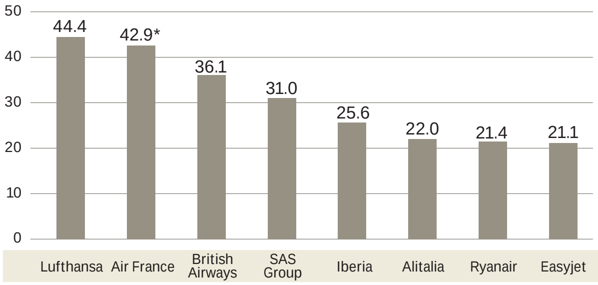
The SAS Group has a strategy to strengthen its presence in the Baltic Sea area. Its presence and market share in Scandinavia are already high, but lower to, from and within the southern and eastern portions of the Baltic region. In 2003 the SAS Group bought 49% of the shares in Estonian Air, which has 50% of the traffic flows to and from Estonia. The Group's airline in Finland, Blue1, underwent a major makeover in 2003. Since 1998 the SAS Group has tripled the number of its departures from Finland.

Airlines in the SAS Group (traffic and capacity) 2003

	No. of passeng. (000)	Traffic (RPK, mill.)	Capacity (ASK, mill.)	Cabin factor
SAS Group	31,004	30,402	47,881	63.5%
Scandinavian Airlines	19,260	21,901	33,333	65.7%
Spanair	5,289	4,551	7,489	60.8%
Braathens	4,169	3,033	5,186	58.5%
Widerøe	1,658	506	956	53.0%
Blue1	628	411	918	44.8%

Europe's largest airline groups

Millions of passengers, 2003



The SAS Group's majority-owned airlines carried 31 million passengers in 2003, making the SAS Group Europe's fourth-largest airline group.

** April 2002-March 2003*

The Baltic Sea region - a strategically key element of the SAS Group's home market

Global network strategies

Star Alliance™ is the cornerstone of the SAS Group's global partner and network strategy for offering customers seamless, worldwide travel. The SAS Group is working actively on the ongoing development of Star Alliance™ as the world's largest airline alliance. Through Scandinavian Airlines and Spanair, the SAS Group has two members of Star Alliance™ and aims for Blue1 to be a regional member of Star Alliance™ in 2004.

Through its partners in Star Alliance™ the SAS Group can supplement its own destinations and products, thereby offering its customers a global route network, with coordinated, high-quality travel products and services. With the entry of Asiana Airlines from Korea, Spanair and LOT Polish Airlines in 2003, and the departure of Mexicana, as of April 2004, StarAlliance™ comprises 14 member carriers, which together transport 309 million passengers annually, to and from 673 destinations in 127 countries. During the first half of 2004, US Airways is expected to become a Star Alliance™ member.

This alliance partnership continues to yield great benefits, especially in terms of higher traffic revenue from so-called interlining, i.e. passengers supplied by the other Star partners. Since the founding of Star Alliance™ in 1997, such extra passengers and revenue have grown by 66% and comprise approximately 10% of Scandinavian Airlines' total passenger revenue.

Since autumn 2002 both United Airlines and Air Canada have been under bankruptcy protection in the U.S. (Chapter 11) and Canada, respectively. Both airlines are expected to emerge from bankruptcy during the first half of 2004. The risk of an adverse impact on Scandinavian Airlines is deemed to be slight in that both United and Air Canada are operating normally, while cooperation within the alliance with these airlines remains unchanged.

Alliances and airline industry trends

Consolidation within the three global alliances continues, with only a few major international carriers in North America and Europe remaining outside these alliances today. In Asia and the Middle East, too, more and more airlines are joining alliances. During 2003, Swiss applied for membership in oneworld™, with British Airways and American Airlines, among others, while Northwest Airlines and Continental Airlines are in talks with SkyTeam™, which includes Air France and Delta Air Lines. In addition, Air France and KLM have agreed to a merger of the two carriers, making KLM a member of SkyTeam™ as well.

Star Alliance™'s ambition is to retain its leading position as the largest and most successful alliance. SkyTeam™ is expected to pass oneworld™, thereby becoming the second-largest airline alliance. In 2003 Star Alliance™ has won several awards and distinctions, including being named "Best Airline Alliance 2003" by Business Traveller magazine.

Star Alliance™ members have continued their efforts to develop new common travel products and services, airport facilities, IT systems, etc. Considerable work has gone into consolidating and quality assuring the alliance's existing products, services and brands in order to offer, produce and provide increasingly uncomplicated, flexible and cost-effective global travel to the alliance's customers.

In the situation prevailing in the airline industry the large airline alliances play a stabilizing role for their members through cooperation and a global presence. Additionally, cost-efficiency will improve through coordination and shared utilization of resources and facilities, joint purchases and collaboration in the areas of product development, IT and the environment.

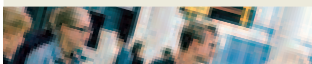
Collaboration on fuel

With the other members of Star Alliance™, the SAS Group is planning to establish a separate jointly owned company for purchasing and distributing jet fuel. The purpose of this company is to contract for the alliance's fuel needs in a cost-efficient manner at selected strategically vital airports by exploiting economies of scale and its collective expertise and experience in the area of fuel.

Key figures – the world's biggest airline alliances in 2002

	Share of world's total RPK	Annual oper. rev. (USD bill.)	Passengers per year (mill.)
Star Alliance™	21.2%	69.9	313.9
oneworld™	16.8%	46.5	214.0
SkyTeam™ *	11.9%	37.6	202.0
Total airline alliances	**49.9%**	**154.0**	**729.9**

** Excluding KLM.* *Source: Airline Business Magazine, July 2003.*



Scandinavian Airlines' cooperation with Lufthansa

Lufthansa is Scandinavian Airlines' most important partner airline. This cooperation is based on a joint venture approved by the European Commission and involves shared responsibility for earnings for the two carriers' operations between Scandinavian and Germany. By coordinating routes, timetables and capacity between Scandinavia and Germany, the two airlines aim for a common, cost-effective travel and traffic system.

Lufthansa and Scandinavian Airlines coordinate their marketing and sales activities, customer services, etc., in their respective home markets. Passenger service at airports, aircraft maintenance, technical services, a certain coordinated development of the aircraft fleet plus joint purchases are other areas of cooperation.

A generally weak market combined with growing competition caused total traffic to shrink by 7% compared with 2002. The cabin factor for traffic between Germany and Scandinavia remained unchanged at 62.0% (61.8%).

European Cooperation Agreement (ECA)

The ECA is a joint venture between the SAS Group, Lufthansa and bmi (British Midland International), whereby the partners combine their route networks between London Heathrow and Manchester and the rest of the EEA. This cooperation has been approved by the European Commission for a period of eight years until the end of 2007.

Continued market weakness, chiefly in the business traffic segment, has led to a fall in traffic revenues in the ECA joint venture. Great efforts have been made to adapt production and costs to the changed market and competitive situation. The ECA joint venture showed a loss in 2003 of MSEK –244 (–418), an improvement over 2002. Of the earnings improvement, MSEK 75 resulted from retroactive adjustments related to 2002. The loss (outcome compared with baseline) is covered 45% by Scandinavian Airlines, 45% by Lufthansa and the remaining 10% by bmi.

Cooperation with the Austrian Airlines Group

In November 2002 Scandinavian Airlines and the Austrian Airlines Group signed a new cooperation agreement, which was submitted to the European Commission for approval at the end of November 2002. The agreement is yet to be approved by the European Commission.

Regional partners

In autumn 2003 Scandinavian Airlines terminated its commercial cooperation agreements with Cimber Air and Maersk Air. The SAS Group also sold its shareholding in Cimber Air. New, limited cooperation agreements have replaced the previous agreements. Cimber Air continues to participate in SAS's EuroBonus program, while Maersk Air's participation ends on March 31, 2004.

Scandinavian Airlines also has a stake in Skyways, and cooperates commercially with it. Skyways also participates in SAS's EuroBonus program.

Key figures for Star Alliance™ 2002/2003

	Passengers/year (mill.)	Destinations	Countries	Aircraft	Daily departures	RPK (billion)	Annual oper. rev. (USD billion)	Employees
Air Canada	32.0	150	36	330	1,330	69.4	6.2	40,000
Air New Zealand	8.3	45	15	80	512	21.5	2.1	9,500
All Nippon Airways	43.6	49	9	183	686	36.6	7.8	12,772
Asiana Airlines	12.0	47	14	64	292	15.9	1.5	6,428
Austrian Airlines Group	8.8	124	64	92	372	18.0	2.0	7,200
bmi British Midland International	7.3	29	10	43	228	5.3	1.1	4,853
LOT Polish Airlines	3.4	61	31	51	213	5.8	0.7	4,063
Lufthansa	44.4	160	72	380	1,520	90.0	17.8	34,000
Mexicana Airlines*	7.8	55	11	59	318	13.0	1.3	6,539
Scandinavian Airlines	**19.3**	**85**	**31**	**181**	**700**	**21.9**	**3.9**	**9,147**
Singapore Airlines	15.3	56	32	96	173	74.2	4.5	14,418
Spanair	5.3	25	7	51	168	4.6	0.9	2,535
Thai Airways International	18.3	72	35	81	262	46.6	3.0	25,378
United Airlines	68.5	188	22	525	3,255	176.1	14.3	65,000
Varig	14.8	73	19	91	482	26.1	2.1	16,073
Star Alliance™	309	673	127	2,307	10,511	625	69.2	257,906

** Leaving Star Alliance in April 2004.*

Sources: Airline Business Magazine July 2003/ Airlines' own data.

Customers and business models

The SAS Group transports over 80,000 passengers daily. Low-cost carriers have changed customer perceptions of what a reasonable price for air travel is. Information technology has played a key role in changing customer behavior as the Internet makes possible quick and easy comparisons of prices and products. To be able to offer competitive transportation the SAS Group continuously evaluates what the customers want, tailoring its products and business models accordingly.

Historical perspective

Up until the 1980s, the airline industry was regulated between countries, with governments determining where and at what fares airlines could fly. This led to the situation where the airlines competed primarily on service. The deregulation of the airline market began in North America at the end of the 1970s and Europe in the beginning of the 1990s. In Sweden the market was deregulated in 1992, and the EU was fully deregulated in 1996. Deregulation allowed airlines to set their own fares, which often came with restrictions. For example, the best fares required advance purchase and overnight stays between Saturday and Sunday. At the end of the 1990s and beginning of the 2000s, new fare models were introduced. These are based on demand-pricing and one-way travel even up until departure. Today, short flights are considered more of a commodity, whereas better service and comfort and other amenities are demanded on longer flights.

Demand-based pricing - fares according to availability

Demand-based means that the fare varies depending on the supply and demand on a specific departure as well as the customer's needs and flexibility. If demand rises, the fare rises and vice versa. The advantage of demand-based pricing is that airlines can better optimize capacity utilization with the aid of pricing by steering non-time-sensitive customers to departures with a lower demand.

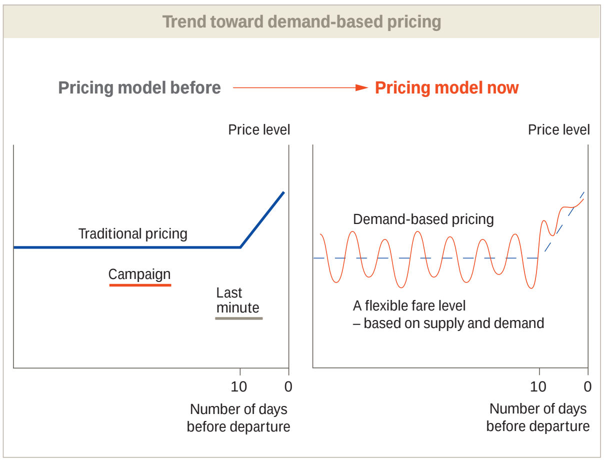
In March 2003, Spanair introduced a demand-based pricing model based on one-way fares starting at EUR 30. For a EUR 30 surcharge, for example, passengers have access to Spanair's lounges and Avant business class.

In spring 2003, Scandinavian Airlines tested a new pricing model on a number of destinations, replacing the earlier rules for a 21-day advance-purchase, overnight stays etc. Based on the results, a new pricing model was devised and introduced in October by the SAS Group's airlines in Scandinavia on domestic and intra-Scandinavian routes. The new pricing model means that the SAS Group's airlines offer increasingly attractive fares.

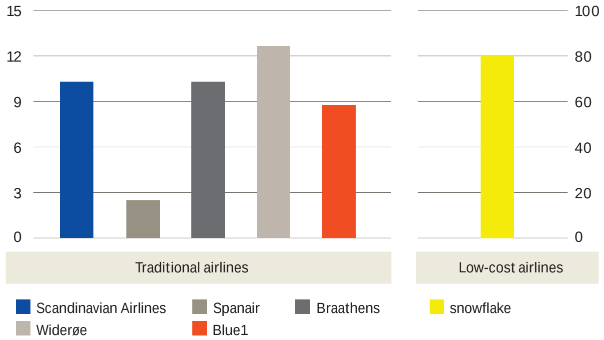
The Internet increases benefits to customers

The Internet provides ever-increasing opportunities to raise the level of service to customers.

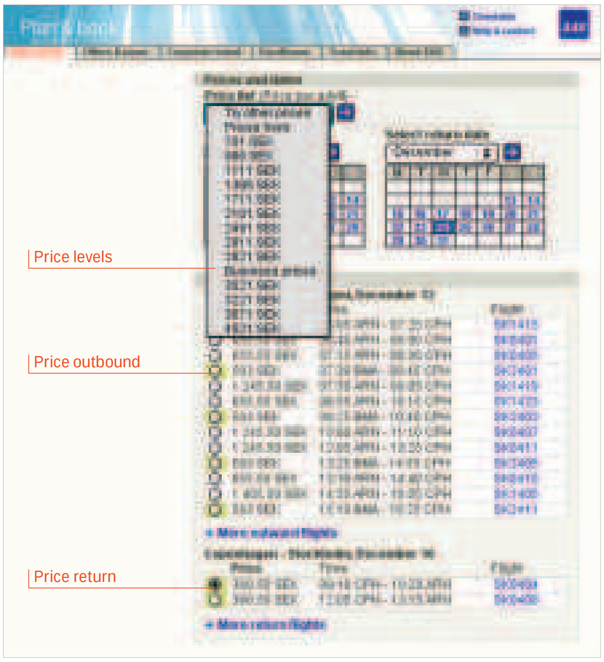
The SAS Group is focusing more and more on utilizing the advantages afforded by the Internet in terms of benefits to customers and increased efficiency. In October 2003 Scandinavian Airlines introduced a new reservation function that provides better transparency in connection with the purchase of tickets via the Internet and that supports demand-based pricing. The new reser-



Internet sales, %



The diagram shows sales via the Internet for the Group's various airlines. Scandinavian Airlines' goal is to achieve 40% of sales via the Internet. For a variety of reasons, a majority of big customers want distribution to continue via travel agencies. This limits the potential for Scandinavian Airlines' share of Internet sales.



The new booking function gives customers a better overview, enabling them to more easily choose the departure they want at a suitable fare. Fares increasingly reflect the demand per departure.

A Scandinavian Airlines ticket contains many service elements

Traffic system

Tailored to customers – more departures when demand is high.
Onward connections on a single ticket.
Punctuality.

Prices and availability

Several sales channels.
Through fares, even for transfer passengers.

Commitment to service

Commitment to service before, during and after the flight: interlining and baggage transfer, etc.

Efficient solutions

Credit/debit cards and self-service.
Internet check-in.

Service onboard

Breakfast and newspapers.
Full-service outside Scandinavia.
Choice of seating and comfortable travel.

Advantages and loyalty program

EuroBonus and Spanair Plus.
Earning and redeeming points.

A ticket includes many service elements tailored to the customer and aimed at making the entire journey easier. Purchasing a ticket from snowflake or another low-fare carrier does not give the customer the same commitment to service.

vation function enables customers to compare the fares for various departures as well as compare with competitors' services and determine themselves the fare they wish to pay. In all, Scandinavian Airlines sold 10.3% of its tickets via the Internet in 2003, Spanair sold 2.5%, Braathens 10.3%, Widerøe 12.7% and Blue1 sold 8.8%.

Scandinavian Airlines allows travelers to check in via the Internet up to one hour before departure, which a growing percentage of customers do. Other services, such as SMS messages in the event of delays and gate changes can be activated via the Internet, giving the customer the best possible service.

Network operation vs. point-to-point

Together the SAS Group's airlines weave a giant web of routes, offering 1,377 daily flights to 130 destinations. Destinations not served by a direct route are reached instead through the Star Alliance™ partnership. Operating a route network involves increased costs of transfers, baggage handling and maintaining frequent flights to hubs, etc. The SAS Group's airlines in Scandinavia have also pledged to fulfill a number of service commitments intended to provide passengers with security and rights in the event any problems arise while traveling.

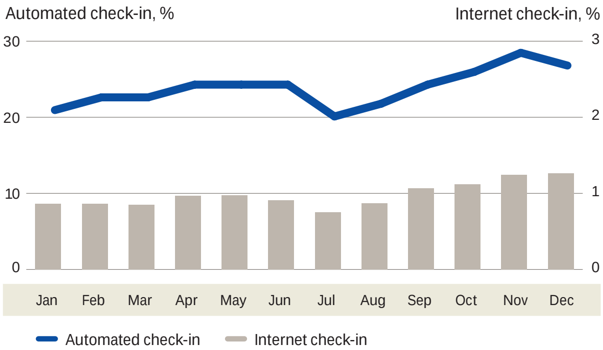
Point-to-point, one-way operation reduces the complexity involving ticket reservations and baggage handling. Transfer passengers have to claim their baggage and check in again for onward journeys. Nor is there any possibility for interlining, i.e. connecting flights at discounted fares. The majority of low-cost airlines that operate this way take no responsibility for the next flight in the event of delays, which means that the customer may be forced to buy a new ticket if a connecting flight is missed.

Customer trends - Commercial Turnaround

In general, customers are increasingly focusing on fares when choosing an airline. Independent surveys reveal that primarily business travelers are willing to pay more for a product that saves time even on short routes. Leisure travelers do not show any significant increased willingness to pay.

On longer flights, customers are willing to pay a higher fare for comfort onboard. The SAS Group's airlines are currently reviewing their services with the aim of tailoring their business models to customer preferences.

Automated and Internet check-in, Scandinavian Airlines' passengers, 2003



Increased automation is a key part of Turnaround 2005. Internet check-in was available starting in 2002. The goal is to increase automated and Internet check-ins' share of the total check-in volume to 60% by 2005.

Airlines' services	Scandinavian Airlines	Low-cost carriers
Network operator	Primarily	No
Point-to-point	Partly	Yes
Demand-based pricing	Partly	Yes
One-way pricing	Partly	Yes
Loyalty program	Yes	No
Service commitment	Yes	No
Full rebooking rights	Yes (full flex ticket)	Partly (at extra charge)
Transfer handling	Yes	No
Service in the event of a delay	Yes	Rarely
Member of a global alliance	Yes	No

Quality and safety

Safety is the SAS Group's absolute top priority. The airline industry in general and the SAS Group's airlines in particular continually assess safety measures for their positive and negative effects on air safety efforts. *IT security is described on page 54.*

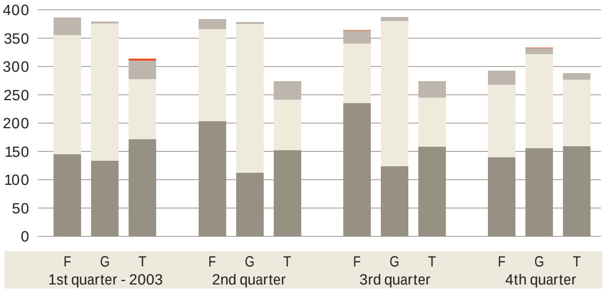
Flight safety

Every airline in the Group carries out independent nonconformance reporting and risk handling according to established methods and current standards. The results of measurements and analyses are reported both locally and centrally to ensure that the safety level is high and that management is informed of the overall safety status for the individual airlines.

Safety work at all SAS Group airlines is followed up as an integral part of the respective company's quality system. The following factors also enter into safety work: application of cross-functional nonconformance reporting systems, focus on risk analysis and management, trend monitoring, implementation and follow-up of corrective and preventive measures and implementation of airline regulations (JAR-OPS 1) and other standards such as ISO 9001-2000. The airlines in the SAS Group also heavily emphasize other areas such as information and training concerning CFIT (Controlled Flight Into Terrain), runway incursion and human factors to improve quality and safety.

Regular audits of all companies and their activities are carried out internally by independent units and externally by aviation regulators. The flight safety situation for the SAS Group in 2003 was stable. Deficiencies were identified and handled according to current routines and procedures. In 2003 the EU adopted new routines to increase security for passengers at airports. On November 1, 2003 the SAS Group completed installation of new reinforced doors on the cockpits of all aircraft with a maximum takeoff weight exceeding 45,500 kilograms.

Number of reported incidents in Scandinavian Airlines and Airline Support Business



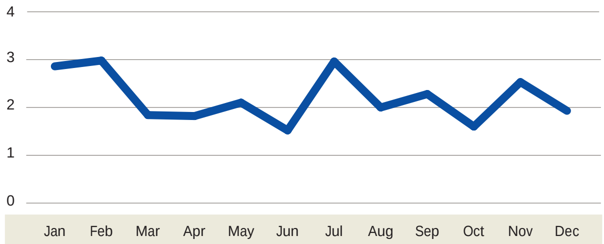
F = Flight operations G = Ground operations T = Technical operations

- R1: High risk (no reported incidents in this category in 2003).
- R2: Elevated risk under all circumstances.
- R3: Elevated risk under adverse circumstances that periodically occur.
- R4: Non-elevated or elevated risk only under extreme circumstances. Employed for incidents showing possible safety problems.
- R5: Non-elevated risk, since the incident is not safety-related.

Number of reported incidents in 2003

	R1	R2	R3	R4	R5
Flight operations	0	2	95	607	722
Ground operations	0	1	23	930	523
Technical operations	0	5	106	400	640
Total	0	8	224	1,937	1,885

Scandinavian Airlines Risk Index



The risk index is a systematic follow-up model that takes reported incidents into account and weights them according to degree of risk. The objective is to score the lowest possible value.

New method for flight safety work at Scandinavian Airlines

In 2002-2003, Scandinavian Airlines refined a new computer-based system where reporting is done by pilots, cabin and station crew, and technicians. The system has a built-in risk assessment method that makes it possible to detect indications describing the company's safety situation. Based on conclusions from risk analyses, continuous improvements and development of methods take place in the company's operational management processes and in its selection of new equipment and systems.

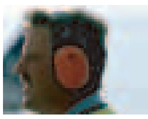
Work on harmonizing the various methods of measuring and presenting the overall safety status of the Group's airlines is an ongoing process.

Scandinavian Airlines' flight safety management

Flight operations

Area
- Planning
- Communication
- Navigation
- Handling
- Monitoring
- Cabin safety

Ground operations



Area
- Abnormal situations
- Safety
- Handling of passengers
- Load control
- Hazardous goods
- Clearance

Technical operations

Area
- Technology
- Planning
- Materials
- Service
- Production
- Ground equipment

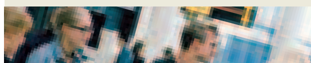
Caused by
- Performance
- Cooperation
- Human/machine
- Equipment
- Procedure
- Management/control
- External factors

Analysis

Every reported nonconformance is analyzed and classified according to criteria in RAMS (Risk Assessment Method in Scandinavian Airlines). All incidents are subsequently investigated.

Action

- Once the fundamental cause of an incident is established a decision is made on the corrective steps to be taken to prevent a repetition.
- Implementation of the measures is followed up to make sure that the desired result has been achieved.



The SAS Group's brand strategy

Strong brands create preferences and loyalty, laying the groundwork for securing future revenue growth. Brand building is a corporate management tool and has high priority in the entire SAS Group.

Beyond its master SAS brand, the Group has a number of well-known and highly reputable operations under its wings. Through long-term and consistent efforts these businesses have developed strong brands with individual identities. This gives the SAS Group more opportunities to meet different market needs and profile differentiated products and services to different customer segments.

In autumn 2003 the airline Air Botnia developed a new identity and a new name, Blue1, to strengthen and call attention to its position in the Finnish market. This is an example of how brand strategy is developed in practice.

In February 2004, the SAS Group made a strategic decision to form a single unit in the Norwegian market. The brand under which this business is to be run is under discussion.

The SAS Group's brand structure

The SAS Group's overarching brand structure has been revised and refined. The purpose of the new structure is to better reflect the Group's portfolio strategy. Development of the structure is a step towards improving the process of ensuring that all companies are doing their part to increase the value of the master SAS brand. By the same token, the structure is meant to ensure that as a master brand SAS can contribute value to every single company and enhance its business opportunities.

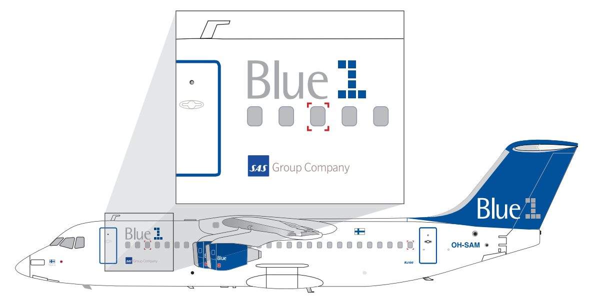
SAS is the Group's master brand and all airlines are grouped under airline brands. Scandinavian Airlines has attained a more distinct position by coupling its name with the identity of SAS's master brand.

The other brands under the SAS banner are being reviewed to ensure that they have strategies to support their brand and identity or to see whether some should be turned into separate brands with a new distinct identity.

The SAS Group's brand structure

Master brand	SAS
Corporate brand	SAS; SAS Group; SAS Group
Airline brands	SAS Scandinavian Airlines; snowflake SAS; SAS Commuter; Braathens; widerøe; Blue1; Spanair; airBaltic; Estonian Air
Airline Support brands	SAS Ground Services; SAS Cargo; SAS Technical Services
Related brands	travellink; SAS Flight Academy; European Aeronautical Group; SAS Media; Jetpak; SAS Trading
Hotel brands	Radisson SAS Hotels & Resorts; Rezidor SAS
Endorsement	SAS Group Company

Example of Endorsement



Endorsement strategy

To enhance affiliation with the SAS Group, the various brands are linked through a so-called endorsement strategy.

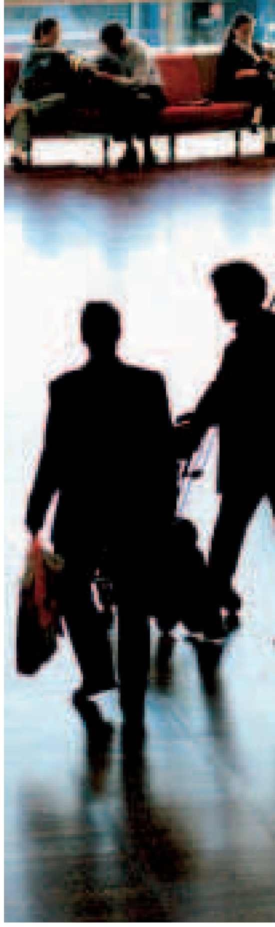
The current "A Member of the SAS Group" has functioned as an equity strategy and applies to the companies in which the SAS Group has a holding of more than 50%. This is now being changed to a more customer-focused strategy, "SAS Group Company," that will be introduced gradually in 2004 and will only cover the Group's affiliated companies.

Employees as brand builders

An important success factor in creating a strong brand is employee involvement. Particularly in the service industry, employees are the primary communicators of brands in their interaction with customers. Consequently, the management of each business in the Group must empower employees to understand and fulfill the brand's promises.

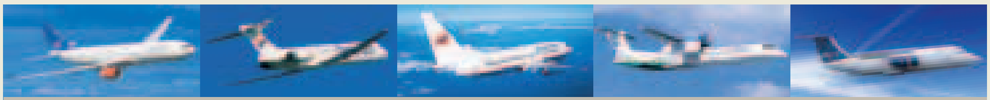
Sustainable development enhances brand value

Work on sustainability issues has an indirect impact on the value of the brand. For example, ongoing surveys have shown that green policies and practices are making a positive contribution to the development of Scandinavian Airlines' image and brand. How the Group handles sustainability issues will take on ever-greater importance for the valuation and public perception of the SAS brand.



The capital market

In its dialog with the capital market, the SAS Group's goal is to strengthen interest in the SAS Group's share among existing and potential investors by providing relevant, up-to-date and timely information. Investors and capital market players will be provided unambiguous information on the company's operations with a focus on improving shareholder value. The SAS Group endeavors to make itself available to the capital market through its presentations in Scandinavia and internationally.



The SAS Group's share is primarily listed on Stockholmsbörsen and secondarily listed in Copenhagen and Oslo. The Group's total market capitalization was MSEK 11,234 at the end of 2003. The number of shares traded rose by 29% in 2003.

Financial target

- The SAS Group's overriding financial target is to create value for its shareholders. The aim is for total shareholder return, that is, the sum of share price appreciation and dividends, to be at least 14% over a business cycle. This return requirement has been translated into an internal financial target, CFROI.

The SAS Group's policy on dissemination of information

- SAS Group's IR policy was approved by SAS AB's Board and is aimed at providing good and correct information to the capital market (www.sasgroup.net).

Trading codes - the share

	Reuters	Bloomberg
SAS AB, Copenhagen	SAS.CO	SAS DC
SAS AB, Oslo	SASNOK.OL	SAS NO
SAS AB, Stockholm	SAS.ST	SAS SS

ISIN code: SE0000805574

Dividend policy

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

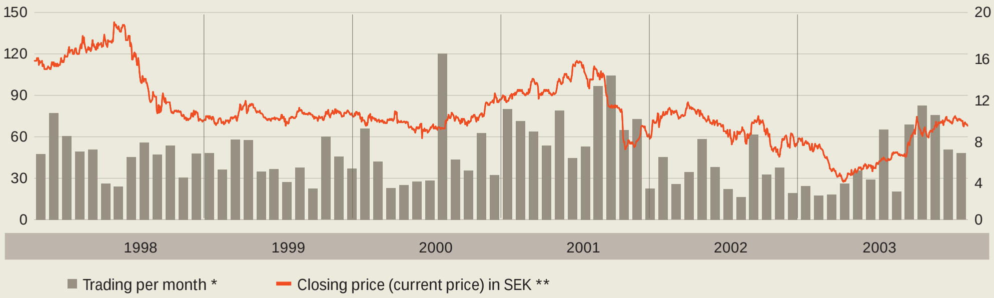
Financial strategy

- Financial flexibility is maintained through high liquidity, good access to funding and an active dialog with the capital market.
- The purpose of finance operations is to identify, manage and handle the SAS Group 's financial risks relating to currency, interest rates and credit.
- Because the aircraft fleet is regarded as a financial asset, optimization of fleet financing is accordingly achieved by taking operating efficiency requirements, tax effects, financing costs, capital employed, and market value into consideration.

Share data

The SAS Group's share price performance was negative in the beginning of the year. The share price began to climb in connection with the stabilization of traffic from May. Market capitalization rose from MSEK 8,329 to MSEK 11,234 at year-end, an increase of 34.9%. Average market capitalization in 2003 was MSEK 8,442 (10,865).

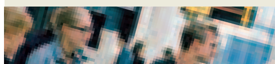
SAS Group's share price performance and trading volume 1998-2003



* Number of shares traded refers to total trading on the stock exchanges in Copenhagen, Oslo and Stockholm. Prior to July 6, 2001, it refers to the former parent companies SAS Danmark A/S, SAS Norge ASA and SAS Sverige AB and as of July 7, 2001, to SAS AB.

** Prior to July 6, 2001, the share price performance relates to the former listed parent company SAS Sverige AB. Subsequently the price performance relates to SAS AB on Stockholmsbörsen.

Sources: SIX and the SAS Group



Share data

Price performance in the industry

In early 2003 the market capitalization of several airlines was low following the negative share price trend in 2002. At the opening of 2003, the airline industry was affected by several factors beyond its control, such as the war in Iraq, SARS and the continued weak economy. This precipitated a negative price trend for airline shares until March/April 2003, when prices sank to their lowest level. After major hostilities ceased in Iraq and worries about SARS diminished, passenger traffic stabilized and share prices rose sharply for most airlines. Share prices of European airlines such as Alitalia, Easyjet, British Airways, Finnair, Iberia, KLM, Lufthansa and Ryanair climbed 27.2% in 2003. The SAS Group's market capitalization rose 34.9%, 7.7 percentage points better than comparable European competitors.

Key data per share 1999-2003

SEK	2003	2002	2001	2000	1999
Market capitalization, mill.	**11,234**	8,329	11,147	15,599	13,858
Number of shares traded, mill.	**71.7**	55.6	107.5	72.5	64.7
No. of shares at year-end, mill.	**164.5**	164.5	161.8	164.5	164.5
Income after tax	**–8.60**	–0.81	–6.65	12.98	8.38
Cash flow from operating activities	**–8.44**	13.06	–2.19	24.01	9.02
Dividend (2003 proposed)	**0.00**	0.00	0.00	4.50	4.00
Dividend as % of earnings after tax	**0%**	0%	0%	35%	48%
Book equity	**79.84**	92.33	97.14	106.50	97.33
Market price at year-end	**68.0**	49.4	68.0	90.0	76.0
Highest market price during the year	**75.0**	85.0	115.0	91.5	86.0
Lowest market price during the year	**27.4**	45.5	51.0	59.0	68.0
Average price	**51.3**	66.2	86.8	73.5	75.3
Share price/Equity per share, at year-end	**85%**	53%	70%	85%	78%
Dividend yield average price	**0.0%**	0.0%	0.0%	6.1%	5.3%
P/E ratio, average	**neg**	neg	neg	5.7	9.0
P/CE ratio, average	**neg**	neg	neg	3.1	8.4

Key figures pertain to the SAS Group and are calculated on 160,018,622 shares for 2001 and 163,747,100 shares for 2002. For other years the figures are based on 164,500,000 shares. The number of outstanding shares is calculated on a weighted average during the year (RR18).

Trading of the SAS Group's share

Trading of the SAS Group's share fell in early 2003 compared with 2002, but surged starting in June when worries about SARS abated. In 2003 the SAS Group was the ninth most traded airline share in Europe at SEK 4.1 billion, which corresponds to MUSD 505. Trading volume totaled 71.7 (55.6) million shares. Trading of the SAS Group's share corresponds to a trading volume of 44% (34%) of the total number of outstanding shares. Adjusted for the three states' 50% participation in the SAS Group, this corresponds to a trading volume of 87% (68%).

Most of the trading of SAS shares is now taking place in Stockholm, which accounts for 53% of the total number of shares traded. The SAS Group's share of total trading on Stockholmsbörsen rose in the second half of the year (see illustration on page 23). Trading measured by the number of shares in 2003 was distributed as follows: 19.7 (9.4) million in Copenhagen, 13.9 (19.1) million in Oslo and 38.1 (27.1) million in Stockholm.

Shareholders

The number of shareholders in the SAS Group increased in 2003 by 4.9% and at the end of the year the SAS Group had 20,789 (19,811) shareholders. The three Scandinavian states own altogether 50% of the SAS Group. The largest private shareholders are the Wallenberg Foundations, Folketrygdfondet, Odin Fondene and the State of New Jersey. Institutional private holdings represent altogether approximately 40-45% of total holdings in the SAS Group. Holdings by private individuals amount to 5-10%. The proportion of shareholders in Scandinavia amounted to approximately 90%, with approximately 10% of the share capital and voting rights held outside Scandinavia. Ownership outside the EEA came to approximately 3-4% of share capital.

Dividend

In the present circumstances of negative earnings from operations, financial strength is of utmost importance. The Board of Directors therefore proposes that no dividend be paid to SAS AB's shareholders for the 2003 fiscal year.

The SAS Group's return

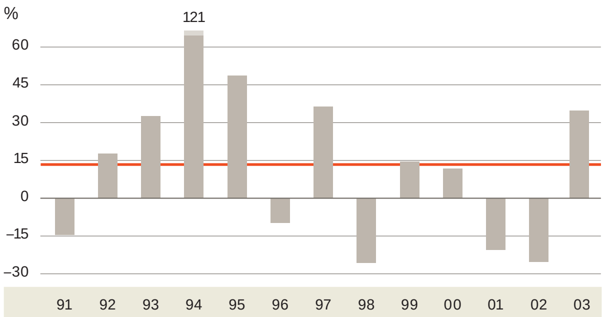
By the end of 2003, an investment of SEK 100 made on January 1, 1991, had grown to SEK 365 including reinvested dividends. This corresponds to an annual total return of 11%.

Total market capitalization performance for the SAS Group, 2003

The SAS Group's total market capitalization increased by 34.9% to MSEK 11,234.

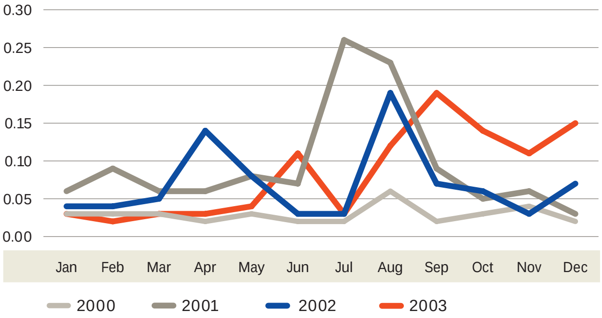
Sources: SIX and the SAS Group

Annual total return of the SAS Group share 1991-2003



Average annual effective return for the period 1991-2003 was 11%.

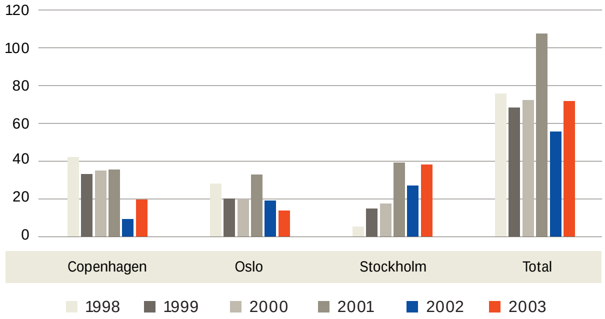
Share of total trading measured in Swedish kronor of the SAS Group's share on Stockholmsbörsen 2000-2003



The SAS Group's trading share on Stockholmsbörsen rose steadily and was considerably above the 2002 level by the end of 2003.

Sources: Stockholmsbörsen and the SAS Group

Volume of shares traded on the three exchanges, plus total, 1998-2003



Compared with 2002, the SAS Group's share trading in 2003 increased by 109% in Copenhagen and 41% in Stockholm, but fell by 27% in Oslo.

Source: SIX

Monitoring of the SAS Group by analysts

2003 opened with low trading volumes causing major structural changes in the capital market. Most of the major international banks continued during the year to regularly analyze the SAS Group's share. At year-end, around 20 analysts - more than the previous year - were monitoring the SAS Group's share.

The SAS Group's dialog with the capital market

The SAS Group's ambition is to offer up-to-date, relevant and timely information.

The SAS Group's website www.sasgroup.net contains up-to-date information on the Group's financial performance, stock market information, financial calendar, traffic statistics, environmental index, company information and other important data.

The SAS Group will be upgrading its website in 2004 to increase the service level to the market.

Each year, the SAS Group endeavors to organize the following activities on the capital market:

- *Analysts:* Quarterly meetings and phone conferences.
- *Investors:* Quarterly meetings in Copenhagen, Oslo, Stockholm and London, biannual meetings in the rest of Europe and the U.S. The SAS Group also takes part in industry seminars and conferences.
- *Brokers and the business press:* Quarterly meetings, annual seminars.

Distribution of shares

Dec. 31, 2003	Number of shareholders	Number of votes	% of share-capital	% of all shareholders
1-500	14,002	2,430,206	1.5%	67.3%
501-1,000	3,150	2,053,581	1.2%	15.2%
1,001-10,000	3,199	7,062,392	4.3%	15.4%
10,001-50,000	276	5,589,093	3.4%	1.3%
50,001-100,000	66	4,518,149	2.7%	0.3%
100,001-	96	140,280,071	85.3%	0.5%
Unknown owners		2,566,508	1.6%	–
Total	20,789	164,500,000	100.0%	100.0%

Breakdown of shareholders by stock exchange

	2003	2002	2001
Copenhagen	13,728	12,987	12,905
Oslo	1,831	1,949	1,918
Stockholm	5,230	4,875	4,700
Total	20,789	19,811	19,523

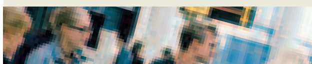
The 15 largest shareholders in the SAS Group

Dec. 31, 2003	Number of shares	Holding
Swedish State	35,250,000	21.4%
Danish State	23,500,000	14.3%
Norwegian State	23,500,000	14.3%
Wallenberg Foundations	13,155,980	8.0%
Folketrygdfondet	7,007,837	4.3%
Odin Fondene	3,381,120	2.1%
State of New Jersey Common Pension Fund	3,000,200	1.8%
National Bank of Denmark	2,289,294	1.4%
Första AP-fonden	2,208,397	1.3%
Alecta	1,393,044	0.8%
Livförsäkringsaktiebolaget	1,323,400	0.8%
The Swedish Trade Union Confederation	1,305,500	0.8%
Andra AP-fonden	1,156,812	0.7%
Gamla Livförsäkringsaktiebolaget	1,131,397	0.7%
Handelsbanken fonder	1,004,457	0.6%
Other shareholders	43,892,562	26.7%
Total	164,500,000	100%

Change in share capital *

Month/year	Event	Number of new shares	Total number of shares	Par value/share, SEK	Nom. share capital
05/2001	Company registration	50,000	50,000	10	500,000
07/2001	Non-cash issue	155,272,395	155,322,395	10	1,553,223,950
08/2001	Non-cash issue	6,494,001	161,816,396	10	1,618,163,960
05/2002	New issue	2,683,604	164,500,000	10	1,645,000,000

* *Before SAS AB was formed in May 2001 the SAS Group was listed through the three companies SAS Danmark A/S, SAS Norge ASA and SAS Sverige AB.*



Ten-year financial overview

					The SAS Group [1]				The SAS Group [2]	
Statements of income, MSEK	**2003**	2002	2001	2000	1999	1998	1997	1996	1995	1994
Operating revenue	**57,754**	64,944	51,433	47,540	43,746	40,946	38,928	35,189	35,403	36,886
Operating income before depreciation	**826**	3,547	743	3,710	2,731	4,101	4,102	3,668	4,761	3,404
Depreciation	**–3,046**	–2,953	–2,443	–2,192	–2,087	–2,125	–1,880	–1,851	–1,840	–2,000
Share of income in affiliated companies	**39**	–409	–70	–1	77	–20	88	5	97	–13
Income from the sale of shares in subsidiaries and affiliated companies	**651**	817	–24	1,033	283	1	1	–	6	869
Income from the sale of aircraft and buildings	**649**	–320	1,165	490	726	1,014	83	100	83	12
Income before tax	**–1,470**	–450	–1,140	2,829	1,885	2,921	2,314	2,031	2,659	1,604
Income before capital gains and nonrecurring items	**–2,221**	–736	–2,282	1,291	459	1,905	2,215	1,931	2,566	1,667
Balance sheets, MSEK										
Fixed assets	**42,768**	46,845	42,407	33,422	28,587	26,491	23,003	20,787	19,345	20,904
Current assets, excluding liquid assets	**9,441**	9,244	8,693	7,024	7,133	5,958	4,833	4,161	3,477	3,670
Liquid assets	**9,066**	10,721	11,662	8,979	8,495	8,024	9,828	11,074	10,078	10,725
Shareholders' equity	**13,134**	15,188	15,544	17,520	16,011	15,340	13,719	12,424	10,588	9,355
Long-term liabilities and provisions [3]	**25,855**	27,262	24,832	15,026	12,552	11,207	13,471	14,314	11,750	15,971
Current liabilities	**22,286**	24,360	22,386	16,879	15,652	13,926	10,474	9,284	10,562	9,973
Total assets	**61,275**	66,810	62,762	49,425	44,215	40,473	37,664	36,022	32,900	35,299
Cash flow statements, MSEK										
Cash flow from the year's operations	**–1,389**	2,138	–350	3,949	1,483	3,665	3,739	3,564	4,881	2,338
Investments	**–4,488**	–9,919	–11,676	–9,886	–5,845	–6,112	–3,256	–2,651	–1,399	–1,391
Sale of fixed assets etc.	**5,732**	6,055	8,382	5,559	6,601	2,360	252	1,066	619	4,332
Cash flow before financing operations	**–145**	–1,726	–3,644	–378	2,239	–87	735	1,979	4,101	5,279
New issue	**–**	197	–	–	–	–	–	644	–	–
Dividends [4]	**–**	–	–754	–666	–637	–678	–493	–2,204	–591	–
External financing, net	**–1,510**	588	7,081	1,528	–1,131	–1,039	–1,488	–562	–4,157	–3,872
Change in liquid assets according to balance sheets	**–1,655**	–941	2,683	484	471	–1,804	–1,246	–143	–647	1,407
Key ratios										
Gross profit margin, %	**1.4**	5.5	1.4	7.8	6.2	10.0	10.5	10.4	13.5	9.2
Return on capital employed (ROCE), %	**0.5**	3.7	0.0	10.9	8.7	13.4	11.6	10.7	15.6	10.5
Return on book equity after tax, %	**–10.3**	–0.9	–6.3	13.6	9.4	15.5	13.7	13.9	18.5	10.0
Equity/assets ratio, %	**22**	23	25	36	37	38	36	35	32	27
Income and capital concepts included in CFROI, MSEK										
Income										
Income before depreciation, EBITDA	**826**	3,547	743	3,710	2,731	4,101	4,102	3,666	4,761	3,404
+ Operating lease costs, aircraft	**2,935**	3,747	2,425	1,898	1,346	1,027	859	872	834	450
EBITDAR	**3,761**	7,294	3,168	5,608	4,077	5,128	4,961	4,538	5,595	3,854
– Operating lease revenue, aircraft	**–145**	–85	–16	–15	–66	–161	–179	–238	–382	–389
Adjusted EBITDAR	**3,616**	7,209	3,152	5,593	4,011	4,967	4,782	4,300	5,213	3,465
Adjusted average capital employed [5]										
+Shareholders' equity	**13,742**	14,890	16,887	16,238	15,348	14,530	13,072	12,424	10,588	9,355
+Minority interests	**119**	71	218	131	45	19	19	18	18	148
+Surplus value, aircraft	**167**	1,318	4,638	5,420	4,911	4,073	3,277	1,930	1,184	1,750
+Capitalized leasing costs, net (x7)	**22,844**	21,766	14,818	10,840	7,670	5,383	4,686	3,889	3,021	1,036
– Equity in affiliated companies	**–519**	–803	–1,087	–895	–1,126	–1,102	–705	–653	–586	–568
+Financial net debt	**19,031**	16,905	8,661	4,465	3,720	1,026	255	164	2,544	6,054
Adjusted capital employed	**55,384**	54,147	44,135	36,199	30,568	23,929	20,604	17,772	16,769	17,775
Cash Flow Return On Investments CFROI, %	**6.5**	13.3	7.1	15.5	13.1	20.8	23.2	24.2	31.1	19.5
Other financial data, MSEK										
Financial income	**1,096**	1,150	618	518	868	634	674	745	1,011	933
Financial expenses	**–1,684**	–2,282	–1,129	–729	–713	–684	–754	–634	–1,459	–1,601
Interest-bearing liabilities	**28,866**	29,782	26,124	14,563	11,802	10,277	10,589	11,810	12,935	17,417
Operating leasing capital	**19,530**	25,634	16,863	13,181	6,960	6,062	4,760	4,438	3,164	427
Net debt	**11,466**	11,574	7,652	794	–107	484	–185	164	2,544	6,054
Financial net debt	**18 ,122**	17,872	12,824	4,372	2,336	1,707	345	164	2,544	6,054
Debt/equity ratio [6]	**1.37**	1.16	0.81	0.25	0.14	0.11	0.03	0.02	0.2	0.6
Adjusted financial net debt (NPV)/equity	**2.13**	1.99	1.37	0.45	0.35	0.25	0.13	0.18	0.35	0.81
Adjusted financial net debt (x7)/equity	**2.92**	2.87	1.89	1.00	0.73	0.58	0.46	0.50	0.79	0.97
Interest expenses/average gross debt, %	**6.5**	6.9	4.4	5.2	5.4	6.1	6.3	5.7	8.3	7.7
Interest coverage ratio	**0.1**	0.8	0.0	5.0	3.6	5.3	4.0	4.2	2.8	2.0

[1] *Pertains to the SAS Group pro forma 1996-2000.* [2] *Pertains to the former SAS Group, i.e. the SAS Consortium with subsidiaries, but excluding SAS's former three parent companies (SAS Danmark A/S, SAS Norge ASA and SAS Sverige AB).* [3] *Including minority interests.* [4] *1993–1995 pertains to funds paid to parent companies.*
[5] *Average capital, 1997-2002* [6] *Calculated on financial net debt.* *Definitions and concepts, see page 88.*

Comments on the overview

The ten-year overview reports key figures for the SAS Group for 1996-2003, of which the years 1996-2000 are pro forma including the parent company. 1994-1995 presents the old SAS Group where the former three parent companies were not consolidated.

Traffic and earnings performance

Airlines and the SAS Group have historically been affected by crises and conflicts. The Gulf War in 1990-91 and the recession in the early 1990s precipitated fewer passengers and lower cargo volumes, which hit the SAS Group hard. The downturn occurred during a period when the company was carrying out large investments. Due to pressure on prices in combination with the recession and the weakening of the Swedish krona, the Board decided in 1993 to consolidate operations. Several holdings in subsidiaries were disposed of, negatively impacting operating revenue in 1994 and 1995. When the economy improved in 1994 in combination with large cost-cutting measures (SNU 94), operating income improved considerably.

1995 was the SAS Group's best year ever in terms of operating income and return on invested capital. The SAS Group's own return requirement, CFROI, amounted to 31.1%. Earnings declined in 1996, mainly because of higher costs. 1997 was a good year but in 1998 earnings were down due to higher costs, which led to the introduction of a program of measures. The downturn in earnings continued in 1999.

In 2000 times were good in the Scandinavian markets and the world economy. The high demand caused the price of jet fuel to rise, negatively impacting earnings. Thanks to declining fuel prices at the end of 2000 and the continued healthy economy, 2001 opened on a positive note. A slump occurred during the summer and the terrorist attacks on September 11, 2001 sent the airline industry into its worst crisis since the Gulf War. Income before capital gains and nonrecurring items in 2001 amounted to MSEK –2,282 and the action program Turnaround 2005 was implemented. Income before capital gains and nonrecurring items improved in 2002 to MSEK –736 but was still marked by the continued slump and price pressure due to increasing competition in the European airline market and changing passenger mix.

2003 opened on a very low ebb due to fears about the war in Iraq and the respiratory disease SARS, which caused the first quarter to be the worst in airline industry. The market stabilized in May-June. Overall, the markets in Scandinavia were weak during the year, which translated into considerably fewer passengers and continued pressure on prices. Income before capital gains and nonrecurring items amounted to MSEK –2,221. The return metric CFROI came to 7%.

CFROI

CFROI is the SAS Group's primary return term as this key ratio is the best way of showing the return the company generates in relation to actual capital input. This return target reflects the EV/EBITDAR multiple, which internationally is the most important financial key figure for airlines and is used by the majority of analysts in the airline industry. The SAS Group's goal is to achieve a market value that at the very least is on a par with the industry average and has a target average CFROI of at least 20% over a business cycle.

Airline-related and hotel operations shall have a return requirement corresponding to relevant targets for those industries.

Calculation of CFROI 2003

$$\frac{\text{Adjusted EBITDAR}}{\text{Adjusted capital employed}} = \frac{\text{MSEK 3,616}}{\text{MSEK 55,384}} = 7\%$$

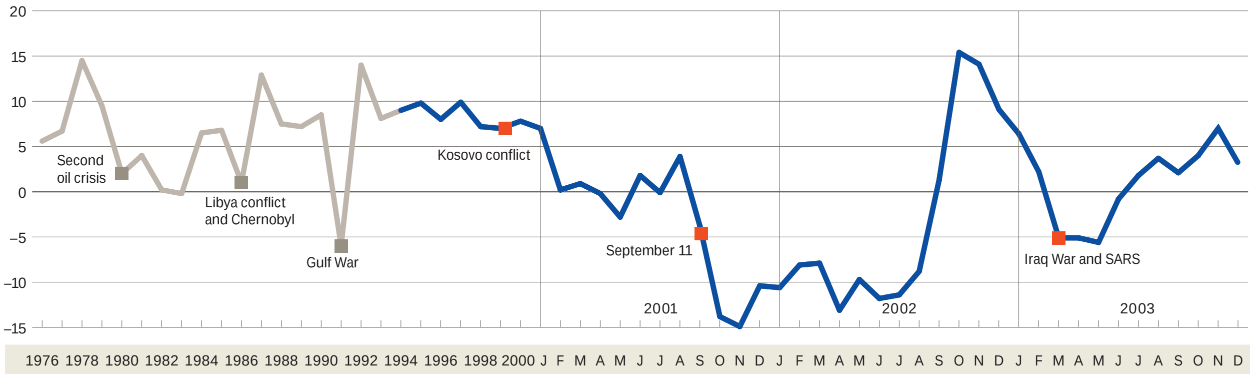
Income and capital concepts included in CFROI

MSEK	2003	2002
Income		
Income before depreciation, EBITDA	**826**	3,547
+ Operating lease costs, aircraft	**2,935**	3,747
EBITDAR	**3,761**	7,294
– Operating lease revenue, aircraft	**–145**	–85
Adjusted EBITDAR	**3,616**	7,209
Adjusted average capital employed		
+ Shareholders' equity	**13,742**	14,890
+ Minority interests	**119**	71
+ Surplus value, aircraft	**167**	1,318
+ Capitalized leasing costs, net (x7)*	**22,844**	21,766
– Equity in affiliated companies	**–519**	–803
+ Financial net debt	**19,031**	16,905
Adjusted average capital employed	**55,384**	54,147

** In the capital market a calculation model is used whereby the annual cost is multiplied by seven regardless of the fixed period of the lease. The SAS Group takes leasing revenue into account in this item. NPV (Net Present Value) amounted at the end of December to MSEK 10,028 (12,749). Average NPV for the 12-month period amounted to MSEK 11,130 (11,302).*

Development of total international scheduled flights for European carriers (AEA) 1976-2003

%, RPK growth



Source: AEA

Sensitivity analysis and seasonal variations

The airline industry is a sector that is highly affected by the economy and seasonal variations. Greater economic activity begets more meetings and conferences and more travel, which makes the airline industry and the SAS Group sensitive to change.

2003 was marked by low economic activity and growth, particularly in Norway and Sweden, which account for 55% of the SAS Group's ticket sales. Due to the weak economy, most airlines were affected by smaller numbers of business travelers, particularly at the start of the year, which put increased pressure on the yield.

Because of the war in Iraq and the SARS epidemic, the expected economic recovery in early 2003 did not happen and the SAS Group's largest customers had fewer numbers of business travelers. The end of 2003 saw signs indicating an upturn in the American economy as well as certain European economies. The chart below shows GDP growth in the SAS Group's key markets in 2003 as well as the share of total ticket sales in 2003 that these markets represent.

GDP growth in the SAS Group's key markets 2003

	GDP growth *	Group's share of sales
Norway	0.6%	34%
Sweden	1.5%	21%
Denmark	0.5%	9%
Spain	2.3%	10%
U.S.	2.9%	5%
Finland	1.0%	3%
Rest of Europe	0.5%	14%
Rest of world	–	4%

* *OECD November 26, 2003.*

Airline industry cycles

The airline industry has traditionally often found itself in a situation with overcapacity. New capacity has been added in recent years through the growth of low-fare airlines and an abundance of aircraft. Like most industries, profitability in the airline industry is affected by extraneous factors and by more controllable factors. Traditionally, traffic (RPK) has increased by approximately 5% per year. Higher economic activity means increased travel. The correlation between traffic growth and GDP growth has been the subject of many studies. Based on the rate of the last 30 years, traffic growth is deemed to have a multiplier of 2.5 times GDP.

The SAS Group's seasonal pattern

The SAS Group's profitability fluctuates during the year due to the fact that travel follows a definite seasonal pattern. A calendar year often opens with low traffic levels, which make January and February relatively weak. In the last five years the SAS Group's operating revenue in the first quarter has been 15% lower than the second quarter, which in terms of operating revenue is the biggest. Volumes surge in March-June, which are strong months for the SAS Group. Profitability is affected during the year by vacations when business travel drops significantly (for example during Easter). In July-August business activity in Scandinavia is very low, which means that revenues fall during this period even though traffic and the cabin factor are high. In conjunction with increased activities, revenues gradually rise from the end of August to October. The consolidation of Braathens and Spanair, which see higher activity than Scandinavian Airlines during the summer, reduces the Group's seasonal fluctuation somewhat.

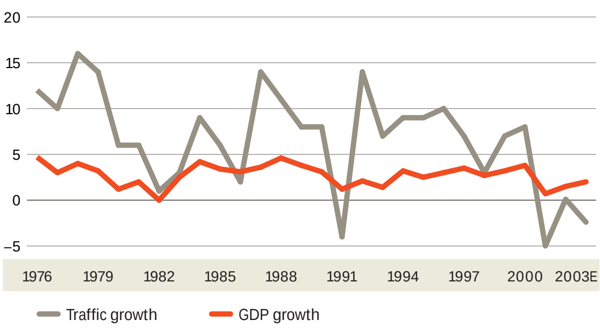
The SAS Group's sensitivity analysis *(For definitions, see page 88.)*

Approximate relations between main operational key figures for Scandinavian Airlines and the SAS Group's financial and environmental result.

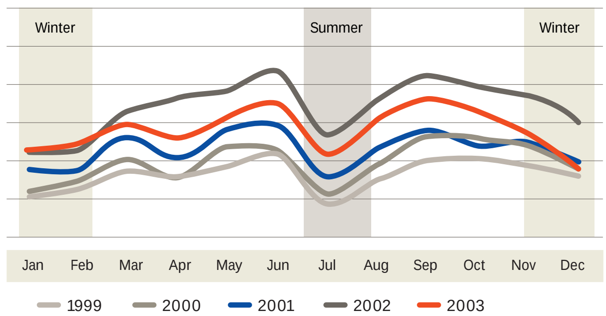
MSEK	Scandinavian Airlines	Group total
Passenger traffic		
1 % change in RPK	210	310
Cabin factor		
1 percentage point change in cabin factor	320	480
Unit revenue (Yield)		
1% change in passenger revenue per passenger km	260	390
Unit cost		
1% change in the airline business's unit cost	250	360
Jet fuel		
1% change in the price of jet fuel (MSEK)	30	50
1% change in consumption of jet fuel corresponds to tonnes of CO_2, (000)	40	60
Exchange rate sensitivity (revenues and expenses)		
1% weakening of SEK against USD		–80
1% weakening of SEK against NOK		45
1% weakening of SEK against DKK		–35
1% weakening of SEK against EUR		40
1% increase of the net debt		0-15

These effects on earnings cannot be totaled but reflect the earnings sensitivity for Scandinavian Airlines and the Group, respectively, in the current situation.

World traffic and GDP growth, 1976-2003

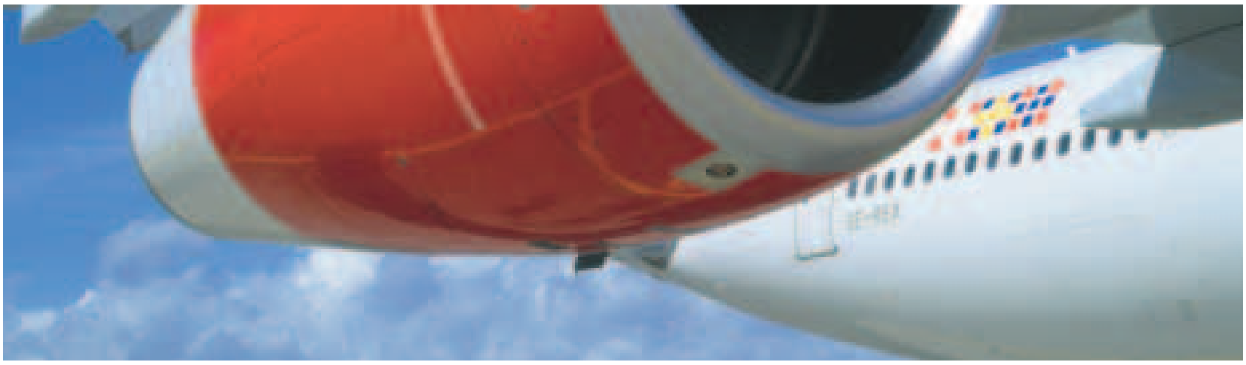


SAS Group - seasonal pattern in distribution of revenue 1999-2003



Investments and capital employed

The airline business is a capital-intensive industry. In 2000-2002 the SAS Group invested approximately MSEK 17,000 in new aircraft and spare parts. From 2003 onwards, the Group will have a considerably lower investment need, with investments in 2003 amounting to approximately MSEK 2,400.



SAS Group's total aircraft fleet

	Average age	Owned Dec. 03	Leased in*	Total Dec. 03	Leased out	Order
Airbus A340/A330	1.6	7	3	**10**		1
Airbus A321-200	1.8	8	5	**13**		4
Airbus A320	1.5		11	**11**		1
Boeing 767-300	13.7	3	2	**5**	2	
Boeing 737-series	5.4	33	50	**83**	8	3
Boeing 717	3.2		4	**4**		
Douglas MD-80-series	14.6	31	61	**92**	1	
Douglas MD-90-30	6.9	8		**8**		
Avro RJ-85/100	2.2		9	**9**		
Fokker F28	23.1	2		**2**	1	
Fokker F50	13.9	7		**7**	2	
deHavilland Q-series	5.9	21	32	**53**		
SAAB 2000	6.6		5	**5**		
Total	**8.3**	**120**	**182**	**302**	**14**	**9**

** Refers to aircraft under operating leases.*

Breakdown of the fleet by airline

	Average age	Owned Dec. 03	Leased in*	Total Dec. 03	Leased out	Order
Scandinavian Airlines	8.1	100	81	**181**	13	8
Spanair	9.7		51	**51**		1
Braathens	8.6	4	23	**27**	1	
Widerøe's Flyveselskap	8.4	16	13	**29**		
Blue1	3.6		14	**14**		

** Refers to aircraft under operating leases.*
For technical information on the SAS Group's aircraft fleet see page 114.

Aircraft on firm order (CAPEX) in 2004-2007

SAS Group	Total	2004	2005	2006	2007
MUSD (CAPEX)	**347**	123	44	55	125
Number of aircraft	**9**	3	1	1	4

At the close of 2003 neither Braathens, Widerøe nor Blue1 had any aircraft on order.

The SAS Group's aircraft fleet investments and capital employed

The SAS Group's aircraft fleet numbers 302 aircraft. Of these, 120 are owned and 182 leased via operating leases. From 1998 to 2003 Scandinavian Airlines carried out an extensive fleet renewal program that peaked in 2002.

In 2003 the SAS Group postponed deliveries of four Airbus 321s and two Boeing 737s, which will now be delivered in 2006 and 2007 instead of 2005. At the end of 2003 the SAS Group's firm orders of aircraft amounted to a value of MUSD 347. Investments other than investments in aircraft and spare parts come to approximately SEK 1 billion per year.

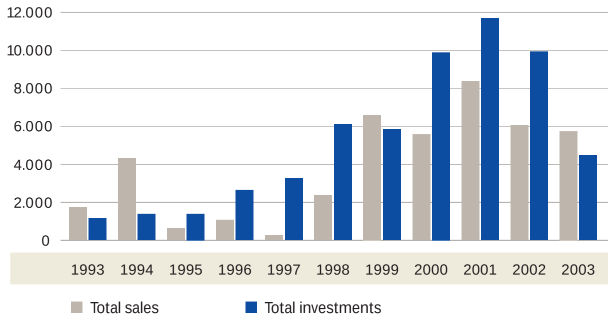
Market value of the SAS Group's aircraft fleet amounts to approximately SEK 45 billion. Optimal capital employment and a high utilization rate of the aircraft fleet are therefore important. With the different markets and seasonal variations found in the SAS Group's airlines, the SAS Group can allocate its aircraft fleet among the airlines. For example, Spanair can lease aircraft from Scandinavian Airlines during the summer months to increase the Group's overall utilization rate.

Operating lease commitments

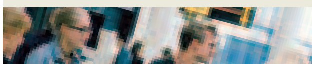
Operating leases are used as a tool for achieving optimal financing of the aircraft fleet and reducing capital employed. Flexible rights to extend the leases and early redemption increase operating

The SAS Group's total investments and sales, 1993-2003

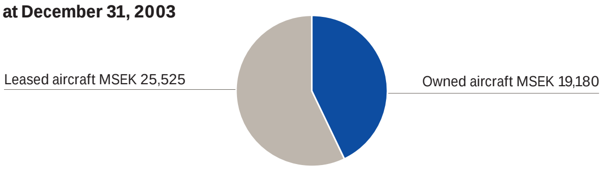
MSEK



Investments in the SAS Group's aircraft fleet peaked in 2002. The SAS Group's total investments for 1992-2003 amounted to MSEK 58,700.

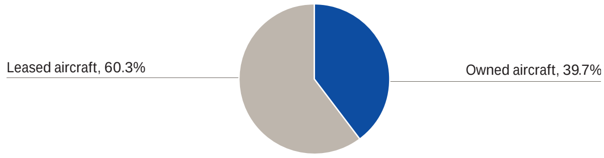


Breakdown of the market value of the SAS Group's total aircraft fleet at December 31, 2003



Total market value of the Group's aircraft fleet amounted to SEK 44.7 billion.

Breakdown of the SAS Group's owned and leased aircraft at December 31, 2003



At the end of 2003, 182 (60.3%) of the SAS Group's total aircraft fleet was leased.

flexibility, permitting better adjustment of the aircraft fleet to economic fluctuations. Reduced residual value risks are another positive effect of operating leases. The SAS Group previously used the present value of operating lease commitments for aircraft. Because the stock market largely uses a multiple of 7, the SAS Group has chosen to apply this method since November 2001. For the loan market the present value calculation is still relevant since it measures actual commitments. At year-end 2003 the present value of leasing contracts for the SAS Group was MSEK 10,028 or MUSD 1,378.

Contracted * operating aircraft leasing 2004-2007

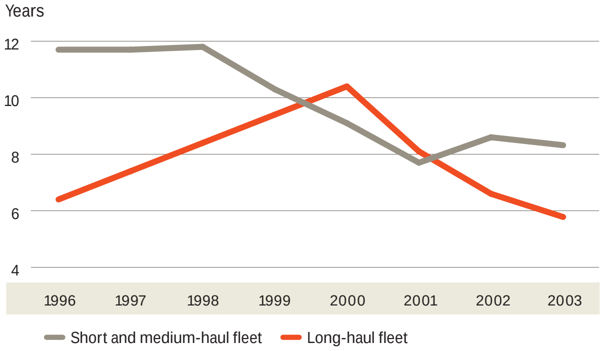
Present value (NPV) at 5.5% for 2004-2013			MUSD	MSEK
Scandinavian Airlines			539	3,918
Spanair			550	4,004
Braathens			209	1,523
Widerøe & Blue1			80	583
SAS Group			1,378	10,028
Capitalized leasing costs (x7), MSEK	2004	2005	2006	2007
SAS Group	18,739	18,494	16,821	14,819

* *Only existing contracted aircraft leasing contracts at December 31, 2003.*

Surplus of aircraft

The need for aircraft varies depending mainly on short and long-term production plans, seasonal variations and business environment factors. At the beginning of 2003 Scandinavian Airlines had a surplus, excluding leased out aircraft, of 37 aircraft. During the year the surplus decreased by 18 by returning the aircraft under existing leasing contracts, leasing them out, selling them or putting them into service. Of the 19 aircraft not needed for production at the start of the year, 11 were contracted for sale, lease or return during the first half of 2004, and the other aircraft are expected to be sold or leased in 2004.

Average age of aircraft fleet, 1996-2003



Since renewing its aircraft fleet from 1998 onwards the SAS Group has achieved a relatively young age for its aircraft.

The SAS Group's program to release capital

In recent years, the SAS Group has worked consistently to reduce the Group's total capital employed. Major transactions include a sale and leaseback transaction for 30 aircraft in 1999. In addition, approximately MSEK 11,000 worth of sale and leaseback transactions for 37 aircraft were done in 1999-2000. An MSEK 3,000 property transaction involving airport-related properties was also signed in 2001. Capital employed was further reduced in 2003 through MSEK 2,100 worth of sale and leaseback transactions for office properties in Copenhagen and Stockholm. Sale and leaseback transactions worth altogether approximately MSEK 2,800 for 14 aircraft were also completed during the year. They cover two Boeing 737s, eight deHavilland Q400s and four Airbus A320s.

Market value in the aircraft fleet

Over several years the SAS Group has built up substantial surplus value in the aircraft fleet. The amount of the surplus depends mainly on the market value of aircraft, choice of depreciation schedule, and the USD/SEK exchange rate. The estimated surplus value of aircraft owned by the SAS Group amounted as of December 31, 2003 to MSEK –400 (925), equivalent to depreciation for one quarter. The decline in the surplus value of Group aircraft since 2001 is due to the overcapacity that has driven prices down and that the USD/SEK exchange rate dropped by approximately 17% in 2003, negatively impacting the surplus value in SEK. To ensure objectivity the SAS Group's estimated market value is based on the average of three external valuations.

Weighted average cost of capital (WACC)

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

Accounting of the pension plans in the SAS Group

Since 1996 the SAS Group has followed International Accounting Standards, IAS 19, for accounting the Group's pension plans. The reporting of the size of the pension commitments is based on long-term assumptions regarding interest, inflation, salary increases etc. Any over and underfunding of the commitments is amortized according to the remaining earning period in the pension plans. The SAS Group has historically had a more conservative amortization period, five years, while the remaining earning period is 15-20 years. The assumptions for the various parameters in combination with a shorter amortization period have provided balance in the reporting of the Group's pension costs.

Due to the low rate of interest, the SAS Group has evaluated all parameters including the amortization period of over and underfundings. As a result of this a decision was made to reduce the interest rate assumption and adjust the amortization period to 15 years. The earnings effect of the change is neutral compared with previously assumed parameters. (For detailed information see Note 19 on page 78.)

Financing and creditworthiness

The SAS Group works to optimize financing through a large number of financial instruments on the world capital markets. Financial transactions and financial risks are managed centrally and coordinated by SAS Group Finance & Asset Management, through its external dealings in the financial markets. For further inforrmation see Note 30, page 81.

Financing

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

In 1997 the SAS Group signed an agreement for a syndicated loan facility of MUSD 700, with a term of seven years. By the end of 2003, MUSD 300 of the facility had been utilized. To maintain high financial preparedness, in December 2003 the SAS Group signed an agreement for a new syndicated loan facility of MEUR 400, which in May 2004 will replace the previous MUSD 700 facility. The new facility runs for three years, until May 2007.

In 2002 a MUSD 400 syndicated loan facility was arranged with 15 banks to finance aircraft investments. Originally scheduled to mature in December 2003, the facility was renegotiated in November 2003 to MUSD 300 and will be available in 2004 for drawing loans with terms of up to nine years. At year-end 2003 none of the facility had been utilized.

In December 2001 a general agreement for nearly MUSD 1,000 was arranged with four banks and the three export financing institutions in the U.K., France and Germany for financing Airbus deliveries. In 2003 the SAS Group utilized approximately MUSD 85 of this loan facility. At the end of 2003 approximately MUSD 100 remained, which has been allocated for delivery of an Airbus A330 in 2004.

In addition to the above-mentioned loan facilities, three short to medium-term bank facilities totaling altogether approximately MSEK 2,300, which matured in 2003, were extended until 2004.

Creditworthiness

To continuously ensure access to a broad base of financing sources, it is a goal of the SAS Group to maintain a level of indebtedness that over the long term permits the SAS Group to be viewed as an attractive borrower. To support this goal the SAS Group has established a number of financial targets regarding its equity/assets ratio and debt/equity ratio. The equity/assets ratio deteriorated somewhat in 2003 and was 22% at December 31, 2003. Financial net debt amounted to MSEK 18,122. In evaluating the creditworthiness of airlines it is important to take off-balance sheet financing such as operating leases into account. At the end of 2003, the SAS Group's lease-adjusted (present value) financial net debt relative to shareholders' equity was 213%.

Existing committed credit facilities for the SAS Group at Dec. 31, 2003

Facility	Corresponding value in MUSD Total facility	Utilized facility	Unutilized facility	Expiration of validity period
Revolving credit facility	700	300	400	May 2004
Revolving credit facility, 400 MEUR	500	0	0	May 2004-May 2007
Aircraft Finance Lease facility	300	0	300	Dec 2004
Bilateral bank facilities	144	0	144	Mar/Apr 2004
Other	150	95	55	2004
Total		**395**	**899**	

Long-term targets for equity/assets and debt/equity ratios

Equity/assets	> 30%
Financial net debt + 7x Operating leasing/Equity	< 100%
Financial net debt + NPV Operating leasing/Equity	< 100%
Financial net debt/Equity	< 50%

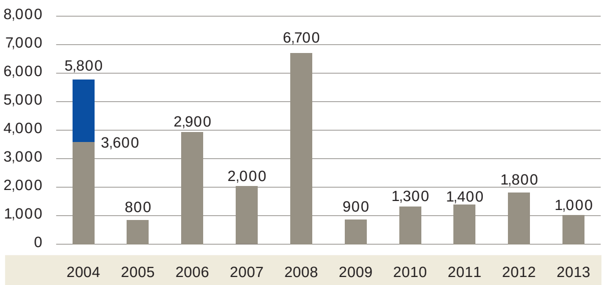
Senior Implied and Unsecured rating in the airline industry (Moody's)

At Dec. 31, 2003	Senior Implied	Unsecured	Outlook
Southwest	-	Baa1	stable
Qantas	-	Baa1	stable
Lufthansa	-	Baa2	stable
British Airways	Ba1	Ba2	negative
Japan Air Lines	-	Ba3	negative
All Nippon Airways	-	Ba3	negative
SAS Group	Ba3	B1	stable *
Northwest Airlines	-	B2	negative
Delta Air Lines	B1	B3	negative
American Airlines	B3	Caa2	negative
Continental Airlines	B3	Caa2	negative
United Airlines	Caa3	Ca	negative

** In 2003 the SAS Group's Senior Implied rating by the American rating service Moody's was downgraded three notches from Baa3 to Ba3 for long-term debt. In June the outlook was changed from negative to stable.*

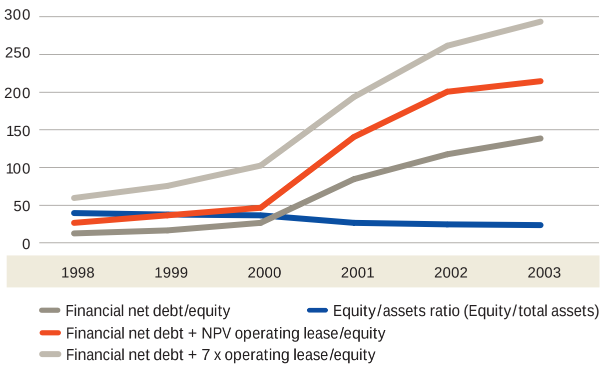
In January 2004 the outlook for the SAS Group went from stable to negative. The Group's creditworthiness is average compared with other airlines. The SAS Group also receives credit ratings from the Japanese rating institute Rating and Investment Information, Inc. In December 2003 the rating for long-term debt was BBB and A2 for short-term debt.

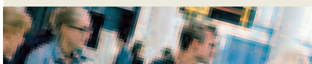
Amortization of interest-bearing liabilities at December 31, 2003, MSEK



The diagram shows planned amortization of the SAS Group's gross interest-bearing liabilities. The blue part of the bar shows a revolving credit facility corresponding to MUSD 300 that will be repaid in May 2004 and replaced by a new credit facility.

Equity/assets and debt/equity ratios for the SAS Group, 1998-2003, %





Financial risk management

Through its international and capital-intensive operations, the SAS Group is exposed to various types of financial risks - liquidity and borrowing risks, credit risks, currency risks and interest rate risks.

Liquidity and borrowing risks

Liquidity and borrowing risks refer to the risk that sufficient liquidity is not available when required, and that refinancing of matured loans will be costly or problematic. To manage the borrowing risk, the aim is to spread the SAS Group's maturity profile over time so that a maximum of 25% of the gross debt falls due over the coming 12-month period.

The liquidity reserve should correspond to three months' fixed operating costs (approximately MSEK 9,000). Of the liquid funds, the SAS Group must keep at least 75% of the reserve in short-term investments, cash and bank deposits (approximately MSEK 7,000). Besides the liquidity reserve there should be a financial preparedness of unutilized contracted lines of credit corresponding to 10% of the SAS Group's forecast annual operating revenue with seasonal variations taken into account.

The SAS Group's liquid assets are to be held in instruments with good liquidity or a short term and have a minimum creditworthiness of A3 according to Moody's credit rating service. As of December 31, 2003, actual liquidity amounted to approximately MSEK 9,066 (10,721). The SAS Group had total unutilized credit facilities of approximately MSEK 6,500 at December 31, 2003. Total financial preparedness thus amounted to MSEK 15,600.

Credit risks/counterparty risks

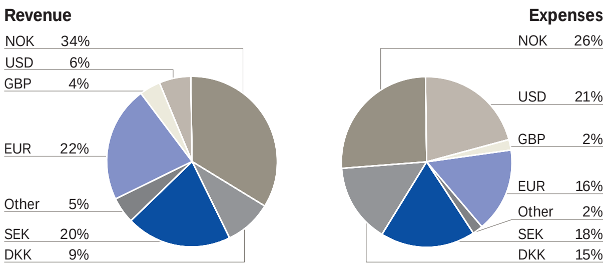
Credit risks arise when a counterparty does not fulfill his contractual obligations. For investments the credit risk is the nominal amount. The credit risk of derivative instruments is determined according to international market practice. The financial policy stipulates that transactions should be primarily carried out with counterparties with high creditworthiness, which is defined as category A3 or better according to Moody's. ISDA agreements (netting agreements) are signed with most counterparties. Limits are set for each counterparty and are continuously revised.

Currency risk and currency breakdown of financial net debt

The SAS Group has currency exposure to both transaction risk and translation risk.

Transaction risk arises when commercial flows are denominated in different currencies and the exchange rates fluctuate, impacting earnings. Hedging of forecast commercial currency flows (surplus and deficit currencies) is done on an ongoing basis between 60-90% based on a 12-month rolling liquidity forecast.

Currency breakdown by % for the SAS Group 2003



Estimated currency breakdown of operating income (EBITDA), 2003

	Surplus currencies		Deficit currencies	
	NOK	4,500	USD	8,000
	SEK	1,300	DKK	3,600
	EUR	3,700		
	Other	2,900		

EBITDA amounted to approx. MSEK 800.

Net commercial deficit currencies are mainly DKK and USD. Of the financial deficit in USD, the SAS Group, at the turn of 2003/3004, had hedged the currency at the lower end of the interval between 60-90%.

Translation risk comprises the translation effects on balance sheet items in foreign currencies due to changes in exchange rates. To limit translation risk the financial net debt should be kept mainly in the accounting currency of the respective company. Furthermore, a share of the financial net debt is kept in USD, as a large portion of the asset base is made up of aircraft where the investments and market values are in USD.

Interest rate risks

The SAS Group's interest rate risk comprises the negative changes in market value that arise due to movement in the yield curve (market interest rates at different maturities). The objective is to keep the fixed-interest period for the financial net debt at 3.5 years, although it is permitted to vary between one and six years.

The average fixed-interest period at December 31, 2003, was approximately 2.3 (2.9) years. The term of the interest-bearing gross debt amounted to approximately 3.8 (4.6) years at year-end. At December 31, 2003, the Group's gross interest-bearing liabilities amounted to MSEK 28,866 (29,782).

Price risk relating to jet fuel

The SAS Group is exposed to price risk regarding changes in the world market price of jet fuel. Of the SAS Group's cost base in 2003, approximately 8.3% comprised fuel costs.

The SAS Group's policy is to hedge normally 40-60% of the forecast consumption on a rolling 12-month basis. This practice may be departed from when extreme price hikes are estimated due to war etc.

In 2003 the SAS Group hedged an average of 80% of its fuel purchases. Of the anticipated consumption in 2004, the SAS Group has so far hedged the first quarter, mainly with caps options.

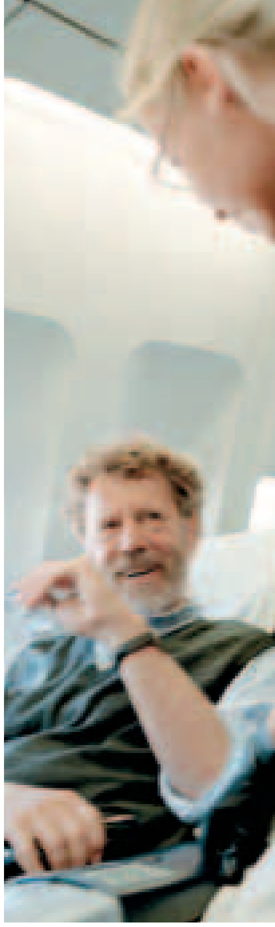
Coordination of the SAS Group's price hedging of jet fuel for all airlines was completed in 2003.

The SAS Group's insurance policies

All assets and operations are to have optimal insurance coverage based on competitive terms in the global insurance market. The SAS Group's airline insurance contracts are of the all risks type and cover the aircraft fleet, spare parts and other technical equipment as well as liability exposure associated with airline operations.

Business area

Scandinavian Airlines www.scandinavian.net



Scandinavian Airlines' main task is to operate airline services and offer competitive flight connections in, from, to and via Scandinavia. The business is divided into four business units: Denmark, Norway, Sweden and intercontinental. A new organization went into effect in August 2003 and points the way from a centrally managed organization to a model with more independent regional units. The aim is to create an organization with clear responsibility for earnings and transparency, closeness to the market and quick decision-making. As part of this process the sales operation SAS World Sales has been integrated locally and centrally. Because the restructuring was done recently, there will be no external reporting of the four business units in 2003 and 2004.

Statement of income			
MSEK	**2003**	2002	2002[1]
Passenger revenue	**26,175**	33,016	33,016
Other traffic revenue[2]	**2,812**	2,509	2,509
Other revenue	**2,677**	1,638	2,579
Operating revenue	**31,664**	37,163	38,104
Payroll expenses	**–7,816**	–6,622	–7,916
Selling costs	**–852**	–5,322	–2,010
Jet fuel	**–2,894**	–3,184	–3,184
Government user fees	**–3,170**	–3,553	–3,553
Catering costs	**–1,188**	–1,389	–1,389
Handling costs	**–4,679**	–5,348	–5,413
Technical aircraft maintenance	**–4,287**	–5,131	–5,131
Computer and tele - communications costs	**–1,860**	–457	–2,132
Other operating expenses	**–3,417**	–2,842	–3,881
Operating expenses	**–30,163**	–33,848	–34,609
Income before depreciation and leasing costs, EBITDAR	**1,501**	3,315	3,495
Leasing costs for aircraft	**–1,328**	–1,702	–1,702
Income before depreciation, EBITDA	**173**	1,613	1,793
Depreciation	**–1,427**	–1,312	–1,368
Share of income in affiliated companies	**65**	67	67
Capital gains	**113**	–436	–436
Operating income, EBIT	**–1,076**	–68	56
Income from other shares and participations	**5**	0	0
Net financial items	**–672**	–964	–996
Income before tax, EBT	**–1,743**	–1,032	–940

[1] *Pro forma incl. SAS World Sales. The figures are comparable with 2003.*
[2] *Includes ECA with MSEK –244 (–418). See page 60.*

Key figures		
	2003	2002[1]
EBITDAR margin	**4.7%**	9.2%
CFROI	**5%**	9%[2]
Number of destinations	**85**	86
Number of passengers, scheduled, mill	**19.3**	21.9
Average scheduled flight distance, scheduled (km)	**851**	779
Number of aircraft	**181**	199
Number of daily departures (average)	**700**	810
Average number of employees	**9,147**	10,046[3]
CO_2 emissions, 000 tonnes	**3,529**	3,765
Environmental index (target: 2004: 76)	**78**	78

[1] *Pro forma including SAS World Sales.* [2] *Excluding SAS World Sales.*
[3] *Of which 2,490 pertains to SAS World Sales, which was integrated into Scandinavian Airlines in 2003*

Earnings performance *

To create long-term competitiveness, Scandinavian Airlines is implementing structural efficiency enhancement measures within the framework of Turnaround 2005.

Scandinavian Airlines' operating revenue including SAS World Sales decreased in the full year 2003 by MSEK 6,440 to MSEK 31,644 (38,104). Adjusted for currency effects, the decline was 11.5%. Passenger revenue decreased by 20.7%, or MSEK 6,841. Adjusted for currency effects, passenger revenue decreased by 17.4%.

Operating expenses decreased during the full year by MSEK 4,446 or 12.8%. A salary freeze was introduced for the period April 1 - December 31, 2003. The fuel price was considerably higher than in 2002 but costs were reduced by positive currency effects and lower volumes.

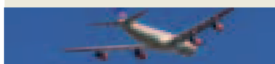
The joint venture agreement, ECA (European Cooperation Agreement), between British Midland, Lufthansa and Scandinavian Airlines had a negative earnings impact for the full year 2003 of MSEK –244 (–418).

Operating income before depreciation and leasing costs (EBITDAR) amounted to MSEK 1,501 (3,495) for the year. Income excluding capital gains was MSEK –1,861 (–504).

** Comparative figures pertain to pro forma.*

- Important events
- Objectives
- Strategies
- Achievement of targets
- Loyalty program
- Destinations
- New business structure and base distribution
- Traffic and market trends
- Market outlook
- Operational key figures

Sören Belin
Chief Operating Officer
Responsible for the business area Scandinavian Airlines



Founded	1946
COO	Sören Belin
Important events in 2003	■ The low-fare concept snowflake was launched. ■ Decisions were made on further structural cost and efficiency-enhancement measures. ■ As part of Turnaround 2005, the business was reorganized into more independent regional entities. ■ Fares for travel within Scandinavia cut by up to 20% ■ SAS World Sales was reintegrated into Scandinavian Airlines.

Background

The airline was formed in 1946 through a consolidation of three national airlines in Denmark, Norway and Sweden. It is Northern Europe's largest, with approximately 20 million passengers within Scandinavia and to and from the rest of Europe, North America and Asia. Scandinavian Airlines is a founding member of the world's biggest global airline alliance, Star Alliance™. Scandinavian Airlines also cooperates with the other airlines in the SAS Group and with a number of European partners. All together, Scandinavian Airlines operates 181 aircraft to 85 destinations (including 20 snowflake destinations). This business area is the SAS Group's largest, accounting for 44% of the Group's total operating revenue.

The SAS Group's sales unit SAS World Sales was integrated into the business area in August 2003 and also coordinates the SAS Group's sales resources.

The business area also includes the production company SAS Commuter, which operates deHavilland Q400 aircraft on shorter hops within Scandinavia and Europe. Scandinavian Airlines' low-fare concept under the snowflake brand operates four Boeing 737-800s, primarily to destinations in Southern Europe not served by Scandinavian Airlines' scheduled flights.

Objectives

The aim is to create a vigorous Scandinavian Airlines that can grow profitably, regain market shares and capture new ones, emerging as *"Scandinavia's most efficient short and medium-haul operator and Northern Europe's leading intercontinental operator."*

As Scandinavian Airlines strengthens its competitiveness its aim is to increase its traffic, at least in step with the market. The business aims to:

- Fly more on existing routes and resume service on suspended routes.
- Open new European non-stop routes from Scandinavia's three capitals.
- Further serve leisure destinations in Southern Europe, for example.
- Within the framework of the existing fleet, open new intercontinental routes.

Financial target

Scandinavian Airlines financial target is to attain a CFROI of at least 20% over a business cycle.

Main strategic focus

Scandinavian Airlines will maintain its main focus on business travelers, but widen it also to include more of the leisure travel market as well.

Strategies

The strategy for 2004-2006 *"The journey to sustained profitability"* consists of three priority areas:

- *Turnaround 2005* - The streamlining of the entire organization has the goal of establishing a competitive cost and productivity level at Scandinavian Airlines.
- *New organization and management model* - Going from a centrally controlled model to an organization comprising more independent profit units creates a business with clearer responsibility for earnings and transparency as well as greater closeness and shorter lead times to the market.
- *Increased revenues* - Customers, the market and the competition have changed drastically. To secure and increase its revenue generation, Scandinavian Airlines is working to restructure and reformulate large segments of its commercial strategies and principles.

Achievement of targets in 2003

Financial targets

CFROI for 2003 came to 5%, falling short of the target by 15 percentage points.

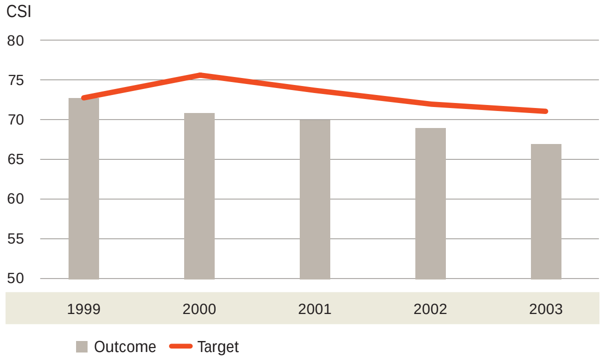
Customer targets

The Customer Satisfaction Index, CSI, reflects how well Scandinavian Airlines meets customer expectations. For 2003 the CSI target was 71 and the score was 67, which was below the 2002 level. The CSI showed that customer perceptions of Scandinavian Airlines' image was that price competitiveness and certain service elements had deteriorated. This performance indicates that certain changes in Scandinavian Airlines' service in some areas were not received positively, and this will be adjusted in 2004. At the same time, the survey showed that perception of the pilots' information improved and that customer-perceived punctuality was at the same level as previous years'.

Paramount targets

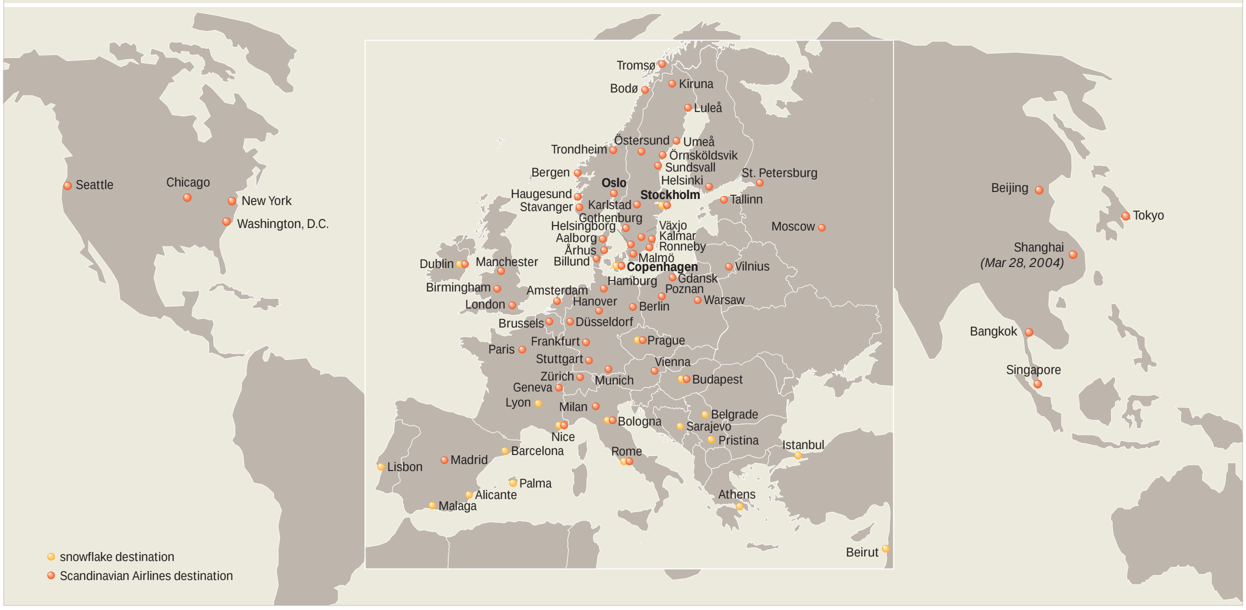
	Target 2003	2003	2002
Customer Satisfaction Index, CSI	71	67	69
Environmental Index	79	78	78

Scandinavian Airlines – Customer Satisfaction Index 1999-2003



In 2003 the Customer Satisfaction Index (CSI) was 67 and the target was 71.

Scandinavian Airlines' and snowflake's destinations excluding code-share and alliances (at January 1, 2004)



Quality targets

Scandinavian Airlines' goal is to be Europe's most punctual airline. The punctuality target is for 92% of flights in the summer months and 88% of flights in the winter months to take off on time (within 15 minutes). Scandinavian Airlines achieved punctuality of 90.2% (88.2%), making it Europe's fifth most punctual airline. For arrivals, Scandinavian Airlines was the third most punctual airline in Europe.

The target for regularity, the percentage of non-canceled flights, is a minimum of 99% in the summer months and 98% in the winter months. In 2003 average regularity of 98.8% (98.5%) was attained.

Environmental targets

Scandinavian Airlines intends to be one of the leading players in the airline industry regarding environmental adaptation and integrating environmental management into its business management process.

The most important environmental target is for the environmental index to improve by three points per year between 1996 and 2004. Although the total target has already been achieved, the index for 2003 is unchanged compared with the index for 2002 (see also page 106).

Operating standard and actual results			Target
	2003	2002	
Total loss	**0**	0	0
Damaged baggage	**0.17%**	0.16%	0.05%
Number of customers who have to wait so long for a reply from telephone reservations that the call is lost	**13.9%**	15.6%	max. 7%
Delayed baggage	**1.0%**	0.7%	0.4%

Regularity and punctuality			Target	
	2003	2002	Winter (Oct-Mar)	Summer (Apr-Sep)
Regularity	**98.8**	98.5	98.0	99.0
Punctuality (within 2 minutes)	**67.4**	63.1	65.0	70.0
Punctuality (within 15 minutes)	**90.2**	88.2	88.0	92.0

Loyalty program

In all, Scandinavian Airlines' loyalty program EuroBonus now has 2.8 million members. In 2003 EuroBonus helped to increase revenue and loyalty to the SAS Group by establishing and developing a relationship with members. The number of members increased in 2003 by 11% over the previous year. Customer surveys indicate that members' general perception of the program improved by 10% during the year.

As a consequence of Braathens' joining the SAS Group, Braathens' loyalty program was successfully integrated with EuroBonus. The program was strengthened in 2003 through offering customers added opportunities to earn points such as "co-branding" with debit/credit cards, currently MasterCard and Diners, and earning points in EuroShop outlets. Asiana and LOT have joined as partner airlines. Opportunities to earn points at hotels and redeem them as free accommodation have also increased through new partners Rica, Sol Melia and Park Inn hotels.

Key figures for EuroBonus			
	2003[1]	2002	Change
Total number of members	**2,824,249**	2, 539,826	11.2%
- in Denmark	**458,265**	414,294	10.6%
- in Norway	**933,014**	808,908	15.3%
- in Sweden	**675,799**	618,908	9.2%
- international	**757,171**	697,716	8.5%
Proportion of Gold members	**2.6%**	3.6%	–1.0 pts.[2]
Proportion of Silver members	**8,0%**	8.0%	0.0 pts.[2]

[1] *Braathens' loyalty program integrated into EuroBonus.*
[2] *Change in percentage points (pts.).*

Operational key figures	
Market share of home market	approx. 50%
Block hours, aircraft	7.4 hours/day
Block hours, pilots	470 hours/year
Block hours, cabin crew	530 hours/year
Unit cost	SEK 0.88/ASK

New business structure and base distribution

Scandinavian Airlines reorganized its operations in August 2003. The new organization points the way from a centrally managed organization to a model with more independent regional units and is divided into three bases plus intercontinental.

Aim

The aim of the new business structure is to:

- create a business with clear responsibility for earnings that by virtue of its closeness to the market has the opportunity to quickly adapt to changing market conditions
- ensure the implementation of Turnaround 2005
- break up the complexity and negative impact of the cost level resulting from optimizing the production system on an airline-wide basis.

Market

Scandinavian Airlines currently serves traffic flows

- in the home market, i.e. in Scandinavia and between Scandinavia and the Baltic region
- between the home market and Europe and selected intercontinental markets in the U.S. and Asia.

SAS

”Long”	”Medium”	”Direct”	”snowflake”
Intercontinental routes	Europe	Domestic and intra-Scandinavian routes	Vacation destinations
Business destinations	Business destinations	Business destinations	One service class
Three service classes	Two service classes	One service class	Leisure travelers
Business and leisure travelers	Business and leisure travelers	Business and leisure travelers	

For each of these traffic flows the company has developed product concepts based on customer needs, willingness to pay and the competitive situation in the market.

Targets for production bases

Fleet

- Standardized fleet per base
- Fewer types of aircraft
- Uniform configuration

Products on board

- Service levels will be adjusted according to traffic flow and customer requirements

Production philosophy

- 100% hub & spoke
- Point-to-point
- In planning, the entire production resource shall be optimized for the respective base
- Production resources at the respective bases.

Management principles

- Cost and revenues occur in the same place
- Responsibility for earnings in local unit
- Businesslike relations
- Cost focus

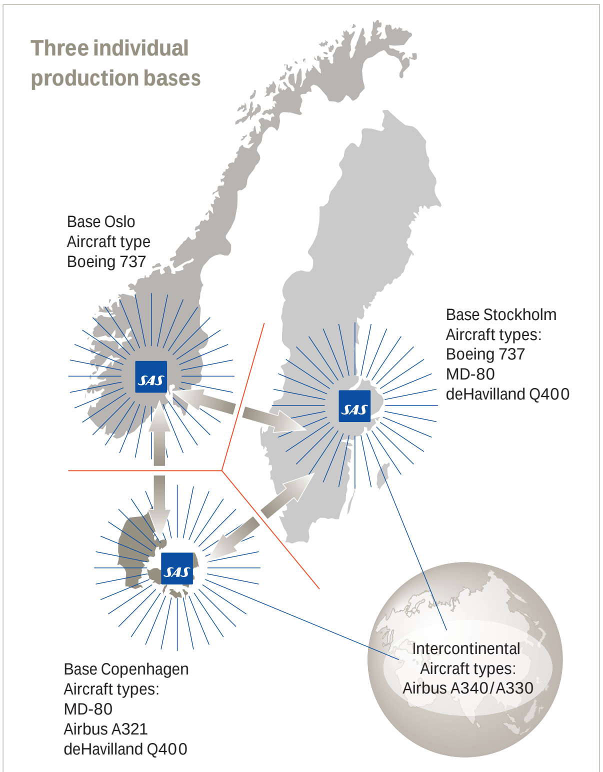
New structure at Scandinavian Airlines

The business is divided into four profit units: Denmark, Norway, Sweden and intercontinental. In February 2004 the SAS Group board made a strategic decision to form a single unit in Norway, which will affect the structure of Scandinavian Airlines there, and to explore a possible incorporation of Scandinavian Airlines. The new organization will see to it that the profit units have the prerequisites for optimization within central guidelines.

Implementation of independent production bases

A first step towards base distribution was made in conjunction with the introduction of hub & spoke scheduling of airports for the winter 2002 program. A decision on a complete transfer to the three individual production systems was made in May 2003. In August 2003 the administration was organized according to the new model. During the first half of 2004 cabin crew are expected to be integrated into the three bases. Pilots will have to undergo partial retraining according to their respective base’s aircraft types and will be fully integrated into the three independent bases at the end of 2004. The division of aircraft and crews between bases is expected to be fully completed in fourth quarter 2004.

The new production system is characterized by its *small-scale, transparency, simplicity and competitiveness.*



Traffic and market trends

Scandinavian Airlines' total passenger traffic fell in 2003 by 5.6%. Traffic was very negatively impacted at the beginning of the year by the war in Iraq and the SARS epidemic. The weak economy, capacity cutbacks and increased competition in the Scandinavian countries also contributed to the negative performance.

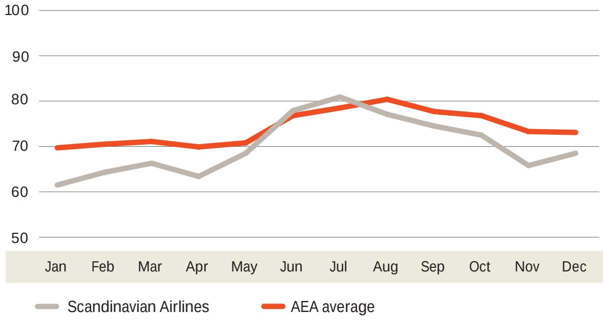
Intra-Scandinavian and domestic traffic

The markets and the economy in Scandinavia were weak in 2003, and traffic contracted by 22.1%. Capacity shrank by 20.9% in the wake of the closure of traffic to Greenland, domestic routes in Sweden, feeder lines from southern Sweden to Copenhagen and traffic reorganization of the Norwegian domestic market. Competition increased in Scandinavia during the year through a new player on the intra-Scandinavian routes.

European traffic

Traffic on European routes was weak in the first half, falling by 3.7%, but stabilizing in May-June and rising thereafter. The increase was attributed to the phasing in of the low-fare concept snowflake, which accounted for 9.8% of the European traffic.

Scandinavian Airlines' cabin factor relative to European airlines, 2003
%, total international traffic



Intercontinental traffic

Scandinavian Airlines' intercontinental traffic was negatively affected primarily by the war in Iraq and SARS. Due to lower demand, capacity to Beijing and Bangkok/Singapore was cut in May-August. In February a new Airbus A330 was put into service to North America. Traffic over the North Atlantic developed well from May and rose during the year by approximately 9%, but capacity was seasonally adjusted to New York from October. The cabin factor over the North Atlantic was 76.8% (81.8%) for the year.

Yield trend

The currency-adjusted yield fell by 12.5%. Yield is affected by nonrecurring factors such as the new commission model of travel agencies in Scandinavia, the introduction of the low-fare concept snowflake and the increasing share of intercontinental traffic. Adjusted for these nonrecurring factors, the yield fell 6-7%.

Market outlook

In 2004 Scandinavian Airlines expects an increase in both capacity and passenger volume. In Scandinavia the aim is for the airline to achieve growth on a par with the market. For European and international travelers, passenger growth somewhat higher than the market rate is expected. Intercontinental traffic volumes are expected to grow in 2004.

The yield trend for 2004 is expected to be negative.

Scandinavian Airlines - Traffic, production and yield

Total passenger traffic	**2003**	2002	förändr.
Number of passengers, (000)	**19,260**	21,866	–11.9%
Revenue passenger kilometers, RPK, million	**21,901**	23,212	–5.6%
Available seat kilometers, ASK, million	**33,333**	34,096	–2.2%
Cabin factor	**65.7%**	68.1%	–2.4 pts.*
Yield, currency adjusted, SEK	**1.20**	1.37	–12.5%
Intra-Scandinavian traffic			
Number of passengers, (000)	**2,998**	3,638	–17.6%
Revenue passenger kilometers, RPK, million	**1,447**	1,754	–17.5%
Available seat kilometers, ASK, million	**2,636**	3,156	–16.5%
Cabin factor	**54.9%**	55.6%	–0.7pts.*
Yield, currency adjusted, SEK			–9.0%
Danish domestic traffic (incl. Greenland)**			
Number of passengers, (000)	**707**	877	–19.4%
Revenue passenger kilometers, RPK, milllion	**147**	313	–52.9%
Available seat kilometers, ASK, million	**282**	529	–46.6%
Cabin factor	**52.2%**	59.2%	–7.0 pts.*
Yield, currency adjusted, SEK			40.4%
Norwegian domestic traffic			
Number of passengers, (000)	**2,854**	3,557	–19.8%
Revenue passenger kilometers, RPK, million	**1,067**	1,467	–27.3%
Available seat kilometers, ASK, million	**1,854**	2,523	–26.5%
Cabin factor	**57.5%**	58.1%	–0.6 pts.*
Yield, currency adjusted, SEK			–8.5%
Swedish domestic traffic			
Number of passengers, (000)	**3,913**	4,770	–18.0%
Revenue passenger kilometers, RPK, million	**1,904**	2,326	–18.2%
Available seat kilometers, ASK, million	**3,164**	3,824	–17.3%
Cabin factor	**60.2%**	60.8%	–0.7 pts.*
Yield, currency adjusted, SEK			1.0%
European traffic			
Number of passengers, (000)	**7,385**	7,604	–2.9%
Revenue passenger kilometers, RPK, million	**7,628**	7,570	0.8%
Available seat kilometers, ASK, million	**12,762**	12,316	3.6%
Cabin factor	**59.8%**	61.5%	–1.7pts.*
Yield, currency adjusted, SEK			–14.8%
Intercontinental traffic			
Number of passengers, (000)	**1,403**	1,420	–1.2%
Revenue passenger kilometers, RPK, million	**9,708**	9,783	–0.8%
Available seat kilometers, ASK, million	**12,634**	11,748	7.5%
Cabin factor	**76.8%**	83.3%	–6.4 pts.*
Yield, currency adjusted, SEK			–5.1%

** Change in percentage points (pts). ** Traffic to Greenland was closed in Oct. 2002.*

Operational key figures

- Ten-year overview for Scandinavian Airlines and SAS Cargo Group

Until June 1, 2001, the operations of the SAS Cargo Group were integrated in Scandinavian Airlines. To make the operational key figures comparable over the ten-year period, they are presented consolidated.

Traffic/Production	**2003**	2002	2001	2000	1999	1998	1997	1996	1995	1994
Number of cities served [1]	**85**	86	94	92	97	101	102	104	98	96
Number of flights, scheduled	**255,334**	295,813	334,039	343,482	343,611	328,327	320,410	309,636	295,028	297,688
Kilometers flown, scheduled (million)	**215.8**	232.2	265.1	263.4	261.1	251.9	244.3	235.7	218.5	217.2
Total airborne hours, scheduled (000)	**326.5**	358.7	412.1	417.4	417.2	403.6	390.4	375.5	352.6	350.2
Number of passengers carried, total (000) [2]	**19,500**	22,087	23,243	23,395	22,225	21,699	20,797	19,828	18,835	18,823
Available tonne kilometers, ATK, total (million)	**4,741.3**	4,702.2	4,846.3	4,621.5	4,621.3	4,501.1	4,346.0	4,130.8	3,586.2	3,514.0
Available tonne kilometers, scheduled	**4,676.3**	4,641.5	4,798.3	4,584.3	4,560.9	4,459.0	4,290.6	4,092.6	3,546.2	3,500.8
Available tonne kilometers, other	**65.1**	60.7	48.0	37.2	60.4	42.1	55.4	38.7	40.0	13.2
Revenue tonne kilometers, RTK, scheduled (mill.)	**3,004.2**	3,230.8	3,034.0	3,016.7	2,834.5	2,680.0	2,571.5	2,392.2	2,172.7	2,163.2
Passengers and excess baggage	**2,162.3**	2,401.9	2,263.9	2,204.2	2,041.9	1,877.1	1,827.7	1,754.6	1,670.4	1,666.8
Freight	**796.8**	784.7	717.6	758.4	741.4	755.7	693.7	590.4	452.8	445.9
Mail	**45.1**	44.2	52.5	54.1	51.2	47.2	50.1	48.2	49.5	50.5
Total load factor, scheduled (%)	**64.2**	69.6	63.2	65.8	62.1	60.1	59.9	58.5	61.3	61.8
Available seat kilometers, ASK, scheduled (million) [2]	**33,916**	34,626	35,981	34,189	33,910	31,766	31,333	30,646	28,447	28,154
Revenue passenger kilometers, RPK, scheduled (million) [2]	**22,354**	23,621	23,296	22,923	21,707	20,883	20,339	19,487	18,506	18,466
Cabin factor, scheduled (%) [2]	**65.9**	68.2	64.7	67.0	64.0	65.7	64.9	63.6	65.1	65.6
Business Class, share of revenue passenger kilometers (%)	**–** [3]	– [3]	27.4	29.0	29.1	31.0	31.7	31.5	32.0	30.7
Average passenger trip length, scheduled (km)	**1,137**	1,062	1,010	974	966	971	986	990	989	983
Traffic revenue/revenue tonne kilometers (SEK)	**9.65**	11.00	11.96	11.63	11.42	11.90	11.94	11.77	12.91	12.07
Passenger revenue/revenue passenger kilometers, scheduled (SEK)	**1.20**	1.42	1.48	1.38	1.36	1.35	1.34	1.31	1.39	1.29
Passenger revenue/available seat kilometers, scheduled (SEK)	**0.79**	0.97	0.96	0.93	0.86	0.89	0.87	0.83	0.90	0.85
Airline operating expense/available tonne kilometers, scheduled (SEK)	**7.03**	8.57	8.72	7.96	7.39	7.17	6.73	6.53	7.17	7.21
Revenue tonne kilometers/employee, scheduled (000)	**145.9**	147.7	135.2	126.9	121.4	127.6	129.4	119.6	119.1	115.9
Revenue passenger kilometers/employee, scheduled (000)	**1,064.0**	1 060.9	1 022.9	952.6	906.4	994.1	1 023.6	1 025.9	1,014.0	989.5
Jet fuel price (cents/gallon)	**95**	81	89	94	60	66	75	78	67	66
CO_2, gram/revenue passenger kilometers	**158**	159	176	179	192	196	194	193	184	181
Environmental index	**78**	78	87	88	88	96	97	100	–	–
Punctuality (% within 15 minutes)	**90.2**	88.2	85.1	88.0	83.5	82.7	88.0	87.8	87.6	91.3
Regularity (%)	**98.8**	98.5	97.5	98.3	97.8	98.1	99.0	98.7	97.5	98.7

[1] *Destinations served by Scandinavian Airlines*

[2] *Total production, which includes scheduled traffic, charter, ad hoc flights and so-called bonus trips. This means that the figures deviate from the traffic statistics of the respective airlines.*

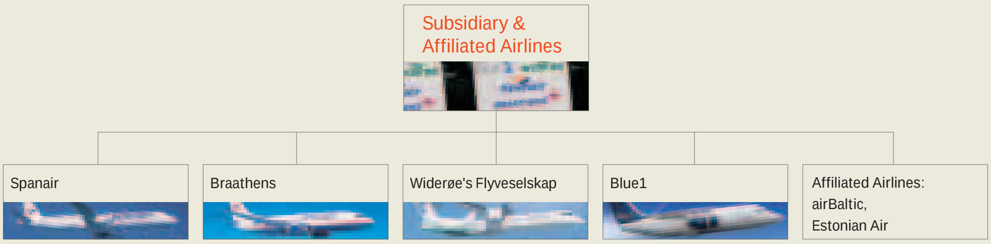
[3] *No longer relevant after switch to single service class in Scandinavia starting July 1, 2002.*

Definitions and concepts see page 88.

Business area

Subsidiary & Affiliated Airlines

The business area Subsidiary & Affiliated Airlines includes the airlines Spanair, Braathens, Widerøe and Blue1. It also manages the minority holding in the airlines airBaltic and Estonian Air. Spanair offers scheduled and charter flights in and outside Spain. Braathens and Widerøe operate airline services in and outside Norway and Blue1 offers air services based in the Finnish market. The SAS Group also has minority interests in Air Greenland, British Midland and Skyways.



Statement of income		
MSEK	**2003**	2002
Passenger revenue (scheduled traffic)	**12,404**	12,762
Charter revenue	**3,033**	2,679
Freight revenue	**95**	255
Other traffic revenue	**520**	378
Other revenue	**1,463**	1,451
Operating revenue	**17,515**	17,525
Payroll expenses	**–4,045**	–3,923
Selling costs	**–597**	–865
Jet fuel	**–1,851**	–1,756
Government user fees	**–2,577**	–2,244
Catering costs	**–997**	–781
Handling costs	**–1,340**	–1,169
Technical aircraft maintenance	**–1,277**	–1,084
Computer and telecommunications costs	**–653**	–624
Other operating expenses	**–1,890**	–1,690
Operating expenses	**–15,277**	–14,136
Income before depreciation and leasing costs, EBITDAR	**2,288**	3,389
Leasing costs for aircraft	**–1,754**	–2,007
Income before depreciation, EBITDA	**534**	1,382
Depreciation	**–560**	–479
Share of income in affiliated companies	**–5**	–482
Capital gains	**117**	63
Operating income, EBIT	**86**	484
Income from other shares and participations	**–30**	–159
Net financial items	**–123**	–205
Income before tax, EBT	**–67**	120

Key figures[1]		
	2003	2002
EBITDAR margin	**13.1%**	19.3%
Number of aircraft	**121**	115
Number of passengers, scheduled, mill.	**11.7**	11,4
RPK, mill.	**8,501**	7,701
ASK, mill.	**14,548**	13,118
Cabin factor, scheduled, %	**58.4**	58.7
Number of destinations	**82**	78
Number of daily departures	**677**	661
Average number of employees	**7,032**[2]	6,392

[1] *Spanair, Braathens, Widerøe's Flyveselskap and Blue1.*
[2] *Also includes Newco, Aerolineas de Baleares and Fuerza de Ventas.*

Earnings performance

The business area's operating revenues for the full year amounted to MSEK 17,515 (17,525). Spanair was consolidated as a subsidiary in the SAS Group from March 1, 2002 and was included the previous year as a share of income in the amount of MSEK –300 (November 2001-February 2002).

The business area reported income before capital gains of MSEK –184 (59).

The affiliated company British Midland, where the SAS Group owns 20%, provided a share of income of MSEK –52 (–95).

Goodwill amortization for Spanair was charged against the business area's earnings in the amount of MSEK 52 (36).

Goodwill amortization for Braathens amounting to MSEK 40 (43) was charged against earnings for the year.

Blue1 and Widerøe were also consolidated in the business area. Estonian Air has been part of the business area since September 2003 as an affiliated company. airBaltic, Air Greenland and Skyways are included as affiliated companies and their earnings for 2003 totaled MSEK 35.

- Spanair
- Braathens
- Widerøe's Flyveselskap
- Blue1
- Affiliated Airlines
  - airBaltic
  - Estonian Air

Gunnar Reitan
Deputy CEO
Responsible for the business areas Subsidiary & Affiliated Airlines and Hotels

Spanair www.spanair.com

Founded	■ 1988
CEO	■ Enrique Meliá
Important events in 2003	■ In March Spanair launched a new pricing model featuring one-way fares. ■ Spanair became a member of Star Alliance™ on April 1, 2003. ■ Spanair's measures in Turnaround 2005 amount to MSEK 1,100. ■ The SAS Group signed an agreement to increase its stake in Spanair to 95%, with the possibility of full ownership.

Key figures

	2003	2002	2001[1]
SAS Group's holding	74%[2]	74%	49%
EBITDAR margin	14.5%	12.9%	13.1%
CFROI	12%	10%	4%
Number of destinations	25	25	35
Number of passengers, scheduled, mill.	5.3	5.2	5.7
Number of flights, scheduled	61,415	61,952	65,980
Average flight distance, scheduled (km)	834	785	846
Punctuality (% within 15 minutes)	84%	87%	86%
Number of aircraft	51	49	48
Average number of employees	2,535[3]	2,496	2,179[4]
CO_2 emissions, (000) tonnes	1,241	1,226	1,424
Environmental Index	100	101	100

[1] *Spanair is not consolidated in the SAS Group, but is included as a share of income.*
[2] *In January 2004 the SAS Group increased its holding to 95%.*
[3] *Of which women 45% and men 55%.*
[4] *Refers to March-December.*

Background

Spanair was formed in 1986 by the SAS Group and the Spanish company Teinver and began flight operations in 1988, primarily charter traffic. After that, scheduled passenger service gradually grew in importance and today accounts for approximately 75% of Spanair's flights. Spanair flies to 25 destinations in seven countries and more than 100 charter destinations from Spain, primarily to Scandinavia, the U.K., Ireland and Italy. With around 170 daily flights, Spanair is Spain's second largest airline. Although its cost level is comparable to European low-fare carriers, unlike them, Spanair offers a network and full-service product.

Financial target

Spanair's financial target is to attain a CFROI of at least 20-25% over a business cycle.

Strategies

Spanair aims to offer products with the best possible customer value.

- *Growth.* Spanair will grow more than the total market
- *Competitiveness.* A unit cost on level with low-fare airlines, in combination with attractive fares and a full-service product, will enable Spanair to achieve profitable expansion quickly and add more flights to more markets.
- *Flexibility.* Spanair will develop commercial products tailored to the markets of the future, striking a balance between charter and scheduled traffic. This will reduce the negative effects of seasonal variations in demand on both a weekly and annual basis and increase the utilization rate of aircraft crews.

Traffic and earnings performance

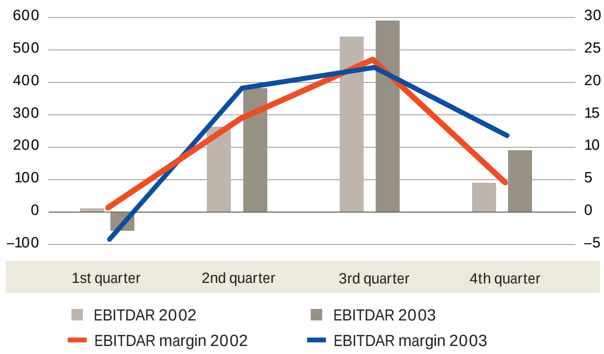
Despite a feeble market, earnings improved compared with 2002 thanks to the continued effects of Spanair's restructuring process. Spanair introduced demand-based pricing in March, which was received favorably. Domestic scheduled traffic is Spanair's largest market. Spanish domestic traffic performed weakly during the first six months, but recovered later in the year. The total number of passengers rose by 2.0%. Spanair's market shares on the routes its serves are approximately 25-30%. In the Spanish domestic market, the market share was 16-17% overall. Spanair's European routes, to which Oslo-Madrid was added in summer 2003, sees greater seasonal variation, and traffic grew by 15.8% in 2003, which means that Spanair strengthened its market position. The year saw heavy pressure on yield on Spanish domestic traffic. Charter traffic was weak at the beginning of 2003, but improved gradually and rose to good levels in the summer months.

The total unit cost fell by 7.1% thanks to efficiency-improvement measures, compensating for pressure on yield, improving income before tax by MSEK 345 to MSEK –45 (–390).

Turnaround 2005

As part of Turnaround 2005, Spanair implemented comprehensive efficiency-improvement measures in 2003, which in all amount to MSEK 1,100. These measures are expected to have additional impacts in the coming years. They include renegotiating agreements and analyzing and reviewing all selling costs and agent commissions. Network & Revenue Management is being optimized and integrated. The goal is to create a more efficient fare structure and distribution system, with better control over yield and cabin factor on every route.

EBITDAR for Spanair, 2003
MSEK, quarterly data



Statement of income		
MSEK	**2003**	2002
Passenger revenue (scheduled)	**4,552**	4,441
Charter revenue	**2,637**	2,298
Other traffic revenue	**220**	268
Other revenue	**219**	344
Operating revenue	**7,628**	7,351
Payroll expenses	**–1,086**	–1,109
Sales costs	**–348**	–505
Jet fuel	**–984**	–1,085
Government user fees	**–1,107**	–965
Catering costs	**–612**	–338
Handling costs	**–695**	–671
Technical aircraft maintenance	**–676**	–641
Computer and telecommunications costs	**–340**	–267
Other operating expenses	**–675**	–823
Operating expenses	**–6,523**	–6,404
Operating income before depreciation and leasing costs, EBITDAR	**1,105**	947
Leasing costs, aircraft	**–1,093**	–1,147
Operating income before depreciation, EBITDA	**12**	–200
Depreciation	**–103**	–67
Capital gains	**107**	83
Operating income, EBIT	**16**	–184
Financial items	**–61**	–206
Spanair - Income before tax, EBT	**–45**	–390

The ongoing phase-in of Airbus A320s is on schedule. In 2003 Spanair took delivery of Airbus A320s and one Airbus A321, and at year-end, the fleet comprised 16 Airbuses (11 A320s and five A321s). Spanair also renegotiated leasing agreements, reducing the costs of capital employed by 6%. Aircraft utilization amounts to approximately 8.3 block hours per day, with a higher utilization rate planned.

Quality

Flight safety is part of Spanair's quality system and has top priority. In 2002 the Spanish civil aviation authorities implemented the operational part of the European Joint Aviation Regulations (JAR-OPS.1), and Spanair was the first Spanish airline to implement all the regulations.

Quality management system

Spanair is the first Spanish airline to earn ISO 9001-2000 certification for "Planning, Development and Control of the Operation." A master quality management system has been introduced and been certified by Det Norske Veritas.

Customer relations

The introduction of one-way fares during the year was well received by the market. Spanair continues to refine the concept and price models. Spanair has a customer program based on the concept "Complaints - an opportunity for improvement." Spanair is the first airline to introduce a punctuality guarantee on the majority of Spanish domestic routes in 2003. Launched in February 2001 on the Madrid-Barcelona route, the guarantee was gradually introduced on more routes. Beginning in 2004, the guarantee will apply to all domestic routes.

Traffic and capacity			
Scheduled traffic, total	**2003**	2002	Change
Number of passengers (000)	**5,289**	5,187	2.0%
Revenue passenger kilometers, RPK (mill.)	**4,551**	4,298	5.9%
Available seat kilometers, ASK (mill.)	**7,489**	7,051	6.2%
Cabin factor	**60.8%**	61.0%	–0.2 pts.*
Yield, local currency			–4.6%
Unit cost, total, local currency			–7.1%
Charter traffic	**2003**	2002	Change
Number of passengers (000)	**2,490**	2,253	10.5%

* *Change in percentage points (pts.).*

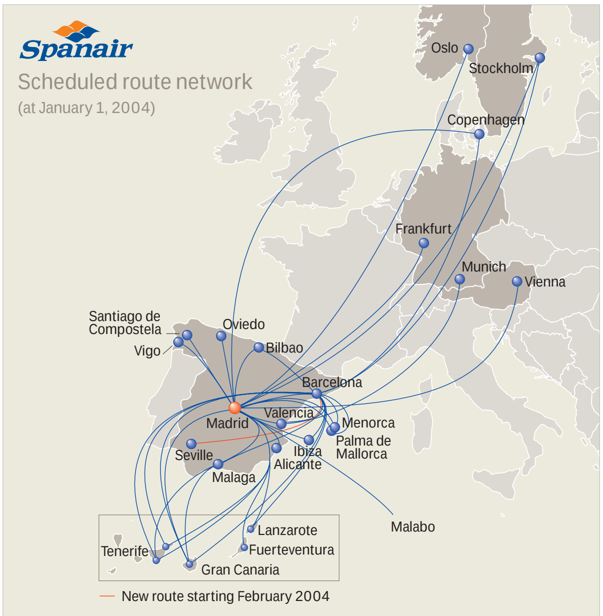
The concept entails that all passengers will be given a free ticket for an additional flight if they arrive at their destination more than 15 minutes late due to the fault of Spanair. The customer response to this guarantee was very positive. In January and November 2003, Spanair was Europe's most punctual airline, according to the AEA.

Market outlook

The air travel market in Spain is large and is growing faster than in the rest of Europe. Spain has a well-developed airline industry and is an important business and tourist destination. Air service between Spain and the rest of Europe is provided by both charter and scheduled airlines. Spanair's flexibility between charter and scheduled traffic better enables it to adapt to changes within and between these segments.

The airports in both Barcelona and Madrid will be expanded in 2005-06. This will provide opportunities for growth through the addition of domestic routes and the development of connections with Star Alliance™ airports in Europe. The biggest domestic route, Madrid-Barcelona, will feel the impact of the introduction of high-speed trains on this route in 2005.

Operational key figures	
Market share of home market	25-30%
Block hours, aircraft	8.3 hours/day
Block hours, pilots	670 hours/year
Block hours, cabin crew	860 hours/year
Unit cost (scheduled traffic)	SEK 0.62 (EUR 0.068)/ASK



Braathens www.braathens.no

Founded	■ 1946 (In the SAS Group since 2001)
CEO	■ Knut Solberg
Important events in 2003	■ On March 30, 2003, Braathens implemented a new, competitive fare concept on its routes to Southern Europe.
	■ Braathens started nonstop routes from Oslo to Dublin, Palma, Las Palmas and Rome.
	■ Braathens' measures in Turnaround 2005 amount to MSEK 1,000.
	■ Braathens lowered the prices of flexible tickets on Norwegian domestic flights by up to 30% beginning October 26. One-way tickets were introduced on all non-stop routes in Norway and Southern Europe.
	■ At year-end, Braathens had competition on 10 domestic routes as opposed to two at the end of 2002.

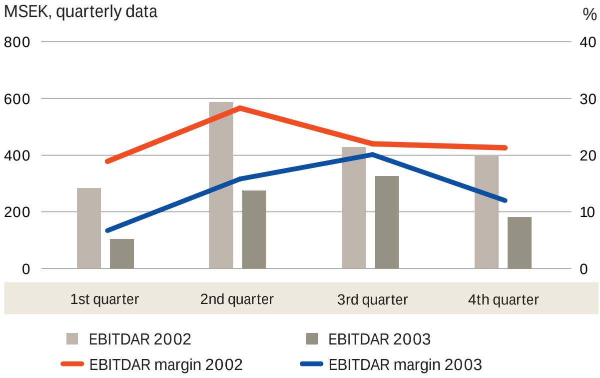
Key figures

	2003	2002	2001[1]
SAS Group's holding	**100%**	100%	98.5%
EBITDAR margin	**13.8%**	23.0%	11.9%
CFROI	**16%**	23%	10%
Number of destinations	**26**	25	24
Average flight distance, scheduled (km)	**641**	610	513
Number of passengers, scheduled, mill.	**4.2**	4.1	5.0
Number of flights, scheduled	**71,851**	71,034	93,773
Punctuality (% within 15 minutes)	**88.5%**	88.1%	91.3%
Number of aircraft	**27**	27	33
Average number of employees	**2,023**[2]	2,814	3,770
CO_2 emissions, 000 tonnes	**565**	545	630
Environmental index	**86**	86	100

[1] *Braathens not consolidated in the SAS Group.* [2] *Of which women 43% and men 57%.*

EBITDAR for Braathens, 2002-2003

MSEK, quarterly data



Background

Braathens was founded in 1946, with its inaugural flight in January 1947. Norway's biggest domestic airline, Braathens has a market share of approximately 40%. Since December 2001 the company has been a wholly owned subsidiary of the SAS Group. The purchase of Braathens strengthened the SAS Group's position in the Norwegian home market, creating substantial synergies through the coordination of traffic systems, for example.

With a single-aircraft fleet of 27 Boeing 737s, Braathens serves 16 destinations in Norway and 10 destinations in Southern Europe and the British Isles.

In February the Board of the SAS Group made a strategic decision to concentrate all activities in Norway into a single unit. The brand under which this business will be run is currently under discussion.

The following text describes Braathens' strategies and development but does not take into account the future merger of Braathens' and Scandinavian Airlines' operations. Braathens' strategies are based on how Braathens will attain a Low Cost Carrier+ (LCC+) model, on which basis the future unit in Norway will be run.

LCC+ is a model based on:

- low cost structure and production efficiency
- unit cost on par with low-cost players
- network advantages with interlining
- through fares
- service commitment in the event of certain travel complications
- a single aircraft type

Braathens has decided on measures totaling MSEK 1,000, which will take it to an LCC+ platform.

Financial target

The company's financial target is to achieve a CFROI of at least 20-25% over a business cycle.

Strategies

Braathens aims to

- primarily focus on cost-efficiency and competitiveness with an uncomplicated fare concept and high resource utilization
- maintain its market position through a strong route network that includes through fares and interlining with other airlines
- have its products easily available on the market via the channels where customers seek information and make their purchases, with a focus on direct distribution through www.braathens.no

Braathens' strategic objective is to maintain or increase its market share on its domestic and international routes. A new business model has been prepared and is expected to be implemented in the third and fourth quarters of 2004. The concept is based on 100% efficient airline operations with extra service.

Braathens intends to create value and strengthen its competitiveness compared with the low-cost carriers, which base their business on point-to-point air travel.

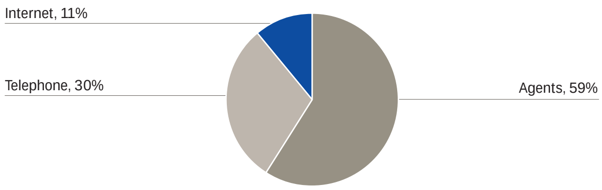
Statement of income			
MSEK	**2003**	2002	2001 [1]
Passenger revenue (scheduled traffic)	**5,306**	6,039	5,791
Charter revenue	**394**	590	413
Other traffic revenue	**276**	331	232
Other revenue	**442**	410	501
Operating revenue	**6,418**	7,370	6,937
Payroll expenses	**–1,650**	–1,932	–2,151
Sales costs	**–124**	–274	–229
Jet fuel	**–617**	–596	–706
Government user fees	**–1,028**	–1,000	–1,146
Catering costs	**–276**	–378	–421
Handling costs	**–580**	–280	–143
Technical aircraft maintenance	**–332**	–355	–161
Computer and telecommunications costs	**–225**	–275	–308
Other expenses	**–701**	–586	–850 [2]
Operating expenses	**–5,533**	–5,676	–6,112
Operating income before depreciation and leasing costs, EBITDAR	**885**	1,694	825
Leasing costs	**–615**	–750	–967 [2]
Operating income before depreciation, EBITDA	**270**	944	–142
Depreciation	**–152**	–170	–223
Capital gains	**0**	0	10
Operating income, EBIT	**118**	774	–355
Financial items	**–20**	32	–20
Braathens - Income before tax, EBT	**98**	806	–375

[1] *Braathens not consolidated in the SAS Group.*
[2] *Reclassification of wet lease 195 MSEK.*

Traffic and capacity			
Scheduled traffic, total	**2003**	2002	Förändring
Number of passengers (000)	**4,169**	4,148	0.5%
Revenue passenger kilometers (RPK)	**3,033**	2,620	15.8%
Available seat kilometers (ASK)	**5,186**	4,533	14.4%
Cabin factor	**58.5%**	57.8%	+0.7 pts.*
Yield, local currency (NOK)		–18.9%	
Unit cost, total incl. charter, local currency			–2.1%
Domestic			
Number of passengers (000)	**3,722**	3,792	–1.8%
Revenue passenger kilometers (RPK)	**2,128**	2,028	5.0%
Available seat kilometers (ASK)	**3,878**	3,510	10.5%
Cabin factor	**54.9%**	57.8%	–2.9 pts.*
Europe			
Number of passengers (000)	**447**	356	25.6%
Revenue passenger kilometers (RPK)	**904**	592	52.8%
Revenue passenger kilometers (ASK)	**1,308**	1,023	27.9%
Cabin factor	**69.1%**	57.8%	+11.3 pts.*
Charter traffic			
Number of passengers (000)	**237**	358	–33.8%

* *Change in percentage points (pts.).*

Percentage of bookings, 2003



Characteristics of the new concept

To be implemented the new commercial concept requires a number of measures and a change in focus in distribution, fares, sales and marketing.

The new concept of extra service makes possible a network-based product that includes interlining, enabling the airline to continue to offer travelers good connections and make the most of the advantages provided by feeder traffic. Transfer passengers comprise approximately 30% of Braathens' total domestic traffic, giving the airline a considerable share of customers who are making connections and not flying point-to-point. Transfer passengers, who pay through fares, are guaranteed service in the event of delays, for example.

- *Production:* Production is to be geared so that with regard to point-to-point traffic the route network is structured as cost-effectively and competitively as possible, while making the most of the advantages of network production. High utilization of the aircraft fleet, high productivity and a single-aircraft fleet are key factors for attaining the lowest possible production costs. A single-aircraft fleet streamlines production, with regard to both aircraft maintenance and the utilization and training of flight crews.

- *Product:* In 2003 the product concept was developed into a competitive single-class concept for business and leisure travelers alike.

  Since 1998 Braathens has offered ticketless travel on its own route network. In spring 2004, an e-ticket will be launched for through travel with more than one airline. The goal is for 90% of customers to use e-tickets by 2006.

  Braathens is also working on increased automation at airports. This will help to reduce waiting time for travelers while reducing the airline's handling costs.

- *Fares:* In 2004 a simplified fare concept will be introduced with flexible ticket rules, making it easier to compare fares with the competition. At the same time the airline will retain through fares on its own routes and in cooperation with other airlines (interlining).

- *Distribution:* Braathens' goal is for 40% of all reservations to be made via electronic channels by 2006 - one of the most important factors for reducing distribution costs. This will be achieved through special offers, products and marketing, and www.braathens.no will be restructured. Capacity is to be expanded, and information about fares and departures will be more easily available and make booking flights easier.

  Interlining flights will continue to be booked via global distribution channels, which means that certain distribution costs will remain in the future.

Traffic and earnings performance

In 2003, Braathens' income before capital costs (EBITDAR) amounted to MSEK 885 (1,694). Income before tax amounted to MSEK 98 (806). The main reason for the decline in income is weakness in the Norwegian domestic market and a significant fall in yield on domestic and international routes.

The total domestic market in Norway grew by only 1.5% in 2003. Braathens' capacity (ASK) grew by 10.5%, chiefly due to a changed route network beginning in April 2002. Traffic (RPK) increased by 5.0 %, which meant that the cabin factor fell to 54.9% (57.8%). The yield was under considerable pressure and fell due to longer routes, fewer full-fare passengers and lower fares overall. Since 2002 Braathens' has been operating on all the trunk lines in northern Norway and most of the minor trunk lines in southern Norway.

Growth on international routes

Braathens' international routes focus on Southern Europe and the British Isles. After four new non-stop routes from Oslo to Dublin, Palma, Las Palmas and Rome opened on March 30, traffic (RPK) on the international routes grew by 52.8%. Capacity (ASK) grew by 27.9%, which meant that the cabin factor rose to 69.1% (57.8%). A change in fare concept and considerable competition on the international routes caused the yield to fall. Beginning in spring 2004, two new routes will be opened, between Oslo and Lisbon and between Ålesund and Alicante.

Quality

The objective for Braathens' operations is to be among Europe's leading airlines in terms of regularity, productivity and cost-effectiveness compared with other operators with similar average flight distances.

Good punctuality and regularity are important for customers, and the airline has ambitious targets in these areas. The target for punctuality is for 95% of all flights to take off within 15 minutes of the timetable.

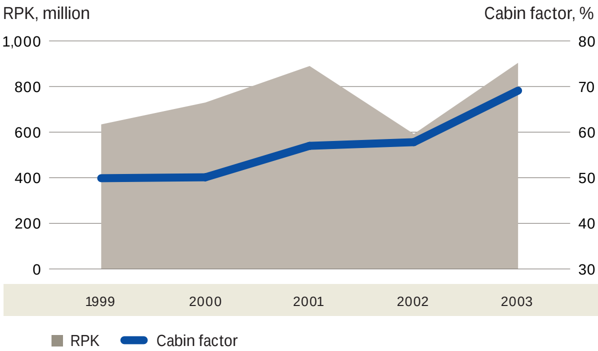
For regularity, the target is for 99% of all planned flights to go on as scheduled. In 2003, punctuality was 88.5% and regularity 98.9%

Turnaround 2005

In summer 2003 Braathens introduced cost-cutting measures as part of the SAS Group's Turnaround 2005, which began to be implemented in autumn 2003. Based on the new business model, further measures for reaching long-term profitability have been identified aimed at reducing costs by a total of MSEK 1,000.

The new cost reductions will strengthen the airline's competitiveness. This will lay the groundwork for competing at the fares prevailing in the market with satisfactory profitability. Results from the new measures will primarily come in 2004, when 60% of the measures are to be implemented. The full impact will be achieved in 2006 onward.

Development of RPK and cabin factor on international routes, 1999-2003



The diagram shows the development of Braathens' international routes. The blue line shows a sharp improvement in cabin factor in the period 1999-2003. Cabin factor was almost 70% in 2003. The gray area shows passenger volume measured in RPK.

The new measures will enable Braathens to achieve a total unit cost of NOK 0.60 per available seat kilometer (ASK) by the end of 2005. This will give the airline a cost level competitive with Norwegian as well as international low-cost carriers, further strengthening its competitiveness. Compared with today's unit cost level of NOK 0.75-0.80, this means a reduction in unit cost by around 20 percent. It is the airline's unit cost that is the basis of its competitiveness, fare level and profitability.

The further measures that have now been decided for implementation cover a wide array of activities such as increased productivity of aircraft, pilots, cabin crews and administration. Braathens will also focus on increasing Internet sales and ticketless travel. These measures cover improvements and streamlining in all segments of its organization.

Environment

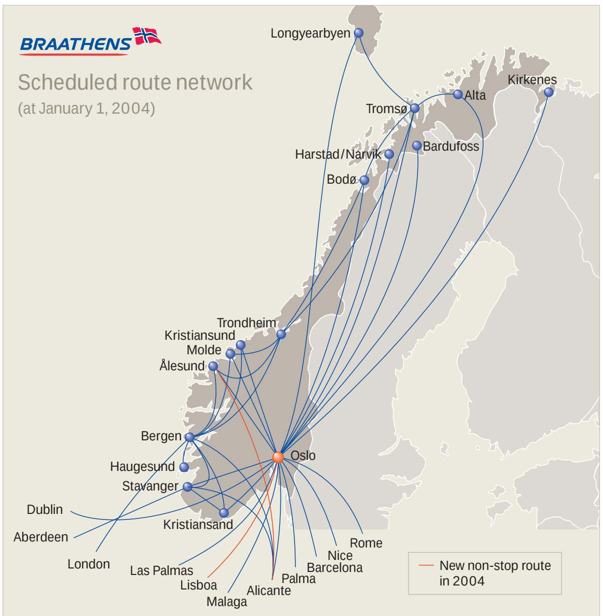
The airline is working to minimize its environmental impact, integrating environmental impact into all its business areas as a key management parameter. The most important environmental factors are emissions of pollutant gases to the atmosphere from the actual flights as well as the release of chemicals used for the cleaning and maintenance of aircraft.

The coordination of Braathens' and Scandinavian Airlines' route networks in 2002 has resulted in a lower environmental impact on Norwegian domestic routes.

Market outlook

The Norwegian market is a mature market. The opportunities to grow in the Norwegian domestic market are limited in part. Besides organic growth on the routes already established, continued opportunities for expansion are seen on routes to Southern Europe and the rest of the continent. Reduced ticket prices will draw new customers in the domestic market.

Operational key figures	
Market share of the home market	41%
Block hours, aircraft	7.8 hours/day
Block hours, pilots	540 hours/year
Block hours, cabin crew	520 hours/year
Unit cost (incl. charter)	approx. SEK 0.90 (NOK 0.75-0.80)/ASK



Widerøe´s Flyveselskap www.wideroe.no

Founded	■ 1934 (Part of the SAS Group since 1997)
CEO	■ Per Arne Watle
Important events in 2003	■ A new fare and service concept was introduced. Fares were cut by up to 25%. ■ Widerøe reduced its costs under Turnaround 2005 by approximately MSEK 300.

Key figures

	2003	2002	2001
SAS Group's holding	**99.6%**	99.4%	63.3%
EBITDAR margin	**13.8%**	17.4%	17.4%
CFROI[1]	**17%**	20%	19%
Number of destinations	**41**	40	40
Average flight distance, scheduled (km)	**225**	208	195
Number of passengers, scheduled, mill.	**1.7**	1.5	1.4
Number of flights, scheduled	**91,859**	90,636	87,455
Punctuality (% within 15 minutes)	**88.7%**	89.7%	90.4%
Number of aircraft	**29**	29	27
Average number of employees	**1,291**[2]	1,207	1,227
CO_2 emissions, (000) tonnes	**121**	102	95
Environmental index	**95**	98	104

[1] *Change in method pertaining to 2001/2002.* [2] *Of which women 37% and men 63%.*

Statement of income

MSEK	2003	2002	2001
Passenger revenue	**1,633**	1,807	1,502
Other revenue	**844**	796	633
Total revenue	**2,477**	2,603	2,135
EBITDAR	**343**	453	371
EBITDA	**254**	306	254
Operating income, EBIT	**96**	164	144
Income before tax, EBT	**77**	82	79

Background

Widerøe is Norway's largest regional airline, with 29 turboprop aircraft. Widerøe has a strong position in Norway and is viewed as a safe and friendly airline that links the various parts of Norway together. Its operations are divided into two parts:

Commercial flights: The bulk of the business consists of regular commercial flights in and to and from Norway and accounts for 64% of passenger revenue. The business area is growing and a new route from Bergen to Manchester opened in 2003. The route between Torp/Sandefjord and Billund was closed.

Flights in the Norwegian short runway network: Contracted traffic has been Widerøe's main activity for more than 30 years, and currently accounts for approximately 36% of passenger revenue. April 1, 2003 marked the beginning of a new period for contracted traffic in which Widerøe, in stiff competition, won almost 80% of the contract. The contract for the routes in Finnmark was canceled in 2003 due to poor profitability and Widerøe got back its contract for traffic to Andenes and Lakselv.

Widerøe is not directly affected by the restructuring that will take place by the creation of a single unit for traffic to, from and in Norway.

Financial target

The company's financial target is to achieve a CFROI of at least 20-25% over a business cycle.

Strategies

Widerøe will continue to expand its scheduled flights on non-stop connections and be the leading Norwegian airline in the short runway network.

Traffic and earnings performance

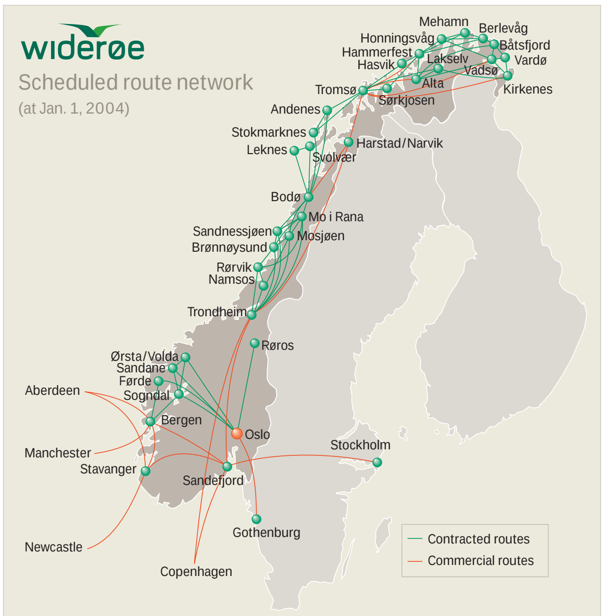
After two years of good results, 2003 opened with a negative first quarter. Widerøe saw a decline in passenger revenue and its yield decreased 18.8%. The operation has undergone major restructuring with cost-cutting measures, renegotiations of agreements with staff and reorganization of the route network and product. This led to a sharply improved profit performance in the second half. The result for 2003 was at the same level as 2002 despite an operating revenue drop of MSEK 126.

Market outlook

Widerøe has carried out MSEK 300 worth of measures under Turnaround 2005. The airline expects to grow the next three years, both in terms of number of aircraft and destinations.

Operational key figures

Market share of home market	Approx. 14%
Block hours, aircraft	6.4 hours/day
Block hours, pilots	480 hours/year
Block hours, cabin crew	460 hours/year
Unit cost	SEK 2.30 (NOK 2.00)/ASK



Blue1 www.blue1.com

Founded	1988
CEO	Sveneric Persson
Important events in 2003	ERA awarded Blue1 the "Bronze Award Airline of the Year 2003/2004" from among 80 airlines from 29 countries.
	Blue1's measures in Turnaround 2005 amount to MSEK 150.
	The airline underwent its most comprehensive makeover program and changed its name to Blue1.

Key figures

	2003	2002	2001
SAS Group's holding	**100%**	100%	100%
EBITDAR margin	**8.3%**	23.9%	13.2%
CFROI	**8%**	24%	19%
Number of destinations	**12**	10	11
Average flight distance, scheduled (km)	**627**	580	503
Number of passengers, scheduled, mill.	**0.6**	0.5	0.5
Number of flights, scheduled	**22,081**	17,956	20,975
Punctuality (% within 15 minutes)	**95%**	94%	92%
Number of aircraft	**14**	10	10
Average number of employees	**290***	291	303
CO_2 emissions, (000) tonnes	**125**	98	94
Environmental index	**75**	77	100

** Of which women 35% and men 65%.*

Statement of income

MSEK	**2003**	2002	2001
Passenger revenue	**913**	1,022	974
Other revenue	**35**	3	0
Total revenue	**948**	1,025	974
EBITDAR	**79**	245	129
EBITDA	**–59**	94	2
Operating income, EBIT	**–70**	83	–34
Income before tax, EBT	**–80**	83	–33

Background
Since 1998, Blue1 has been a Finnish wholly owned subsidiary of the SAS Group. Blue1 flies to nine Nordic destinations as well as five in Central Europe, two of which are being added in March 2004. Blue1 cooperates with Scandinavian Airlines on all its routes, and their products and service concepts are integrated. The fleet has been renewed and during 2003 grew by four aircraft. It numbers 14 aircraft, nine of which are jets. All are leased and have an average age of three years. In 2003 a makeover program was implemented, with a new identity concept and a change of name from Air Botnia to Blue1.

Financial target
The financial target is to achieve a CFROI of at least 20-25% over a business cycle.

Strategies
Blue1 aims to
- focus on increasing aircraft utilization and raising productivity.
- strengthen the SAS Group's market position in Finland and offer profitable and competitive flights to and from Finland.
- have its products available in markets and via the channels that its customers want and are prepared to pay for.
- tailor its costs, its traffic program and other activities to the needs of the market.
- have growth that exceeds that of the market.

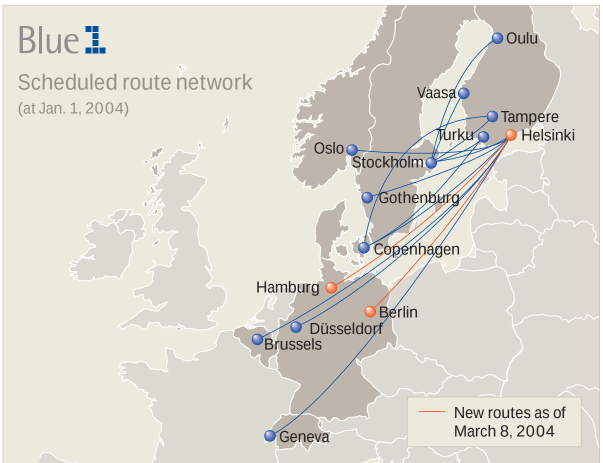
Traffic and earnings performance
Performance was weak in the home market in 2003. Passenger volume in international scheduled traffic to and from Finland grew by only 2.5%. A rise in available seat kilometers (ASK) was primarily attributed to increased aircraft fleet utilization. Blue1 is included in the SAS Group's Turnaround 2005 restructuring program, with measures totaling approximately MSEK 150.

Income before tax, EBT, MSEK –80 was adversely impacted during the second half of 2003 owing to extra nonrecurring costs connected with traffic restructuring and fleet expansion. The more extensive traffic program will yield improved productivity, and the unit cost is forecast to fall by approximately 20%.

Market outlook
Although relatively small, the market for air travel in, to and from Finland is growing. Foreign and domestic low-cost airlines established themselves in Finland in 2003. Price competition is expected to continue, despite one airline going bankrupt. The prospects for Blue1 to create profitability and growth are deemed to be good in all customer segments, owing to Blue 1's competitive cost level.

Operational key figures

Market share of the Finnish international market	10%
Block hours, aircraft	7.1 hours/day
Block hours, pilots	590 hours/year
Block hours, cabin crew	650 hours/year
Unit cost	SEK 1.00 (EUR 0.11)/ASK



airBaltic www.airbaltic.lv

Founded	1995
CEO	Bertolt Flick
Important events in 2003	airBaltic began flying to Hamburg, its second destination in Germany after Berlin. Brussels became the airline's fourteenth nonstop destination in September. The first Boeing 737-500 aircraft went into service in November.

Key figures

	2003	2002	2001
SAS Group's holding	**47.2%**	47.2%	47.2%
EBITDAR margin	**22.8%**	18.2%	19.8%
CFROI	**29%**	14%	14%
Number of destinations	**16**	12	8
Average flight distance, scheduled (km)	**617**	603	580
Number of passengers, scheduled, million	**0.3**	0.3	0.2
Number of flights, scheduled	**10,316**	9,074	9,171
Punctuality (% within 15 minutes)	**95.7%**	96.2%	96.3%
Number of aircraft	**9**	6	6
Average number of employees	**291**	289	282

Statement of income *

MSEK	**2003**	2002	2001
Passenger revenue	**428**	402	425
Other revenue	**42**	49	38
Total revenue	**470**	451	463
EBITDAR	**107**	80	88
EBITDA	**60**	19	26
Operating income, EBIT	**48**	8	15
Income before tax, EBT	**16**	6	2

* *Included in the Group as an affiliated company.*

Background

Founded in 1995, airBaltic is owned by the Latvian state (52.6%), the SAS Group (47.2%) and Transaero (0.2%). The SAS Group has an option to purchase additional shares in airBaltic. airBaltic operates nonstop service to 16 destinations in Finland, the Baltic states and cities in Eastern, Central and Western Europe. airBaltic feeds passengers into Scandinavian Airlines' hubs in Copenhagen and Stockholm.

During 2002-2003 the airline served nine new destinations. Four additional destinations (Dublin, London, Oslo and Milan) will open in March 2004, while three new aircraft will be phased into the fleet. In December 2003, airBaltic's fleet comprised one Boeing 737, three Avro RJ70s and five Fokker F50s. airBaltic participates in SAS's EuroBonus program.

Strategies

airBaltic aims to focus on

- offering nonstop connections from Latvia to major destinations in the Baltic Region, Central and Western Europe at prices that are competitive with other carriers and modes of transportation.
- continuing to be the leading provider of passenger transportation to and from Latvia by offering good connections via Scandinavian Airlines' hubs.

Traffic and earnings performance

In 2003 airBaltic performed positively, flying 340,000 passengers, an increase of 29% compared with 2002.

Owing to three new routes, an increase in the cabin factor and good performance of the Latvian economy, airBaltic's operating revenue grew to MSEK 470 (451). Its cost rose only marginally, resulting in an increase in the EBITDAR margin from 18.2% to 22.2%. EBITDAR amounted to MSEK 107 (80). Income before tax improved by MSEK 10 to MSEK 16 (6).

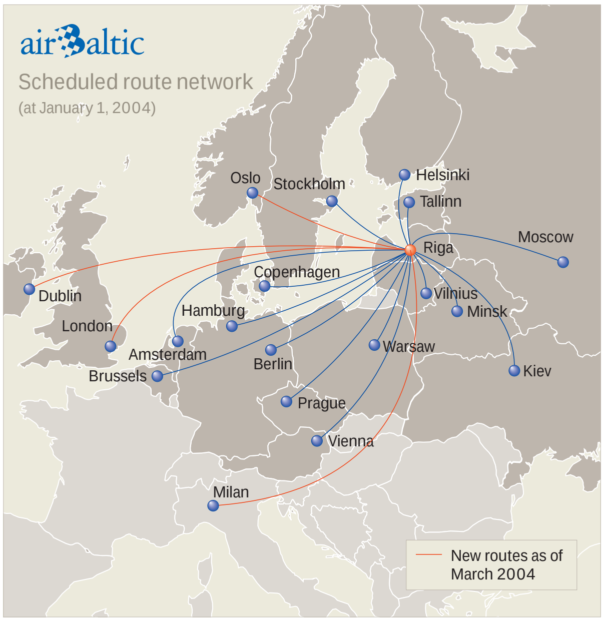
Market outlook

Latvia will join the EU in May 2004, and deregulation will further increase competition. Accession to the EU also opens up a number of opportunities for airBaltic to use its competitive advantage to grow in new markets. This is to happen via low unit cost in combination with the strength provided by its partnership with Scandinavian Airlines. airBaltic will focus on growing in new markets while preserving its core business.

In spring 2004, all destinations will be served with one-way fares starting at EUR 30-40.

Operational key figures

Market share of home market	54%
Block hours, aircraft	7.7 hours/day
Block hours, pilots	790 hours/year
Block hours, cabin crew	740 hours/year
Unit cost	SEK 1.00 (LVL 0.071)/ASK



Estonian Air www.estonian-air.ee

Founded	■ 1991
CEO	■ Erki Urva
Important events in 2003	■ The SAS Group acquired 49% of Estonian Air on September 12. ■ In November Estonian Air introduced new pricing featuring one-way fares. ■ 2003 was the first year that Estonian Air carried a total of more than 400,000 passengers.

Key figures

	2003	2002	2001
SAS Group's holding	**49%**	0%	0%
EBITDAR margin	**22.8%**	18.9%	22.3%
CFROI	**26%**	26%	24%
Number of destinations	**13**	8	8
Average flight distance, scheduled (km)	**1,181**	849	813
Number of passengers, scheduled, million	**0.4**	0.3	0.3
Number of flights, scheduled	**7,143**	6,610	6,685
Punctuality (% within 15 minutes)	**82.9%**	91.4%	86.7%
Number of aircraft	**4**	4	4
Average number of employees	**309**	315	365

Statement of income *

MSEK	2003	2002	2001
Passenger revenue	**431**	427	409
Other revenue	**86**	73	63
Total revenue	**516**	500	472
EBITDAR	**118**	95	106
EBITDA	**51**	60	36
Operating income, EBIT	**33**	23	9
Income before tax, EBT	**47**	23	9

** Included in the Group as an affiliated company since October 2003.*

Background

Founded on December 1, 1991, Estonian Air is Estonia's largest airline. The SAS Group bought 49% of Estonian Air in 2003. The Estonian state and AS Cresco own the remainder of the shares. The SAS Group has an option on further shares. Estonian Air's fleet consists of four Boeing 737-500s that fly both scheduled and charter flights. Based in the capital, Tallinn, Estonian Air serves 13 non-stop destinations and has two subsidiaries: Amadeus Estonia and Estonian Aviation Fuelling Services.

In 2003, Estonian Air's last Fokker F50 was phased out of the fleet and replaced with a fourth Boeing 737-500 that permitted the carrier to open new routes to Paris, Berlin, Oslo and Amsterdam.

Estonian Air introduced one-way fares on all of its routes in 2003. The new pricing system has meant considerably lower fares on nonstop connections and most restrictions on tickets have been abolished. Estonian Air participates in SAS's EuroBonus program.

Strategies

Estonian Air aims to be the market's leading airline in Estonia and offer competitive service with the best relation between price and quality. Estonian Air will focus on:

- offering non-stop connections to major destinations in Central and Western Europe
- continuing to be the leading supplier of passenger transportation to and from Estonia by offering good connections via Scandinavian Airlines' hubs.

Traffic and earnings performance

Estonian Air's traffic performed well in 2003, and the number of passengers rose more than 30% compared with 2002. Including charter, the airline carried 410,000 passengers. The huge increase is attributed to higher capacity, new routes, new pricing and good growth in the Estonian economy.

With the increased traffic, revenue rose during the year by 3.2% to MSEK 516 (500). Income before tax went from MSEK 23 to MSEK 47.

Market outlook

2004 is expected to be a year of great changes and opportunities owing to external and internal factors. Estonia's membership in the EU means than Estonian Air will have the same traffic rights as airlines in other EU countries and can thus grow in new markets with a larger fleet. Estonia Air will continue to focus on high efficiency with the aim of retaining its position as the market and fare-leading airline in Estonia.

Estonian Air's cost level is lower than many low-fare carriers in Europe.

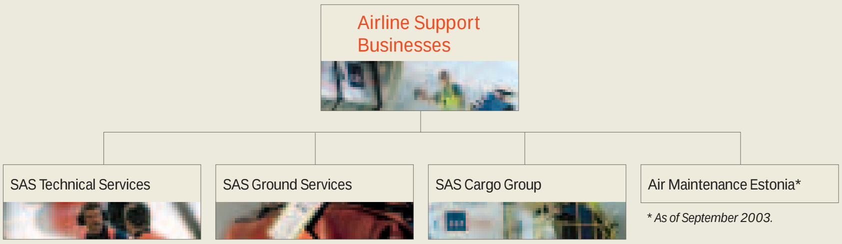
Operational key figures

Market share of traffic at Tallinn Airport	57%
Block hours, aircraft	8.5 hours/day
Block hours, pilots	650 hours/year
Block hours, cabin crew	750 hours/year
Unit cost	SEK 0.52 (EEK 0.90)/ASK

Business area

Airline Support Businesses

The business area Airline Support Businesses comprises SAS Technical Services, SAS Ground Services and SAS Cargo Group. Starting September 2003 Air Maintenance Estonia became part of the business area. Air Maintenance Estonia's main focus is technical maintenance of Boeing 737s. SAS Technical Services provides technical maintenance of aircraft, engines and other components to airlines in and outside the SAS Group. SAS Ground Services is a full-service supplier in airline ground handling and airport-related services. SAS Cargo Group offers freight services to, from and in Scandinavia.



- Income and key figures
- SAS Technical Services
- SAS Ground Services
- SAS Cargo Group

Key figures

MSEK	Operating revenue 2003	Operating revenue 2002	Operating income, EBIT 2003	Operating income, EBIT 2002	% of operating revenue outside the SAS Group 2003	% of operating revenue outside the SAS Group 2002
SAS Technical Services	**5,445**	5,874	**153**	91	**12.6**	13.0
SAS Ground Services	**5,588**	6,083	**–162**	–87	**14.6**	13.1
SAS Cargo Group	**2,954**	2,844	**77**	1	**95.6**	95.5
Average number of employees	**2003**	2002	Pro forma 2002			
Total Airline Support Businesses	**11,691**	14,334	11,844			

Statement of income

MSEK	2003	2002	2002*
Operating revenue	**13,850**	20,628	14,409
Payroll expenses	**–6,108**	–7,406	–6,112
Selling costs	**–3**	–2,006	–3
Handling costs	**–1,057**	–1,194	–1,194
Technical aircraft maintenance	**–1,752**	–1,944	–1,944
Computer and telecommunications costs	**–724**	–2,450	–775
Other operating expenses	**–3,598**	–4,832	–3,765
Operating expenses	**–13,242**	–19,832	–13,793
Income before depreciation, EBITDA	**608**	796	616
Depreciation	**–451**	–501	–445
Share of income in affiliated companies	**–**	–9	–9
Operating income, EBIT	**157**	286	162
Net financial items	**–90**	–27	5
Income before tax, EBT	**67**	259	167

** Pro forma excluding SAS World Sales, comparable with 2003.*

Earnings performance

On August 15, 2003, the sales operation SAS World Sales (SWS) was transferred from Airline Support Businesses to the business area Scandinavian Airlines. SWS is therefore not included in the statement of income for 2003 but in comparative figures for 2002. Pro forma figures for 2002 do not include SWS.

In 2003 the units in the business area adapted to demand in the markets. Extensive structural changes under implementation are designed to reduce costs with full effect in 2005.

Operating revenue decreased during the year by 32.9% to MSEK 13,850 (20,628). This decrease was mainly due to the transfer of SWS to the Scandinavian Airlines business area. Adjusted for SWS, operating revenue declined by 3.9%. Income before tax amounted to MSEK 67 (259).

John S. Dueholm
Executive Vice President
Responsible for the business areas Airline Support Businesses & Airline Related Businesses

SAS Technical Services

Founded	■ 2001
CEO	■ Ørnulf Myrvoll
Important events in 2003	■ Stockholm-Arlanda established as main base. ■ The SAS Group's Board of Directors decided to initiate a process of incorporating SAS Technical Services. ■ A decision was made to establish a second line for heavy aircraft maintenance at Gardermoen. ■ Renegotiation of an engine contract yielded a cost reduction of 12%. ■ An additional full-service contract valued at approximately MSEK 700 was signed.

Key figures

	2003	2002
Operating revenue, MSEK	5,445	5,874
of which external operating revenue	12.6%	13.0%
Operating income before depreciation, EBITDA, MSEK	416	365
EBITDA margin	7.6%	6.2%
Operating income, EBIT, MSEK	153	91
ROIC	5.5%	–
Average number of employees	3,586	3,808
Number of customers, approx.	120	120

Background

SAS Technical Services (STS) became a separate business unit in 2002. The unit provides technical maintenance of aircraft, engines and components to Scandinavian Airlines, Spanair and other airlines inside and outside the SAS Group. STS is one of the world's fifteen biggest providers of technical maintenance and the tenth biggest in Europe. STS has full-service contracts for nearly 200 aircraft. In 2003 STS signed new full-service agreements with Air Holland and a line maintenance agreement for Airbus aircraft with My Travel. A full-service agreement with Spanair for maintenance of its MD-80 fleet of over 30 aircraft also came into force.

In the autumn most of STS's Turnaround 2005 was implemented. This involved establishing Stockholm-Arlanda as the main base, at which management and support functions as well as base maintenance (medium-heavy maintenance) are concentrated. As of August 2003, Scandinavian Airlines' pilots perform pre-flight inspections (PFIs), which together with a new operating program means that STS's activities at line stations can be wound up. A new product-oriented organization was introduced with independent profit units to maintain transparency and foster efficiency and a profitability mindset. In all, Turnaround 2005 involves cost reductions of SEK 1.6 billion, which are to result in increased competitiveness through lower prices and improved earnings.

Objectives

The financial target is an ROIC of 12% over a business cycle.

STS's objective is, within the area of technical maintenance, to operate competitively and on a level with the best in the business regarding profitability, quality and safety. STS shall provide its owners with a market return on invested capital and create added value for the future.

Strategies

- To be the obvious provider of technical maintenance within the SAS Group for selected aircraft types, while growing in the external market.
- To mainly offer full-service products, primarily for MD-80/90s and Boeing 737s.
- To establish cooperation agreements for aircraft types where STS lacks its own critical mass and for products that STS cannot produce competitively on its own.

Earnings performance

The market for technical maintenance has seen falling volumes, overcapacity and price reductions. Most customers have reduced their capacity, lowering demand for STS's services. New opportunities have opened up in the market as many smaller airlines purchase technical maintenance rather than provide it on their own. Thanks to new maintenance contracts, external operating revenue is at the same level as 2002. Operating income (EBIT) for 2003 amounted to MSEK 153 (91), which is somewhat better than the previous year owing to the effects of Turnaround 2005.

Market outlook

In recent years STS has gone from an integral part of the airline business to a profitable business unit in the SAS Group. Activities have gradually been streamlined and become product oriented and more efficient. The activities in Turnaround 2005 will mean increased competitiveness for STS and improved opportunities for growth. This means that STS is well equipped to face 2004. The main market focus will be on airlines in Scandinavia and the Baltic Sea region.

Example of aircraft maintenance

An aircraft consists of one fuselage and two to four engines, approx. 6,000 components.

Aircraft in service: Line maintenance

Non-scheduled maintenance	Scheduled maintenance
Daily: ■ Ongoing troubleshooting on-site, "emergency servicing" ■ Time: shortest possible	*Every night:* ■ Brief, but absolutely necessary inspection in the hangar ■ Time: a couple of hours *Every month:* ■ Major inspection in the hangar ■ Time: 8-10 hours

Aircraft taken out of service: Base/heavy maintenance

Every other year: ■ Major overhaul and component replacement ■ Time: three to four days	*Every ten years:* ■ Thorough overhaul ■ Time: up to four weeks

Market shares

Europe, MD-80 (full-service)	30%
Europe, Boeing 737 (full-service)	15%

SAS Ground Services

Founded	■ Separate business unit in 2001
CEO	■ Hans-Otto Halvorsen
Important events in 2003	■ The SAS Group's Board of Directors decided to initiate a process of incorporating SAS Ground Services.
	■ In 2003 new agreements were signed with MyTravel, Air Canada and LOT, among others.

Key figures

	2003	2002
Operating revenue, MSEK	**5,588**	6,083
of which external operating revenue	**14.6%**	13.1%
Operating income before depreciation, EBITDA, MSEK	**–17**	48
EBITDA margin	**–0.3%**	0.8%
Operating income, EBIT, MSEK	**–162**	–87
Average number of employees	**6,820**[1]	6,891
Number of customers	**70**	70
Number of stations with own personnel	**57**	57
Number of flights handled	**485,997**	459,248
Number of passengers handled (million arrivals and departures)	**68.3**	65.2
Punctuality (% within 15 minutes)	**98.9**	98.6
Baggage quality [2]	**77**	74

[1] *Of which women 38% and men 62%.* [2] *Number of reports per 10,000 baggage items.*

Background

In January 2004 Scandinavian Ground Services (SGS) changed its name to SAS Ground Services to create a uniform name structure in the business area. SGS is a full-service provider in the area of airline ground handling and airport related services. The operation became a separate business unit in 2001. SGS's product portfolio contains everything from passenger, baggage and ramp handling to sophisticated solutions such as central departure control and automated check-in and boarding.

SGS is Scandinavia's largest player in ground handling. In recent years the business has expanded outside of its home market, and today SGS has its own operations in Finland, France, Lithuania, Poland, Thailand, the U.K. and the U.S. SGS is represented at a total of 74 airports worldwide, either through its own business or through an agent.

SGS has approximately 70 contracted customers and serviced a total of just over 120 airlines during the year. Its biggest customer is Scandinavian Airlines, which accounts for 70% of operating revenue. The next biggest customer is Braathens, which accounts for 9% of SGS's total operating revenue.

Objectives

The financial target is an EBITDA margin of at least 8% over a business cycle.

SGS's objective is to be a leading provider of ground handling services, the mission of which is to simplify and streamline its customers' operations. SGS shall actively assist its customers in meeting their customers' needs, providing a return to their owners. SGS aims to be a leader in the development of ground handling technology, e.g. in developing tools for automated passenger flows and improving the working environment. SGS shall continue its preventive efforts in the areas of health and the working environment.

Strategies

As a separate unit and independent player in the ground handling business, SGS shall lay the groundwork for competitive operations.

- To create a stable and cost-efficient platform, SGS aims to redefine and break down the existing cost structure. By fulfilling its commitments to the SAS Group's Turnaround 2005, SGS shall reduce its unit cost to a market level.
- SGS is working to define a production platform to market a basic product, regardless of whether the customer is a point-to-point or network operator. The unit shall also offer those additional services that make it unique as a full-service provider.
- SGS's five focus areas in 2004 are: *Sales, Communication, IS/IT, Resource Optimization* and *Leadership and Management Philosophy.*

Earnings performance

A weak market and increased competition put pressure on revenues, but despite the establishment of several new players in SGS's home market, SGS was able to keep all its customers. Operating revenue fell by 8.1% to MSEK 5,588 (6,083).

During the year SGS has decided on a number of measures intended to increase efficiency and lower costs. Operational costs shrank by MSEK 190 in 2003.

Earnings for the whole year were adversely affected by the weak economy and falling volumes in the airline industry. EBIT was MSEK –162 (–87).

Market outlook

The global market for ground handling is estimated at EUR 32 billion. Sales in Europe amount to approximately EUR 9 billion, while sales in the Scandinavian market are estimated to be around EUR 650 million.

The activity level in the airline business is crucial for growth in the ground handling market. Scheduled airlines continued to reduce their volumes in 2003, while exerting price pressure. While scheduled network carriers have cut their volumes, an increase has been noted primarily in the so-called point-to-point market, airlines that only fly between pairs of destinations. SGS is Scandinavia's biggest ground handler in the point-to-point market as well.

The new low-cost airlines are contributing directly to the development of the ground handling product, since the price of the product largely determines the choice of handling provider. Today, SGS is far ahead in the development of ground handling technology.

Market shares in the Nordic region

Sweden	63%
Norway	71%
Denmark	82%
Finland	20%

SAS Cargo Group www.sascargo.com

Founded
- Incorporated in 2001

CEO
- Peter Grønlund

Important events in 2003
- SAS Cargo Global Handling's freight terminals in Scandinavia, the Baltic and the U.S. were eco-certified according to ISO 14001.
- SAS Cargo's forwarding operation, SAS Spedition, changed its name to Trust.
- SAS Cargo signed an agreement with Volvo for the distribution of spare parts.

Key figures

	2003	2002	2001 [1]
Operating revenue, MSEK	**2,954**	2,844	2,698
of which traffic revenue, MSEK	**2,187**	2,269	2,170
Share of external operating revenue, MSEK	**95.6%**	95.5%	–
Operating income before depreciation, EBITDA, MSEK	**119**	47	–
Operating income, EBIT, MSEK	**77**	1	–
Income before tax, EBT, MSEK	**51**	–4	–
CFROI	**16%**	13%	–
SAS Group's holding	**100%**	100%	100%
Flown tonnes	**288,860**	271,103	263,431
Tonne km (000)	**1,011,702**	928,307	878,364
Cargo yield, SEK/tonne km	**2.15**	2.27	2.44
Average number of employees	**1,255** [2]	1,146	1,180

[1] *Run as a corporation since June 1, 2001. Before this, operations were integrated in Scandinavian Airlines, which is why income cannot be stated separately.*
[2] *Of which women 18% and men 82%.*

Background
SAS Cargo Group was incorporated in 2001 but has been in business since Scandinavian Airlines was founded in 1946. SAS Cargo Group offers quick and reliable freight transportation to, from and in Scandinavia. SAS Cargo Group sells its services primarily to shipping agents, mail and parcel services and other airlines.

SAS Cargo offers freight capacity with 195 aircraft that the SAS Group operates and 13 freight terminals, by itself or in partnership, in Scandinavia, the Baltic region and the U.S. SAS Cargo Group is part of the WOW air freight alliance with Lufthansa, Japan Airlines Cargo and Singapore Airlines Cargo, which with 44 cargo aircraft and belly capacity on more than 770 passenger aircraft is the world's largest cargo alliance. Since it was incorporated in 2001, SAS Cargo Group's operating revenue has grown by 9.5%, the number of employees has increased 3.7% and its capacity has grown by approximately 8%. In 2002, it took over Braathens Cargo in Norway. In Denmark, Novia Cargo was acquired on January 1, 2003, increasing its capacity in Copenhagen by more than 20%.

Freight and mail traffic

Total tonne km (000)	2003	2002	Change
Intercontinental	**610,690**	561,039	9%
Europe	**30,207**	29,666	2%
Intra-Scandinavian	**5,487**	6,001	–8%
Total international	**646,384**	596,706	8%
Denmark	**42***	6,280	–99%
Norway	**19,430**	7,062	175%
Sweden	**461**	524	–12%
Total domestic	**19,933**	13,866	44%
All Cargo	**345,405**	317,735	9%
Total	**1,011,702**	928,307	9%

** SAS Cargo's services to and from Greenland accounted for nearly all Danish domestic freight. Closure of the traffic to Greenland in 2002 has negatively affected volume.*

During the year SAS Cargo increased its airfreight capacity from New York to Copenhagen by signing an agreement with Korean Air Cargo. The war in Iraq and the SARS epidemic in 2003 led to a large number of cancelled flights of passengers to Bangkok and Beijing, substantially reducing the cargo capacity on these routes.

Security
The focus on security in the cargo industry has increased. In 2003 scanners, surveillance equipment and IT systems were developed and modernized. Security at terminal entry points was also tightened.

Objectives
The financial target is a CFROI of at least 20% over a business cycle.

SAS Cargo's goal is to keep its strong position in the market by continuing to profitably develop its network, capacity and products.

Strategies
SAS Cargo's main strategy is to offer customers attractive transport solutions primarily to, from and in Scandinavia.

Transport solutions are based the SAS Group's network, combined with cargo aircraft to and from strategically important destinations in Asia, the Baltic region and the U.S. The network is complemented by cooperation with WOW alliance partners who ensure SAS Cargo's access to an extensive global network.

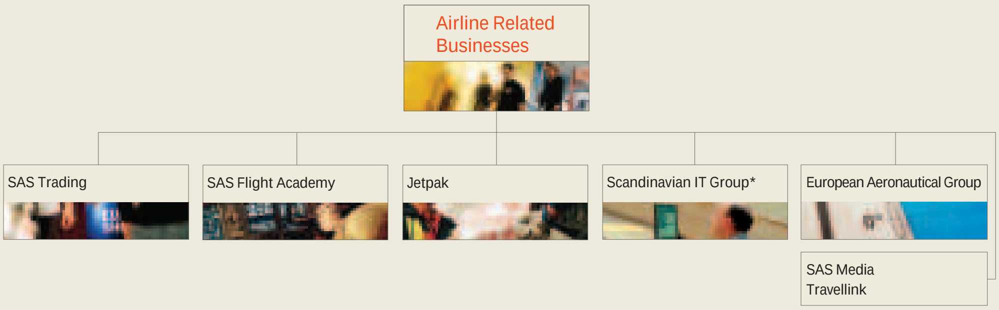
Earnings performance
Operating income rose in 2003 by nearly 4%, to MSEK 2,954 (2,844). The increase was positively affected by the integration of Braathens and Novia Cargo's cargo activities and negatively by the exchange rates in the international markets. Yield fell by 5% due to fluctuating exchange rates, greater competition and the weak market. Thanks to good cost control, income before tax, EBT, increased by MSEK 55 to MSEK 51 (–4).

Market outlook
SAS Cargo Group in Scandinavian is evaluating alternative business models with the aim of increasing efficiency in working with other operators in areas ranging from handling to sales. The implementation of a new IT system, Sirius, will enhance competitiveness by streamlining business processes, in operations as well as maintenance of the IT system. SAS Cargo Group is working on coordinating the SAS Group's total cargo or belly capacity.

Business area

Airline Related Businesses

The business area Airline Related Businesses consists from January 1, 2004 of SAS Trading, SAS Flight Academy, Jetpak, European Aeronautical Group, SAS Media and Travellink. RampSnake and Scandinavian IT Group were sold during the fourth quarter but were consolidated in the business area for 2003. SAS Trading is a retailer in travel retail. SAS Flight Academy is a leading training center for pilots, cabin crew, aircraft technicians and ship's officers. Jetpak offers door-to-door express deliveries. Other businesses are European Aeronautical Group, which supplies aeronautical data, the logistics company SAS Media and the full-service travel agency Travellink.



Sold in December 2003. Consolidated in net income for 2003.

Key figures

MSEK	Operating revenue 2003	2002	2001	Operating income, EBIT 2003	2002	2001	% of operating revenue outside the SAS Group 2003	2002	2001
Scandinavian IT Group	**2,057**	2,255	2,463	**124**	72	104	**10.4**	6.7	3.6
SAS Trading	**1,543**	1,964	2,275	**–79**	–24	2	**95.5**	97.0	98.0
SAS Flight Academy	**496**	568	627	**21**	44	62	**35.9**	30.6	35.4
Jetpak	**448**	385	355	**24**	–2	10	**99.6**	99.5	99.5
Average number of employees	**2003**	2002	2001						
Total Airline Related Businesses	**2,107**	3,042	4,038						

Statement of income

MSEK	2003	2002
Operating revenue	**4,776**	6,052
Payroll expenses	**–1,342**	–1,828
Handling costs	**–230**	–257
Costs of goods sold incl. concession charges	**–1,327**	–1,562
Computer and telecommunications costs	**–647**	–828
Other operating expenses	**–902**	–1 106
Operating expenses	**–4,448**[1]	–5,581[2]
Income before depreciation EBITDA	**328**	471
Depreciation	**–259**	–312
Share of income in affiliated companies	**–17**	–19
Capital gains	**0**	–6
Operating income, EBIT	**52**	134
Income from other shares and participations	**0**	–27
Net financial items	**–19**	–23
Income before tax, EBT	**33**	84

[1] *Includes restructuring costs of MSEK –89.*
[2] *Includes restructuring costs of MSEK –12.*

Earnings performance

Airline Related Businesses consists of business units with activities related to airline operations in and outside the SAS Group. The business area comprises stores at airports, IT support for the airline industry and training of pilots and cabin crew. A large part of the business area's sales are to external customers.

Since SMART was sold to Amadeus in August 2002, SMART is included in 2002 comparative figures up until August. In December 2003, Scandinavian IT Group was sold to Computer Sciences Corporation (CSC) for a value of SEK 2,000 comprising sales proceeds and cost savings. Scandinavian IT Group is included in the statement of income for the full year 2003. The sales rights for RampSnake were sold in December 2003.

Operating revenue decreased for the full year by 21.1% to MSEK 4,776 (6,052). This decline is due to generally low levels of activity within the airline industry and low economic activity within Scandinavia. Income before tax decreased by MSEK 51 to 33 (84) MSEK.

- Income and key figures
- SAS Trading
- SAS Flight Academy
- Jetpak
- Scandinavian IT Group
- European Aeronautical Group
- SAS Media

John S. Dueholm
Executive Vice President
Responsible for the business areas Airline Support Businesses & Airline Related Businesses

SAS Trading

www.scandinavian.net

Founded	■ Separate business unit in 1988
CEO	■ Patric Dahlqvist-Sjöberg
Important events in 2003	■ In the second quarter SAS Trading changed its distributor to better ensure deliveries and improve quality and finances. ■ SAS Trading signed a cooperation agreement with Inflight Service AB, an efficient purchasing pool operating chiefly in Europe. ■ SAS Trading implemented an efficiency-improvement program in its own administration.

Key figures

	2003	2002	2001
Operating revenue, MSEK	1,543	1,964	2,275
of which external operating revenue	95.5%	97.0%	98.0%
Operating income before depreciation, EBITDA, MSEK	–61	13	38
EBITDA margin	–4.0%	0.7%	1.7%
Operating income, EBIT, MSEK	–79	–24	2
Income before tax, EBT, MSEK	–87	–34	–1
Average number of employees	341*	471	658

** Of which women 74% and men 26%.*

Background

SAS Trading is an independent business unit within the SAS Group. As a retailer and wholesaler in travel retail, its mission is to offer goods and services with good quality and customer-perceived price advantage. The preconditions are set partly by the airport owners, who sign concession agreements with the operators to run the stores, and partly by the general development of airline traffic. Concession agreements are put out for competitive bidding in which all major travel retail operators participate.

In 2003, SAS Trading focused on business development, especially in purchasing and logistics. The distributor was changed in the second quarter to better ensure deliveries to shops. The change involved delivery problems during a transitional period until the end of the third quarter, when the changeover was completed. In purchasing, SAS Trading signed a cooperation agreement with Inflight Service AB. This agreement, implemented during the second half of 2003, will strengthen SAS Trading's position. Changes in purchasing and distribution involved streamlining and efficiency improvements at SAS Trading's head office.

During the year, managers underwent training to strengthen the unit's commercial acumen. This will sharpen SAS Trading's focus on retailing.

Financial target

The financial target is an EBITDA margin of at least 9% over a business cycle.

Strategies

Focusing on profitability, growth and good relations with concession-awarders, the main strategy of SAS Trading is to:

- continuously streamline and refine its operations to adapt to the future business platform of the travel retail market
- create, maintain and cultivate relationships with concession-awarders to achieve organic growth or partnerships,
- when bidding, offer the most attractive, commercial concepts that create value for SAS Trading, in both duty-free and duty-paid retailing.

Earnings performance

SAS Trading had sales during the year of MSEK 1,543. Operating revenue fell by 21.4% compared with the previous year. The drop in operating revenue is explained primarily by the lost concession rights in Sweden.

Income before tax was MSEK –87 (–34). The year's weak performance is primarily due to the drop in the number of air travelers, combined with a generally weak economy with lower sales per customer and a weak Norwegian krone. The duty-free market was also adversely impacted by the cut in alcohol taxes in Denmark.

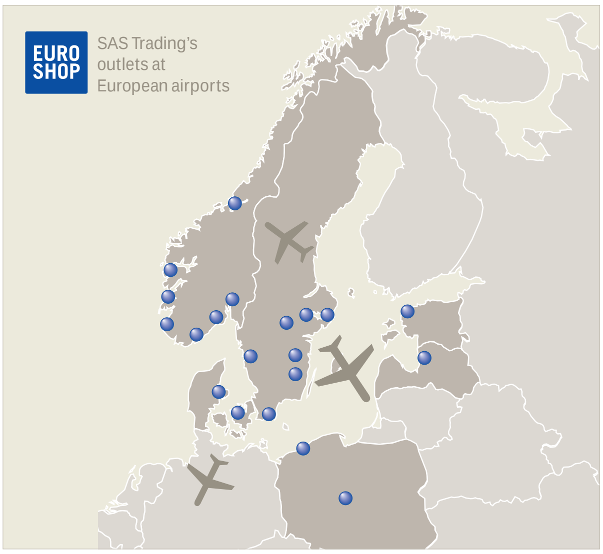
Market outlook

The travel retail market continues to be generally weak, due to reduced air travel, and the short-term outlook is uncertain.

The industry's future will be significantly affected by changes in excise taxes on alcohol in the local markets. This, plus EU expansion, is putting heavy pressure on the industry. The structural changes in SAS Trading have laid the groundwork for better performance in the coming years. SAS Trading's current concessions in Norway expire on December 31, 2004, and it is crucial for SAS Trading's future business to win the coming competition for the concessions in Norway.

Number of stores

Sweden	13
Norway	10
Denmark	4
Other countries	11



SAS Flight Academy

www.sasflightacademy.com

CEO
- Olof Bärve

Important events in 2003
- SAS Flight Academy (SFA) decided to open a training center at Gardermoen in 2004.
- SFA signed a new contract with flybe. The new agreement, a five-year exclusive contract for Dash8-Q400 and Dash8-300 pilot training, is estimated to be worth at least MSEK 50.
- Cooperation with SAS Maintenance Training was entered into, enabling a wide range of approved (JAR 147) technical training to be offered.

Key figures

	2003	2002**	2001
Operating revenue, MSEK	**496**	568	627
of which external operating revenue	**35.9%**	30.6%	35.4%
Operating income before depreciation, EBITDA, MSEK	**114**	141	150
EBITDA margin	**23.0%**	24.8%	23.9%
Operating income, EBIT, MSEK	**21**	44	62
Income before tax, EBT, MSEK	**16**	38	56
Average number of employees	**166***	174	200

** Of which women 33% and men 67%. ** Pro forma, excluding Norwegian Aviation College.*

Background
SFA is a wholly owned subsidiary of the Group and one of the world 's leading training centers for pilots, cabin crew, aircraft technicians and ship's officers. SFA is ISO 9001 certified and is a Type Rating Training Organization (TRTO), approved by the civil aviation authorities for type training of pilots. SFA's customer base includes about 150 different airlines and military organizations from all over the world.

In 2003 a number of new agreements were reached, including with the helicopter manufacturer Agusta, the Chinese Civil Aviation Flight College (CAFC) and the Czech police.

Objectives and strategies
The financial target is a ROIC of at least 12% over a business cycle.

More than half of revenues are to come from customers outside the SAS Group, at the same time as SFA will continue to be the primary provider of training to airlines in the SAS Group. SFA's revenues from customers outside the SAS Group are to grow by 5% more than the market.

Earnings performance
Due to the prevailing slowdown in the airline industry, demand for training continues to be low, which means price pressure on training on most types of simulator. SFA's operating revenue fell in 2003 by 12.7%, and income before tax, EBT, amounted to MSEK 16 (38).

Market outlook
During the past two years few new simulators were added to the world market. A recovery of the airline industry, expected in the next two years, will result in a better balance of supply and demand in the flight training market, which should stabilize price levels.

Jetpak

www.jetpak.com

CEO
- Erik Lautmann

Important events in 2003
- A new business system went into operation that gives Jetpak new opportunities to establish communication with customers' and partners' systems and simplifies ordering and invoicing.
- Jetpak received its first major order for its JetLogistik system from Sandvik Coromant for approx. 150,000 shipments per year.
- To ensure a common platform for courier and express deliveries in southern Sweden, Jetpak purchased Adena Picko's franchisees in Malmö.

Key figures

	2003	2002	2001
Operating revenue, MSEK	**448**	385	355
of which external operating revenue	**99.6%**	99.5%	99.5%
Operating income before depreciation, EBITDA, MSEK	**33**	4	19
EBITDA margin	**7.4%**	1.0%	5.4%
Operating income, EBIT, MSEK	**24**	–2	10
Income before tax, EBT, MSEK	**22**	–3	10
Average number of employees	**180***	153	125

** Of which women 43% and men 57%.*

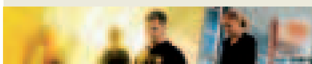
Background
Jetpak Group is a wholly owned subsidiary of the SAS Group, providing express delivery in 0-12 hours, door-to-door, with a focus on shipments within and to and from the Nordic countries. Services include local ground transportation and integrated air services. Most of the business is done in franchise or agent form, via, for example, the wholly owned courier chain Adena Picko's. Jetpak is found at more than 150 locations in the Nordic countries and has approximately 700 ground transportation vehicles.

Objectives and strategies
The financial target is an EBITDA margin of at least 13% by no later than 2006. Jetpak aims to develop further a harmonized Nordic platform that creates the preconditions for higher volumes. Jetpak intends to build transportation solutions on its own or as a party to a business arrangement (Jetpak Inside) in which Jetpak is a key factor in improving the distribution of time-sensitive products in the Nordic countries.

Earnings performance
Jetpak's operating revenue grew during the year as a whole by 16.4% to MSEK 448 (385). In 2003 Jetpak intensified its efforts to increase its share of distribution logistics solutions from warehouses in Northern Europe. Jetpak's income before tax, EBT, for 2003 improved by MSEK 25 and came to MSEK 22 (–3).

Market outlook
Quality distribution systems are a competitive factor for many businesses. In addition, demands for on-time delivery and geographical networks are growing in most industries.

While market performance in 2003 was weak, Jetpak's earnings improved thanks to implemented cost-cutting measures.



Scandinavian IT Group

www.scandinavianit.com

CEO	Hans Henrik Hedegaard
Important events in 2003	In 2003, Scandinavian IT Group signed contracts with more than 20 new customers. In December, Scandinavian IT Group was sold to Computer Science Corporation.

Key figures

	2003	2002	2001
Operating revenue, MSEK	**2,057**	2,255	2,463
of which external operating revenue	**10.4%**	6.7%	3.6%
Operating income before depreciation, EBITDA, MSEK	**219**	192	245
EBITDA margin	**10.6%**	8.5%	9.9%
Operating income, EBIT, MSEK	**124**	72	104
Income before tax, EBT, MSEK	**125**	70	96
Average number of employees	**1,203***	1,289	1,274

* *Of which women 24% and men 76%.*

Background

Founded in 1958, Scandinavian IT Group, was, until 2003, a wholly owned subsidiary of the SAS Group. Operations focus on meeting the airline industry's needs for IT business support systems. A priority area is systems that support the customers' new distribution strategies. Services include development, operation and administration.

Scandinavian IT Group sold

In December the SAS Group sold Scandinavian IT Group to U.S.-based Computer Sciences Corporation (CSC). At the same time, the SAS Group signed a five-year contract for purchasing IT services with the possibility of extending it. The total value of the transaction was MSEK 2,000, which includes the purchase price and cost reductions. The cost reductions can be estimated to be about MSEK 300 annually, but depend in part on certain volume commitments from the SAS Group. The reason for the sale was that volumes from the SAS Group had been insufficient to secure the satisfactory value growth of Scandinavian IT Group, as well as limited opportunities for exploiting economies of scale.

Earnings performance

Operating revenue at Scandinavian IT Group fell by MSEK 198 (8.8%) in 2003 to MSEK 2,057 (2,255). The lower operating revenue is due to reduced volume and implemented price reductions to the SAS Group. Owing to continued cost adjustments and the full effect of cost-cutting measures from 2002, income before tax improved by MSEK 55 to MSEK 125 (70), which is the best result in the Scandinavian IT Group's history.

IT security

The SAS Group installs an increasing number of business applications to benefit customers, partners, suppliers, etc. When these are accessed via the Internet, the Group is protected by Internet firewalls. When access takes place over another communication path, the Group protects itself with customer firewalls.

The needs of employees to work from home and on business trips with access to the Group's internal network are protected with single-use passwords, encrypted communication and personal PC firewalls.

The Group's computer network detected and rejected approx. 655,000 viruses in 2003. When the world was hit by the "Blaster" network virus, 410,000 of these were rejected at the SAS Group. The "Blaster virus" affected the Group marginally, making data communication unstable for four days. Otherwise the Group was not affected by computer viruses in 2003.

European Aeronautical Group

www.euronautical.com

CEO	Björn Alegren
Important events in 2003	The U.K. portion of the business was integrated during the year and performed well. 56 new agreements were signed that strongly counteracted the decline in sales volume.

Key figures

	2003	2002	2001
Operating revenue, MSEK	**197**	112	98
of which external operating revenue	**63.2%**	31.3%	25.5%
Income before tax, EBT, MSEK	**–10**	4	–24
Average number of employees	**154***	87	87

* *Of which women 29% and men 71%.*

European Aeronautical Group (EAG) is a wholly owned subsidiary of the SAS Group, with operations in Sweden and the U.K. The Group furnishes advanced aeronautical navigation data and flight planning documentation in both electronic and traditional paper formats. In addition, EAG provides route planning systems and performance calculations for most aircraft types. The strategy is to be one of the biggest and most profitable in the business.

Although the market did not perform as forecast, EAG has taken large market shares in Europe. It is strategically necessary to strengthen EAG's presence in the rest of the world in the coming years. The company may do this on its own or with a partner. With the aid of cutting-edge technology and changes in subcontractors, the company will streamline its production processes, efforts that will intensify in 2004.

SAS Media

www.sasmedia.se

CEO	Lennart Löf-Jennische
Important events in 2003	A media house for the SAS Group established. Several new accounts during the year in publishing, advertising and corporate imaging.

Key figures

	2003	2002	2001
Operating revenue, MSEK	**54**	49	63
of which external operating revenue	**74.9%**	92.7%	90.2%
Income before tax, EBT, MSEK	**–1**	–10	6
Average number of employees	**39***	44	44

* *Of which women 59% and men 41%.*

SAS Media is a wholly owned subsidiary of the SAS Group. The company publishes advertising-financed inflight magazines for Scandinavian Airlines, Widerøe and snowflake. In September the organization was reinforced with Advertising Services and Corporate Identity from Scandinavian Airlines. This created a complete media house for the SAS Group's business units with the expertise to create effective communication and develop the Group's brands.

SAS Media's earnings improved after efficiency-enhancement measures and positive synergies from the integration of the new units. Future opportunities for growth are closely tied to the SAS Group's businesses.

Business area

Hotels www.rezidorsas.com

Rezidor SAS Hospitality runs the Group's hotel business under five brands: Radisson SAS, Country Inn, Cerruti, Park Inn and Regent. The latest addition is Cerruti, in which a partnership was signed with the Italian fashion house in March 2003 with the aim of operating lifestyle hotels in Europe, the Middle East and Africa.

Statement of income		
MSEK	2003	2002
Rooms revenue	1,768	1,695
Food and beverage revenue	1,169	1,160
Other revenue	621	715
Operating revenue	3,558	3,570
Operating expenses	–1,271[1]	–1,151
Payroll expenses	–1,468	–1,373
Leasing costs, property insurance and property tax	–944	–860
Operating income before depreciation	–125	186
Depreciation	–138	–124
Share of income in affiliated companies	19	34
Capital gains	4	6
Operating income, EBIT	–240	102
Income from other shares and particip.	15	0
Financial items	–28	–17
Rezidor SAS Hospitality - Income before tax	–253	85

[1] *Includes restructuring costs of MSEK –27.*

Key figures		
EBITDA[2], MSEK	–106	220
EBITDA margin, %	–3.0	6.2
EBITDA growth, %	–148	29
Investments, MSEK	576	265
Capital employed, MSEK	1,512	1,509
The SAS Group's holding, %	100	100
Average number of employees	3,474[3]	3,117

[2] *Operating income before depreciation and including share of income in affiliated companies.*
[3] *Of which women 54% and men 46%.*

Operational key figures[1]			
	2003	2002	2001
Operating income incl. franchise, MSEK	10,283	10,158	10,083
Gross profit margin, %[2]	30.0	33.0	32.8
Total no. of hotels in operation	162	133	110
No. of countries operating[1]	42	40	38
REVPAR, SEK[2]	538	632	638
Occupancy rate %[2]	62	65	67
No. of rooms available/night (000)	33	29	–
No. of rooms sold (000)[2]	5,121	4,646	4,964
Energy consumption, per m^2, kWh	276	289	292
Water consumption per guest night	473	423	436
Customer satisfaction (index)	91.0	87.1	86.0
Employee satisfaction	81.4	80.5	79.2

[1] *Hotels operated as owned, leased, or on management and franchise contracts and hotels under development.*
[2] *Hotels operated as owned, leased or on management contracts.*

Earning performance

Revenues for the full year amounted to MSEK 3,558 (3,570). The revenues, unchanged in principle, are a net effect of revenue from new hotels opened since the previous year along with the strike in Norway in the spring of 2002, while currency adjusted revenues from comparable units fell 3.2%. REVPAR for comparable units in Europe decreased by 4%. The hotel market in Europe continued its negative trend and revenue per available room (REVPAR), adjusted for currency effects, was 6.7% lower than the previous year. This was the third consecutive year in which REVPAR shrank. The main reason for the negative trend is the weak economy in the wake of the war in Iraq and SARS. The hotel markets in Northern Europe declined more than hotels in Southern Europe.

EBITDA, income before depreciation and including share of income in affiliated companies, amounted to MSEK –106 (220) for the full year.

Income before capital gains and restructuring costs came to MSEK –226 for the full year.

A cost saving program was started in early 2003. For the full year total operating expenses were reduced by 50% of the decline in revenues for comparable units. The goal is to cut fixed operating expenses by 15% by next year.

The negative performance compared with 2002 is mainly due to lower revenues for comparable units owing the decline in the market and negative results for newly opened hotels. Furthermore, a nonrecurring payment of MSEK 103 was made for termination of the Malmaison contract in 2002.

Income before tax, EBT, amounted to MSEK –253 (85) for 2003.

- Earnings performance
- Important events
- Background
- Vision, objectives and strategies
- Expansion strategy
- The brands and partners
- Hotel growth
- Efficiency improvements
- Responsible Business
- Market outlook

Gunnar Reitan
Deputy CEO
Responsible for Subsidiary & Affiliated Airlines and Hotels

Founded ■ 1960

CEO ■ Kurt Ritter

Important events in 2003

- Agreement with the Italian fashion house Cerruti to operate lifestyle hotels in Europe, Middle East and Africa.
- Agreement with Software Hotels on rebranding of Winnhotell to Park Inn, which contributed to rapid expansion in Sweden.
- An efficiency program was carried out to adapt the organization to the current economic situation.

Background

Rezidor SAS is a wholly owned subsidiary of the SAS Group. Rezidor SAS's aim is to become one of Europe's leading hospitality management companies. The company has grown rapidly in recent years and at the end of 2003 had 162 (133) hotels in operation and 38 (51) hotels under development in 42 countries.

Radisson SAS has a strong position in the Nordic countries, Germany, Poland and the Baltic region, as well as the U.K. and Ireland. Park Inn enjoys a good position in Sweden after its expansion in 2003 from 0 to 16 hotels. By capitalizing on Rezidor SAS's strong brand and the expanding product portfolio, the aim is to grow to 700 hotels within a 10-year period.

The travel market was weaker in 2003 than in previous years. In addition, there was overcapacity in the market. Hotel buildings on which construction started during a period of healthy demand were opened in 2003 only to be met by the low demand caused by the poor economy, tighter business travel budgets, SARS and the outbreak of hostilities. Investments in hotels are long-term while customer demand is volatile and quickly changes in the face of external factors. Hotels in Central Europe and in Scandinavia saw lower demand during the year due to new hotels (in Copenhagen and Stockholm) and curtailed business travel. Demand also shrank at hotels in the Middle East and major European cities due to the war in Iraq, and at hotels in China because of the SARS epidemic. Hotels in the Baltic region, Russia and Eastern Europe performed well the whole year while an upswing in demand was noted in the U.K. and Ireland in late autumn. Demand for the services of budget operators continued to increase. This indicates future strong growth for hotels in the mid-market segment, such as Park Inn.

Vision

Rezidor SAS's vision is to become one of Europe's leading hospitality management companies, with a focused collection of high-performing, profitable brands in various market segments.

Objectives

The financial target is an EBITDA margin of 10% and EBITDA growth of 15% over a business cycle.

The company's objective is to achieve good and profitable growth with aim of operating 700 hotels by the year 2012.

Rezidor SAS aims to offer customers several different hotel products providing value for money in their respective categories. Guests are to experience a safe and comfortable stay based on their individual needs and desires.

Quality targets

Customer and employee satisfaction is measured each year. The aim is that compared with the previous year both key figures are to increase for the entire chain. In 2003 customer satisfaction (overall satisfaction index) was 91.0, up from 87.1. Each hotel has more detailed targets for its specific customer markets. The index for employee satisfaction with their duties and working environment was 81.4, an increase of 0.9 compared with 2002.

Strategies

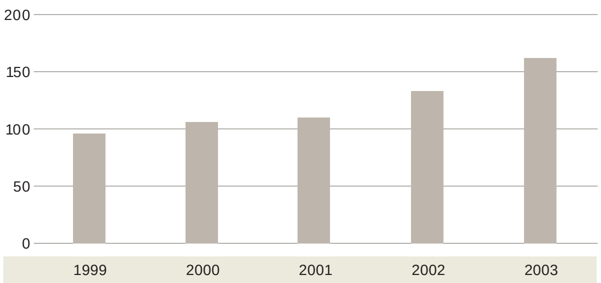
Rezidor SAS's main strategy is to develop and operate a portfolio of brands to offer the best possible solution for property owners, while being sensitive to the needs of the individual hotels and owners. Guests should be able to choose from among several strong brands providing good service and high customer satisfaction, which in turn create return customers. Employees are to be offered good development and career opportunities, and owners healthy growth and sustainable profits.

Expansion strategy

To achieve critical mass with regard to brand awareness, geographical coverage and economies of scale, continued growth is of great strategic importance for each hotel brand at Rezidor SAS. The result of the strategy of offering several hotel brands will not have a positive effect until two or three years, because the new brands must be developed and established. Over the next few

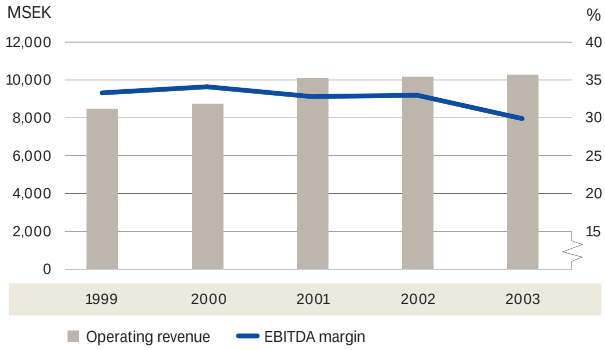
Hotel growth, 1999-2003

Number of hotels



At year-end one hotel property was owned in Oslo. The hotel at Stansted was sold in December 2003. At year-end 2003 the total number of hotels in operation was 162.

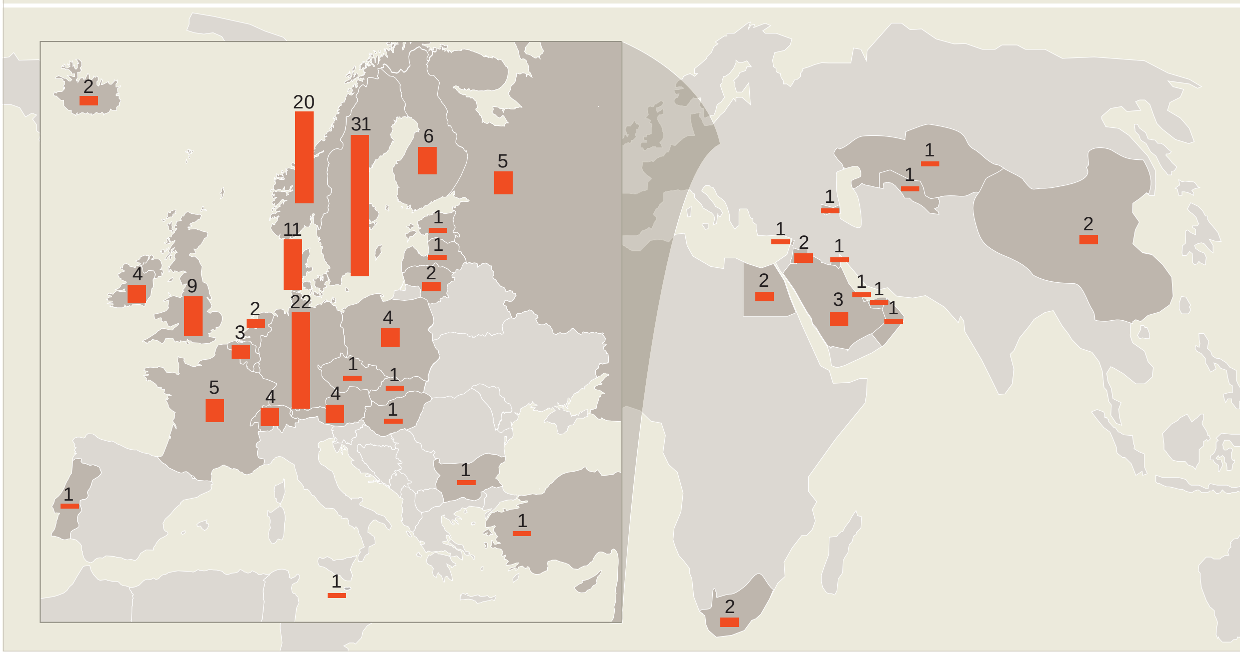
Total operating revenue[1] and EBITDA margin[2] 1999-2003



[1] *Including hotels operated on a management basis and hotels with franchise agreements.*

[2] *Including hotels operated on a management basis.*

Rezidor SAS hotels in operation (at December 31, 2003)



years the expansion will mainly take place the in Radisson SAS, Park Inn and Cerruti brands.

The strategy is to work with a mix of contracts, where hotels in capitals and strategic locations will be offered agreements with financial measures, with a focus on a higher share of leases rather than management contracts. Outside capital cities the expansion will primarily take place through franchise contracts and in the Park Inn brand. Park Inn's expansion will largely follow the geographic development of Radisson SAS, with establishments starting in the Scandinavian home market followed by expansions in Germany and the rest of Western Europe. Rapid growth is also expected in Russia for Park Inn.

The brands and partners

By entering into an expanded agreement with the American company Carlson Hotels Worldwide in 2002, and with the Italian fashion house Cerruti in spring 2003, Rezidor SAS consolidated its position in hospitality management through several brands. Today the company operates five clearly defined hotel brands ranging from mid-market to the luxury segment. The hotels have different profiles:

- *Radisson SAS* - first-class hotels for business and leisure travelers in city centers, at airports and in resort destinations
- *Country Inn* - symbolizes charming, cozy and welcoming hotels with a local flavor in the mid-market segment
- *Cerruti* - lifestyle hotels for a stylish, metropolitan audience
- *Park Inn* - stands for efficient, fresh, innovative mid-market hotels
- *Regent* - worldclass luxury hotels in Europe and the Middle East.

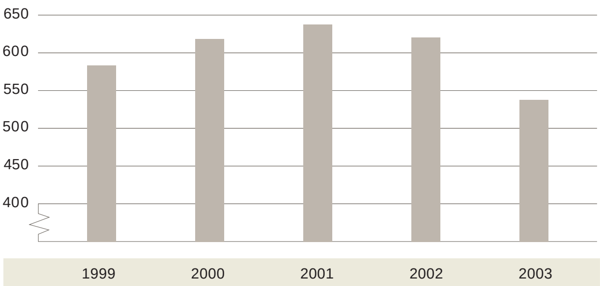
This portfolio of brands enables Rezidor SAS to offer a broad range of management, franchise and investment opportunities to developers and hoteliers, while reaching a larger customer group.

Hotel growth
- 2003 was a record year with 35 hotel openings

In 2003 more contracts were signed and more hotels were opened than ever before. At the end of 2003 the total number of hotels in operation under Rezidor SAS was 162. Thirty-nine hotel contracts were signed in 2003. For Radisson SAS, contracts for 12 hotels were signed in France, Ireland, Malta and Germany, among other places. In all, 14 new Radisson SAS hotels opened in 2003 in Edinburgh, Helsinki, Jeddah, Karlsruhe, Karlstad, Cracow, Cologne, Letterkenny, Limavady, Narvik, Oslo, Riyadh, St. Gallen and Tashkent.

REVPAR[1] performance, 1999-2003

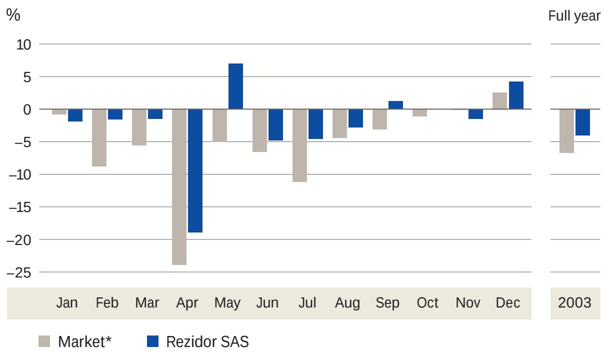
(Revenue per available room)



REVPAR shows average revenue per available room and thus reflects the occupancy rate and rate per sold room. REVPAR plummeted in the wake of weak demand during the year.

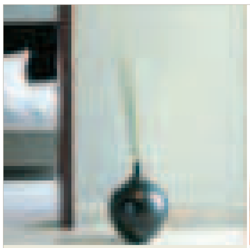
[1] *Including hotels operated on a management basis.*

REVPAR on the European hotel market



REVPAR shrank throughout the entire hotel industry in 2003. Rezidor SAS saw less of a decline than its competitors.

** Source: Deloitte*



Radisson SAS
First class

Radisson SAS offers full-service hospitality. It aims to be the strongest hotel in its category and the leading player in the markets it serves.

Radisson SAS has a service program to make you feel comfortable, in touch and at home - even while you are away.

Our main priority is to provide personal, professional service and genuine hospitality every time we meet our guests.

The key differentiator, however, is the 100% Guest Satisfaction program: if a service delivery problem can't be made right, the customer doesn't have to pay!

Number of hotels 126

Country Inn
Mid-market

The first thing you see is the lobby fireplace, surrounded by inviting areas to socialize or just sit. It's like walking into someone's living room!

Country Inn is a mid-market alternative for business and pleasure travelers who want a high level of comfort and excellent value for money.

The unique Country Culture, with its cozy atmosphere and friendly staff, is crucial to the concept.

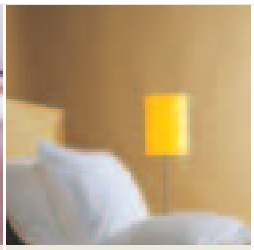
Number of hotels 12

Cerruti
Lifestyle

A joint initiative with the major international fashion house of the same name, Cerruti sets out to capture the fast growing, style-conscious mid-market with architecturally interesting and centrally located hotels featuring individually designed, contemporary rooms equipped with the best of everything.

Other amenities include high profile bars and restaurants of an Italian genre and the occasional spa. But most important of all, Cerruti hotels will be accessible and affordable by concentrating on selected services.

Number of hotels 0

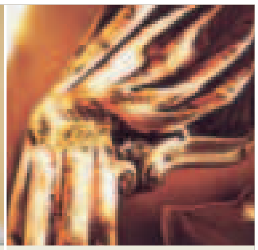


Park Inn
Mid-market

Park Inn represents an unconventional option within the international mid-market hospitality segment: a contemporary, value-for-money accommodation experience for the frequent traveler, whether on business or leisure trips.

Park Inn offers an uncomplicated and affordable hospitality product with a focus on what really matters: a good, comfortable night's sleep in a fresh, clean, safe environment offering consistently executed services with a warm and friendly approach.

Number of hotels 23



Regent
Luxury

Regent is a hospitality legend, virtually synonymous with superior, traditional luxury hotels and resorts. With its roots in the Far East, Regent has set the standard for luxury services, far exceeding the ordinary full-service concept.

What constitutes a true luxury experience? The answer to that question evolves with time. Regent has continuously reinvented the luxury experience for its guests and will continue to do so. With Regent, nothing is ordinary. So expect the unexpected!

Number of hotels 1

The Park Inn chain grew rapidly during the year: From its premier in January to the end of the year 23 new Park Inn hotels were opened. The first hotel was a 1,000-room hotel on Alexanderplatz in Berlin. The biggest contribution to the chain was the conversion of 14 Winnhotells in Sweden in May. In addition, Park Inn hotels opened in Cape Town, Nice, Stavanger, Copenhagen and Switzerland, with two hotels. Hotels in Stavanger and Copenhagen were converted from Radisson SAS. Four Country Inn hotels were also converted to Park Inns in February 2004. Russia is a future important market, primarily for the Park Inn brand. The aim is to contract sixty-some hotels over the next 10 years. The first contracted Regent hotel is located in Zagreb and will open in early 2004. Hotels were signed in Brussels, Düsseldorf and Vienna for the lifestyle chain Cerruti.

In December 2003 one hotel property was owned, in Oslo. The property at Stansted airport was sold in December 2003.

Efficiency improvements

Income before tax fell in 2003 because revenues for comparable units were lower than in 2002, the costs of recently opened hotels are considerable and the nonrecurring costs of developing new brands is high. During the year expenses for reorganizing and handling redundancies at the hotels and head office also arose. At comparable hotels cost-saving measures compensated up to 50% of revenue losses, which is in line with the target of the cost-cutting program. The goal for 2004 is to cut fixed operating costs by 15%, which for own operations amounts to MEUR 20. This will take place by streamlining all areas and renegotiating vendor agreements, cutting administration costs and increasing staffing flexibility.

Responsible Business

In 2003 Rezidor SAS continued to carry out its Responsible Business program. Radisson SAS has successfully completed the program, achieving a long list of environmental and social improvements. Monthly reporting of energy and water-saving measures and waste quantities prove that the hotels have become more resource efficient. The program was introduced at Country Inn and Park Inn in 2003 and is scheduled to be fully completed in 2004. In March Radisson SAS Plaza Hotel in Oslo become the first Radisson SAS hotel to be licensed to use the Nordic Swan eco-label. It was followed in October by the Radisson SAS Airport Hotel at Gardermoen.

Market outlook

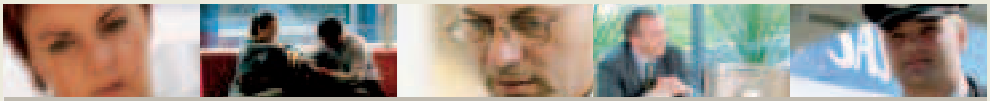
Market analysts believe that the bottom of the hotel market was reached in the final quarter of 2003, and that a slow recovery will take place in 2004. While occupancy is expected to increase first, it will take longer for REVPAR to reach earlier levels because the customer mix has changed to include more leisure travelers.

The expansion of the EU provides great opportunities to see continued growth in Eastern Europe and the Baltic region, as well as in Russia.

Number of hotels in operation	
Total	162
Scandinavia total	62
Sweden	31
Norway	20
Denmark	11

Financial report

2003 presented unprecedented challenges to the airline industry. The first quarter saw heavy losses for airlines worldwide, primarily due to the war in Iraq and economic uncertainty. The beginning of the second quarter was dominated by SARS, which hit air traffic to Asia very hard, while economic weakness continued. Despite continued weak revenue, the SAS Group's second quarter results were better than the first quarter's, taking seasonal variation into consideration. This is due to generally lower costs where we can see that the Turnaround programs are beginning to bear fruit. Beginning in June, a slight recovery in traffic was noted. The unit revenue (yield) performed poorly during the full year.



A number of years ago, the SAS Group adapted its reporting to International Accounting Standards (IAS) wherever possible in light of Swedish law.

Report by the Board of Directors

Corporate identity number: 556606-8499

The Board of Directors and the President of SAS AB hereby submit the annual report for SAS AB and the SAS Group for the 2003 financial year.

Market performance

So far every year of this decade has seen major changes in the airline industry, with a stream of new players, altered travel patterns and greater cost-consciousness among customers. This has occurred at a time of a generally weak global economy and external events such as SARS and the war in Iraq.

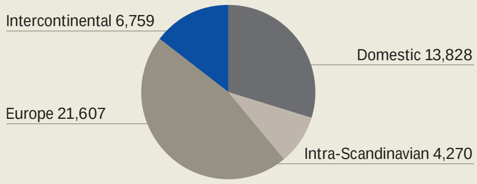
Uncertainty in the business environment and the global economy has reduced the demand for air travel. Despite some stabilization towards the end of 2003, no upturn was noted in Scandinavian or European traffic. On the other hand, intercontinental traffic rose sharply in the second half of 2003. For the SAS Group, however, intercontinental traffic accounts for a smaller proportion of revenues than for the other network operators.

The beginning of 2003 was very weak due to the war in Iraq and the SARS epidemic. Economic weakness and reduced traffic volumes combined with lower yields resulted in a sharply negative earnings performance for the first four months. The effects of cost-reductions in Turnaround 2005 and a stabilization of traffic beginning in June have resulted in a more stable earnings performance from June to December.

The airline industry is currently undergoing a fundamental transformation, and pressure on the yield will continue even if the economy improves. It is crucial to ensure the implementation of Turnaround 2005 and for the remaining SEK 2 billion in cost saving to be attained to ensure competitiveness.

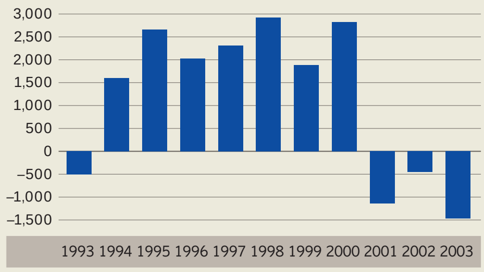
The SAS Group's total traffic revenue, 2003

MSEK



The SAS Group's income before tax

MSEK



Group structure

In August 2003, the Group's sales unit SAS World Sales was integrated into Scandinavian Airlines.

Scandinavian Airlines comprises passenger air transportation operations including the production company SAS Commuter.

Subsidiary & Affiliated Airlines comprises the other airlines in the Group.

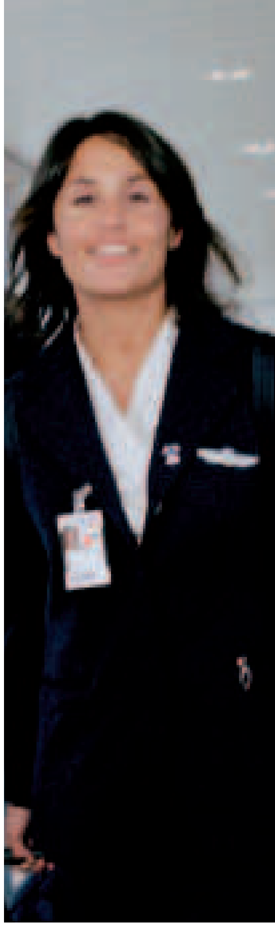
Airline Support Businesses contains the business units SAS Technical Services, SAS Ground Services and SAS Cargo.

Airline Related Businesses includes Scandinavian IT Group (sold in December 2003), SAS Trading and SAS Flight Academy, among others.

Hotels comprises Rezidor SAS Hospitality, which operates the SAS Group's hotel business.

Key acquisitions and sales

At the beginning of 2003 the Group acquired 36.1% of the shares in Aerolineas de Baleares, which is a production company of Spanair S.A. Thus, the Group's holding amounts to 74%, and the company was consolidated as a subsidiary as of January 1, 2003. The purchase price was MEUR 4. Goodwill connected with the acquisition was estimated to be MEUR 1.8 or MSEK 16.



In September, the Group acquired 49% of AS Estonian Air as well as 100% of Air Maintenance Estonia AS. The total purchase price was MSEK 204, with goodwill acquired through the purchase of MSEK 155.

To release capital and create greater flexibility for office space, property in Copenhagen was sold in September for MSEK 997. The capital gain was MSEK 553. In addition, the head office Frösundavik in Solna was sold in December for MSEK 1,125, realizing a capital gain of MSEK 688. The properties in both Copenhagen and Stockholm are being leased back for 10-20 years.

On December 18, an agreement was signed to sell Scandinavian IT Group. At the same time an outsourcing contract was signed with a term of five years. The sale price for the shares was MSEK 480, MSEK 245 of which will be paid on February 4, 2004, and the remaining MSEK 235 in another year's time. The capital loss was MSEK –33.

The operating assets and liabilities of RampSnake A/S were sold in December. The purchase price was MUSD 5 and no capital gain is reported.

In December Rezidor SAS Hospitality signed an agreement to sell its hotel property at Stansted Airport outside London. Liquidity from the sale is equal to a book value of MEUR 36.

In December 2003, 10.1% of the shares in Travellink AB were sold, with a capital loss of MSEK 3. The Group's remaining shareholding, 49.9%, as well as receivables were written down to zero by a total of MSEK 40.

Changeover to IFRS (International Financial Reporting Standards) in 2005

According to an EU directive, all listed companies in the EU are to prepare their consolidated accounts according to the International Financial Reporting Standards (IFRS) by 2005 at the latest. A number of years ago, the SAS Group adjusted its accounting to IFRS insofar as this was permitted by Swedish law. Since the Group's reporting of pensions already conforms to IAS19/RR29, the main difference between current accounting policies and the coming IFRS principles will pertain to reporting of financial instruments. In order to facilitate this changeover, the SAS Group has had a project group working on the changeover. This work has involved the identification and analysis of differences between generally accepted accounting principles in Sweden for listed companies and IFRS and an overhaul of the systems and processes affected by the changeover.

Accounting and reporting according to IFRS will affect the SAS Group's reported earnings and position. With the introduction of IAS39, all financial assets and liabilities, including freestanding and embedded derivative instruments, are to be reported in the balance sheet. This means that the balance sheet total will increase, and current changes in value will affect the company's earnings. Classification of financial instruments governs current valuation, where the standard for valuation is fair value. Along with any application of hedge accounting and any existence of embedded derivatives in contracts, the introduction of the recommendations will have effects on earnings, shareholders' equity and key figures. An account of the effects on the SAS Group's net earnings and shareholders' equity of applying the IFRS principles in this area is given in Note 44. In addition, the format of the annual report will be affected by the added disclosure requirements.

European Cooperation Agreement (ECA)

The European Cooperation Agreement is a joint venture agreement between Scandinavian Airlines, Lufthansa and British Midland International, which took effect in January 2000. Scandinavian Airlines' share of any losses is 45%. The agreement was approved by the European Commission for a period of eight years until December 31, 2007.

With the aim of creating a competitive intra-European traffic system, the ECA combines the three airlines' route networks within the EEA (European Economic Area) to, from and via London Heathrow and Manchester airports.

Market weakness continued in 2003, with growing competition from low-cost carriers. Thus, the ECA continued to have a negative impact on the SAS Group's earnings during the year in the amount of MSEK –244 (–418).

Changes in the Board and Management

All shareholder-elected members of SAS AB's Board of Directors were reelected by the Annual General Meeting on April 10, 2003. One new employee representative was named during the year.

On February 15, 2003, Sören Belin assumed the post of Chief Operating Officer (COO) of Scandinavian Airlines.

Work of the Board of Directors

The Board of Directors of SAS AB consists of nine members, of whom six are elected by the Annual General Meeting. The three other members and six deputies are elected by the employee organizations in Denmark, Norway and Sweden.

At the Annual General Meeting of SAS AB on April 10, 2003, the sitting Board, i.e. Berit Kjøll, Egil Myklebust, Fritz H. Schur, Anitra Steen, Lars Rebien Sørensen and Jacob Wallenberg, was reelected. In addition to the shareholder-elected members, Ulla Gröntvedt, John Lyng, Flemming Beinov (until November 30) and Nicolas E. Fischer (as of December 1) serve on the Board as employee representatives.

At the statutory meeting of the Board of Directors, Egil Myklebust was elected Chairman and Jacob Wallenberg Vice Chairman. Working closely with the President, the Chairman is to follow the company's performance, plan Board meetings and see to it that the other members of the Board always receive the information necessary for the Board to do high quality work pursuant to law and the Board's formal work plan.

The Board's work is governed by the Swedish Companies Act, the Articles of Association and the formal work plan adopted by the Board each year that regulates the division of the Board's work between the Board and its committees and among the Board, its Chairman and the President. The Board appoints from among its own members the members of the two Board committees.

Among the duties of the Board are setting the overarching objectives and strategies of the SAS Group, adopting a budget and business plan, discussing and approving the year-end and interim reports and deciding on investments and major changes in the organization and activities of the SAS Group. The Board's work follows a yearly agenda with regular business items as well as special topics. Besides the Board's annual evaluation of the President's efforts, the Board performs an annual evaluation of its own work and the efforts of the individual Board members.

During the year the Board held eleven meetings. At these meetings the Board discussed the regular business items presented at the respective meetings, such as business and market conditions, financial reporting and follow-up, the company's financial position and investments. Additionally, at various meetings the Board discussed matters involving flight safety work, internal control, the year-end report, interim reports, strategy and the business plan and the budget.

Special topics discussed by the Board during the year include the SAS Group's various earnings improvement programs (Turnaround 2005), the launch of Scandinavian Direct and snowflake, financing matters, organizational changes at Scandinavian Airlines, corporate governance issues, including a decision to set up an audit committee and the adoption of an information policy, acquisition of 49% of the shares in Estonian Air, the sale of Scandinavian IT Group, the sale of properties in Copenhagen and Stockholm as well as overarching strategic issues.

On two occasions the company's auditor met with the Board, reporting his observations from his auditing work.

During the year, the Board's compensation committee, consisting of Egil Myklebust, committee chairman, Jacob Wallenberg and Fritz H. Schur, discussed and drafted a Board resolution on the President's fulfillment of his target contract for 2002 and 2003, drafted a target contract for the President for 2003 and 2004 and discussed general matters involving guidelines and policies for compensation and incentive programs for employees, including recommended salaries, pension and other compensation for the President and Group Management. In 2003 the committee held four recorded meetings in addition to a number of informal contacts.

During the year the Board decided to set up an audit committee, which begins its work in 2004. Its chief task is to monitor the company's financial reporting, the audit process, including evaluating the external auditors, the company's risk management and internal control. The audit committee comprises Egil Myklebust, committee chairman, Anitra Steen and Lars R. Sørensen.

According to the Articles of Association of SAS AB, the election of a nomination committee shall take place at the Annual General Meeting. The nomination committee, whose primary task is to nominate candidates for election to the Board, is to reflect the shareholder composition of the company and help to ensure that the composition of the Board is appropriate and representative. The nomination committee also makes recommendations on remuneration for Board members to be decided at the Annual General Meeting. The current members of the nomination committee, who were elected at the Annual General Meeting on April 10, 2003, appear in the report on page 89.

Safety work

Safety is the SAS Group's absolute highest priority. Every airline in the Group conducts independent reporting of nonconformances and risk management according to accepted methods and current standards. The results of measurements and analyses are reported both locally and centrally to ensure that the level of safety is high and that the management is informed about the overall safety status of the individual airlines. Safety work at all of the SAS Group's airlines is followed up as an integral part of the respective airlines' quality systems.

Regular audits of all companies and their activities are conducted by internal independent functions as well as by civil aviation authorities. The flight safety situation of the SAS Group in 2003 was stable. Uncovered defects were identified and handled according to current routines and procedures. In 2003 the EU adopted new routines for increasing security for passengers at airports. On November 1, 2003, the SAS Group had completed the installation of new, reinforced cockpit doors on all aircraft with a maximum takeoff weight exceeding 45,500 kilograms.

The SAS Group's Board receives regular reports about the safety level of the Group's various airlines. It also receives an in-depth review of flight safety work twice a year.

Environmental impact

Airline operations account for almost 90% of SAS Group's total environmental impact. The most significant environmental impact of airline operations is caused by the consumption of non-renewable fuels, emissions of carbon dioxide and nitrogen oxides, and noise. Globally, airline emissions mainly affect the climate. The local and regional environmental impact consists mainly of noise during takeoff and landing, as well as of acidification and eutrophication of soil and water. The greatest potential for environmental improvements lies in continuous renewal of the aircraft fleet, which means always choosing the best commercially available technology. Environmental aspects are a key element in the SAS Group's choice of new aircraft and engines. The most significant environmental impact of cabin, ground and hotel operations is caused by energy and water consumption and by waste.

Commercial aviation uses aircraft internationally type-approved according to the ICAO's certification standards. Environmental approval is an integral part of national registration of aircraft. Environmentally based national and/or local permits, rules and regulations provide a framework for aircraft use. The trend is toward stricter environmental framework conditions for the airline industry. The SAS Group is not aware, however, of any changes to these conditions that during the coming fiscal year could have significant operational or financial consequences for its business. Yet there is a risk that in coming years tightened emissions and noise standards may affect the Group's traffic to certain airports.

The parts of the SAS Group's operations requiring a permit under environmental legislation are ground operations at Stockholm, Oslo and Copenhagen airports. Of the SAS Group's 256,000 sq.m of space at Arlanda, operations requiring a permit are conducted on 56,000 sq.m. The permit covers maintenance bases and regulates emissions to air, chemicals and waste management and sets target and monthly mean values for effluent from the purification plant. SAS Technical Services (STS) submits an annual environmental report to Sigtuna Municipality. At Oslo Airport, operations requiring a permit are conducted on 30,900 of a total 87,500 sq.m. The permit covers water from a purification plant connected to hangars and maintenance bases. STS submits an annual report to Ullensaker Municipality and the Norwegian Pollution Control Authority. Of the SAS Group's 210,000 sq.m of space at Copenhagen Airport, operations requiring a permit are conducted on a total of 61,482 sq.m, primarily maintenance bases and hangars. The permits renewed in 2003 did not restrict any of the present activities, but set conditions for certain types of work such as aircraft painting and handling of oil and chemicals.

During the year the SAS Group did not receive any injunctions from the issuing authorities.

Otherwise, the SAS Group's airlines depend on permits administered by airport owners for operations and glycol handling.

The SAS Group has no permit requirements for airline operations in Finland or Spain or for any Rezidor SAS Hospitality hotel, beyond local permits for waste management.

In 2003, aircraft from the SAS Group's airlines sometimes deviated from local approach and takeoff rules, which prompted a dialog with local authorities.

The threshold value for releases of cadmium was exceeded on numerous occasions at Stockholm's Arlanda Airport. These releases were due to increased concentrations of cadmium in the purification plant's intake water, resulting in a higher concentration in wastewater as well. A number of attempts were made to reduce the cadmium concentrations and increase the effectiveness of the purification plant, though without success. The events were reported, and there is an ongoing dialog with the environmental office in Sigtuna Municipality as the responsible authority.

None of these incidents had any significant financial or environmental consequences.

The Group was not involved in any environment-related disputes or complaints and has no known environment-related debts. However, there is a stayed lawsuit for damages against Radisson SAS Hotel Atlantic in Stavanger brought by nine persons who fell ill with Legionnaire's disease in summer 2001. After getting approval from its insurer, Radisson SAS Hotel Atlantic has accepted liability for what happened. The level of damages will be determined after further deliberation.

For several years the SAS Group has been measuring its ecoefficiency using an environmental index. Since the base year 1996, the index of Scandinavian Airlines, its main business, has improved by 22 points. The objective is a relative mean improvement of three points each year in the period 1996-2004, which is likely to be reached.

The Group is using the environmental index as its chief environmental management parameter for the majority of its operations, which increases opportunities for internal benchmarking.

Dividend 2003

In the present circumstances of negative earnings from operations, financial strength is of utmost importance. The Board of Directors therefore proposes that no dividend be paid to SAS AB's shareholders for the 2003 financial year. See also the proposed disposition of earnings on page 87.

Outlook for the full year 2004

For 2004, continued stabilization of traffic development is expected.

The percentage deterioration in the yield in 2004 is expected to be on par with the fall in yield in 2003, adjusted for nonrecurring effects. There is uncertainty regarding yield performance for the full-year 2004. Yield performance in January was very weak, with continued weakness indicated for February.

The SAS Group is currently implementing comprehensive cost-cutting measures to increase the Group's competitiveness. The measures in Turnaround 2005 are being carried out according to plan and will have an additional impact moving forward on the Group's costs.

It is the primary aim of the management and Board of the SAS Group to ensure that the SAS Group achieves positive earnings before tax, capital gains and nonrecurring items for the full-year 2004 and to make the necessary decisions for this to happen.

The SAS Group's quarterly earnings can be expected to follow the normal seasonal variation, which means that the results for the first quarter of 2004 will be negative, but positive for the second and third quarters.

The SAS Group's statement of income

MSEK	Note	2003	2002
Operating revenue	2	**57,754**	64,944
Payroll expenses	3	**–21,927**	–22,352
Other operating expenses	4	**–35,001**	–39,045
Operating income before depreciation, EBITDA		**826**	3,547
Depreciation	5	**–3,046**	–2,953
Share of income in affiliated companies	6	**39**	–409
Income from the sale of shares in subsidiaries and affiliated companies		**651**	817
Income from the sale of aircraft and buildings	1, 7	**649**	–320
Operating income		**–881**	682
Income from other shares and participations	8	**–1**	–180
Interest income and similar income items	9	**1,414**	1,146
Interest expenses and similar income items	10	**–2,002**	–2,098
Income before tax		**–1,470**	–450
Tax on income for the year	11	**5**	267
Minority interests	23	**50**	51
Net income for the year		**–1,415**	–132
Earnings per share (SEK) [1]		**–8.60**	–0.81

[1] Earnings per share is calculated on a weighted average of the number of outstanding shares (RR18), 164,500,000 shares for 2003 and 163,747,100 shares for 2002.

Since the SAS Group has no convertible options or share program, no dilution can arise.

Comments on the statement of income

In the SAS Group's statement of income for January-December 2002, Spanair was included as of March 1, and SMART was included until August 31, when the company was sold. Spanair was consolidated as an affiliated company until February 2002. The figures for 2003 include the Spanair-related company Aerolineas de Baleares, which was consolidated as a subsidiary as of January 1, 2003, and the handling company Newco, which was consolidated as a subsidiary as of December 2002. AS Estonian Air and Air Maintenance Estonia AS come in addition and were consolidated as an affiliated company and subsidiary, respectively, as of October 1, 2003. For comparison with 2002, this is corrected for under the term "noncomparable units."

The net effect of currency fluctuations between the period January-December 2002 and 2003 was MSEK 1,108. The effect is MSEK –2,700 on operating revenue, MSEK 3,526 on operating expenses, of which MSEK 1,624 is attributable to a weaker USD and MSEK 282 in net financial items. The positive currency effect of MSEK 1,108 was primarily counteracted by price increases in jet fuel and increased security costs.

The SAS Group's operating revenue amounted to MSEK 57,754 (64,944), a decrease of MSEK 7,190 or 11.1%. Adjusted for noncomparable units of MSEK 1,149, currency effects of MSEK –2,700 and revenue from the Swedish Civil Aviation Administration (Terminal 2), MSEK 570, the previous year, the Group's operating revenue fell by 7.8%. Scandinavian Airlines' passenger traffic measured in revenue passenger kilometers, RPK, fell by 6% compared with 2002. Unit revenue or yield, adjusted for currency effects, fell by 13%.

For the entire Group, restructuring costs charged against net income for the year attributable to Turnaround 2005 were MSEK 496, of which MSEK 485 was the expense for idle notice periods covering approximately 1,100 persons. The remaining MSEK 11 went for expenses for unused leased premises and other expenses for eliminating redundancies.

Payroll expenses fell by MSEK 425, or 1.9% and amounted to MSEK 21,927 (22,352). Adjusted for noncomparable units, restructuring costs and currency effects, payroll expenses were MSEK 21,799 or 0.1% lower than the previous year. The fall in payroll expenses due to workforce reductions was largely counteracted by a rise in payroll expenses between 2002 and 2003 (the salary freeze agreement from April 1, 2003) and increased pension costs. In the previous year, MSEK 241 relating to training and retraining costs connected with phasing in and phasing out of the aircraft fleet was reported as a capital gain. The number of employees in the SAS Group fell by 2.7%. In comparable units the number of employees fell by 4.2%.

The Group's pension costs rose compared with the previous year. The reason is a lower rate of return on its funded assets due to a reduction of funded assets in 2002 as a result of the negative performance of the capital market. Therefore, at the end of 2002 the negative actuarial deviations from estimates grew, which resulted in higher amortization in 2003. Due to recent years' drop in interest rates, all of the Group's long-term parameters for calculating the net pension liability were changed in 2003. At the same time, the company changed the amortization period for actuarial deviations from estimates to the average remaining earning period. However, compared with the parameters used in 2002, the effect on 2003's earnings is neutral.

The Group's other operating expenses fell by MSEK 4,044, or 10.4%, to MSEK 35,001. Excluding noncomparable units and currency effects, operating expenses fell by 5%. Other operating expenses include the Group's costs for jet fuel, which amounted to MSEK 4,743 (4,938). Of this, Scandinavian Airlines accounts for MSEK 2,894 (3,184) and the other airlines MSEK 1,849 (1,754). The price effect of jet fuel including income from hedging was approx. MSEK 700 higher than the previous year. Owing to the weaker U.S. dollar and lower volume consumed, the total fuel cost was lower than in 2002.

Operating income before depreciation, EBITDA, was MSEK 826 (3,547). The gross profit margin fell from 5.5% till 1.4%.

Depreciation was MSEK 3,046 (2,953), an increase of MSEK 93, primarily resulting from new investments.

Share of income in affiliated companies amounted to MSEK 39 (–409). Spanair was reported as an affiliated company until the end of February 2002. The share of income amounted to MSEK –300 and covered the period from November 1, 2001 to February 28, 2002. Excluding Spanair the share of income was MSEK –109 for the full year 2002. The primary reason for the change is British Midland, where the Group's share of income amounted to MSEK –52 (–95), Skyways, MSEK 4 (–21), Polygon, MSEK 0 (–21), and a write-down of MSEK 91 of Cimber Air charged to 2002. In 2003 the remaining shareholding in Travellink AB, 49.9% and long-term receivables, were written down to zero for a total of MSEK 40.

Income from the sale of shares in subsidiaries and affiliated companies, MSEK 651 (817), includes the sale of Fastighets AB Solna Haga, the head office Frösundavik, MSEK 688, Scandinavian IT

Group, MSEK –33, and Travellink AB, MSEK –3. SMART was sold the previous year, providing a capital gain of MSEK 811.

The Group's income from the sale of aircraft and buildings amounted to MSEK 649 (–320) in the period. This includes the sale of three Douglas MD-80s and four Fokker F28s as well as the sale and leaseback of two Boeing 737s, four Airbus A320s and eight deHavilland Q400s. Total income from the sale and sale and leaseback of aircraft amounted to MSEK 212.

In the previous year, seven Boeing 737s, one Airbus A340, one Airbus 330, two Airbus A320s and one Fokker F28 were sold. In the previous year, in income from the sale of aircraft, phasing-in and phasing-out costs connected with replacing the aircraft fleet were reported totaling MSEK 574. See also Note 1.

Income from the sale of buildings amounted to MSEK 437 (–10). In September offices in Copenhagen were sold, yielding a capital gain of MSEK 553. Other property transactions generated MSEK –116.

Income from other shares and participations, MSEK –1 (–180), includes an MSEK 30 write-down to zero of the Group's participation in Expo Investments Partnership, which holds 10% of the shares of Air Canada. In addition there was a gain on the sale of the Group's participation in Copenhagen International Hotels K/S of MSEK 15 and other shares and participations, MSEK 14.

The Group's net financial items amounted to MSEK –588 (–952). Net interest was MSEK –822 (–882). The currency effect was MSEK 318 (36). Other net financial expenses were MSEK –84 (–106).

Income before tax amounted to MSEK –1,470 (–450).

Of the Group's tax, MSEK 126 (312) comprised change in deferred tax.

Currency effects on the SAS Group's income

Operating revenue as well as operating expenses and financial items are affected significantly by exchange rate fluctuations. Only approximately 20% of operating revenue and 18% of operating expenses are in Swedish kronor.

The aggregate effect of changed exchange rates on the SAS Group's operating income for 2003 compared with 2002 was MSEK 826 (522). This is mainly due to the weakening of the U.S. dollar and Norwegian krone. The difference between the years in the effect of exchange rate differences on the financial net debt was MSEK 282 (196).

Comparing 2003 with 2002, the total currency effect on income before tax was therefore MSEK 1,108 (718).

Change (MSEK)	**2002/03**	2001/02
Operating revenue	**–2,700**	273
Payroll expenses	**525**	–185
Other expenses	**2,990**	358
Translation of working capital	**–112**	207
Income from hedging of commercial flows	**123**	–131
Operating income	**826**	522
Net financial items	**282**	196
Income before tax	**1,108**	718

Currency effects on net income for the year (MSEK)	**2003**	2002
Translation of working capital	**17**	129
Income from hedging of commercial flows	**113**	–10
Operating income	**130**	119
Currency effect on the Group's financial net debt	**318**	36
Income before tax	**448**	155

Summary statement of income

Summary of income by quarter

	2001		2002					2003				
MSEK	Oct-Dec	Full year Jan-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Full year Jan-Dec	**Jan-Mar**	**Apr-Jun**	**Jul-Sep**	**Oct-Dec**	**Full year Jan-Dec**
Operating revenue	12,810	51,433	13,775	17,868	16 592	16,709	64,944	**13,710**	**15,300**	**14,920**	**13,824**	**57,754**
Payroll expenses	–4,825	–17,792	–5,209	–5,497	–5 335	–6,311	–22,352	**–5,741**	**–5,564**	**–5,165**	**–5,457**	**–21,927**
Other expenses	–8,107	–30,473	–7,982	–9,123	–9 127	–9,066	–35,298	**–8,367**	**–8,128**	**–8,018**	**–7,553**	**–32,066**
Operating income before depreciation and leasing costs, EBITDAR	–122	3,168	584	3,248	2,130	1,332	7,294	**–398**	**1,608**	**1,737**	**814**	**3,761**
Leasing costs for aircraft	–658	–2,425	–878	–1,050	–932	–887	–3,747	**–832**	**–719**	**–729**	**–655**	**–2,935**
Operating income before depreciation, EBITDA	–780	743	–294	2,198	1,198	445	3,547	**–1,230**	**889**	**1,008**	**159**	**826**
Depreciation	–711	–2,443	–651	–715	–781	–806	–2,953	**–753**	**–780**	**–773**	**–740**	**–3,046**
Share of income in affiliated companies	–98	–70	–328	–12	3	–72	–409	**25**	**27**	**4**	**–17**	**39**
Income from the sale of shares in subsidiaries and affiliated companies	1	–24	0	1	829	–13	817	**0**	**0**	**0**	**651**	**651**
Income from the sale of aircraft and buildings	465	1,165	–133	–118	–208	139	–320	**50**	**136**	**559**	**–96**	**649**
Operating income, EBIT	–1,123	–629	–1,406	1,354	1,041	–307	682	**–1,908**	**272**	**798**	**–43**	**–881**
Income from other shares and participations	0	1	0	–24	4	–160	–180	**–17**	**8**	**0**	**8**	**–1**
Net financial items	–24	–512	–40	–291	–405	–216	–952	**49**	**–193**	**–234**	**–210**	**–588**
Income before tax, EBT	–1,147	–1,140	–1,446	1,039	640	–683	–450	**–1,876**	**87**	**564**	**–245**	**–1,470**
Taxes	155	103	99	–100	–102	370	267	**174**	**–1**	**196**	**–364**	**5**
Minority interests	–5	–27	25	29	–32	29	51	**103**	**–20**	**–61**	**28**	**50**
Income after tax	–997	–1,064	–1,322	968	506	–284	–132	**–1,599**	**66**	**699**	**–581**	**–1,415**

The SAS Group's balance sheet

ASSETS			
MSEK	Note	**2003**	2002
Fixed assets			
Intangible fixed assets	12	**2,810**	3,169
Tangible fixed assets	13		
Land and buildings		**1,258**	2,687
Aircraft		**22,410**	24,144
Spare engines and spare parts		**3,151**	3,112
Workshop and aircraft servicing equipment		**270**	412
Other equipment and vehicles		**1,584**	1,922
Construction in progress		**285**	234
Prepayments for tangible fixed assets	14	**748**	1,172
		29,706	33,683
Financial fixed assets	15		
Equity in affiliated companies	16	**604**	505
Long-term receivables from affiliated companies	17	**247**	314
Shares and participations	18	**125**	191
Pension funds, net	19	**6,656**	6,298
Deferred tax receivable	11	**1,413**	1,553
Other long-term receivables		**1,207**	1,132
		10,252	9,993
Total fixed assets		**42,768**	46,845
Current assets			
Expendable spare parts and inventories	20	**1,277**	1,407
Prepayments to suppliers		**9**	3
		1,286	1,410
Current receivables			
Accounts receivable		**4,168**	5,147
Receivables from affiliated companies		**95**	69
Other receivables		**2,898**	1,577
Prepaid expenses and accrued income	21	**994**	1,041
		8,155	7,834
Short-term investments	22	**8,000**	9,672
Cash and bank balances		**1,066**	1,049
Total current assets		**18,507**	19,965
TOTAL ASSETS		**61,275**	66,810

SHAREHOLDERS' EQUITY AND LIABILITIES			
MSEK	Note	**2003**	2002
Shareholders' equity	23		
Restricted equity			
Share capital		**1,645**	1,645
Restricted reserves		**5,566**	6,417
Unrestricted equity			
Unrestricted reserves		**7,338**	7,258
Net income for the year		**–1,415**	–132
Total shareholders' equity		**13,134**	15,188
Minority interests	23	**112**	166
Provisions			
Pensions and similar commitments		**50**	47
Deferred tax liability	11	**3,273**	3,606
Other provisions	24	**1,565**	1,791
		4,888	5,444
Long-term liabilities	25		
Subordinated debenture loan	26	**742**	915
Bond issues	27	**6,249**	5,371
Other loans	28	**13,723**	15,036
Long-term liabilities to affiliated companies	29	**2**	0
Other liabilities		**139**	330
		20,855	21,652
Current liabilities			
Current portion of long-term loans		**2,116**	804
Short-term loans	31	**5,981**	7,552
Prepayment from customers		**187**	165
Accounts payable		**3,462**	4,259
Liabilities to affiliated companies		**16**	61
Tax payable		**83**	152
Unearned transportation revenue	32	**2,715**	3,582
Other liabilities		**2,057**	2,298
Accrued expenses and prepaid income	33	**5,669**	5,487
		22,286	24,360
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**61,275**	66,810
Book equity per share (SEK) [1]		**79.84**	92.33
Memorandum items			
Pledged assets	34	**1,252**	985
Contingent liabilities	35	**604**	503
Leasing commitments	36		

[1] *Calculated on 164,500,000 shares.*

Comments on the balance sheet

Assets

The SAS Group's total assets fell in 2003 by 8.3%, from MSEK 66,810 to MSEK 61,275. Owing to property sales carried out in 2003, land and buildings decreased by MSEK 1,429.

The decrease in intangible assets of MSEK 359 stems from acquired goodwill of MSEK 152, development costs in the IT area and other intangible assets of MSEK 201, amortization of MSEK –407, and net of exchange rate differences and divestments, etc., of MSEK –305.

The book value of aircraft decreased by MSEK 1,734. This change comprises an increase owing to investment in Boeing 737s, Airbus A320/A330s and deHavilland Q400s including earlier prepayments, totaling MSEK 2,818. Deductible items are depreciation for the year of MSEK 1,506 and the residual value of sold aircraft, etc., MSEK 3,046.

Long-term prepayments to suppliers of flight equipment fell during the year by MSEK 424. Advances to Boeing, Bombardier and Airbus were utilized in an amount of MSEK 428 in connection with aircraft deliveries during the year. For other deliveries, MSEK 41 was utilized. Prepayments of MSEK 172 were made for future deliveries. Capitalized financial expenses amounted to MSEK 19, and translation differences due to a weaker USD reduced the value by MSEK 132.

Equity in affiliated companies increased by MSEK 99 to MSEK 604. Shares of income after tax for the year were MSEK 31. The acquisition of Estonian Air was MSEK 176. In addition, equity fell by MSEK 108 due to write-downs, dividends, exchange rate fluctuations, etc.

For all defined benefit pension plans, the pension commitments are calculated and all funded assets are taken into account. At December 31, 2003, book net pension funds totaled MSEK 6,656 (6,298) (see also Note 19).

At year-end, short-term liquid assets totaled MSEK 9,066 (10,721), or 14.8% (16.0%) of total assets.

Shareholders' equity

Shareholders' equity decreased by MSEK 2,054 to MSEK 13,134 (15,188). In addition to income for the year after tax, the change comprised change in translation differences in foreign subsidiaries and affiliated companies. At year-end the equity/assets ratio was 22% (23%), and the return on book equity was –10% (–1%).

Liabilities

MSEK 28,866 (29,782) of total liabilities was interest bearing.

At December 31, 2003, the interest-bearing net debt amounted to MSEK 11,466 (11,574). The SAS Group's average net debt during the year was MSEK 13,104 (12,050).

Financial net debt excluding net pension funds amounted to MSEK 18,122 (17,872).

The debt/equity ratio calculated on the financial net debt at December 31, 2003, was 1.37 (1.16).

Provision for marginal costs associated with the provision of free travel in exchange for redeemed points in the Group's various loyalty programs amounted to MSEK 825 (929) at December 31, 2003.

Total capital employed amounted to MSEK 42,112 (45,136) at year-end. Average capital employed during the year was MSEK 43,388 (43,587). Return on capital employed was 0% (4%).

Change in shareholders' equity in 2003

MSEK	Share capital	Restricted reserves	Unrestricted equity	Total shareholders' equity
Opening balance, January 1, 2002	1,618	6,588	7,338	15,544
Effect of consolidating affiliated companies			–389	–389
Changed accounting policy in affiliated companies, etc.		–11	15	4
Exchange rate difference		–55	19	–36
Total changes in shareholders' equity not reported in the statement of income		–66	–355	–421
Transfer between unrestricted and restricted equity		–275	275	0
Net income for the year			–132	–132
New issue	27	170		197
Shareholders' equity, December 31, 2002	1,645	6,417	7,126	15,188
Exchange rate difference		–533	–108	–641
Total changes in shareholders' equity not reported in the statement of income		–533	–108	–641
Transfer between unrestricted and restricted equity		–318	318	0
Other			2	2
Net income for the year			–1,415	–1,415
Shareholders' equity, December 31, 2003	**1,645**	**5,566**	**5,923**	**13,134**

The SAS Group's cash flow statement

MSEK	Note	2003	2002
THE YEAR'S OPERATIONS			
Income before tax		–1,470	–450
Depreciation		3,046	2,953
Income from the sale of fixed assets	37	–1,329	–1,075
Adjustment for items not included in cash flow, etc.	38	–246	663
Paid tax		–279	–273
Cash flow from operations before changes in working capital		–278	1,818
Change in:			
Expendable spare parts and inventories		147	275
Operating receivables		798	1,999
Operating liabilities		–2,056	–1,954
Cash flow from change in working capital		–1,111	320
Cash flow from the year's operations		–1,389	2,138
INVESTMENT ACTIVITIES			
Aircraft		–2,390	–7,200
Spare parts		–427	–814
Buildings, equipment and other facilities		–992	–793
Shares and participations, goodwill, etc.		–473	–354
Prepayments for flight equipment		–172	–493
Acquisition of subsidiaries	39	–34	–265
Total investments		–4,488	–9,919
Sale of subsidiaries	40	884	733
Sale of fixed assets		4,656	5,375
Translation differences, etc.		192	–53
Cash flow from investment activities		1,244	–3,864
FINANCING ACTIVITIES			
New issue		–	197
Borrowing and amortization including translation differences, net		–496	1,098
Other financial receivables/liabilities, net		–1,009	–898
Change in minority interest		–5	388
Cash flow from financing activities		–1,510	785
Cash flow for the year		–1,655	–941
Liquid assets, January 1	41	10,721	11,662
Liquid assets, December 31	41	9,066	10,721

Comments on the cash flow statement

The SAS Group's cash flow from the year's operations before changes in working capital amounted to MSEK –278 (1,818). Working capital increased by MSEK 1,111 (decreased by 320) which resulted in cash flow from the year's operations of MSEK –1,389 (2,138).

Total investments including prepayments to aircraft suppliers amounted to MSEK 4,488 (9,919). This includes delivery payments of MSEK 2,390 for one Airbus A330, four Airbus A320s, one Boeing 737 and three deHavilland Q400s as well as prepayments to aircraft suppliers of MSEK 172.

Investments in shares and participations amounted to MSEK 210, which includes MSEK 176 for 49% of AS Estonian Air. MSEK 263 was invested in intangible assets, excluding goodwill in subsidiaries acquired during the year.

Acquisition of subsidiaries refers to acquisitions of Adena (Jetpak), Novia (SAS Cargo) and Air Maintenance Estonia. The total purchase price was MSEK 42, and after deduction of liquid assets in the acquired companies of MSEK 7, the Group's cash flow was affected by MSEK 34.

In December an agreement was signed with Computer Sciences Corporation on the sale of Scandinavian IT Group. The payment transactions will be carried out after the end of the year, which means the year's effect on the Group's cash flow was limited to MSEK –241, which is the liquid assets in the divested subsidiary. At year-end Fastighets AB Solna Haga, which contains the Frösundavik property, was sold for MSEK 1,125. Additionally, Rezidor SAS Hospitality wound up its involvement at Stansted Airport outside London by selling SAS Hotel Stansted Ltd.

Sale of fixed assets generated MSEK 4,656 (5,375), of which proceeds from the sale of aircraft amounted to MSEK 2,988 (5,220). The sale and leaseback of four Airbus A320s, two Boeing 737s and eight deHavilland Q400s was carried out during the year, and three Douglas MD-80s and four Fokker F28s were sold. The sale of properties generated MSEK 1,553 (29), of which MSEK 1,079 refers to properties in Denmark, MSEK 311 to properties in Sweden and MSEK 157 to properties in Norway. Shares and participations were sold for MSEK 115 (126).

Financial liabilities fell by MSEK 496 in 2003, which mainly comprised a net of just over MSEK 2,500 in new borrowing and amortization as well as redemption of loans. Other financial assets increased by MSEK 1,009, which includes an approximately MSEK 400 increase in net pension assets.

Overall, the SAS Group's liquid assets decreased by MSEK 1,655.

Segmental reporting

Result per business area*

	Scandinavian Airlines		Subsidiary & Affiliated Airlines		Airline Support Businesses		Airline Related Businesses		Hotels		Groupwide and eliminations		The SAS Group	
STATEMENT OF INCOME	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
External sales	**30,088**	35,906	**17,214**	17,373	**4,346**	4,954	**2,494**	3,148	**3,467**	3,472	**145**	91	**57,754**	64,944
Inter-segment sales	**1,576**	1,257	**301**	152	**9,504**	15,674	**2,282**	2,904	**91**	98	**–13,754**	–20,085	**0**	0
Total operating revenue	**31,664**	37,163	**17,515**	17,525	**13,850**	20,628	**4,776**	6,052	**3,558**	3,570	**–13,609**	–19,994	**57,754**	64,944
Payroll expenses	**–7,816**	–6,622	**–4,045**	–3,923	**–6,108**	–7,406	**–1,342**	–1,828	**–1,468**	–1,373	**–1,148**	–1,200	**–21,927**	–22,352
Other expenses	**–22,347**	–27,226	**–11,182**	–10,213	**–7,134**	–12,388	**–3,106**	–3,753	**–2,215**	–2,011	**13,918**	20,293	**–32,066**	–35,298
Operating income before depreciation and leasing costs, EBITDAR by segment	**1,501**	3,315	**2,288**	3,389	**608**	834	**328**	471	**–125**	186	**–839**	–901	**3,761**	7,294
Leasing costs for aircraft	**–1,328**	–1,702	**–1,754**	–2,007	**0**	–38	**0**	0	**0**	0	**147**	0	**–2,935**	–3,747
Operating income before depreciation, EBITDA by segment	**173**	1,613	**534**	1,382	**608**	796	**328**	471	**–125**	186	**–692**	–901	**826**	3 547
Depreciation	**–1,427**	1,312	**–560**	–479	**–451**	–501	**–259**	–312	**–138**	–124	**–211**	–225	**–3,046**	–2,953
Share of income in affiliated companies	**65**	67	**–5**	–482	**0**	–9	**–17**	–19	**19**	34	**–23**	0	**39**	–409
Capital gains	**113**	–436	**117**	63	**0**	0	**0**	–6	**4**	6	**1,066**	870	**1,300**	497
Operating income, EBIT, by segment	**–1,076**	–68	**86**	484	**157**	286	**52**	134	**–240**	102	**140**	–256	**–881**	682
Income from other shares and participations	**5**	0	**–30**	–159	**0**	0	**0**	–27	**15**	0	**9**	6	**–1**	–180
Net financial items	**–672**	–964	**–123**	–205	**–90**	–27	**–19**	–23	**–28**	–17	**344**	284	**–588**	–952
Income before tax, EBT	**–1,743**	–1,032	**–67**	120	**67**	259	**33**	84	**–253**	85	**493**	34	**–1,470**	–450
Unallocated income items														
Tax on income for the year													**5**	267
Minority interests													**50**	51
Income after tax													**–1,415**	–132
OTHER DISCLOSURES														
Assets	**30,792**	34,340	**11,148**	12,399	**7,021**	7,904	**1,605**	3,190	**2,568**	2,478	**7,537**	5,994	**60,671**	66,305
Equity shares	**–81**	–112	**581**	507	**7**	7	**0**	4	**90**	96	**7**	3	**604**	505
Total assets	**30,711**	34,228	**11,729**	12,906	**7,028**	7,911	**1,605**	3,194	**2,658**	2,574	**7,544**	5,997	**61,275**	66,810
Total liabilities	**23,040**	25,207	**7,427**	8,325	**4,884**	5,398	**887**	1,846	**2,055**	1,565	**9,848**	9,281	**48,141**	51,622
Investments for the year	**1,033**	6,169	**1,970**	1,618	**494**	1,165	**177**	408	**576**	265	**245**	429	**4,495**	10,054

** From the fourth quarter 2002 the SAS Group reports earnings divided into five business areas, as apposed to four business areas in 2001.*

Geographic breakdown

	Domestic		Intra-Scandinavian		Europe		Intercontinental		Total	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
Passenger revenue	**12,590**	15,875	**3,857**	5,280	**17,153**	18,819	**4,979**	5,804	**38,579**	45,778
Freight and mail revenue	**641**	811	**193**	166	**316**	311	**1,470**	1,548	**2,620**	2,836
Charter revenue	**55**	51	**0**	–	**3,268**	2,899	**0**	–	**3,323**	2,950
Other traffic revenue	**542**	419	**220**	180	**870**	686	**310**	219	**1,942**	1,504
Total traffic revenue	**13,828**	17,156	**4,270**	5,626	**21,607**	22,715	**6,759**	7,571	**46,464**	53,068

Other operating revenue	Denmark	Norway	Sweden	Europe	North America	Asia	Other	Total
2003	**1,614**	**4,235**	**2,302**	**2,041**	**101**	**111**	**886**	**11,290**
2002	1,996	4,538	2,233	2,082	160	127	740	11,876

Accounting and valuation policies

General

The SAS Group's financial statements are prepared in accordance with generally accepted accounting principles in Sweden, which means that the financial reports have been prepared in accordance with the Annual Accounts Act and recommendations and pronouncements from the Swedish Financial Accounting Standards Council. For the reporting of pensions, IAS19/RR29 is applied prematurely. New recommendations from the Swedish Financial Accounting Standards Council, which apply beginning in 2003, were applied but had no material effect on the Group's earnings, position or equity. Supplemental information for the Group, however, increased substantially as a result of the recommendations going into effect. The new recommendations are RR22, RR25, RR26 and RR27.

The Group's income and financial position upon application of International Accounting Standards (IAS) recommendations appear in Note 44.

Consolidated accounts

The SAS Group's accounts comprise the Parent Company SAS AB and all companies in which SAS directly or indirectly owns more than 50% of the voting rights or otherwise has a controlling influence.

Revenues and expenses in companies acquired or sold during the year are included in the SAS Group's statement of income only with the values relating to the ownership period.

Holdings in affiliated companies where the SAS Group normally has significant influence apply where the SAS Group's ownership is at least 20% and no more than 50% are reported according to the equity method.

Principles of consolidation

The consolidated financial statements are prepared according to the purchase method whereby subsidiaries' assets and liabilities are reported at fair value according to a prepared acquisition analysis. If the acquisition value of shares in subsidiaries exceeds the calculated fair value of the company's net assets according to the acquisition analysis, the difference is reported as consolidated goodwill. Accordingly, the SAS Group's balance sheet includes equity in acquired companies only to the extent that this has arisen after the date of acquisition.

Consolidation of SAS Danmark A/S, SAS Norge AS and SAS Sverige AB is carried out through a consolidation of all assets and liabilities at the value at which they are stated in the respective unit.

Minority interests in non-wholly owned subsidiaries are calculated on the basis of the subsidiaries' accounts and stated in the consolidated balance sheet as a separate item between shareholders' equity and liabilities.

Minority share of income after tax is stated in the statement of income.

All intra-Group receivables and liabilities, intra-Group sales and intra-Group profits are eliminated entirely.

The book value of shares in affiliated companies is reported in accordance with the equity method. This means that the SAS Group's share of the affiliated company's equity comprises its share of the company's shareholders' equity, taking into account deferred tax according to the tax rates in the countries concerned and any residual consolidated surplus or deficit values.

The SAS Group's share of affiliated companies' income before tax, adjusted for any depreciation or dissolution of consolidated surplus or deficit values, is reported in the SAS Group's statement of income as shares of income. Write-downs of equity are also reported as shares of income from affiliated companies.

Intra-Group profits are eliminated based on the Group's participation in the affiliated company.

Translation of financial statements of foreign subsidiaries

All of the SAS Group's subsidiaries are classified as independent. The financial statements of foreign subsidiaries are translated into Swedish kronor using the current method. This entails all subsidiaries' assets and liabilities being translated at the closing rate, while all income statement items are translated at the average rate of exchange for the year. Translation differences are posted directly to the SAS Group's shareholders' equity. The currency exposure arising from translating the financial statements of foreign subsidiaries is not hedged.

Receivables and liabilities in foreign currency

Current and long-term receivables and liabilities in currencies other than the reporting currency (SEK) are stated in the balance sheet translated at closing rates. Both realized and unrealized exchange rate gains and losses on receivables and liabilities are reported in the statement of income. Receivables and liabilities that were currency hedged are reported at the hedged rate.

The value of assets in the form of aircraft is not translated, but when aircraft are purchased and market valued in foreign currency (USD), the asset base is exposed to currency risks. Linking financing in a corresponding currency (USD) to the investment minimizes the effect of changes in exchange rates. This financing constitutes a hedging transaction since it effectively counteracts the change in value of the underlying asset, both at the date it was contracted and during the hedging period. The specific assets and liabilities covered by hedging are stated at the exchange rate on the acquisition date. When an asset is sold, the currency effects attributable to the underlying asset are reported as a part of capital gains.

Exchange rates			Closing rate		Average rate	
			2003	2002	**2003**	2002
Denmark	DKK	100	**122.15**	123.75	**122.79**	123.28
Norway	NOK	100	**108.05**	125.95	**114.23**	122.00
U.S.	USD		**7.28**	8.83	**8.09**	9.73
U.K	GBP		**12.91**	14.15	**13.19**	14.57
Switzerland	CHF	100	**582.85**	632.35	**600.51**	624.28
Japan	JPY	100	**6.80**	7.40	**6.97**	7.76
EMU countries	EUR		**9.09**	9.19	**9.12**	9.16

Financial instruments

Fair values presented are based on market prices and generally accepted methods. For valuing, official market quotations on the closing date were used. Foreign currency was translated to SEK at the quoted rate on the closing date.

Short-term investments

Short-term investments are reported in the balance sheet at acquisition value on the settlement date and are valued at the lower of acquisition value or fair value on the closing date. Interest income is allocated and reported under other financial items.

Short-term loans

Current liabilities comprise the short-term portion of interest-bearing long-term loans, i.e. the portion of the loan that is amortized in the coming fiscal year, as well as other short-term interest-bearing liabilities. These liabilities are reported in the balance sheet at acquisition value on the settlement date including accrued interest. Interest expenses are allocated and reported as incurred on the statement of income.

Long-term loans

Long-term loans comprise interest-bearing liabilities to banks and credit institutions as well as bond issues. These liabilities are reported in the balance sheet at acquisition value on the settlement date including accrued interest. Any premium/discount is included in the acquisition value and is allocated over the term of the liability. Interest expenses are allocated and reported as incurred on the statement of income.

Currency derivatives

Outstanding currency derivatives taken out for the purpose of hedging the currency exposure in the financial net debt and valued in foreign currency are reported in the statement of income. No currency derivatives are taken out for purposes of speculation. Outstanding currency derivatives (forward exchange contracts, currency swap contracts and currency options) are valued at the closing rate. Realized and unrealized exchange gains and losses are reported in the statement of income. Forward premiums are allocated over the contract period and are stated under net interest. Option premiums are allocated over the contract period and are stated as a financial expense/income.

Currency derivatives taken out for the purpose of hedging forecast commercial net currency flows and investments are subject to hedge accounting. In order for hedge accounting to be applied, the derivatives' effectiveness has to be demonstrated when the contract is entered into and during the hedge period. In addition, the flow must be expected to occur with a high probability.

Currency effects on hedge transactions are posted to income on the same date as the currency effects on the hedged underlying position (investment or currency flow) are posted to income.

Interest rate derivatives

Interest rate derivatives (interest rate swaps, forward rate agreements (FRAs) and futures) are taken out to alter the underlying interest rate structure of the financial net debt. The interest rate derivatives' (net) earnings effect of interest income and interest expenses are stated as incurred under net interest. Accrued interest is stated for outstanding interest rate derivatives.

Expendable spare parts and inventories

Expendable spare parts and inventories are stated at the lower of acquisition value or net sales value. Some spare parts related to aircraft are valued according to the lower of cost or market value principle collectively with the aircraft concerned. Appropriate deduction is made for obsolescence.

Intangible assets

Intangible assets comprise goodwill, capitalized costs for systems development and other intangible assets. The Group is not engaged in any research and development (R&D) activity.

Intangible assets are stated in the balance sheet when,

- an identifiable, non-monetary asset exists,
- it is probable that the future financial advantages that can be attributable to the asset will accrue to the company and
- the acquisition value of the asset can be calculated in a reliable manner.

Goodwill: Goodwill that arises upon consolidation consists of a value that at acquisition of operations exceeds the book value of the assets acquired and the liabilities taken over. Goodwill is reported as an intangible asset and is amortized using a straight-line method over the estimated useful economic life of the asset. Investments in other airlines are regarded as strategic in nature and are therefore amortized over a period of 20 years. Other goodwill is amortized over 5 years.The estimated useful economic life of goodwill is reviewed at the end of each fiscal year. In cases where the estimated useful life differs significantly from earlier assessments, the amortization period is changed accordingly.

Goodwill that arises from acquisition of subsidiaries is stated separately in the balance sheet. Goodwill amortization is included in the item depreciation in the statement of income.

Goodwill that arises from acquisition of an affiliated company is included in the reported value of the affiliated company.

If a business to which a goodwill item is attributable is sold, the goodwill item remaining in the divestment is included in the result from the divestment.

Systems development costs: Development costs that do not meet the criteria specified above are expensed in the period they arise.

Costs for systems development are reported as an asset provided that they meet the criteria specified above.

Capitalized development costs are amortized on a straight-line basis over the estimated useful economic life of the asset. The maximum useful economic life is five years. Amortization of capitalized development costs is included in the item depreciation in the statement of income.

Tangible fixed assets

Tangible fixed assets are reported at historic cost less accumulated depreciation and any write-downs. Depreciation is straight-line over the estimated useful economic life of the assets beginning when the asset is ready to be put to use.

Interest expenses on prepayments for aircraft not yet delivered are capitalized. If a decision is made to postpone deliveries of aircraft for which prepayments have been made, capitalization of interest expenses ceases. On commissioning of aircraft, depreciation of the capitalized interest expenses begins, in accordance with the main principle for aircraft.

Costs for routine aircraft and engine maintenance as well as repair costs are expensed as incurred. Extensive modifications and improvements to fixed assets are capitalized and written off together with the asset to which the work is related over its remaining useful economic life.

Investments in own and leased premises are amortized over their estimated useful economic lives, but not over a period exceeding the remaining leasing period for leased premises.

Income from the sale or disposal of a tangible fixed asset is calculated as the difference between the sales value and book value. The gain or loss that arises is reported in the statement of income.

Depreciation is based on the following estimated periods of useful economic life:

Asset class	Depreciation
Aircraft	20*
Spare engines and spare parts	20*
Workshop and aircraft servicing equipment	5
Other equipment and vehicles	3-5
Buildings	5-50

** Estimated residual value after a useful economic life of 20 years is 10%. Through 1998 the estimated useful economic life was 15 years with an estimated residual value of 10%.*

Leasing - Finance and Operating

As a lessee, SAS has entered into finance and operating leasing contracts. Leasing contracts where SAS in principle takes over all the risks and benefits of the asset are reported as finance leasing contracts. At the beginning of the leasing period, finance leasing contracts are reported at fair value. Assets held under finance leases are taken up in the balance sheet as a fixed asset and future commitment to the lessor as a liability. Assessment of leased assets' useful economic life corresponds to the principles SAS applies to acquired assets.

Leasing agreements where in principle all risks and benefits remain with the lessor are reported as operating lease contracts. The leasing cost for operating lease contracts is expensed on an ongoing basis during the contract period.

For aircraft leased under operating leases, the contracts state that when the aircraft is returned, it must be in a certain specified condition. To meet this commitment, SAS carries out maintenance of these aircraft, both regularly and at the expiration of the leasing period. These costs are expensed on an ongoing basis when the maintenance is carried out.

Write-downs

At the end of every reporting period an assessment is made of the reported value of tangible and intangible assets in order to determine the extent to which there is a value impairment for these assets. This assessment is made by calculating the asset in question's recoverable amount to establish the magnitude of any value impairment.

The recoverable amount comprises the higher of value in use of the asset or its net sales value.

For the Group's aircraft fleet and related spare equipment and spare parts, SAS mainly calculates the recoverable amount by estimating the market value at the end of the reporting period. Valuations specify the net sales value per aircraft type, among other things taking the aircraft's age into account.

If the net sales value of the aircraft fleet is assessed at lower than the reported value, a write-down is undertaken, assuming that the decline in value is judged to be permanent. Write-downs are reported as an expense in the statement of income. At the end of every reporting period an assessment is also made of the extent to which an earlier write-down, total or partial, is no longer motivated. This assessment is also normally based on a comparison between market value and reported value. A reversal of a write-down is reported in the statement of income and thus reduces depreciations, amortizations and write-downs for the period.

Financial fixed assets

Financial fixed assets include equity in affiliated companies. Participations in affiliated companies are reported in the consolidated accounts by applying the equity method. Additional information on treatment of affiliated companies is provided in the section on principles for consolidated accounts and consolidation.

Provisions, contingent liabilities and contingent assets

Provisions are reported when SAS identifies legal or informal commitments as a result of historic events, where the outcome is probable and where the financial resources required to settle these commitments can be estimated with reasonable certainty.

Provisions for restructuring costs are made when the decision is made and announced. These costs arise primarily for employees idled under notice.

Pension commitments

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

For pension plans where the employer has accepted responsibility for defined contribution solutions, the obligation ceases when the contractual premiums have been paid.

For other pension plans where defined benefit pensions have been agreed, the commitments do not cease until the contractual pensions have been paid. The SAS Group calculates its pension commitments for the defined benefit pension plans. Calculations of commitments are based on estimated future final salary. An estimate of accumulated funded assets is made at the same time.

Pension costs for the year comprise the present value of pension earnings for the year, plus interest on the obligation at the beginning of the year, less return on funded assets. Amortization of deviations from estimates and plan amendments is added to this total for certain pension plans. Plan amendments and deviations between anticipated and actual results for estimated pension commitments and funded assets are amortized over the average remaining working lives of the employees participating in the pension plan. Cumulative actuarial deviations from estimates of up to 10% of the greater of pension obligations and pension assets are included in the so-called corridor and are not amortized. When the cumulated actuarial deviations from estimates exceeds this 10% limit, the excess amount is amortized over a 15-year period, which corresponds to the average remaining employment period.

Revenue recognition

Passenger revenue: Ticket sales are reported as traffic revenue when the air transport has been carried out.

The value of tickets sold and still valid but not used by the balance sheet date is reported as unearned transportation revenue. This item is reduced either when SAS or another airline completes the transport or when the passenger requests a refund.

A portion of unearned transportation revenue covers tickets sold that are expected to remain unutilized. An estimate of unutilized tickets' expected share of the unearned transportation liability is produced annually. This reserve is reported as revenue the following year in accordance with established principles.

Freight revenue: SAS Cargo's transport services are recognized as revenue when the air transport is completed.

Other revenue: Sales of hotel accommodation and conferences are recognized as revenue when completed. Sales of goods and other services are recognized as revenue when the goods are delivered or the service carried out.

Loyalty programs

The SAS Group makes ongoing provisions as points are earned for the marginal costs associated with the provision of free travel in exchange for the redemption of the points earned by members.

Borrowing costs

Borrowing costs that arise in operations are expensed in the period in which they are incurred. Borrowing costs for prepayments attributable to aircraft not yet delivered are described in the section "Tangible fixed assets."

Tax

Actual tax for the period is based on earnings for the period, adjusted for non-tax deductible costs and revenues not liable to tax. The actual tax is calculated on the basis of tax rates applying on the closing date.

Deferred tax is reported according to the balance sheet method whereby temporary differences, differences between the reported and fiscal value of assets or liabilities, result in a deferred tax receivable or deferred tax liability. A deferred tax liability is normally reported for all temporary differences liable to tax, while a deferred tax receivable is reported to the extent it is probable that a taxable surplus will be created within a three-year period against which the deductible temporary difference can be utilized.

A deferred tax liability is reported for all taxable temporary differences attributable to investments in subsidiaries and affiliated companies except in cases where the Group can control the timing of reversal of the temporary differences, and it is probable that such reversal will not take place in the foreseeable future.

Deferred tax is calculated based on the tax rates that are expected to apply in the period the tax is realized. Deferred tax is reported in the statement of income.

A deferred tax receivable and deferred tax liability are reported net if the items pertain to the same tax authority.

Segmental reporting

Information is provided for business areas and geographical markets. This information is based on the SAS Group's accounting policies and the Group's internal reporting to company management.

The primary segment comprises the SAS Group's five business areas (Scandinavian Airlines, Subsidiary & Affiliated Airlines, Airline Support Businesses, Airline Related Businesses and Hotels), Group-wide and Group eliminations. All operations, whether they be corporations or business units, are to have a businesslike relationship with customers and suppliers within the Group.

The Group's statement of income is shown by business area for income before tax, EBT. Tax and minority interests are not broken down by business area.

Business area assets comprise all assets used directly in the business area's operations. Equity shares in affiliated companies, however, are presented separately. Business area liabilities and provisions comprise all commitments that are directly attributable to the business area's operations.

The secondary segment comprises the SAS Group's geographical markets, and revenues are broken down by the geographical markets where operations are conducted.

Traffic revenue from domestic service in Denmark, Norway and Sweden is allocated to domestic. Traffic between the three countries is allocated to intra-Scandinavian. Other traffic revenues are allocated to the geographical area where the destination is located.

Other revenues are allocated to a geographical area based on

- the customer's geographical location, for example, goods exported to a customer in another country.
- the geographical location where the service is performed, for example, training in flight simulators or hotel stays.

Assets broken down by geographical area do not include the Group's airlines, since the bulk of their assets comprises aircraft with appurtenant spare parts. Since aircraft are utilized in a flexible manner across the route network, there is no justifiable basis for allocating these assets.

Notes and supplemental information

Expressed in millions of Swedish kronor (MSEK) unless otherwise stated.

Note 1 - Change of phasing in and phasing out costs

Beginning January 1, 2003, phasing in and phasing out costs related to aircraft are reported as operating expenses. Only expenses directly related to the sale of aircraft are included in the capital gain. Comparative numbers for the previous year have not been adjusted. In the previous year phasing in and phasing out costs amounted to MSEK 574.

Note 2 - Operating revenue

	2003	2002
Traffic revenue:		
Passenger revenue	**38,579**	45,778
Freight	**2,229**	2,439
Mail	**391**	397
Other traffic revenue	**5,265**	4,454
Other operating revenue:		
Sales of goods	**1,726**	2,096
Computer services	**2,010**	2,152
Rooms revenue	**1,767**	1,864
Food and beverage revenue	**1,174**	1,165
Administration systems services	**2,343**	2,332
Ground services	**5,787**	6,249
Distribution systems services	**355**	663
Technical maintenance	**5,440**	5,751
Flight simulator training	**554**	622
Terminal and forwarding services	**977**	955
Sales commissions	**161**	5,539
Other operating revenue	**2,747**	3,688
Group eliminations	**–13,751**	–21,200
	57,754	64,944

Note 3 - Payroll expenses

Average number of employees

The average number of employees in 2003 in the SAS Group was 34,544 (35,506).

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

The average number of employees in Denmark was 8,689 (9,192), in Norway 10,535 (11,407) and in Sweden 8,470 (9,318).

	2003		2002	
	Men	Women	Men	Women
Denmark	**5,581**	**3,108**	5,729	3,463
Norway	**6,202**	**4,333**	6,683	4,724
Sweden	**4,912**	**3,558**	5,154	4,164
U.K.	**319**	**343**	209	324
Germany	**265**	**314**	174	186
France	**113**	**134**	152	130
Finland	**252**	**277**	190	380
Belgium	**166**	**109**	162	106
Spain	**1,708**	**1,723**	1,272	1,412
U.S.	**103**	**175**	110	175
Other countries	**385**	**464**	227	380
Total	**20,006**	**14,538**	20,062	15,444
Total men and women	**34,544**		35,506	

Gender breakdown among senior executives in the Group

	Total on closing date	Men
Board members	96	92%
Presidents and other senior executives	114	88%

Salaries, remuneration and social security expenses

The SAS Group's total payroll expenses amounted to MSEK 21,133 (21,357), of which social security expenses comprised MSEK 2,689 (2,533) and pensions MSEK 2,384 (1,875).

Note 3, cont.

	2003		2002	
	Salaries and other remuneration	Soc. security (of which pension costs)	Salaries and other re-muneration	Soc. security (of which pension costs)
SAS AB	**30 ***	**16 (9)**	12	2 (2)
SAS Consortium	**9,920**	**3,211 (1,489)**	10,600	2,719 (1,172)
Other subsidiaries	**6,110**	**1,846 (886)**	6,337	1,687 (701)
SAS Group total	**16,060**	**5,073 (2,384)****	16,949	4,408 (1,875)

* *As of November 1, 2003, most of the groupwide functions have been transferred from the SAS Consortium to SAS AB. The number of persons employed by the parent company is 153.*

** *The pension cost for the Board, President and Vice Presidents of SAS Group companies amounted to MSEK 30 (15). Compared with 2002 the increase is mainly attributable to Rezidor SAS Hospitality. SAS has obligations vis-à-vis former President relating to pension commitments in the amount of SEK 2,500,000 per year. The commitment ends on June 30, 2004.*

A breakdown of the salaries and other remuneration of Board members, presidents and vice presidents and other employees is provided in the table below.

	2003		2002	
	Board, president and vice president (of which variable component)	Other employees	Board, president and vice president (of which variable component)	Other employees
SAS AB	**14 (2)**	**16**	12 (1)	–
SAS Consortium	**– (–)**	**9,920**	– (–)	10,600
SAS Commuter Consortium	**2 (–)**	**479**	2 (–)	531
Blue1	**1 (–)**	**110**	1 (–)	102
Widerøe's Flyveselskap	**2 (–)**	**787**	2 (–)	797
Braathens	**7 (1)**	**1,038**	13 (–)	1,383
Spanair	**12 (–)**	**847**	11 (–)	767
Newco Airport Services	**4 (–)**	**130**	4 (–)	112
Rezidor SAS Hospitality	**5 (0)**	**1,012**	10 (3)	1,061
SAS Cargo Group	**3 (1)**	**681**	2 (0)	505
Scandinavian IT Group	**0 (–)**	**679**	0 (–)	757
SAS Flight Academy	**1 (0)**	**76**	1 (0)	79
European Aeronautical Group	**2 (0)**	**53**	1 (–)	25
Other subsidiaries	**9 (0)**	**170**	10 (0)	161
SAS Group total	**62 (4)**	**15,998**	69 (4)	16,880

Pension costs

	2003	2002
Defined benefit pension plans	**1,123**	763
Defined contribution pension plans	**1,261**	1,112
Total	**2,384**	1,875

Remuneration and fringe benefits of senior executives

Principles

The fee paid to Board members of SAS AB shall be determined by the general meeting. No special fee is paid for work on Board committees.

The SAS Group's overarching remuneration policy is aimed at offering compensation that makes it possible to recruit and retain senior executives and other employees and inspire them to do their best for the SAS Group.

The SAS Group's overall compensation model for managers and employees is based on the following four cornerstones:

- Salary setting shall be individual and differentiated
- Salary setting shall be national and adapted to the market
- Salary setting shall be an important management tool in reaching the organization's goals
- Salary setting shall stimulate professional and personal development

The SAS Group applies a compensation model for senior executives, certain other managers and specialists which means that a portion of total remuneration shall be performance-based. For the employees covered by the model, the division of salary into a fixed and a performance-based variable portion shall be in proportion to the position's responsibilities and authority. A specific target-based variable component is an important management tool and is aimed at ensuring that the priorities of senior executives are consistent with the Group's overall goals and strategies and that success is rewarded.

Note 3, cont.

The compensation model consists of two components: Personal salary and earnings-based salary.

The personal salary consists of two components:

- A fixed annual salary based on the executive's IPE, the market salary determined by the position and the competencies and performance the person in question has demonstrated.
- A performance-based variable component, the maximum payment of which is 14.4-32.0% (37.5% for the President and members of the Group Management) of the basic annual salary and is based on personal targets. In the event of full target achievement the variable component paid is 80% of the maximum variable salary. The maximum variable component is only paid if targets are exceeded.

  The outcome of the variable component is based on achievement of the targets contracted between the employee and his or her superior, which are to contain qualitative as well as quantitative targets and refer to both business-specific and personal targets, with special emphasis on financial targets. The President annually sets the target criteria for people who report directly to him and decides in consultation with the compensation committee payment of the variable component.

  Payment of the variable component takes place after the full-year earnings of the SAS Group have been determined.

An earnings-based salary depending on the earnings of the SAS Group is set in addition to the personal salary. The full earnings-based salary may only be paid if the Group achieves its budgeted earnings (EBT before gains) provided the earnings are positive. An earnings-based salary is never paid if earnings are negative. The earnings-based salary can amount to 4.4-8.0% (12.5% for the President) of the basic annual salary.

SAS AB follows NBK´s rules concerning information on the fringe benefits of senior executives. Senior executives refers to the persons who together with the President form the Group Management team comprising SAS's corporate management.

The Board

The Annual General Meeting of SAS AB on April 10, 2003, resolved not to change the total remuneration paid to shareholder-elected members, i.e. SEK 2,150,000. Within the authority of the general meeting, it was also resolved to set the remuneration of the employee-elected Board members and deputies at the same amount as in 2002, SEK 1,350,000. In 2003, remuneration of SEK 3,500,000 was thus paid to members and deputy members of SAS AB's Board of Directors, of which SEK 550,000 was paid to the Chairman of the Board, SEK 400,000 to the Vice Chairman, SEK 300,000 to each of the seven ordinary Board members, and SEK 75,000 to each of the six deputy employee representatives.

With the exception of the employee representatives and their deputies, no member of the Board was employed by the SAS Group in 2003. No Board member not employed by the SAS Group received any remuneration or benefit from any company in the SAS Group beyond customary travel benefits and the fee received for board work.

The Board has informed the nomination committee of SAS AB that all shareholder-elected Board members - provided they are reelected at the annual meeting - wish to have their board fee for 2004 cut by 10%. The employee-elected representatives on the Board have also decided to cut their board fee by 10% from 2004.

President and CEO

Salary and value of benefits paid in 2003 to SAS AB's President, who also serves as CEO of the Group, amounted to SEK 10,455,000, of which SEK 2,485,000 pertains to the variable component for the year 2002 that is set and paid in 2003, and SEK 710,000 pertains to compensation for his duties as acting head of Scandinavian Airlines from July 1, 2002 to February 14, 2003.

The maximum possible performanced-based variable component and earnings-based salary for the President is 50% of fixed annual salary and the target criteria for the variable component are set annually by the Board at the recommendation of the compensation committee. The criteria cover budget and earnings targets as well as organizational and business targets that are accorded different weights. The variable component is paid annually in arrears following the Board's approval of the annual accounts for the SAS Group for the financial year in question and according to the achievement of targets determined by the Board. Given the losses posted by SAS Group in the past few years, no earnings-based salary was paid. The variable component and earnings-based salary are not pensionable.

The President's fixed annual salary for 2003 amounted to SEK 7,100,000. At the proposal of the President, the Board of SAS AB decided to reduce his fixed annual salary beginning January 1, 2004 by 10%, to SEK 6,390,000.

The table below shows the development of the President's salary since his appointment in 2001:

Year	Basic annual salary	Variable component	Earnings-based salary
2001	SEK 6,400,000 [1]	SEK 1,125,000 [2]	0
2002	SEK 7,100,000 [3]	SEK 2,485,000 [4]	0
2003	SEK 7,100,000	[5]	0
2004	SEK 6,390,000 [6]	to be set in 2005	to be set in 2005

Note 3, cont.

[1] As the President began his employment at SAS on April 1, 2001, he was accordingly paid nine months of the fixed annual salary, i.e. SEK 4,800,000.

[2] The variable component relating to the nine months in 2001, which was paid in 2002, was determined in advance in the employment contract and set independent of the SAS Group's earnings or personal targets.

[3] The salary adjustment was introduced effective July 1, 2002.

[4] Variable component for 2002, which was paid in 2003. The variable component for 2002 accounted for 35% of the fixed annual salary. The amount does not include the extraordinary remuneration of SEK 710,000 paid in 2003 for his duties as acting head of Scandinavian Airlines from July 1, 2002 to February 14, 2003. The principles for remuneration of this special assignment were reported in the annual report for fiscal 2002. The period for the remuneration set is limited by agreement to the second half of 2002.

[5] The variable component for 2003 will be set by the Board during the first half of 2004. No earnings-based salary will be paid because the SAS Group posted a loss in 2003. According to the special agreement between the President and CEO and the Board, the variable component for 2003 shall not exceed the variable component for 2002 even though evaluation of the target criteria for 2003 shows a target achievement exceeding 35% of the fixed annual salary.

[6] The fixed annual salary was reduced by 10% beginning January 1, 2004.

The President's retirement age was 62 in 2003. (Starting January 1, 2004, the President's retirement age was raised to 65 years). Retirement pension, which is lifelong, is a defined benefit pension plan. Earnings are on a straight-line basis up to retirement age. With fully earned entitlement (at least 180 months of employment from entry into the plan) the pension amounts to 70% of pensionable salary up to 30 base amounts (currently SEK 1,158,000) and 35% of pensionable salary in excess of that amount. Provided the President remains in office until retirement age, the former service period factor of 0.6333 (i.e. 63.33% of full earnings), based on a retirement age of 62 years, will be raised to 0.8333 as the result of raising his retirement age. In addition to retirement pension the President's pension benefits also include disability benefit up to ordinary retirement age and a survivor annuity not to exceed 10 years.

Expressed in 2003 terms, the maximum pension from 62 years is SEK 1,830,000/year, approx. 26% of the fixed annual salary. The pension is not coordinated with previously earned pension rights. In 2003 the cost of the President 's pension benefits, calculated on a retirement age of 62, amounted to SEK 2,564,000 (calculated according to IAS 19), approx. 36 % of the fixed pensionable salary. As an effect of the higher pension age from 2004, the annual cost of the President's pension benefits will decrease.

The notice period is six months in the event the President resigns and 12 months if the termination of employment is by SAS AB. Severance pay is payable to the President in the event employment is terminated by SAS AB for reasons other than material breach of contract, gross neglect of duty or criminal acts against the SAS Group. The amount corresponds to one and a half times the applicable fixed annual salary (i.e. 18 months' salary). Should new employment be obtained within 30 months after termination by SAS AB the awarded severance pay shall be reduced by the remuneration received from the new position, though, however by a maximum of 50% of the severance pay. No severance pay is paid if the President resigns of his own accord.

Other senior executives

Salary and the value of benefits paid in 2003 to other senior executives, who include Group Management members Sören Belin, Gunilla Berg, John S. Dueholm, Gunnar Reitan and Bernhard Rikardsen, amounted to a total of SEK 19,036,000. Their fixed annual salaries were not raised in 2003. The reason that the total amount substantially exceeds the amount reported in 2002 is that John S. Dueholm and Gunilla Berg were hired by SAS on September 1, 2002 and September 16, 2002, respectively, and that Sören Belin assumed his duties in the SAS Group Management on February 15, 2003.

Since the SAS Group reported a loss for fiscal year 2003, no earnings-based salary will be paid.

At their own initiative, the senior executives cut their fixed annual salaries by 10% starting January 1, 2004.

Retirement age of senior executives is 60 years. Pension benefits for this group are partly defined benefit (three persons) and partly defined contribution (two persons). The defined benefit pension plan means that earnings are on a straight-line basis until retirement age. The pension level with fully earned entitlement amounts to 70% of pensionable salary up to 30 base amounts/Norwegian basic pension (currently SEK 1,158,000/NOK 1,700,000) and 35% of the pensionable salary in excess of that amount. Pensionable salary refers to the annual fixed salary with the addition of the average of the performance-based variable component and earnings-based salary paid in the last three years. Under the defined contribution plan, a fixed percentage of the fixed annual salary is paid as pension. In the one case 20% is paid and in the other 21.5%. The percentage rate differences are due to different individual assumptions upon entry into the pension system. SAS's total

Note 3, cont

pension cost for 2003 in the category other senior executives amounted to SEK 6,962,000 of which SEK 3,223,000 refers to defined benefit pension plans and SEK 3,739,000 refers to defined contribution pension plans. The pension benefit provides a vested benefit.

Severance pay for other senior executives is set according to basically the same principles as for the President, with, however the following differences:

I severance pay is not paid if the senior executive is offered another position in the SAS Group and the position has the same classification level as the previous position,

II the severance pay corresponds to two fixed annual salaries,

III the reconciliation against income from another appointment or assignment can total a maximum of one annual salary, and

IV severance pay may also be paid if the senior executive resigns if his or her responsibilities or authority are materially changed through ownership or organizational changes.

The notice period is 12 months (in one case six months) in the event of termination of employment by SAS AB and six months if the employee resigns.

Share price-related compensation

Because the SAS Group does not have a share price-related incentive program, no such benefits were given to any senior executives in the SAS Group.

Other

Other typical managers' contracts in the SAS Group are based on the principles outlined under the heading "Principles" above with the difference that the total variable component of the personal salary for this group (including financial income targets) varies between 14.4 –26.4% with 100% target achievement of the basic annual salary. No earnings-based salary for 2003 will be paid.

Other senior executives at SAS are entitled to a pension at age 60 and earn on a straight-line basis up to retirement age. With fully earned entitlement, the pension level for a Swedish employee in SAS's senior management amounts to 70% of pensionable salary up to 30 base amounts (SEK 1,158,000) and 35% of pensionable salary in excess of that amount. Pensionable salary refers to annual fixed basic salary with the addition of the average of the performanced-based variable component and earnings-based salary paid in the last three years. Alternatively, a defined contribution pension plan is provided. The same basic pension systems structure applies to Danish and Norwegian senior SAS Group executives, adjusted to Danish and Norwegian conditions, respectively.

Severance pay is paid according to the same principles as for the category other senior executives.

The President and other senior executives are normally not entitled to fees for directorships in the SAS Group or in companies in which the SAS Group has ownership interests or is in partnership with. In cases where a board fee is nevertheless paid, the fee is not linked to employment in the SAS Group and is therefore paid where appropriate directly by the company involved to the board representative.

Over and above salaries and remuneration described above, no transactions with related parties have occurred.

Discussion and decision-making process

The issue of the Board's fees is discussed by the nomination committee, which consists of eight representatives elected at the Annual General Meeting. Proposals concerning Board fees are presented to the Annual General Meeting by the nomination committee.

The primary task of the Board-created compensation committee is to prepare for the decision of the Board questions pertaining to the President's salary and other employment terms and to lay down the main principles and general conditions applying to setting of salaries and other remuneration and employment terms (including variable component and severance pay policy) for the Group Management and other senior executives in the SAS Group.

During the year the compensation committee submitted recommendations to the Board concerning overarching principles for remuneration policies in the SAS Group, including, among other things, principles and levels for the variable component, and the remuneration of the President for 2003. The Board has discussed the compensation committee's recommendations and made decisions accordingly. Remuneration of other senior executives was decided by the President after consultation with the compensation committee. The compensation committee met four times during the year.

Note 4 - Other operating expenses

	2003	2002
Leasing costs	**2,935**	3,747
Sales costs	**1,452**	2,825
Jet fuel	**4,743**	4,938
Government user fees	**5,842**	5,893
Catering costs	**2,226**	2,242
Handling costs	**2,553**	2,584
Technical aircraft maintenance	**2,650**	3,164
Computer and telecommunications costs	**2,377**	2,689
Cost of sold goods, incl. concession fees	**1,327**	1,562
Other operating expenses, SAS Trading	**124**	167
Other operating expenses, REZSAS	**2,189**	1,978
Other	**6,583**	7,256
Total	**35,001**	39,045

Note 5 - Depreciation

	2003	2002
Goodwill	**134**	107
Other intangible assets	**273**	219
Aircraft	**1,506**	1,425
Spare engines and spare parts	**244**	240
Workshop and aircraft servicing equipment	**136**	154
Other equipment and vehicles	**544**	589
Work in progress	**–**	–1
Buildings and fittings	**208**	219
Land improvements	**1**	1
Total	**3,046**	2,953

Note 6 - Share of income in affiliated companies [1]

	2003	2002
British Midland PLC [2]	**–52**	–95
Skyways Holding AB	**4**	–21
Air Greenland A/S [3]	**27**	12
airBaltic Corporation A/S	**4**	1
AS Estonian Air [4]	**3**	–
Travellink AB [5]	**–40**	–
Commercial Aviation Leasing Ltd	**25**	27
Reversal of intra-group profit for Commercial Aviation Leasing Ltd.	**40**	40
Polygon Group Ltd [6]	**0**	–21
Cimber Air A/S [7]	**–**	–81
Spanair S.A. [8]	**–**	–300
Newco Airport Services S.A [9]	**–**	–5
Aerolineas Baleares S.A. [10]	**10**	1
Tradevision AB	**–**	–9
Casino Copenhagen K/S	**18**	23
ZAO St. Petersburg	**3**	–1
SNR Amsterdam Hotel CV	**–**	18
Other	**–3**	2
Total [11]	**39**	–409

[1] *Share of income in affiliated companies is reported before taxes.*
[2] *The share of income includes goodwill amortization of MSEK –7 (–9) and adjustment of last year's income figure by MSEK 6 (–22).*
[3] *The share of income includes adjustment of last year's income figure by MSEK 16 (7).*
[4] *AS Estonian Air was acquired in September 2003.*
[5] *Travellink AB was included in the SAS Group as a subsidiary through December 2003. The share of income includes a loan write-down of MSEK 23.*
[6] *The share of income includes adjustment of last year's income figure by MSEK –(–16).*
[7] *Cimber Air A/S was sold in February 2003.*
[8] *Spanair became a subsidiary of the SAS Group as of March 2002. Last year's share of income includes income from November-December 2001 and January-February 2002.*
[9] *Newco became a subsidiary of the SAS Group as of March 2002.*
[10] *Aerolineas Baleares S.A. became a subsidiary of the SAS Group as of January 2003. The share of income for 2003 pertains to adjustment of last year's income figure.*
[11] *Includes goodwill amortization totaling MSEK 18 (23).*

In some cases, the SAS Group's share of income in affiliated companies is based on preliminarily unaudited accounts from the companies.

Note 7 - Income from the sale of aircraft and buildings

	2003	2002
Airbus A320	108	56
Airbus A330	–	26
Airbus A340	–	3
Boeing 737	60	72
Douglas MD-80	22	–
Fokker F28	–10	5
deHavilland Q400	32	102
Phasing in costs, new aircraft types	–	–237
Phasing out costs in connection with sale of aircraft	–	–337
Hotel properties	4	–
Other properties	433	–10
Total	649	–320

Phasing in and phasing out costs relating to aircraft are reported starting January 1, 2003 as an operating expense. See Note 1.

Note 8 - Income from other shares and participations

	2003	2002
Capital gains from the sale of shares and participations	29	4
Write-down of shares	–30	–184
Total	–1	–180

Note 9 - Interest income and similar income items

	2003	2002
Interest income	1,084	1,097
Exchange rate differences, net	318	36
Other financial income	12	13
Total	1,414	1,146

Interest income includes MSEK 743 (632) for forward premiums for currency derivatives.

Note 10 - Interest expenses and similar income items

	2003	2002
Interest expenses	1,906	1,979
Exchange rate differences, net	0	0
Other financial expenses	96	119
Total	2,002	2,098

Interest expenses include MSEK 943 (850) for forward premiums for currency derivatives.

Note 11 - Tax

The following components are included in the Group's tax expense.

	2003	2002
Actual tax	–113	–61
Deferred tax	126	312
Tax attributable to Parent Company and its subsidiaries	13	251
Tax attributable to participations in affiliated companies	–8	16
Total	5	267

Actual tax is calculated based on the tax rate in each country. Deferred tax is calculated at the tax rate expected to apply when the tax is realized.

Note 11, cont.

The tax expense for the financial year can be reconciled against income before tax as follows:

	2003	2003 (%)	2002	2002 (%)
Income before tax	–1,470		–450	
Tax according to weighted tax rate in Denmark, Norway and Sweden (28.6%)	420	–28.6	128	–28.6
Tax effect of non-deductible costs	–691	47.0	–45	10.0
Tax effect of revenues not liable to tax	265	–18.0	82	–18.2
Tax attributable to previous year	11	–0.7	98	–21.8
Effect due to other tax rates in countries outside Denmark, Norway and Sweden	–	–	4	–0.7
Tax income/expense and effective tax rate for the financial year	5	–0.4	267	–59.3

Deferred tax liability/tax receivable

	2003	2002
Deferred tax liability	3,273	3,606
Deferred tax receivable	–1,413	–1,553
Deferred tax liability, net	1,860	2,053

The tables below show the Group's most significant tax liabilities and tax receivables according to category and how these liabilities and receivables changed in 2003.

	2003	2002
Deferred tax liability in the balance sheet:		
Fixed assets	2,486	2,704
Provisions	45	107
Tax allocation reserve	78	208
Other temporary differences	1,030	916
Fiscal loss carryforward	–366	–329
	3,273	3,606

	2003	2002
Deferred tax receivable in the balance sheet:		
Fiscal loss carryforward	1,596	1,700
Provisions/receivables	40	317
Other temporary differences	–223	–464
	1,413	1,553
Deferred tax liability, net	1,860	2,053

	2003	2002
Reconciliation of deferred tax liability, net:		
Opening balance	2,053	3,312
Net tax receivable in acquired/sold companies	–15	–961
Change according to statement of income	–126	–312
Exchange differences etc.	–52	14
Deferred tax liability, net, at year-end	1,860	2,053

On the closing date the Group had unutilized loss carryforwards amounting to a total of MSEK 5,650 (7,190). Based on these loss carryforwards, the Group reports a deferred tax receivable of MSEK 1,793 (2,030). Deferred tax liabilities are reported to the extent it is probable that taxable profits will be created against which the deductible temporary differences can be used. The assessment of the respective group company's future profit performance is based on the business plans drawn up for each unit. For the remaining loss carryforward amounting to MSEK 336 (334), no deferred tax receivable is reported due to uncertainty as regards future profit earnings. Of the loss carryforwards, MSEK 4,607 has a due date in 2013 or earlier. There are no due dates for the remaining loss carryforwards.

No provision has been made for deferred tax on temporary differences related to non-distributed profits in subsidiaries and affiliated companies, since these profits will not be distributed within the foreseeable future, alternatively a distribution can be made without the profits being subject to tax.

Note 12 - Intangible fixed assets

	Goodwill		Other assets		Total intangible fixed assets	
	2003	2002	**2003**	2002	**2003**	2002
Opening acquisition value	**2,685**	983	**1,470**	1,156	**4,155**	2,139
Investments	**152**	1,495	**201**	198	**353**	1,693
Company acquisition [1]	**–**	–	**–**	110	**–**	110
Sales/disposals	**–**	–	**–68**	–	**–68**	–
Sale of company [2]	**–**	–	**–54**	–	**–54**	–
Reclassifications [3]	**–**	114	**–83**	6	**–83**	120
Exchange rate differences	**–172**	93	**–5**	–	**–177**	93
Closing accumulated acquisition value	**2,665**	2,685	**1,461**	1,470	**4,126**	4,155
Opening depreciation	**–386**	–277	**–585**	–333	**–971**	–610
Depreciation for the year	**–134**	–107	**–273**	–219	**–407**	–326
Company acquisition [1]	**–**	–	**–**	–30	**–**	–30
Sales/disposals	**–**	–	**16**	–	**16**	–
Sale of company [2]	**–**	–	**2**	–	**2**	–
Reclassifications [3]	**–**	–	**42**	–3	**42**	–3
Exchange rate differences	**13**	–2	**2**	–	**15**	–2
Closing accumulated depreciation	**–507**	–386	**–796**	–585	**–1,303**	–971
Opening write-down	**–**	–	**–15**	–14	**–15**	–14
Exchange rate differences	**–**	–	**2**	–1	**2**	–1
Closing write-down	**–**	–	**–13**	–15	**–13**	–15
Closing planned residual value	**2,158**	2,299	**652**	870	**2,810**	3,169

[1] Change for the previous year due to company acquisition pertains to the Group's purchase of Spanair.
[2] Scandinavian IT Group was sold during the year.
[3] Of the year's reclassifications of other assets, Travellink accounts for a net of MSEK –69.

The SAS Group is not engaged in activities relating to research and development (R&D).

Breakdown of planned residual value:

	2003	2002
Goodwill	**2,158**	2,299
Capitalized system development costs	**544**	765
Development projects	**70**	68
Leases etc.	**38**	37
Total residual value	**2,810**	3,169

Goodwill

	2003	2002
Spanair	**961**	1,000
Braathens	**688**	846
Widerøe	**142**	175
Newco	**104**	111
Goodwill in Hotels business area	**124**	74
Aeronautical Services Group	**46**	48
Air Maintenance Estonia	**23**	–
Club de Vacaciones	**20**	24
Aerolineas Baleares	**15**	–
Blue1	**14**	15
Novia	**12**	–
Other	**9**	6
Total goodwill	**2,158**	2,299

Note 13 - Tangible fixed assets

	Buildings & land		Aircraft[1]		Spare engines & spare parts		Workshop & aircraft servicing equipment	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
Opening acquisition value	**4,625**	4,618	**31,937**	26,465	**4,725**	3,814	**1,477**	1,262
Investments	**42**	50	**2,390**	7,200	**460**	814	**58**	138
Company acquisitions [3]	**–**	113	**–**	155	**4**	389	**6**	77
Capitalized interest [4]	**–**	–	**–**	–	**–**	–	**–**	–
Sales/disposals	**–1,332**	–253	**–3,516**	–5,433	**–428**	–241	**–48**	–47
Sale of companies [5]	**–595**	–	**–**	–	**–**	–	**–**	–
Reclassifications	**161**	43	**428**	3,393	**–36**	–92	**–73**	31
Exchange rate differences	**–173**	54	**–374**	157	**–65**	41	**–34**	16
Closing accumulated acquisition value	**2,728**	4,625	**30,865**	31,937	**4,660**	4,725	**1,386**	1,477
Opening depreciation	**–1,920**	–1,904	**–7,793**	–6,718	**–1,613**	–1,416	**–1,065**	–903
Depreciation for the year	**–209**	–220	**–1,506**	–1,425	**–244**	–240	**–136**	–154
Company acquisitions [3]	**–**	–58	**–**	–43	**–**	–42	**–1**	–51
Sales/disposals	**412**	203	**697**	388	**313**	73	**46**	41
Sale of companies [5]	**187**	–	**–**	–	**–**	–	**–**	–
Reclassifications	**–**	79	**–**	60	**7**	34	**12**	14
Exchange rate differences	**75**	–20	**147**	–55	**28**	–22	**28**	–12
Closing accumulated depreciation	**–1,455**	–1,920	**–8,455**	–7,793	**–1,509**	–1,613	**–1,116**	–1,065
Opening write-down	**–18**	–	**–**	–69	**–**	–	**–**	–
Company acquisition [6]	**–**	–18	**–**	–	**–**	–	**–**	–
Sales/disposals	**–**	–	**–**	69	**–**	–	**–**	–
Exchange rate differences	**3**	–	**–**	–	**–**	–	**–**	
Closing write-down	**–15**	–18	**–**	0	**–**	–	**–**	–
Closing planned residual value	**1,258**	2,687	**22,410[2]**	24,144	**3,151**	3,112	**270**	412

	Other equipment & vehicles		Construction in progress		Prepayments fixed assets		Total tangible fixed assets	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
Opening acquisition value	**6,372**	6,841	**234**	166	**1,172**	4,110	**50,542**	47,276
Investments	**256**	267	**639**	338	**172**	493	**4,017**	9,300
Company acquisitions [3]	**1**	38	**–**	14	**–**	377	**11**	1,163
Capitalized interest [4]	**–**	–	**–**	–	**19**	11	**19**	11
Sales/disposals	**–398**	–860	**–1**	–2	**–14**	–	**–5,737**	–6,836
Sale of companies [5]	**–811**	–158	**–331**	–	**–**	–	**–1,737**	–158
Reclassifications	**276**	160	**–261**	–281	**–469**	–3,457	**26**	–203
Exchange rate differences	**–236**	84	**5**	–1	**–132**	–362	**–1,009**	–11
Closing accumulated acquisition value	**5,460**	6,372	**285**	234	**748**	1,172	**46,132**	50,542
Opening depreciation	**–4,437**	–4,879	**–**	–1	**–**	–	**–16,828**	–15,821
Depreciation for the year	**–544**	–589	**–**	1	**–**	–	**–2,639**	–2,627
Company acquisitions [3]	**–1**	–40	**–**	–	**–**	–	**–2**	–234
Sales/disposals	**371**	826	**–**	–	**–**	–	**1,839**	1 531
Sale of companies [5]	**695**	153	**–**	–	**–**	–	**882**	153
Reclassifications	**–117**	155	**–**	–	**–**	–	**–98**	342
Exchange rate difference	**168**	–63	**–**	–	**–**	–	**446**	–172
Closing accumulated depreciation	**–3,865**	–4,437	**–**	0	**–**	–	**–16,400**	–16,828
Opening write-down	**–13**	–	**–**	–	**–**	–	**–31**	–69
Company acquisition [6]	**–**	–13	**–**	–	**–**	–	**–**	–31
Sales/disposals	**–**	–	**–**	–	**–**	–	**–**	69
Exchange rate difference	**2**	–	**–**	–	**–**	–	**5**	–
Closing write-down	**–11**	–13	**–**	–	**–**	–	**–26**	–31
Closing planned residual value	**1,584**	1,922	**285**	234	**748**	1,172	**29,706**	33,683

[1] The insured value of aircraft at December 31, 2003 amounted to MSEK 56,661. This includes the insured value of leased (operating leases) aircraft in the amount of MSEK 34,115.

[2] On the closing date, December 31, 2003, estimated market value, excluding options, in Swedish kronor fell below the book value by MSEK 384. The difference arose primarily due to a lower USD exchange rate compared with 2002. The change is not judged to be permanent since the surplus value corresponds to the depreciation for first quarter 2004, so no adjustment of the book value has been done. In the previous year, the market value, excluding options, exceeded the book value by MSEK 841.

[3] Change for the year due to company acquisitions pertains to the Group's purchase of Air Maintenance Estonia, Adena and Novia. Spanair and Thales were acquired the previous year.

[4] Capitalizing of interest was done at an average interest rate of 2.0% (2.5%).

[5] Scandinavian IT Group, Fastighets AB Solna Haga and SAS Hotel Stansted Ltd. were sold during the year. SMART was sold the previous year.

[6] 2002 pertains to adjustment of acquisition balance sheet for Braathens.

Of previous years' aircraft acquisitions, six Douglas MD-90s, eight Airbus A321s and six Airbus A340/330s were acquired formally through finance lease contracts, with original terms of 10 years. In 2003, one Airbus A330 was acquired via finance lease with a term of 10 years.

With regard to finance-leased aircraft, the terms of the leasing contracts (particularly pertaining to SAS's call options during the contract period and at the expiration of the leasing contract, as well as the economic risk SAS has regarding the value of the aircraft) are such that the agreements, from SAS's point of view, are comparable to a purchase.

The 21 (20) finance-leased aircraft are included in the balance sheet in the amount of MSEK 10,731 (10,419). In addition to these, owned aircraft include 16 aircraft valued at MSEK 3,478 placed in financing structures wholly owned by SAS together with appurtenant indebtedness of MSEK 2,265 which are to be viewed as finance-leased.

The SAS Group's aircraft holdings can be specified as follows:

	2003	2002
Owned	**11,679**	13,725
Finance leased	**10,731**	10,419
Book value	**22,410**	24,144

Note 13, cont.

Finance leasing

The SAS Group has finance leasing contracts for aircraft with remaining terms of up to 10 years. It also has finance leasing contracts for aircraft engines with remaining terms of up to two years and for other machinery and equipment with remaining terms of up to five years.

Lease payments consist in part of minimum lease payments and in part of contingent rent. In those cases where the lease payments are based on an adjustable rate of interest they are included in minimum lease payments according to the current rate at the start of the agreement. Future changes of the interest rate are included in the contingent rent. Total lease payments paid amounted to MSEK 725 (1,140). Contingent rent affected the lease payments for the year by MSEK –22 (–29).

No finance lease assets are subleased to third parties.

Book values of finance lease assets on the closing date:

	Aircraft		Aircraft engines		Machinery & equipment	
	2003	2002	**2003**	2002	**2003**	2002
Acquisition value	**12,032**	11,188	**65**	142	**78**	73
Less accumulated depreciation	**–1,301**	–769	**–9**	–18	**–38**	–13
Book value of finance lease assets	**10, 731**	10,419	**56**	124	**40**	60

Future minimum lease payments and their present value for finance leasing contracts applying on closing date.

	2003		2002	
Due date:	Future minimum lease payments	Present value of minimum lease payments	Future minimum lease payments	Present value of minimum lease payments
Within one year	**743**	**735**	728	718
1-5 years	**3,117**	**2,848**	3,840	3,561
Over 5 years	**5,327**	**3,840**	7,210	3,238
Total	**9,187**	**7,423**	11,778	7,517

Operating leasing

SAS Group leases out owned assets with book values that on the closing date amounted to:

	Aircraft		Machinery & equipment	
	2003	2002	**2003**	2002
Acquisition value	**2,742**	1,347	**18**	18
Less accumulated depreciation	**–888**	–210	**–18**	–18
Book value of assets leased out on operating leases	**1,854**	1,137	**0**	0

Note 13, cont.

Depreciation for the year pertaining to assets leased out on operating leases was MSEK 88 (61).

Leasing revenues for the year did not contain any contingent rent.

Future leasing revenues for operating lease contracts on the closing date in 2003 and 2002:

	2003	2002
Within one year	**144**	105
1-5 years	**154**	140
Over 5 years	**–**	3
Total	**298**	248

Contractual purchase commitments

On the closing date the Group had the following commitments relating to future acquisition of tangible fixed assets.

	2004	2005	2006	2007
Aircraft	895	320	400	909
Other purchase commitments	29	43		
Total	924	363	400	909

On the basis of external valuations, the SAS Group is of the opinion that the contractual future acquisitions are in line with the expected market value.

Tax value

Buildings	**2003**	2002
Frösundavik, part of Haga 2:8	**–**	686
Sverigehuset, part of Arlanda 2:1	**29**	29
Flight Academy, part of Arlanda 2:1	**150**	139
Night Stop, part of Arlanda 2:1	**10**	10
Total	**189**	864

Note 14 - Prepayments relating to tangible fixed assets

	2003	2002
Airbus	**555**	810
Boeing	**181**	244
Bombardier	**1**	1
Other	**11**	117
Total	**748**	1,172

Note 15 - Financial fixed assets

	Equity in affiliated companies		Long-term receivables from affiliated companies		Shares & participations		Pension funds, net		Other long-term receivables		Total financial fixed assets	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
Opening acquisition value	**505**	1,128	**314**	950	**427**	439	**6,298**	5 ,172	**3,135**	2,332	**10,679**	10,021
Contributions	**176**	7	**–**	4	**34**	24	**742**	1,086	**359**	413	**1,311**	1,534
Company acquisition [1]	**–**	–	**–**	–	**–**	4	**–**	–	**–**	1,131	**–**	1,135
Share of income	**31**	–393	**–**	–	**–**	–	**–**	–	**–**	–	**31**	–393
Sale	**–26**	–112	**–**	–	**–138**	–3	**–**	–	**–**	–	**–164**	–115
Sale of companies [2]	**–**	–	**–**	–	**–**	–30	**–185**	–16	**–**	–17	**–185**	–63
Amortization	**–**	–	**–7**	–	**–**	–	**–**	–	**–341**	–371	**–348**	–371
Dividend	**–21**	–40	**–**	–	**–**	–	**–**	–	**–**	–	**–21**	–40
Reclassifications	**16**	–30	**–6**	–566	**–5**	1	**–**	–	**–360**	–313	**–355**	–908
Exchange rate differences	**–77**	–78	**–54**	–74	**–6**	–8	**–199**	56	**–82**	–40	**–418**	–144
Other	**–**	23	**–**	–	**–**	–	**–**	–	**–**	–	**–**	23
Closing accumulated acquisition value	**604**	505	**247**	314	**312**	427	**6,656**	6,298	**2,711**	3,135	**10,530**	10,679
Opening depreciation	**–**	–	**–**	–	**–76**	–78	**–**	–	**–**	–	**–76**	–78
Sales	**–**	–	**–**	–	**76**	–	**–**	–	**–**	–	**76**	–
Exchange rate difference	**–**	–	**–**	–	**–**	2	**–**	–	**–**	–	**–**	2
Closing accumulated depreciation	**–**	–	**–**	–	**0**	–76	**–**	–	**–**	–	**0**	–76
Opening write-down	**–**	–	**–**	–	**–160**	–2	**–**	–	**–450**	–435	**–610**	–437
Write-down for the year	**–**	–	**–**	–	**–30**	–184	**–**	–	**–**	–18	**–30**	–203
Sale of companies [2]	**–**	–	**–**	–	**–**	26	**–**	–	**–**	–		27
Reclassifications	**–**	–	**–**	–	**–**	–	**–**	–	**358**	–	**358**	–
Exchange rate differences	**–**	–	**–**	–	**3**	–	**–**	–	**1**	3	**4**	3
Closing write-down	**–**	–	**–**	–	**–187**	–160	**–**	–	**–91**	–450	**–278**	–610
Closing residual value	**604**	505	**247**	314	**125**	191	**6,656**	6,298	**2,620**	2,685	**10,252**	9,993

[1] Change for the previous year due to company acquisition pertains to the Group's purchase of Spanair. [2] Scandinavian IT Group was sold during the year. SMART was sold the previous year.

Note 16 - Share of equity in affiliated companies

	Reg. no.	Domicile	The SAS Group's holding share of equity %	Share of equity 2003	2002
British Midland PLC	2107441	Derby, UK	20.0	**147**	226
Skyways Holding AB	556021-5872	Stockholm, Sweden	25.0	**84**	84
Air Greenland A/S	30672	Nuuk, Greenland	37.5	**95**	80
airBaltic Corporation A/S	324575	Riga, Latvia	47.2	**71**	75
AS Estonian Air [1]	10076042	Tallinn, Estonia	49.0	**183**	–
Travellink AB [2]	556596-2650	Stockholm, Sweden	49.9	**0**	–
Commercial Aviation Leasing Ltd	IE6328550R	Dublin, Ireland	49.0	**156**	165
Elimination of intra-group profit for Commercial Aviation Leasing Ltd				**–238**	–277
Polygon Group Ltd	33173	St. Peters Port, Guernsey	30.8	**3**	4
Cimber Air A/S [3]	409619	Sønderborg, Denmark	–	**–**	21
Aerolineas Baleares S.A. [4]	A07988728	Palma de Mallorca, Spain	–	**–**	19
Casino Copenhagen K/S	15751274	Copenhagen, Denmark	50.0	**42**	45
SAS Royal Viking Hotel	556068-3871	Stockholm, Sweden		**–**	10
TTB Leisure Luxury Hotels	99088707	Cape Town, South Africa	50.0	**10**	6
ZAO St. Petersburg	76679	St. Petersburg, Russia	24.8	**38**	36
Other				**13**	11
Total				**604**	505

[1] AS Estonian Air was acquired in September 2003.
[2] Travellink AB, a former subsidiary, is reported as an affiliated company as of December 2003.
[3] Cimber Air A/S was sold in February 2003.
[4] Aerolineas Baleares S.A. became a subsidiary of the SAS Group as of January 2003.

Participations in affiliated companies are reported by the owner company through application of the equity method. Consolidated shareholders' equity on the closing date, December 31, 2003, amounted to MSEK 13,134. If participations in affiliated companies had been reported according to the acquisition cost method, consolidated shareholders' equity would have amounted to MSEK 13,412.

Equity in affiliated companies includes acquired surplus value of MSEK 34 (44) in British Midland PLC, MSEK 64 (69) in Skyways Holding AB, MSEK 64 (74) in airBaltic Corporation A/S and MSEK 128 (–) in AS Estonian Air.

Note 17 - Long-term receivables from affiliated companies

	2003	2002
airBaltic Corporation A/S	**36**	44
Commercial Aviation Leasing Ltd	**211**	270
Total	**247**	314

Note 18 - Shares and participations

	Number of shares/ participations	%		Par value 1,000s	MSEK Book value
Shares and participations					
Aeroxchange Ltd, Dallas	50,000	9.4	USD	5,000	50
Feri Otelcilik Ve Turism AS, Istanbul	270,000	10.0	USD	2,700	20
Doriscus Enterprise Ltd, Limassol	2,040,000	16.0	EUR	2,040	19
RBS Hotellis AS, Tallinn	570	14.1	EEK	570	17
Al Quseir Hotel Company, Al Quseir City	6,000	20.0	EGP	6,000	15
Other					4
Total shares and participations					**125**

Note 19 - Pension funds, net

	2003	2002
Pension funds, net, overfunded plans	**8,010**	7,576
Pension funds, net, underfunded plans	**–1,354**	–1,278
Total	**6,656**	6,298

Most pension plans in Scandinavia are defined benefit. The majority are placed with insurance companies. The group pension plans for salaried employees in Sweden and for employees in Norway are secured through defined benefit pension plans with insurance companies. In Sweden, pension plans are mainly placed with Alecta and in Norway with Vital. Employees in Denmark have mostly defined contribution solutions.

Note 19, cont.

The normal retirement age for non-flight personnel mainly follows the respective country's rules regarding general retirement. The normal retirement age for SAS flight personnel is 60. According to agreements with SAS pilots in Denmark, Norway and Sweden, and with cabin crew in Sweden and Norway, voluntary early retirement with pension is allowed from the age of 55 at the earliest. SAS has also undertaken to pay a pension up to normal retirement age, 60, to pilots who have lost their licenses. The retirement age for cabin crew employed in Sweden is insured at 65, but once they reach the age of 50 the retirement age is reduced to 60. The estimated present value of all these obligations is included in SAS's calculated total pension commitment.

When calculating pension commitments, the year's pension earnings and returns, parameters are used that are locally set in the respective countries on the basis of the local market situation and expected future trend. The following long-term economic assumptions for the SAS Group represent a weighted average:

	2003	2002
Discount rate	**6.2%**	6.7%
Long-term rate of return	**7.4%**	8.1%
Inflation rate	**2.2%**	3.0%
Future salary adjustments	**3.1%**	3.0%
Future adjustments of current pensions	**2.2%**	3.0%

The following interest parameters are used for the largest pension plans in Sweden and Norway:

Discount rate	**6.0%** (6.7%) in Sweden and **6.5%** (6.9%) in Norway
Long-term rate of return	**7.5%** (8.8%) in Sweden and **7.5%** (8.2%) in Norway

In accordance with IAS19/RR29, these parameters provide an expression of the Group's long-term estimate of the level in the pension plans.

Due to the low interest rates in general a review of all parameters including the amortization period of deviations from estimates was done earlier in the year.

The starting point has been that the discount rate shall reflect a long-term assumption about interest rates of Treasury bonds. On the basis of historical trends over different cycles, 6% in Sweden and Denmark and 6.5% in Norway are deemed to be realistic. The long-term return shall correspond to a long-term expectation of return on funded assets based on the pension institutes' investments in shares and interest-bearing securities. For Sweden and Norway, 7.5% is deemed to be a realistic expectation of long-term return. For Denmark, 7% is deemed reasonable against the background of a somewhat more conservative in-

Note 19, cont.

vestment strategy. Inflation assumption is 2% in Sweden and Denmark and 2.5% in Norway. Future salary adjustment was set at one percentage point over the inflation assumption with the aim of including a real salary increase in calculations of pension commitments.

The amortization period for deviations from estimates exceeding the highest of 10% of commitments or funded assets has simultaneously been changed from 5 to 15 years. The changes went into effect on January 1, 2003. The previous amortization period used, 5 years, was conservative but in combination with higher interest rate assumptions there has, however, been balance in the accounting of the Group's pension costs in previous years.

Effect of changed parameters and amortization period relating to deviations from estimates on 2003 financial statements is:

Balance sheet items	
Funded assets	–200
Pension commitments	–900
Difference between funded assets and commitments	–1,100
Income items	
Pension earned during the year	–85
Interest on pension provisions	+65
Return on funded assets	–170
Amortization of deviations from estimates	+190
Net	0

A noticeable reduction in funded assets occurred during 2002, particularly in the insurance companies where Swedish and Norwegian pension plans are placed. The reason for this is the performance of the capital markets in Scandinavia and the rest of the world. Overfunding of the Swedish ITP plan has been substantially reduced and if the market does not continue to recover in the next few years the SAS Group will see a relative increase in pension costs. In 1999 an allocation of MSEK 3,063 in the form of so-called client company pension funds in Alecta in Sweden was identified for the SAS Group. As of December 31, 2003, MSEK 1,280 had not been utilized.

Defined benefit pension plans	2003	2002
Pension earned during the year	–1,125	–1,056
Interest on pension provisions	–1,373	–1,443
Expected return on funded assets for the year	1,673	1,992
Amortization of deviations from estimates and plan amendments for the year	–298	–256
Impact on income for the year, net, pertaining to defined benefit pension plans	–1,123	–763

The actual return for 2003 pertaining to the insured pension plans is expected to be higher than for the last two years and close to the level for the estimated return.

Several of SAS's pension plans are overfunded. This contributes to return on funded assets for the year exceeding the cost of pensions earned.

In the financial statements the commitments of the SAS Group are included as specified in the table below. The item "unrecognized amounts" includes deviations from estimates, actuarial gains and losses and plan amendments. Plan amendments are amortized over the average remaining working lives of employees covered by the plan and deviations from estimates are amortized over fifteen years when they exceed 10% of the greater of pension obligations or pension assets.

Status at year-end	2003	2002	2001
Funded assets	23,754	24,138	27,268
Pension commitments	–23,062	–22,894	–21,941
Difference between funded assets and commitments	692	1,244	5,327
Unrecognized plan amendments and deviations from estimates including real return [1]	5,964	5,054	–155
Book assets	6,656	6,298	5,172

[1] *of which deviations from estimates 5,816 (4,775)*

In some pension plans the real return rate has been lower than the Group's estimated long-term return of 7.4%, which is reflected in the item unrecognized deviations from estimates. The actual return on managed assets in 2002 was –4.4% and 2.4% in 2001. While the final calculation for 2003 is not yet ready, the return is expected to be approximately 9%. The sharp difference between 2001 and 2002 is due to the decline in the value of funded assets.

Note 19, cont.

The difference between funded assets/commitments and net book value assets is shown below:

	Funded assets	Commitments (PBO)	Difference funded assets/ commitments	Pension funds, net
Pension plans in Sweden	11,634	8,391	3,243	4,816
Pension plans in Norway	8,339	10,151	–1,812	1,386
Other pension plans	3,781	4,520	–739	454
Total	23,754	23,062	692	6,656

Of net pension funds, plans funded via operating income and underfunded plans account for MSEK 397 in Sweden, MSEK 1,792 in Norway and MSEK 739 in other countries.

Pension funds, net, including pension commitments, assets under management and unrecognized plan amendments and deviations from estimates for the defined benefit pension plans performed as follows:

	2003	2002
Opening balance	6,298	5,172
Earnings impact for the year	–1,123	–763
Paid-in premiums	2,204	2,116
Utilization of company funds in Alecta	–542	–254
Change of deviations from estimates and pension plans	18	–29
Currency effect	–199	56
Closing balance	6,656	6,298

Of total pension commitments of MSEK 23,062 (22,894), MSEK 21,131 (21,135) was funded and MSEK 1,931 (1,759) unfunded.

Note 20 - Expendable spare parts and inventories

	2003	2002
Expendable spare parts, flight equipment	947	939
Expendable spare parts, other	95	147
Inventories	235	321
Total	1,277	1,407
Valued at acquisition cost	1,200	1,388
Valued at net sales value	77	19
Total	1,277	1,407

Note 21 - Prepaid expenses and accrued income

	2003	2002
Prepaid expenses	599	658
Accrued income	395	383
Total	994	1,041

Note 22 - Short-term investments

	Book value 2003	Fair value 2003	Book value 2002
Treasury bills	3,209	3,211	2,978
Housing bonds	1,748	1,748	0
Deposits	2,742	2,742	5,144
Commercial paper	99	99	1,242
Blocked deposits in tax deduction account in Norway	202	202	308
Total	8,000	8,002	9,672

Fair value is the amount that should have been received for short-term investments if sold on the closing date.

Note 23 - Shareholders' equity and minority interests

	Share capital	Share premium reserve	Equity method reserve	Other restricted reserves	Accumulated exchange rate difference restricted res.	Un-restricted equity	Accumulated exchange rate difference unrestricted res.	Total equity
Closing balance, Dec. 31, 2001	**1,618**	**488**	**193**	**5,114**	**793**	**6,828**	**510**	**15,544**
New issue	27	170	–	–	–	–	–	197
Effect of consolidation of affiliated companies	–	–	–	–	–	–389	–	–389
Exchange rate difference	–	–	–	–	–55	–253	272	–36
Transfer restricted/unrestricted equity	–	–	–65	–224	14	283	–8	0
Changed accounting policy in affiliated companies, etc.	–	–	–	–11	–	15	–	4
Net income for the year	–	–	–	–	–	–132	–	–132
Closing balance, Dec. 31, 2002	**1,645**	**658**	**128**	**4,879**	**752**	**6,352**	**774**	**15,188**
Exchange rate difference	–	–	–	–	–533	326	–434	–641
Transfer restricted/unrestricted equity	–	–	50	–367	–1	318	–	0
Other	–	–	–	–	–	2	–	2
Net income for the year	–	–	–	–	–	–1,415	–	–1,415
Closing balance, Dec. 31, 2003	**1,645**	**658**	**178**	**4,512**	**218**	**5 583**	**340**	**13 134**

Minority interests

	2003	2002
Opening balance	**166**	263
Minority interests in net income for the year	**–50**	–51
Acquired/divested companies	**–2**	–38
Currency effect	**–2**	–8
Closing balance	**112**	166

Note 24 - Other provisions

	Restructuring 2003	Restructuring 2002	Loyalty program 2003	Loyalty program 2002	Other provisions 2003	Other provisions 2002	Total 2003	Total 2002
Opening balance	**772**	378	**929**	905	**90**	101	**1,791**	1,384
Provisions/utilized provisions, net	**–178 ***	15 *	**–104**	7	**100**	–18	**–182**	4
Acquired companies	**–**	375	**–**	8	**–**	–	**–**	383
Divested companies	**–30**	–4	**–**	–	**–**	–	**–30**	–4
Currency effects	**5**	8	**–**	9	**–19**	7	**–14**	24
Closing balance	**569**	772	**825**	929	**171**	90	**1,565**	1,791

	2003	2002
** Provisions*	*496*	*481*
Utilized provisions	*–674*	*–466*
Net	*–178*	*15*

The year's provisions for restructuring are expected to be utilized primarily in the following year. Reserves for loyalty programs are changed as members earn or redeem points.

Note 25 - Maturity of long-term liabilities

Long-term liabilities that fall due more than five years after the closing date.

	2003	2002
Subordinated debenture loans	**742**	915
Bond issues	**0**	5,223
Other loans	**6,669**	9,553
Other liabilities	**12**	25
Total	**7,423**	15,716

Note 26 - Subordinated debenture loans

A subordinated debenture loan of 200 million Swiss francs was issued during the 1985/86 fiscal year. There is no set maturity date for this loan. SAS has an exclusive right to call in this loan every fifth year. The interest rate is fixed for 10-year periods and amounts to 3.625% per annum from 1996. In 2003 SAS repurchased bonds for a nominal value of 17.5 million Swiss francs. Total repurchases thus amount to 72.8 million Swiss francs, after which the balance of the loan is 127.2 million Swiss francs.

Note 27 - Bond issues

SAS's bond issues amounted to MSEK 6,249 (5,371).
Specification of individual loans:

Issued amount	Interest rate	Maturity	Outstanding debt in MSEK	Loans after currency swap
MJPY 1,000	1.000%	01/07	68	MEUR 9
MJPY 1,000	1.120%	01/07	68	MEUR 9
MJPY 5,500	1.305%	01/07	374	MEUR 54
MCZK 750	2.530%*	01/08	210	MEUR 22
MEUR 500	6.000%	01/08	4,547	MEUR 427 +MUSD 63
MEUR 108	4.141% *	03/08	982	
Total			6,249	
Less amortization 2004			0	
Total			6,249	

** Interest rate on the closing date. The loan has a floating interest rate set every three months.*

To manage the currency risk the loans have to some extent been switched to other currencies as shown above. The value of currency swap transactions is included in book value under other loans, see Note 28. The interest rate risk is managed by entering into interest-rate swap contracts to adjust the fixed interest rate period.

Note 28 - Other loans

	Book value 2003	Fair value 2003	Book value 2002
Finance leasing	**8,827**	**7,836**	9,381
Other loans, swap transactions	**7,012**	**6,757**	6,459
Total before amortization	**15,839**	**14,593**	15,840
Less amortization in 2004 and 2003	**–2,116**	**–2,384**	–804
Total other loans	**13,723**	**12,209**	15,036

Maturity profile of other loans.

	2004	2005	2006	2007	2008	2009>	Total
Finance leases	535	575	1,020	429	892	5,376	8,827
Other loans	1,581	239	2,173	1,486	240	1,293	7,012
Total	2,116	814	3,193	1,915	1,132	6,669	15,839

Of the above loans in foreign currency, MSEK 6,905 (5,606) is reported at the exchange rate on the acquisition date. The loans are covered by hedge accounting and should be viewed together with investments in aircraft. A valuation of corresponding loans at the closing rate amounts to MSEK 5,247 (4,909).

Note 29 - Long-term liabilities to affiliated companies

	2003	2002
airBaltic Corporation A/S	**2**	–
Total	**2**	–

Note 30 - Financial risk management and financial derivatives

The SAS Group is exposed to various types of financial risk. All risk management is handled centrally and in accordance with the finance policy set by the Board. The SAS Group uses derivative instruments as part of its risk management to limit the SAS Group's currency and interest rate exposure.

Currency risks

The SAS Group has currency exposure to both transaction risk and translation risk. *Transaction risk* arises when commercial flows in foreign currencies are exposed to currency rate fluctuations. To manage the transaction risk the SAS Group is exposed to, the forecast commercial currency flows are hedged with the help of currency derivatives. According to policy, the hedge level shall be in the interval between 60-90% on a 12-month rolling liquidity forecast. As of December 31, 2003 the unrealized result for exchange hedged forecast commercial currency flows amounted to MSEK –141. All currency derivatives fall due in 2004.

Translation risk arises during conversion of balance sheet items in foreign currencies due to changes in exchange rates. To limit translation risk the policy is to keep the financial net debt mainly in the accounting currency of the respective company. Because a substantial portion of the asset base is made up of aircraft, a portion of the financial net debt shall be kept in USD because the aircraft are financed and valued in USD.

Interest rate risks

The SAS Group is exposed to interest rate risk when the market value of the financial net debt (interest-bearing assets and liabilities) is affected by movements in the yield curve (market interest rates at different maturities). To handle the interest rate risk, interest rate derivatives are used to change the fixed interest rate period of the underlying financial net debt. According to current policy, the fixed interest of the financial net debt shall be in the 1-6 year interval with the objective that the average fixed interest should correspond to 3.5 years. A sensitivity analysis of December 31, 2003 shows that a change of the market interest rates by 1% would impact the SAS Group's net interest by MSEK 40 in the next calendar year. The calculation includes outstanding interest rate derivatives. The average fixed interest rate period during the year was approximately 2.3 (2.9) years. At the end of 2003 the fixed interest rate period was 3.6 (2.8) years.

Interest rate exposure

	<1 year	1-5 years	>5 years	Total
Interest-bearing assets	9,855	889	0	10,744
Interest-bearing liabilities	–20,306	–5,626	0	–25,932
Interest rate derivatives	6,184	–1,205	–4,979	0
Total	**–4,267**	**–5,942**	**–4,979**	**–15,188**

Note 30, cont.

In calculating the interest rate risk on interest-bearing liabilities, accrued interest and the effect of liabilities not subject to hedge accounting are not included.

Credit risks

The Group's financial transactions give rise to exposure to credit risk vis-à-vis the financial counterparties. Credit risk or counterparty risk pertains to the risk of loss if a counterparty does not fulfill his contractual obligations. The financial policy prescribes that transactions may only be signed with counterparties with high creditworthiness, defined as category A3 or better according to Moody's. Counterparty limits are set for each counterparty and are continually revised. To further reduce counterparty risks, ISDA agreements (netting agreements) are signed with most counterparties. The credit-related exposure is geographically concentrated in the Nordic countries by approximately 83%. The remaining credit exposure is distributed with 12% in the rest of Europe and with 5% in the U.S. For short-term investments the size of the credit risk is the nominal amount and is distributed as follows:

Rating (Moody's)	Book value MSEK
Aaa/P-1	3,209
Aa1/P-1	346
Aa2/P-1	2,153
Aa3/P-1	1,248
A1/P-1	945
A3/P-1	99
Total	**8,000**

Concerning the SAS Group's accounts receivables the counterparty risk is spread over a large number of customers including private individuals and companies in various industries. Credit information is required for credit sales with the aim of minimizing the risk of unnecessary customer losses and is based on intra-group information on payment history supplemented with credit and business information from external sources.

Liquidity and borrowing risks

Liquidity and borrowing risks refer to the risk that sufficient liquidity is not available when required, and that refinancing of matured loans will be costly or problematic.

The liquidity reserve of the SAS Group should correspond to three months' fixed operating costs (approximately MSEK 9,000), of which a minimum of 75% shall be kept in liquid assets (approximately MSEK 7,000). The SAS Group's liquid assets shall be kept in instruments that have good liquidity or short maturity. To guarantee good payment preparedness, unutilized contracted lines of credit shall amount to 10% of the SAS Group's forecast annual operating revenue with seasonal variations taken into account.

Contracted credit facilities

	Counter value in MUSD			Expiration
Facility	Total facility	Utilized facility	Unutilized facility	of validity period
Revolving credit facility	700	300	400	May 2004
Aircraft Finance Lease facility	300	0	300	Dec 2004
Bilateral bank facilities	144	0	144	Mar/Apr 2004
Other	150	95	55	2004
Total	**1,294**	**395**	**899**	
Revolving credit facility 400 MEUR	500	0	0	Valid May 2004-May 2007

To manage borrowing risk the objective is for the SAS's Group's maturity profile to be divided evenly over time so that a maximum of 25% of the interest-bearing gross debt falls due over the coming 12 months. As of year-end 2003 the Group's interest-bearing debts amounted to MSEK 28,866 (29,782). There are no Financial Covenants associated with the existing debt. A MEUR 400 credit facility was raised in December 2003 that has a certain number of conditions defined as key ratios relating mainly to cash flow and indebtedness. The maturity for the interest-bearing gross debt amounted at the end of the year to approximately 3.8 (4.6) years.

Hedging of investments

Since aircraft are purchased and valued in foreign currency (USD), the asset base is exposed to currency risks. Linking the financing to the investment minimizes the effects of exchange rate changes. This financing constitutes a hedging transaction since it effectively counteracts the change in value of the underlying asset, both at the date it was contracted and during the hedging period. A valuation of the loans at the closing rate shows that the value of the loans is MSEK 2,483 lower than the loans' book value at the exchange rate subject to hedge accounting, see Notes 28 and 31.

Note 30, cont.

Financial derivatives

The SAS Group employs financial derivatives to achieve desired currency and interest distribution of the financial net debt and to handle currency exposure in future commercial payment flows and investments in foreign currency. Instruments such as interest rate swaps, futures and Forward Rate Agreements are used to adjust the fixed interest rate period. Forward exchange contracts, currency swap contracts and currency options are used to handle currency risk exposure.

Realized earnings effects resulting from value changes attributable to currency and interest rate derivatives are taken to earnings on an ongoing basis during the year. At December 31, 2003, the market value of the SAS Group's outstanding derivatives totaled MSEK – 98 (–135), broken down according to the table below. A closure of all outstanding derivative instruments at December 31, 2003, would provide a positive earnings impact of MSEK 315 (99).

	2003			2002		
MSEK Outstanding financial derivatives	Nominal value of outstanding volume	Book value	Fair value	Nominal value of outstanding volume	Book value	Fair value
Currency derivatives	**18,038**	**–428**	**–427**	12,527	–212	–207
Currency derivatives, subject to hedge accounting	**14,894**	**–9**	**684**	6,324	–13	163
Interest rate derivatives	**18,308**	**24**	**–355**	16,554	–9	–91
Total	**51,240**	**–413**	**–98**	35,405	–234	–135

The fair value is the amount received or paid if outstanding financial instruments are sold on the closing date. The difference between the fair value and the book value consists of the fact that the book value only includes accrued interest on all derivatives and the currency effect on the derivatives that do not comprise hedging transactions.

Note 31 - Short-term loans

	Book value 2003	Fair value 2003	Book value 2002
Revolving credit facilities, utilized part	**2,596**	**2,595**	2,658
Issued commercial paper	**474**	**474**	0
Bank loans	**1,338**	**1,340**	4,110
Overdraft facilities, utilized part	**73**	**73**	199
Forward currency contracts	**675**	**675**	429
Liability subject to hedge accounting	**825**	**0**	156
Total	**5,981**	**5,157**	7,552

Liability subject to hedge accounting of MSEK 825 (156) is the difference between the exchange rate at the time of the acquisition and the closing rate and should be viewed with aircraft investments.

Note 32 - Unearned transportation revenue (net)

Unearned transportation revenue consists of tickets sold and still valid but unused, see Accounting and valuation policies, page 68.

The estimated reserve in the unearned transportation revenue liability on December 31, 2003, amounted to MSEK 371 (389).

Note 33 - Accrued expenses and prepaid income

	2003	2002
Vacation pay liability	**2,008**	1,999
Other accrued payroll expenses	**339**	441
Sales costs	**607**	895
Technical aircraft maintenance	**408**	648
Other accrued expenses	**2,060**	1,418
Prepaid income	**247**	86
Total	**5,669**	5,487

Note 34 - Assets pledged

	2003	2002
Related to long-term liabilities to credit institutions:		
Real estate mortgages	**113**	132
Aircraft mortgages	**1,097**	813
Company mortgages	**12**	0
Participations in subsidiaries	**0**	0
Related to deposits:		
Blocked bank accounts	**30**	40
Total	**1,252**	985

Outstanding liability at December 31, 2003 relating to aircraft mortgages was MSEK 650.

The item Participations in subsidiaries includes the book value of SAS's participations in SAS's wholly owned financing structures for aircraft. For additional information in this regard, please refer to Note 13.

Note 35 - Contingent liabilities

	2003	2002
Swap transactions	**175**	132
Contingent liabilities, other	**429**	371
Total	**604**	503

Contingent liabilities include a gross amount of MSEK 175 (132) attributable to swap transactions. SAS enters into currency and interest rate contracts on an ongoing basis. The values shown here relate to loans after swap transactions whose book value on the closing date was lower than the value of the original loan and the accrued interest receivable on currency and interest rate contracts.

Under the management agreements for 30 hotels, Rezidor SAS Hospitality A/S guarantees a minimum cash flow until 2006-2024. For several of the agreements, the guarantee is limited to a maximum sum over the contract period, and in certain cases also to a maximum amount per annum. Guarantee payments of MSEK 73 were remitted in 2003.

The SAS Group is involved in disputes, some of which will be settled in court. In cases where a probable and quantifiable risk of loss is judged to exist, provisions are made on an ongoing basis.

Note 36 - Leasing commitments

The different business areas in the SAS Group have entered into the following leasing commitments, with specification of the total annual rent for:

	2004	2005	2006	2007	2008	2009>
Aircraft	2,677	2,642	2,403	2,117	1,815	6,215
Hotel properties	969	1,022	1,056	1,039	1,058	15,170
Other properties	851	856	821	804	782	4,725
Machines and equipment	53	35	17	14	13	16
Total	**4,550**	**4,555**	**4,297**	**3,974**	**3,668**	**26,126**

The lease contracts run from between one and seventy years, and individual assets with an annual leasing cost in excess of MSEK 0.5 have been included. Total lease payments in 2003 for operating leases were MSEK 4,805 (5,173), of which MSEK 179 (740) pertains to contingent rent. Contingent rent varies according to different factors such as operating revenue, the consumer price index and short-term market interest rates. In 2003 assets amounting to MSEK 1 (1) were subleased to a third party. The value of future fixed payments for these assets subleased to a third party totals MSEK 1 (5).

The above table includes the following major items:

The sale and leaseback agreement involving 30 MD-80 aircraft concluded together with GECAS in December 1999 is expected to yield an annual leasing cost of approximately MSEK 288.The agreement runs through December 2009.

SAS sold airport-related properties in December 2001.These were acquired by Nordisk Renting and GE Capital Real Estate for a purchase price of MSEK 3,020. At the same time, SAS leased back all the buildings for 20 years via operating leases and has an option, under certain terms, to buy back all or parts of the property portfolio after 10 years. The rent amounts to MSEK 170 in 2004.

In September and December 2003 properties in Copenhagen and Stockholm were sold. They were acquired by Keops and Nordisk Renting for a purchase price of MSEK 2,122. The properties are being leased back by SAS via operating leases for 10-20 years. The rent amounts to MSEK 169 in 2004.

Note 37 - Income from the sale of fixed assets

	2003	2002
Capital gain according to the cash flow statement	**1,329**	1,075
Costs of phasing in and phasing out of aircraft	–	–574
Capital gain according to statement of income	**1,329**	501

Note 38 - Adjustment for items not included in cash flow, etc.

	2003	2002
Share of income in affiliated companies	–39	409
Dividends from affiliated companies	21	40
Costs from sale of fixed assets	–256	–6
Write-down of shares	30	184
Capitalized interest on prepayments to aircraft	–19	–11
Other	17	47
Total	**–246**	663

Note 39 - Acquisition of subsidiaries

Shares in Adena, Novia, Aerolineas Baleares and Air Maintenance Estonia were acquired in 2003. Shares in Spanair, Widerøe and Aeronautical Services Group were acquired in 2002. According to the acquisition analyses the value of the acquired assets and liabilities was as follows:

	2003	2002
Intangible fixed assets	–	211
Tangible fixed assets	10	824
Financial fixed assets	–	1,115
Current assets	18	181
Current receivables	13	2,777
Liquid assets	7	135
Effect of consolidating affiliated companies	–	389
Minority interests	–1	413
Provisions	–	–207
Long-term liabilities	–12	–1,064
Current liabilities	–36	–4,843
Total	**–1**	–69
Goodwill	42	1,084
Purchase price paid	41	1,015
Paid to blocked account in 2001 for acquisition of shares in Spanair	–	–490
Conversion of Spanair loans	–	–125
Liquid assets in acquired companies	–7	–135
Effect on the Group's liquid assets	34	265

Note 40 - Sale of subsidiaries

In 2003 Scandinavian IT Group, Fastighets AB Solna Haga and SAS Hotel Stansted Ltd. were sold. SMART was sold in 2002.

The value of the sold assets and liabilities was the following:

	2003	2002
Intangible fixed assets	52	–12
Tangible fixed assets	855	5
Financial fixed assets	166	49
Current assets	61	–
Current receivables	235	162
Liquid assets	241	262
Minority interests	–	–18
Provisions	–52	–21
Long-term liabilities	–331	–3
Current liabilities	–337	–240
Total	**890**	184
Capital gain excl. sales costs	715	811
Purchase price received	**1,605**	995
Unpaid purchase price	–480	–
Liquid assets in sold companies	–241	–262
Effect on the Group's liquid assets	884	733

Note 41 - Liquid assets

	2003	2002
Short-term investments	8,000	9,672
Cash and bank balances	1,066	1,049
Liquid assets at year-end	**9,066**	10,721

Note 41, cont.

Information on interest paid

During the year, interest received amounted to MSEK 1,009, of which MSEK 698 pertains to forward premiums for currency derivatives. During the year interest paid amounted to MSEK 1,939, of which MSEK 928 pertains to forward premiums for currency derivatives.

Note 42 - Auditors' fees

An audit engagement refers to the examination of annual accounts and accounting records and the administration of the board of directors and the President. Such engagements also include other duties incumbent on the company's auditors as well as advice or other assistance prompted by observations made while performing the audit or carrying out such working duties. All other work is classified as other engagements.

The following remuneration was paid to audit firms for audit assignments and other assignments.

	2003	2002
Deloitte & Touche		
Audit engagements	13	13
Other engagements	8	7
Total Deloitte & Touche	**21**	20
Other audit firms		
Audit engagements	3	2
Other engagements	1	1
Total other audit firms	**4**	3
Total	**25**	23

Note 43 - Transactions with affiliated companies

Revenues from sales to affiliated companies amounted to MSEK 128 (148). Costs of purchases from affiliated companies was MSEK 297 (340).

Note 44 - International Accounting Standards (IAS)

The SAS Group's Annual Report is prepared in accordance with generally accepted accounting principles in Sweden.

Differences between generally accepted accounting principles in Sweden and IAS:

Financial instruments differ in IAS (IAS 39) from generally accepted accounting principles in Sweden mainly as regards derivative instruments, market listed securities and hedge transactions.

According to IAS 39, derivative instruments should be valued at fair value and reported in the balance sheet. Changes in value are reported in the statement of income. According to generally accepted accounting principles in Sweden, derivative instruments are reported off the balance sheet.

According to IAS 39, market listed securities are valued at fair value and changes in value are reported in the statement of income. According to generally accepted accounting principles in Sweden, these securities are reported at the lower of cost or market value principle where adjustments to fair value are reported in the statement of income.

According to IAS 39, changes in the value of derivative instruments that are intended to hedge future cash flows (a cash flow hedge) are stated directly in shareholders' equity. The earnings impact is reported when the contract matures. According to generally accepted accounting principles in Sweden, such hedge transactions are reported off the balance sheet and recognized as income in the period in which the hedge position is closed.

Application of IAS has the following effect on the Group's net income and shareholders' equity.

	January-December	
	2003	2002
Net income according to Swedish accounting standards	–1,415	–132
Financial instruments	–326	–365
Deferred tax	93	104
Net income according to IAS	–1,648	–393

	December 31	
	2003	2002
Shareholders' equity according to Swedish accounting standards	13,134	15,188
Financial instruments	1,972	798
Deferred tax	564	–228
Shareholders' equity according to IAS	15,106	15,758

Note 45 – Subsidiaries in the SAS Group

	Domicile	Corporate identity no.	No. of owned shares	Holding	Book value, MSEK	Share of equity,
Owned by SAS AB:						
SAS Sverige AB	Stockholm	556042-5414	70,500,000	100	737.1	5,901.8
SAS Norge AS	Bærum	81117670200	47,000,000	100	628.6	3,953.3
SAS Danmark A/S	Copenhagen	56994912	47,000,000	100	570.5	4,183.5
Widerøe's Flyveselskap AS	Bodø	917330557	364,196	99.6	1,381.0	442.6
Braathens AS	Bærum	910763644	32,202,450	100	1,142.9	906.1
Spanair Holding *)	Palma de Mallorca	B83180851	2,872,671	49	192.0	241.4
Spanair S.A. *)	Palma de Mallorca	EA07225154	5,449,901	49 (74)	772.0	
SAS Flight Academy Holding AB	Stockholm	556397-3378	20,000	100	600.0	404.4
Nordair A/S	Tårnby	24176711	10,000	100	526.0	356.5
Jetpak Nordic AB	Stockholm	556415-6650	50,000	100	350.0	51.6
Linjeflyg AB	Stockholm	556062-8454	2,000,000	100	237.0	234.7
European Aeronautical Group AB	Stockholm	556278-5864	100,000	100	95.0	57.5
Oy Blue1 AB	Vantaa	409.619	150	100	72.0	18.9
Newco Airport Services S.A.	Madrid	A-82086646	55,000	52.4	61.0	10.1
Aerolineas de Baleares	Palma de Mallorca	A07988728	44,994	74	44.0	41.9
Air Maintenance Estonia AS	Tallinn	10865988	114,400	100	30.4	7.8
Fuerza de Ventas S.A.	Madrid	A82580093	600	100	1.0	6.5
					7,440.5	16,818.6
Owned by SAS Danmark A/S, SAS Norge AS, SAS Sverige AB:						
SAS Consortium	Solna	902001-7720	–	100	14,206.9	14,206.9
SAS Commuter Consortium	Tårnby	13273073	–	100	601.9	601.9
					14,808.8	14,808.8
Owned by SAS Consortium:						
SAS Investments A/S	Copenhagen	25578104	300,000	100	435.4	450.7
Linjeflyg Leasing HB	Stockholm	916644-1080	–	79	239.7	274.1
Cherrydean Limited	Dublin	310983	12,633,198	100	113.2	90.1
SAS Media Partner AB	Stockholm	556175-9183	5,000	100	12.3	4.7
SAS Investments Denmark A/S	Tårnby	427110814	9,000	100	11.3	44.8
SAS Ejendom A/S	Tårnby	105.786	20,000	100	11.0	37.9
SIA SIMMS DF	Riga	000347131	100	100	9.5	2.7
SAS Capital B.V.	Rotterdam	167071	501	100	7.7	44.4
Europe Tax-Free Perfume AB	Stockholm	556053-6459	100	100	6.8	6.8
SAS Trading Latvija SIA	Riga	000412	100	100	3.1	1,5
Norwegian Aviation College ASA	Bardufoss	967.678.066	900	60	1.0	–2.4
Other					2.3	7.3
					853.3	962.3
Owned by SAS Commuter Consortium:						
Scandinavian Commuter AB	Stockholm	556260-6169	1,000	100	0	124.6
Owned by SAS Investments A/S:						
Rezidor SAS Hospitality A/S	Copenhagen	25578082	70,200,000	100	448.3	603.0
Owned by Nordair A/S:						
SAS Cargo Group A/S	Tårnby	25736443	200,500	100	244.9	226.3
Owned by SAS Investments Denmark A/S:						
RampSnake A/S	Copenhagen	24202941	10,500	100	30.8	14.6
SAS Trading AB	Stockholm	556406-9390	2,000	100	5.2	6.7
Copenhagen Sports and Leisure A/S	Copenhagen	14622578	500	100	0.3	0.5
					36.3	21.8

** Spanair Holding owns 51% of the shares in Spanair S.A. The SAS Group's holding is thus 49% direct and 25% indirect or 74% in all.*

Parent company, SAS AB

Statement of income

MSEK	Note	2003	2002
Operating revenue		**1.4**	–
Payroll expenses	1	**–46.8**	–10.4
Other external costs		**–27.7**	–12.2
Operating income before depreciation		–73.1	–22.6
Depreciation		**–0.2**	–
Income from the sale of shares in subsidiaries		**537.8**	–
Operating income		464.5	–22.6
Interest income and similar income items		**0.4**	–
Interest expenses and similar income items		**–64.1**	–61.6
Income before tax		400.8	–84.2
Tax on income for the year	2	**38.4**	32.0
Net income for the year		439.2	–52.2

Cash flow statement

MSEK	2003	2002
The year's operations		
Income before tax	**400.8**	–84.2
Depreciation	**0.2**	–
Adjustment for items not included in the cash flow	**–0.4**	–
Cash flow from operations before changes in working capital	**400.6**	–84.2
Change in:		
Current receivables	**–2.6**	127.0
Current liabilities	**–58.2**	–3.2
Cash flow from changes in working capital	–60.8	123.8
Cash flow from the year's operations	339.8	39.6
Investment activities		
Equipment	**–1.6**	–
Shares and participations	**–4,546.4**	–48.5
Cash flow from investment activities	–4,548.0	–48.5
Financing activities		
Increase of loans	**4,937.3**	196.8
Increase of loan receivables	**–729.6**	–
Amortization	–	–187.3
Cash flow from financing activities	4,207.7	9.5
Cash flow for the year	**–0.5**	0.6
Liquid assets, January 1	**0.6**	0.0
Liquid assets, December 31	0.1	0.6

Balance sheet

MSEK **ASSETS**	Note	2003	2002
Fixed assets			
Tangible fixed assets			
Equipment	3	**1.6**	–
Financial fixed assets			
Long-term receivables from Group companies		**729.6**	–
Shares in subsidiaries	4	**7,440.5**	3,070.0
Shares in affiliated companies	5	**175.9**	–
Deferred tax receivable		**70.4**	32.0
Total fixed assets		8,418.0	3,102.0
Current assets			
Current receivables			
Accounts receivables		**0.2**	–
Receivables from Group companies		**0.4**	–
Other receivables		**2.6**	1.3
Prepaid expenses and accrued income		**0.7**	–
		3.9	1.3
Cash and bank balances		**0.1**	0.6
Total current assets		**4.0**	1.9
TOTAL ASSETS		8,422.0	3,103.9

MSEK **SHAREHOLDERS' EQUITY AND LIABILITIES**	Note	2003	2002
Shareholders' equity			
Restricted equity			
Share capital, 164,500,000 shares par value SEK 10		**1,645.0**	1,645.0
Share premium reserve		**170.0**	170.0
Statutory reserve		**10.3**	10.3
Unrestricted equity			
Profit carried forward		**40.2**	92.4
Net income for the year		**439.2**	–52.2
Total shareholders' equity		2,304.7	1,865.5
Long-term liabilities			
Long-term liabilities to Group companies		**6,027.9**	1,090.6
		6,027.9	1,090.6
Current liabilities			
Liabilities to Group companies		**53.9**	143.6
Other liabilities		**1.4**	2.6
Accrued expenses and prepaid income		**34,1**	1.6
		89,4	147.8
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		8,422.0	3,103.9
Memorandum items			
Assets pledged		**None**	None
Contingent liabilities	6	**385.6**	None

Change in shareholders' equity in 2003

MSEK	Share capital	Restricted equity	Unrestricted equity	Total shareholders' equity
Opening balance, January 1, 2002	1,618.2		102.7	1,720.9
Transfers between unrestricted and restricted equity		10.3	–10.3	–
Net income for the year			–52.2	–52.2
New issue	26.8	170.0		196.8
Shareholders' equity, December 31, 2002	1,645.0	180.3	40.2	1,865.5
Net income for the year			439.2	439.2
Shareholders' equity, December 31, 2003	1,645.0	180.3	479.4	2,304.7

Note 1 - No.of empl., salaries, other remuneration and soc. security exp.

The President is employed by SAS AB. As of November 1, 2003, Group-wide functions were transferred to SAS AB, and the number of employees is 153.

For salaries, remuneration and social security expenses see SAS Group Note 3 – Payroll expenses, pages 71-73.

Note 2 - Tax

	2003	2002
Deferred tax	38.4	32.0
	38.4	32.0

Note 3 - Equipment

	2003	2002
Opening value	–	–
Accumulated acquisition value of acquisitions from SAS Consortium	12.4	–
Closing accumulated acquisition value	12.4	–
Opening depreciation	–	–
Accumulated depreciation on acquisitions from SAS Consortium	–10.6	–
Depreciation for the period	–0.2	–
Closing accumulated depreciation	–10.8	–
Book value	1.6	–

Note 4 - Shares in subsidiaries

See SAS Group Note 45 – Subsidiaries in the SAS Group, page 84.

Note 5 - Shares in affiliated companies

	Domicile	Corporate identity no.	No. of shares owned	Holding	Book value
AS Estonian Air	Tallin	10076042	44100+266 pref.	49%	175.9

Note 6 - Contingent liabilities

Other contingent liabilities benefiting:	2003	2002
Blue1	240.0	–
Widerøe's Flyveselskap	145.6	–
	385.6	–

Effective December 31, 2003 SAS AB pledged to guarantee as its own liability the SAS Consortium's current and future interest-bearing obligations, leasing commitments and other financial obligations (irrevocable undertakings).

Note 7 - Fees to audit firms

Fees paid to Deloitte & Touche amounted to SEK 175,000 (52,500).

Proposed disposition of earnings

and adoption of the statement of income and balance sheet

The SAS Group

According to the Group's balance sheet at December 31, 2003, unrestricted equity amounted to MSEK 5,923. No allocation to restricted reserves is required. The Board proposes that the Annual General Meeting adopt the statement of income and balance sheet and the consolidated statement of income and balance sheet for the year 2003.

SAS AB

	MSEK
Profit carried forward	40.2
Net income for the year	439.2
Total unrestricted equity	479.4

The Board of Directors proposes that the amount be allocated as follows:

To statutory reserve	22.0
To be carried forward to new account	457.4
Total	479.4

Stockholm, March 23, 2004

Jacob Wallenberg *Vice Chairman*	**Egil Myklebust** *Chairman*	**Fritz H. Schur**
Anitra Steen	**Berit Kjøll**	**Lars Rebien Sørensen**
Ulla Gröntvedt	**John Lyng**	**Nicolas E. Fischer**

Jørgen Lindegaard
President and CEO

Our auditors' report was submitted on March 23, 2004.

Deloitte & Touche AB

Peter Gustafsson
Authorized Public Accountant

Auditors' Report

To the Annual General Meeting of SAS AB
Corporate Identity Number 556606-8499

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of SAS AB for the 2003 financial year. The accounts and the administration of the Company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and the circumstances of the Company in order to determine the liability, if any, to the Company of any board member or the President. We also examined whether any Board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the Company's financial position and results of its operations in accordance with generally accepted accounting principles in Sweden.

We recommend to the Annual General Meeting that the statement of income and balance sheet for the Parent Company and the Group be adopted, that the profit in the Parent Company be dealt with in accordance with the proposal in the Report by the Board of Directors and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, March 23, 2004

Deloitte & Touche AB

Peter Gustafsson
Authorized Public Accountant

Definitions and concepts

AEA • The Association of European Airlines.

ASK, Available seat kilometers • The total number of seats available for passengers multiplied by the number of kilometers which they are flown.

ATK, Available tonne kilometers • The total number of tonnes of capacity available for the transportation of passengers, freight and mail multiplied by the number of kilometers which this capacity is flown.

AV • Asset value (market adjusted capital employed). Book shareholders' equity, plus minority interests, plus surplus value in the aircraft fleet, plus 7 times the net annual cost of operating leases for aircraft, plus financial net debt, minus share of equity in affiliated companies. Can also be expressed as the book value of total assets, plus surplus value in the aircraft fleet, plus 7 times the net annual cost of operating leases for aircraft, minus share of equity in affiliated companies, minus noninterest-bearing liabilities and interest-bearing assets, excluding net pension funds.

Available seat kilometers • See ASK.

Available tonne kilometers • See ATK.

Block hours • Refers to the time the aircraft leaves the departure gate until it arrives at the destination gate.

Breakeven load factor • The load factor that makes traffic revenue equal to operating expenses.

Cabin factor, passengers • Relation between RPK and ASK expressed as a percentage. Describes the capacity utilization of available seats. Also called occupancy rate.

CAEP • Committee on Aviation Environmental Protection. Specialist group within the ICAO.

CAPEX (Capital Expenditure) • Future payments for aircraft on firm order.

Capital employed • Total capital according to the balance sheet minus noninterest-bearing liabilities.

Capital employed, market adjusted • See AV.

Capitalized leasing costs (x7) • The annual cost of operating leases for aircraft multiplied by seven.

Carbon dioxide (CO_2) • A colorless gas formed during combustion. Carbon dioxide is a greenhouse gas.

CFROI • Adjusted EBITDAR in relation to AV.

Code-share • When two or more airlines state their flight number in the timetable for one and the same flight, while only one of the airlines operates the flight.

CO_2 • See Carbon dioxide.

CSI, Customer satisfaction index • Measures how customers perceive SAS's services. Surveys are conducted every six months.

Debt/equity ratio • Financial net debt in relation to shareholders' equity and minority interests.

Dividend yield, average price • Dividend as a percentage of the average share price during the year.

Dow Jones Sustainability Indexes, DJSI • Global indexes tracking the financial performance of the leading sustainability-driven companies worldwide.

Earnings per share (EPS) • Income after tax divided by the total number of shares.

EBIT (including capital gains) • Operating income.

EBITDA, Operating income before depreciation • Operating income before net financial items, tax, depreciation, share of income in affiliated companies and income from the sale of fixed assets.

EBITDA margin • EBITDA divided by operating revenue.

EBITDAR, Operating income before depreciation and leasing costs • Operating income before net financial items, tax, depreciation, share of income in affiliated companies, income from the sale of fixed assets and leasing costs for aircraft.

EBITDAR margin • EBITDAR divided by operating revenue.

EBT • Income before tax.

ECAC, European Civil Aviation Conference • Forum for cooperation between and coordination of European national authorities on civil aviation matters.

EEA • European Economic Area

EIRIS • Ethical Investment Research Services. Independent analysis organization providing information about the social, environmental and ethical performance of companies.

Equity method • Shares in affiliated companies are taken up at the SAS Group 's share of equity, taking acquired surplus and deficit values into account.

Equity per share • Total shareholders' equity divided by the total number of shares.

Equity/assets ratio • Book equity plus minority interests in relation to total assets.

EV, Enterprise value • Average market capitalization plus average net debt during the year and 7 times the net annual cost of operating leases for aircraft.

EVA, Equity value added • Return over and above the company 's weighted average cost of capital (WACC) times market-adjusted capital.

Finance leasing • Based on a leasing contract where the risks and rewards of ownership of the asset are transferred to the lessee. The asset is reported as a fixed asset in the balance sheet and the commitment to pay future leasing charges is entered as a liability.

Financial net debt • Interest-bearing liabilities minus interest-bearing assets excluding net pension funds.

Financial net debt, market adjusted, NPV • Financial net debt plus present value of leasing costs for aircraft, NPV.

Financial net debt, market adjusted (x 7) • Financial net debt plus capitalized leasing costs (x 7).

Global Compact • Challenge issued by UN Secretary-General Kofi Annan to business leaders to live up to nine principles in the areas of human rights, labor and the environment.

Gross profit margin • Operating income before depreciation in relation to operating revenue.

IATA, International Air Transport Association • A global association of more than 200 airlines.

ICAO, International Civil Aviation Organization • The United Nations' specialized agency for international civil aviation.

Interest coverage ratio • Operating income plus financial income in relation to financial expenses.

Interline revenues • Ticket settlement between airlines.

IPCC, Intergovernmental Panel on Climate Change • Scientific panel appointed by the United Nations Environmental Program, UNEP, and the World Meteorological Association, WMO, to assess what is happening to the global climate and the impact of climatic disturbances.

IRR, Internal Rate of Return • Discount rate where the present value of a project's cash flow, from investment to sales, is equal to zero.

Market capitalization at year-end • Share price multiplied by the number of outstanding shares.

Net debt • Interest-bearing liabilities minus interest-bearing assets.

Net profit margin • Income after financial items in relation to operating revenue.

Nitrogen oxides (NOx) • Formed from all combustion – in aircraft engines because the high temperature and pressure cause atmospheric nitrogen and oxygen to react.

NOx • See Nitrogen oxides.

NPV, Net present value • Used to calculate capitalized future costs of operating leases for aircraft.

Operating leasing • Based on a leasing contract in which the risk and rewards of ownership remain with the lessor and is equivalent to renting. The leasing charges are expensed on a current basis in the statement of income.

P/CE ratio • Average share price divided by cash flow per share after paid tax.

P/E ratio • Average share price divided by earnings per share after standard tax.

PULS • The Swedish acronym for SAS's employee surveys. The annual survey measures how SAS's employees perceive their working environment.

Regularity • The percentage of flights completed in relation to flights schedules, excluding flights canceled for commercial reasons.

Return on book equity after tax • Income after tax in relation to average book equity.

Return on capital employed • Operating income plus financial income in relation to average capital employed. Capital employed refers to total assets as specified in the balance sheet minus noninterest-bearing liabilities.

Return on equity • Income after tax in relation to average shareholders' equity.

Revenue passenger kilometers (RPK) • See RPK.

Revenue tonne kilometers (RTK) • See RTK.

REVPAR, Revenue per available room • Revenue per available hotel room.

ROCE • See Return on capital employed.

ROIC • Return on invested capital.

RPK, Revenue passenger kilometers • Number of paying passengers multiplied by the distance they are flown in kilometers.

RTK, Revenue tonne kilometers • The number of tonnes of paid traffic (passengers, freight and mail) multiplied by the distance this traffic is flown in kilometers.

Runway incursion • Any occurrence in the airport runway environment involving an aircraft, vehicle, person, or object on the ground that creates a collision hazard.

Sale and leaseback • Sale of an asset (aircraft, building, etc.) that is then leased back.

Total load factor • The relation between RTK and ATK expressed as a percentage.The proportion of total available capacity sold and flown.

Total return • The sum of change in share price and dividends.

TSR, Total shareholder return • Average total return.

Unit cost, operational • Airline operations' total operating expenses minus non-traffic related revenue per ASK.

Unit cost, total • Airline operations' total operating expenses including the capacity cost of aircraft minus non-traffic related revenue per ASK.

Unit revenue (yield) • Average traffic revenue per RPK.

WACC, Weighted average cost of capital • Average cost of liabilities, shareholders' equity and operating leases for aircraft. The sources of funds are calculated and weighted in accordance with the current market value of shareholders' equity and liabilities and the capitalized present value of operating lease costs for aircraft.

Wet lease agreement • Leasing in of aircraft including crew.

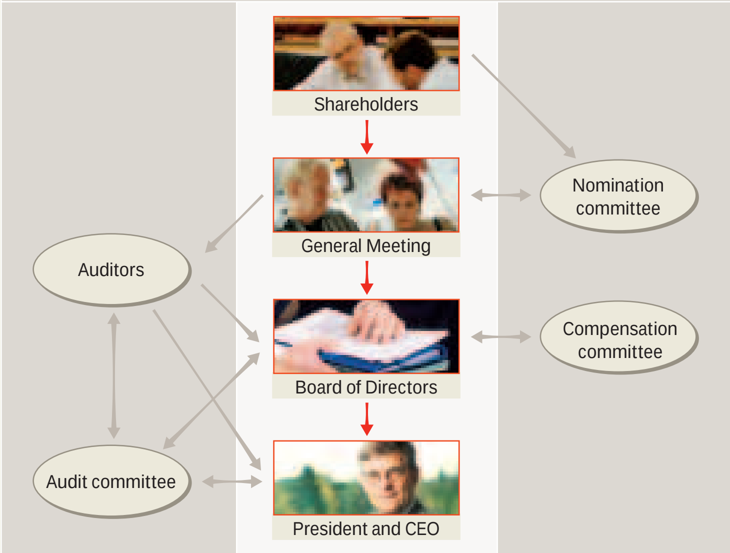
Yield • See Unit revenue.

Corporate governance

Shareholder issues, the Board of Directors, Group Management, committees and auditors

The management, oversight and development of the SAS Group are affected by decisions by a number of corporate bodies. The SAS Group is working continuously to develop systems and routines aimed at ensuring the adequate dissemination of information to shareholders, transparency, real shareholder influence as well as effective work by management and the Board.

Corporate governance – Responsibility and decision-making process



The SAS Group has 20,789 shareholders. The biggest shareholders are the three Scandinavian states, with 50% all together. The largest private shareholders are the Wallenberg Foundations, Folketrygdfondet and Odin Fondene.

The founding of SAS AB as the parent company of the SAS Group and the introduction of a single SAS share in 2001 resulted in a more efficient decision-making structure, and Group-wide decisions are now made by a General Meeting and Board of Directors common to the entire Group. Abolishing the earlier Assembly of Representatives also increased the shareholders' influence over the election of the Board and access to the operation of the SAS Group. The previous arrangement whereby the chairmanship rotated among the three Scandinavian countries was also abolished in 2001 and was replaced by a traditional model in which the Board of Directors internally elects a Chairman and Vice Chairman. These as well as other measures have meant clearer control by the owners and more efficient work by the Board, with the result that the SAS Group is run on strict business principles without regard to national special interests or distribution formulas.

The General Meeting and nomination committee

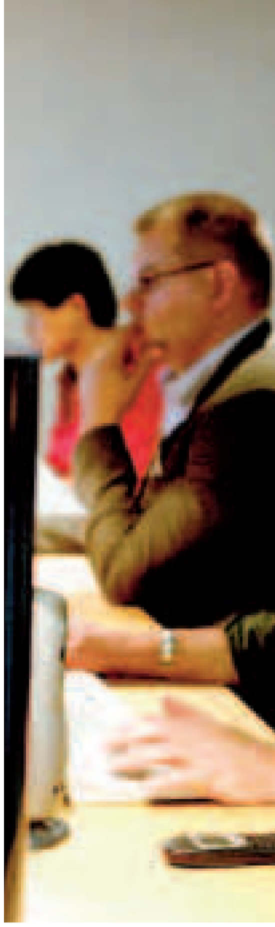
At the General Meeting the shareholders exercise their voting rights to decide on the annual report, dividend, the composition of the Board of Directors, the election of auditors, remuneration for Board members and auditors as well as on other key matters, in accordance with Swedish company legislation and SAS AB's Articles of Association.

With the aim of helping to elect a Board of Directors that is suitable to and representative of the shareholders, the Articles of Association of SAS AB contain provisions whereby the election of a nomination committee for the following year's Board election shall take place at the Annual General Meeting. The nomination committee also makes recommendations regarding Board remuneration to be decided at the General Meeting. The nomination committee is to reflect the shareholder composition of the company. No member of the Board of SAS AB is on the nomination committee.

The Annual General Meeting held on April 10, 2003, decided to elect the following persons to the nomination committee for the Board of Directors' election at the 2004 Annual General Meeting: Ramsay Brufer, Alecta; Karsten Dybvad, Danish Ministry of Finance; Tore Lindholt, Folketrygdfondet; Palle Olsen, Pen-Sam Liv Forsikringsselskab; Pia Rudengren, the Wallenberg Foundations; Reier Søberg, Norwegian Ministry of Trade and Industry; Ragnhild M. Wiborg, Odin Forvaltning; and Claes Ånstrand, Swedish Ministry of Industry, Employment and Communications, as convener.

Board of Directors

SAS AB is the company whose Board of Directors is responsible for Group-wide management. The Board's work is governed by the Swedish Companies Act, the Articles of Association and the formal work plan adopted by the Board each year, which regulates the



- Corporate governance
- Organizational structure
  - Group structure
  - Legal structure
- Chairman's comments
- The Board of Directors and auditors
- Group Management

division of the Board's work, between the Board and its committees and among the Board, its Chairman and the President and CEO.

The work plan also contains provisions for meeting the Board's needs for information and financial reporting on an ongoing basis.

Among the duties of the Board of Directors are setting the overarching objectives and strategies of the SAS Group, adopting a budget and business plan, discussing and approving the year-end and interim reports, setting important policies and regulations and deciding on investments and major changes in the organization and activities of the SAS Group. The Board's work follows a yearly agenda with permanent items for information and deciding on as well as special topics. The President and other senior executives also attend Board meetings either in a reporting or administrative function.

The Board of Directors of SAS AB comprises nine members, six of whom are elected annually by the General Meeting. The three other members plus six deputies are elected by the employee organizations in Denmark, Norway and Sweden.

At the Annual General Meeting of SAS AB held on April 10, 2003, the sitting Board was reelected. The members and composition of the Board appear in a special presentation on page 93. No member of the Board is part of SAS Group Management. The composition of the Board meets stock exchange requirements related to the number of members that are independent of the company as well as of the company's major shareholders.

The Board elects from among its members a Chairman and Vice Chairman. According to the Board's formal work plan the Chairman, in close collaboration with the President, is to monitor the company's performance, plan and chair Board meetings, be responsible for the Board evaluating its work each year, scrutinize his own work routines and see to it that the Board always receives the information necessary to do its work effectively.

During the year the Board held 11 meetings. A detailed account of the work of the Board during 2003 is found under "Work of the Board of Directors" on pages 60-61.

Board committees

The Board appoints a compensation committee and an audit committee from among its own members. These committees, whose work is preparatory in nature, imply no delegation of the legal liability of the Board or its members.

Compensation committee

The main task of the compensation committee, consisting of Egil Myklebust (committee chairman), Jacob Wallenberg and Fritz H. Schur, is to make recommendations for Board approval regarding the terms of the President's salary, employment and pension and deal with issues related to the SAS Group's compensation policies and principles. In 2003 the committee had four recorded meetings and a number of informal contacts.

The Board stipulates the President's compensation and other terms of employment. In other respects the SAS Group applies the so-called "grandfather" principle in setting salaries and other benefits. This principle means that the manager above an employee's immediate manager must always be informed of and approve that employee's compensation. The President sets the targets for variable compensation for Group management and other senior executives who report to him. Other employees' target contracts are drawn up by their respective superiors. Decisions on fixed salaries and variable compensation are made in accordance with the "grandfather" principle.

For information on the Group's compensation policies and overarching principles as well as the compensation and benefits to the Board, President and senior executives, see Note 3 on pages 71-73.

Audit committee

In autumn 2003 the Board decided to set up an audit committee, which begins its work in 2004. Its members are Egil Myklebust (committee chairman), Anitra Steen and Lars R. Sørensen. Its chief task is to monitor the company's financial reporting, study and review reports from the external auditors, evaluate whether the routines for internal control, internal auditing and reporting are tailored to the needs of the SAS Group and, along with Group Management, discuss issues raised by audits. The committee shall also scrutinize the auditors' independence vis-à-vis the company, including the extent of the auditors' non-audit-related engagements for the company. A further task of the committee is to draft and discuss recommendations prior to the election of external auditors. Reports to the Board on issues discussed at the committee's meetings shall be either in writing or given orally at the following Board meeting.

Auditors

SAS AB's auditor until the end of the 2005 Annual General Meeting is the registered auditing firm Deloitte & Touche AB, with Peter Gustafsson as principal auditor. To ensure the Board's right to monitor and have access to the auditors' work, beginning in 2004, the company's principal auditor will meet with the Board at least three times a year. In February the auditor is to report his observations from his auditing of the annual accounts. In May the auditor is to present and the Board discuss the program for risk analysis work and focus of examination for the year in question. After completing the "hard close," the auditors are to report to the Board on their observations from their examination and their analysis of critical processes and risks.

President and Group Management

Appointed by the Board, the President and CEO is in charge of the day-to-day management of the Group and the five other members of Group Management as well as certain heads of Corporate Functions report to him. In its instructions to the President the Board has laid down detailed rules for the President's authority and obligations. Within the framework of the current work plan and instructions to the President, which regulate inter alia the relationship between the President and the Board, Group Management is responsible for business control, financial reporting, acquisitions and disposals of companies and major collaborations, financing, capital structure, risk management and communication with financial markets and other matters of a Group-wide nature.

The President works closely and exchanges information with the Chairman and also meets regularly with the Chairman to plan Board meetings. The President keeps the Chairman and the rest of the Board continually apprised of the company's and Group's operations and performance.

In addition to the President, Group Management currently comprises five members, named by the President in consultation with the Board. Group Management is not a corporate body within the meaning of Swedish limited company law and as a collegial management body has no legal liability vis-à-vis the Board and shareholders. Group Management has recorded meetings every week. These meetings are chaired by the President, who reaches decisions after consulting with the other members of Group Management.

Group Management's management and control of the Group's subsidiaries and major business units are primarily tied to active work on the boards of the respective subsidiaries and business units. For the Group's business units that are not separate legally, internal boards have been established that in all essentials function like the boards of directors of the Group's subsidiaries. The boards are often composed of representatives of Corporate Functions, with the responsible member of Group Management as chairman. In certain larger subsidiaries and business units there are also external board members and representatives of the employees. Neither the President nor other senior executives in the Group received any remuneration for engagements on the boards of the Group's subsidiaries, business units and affiliated companies.

The SAS Group's organizational structure

The SAS Group's management organization follows the business structure introduced on July 1, 2002. To clarify responsibility for earnings and transparency in the Group's airlines, airline related businesses and hotels, the Group is managed within the framework of the business areas Scandinavian Airlines, Subsidiary & Affiliated Airlines, Airline Support Businesses, Airline Related Businesses and Hotels.

Harmonizing the legal structure with the business structure
The SAS Group aims for its legal structure to more accurately reflect the business structure it has established. To this end, as of December 29, a number of subsidiaries were transferred within the Group from the SAS Consortium to SAS AB, including Spanair, Blue1, Widerøe, Jetpak and SAS Flight Academy. As part of this transfer, SAS AB has pledged to guarantee the SAS Consortium's interest-bearing obligations, leasing commitments and other financial obligations. Corporate Functions were transferred from the SAS Consortium to SAS AB on November 1, 2003.

In December 2003, SAS's Board made a strategic decision to establish new limited companies under SAS AB for SAS Ground Services, SAS Technical Services, SAS Trading and Shared Services. There are ongoing discussions on establishing a limited company for Scandinavian Airlines' future operations.

Group structure and senior executives

Board of Directors

Group Management

- President & CEO SAS Group – *Jørgen Lindegaard*
  - Corporate Functions: Corporate Legal Affairs, Corporate Development, Corporate Advisory, Corporate Brand & Image
- Corporate Administration & Support – *Bernhard Rikardsen*
  - Corporate Functions: Corporate Communications & Public Affairs, Corporate Human Resources
  - Shared Services
- CFO – *Gunilla Berg*
  - Corporate Functions: Corporate Business Control, Corporate Finance & Asset Management, Corporate Accounting, Investor Relations, Corporate Purchasing, Corporate IT
- Scandinavian Airlines – *Sören Belin*
- Subsidiary & Affiliated Airlines/Hotels – *Gunnar Reitan*
- Airline Support & Related Businesses – *John S. Dueholm*

Scandinavian Airlines
- Denmark – *Susanne Larsen*
- Norway – *Stein Nilsen*
- Sweden – *Anders Ehrling*
- Intercontinental – *Lars Lindgren*
- SAS Commuter – *Kristian Kirschheiner*

Subsidiary & Affiliated Airlines
- Braathens – *Knut Solberg*
- Spanair – *Enrique Meliá*
- Widerøe – *Per Arne Watle*
- Blue1 – *Sveneric Persson*

Airline Support Businesses
- SAS Cargo – *Peter Grønlund*
- SAS Ground Services – *Hans-Otto Halvorsen*
- SAS Technical Services – *Ørnulf Myrvoll*

Airline Related Businesses
- SAS Trading – *Patric Dahlqvist-Sjöberg*
- SAS Flight Academy – *Olof Bärve*
- Jetpak – *Erik Lautmann*
- European Aeronautical Group – *Björn Alegren*
- SAS Media – *Lennart Löf-Jennische*

Hotels
- Rezidor SAS Hospitality – *Kurt Ritter*

Major shareholdings in SAS AB among senior executives excluding Group Management:
Jens Wittrup Willumsen, *Senior Vice President Scandinavian Airlines*, 3,759 shares. Kristian Kirschheiner, *CEO, SAS Commuter*, 1,400 shares. Sture Stølen, *Head of Investor Relations*, 1,300 shares. Steen Wulff, *Head of Revenue Accounting*, 1,137 shares.

Legal structure

SAS AB

- Spanair S.A.
- Braathens AS
- Widerøe's Flyveselskap AS
- Blue1
- airBaltic
- Estonian Air
- SAS Cargo Group A/S
- SAS Flight Academy Holding AB
- Jetpak Group AB
- European Aeronautical Group AB
- Others

- SAS Danmark A/S
- SAS Norge AS
- SAS Sverige AB

- SAS Consortium
  - Rezidor SAS Hospitality A/S
  - Others
- SAS Commuter Consortium

Chairman's comments

"Fundamental structural changes are under way in the airline industry"

As we all know, the past two years have been the most difficult ever in the history of the airline industry. Due to radical changes in the competitive situation and customer demands, fundamental structural changes are under way in the industry that are reshaping traditional carriers and their business models. In such a period it is crucial for owners, the Board and management to have a shared view of the transformation that we must undergo to create long-term competitiveness and profitability.

Increased transparency and clear responsibility for earnings

It goes without saying that the SAS Group must and will be run on sound business principles. It is always from this perspective that we on the Board work with management. When the technical base was to be established in Stockholm, we saw examples of how players in Norway tried to influence the decision by appealing to national distribution formulas in the Consortium Agreement that regulates the portion of the SAS Group operated by the SAS Consortium. Our view has always been that the business is being run according to the current Consortium Agreement, and that such distribution mechanisms are secondary to the overarching principle that operations are to be run on business lines - a view that the Norwegian Ministry of Justice shared with us in its report from spring 2003.

The Group's new business structure is based on responsibility for earnings and transparency. The Group's legal structure is still complicated and does not logically follow the business structure. Thus, to further ensure business efficiency we have initiated a process aimed at incorporating and restructuring parts of the operations in the SAS Group. This is to create better conditions for profitable and competitive growth for the Group based on the market and competitive situation that may from time to time prevail in the various countries and in the industries the businesses operate, though without regard to national distribution formulas or special interests.

Experience of a single share positive

Today, like 50 years ago, the SAS Group is 50% state-owned. During the past 10-15 years there has been a dramatic change in ownership among the traditional European flag carriers, and today the majority are fully or partially privatized. A major change was implemented on SAS's account in July 2001 through the establishment of SAS AB and the introduction of a single SAS share. At the same time, certain changes were made in the decision-making structure, including abolishing the Assembly of Representatives, which means that the Board now represents the shareholders just like in any other listed company. The establishment of SAS AB did not mean a diminution of the total state holding, but changed the form of that holding so that instead of each owning 50% of the shares of their respective previous listed companies, the Scandinavian countries now own 21.4% (the Swedish state) or 14.3% (the Danish and Norwegian states each) of the holding company SAS AB. The three governments have no special rights but are bound by the same terms as all the other shareholders and are treated accordingly.

The Board is generally favorable toward diversified ownership and active shareholders. Although it has no opinion on government stakes in principle, a state holding may give employees of government-owned companies a false sense of security. Bankruptcies among our competitors, especially in the case of Sabena, show this all too clearly. The SAS Group also needs a share that is traded at a satisfactory volume to be able to participate in the ongoing consolidation and structural transformation of the airline industry and at the same time obtain access to capital in the same manner as other airlines in Europe. Since the introduction of a single SAS share, trading volume has risen, but we are still aware that for periods, liquidity may be a limitation for major foreign professional fund managers.

Intensified competition and focus on the industry's situation

To the delight of passengers, the airline business today is marked by keen competition with numerous new players and intense price pressure even from other modes of transportation. This situation requires equal treatment of market players. The SAS Group is not asking for special treatment by any of the Scandinavian authorities regarding charges, competition issues and taxes. However, the Group is strongly opposed to framework conditions and regulations that deviate from those applying to competing modes of transportation and other airlines and that distort competition to the disadvantage of the SAS Group. Such deviations exist today.

In recent years there has been an ongoing debate on compensation and incentive programs in business. In the SAS Group there are customary and market-based compensation models for the President and senior executives just as in the majority of other companies. In the Board's view, these compensation models create motivation and results in a way that is positive for the SAS Group, and we have done a full analysis of how these systems are designed and their impacts.

Early focus on sustainable development

For many years the SAS Group has enjoyed a good reputation for its efforts to limit the environmental impact of aviation. We take these efforts very seriously and will continue them. Our aim is to operate in a manner that is profitable, yet sustainable in the long term while meeting our social responsibilities.

Since I assumed the post of Chairman, we have undergone sweeping changes. Through its acquisition of Braathens and Spanair, the SAS Group has itself initiated the process of consolidation expected to continue in the European airline industry. The Board stands behind management in its ongoing efforts to streamline and strengthen the SAS Group as the fourth-largest airline Group in Europe. The challenges are great, and success requires a shared vision among shareholders, the Board, management and the employees as well as competition-neutral business conditions for operating airlines.

Stockholm, March 2004
Egil Myklebust
Chairman of the Board of SAS AB

Board of Directors

Among the duties of the Board are setting the SAS Group's overarching objectives and strategies, adopting a budget and business plan, discussing and approving the year-end and interim reports and deciding on investments and major changes in the organization and activities of the SAS Group.

Back row from left: Nicolas E. Fischer, Anitra Steen, Jacob Wallenberg, Lars Rebien Sørensen, Ulla Gröntvedt and John Lyng.
Front row from left: Fritz H. Schur, Egil Myklebust and Berit Kjøll.

Egil Myklebust, *born 1942*
Chairman of the Board of SAS AB since 2001.
Chairman of Norsk Hydro ASA.
Directorships: Executive Committee of the World Business Council for Sustainable Development (WBCSD), Norske Skog ASA, Senate (University of Oslo) and Sandvik AB.
Shareholding: 0

Jacob Wallenberg, *born 1956*
Vice Chairman of the Board of SAS AB since 2001.
Chairman of SEB, Skandinaviska Enskilda Banken, and of W Capital Management.
Directorships: Vice Chairman of Atlas Copco, Electrolux, Investor and the Knut and Alice Wallenberg Foundation and Member of the Board of ABB, Föreningen Svenskt Näringsliv and the Nobel Foundation.
Shareholding: 5,000

Berit Kjøll, *born1955*
Member of the Board of SAS AB since 2001.
Director, Telenor Norway
Directorships: DnB NOR ASA, TusenFryd ASA, Association for the Promotion of Skiing.
Shareholding: 0

Fritz H. Schur, *born 1951*
Member of the Board of SAS AB since 2001.
President of the companies in the Fritz Schur Group.
Directorships: Chairman of the Board of Post Danmark A/S, Det Danske Klasselotteri A/S, NESA A/S and F Uhrenholt A/S. Vice Chairman of Brdr. Klee A/S. Member of the Board of Clements Eftf. A/S and CIC A/S.
Shareholding: 20,000

Anitra Steen, *born 1949*
Member of the Board of SAS AB since 2001.
President of Systembolaget AB.
Directorships: Member of the Board of Södersjukhuset AB and Almega.
Shareholding: 0

Lars Rebien Sørensen, *born 1954*
Member of the Board of SAS AB since 2001.
President of Novo Nordisk A/S.
Directorships: ZymoGenetics Incorporated and the World Diabetes Foundation.
Shareholding: 0

Nicolas E. Fischer, *born 1951*
Employed at SAS in Denmark.
Member of the Board of SAS AB since December 2003.
Shareholding: 0
Deputies:
Per Weile, first deputy.
Shareholding: 400
Vacant, second deputy.

Ulla Gröntvedt, *born 1948*
Employed at SAS in Sweden.
Member of the Board of SAS AB since 2001.
Shareholding: 300
Deputies:
Sven-Erik Olsson, first deputy.
Shareholding: 0
Gertie Gambe, second deputy.
Shareholding: 1,000

John Lyng, *born 1953*
Employed at SAS in Norway.
Member of the Board of SAS AB since 2002.
Shareholding: 0
Deputies:
Olav H. Lie, first deputy.
Shareholding: 0
Asbjørn Wikestad, second deputy.
Shareholding: 0

Auditors

Deloitte & Touche AB
Principal auditor: Peter Gustafsson,
Authorized Public Accountant.

Corporate Secretary

Mats Lönnkvist,
General Counsel SAS Group.

SAS Group Management

The President and CEO is in charge of the day-to-day management of the Group. In addition to the President, SAS Group Management currently comprises five members, named by the President in consultation with the Board. Members of Group Management have divided among themselves the responsibilities for the Group's business management.

Back row from left: Bernhard Rikardsen and Gunnar Reitan. Front row from left: Sören Belin, Jørgen Lindegaard, Gunilla Berg and John S. Dueholm.

Jørgen Lindegaard, *born 1948.*
President and CEO
Assumed his post as head of the SAS Group on May 8, 2001. With a background in telecommunications, since 1975 he has held a number of senior executive positions, including those of CEO of Fyns Telefon A/S, Københavns Telefon A/S and Director of TeleDanmark. He joined GN Store Nord A/S in 1996 and became its President and CEO in 1997.

Member of the Board of Finansieringsinstitutet for Industri og Håndværk A/S and of Telenor ASA.

Shareholding: 25,000

Gunnar Reitan, *born 1954.*
Deputy CEO
Member of the SAS Management Team from 1993 to May 8, 2001, and subsequently member of SAS Group Management. Responsible for the business areas Subsidiary & Affiliated Airlines and Hotels. Chief Financial Officer until September 16, 2002.

Joined SAS in 1988 in Oslo as Director of SAS Station Services. Later Vice President, Finance and Administration, for SAS in Norway. Deputy CEO since 1993.

Experience in banking, industry and transportation.

Member of the Board of Alecta Pensionsförsäkring Ömsesidigt, Vital Forsikring A/S and Leif Høegh & Co ASA.

Shareholding: 1,000

Gunilla Berg, *born 1960.*
Executive Vice President and Chief Financial Officer
Member of SAS Group Management since September 16, 2002, and responsible for Corporate Functions in business control, finance and asset management, investor relations, purchasing and IT.

Previously Vice President and Chief Financial Officer of Kooperativa Förbundet.

Experience from various executive positions in banking and industry.

Member of the Board of Alfa Laval AB and L E Lundbergföretagen AB.

Shareholding: 1,000

Sören Belin, *born 1953.*
Chief Operating Officer
On February 15, 2003, assumed the position as Executive Vice President and Chief Operating Officer of the business area Scandinavian Airlines.

Previously employed at SAS as Director, Station and Sales Services, Director, Arlanda Domestic Airport and Vice President, Station Services Sweden.

Recently rejoined the SAS Group from the consultancy Carta Booz Allen & Hamilton AB, as an airline industry consultant.

Shareholding: 0

John S. Dueholm, *born 1951.*
Executive Vice President
Member of SAS Group Management since September 1, 2002. Responsible for the business areas Airline Support Businesses and Airline Related Businesses.

Previously CEO of SAS Data (the current Scandinavian IT Group) and Senior Vice President of SAS Technical Division 1996-1998.
Senior Vice President of Group4Falck 1998-2002.

Member of the Board of Kilroy A/S and Lindorff A/S.

Shareholding: 0

Bernhard Rikardsen, *born 1956.*
Executive Vice President
Member of the SAS Management Team from November 1993 until May 8, 2001, and subsequently member of SAS Group Management. Responsible for the corporate function Corporate Administration & Support, which covers Corporate Communications and Public Affairs, Corporate Human Resources and Group Shared Services.

Responsible for the SAS Group's Emergency Response Organization.

Joined the SAS human resources department in Norway. Personnel Director at SAS in Norway 1990-1993.

Shareholding: 0

Sustainability report

In recent years the SAS Group has begun gradually to approach the concept of sustainable development in its organization. A sustainability policy adopted in 2002 is now being implemented in all operations, and in June 2003, the SAS Group joined the UN Global Compact, a corporate responsibility initiative led by UN Secretary General Kofi Annan. The SAS Group is thereby committed to act to promote the sustainable development of its business and to create a stable social and environmental foundation for all of the Group's activities. As a first step, the strengths and weaknesses of the Group's various operations will be surveyed and measured against the Dow Jones Sustainability Indexes and the principles of the Global Compact. Decisions for further measures will then be made.

This is the SAS Group's first sustainability report. Its aim: to provide an overall account of the structured sustainability work that has evolved over the past few years. However, it will be some years before the SAS Group can publish a complete sustainability report. The year's report shows where we want to go and is prepared according to the SAS Group's principles for sustainability reporting (www.sasgroup.net/environment).

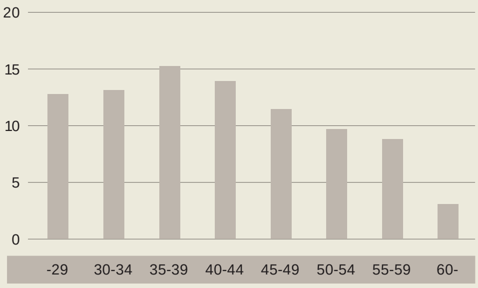
While the SAS Group has done annual environmental reports since 1995, a complete set of equivalent routines is lacking for reporting the Group's work on and attitudes toward sustainability's social dimension. This is also reflected in the structure of the report. While most of the environmental information is reported at the operations level, much of what is considered social responsibility is reported at the Group level.

- Responsibility for sustainable development
- The world around us
- Sustainable development work in 2003
- Environmental responsibility
- Employees and social responsibility
- Financial responsibility
- Airline operations
- Other operations
- Hotel operations

Environmental KPIs, SAS Group total[1]	2003	2002	2001
Carbon dioxide (CO_2) emissions, 1,000 tonnes	**5,597**	5,757	4,949
Nitrogen oxides (NOx) emissions, 1,000 tonnes	**21.3**	19.9	16.8
Water consumption, 1,000 m³	**3,041**	2,493	2,764
Energy consumption, GWh	**698**	652	660
Unsorted waste, 1,000 tonnes	**10.8**	12.0	11.5
External environment-related charges, MSEK[2]	**548**	715	1,657
Number of passengers, 1 000 (including charter)	**34,468**	35,980	30,456

[1] *2001 excluding Spanair.*
[2] *The Norwegian environment-related passenger tax was removed on April 1, 2002.*

Age breakdown in the SAS Group 2003, average age, 41.2 (41.0) years
% of the number of employees excl. Hotels



Important events and environmental performance

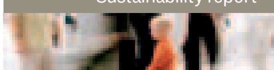
- The SAS Group joined the UN Global Compact for responsible corporate citizenship.
- The Group's hotels and airlines received numerous awards for successful environmental work.
- SAS Cargo was environmentally certified according to ISO 14001 in December 2003.
- The SAS Group's Annual Report 2002 & Environmental Report was voted the best Swedish environmental report.
- A diversity policy was adopted in January 2004.
- Despite a difficult year, Scandinavian Airlines and Braathens succeeded in keeping their eco-efficiency at 2002 levels.
- Spanair, Widerøe and Blue1 managed to improve their environmental index.
- By renewing its aircraft fleet, Scandinavian Airlines achieved record low fuel consumption and CO_2 emissions per RPK.
- The Group's hotel operations improved their relative environmental performance in 2003.
- As a result of Turnaround 2005, the number of employees fell by 2,450 full-time equivalents in 2003. The total number of full-time positions on December 31, 2003, was 33,304.

Independent review
The expressed aim of the SAS Group is, if possible, to have all sustainability information examined by an independent party. This year the Group's auditors have reviewed the material environmental information in the financial and sustainability report. The auditors' report appears on page 113.

Bernhard Rikardsen
Executive Vice President
Responsible for sustainability issues in Group Management

Employee KPIs		Airline operations					Other operations[1]								Hotels
	Corporate Funct.	Scandinavian Airlines	Spanair	Braathens	Widerøe	Blue1	STS	SGS	SCG	SAS Trading	SFA	Jetpak	EAG	SAS Media	Rezidor SAS
Men/Women, %	58/42	56/44	55/45	57/43	63/37	65/35	93/7	62/38	82/18	26/74	67/33	57/43	71/29	41/59	46/54
Sick leave, %	[3]	6.7	4.3	6.1	6.5	5.2	5.5	9.8	6.5	11.3	2.0	5.0	2.6	1.1	*
H-value[2]	[3]	4.4	57.4	2.6	*	6.2	9.0	24.4	16.8	4.3	4.0	3.5	0.0	0.0	*

** Data missing.* [1] *Excluding SIG, which was sold to CSC in December.* [2] *Number of occupational injuries relative to total number of man-hours.*
[3] *Not available due to organization change in November 2003.*



Responsibility for sustainable development

For the SAS Group, sustainable development means a simultaneous focus on sustainable profitability and financial growth, gradual environmental improvements and social responsibility. The SAS Group has a considerable social impact, both by being a major employer and contractor and by maintaining crucial infrastructure for society. At the same time, airline operations in particular have an adverse environmental impact, primarily through emissions of greenhouse gases and noise around airports.

Environment

The SAS Group's environmental impact chiefly comprises noise and the consumption of non-renewable fuels. Fuel combustion causes a rise in atmospheric carbon dioxide, assumed to cause global climate change. Airline operations account for 90% of the Group's total environmental impact.

Employees and social responsibility

As an employer, the SAS Group can help provide its employees with a long-term high standard of living and quality of life. Here, a working environment that is good physically and mentally is crucial, as are opportunities to develop as professionals and as human beings. The Group also affects a number of subcontractors, thereby contributing to economic and social welfare in the countries and societies where its businesses operate.

Economy

By facilitating the transportation of persons and freight, the SAS Group helps create added value for individuals and companies alike, and for society at large. The SAS Group is also charged with creating long-term growth in shareholder value. It is in this context that work on sustainability issues is to be viewed, and where the focus on better resource management leads to a lower environmental impact and lower costs. Taken together, sustainability work leads to increased competitiveness and added shareholder value.

Organization of sustainability work

The SAS Group's four core values are value creation, reliability, consideration and openness. Covering all operations, they are meant to characterize all work on sustainability issues. The SAS Group also has numerous overarching policies that govern efforts to reduce the Group's environmental impact, sustain and improve employee skills and foster positive social development, while shareholder value grows in the long term.

Policies affecting sustainability

The SAS Group has several overarching policies governing sustainability. The sustainability policy affects such areas as human resources and management, technology, ethics and stakeholders.

Control and follow-up systems

The final responsibility for sustainability issues rests with Group Management (GM), while operational responsibility rests with the heads of business areas and subsidiaries. This has resulted in different priorities depending on what that business does. The airlines Scandinavian Airlines and Braathens focused early on ecological issues, whereas Rezidor SAS Hospitality chose to combine social and environmental matters. Ecological issues have been on the agenda far longer than the concept sustainable development. The same applies to working environment issues, which have a well-established organization in the form of elected safety representatives, labor-management joint safety committees and internal control systems. In Scandinavia, the working environment organization is also closely linked to the trade unions.

With regard to sustainable development and the content of the UN Global Compact, all of the SAS Group's companies have begun work to identify aspects relevant to them, in order to set goals and formulate action plans to structure their ongoing sustainability efforts.

Platform for the SAS Group's sustainability work *

Sustainability Policy

- To contribute to sustainable development, SAS Group employees must, in their daily work, take the Group's environmental and social impact into account as well as its financial performance.

For the SAS Group, sustainable development means a simultaneous focus on financial growth, environmental improvements and social responsibility. The Group's task, based on its core values, is to create long-term growth in shareholder value. This requires integrating environmental and social responsibility into business activities.

Utilizing and developing the skills and dedication of employees is essential for the achievement of the Group's goals.

Eco-political vision

- SAS Group's eco-political vision is for all four transportation sectors – road, rail, sea and air – to pay for investments and for their infrastructure, other costs to society (such as accidents) and their environmental impact according to the polluter pays principle.

Environmental policy

- The SAS Group will contribute to sustainable development by minimizing its environmental impact and optimizing its resource use.

Diversity policy

- In all recruitment, human resources development, promotions and other interactions between companies and employees, the SAS Group assumes the equal worth of all persons. All employees and job applicants must be treated objectively and according to formal procedures and not the perceived characteristics of the sex or group to which they belong. All employees are responsible for workplace conduct and actions in line with the values expressed by this policy.

* *The sustainability and environmental policies, as well as targets and key performance indicators associated with them, were most recently discussed by SAS Group Management in June 2003. Overriding objectives and strategies for implementing the SAS Group's eco-policy vision, environmental policy and diversity policy may be read at www.sasgroup.net/environment*

The world around us

The travel and transportation industries, and thus, the entire SAS Group, are a key component of the global economy, helping to create value for individuals, society and business. At the same time, the Group is highly sensitive to world events. Political conflicts, social unrest and environmental disasters reduce travel. Competition from low-fare airlines, government policies and the prices of energy, water and waste management all severely impact profitability. Primarily it is customers, but also largely the business environment and various stakeholder demands, that affect the progress of the SAS Group's sustainability work.

Globalization leads to new demands

The rapid globalization of the economy and business prompted calls for companies to take added social responsibility. Besides assuming responsibility for their own employees, this involves acting responsibly in the local community and helping bridge the gap between the rich and poor parts of the world. The latter primarily affects companies operating on a global basis. As a global transportation company and partner in the world's largest airline alliance, Star Alliance™, the SAS Group impacts its destinations with traffic, cargo and passengers and through purchasing. Rezidor SAS also affects its surroundings through its hotel operations.

Rezidor SAS operates hotels in about forty different countries, including in Eastern Europe and the Middle East, i.e. countries where the perspective on green and working environment issues may differ from those common in Western Europe.

Ethics and values

Consumers increasingly look not only at the product itself, but what the company behind it stands for. This involves assessments of vital social and ethical issues as well as expectations and demands that the company take responsibility for the environment, have high standards of business ethics and pay its executives in a manner acceptable to the market.

Customer and supplier demands

Business customers require that suppliers of goods as well as services maintain certain standards of ethics, social responsibility and environmental performance. This especially applies to those who have introduced ISO 14001 certified environmental management systems or are registered according to the EU Eco-Management and Audit Scheme (EMAS). They are obligated to ensure that suppliers' environmental work is at least on par with their own aims. In the SAS Group, environmental, social and ethical standards are increasingly a part of purchasing.

So far, customer demands primarily come from large Scandinavian and Northern European companies. Many large customers require reports of environmental impacts of both aircraft and hotels in order to calculate their own impacts. Investors and other stakeholders want data on suppliers' environmental impacts and improvement measures. To assist them, Scandinavian Airlines and SAS Cargo developed an emissions calculator that is available on the Internet: www.sasems.port.se and www.sascargo.com

Openness

Customer and consumer demands have also prompted companies to openly report targets and performance in the area of sustainable development. Greater transparency has also been necessary in the competition for new employees. An organization called the Global Reporting Initiative (GRI) is working to develop generally accepted guidelines for voluntary sustainability reporting. Behind the GRI are the United Nations Environmental Program (UNEP) and a number of companies and non-governmental organizations (NGOs). The

SAS Group has taken the GRI's guidelines into consideration in preparing its financial, environmental and sustainability reports.

Pressure for openness and environmental information also comes from governments. For example, in Norway, a new law was enacted on access to environmental data from private as well as public enterprises. The law, which empowers citizens to obtain information on everything from production processes to the content of manufactured products, is based on the EU's Århus Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters.

Environmental standards

Waste

The EU has a goal of reducing the volume of waste by 20% by 2010 compared with 2000 levels. The strategy aims to prevent the generation of waste and to prioritize reuse, recycling and energy recovery. The EU's disposal directive requires sharply reducing the disposal of organic waste. In implementing this directive, member states have chosen different paths. Most are introducing requirements for source separation and prohibitions against disposing organic and combustible materials. Increased waste treatment and disposal charges are an increasingly common policy tool. There is thus an economic motive for all the SAS Group's businesses to reduce waste volumes and increase source separation.

Energy and climate

The transportation and travel industry's most significant environmental impact is emissions of the greenhouse gas carbon dioxide (CO_2). Within the EU there is a policy aim of making energy use more efficient and reducing CO_2 emissions, e.g. the EU's goal is for renewable energy's share of total energy use to rise from 6% to 12% by 2010 and the share of biofuels to be 5.75% of fuels sold.

The hotel business and properties in the SAS Group are affected by an EU directive on the energy efficiency of buildings. Buildings represent 40% of energy consumption in the EU, and the directive contains detailed provisions for reducing this consumption by 22%.

Although aviation's share of global CO_2 emissions is only 3%, aviation is attracting increasing attention owing to the explosive growth predicted. ICAO forecasts, for example, indicate that global air traffic will grow by an average of about 5% per year until 2020, despite the weak economy prevailing since 2001. Technological advances and efficiency improvements, however, mean that the rise in CO_2 emissions can be limited to an average of 3% per year.

The Kyoto Protocol and emissions trading

The UN climate convention from 1992, which later resulted in the Kyoto Protocol, requires that all industrial countries reduce their greenhouse gas emissions to 95% of the 1990 level by 2012.

As a leader in international climate policy, the EU, in compliance with the Kyoto Protocol, has undertaken to reduce the EU's total CO_2 emissions 8% by 2010, compared with 1990.

Emissions from international air traffic were left out of the Kyoto Protocol. However, the UN International Civil Aviation Organization (ICAO) has been tasked with acting on behalf of civil aviation to reduce global greenhouse gas emissions.

The ICAO Committee on Aviation Environmental Protection (CAEP) has concluded that a system of unrestricted trading in emission rights is the most effective way to reduce CO_2 emissions and, after many years' discussion of charges and taxes, has now begun to construct a system of emissions trading.

Trading in emission rights is one of the market-based instruments that the Kyoto Protocol allows for limiting global CO_2 emissions. The EU is introducing such a system in 2005. Initially, only permanent industrial plants and power stations will be able to participate, but the idea is that more and more businesses will be included in the trading scheme. The SAS Group, which in Norway pays a carbon tax on the jet fuel used on domestic flights, is in talks with the Norwegian government on voluntarily participating in the Norwegian quota trading system that goes into effect in 2005. The reason that the SAS Group is actively seeking to participate in open trading of emission rights is that it is considered the only system adhering to the polluter pays principle.

Environmental policies, laws and regulations

The environment is regulated primarily by international agreements reached within the framework of the ICAO. These include standards and norms for noise and emissions of hydrocarbons, carbon monoxide and nitrogen oxides (NOx). There are also various national and local rules, such as noise restrictions for takeoff and landing or special systems of environment-related charges.

The trend is toward greater use of environment-related charges and operational restrictions, with the dual purpose of reducing local environmental problems and giving airlines incentives to use aircraft equipped with the best available technology (BAT) from an environmental standpoint.

Environmental taxes and charges

In accordance with an ICAO policy, jet fuel has been tax exempt since the beginning of the 1950s. Through its member countries, however, the European Commission is working actively within the ICAO to impose a global carbon tax on jet fuel. More common than fuel taxes are environment-related charges that are added to the passenger tax or landing fee. These may be charges for noise or emissions from aircraft engines. For instance, the Swedish, Swiss and, from 2004, the British civil aviation authorities charge landing fees based on the amount of nitrogen oxides emitted.

The European Commission has conducted several inquiries to examine the possibility of imposing environment-related overflight charges for aviation emissions. These mainly concern CO_2 and NOx. Both the SAS Group and the Association of European Airlines (AEA) are sharply critical of these, since they do nothing to reduce CO_2 emissions, which ought to be the goal. Like the AEA, the SAS Group believes that open trading in emission quotas is the most effective in an international perspective.

Noise

Noise is a local environmental nuisance that is drawing increasing attention. Many airports have already introduced noise charges, takeoff and landing restrictions and even landing bans on the noisiest aircraft types. Airports often base these on the ICAO's certification system, which classifies aircraft according to noise emissions. For example, about forty airports in Europe and the U.S. have introduced restrictions for aircraft in the Chapter 3 noise category.

The strictest noise category, Chapter 4, was decided by the ICAO in 2001 and applies to all new aircraft types certified from 2006 onwards. All of the SAS Group's aircraft types, except the MD-80, meet the Chapter 4 standard.

Several European airports, which already operate with noise restrictions and/or noise charges, may eventually use the Chapter 4 standard as part of operating restrictions or a future system of charges. For the SAS Group, this may affect the use of its MD-80s. For this reason, the Group is seeing what can be done to modify MD-80s to reduce their noise.

There is also an EU directive that over time may affect the operating framework of civil aviation, a directive on the "assessment and management of environmental noise." In 2006 at the latest this will result in a legislative proposal from the European Commission on noise restrictions on road, rail and air traffic. In Scandinavia, only the airports in Stockholm, Gothenburg, Copenhagen and Oslo will be affected, but in the rest of Europe many airports will be affected.

Congestion and emission limits

Civil aviation may also be limited by factors such as land shortages in densely populated areas, crowded skies and a lack of coordination of air traffic control. Calculations show that a joint European air traffic control system, instead of today's national systems, would generate fuel savings of about 12%. There are therefore high hopes for the "Single European Sky" proposal made by the EU's transport ministers in 2002, to establish a joint EU air traffic control system. Similarly, ongoing efforts to introduce a joint upper airspace in the Nordic region (Nordic Upper Area Control, NUAC) will lead to considerable fuel savings and emission reductions.

In addition, airports, including one vital for Scandinavian Airlines, Arlanda, are approaching local ceilings for CO_2 emissions. The emission ceiling is specified in absolute terms and is unrelated to production. In 2004 the Swedish Civil Aviation Administration (SCAA), which is responsible for the airport's environmental permit, plans to apply for reexamination of the environmental permit with the Environmental Court.

At Arlanda there is also a ceiling for NOx emissions. However, this not expected to present any problems for the SCAA, due in large part to the fact that Scandinavian Airlines operates there with a Boeing 737 fleet equipped with low-emission DAC engines.

According to the environmental permit, the noise limit for night traffic at Copenhagen Airport will be lowered in 2005 from 85 to 80dB(A). Additionally, the daytime noise contour is to be correspondingly reduced by 5dB(A). If traffic increases, this might present a problem for Scandinavian Airlines' MD-80 fleet. This is one reason that the SAS Group has begun to explore the possibility of reducing the noise of MD-80s.

Assistance in calculating emissions

Since March 2002, Scandinavian Airlines has had an emissions calculator on its website. Customers can use it to calculate their own environmental impact when they fly. In 2003 the calculator was used more than 7,500 times. In 2003 SAS Cargo launched a similar calculator for calculating the environmental impact of air freight. See www.sasems.port.se and www.sascargo.com

Sustainable development work in 2003

In June 2003, the SAS Group joined the UN Global Compact, a corporate responsibility initiative led by UN Secretary General Kofi Annan. Several of the SAS Group's subsidiaries and units have already incorporated most of the principles of the Global Compact into their ongoing sustainable development efforts.

The goal of the Global Compact is to get globally active companies, institutions and organizations to voluntarily adopt nine principles that involve basic, internationally recognized human rights, working conditions and environmental responsibility.

Among these are prohibiting discrimination, forced labor and child labor, developing and encouraging the spread of green technology and taking steps to protect and defend human rights.

A survey done in autumn 2003 shows that all of the Group's units have plans for work on human resource development, policies for handling redundancy and plans to improve the working environment. Above all, units that make large purchases specify ethical, social and environmental requirements for suppliers. See the table on page 102.

With regard to dialog with stakeholders, sponsorship and society-related activities, Scandinavian Airlines, Braathens, Rezidor SAS, SAS Cargo, Spanair and Jetpak have the biggest involvement. For example, the SAS Group is a commercial sponsor of the development of the Øresund region through its partner organization "Copenhagen/Øresund – One Destination, Two Countries."

The SAS Group sponsors Save the Children, the Norwegian Sophie Prize for sustainable development and with Coca Cola runs a foundation to improve water quality in the Nordic and Baltic Sea regions.

The SAS Group's sustainability work

Long-term sustainability for the SAS Group's business requires a simultaneous focus on financial growth, environmental improvements and social responsibility.

The SAS Group also sponsors the "Royal Awards for Sustainability," which performs sustainability-related activities in numerous European cities in partnership with the European Environment Agency. Rezidor SAS supports UNESCO's world cultural heritage work.

Environmental responsibility

The SAS Group's environmental impact varies considerably with business area. Generally, however, the Group's most significant environmental impact is the consumption of non-renewable energy, primarily fossil fuels. Their combustion increases atmospheric carbon dioxide levels, assumed to contribute to global climate change. Aircraft engines' emissions of water vapor and nitrogen oxides, which increase the atmosphere's ozone content and produce contrails, may also impact the climate.

Combustion of jet fuel gives rise to emissions of nitrogen oxides (NOx), which regionally cause acidification and eutrophication of soil and water. Noise from takeoffs and landings create local environmental impacts. The environmental impact of hotels and other activities primarily consists of energy and water consumption, material and chemical use and waste generation.

The Group's airline operations represent 90% of its total environmental impact, and this is primarily connected with the combustion of jet fuel. Alternatives to fossil fuels for aircraft engines will not be commercially available in the foreseeable future. That is why the most effective environmental measure the Group's airlines can implement is to continuously renew the aircraft fleet, investing in the best commercially available technology, i.e. in fuel-efficient engines with low NOx and noise emissions. The SAS Group has a long history of working – and in connection with purchases negotiating – with aircraft and engine manufacturers to develop "greener" technology, and with governments and airport owners to attain environmental improvements, such as reducing noise. See page 106.

The SAS Group's environmental responsibility		Airline operations					Other operations [1]								Hotels
The company has environmental:	Corporate Funct.	Scandinavian Airlines	Spanair	Braathens	Widerøe	Blue1	STS	SGS	SCG	SAS Trading	SFA	Jetpak	EAG	SAS Media	Rezidor SAS
Supplier requirements	●	●	◐	●	◐	◐	◐	◐	●	●	◐	●	●	●	●
Product requirements	●	●	◐	◐	◐	◐	◐	◐	●	●	◐	●	●	●	◐
Management system [2]	●	◐	◐	●	◐	◐	◐	○	●	◐	○	●	○	◐	●
Policy/objectives	●	●	◐	●	◐	◐	◐	○	●	◐	○	●	○	◐	●

[1] *Excluding SIG, which was sold to CSC in December.* [2] *The goal is to adapt all environmental management systems to the international standard ISO 14001. See page 100.*

● Yes ◐ Partly ○ In preparation

Environmental organization and management system

The SAS Group has an eco-political vision, a policy, objectives and a strategy for reaching those objectives. See www.sasgroup.net/environment. To ensure that the policy and objectives are fulfilled, the Group has a central advisory environment department, while operational responsibility rests with the heads of the business areas and subsidiaries.

The SAS Group's environment department is part of Corporate Communications & Public Affairs (CC&PA), the management of which the Group's Environmental Director is a part. The head of CC&PA reports to Group Management (GM).

The environment department plays a coordinating and advisory role in environmental and sustainability issues at the Group level and vis-à-vis all business units. Environmental and sustainability work is coordinated through the SAS Group's Environment Network, comprising environmental coordinators from all business units. Environmental coordinators report to the head of their respective business units.

Objectives and strategies for environmental work are set each year (most recently in June 2003) by Group Management on the basis of the sustainability policy.

The SAS Group's environmental index is a key management tool. It was developed gradually since 1995 by Scandinavian Airlines and accounts for the respective operation's environmental impact in relation to its production. Since 2002 the index has included a number of the Group's business areas and subsidiaries, which plan, control and report the environmental performance of their respective operations using the key performance indicators on which the index is based.

Following the SAS Group's overarching objectives and strategies, short and long-term, each company or business unit develops environmental targets based on the requirement for constant and relative improvements in environmental performance. The long-term goal is for all environmental management systems in the Group to be documented and comply with the international ISO 14001 environmental management standard. The question of certifying the system will be decided by the company or business unit in question on the basis of business strategy.

Environment-related events and activities

At the beginning of 2004 the SAS Group's environmental information and environmental training program was made available to all Group employees with intranet access. Environmental training was used particularly by personnel in units that have achieved or a preparing a certification of the operation's environmental management system according to ISO 14001.

FAR, the Swedish accounting industry's professional organization, voted the SAS Group's Annual Report 2002 & Environmental Report the best environmental report and nominated it to be the Swedish entry for the European Sustainability Reporting Award 2003.

In December 2003 the SAS Group received the environmental award of its major customer, Tetra Laval. The award went primarily to Scandinavian Airlines, SAS Cargo and Rezidor SAS. In its statement, Tetra Laval, which has a very high environmental profile, emphasized that it found in the SAS Group and the three business units a common interest to ensure that environmental responsibility play a key part in business strategy. The SAS Group has had several collaborations and dialogs on environment-related projects, one of them on the development of SAS Cargo's emission calculator together with Novo Nordisk, Novozymes and DHL/Danzas.

Staff of the SAS Group's environment department participated in a number of activities aimed the public, including a number of lectures and presentations at universities and colleges in Europe.

Airline operations

In	Out
Flight	
Jet fuel Engine oil	Carbon dioxide (CO_2) Nitrogen oxides (NOx) Hydrocarbons (HC) Volatile organic compounds (VOCs) Oil aerosols Jettisoned fuel Noise Water vapor
Cabin	
Food and beverages Packaging Disposable/semi-disposable items Articles for sale Newspapers Chlorinated water Germicides	Organic waste Packaging Unopened beverages Articles for sale Waste Lavatory waste
Ground	
Glycol Water Halons and freons Maintenance materials Energy Vehicle fuel Office supplies Chemicals	Waste Hazardous waste Wastewater Halons and freons Sulfur dioxide (SO_2) Carbon dioxide (CO_2) Nitrogen oxides (NOx) Hydrocarbons (HC) Soot and particulates Volatile organic compounds (VOCs)

Other operations

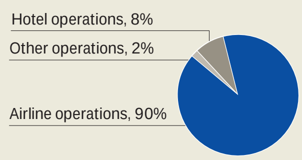
In	Out
Water Energy Supplies Chemicals	Wastewater Emissions to air Waste Hazardous waste

Hotel operations

In	Out
Water Energy Food and beverages Chemicals Maintenance materials Office supplies Disposable/semi-disposable items Newspapers, brochures	Wastewater Emissions to air Carbon dioxide (CO_2) Waste Hazardous waste Organic waste Packaging

The SAS Group's total environmental impact

Of the SAS Group's total environmental impact, Airline Operations account for approx. 90%, Airline Support Businesses and Airline Related Businesses for approx. 2% and Hotel Operations for approx. 8%. See Reporting principles at www.sasgroup.net/environment



Employees and social responsibility

The SAS Group's social responsibility deals with its relations with its own employees and with the surrounding community. Corporate social responsibility (CSR) is a fundamental concept whose meaning varies depending on time and place. The SAS Group operates in places where the CSR concept differs in content. Priority CSR issues in Scandinavia are not necessarily the same in the Middle East, where the Group operates hotels, for example.

Like other companies with Scandinavian roots, the SAS Group is characterized by the spirit of consensus that has long steered societal evolution in the Nordic countries and that is based on the centralized cooperation between industry and labor.

Working and engaging in a dialog with the government, NGOs and trade unions come naturally to the SAS Group, and this has often proved considerably better for the bottom line than a confrontational stance.

For many years, social issues, such as employment conditions, benefits, responsibility for those on long-term sick leave and rehabilitation, have been part of the SAS Group's corporate image.

Human resources

In a service-providing group like SAS, employee skills, satisfaction and attitudes are essential for meeting customers' needs. Only with committed employees and managers that work together can the SAS Group progress and achieve profitability.

In 2003 and 2004, however, the Group's efforts to adapt its costs to the level of the rest of the market have put a major strain on employees. The four key words in SAS Group's human resource policy – trust, change, opportunities and responsibility – have been put to the test in the extensive redundancy and redeployment measures that have been implemented.

Most of the Group's executives and supervisors have undergone a training program for tackling candid conversations on sensitive topics. The aim is for those employees affected by dismissals to return to the company in the future, if an opportunity arises.

Employees granted voluntary termination have been given the opportunity to participate in a career support program to ease the transition to a new career path outside the SAS Group.

In 2003 the number of employees was reduced by 2,036 full-time positions compared with the corresponding period in 2002. At December 31, 2003, the number of full-time employees in the entire Group was 33,304.

As an adaptation to the current market, large groups had "zero contracts" in 2003. This effort will continue in 2004 as part of the Group's retrenchment and restructuring program, Turnaround 2005.

Diversity

Many of the principles of the UN Global Compact initiative, which the SAS Group has joined, deal with human rights and working conditions. In 2003 the SAS Group elaborated on a few of these principles, collecting them in a Diversity Policy to apply to all Group businesses and be introduced in 2004.

The Diversity Policy is based on the equal worth of all persons, and emphasizes that the SAS Group rejects all forms of discrimination. All Group businesses are to formulate action plans for working on various diversity issues. The concept of diversity includes sex, ethnicity and religious affiliation.

The basis of the policy is that the SAS Group's customers represent people of all kinds, which the Group's employee composition also ought to reflect.

Human resource development

In spring 2003 a skills assessment was performed covering 216 of the most senior executives in the SAS Group. All participants received updated skills development plans. Some were given positions with greater responsibility, and a number of managers were reassigned to posts that better matched their skills. The assessment will be performed annually, and the target group for the survey will be gradually broadened.

At the end of November 2003 the internal recruitment of seven trainees concluded. The trainee program will run for 14 months beginning in February 2004. When it ends, the goal is for this group of trainees to supply the Group's future management needs.

PULS

In 2003 all Group companies except Rezidor SAS (which has its own measurement) and Spanair participated in the employee survey PULS (Employee Surveys on Life at SAS).

The response rate was 62%. Compared with 2002, the employees had a more positive view of management, internal information and their own work situation. The airlines' cabin personnel had the lowest response rate, 37%. For 2004 the goal is to increase the overall response rate to at least 80%. In addition, to a greater extent than previously, actions plans will be prepared on the basis of measurements taken.

Working environment

In 2003 a new training program "Vitality" was developed in the area of health, environment and safety (HES) in Sweden. The seventeen-day course is aimed at employees who have been ill for a long period and need support and training to return to work. The course was a success, with nine of the eleven participants returning to work or choosing to look for another job. More "Vitality" courses are planned for 2004.

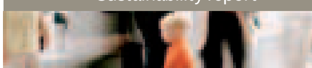
In Norway the SAS Group signed a memorandum of intent ("More Inclusive Workplace") with its social partners to adopt measures to reduce sick leave by 20% in the period 2001-2005. One of the tools is so-called "active sick leave", i.e. letting people on sick leave work as much as they can. In winter 2003-2004, executives, working environment managers and employee representatives received training in a new working method to deal with the problem.

Conflicts and disputes

In 2003 the SAS Group had a number of disputes with certain employees and smaller groups, primarily regarding dismissals and the interpretation of collective agreements.

A conflict with the Swedish Transport Workers' Union over the 2003 contract for aircraft technicians, mechanics and baggage loaders led to a strike in January 2004. The parties accepted a mediator's offer of a wage freeze, while other planned savings measures affecting the contract categories will not be implemented.

After the SAS Group's takeover of Braathens the Norwegian Confederation of Trade Unions (LO) and the Confederation of Vocational Unions (YS) took both companies to court for violating



The SAS Group's social responsibility	Airline operations						Other operations[1]								Hotels
The company has:	Corporate Funct.	Scandinavian Airlines	Spanair	Braathens	Widerøe	Blue1	STS	SGS	SCG	SAS Trading	SFA	Jetpak	EAG	SAS Media	Rezidor SAS
Routines for follow-up of the business social/ethics work	●	●	●	●	◑	◑	●	●	●	◑	●	●	◑	○	●
Not been the subject of material community-related disputes and complaints	◑	●	●	●	●	●	●	●	●[2]	●	●	●	●	●[2]	●
Research or development activities in the social/ethics area	◑	●	◑	◑	○	○	●	◑	●	○	●	●	○	○	◑
Social/ethical standards for suppliers	●	◑	◑	●	◑	◑	◑	◑	◑	●	○	●	○	○	◑
Social/ethical requirements in contracts	●	◑	○	●	◑	○	◑	◑	◑	●	◑	◑	○	○	◑
The Group's sustainability and environmental policies in contracts	●	◑	○	●	◑	○	◑	◑	◑	●	○	◑	●	◑	◑
An ongoing dialog with stakeholders on environmental, ethical or social matters	●	●	●	●	○	○	○	○	●	◑	◑	●	○	○	●
A plan for training/staff development	◑	●	●	◑	●	●	●	●	●	◑	●	◑	●	◑	●
Trained executives and employees in environment-related and ethical/social issues	◑	◑	○	◑	○	○	◑	◑	●	●	●	◑	○	○	●
Established forms of cooperation with trade unions and employee representatives	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Policies and rules for dealing with redundancy	●	●	●	●	●	●	●	●	●	◑	◑	◑	○	●	◑
Decided to improve working environment	◑	◑	○	●	●	●	●	●	●	●	●	●	●	○	◑
An implementation plan/activity for the Global Compact	●	◑	◑	○[3]	○	○	○[3]	○[3]	●	●	○[3]	●	◑	◑	◑
Community-related sponsorships	●	●	●	●	●	○	○	○	●	○	●	●	○	○	●

[1] *Excluding SIG, which was sold to CSC in December.* [2] *Individual complaints resolved through mediation.* [3] *Did not take initiative on its own, but follows the SAS Group's policies and guidelines.*

● Yes ◑ Partly ○ In preparation

business transfer rules regarding ramp service operations in Norway. In its judgment, handed down in October, the court found that the companies did not violate the rules. LO and YS announced that they would appeal.

The Danish Labor Court also ruled on the matter of whether the aviation ground staff union LFF violated an agreement by breaking off a vote in progress among its members. The vote concerned an agreement signed between the SAS Group and LFF on a portion of Turnaround 2005. LFF was ordered to pay fines of SEK 307,000. The SAS Group, which brought the case before the labor court, claimed that the signed agreement was binding, but the court dismissed this claim.

The SAS Group's relations with the community

The outside world's expectations that businesses take social responsibility have risen in recent years. For the SAS Group this means acting responsibly in the communities where it operates and working for improvements in the environment, economy and people's quality of life.

In 2003 the prevailing recession and the SAS Group's financial efficiency-enhancement program largely had an adverse impact on the Group's subcontractors, e.g. most contracts were renegotiated.

The SAS Group is engaged in a regular dialog with customers, competitors and independent organizations, such as the World Wildlife Fund (WWF), to listen and benefit from the experiences of others as well as provide the Group's views on key issues. There is also an ongoing dialog with the Øresund Environment Academy, a network for environmental research, on the development and marketing of the Øresund region as one of the largest centers of knowledge in the environmental field.

After joining the Global Compact in June 2003, the SAS Group also participates in the Global Compact Nordic network.

The SAS Group's longstanding collaboration with aircraft engine manufacturers, airports and governments on the development of cleaner technology is described on page 106. In addition, the Group collaborates with insurance and working environment authorities on the rehabilitation of people with long-term illnesses and prevention of alcoholism.

The business world's assessment of the Group's activities in environmental and social responsibility have been noted in the form of the SAS Group's approval in August 2003 as an investment by Robur's Nordic environmental and ethical investment funds. The Group was also ranked high in CoreRatings' Corporate Responsibility ranking and by Ethical Investment Research Service, EIRIS.

The SAS Group's financial and environmental reports placed among the 65 best in the world regarding ValueReporting, according to a ranking done by the consultancy firm PricewaterhouseCoopers.

Business relations

Social responsibility also means acting ethically and responsibly toward customers and business partners. In the airline industry, with its tradition of forming alliances, the focus is on antitrust issues. The SAS Group has therefore developed a legal policy with a special section on competition law and adopted a program to ensure compliance, the "SAS Competition Law Compliance Program." The legal policy also contains strict prohibitions against giving or accepting bribes or improper perquisites.

Alcohol, gambling and adult films

Aspects of the operations of several of the Group's companies are not accepted by all groups in society. These include SAS Trading's liquor sales, the airlines' and hotels' serving of alcohol, the casino business in some of Rezidor SAS's hotels, as well as access to pornographic movies in hotel rooms. The SAS Group's position is to offer to adults only such things that are legally and culturally accepted, and the rest is a matter of individual responsibility.

Financial responsibility

In the SAS Group, financially sustainable profitability is considered the central, unifying component of sustainable development, where efforts in the two others, environmental responsibility and corporate social responsibility, are to help to create value and thus ensure profitability sustainable in the long term.

A sustainable company is characterized by profitability and growth sustainable in the long term, which requires the ability to meet customers' and society's demands for quality services and corporate responsibility. Turnaround 2005 is being carried out to give the Group long-term profitability and growth. In terms of return on capital employed, the SAS Group is about at the same level as its competitors Lufthansa and British Airways.

During booms, the SAS Group has historically delivered higher returns on equity and dividends to shareholders than the industry average. In recessions, the Group has also been hit harder than the industry in general. This is very likely because it takes longer for Scandinavian companies than for others to adapt their operations, owing to labor legislation and union contracts. Scandinavian Airlines used to base its concept on Business Class customers, which historically had helped to provide higher than average profits during booms.

Financial aspects of environmental responsibility

Since its first environmental report in 1995, Scandinavian Airlines has been developing a model for reporting the financial aspects of the company's environmental work. This model is also the basis for the environmental economics discussion below. The aim is to report data at a Group level, but where this was not possible, examples have been taken from airline operations, primarily from Scandinavian Airlines, which accounts for 40% of the Group's operating revenue. The SAS Group's environmental work has several overriding purposes: besides ensuring that the Group operates in accordance with environmental laws and regulations, it is intended to reduce the Group's environmental impact and make resource use more efficient. In this way, environmental work helps to strengthen both the Group's finances and its brand.

In the SAS Group's operations there is a strong connection between greater cost-efficiency and lower environmental impact. For instance, there is a direct correlation between CO_2 emissions from aircraft engines and the aircraft's fuel consumption. Thus, the SAS Group's focus for economic reasons on increasing capacity utilization by keeping aircraft fuel consumption down coincides with its aim of reducing CO_2 emissions. The same applies to all other activities that, beside environmental reasons, have strong economic incentives to reduce consumption of energy and other resources.

Charges for infrastructure

Civil aviation is unique in that it defrays the costs of the entire infrastructure it uses, i.e. airports and air traffic control. In 2003 these costs to Scandinavian Airlines amounted on a worldwide basis to MSEK 5,281, of which MSEK 2,986 constituted the Group's own costs for infrastructure. The remaining portion comprised taxes and charges for which Scandinavian Airlines has administrative responsibility. Infrastructure costs equal 9.4% of Scandinavian Airlines' operating revenue.

External environment-related charges

Environmental charges exist to cover the costs of special environmental measures such as noise measurement and noise insulation of properties near airports. Environmental charges are normally linked to the aircraft's environmental characteristics and are included in the landing fee. The SAS Group's environmental charges for 2003 were MSEK 29 (26.1).

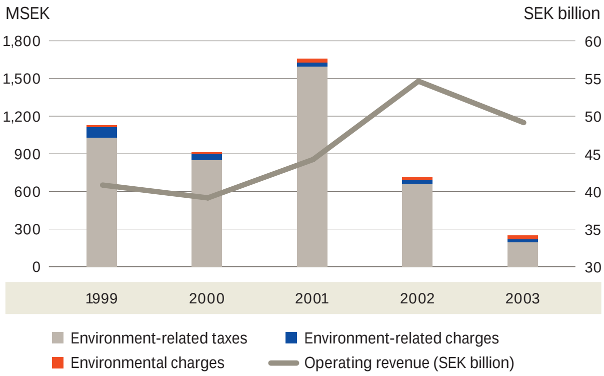
Environment-related charges, too, are usually tied to the aircraft's environmental characteristics and are included in the landing fee. Environment-related charges have been created to favor operators whose aircraft are "greener" than others'. An operator who replaces his aircraft with aircraft that are greener than what his competitors have can thereby lower his costs relative to his competitors. The SAS Group's environment-related charges for 2003 were MSEK 26.8 (27.9).

Environmental charges and environment-related charges are primarily assessed for noise and emissions of nitrogen oxides (NOx). Noise-related charges are more common, but there is growing interest as well in the NOx-based landing fees charged in Sweden and Switzerland.

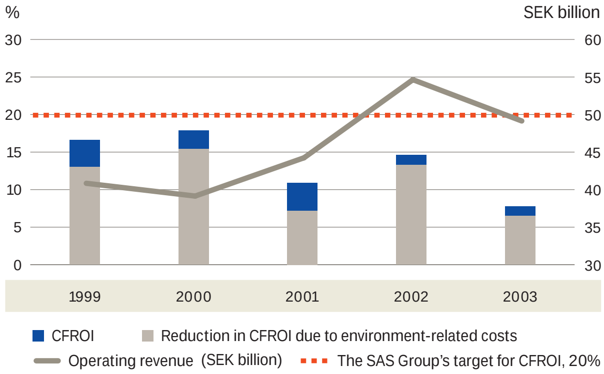
Because of its high proportion of Boeing 737s with relatively low NOx emissions, Scandinavian Airlines is therefore rewarded relative to other airlines.

In Norway there is an environment-related 50% nighttime surcharge on the landing fee. In 2003 the SAS Group paid all together MSEK 6 (2.1) in such nighttime charges. In addition to the costs of infrastructure, the SAS Group's airlines pay environment-related taxes, such as the carbon tax on jet fuel charged in Norway and the environment-related passenger taxes in Denmark. In total, the SAS

External environment-related costs and operating revenue



Impact on CFROI of external environment-related costs



Group paid MSEK 492 (660) in environment-related taxes in 2003. In Norway, an environmentally justified passenger tax was eliminated in April 2002, and in 2003 the SAS Group was able to keep separate and report environment-related passenger taxes outside Scandinavia of MSEK 151.6.

The diagrams on the preceding page illustrate the changes in the SAS Group's external environment-related costs in relation to the airlines' operating revenue in the past five years and how its external environment-related costs affect the SAS Group's overriding earnings target, CFROI. The table Environment-related investments below reports the SAS Group's environment-related investments in the past six years.

Other environment-related costs

The SAS Group's other environment-related costs concern expenses for waste management, the environmental share of purification plant costs, depreciations on environmental investments, etc., as well as expenses for the environmental organization. Other environment-related costs for 2003 amounted to MSEK 41.1 (37.2). The SAS Group has no environment-related debts or contingent liabilities.

Environment-related business risks and opportunities

Well thought-out and proactive environmental work reduces the risk of violating environmental regulations, which can lead to bad press and direct costs in the form of fines and damages. Proactive sustainability work also reduces the risk of being surprised by new, more stringent demands from the market or the authorities. By systematically trying to anticipate legal or tax-related requirements, the SAS Group can obtain a competitive advantage.

Financial aspects of social responsibility

There are no established models for reporting the financial aspects of social responsibility. However, below an attempt is made to develop a method to value the SAS Group's social responsibility and commitment. In this context, the social dimension of sustainable development can be divided into two sub-areas: relations with employees and relations with the surrounding community. For the SAS Group's part, the latter refers to contributing to positive social development where it operates and being a respected actor in society.

Employees

Value creation lies in the SAS Group's contribution to its employees' competence in their work roles, development and well-being. Another aspect is the Group's attractiveness as an employer, and relative pay levels are one measurement of this. Between December 2003 and February 2004 simplified benchmarking was done of the relative pay levels of employees of Scandinavian Airlines, SGS, STS, SAS Trading and certain corporate administrative functions. It shows, for example, that flight personnel at Scandinavian Airlines have substantially higher pay and better employment terms than the market in general, as do workers and certain salaried employees whose duties do not require high qualifications. Aircraft technicians and other salaried employees were at market levels.

Environment-related investments (MSEK)

	2003	2002	2001	2000	1999	1998
Flight operations	–	11.7	20	95	65	40
Ground operations	8.4	–	20.1	15	27	72
Total	8.4	11.7	40.1	110	92	112
Environment-related investments' share of SAS's total invest. in %	0.2	0.1	0.3	1.1	1.5	1.8

A company that is sustainable in the long run offers pay on par with its competitors and attracts personnel by providing ample opportunities for personal development and having an attractive brand and firm foundation in values. According to the survey firm Universum's ranking of the approximately 150 most attractive employers, the SAS Group is attractive to Scandinavian students. In 2003, Norwegian business students put the SAS Group in fourth place, while those in technology fields ranked it number 22. Swedish business and technology students put the SAS Group in 16th and 37th place, respectively, and in Denmark the Group is ranked as the 23rd best employer among business students.

Costs of employees

Besides salaries, social security expenses and pensions, which are reported on page 71, the SAS Group has costs for sick leave and rehabilitation. Sick leave varies among the various operating areas, units and departments.

Sick leave is 7% on average, imposing on the SAS Group and society at large a shared cost of more than SEK 1 billion per year. The SAS Group continues to devote resources to rehabilitation, convinced that it profits both the individual and the company to avoid long-term sick leave and to get people back to work as soon as possible.

Support for trade union activities

The fact that the SAS Group with its Scandinavian roots supports trade union activities is in part a consequence of legislation, but also a conviction that cooperating with unions is necessary for developing the efficiency of the Group.

Many trade unions are represented per company in the SAS Group, and just over 200 full-time employees are labor representatives, whose salaries the company pays. The SAS Group's operations are very sensitive to labor conflicts and strikes. Statistics kept since 1992 show a distinct declining trend in the number of conflicts, and compared with competitors in other countries, the conflicts that the SAS Group is hit with are few in number and small in scope. This shows that good cooperation between labor and management contributes to value creation.

The SAS Group's contribution to society

Airlines are often viewed as engines of job creation: one airline employee creates two other new jobs. Airlines also contribute to a society's economy by purchasing local goods and services. According to the Association of European Airlines, 4,000 jobs are created per million passengers passing through an airport.

As was mentioned above, unlike many other modes of transportation, civil aviation pays for its infrastructure use, i.e. airports and air traffic control. Airlines, and especially so-called full-service carriers, are also an important part of a society's infrastructure. This pertains especially to far-flung and sparsely populated countries like Sweden and Norway.

Unlike the low-fare operators, the SAS Group's airlines maintain a number of less profitable routes to and from locations on the Scandinavian periphery. These routes are maintained to feed passengers into the larger continental and intercontinental routes, strengthening the SAS Group's route networks and doing so in a sustainable manner. At the same time, there are great benefits to individuals and industries in those regions that would otherwise have no connections by air.

In the wake of the terrorist acts in September 2001, the EU has laid down new security requirements for the airline industry. Unlike other modes of transportation, where taxpayers finance security costs, the SAS Group's airlines contribute with their own investments to increased security for employees and passengers alike.

Airline operations

The recession that began in summer 2001, the Iraq War and above all the SARS epidemic in Asia hit the airline industry hard in 2003. Many of the SAS Group's airlines also had additional competition from low-fare carriers in their traditional home markets. This has affected the cabin factor, which generally fell, making it difficult for the airlines to make any large improvements in their environmental result.

Nevertheless, Spanair, Widerøe and Blue1 succeeded in improving their eco-efficiency index in 2003. Scandinavian Airlines and Braathens, which in 2002 made substantial improvements in their environmental indexes, managed to remain unchanged in 2003.

The relatively good results are largely explained by the fact that all airlines except Braathens renewed their aircraft fleets during the year. For Scandinavian Airlines' part, the phasing-in of new, more fuel-efficient aircraft yielded results in the form of record low fuel consumption per revenue passenger kilometer (RPK).

The trend during the year was toward an ever-simpler cabin concept, which has led to a general reduction in resource use and smaller quantities of cabin waste. This trend is expected to amplify in 2004.

With regard to environmental-economic aspects, the Group's airlines have lower environmental charges. On the other hand, they pay all together approximately MSEK 90 in carbon tax on Norwegian domestic routes.

Environment-related activities and events in 2003

On January 1, 2003, a ban went into effect at Oslo Airport on the use of deicing fluid containing triazol. Since the manufacturers could not supply completely triazol-free fluids, the SAS Group's airlines could not fully comply with the ban until the 2004 winter season. The SAS Group has had an ongoing dialog with manufacturers and environmental authorities on the matter.

Despite the fact that the triazol ban only applies to Oslo Airport, from 2004 onward the SAS Group's airlines will use only triazol-free deicing fluids at all Scandinavian airports.

In April 2003 Arlanda's runway three was open to traffic, increasing the airport's capacity. Use of the new runway means that there are fewer people living in the approved noise zone. However, people living south of Arlanda complained of increased noise. According to the Swedish Civil Aviation Administration, the likely reason for the complaints was than one of the runways was being repaired and given the prevailing north winds, traffic was concentrated on runway three. In addition, the rules for approach and takeoff procedures were changed.

In January 2004 a ruling was announced in an ongoing noise suit between Oslo Airport and 218 nearby residents. After hearing 21 cases, the court found for three of the plaintiffs and ordered the rest to pay relatively high court costs. The parties are considering appealing. The SAS Group is not a direct party in this case, but the matter illustrates the attention aircraft noise gets.

In 2004 the Swedish Civil Aviation Administration is changing the system for calculating the emission-based landing fee and is introducing the so-called ECAC model, whereby the fee is calculated on how many kilograms of nitrogen oxides (NOx) the aircraft engines emit. The Swiss and British authorities will follow suit in 2004. In the U.K. the emission-based landing fee is being introduced at the London airports Heathrow and Gatwick. In London, noise limits are also being tightened, but a preliminary assessment indicates that the SAS Group's aircraft fleet will be under the fee limit.

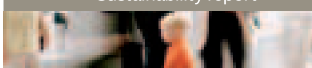
In February 2004 ICAO's environmental committee CAEP proposed tightening of the certification requirements for NOx emissions from aircraft engines. The requirements, to apply as of 2006, involve 12% lower emissions compared with current requirements. The new requirements have no practical importance for the SAS Group's airlines.

Concessions, infringements, incidents and disputes

Airline operations have no separate concessions and environmental permits, but depend on permits that airport owners have for operation, such as glycol handling and runway deicing. Airline operations have an exemption to use halons and submit annual

KPIs, airline operations [1]	Scandinavian Airlines			Spanair			Braathens			Widerøe			Blue1		
	2003	2002	2001	**2003**	2002	2001	**2003**	2002	2001	**2003**	2002	2001	**2003**	2002	2001
RPK, million [2]	**22,354**	23,621	23,296	**9,324**	8,690	10,117	**3,610**	3,623	3,441	**502**	417	357	**411**	332	254
ASK, million [2]	**33,916**	34,626	35,981	**13,288**	12,411	14,887	**5,955**	5,483	5,941	**961**	823	709	**920**	671	579
Cabin factor, % [2]	**65.9**	68.2	64.7	**70.2**	70.0	68.0	**60.6**	62.4	54.0	**52.3**	50.6	50.3	**48.3**	49.4	44.0
Fuel consumption, kg/RPK	**0.050**	0.051	0.056	**0.042**	0.045	0.045	**0.050**	0.047	0.057	**0.076**	0.078	0.084	**0.097**	0.093	0.116
Carbon dioxide (CO_2) emissions, 1,000 tonnes	**3.529**	3,765	4,110	**1,241**	1,226	1,424	**565**	545	630	**121**	102	95	**125**	98	94
Nitrogen oxides (NOx) emissions, 1,000 tonnes	**14.11**	13.72	14.60 [3]	**4.98**	4.12	4.88	**1.62**	1.55	1.79	**0.32**	0.26 [1]	0.23 [1]	**0.26**	0.22	0.22
Noise impact, km^2/85dB(A) at takeoff [4]	**2.60**	2.64	3.28 [3]	**4.47**	5.50	5.70	**1.75**	1.98	1.87	**0.34**	0.33	0.32	**1.22**	1.27	2.67
Environment-related costs, MSEK	**479**	493	1,024	**–**	5	–	**56**	179	552	**13**	39	80	**0,5**	1	1
Environmental index [5]	**78**	78 [3]	87 [3]	**100**	101	100	**86**	86	100	**95**	98 [2]	104	**75**	77	100
Average number of employees	**9,147**	10,046 [6]	22,364 [7]	**2,535**	2,496	2,179	**2,023**	2,814	3,770	**1,291**	1,207	1,227	**290**	291	303

[1] For parameters see Reporting principles www.sasgroup.net/miljo [2] May include including scheduled traffic, charter, ad hoc flights and so-called bonus travel, etc., which means that the figures may deviate from the traffic figures of the airline in question where only scheduled traffic is reported. [3] Figures corrected in 2003. [4] Weighted noise contour with respect to the number of take-offs per day with respective aircraft type in the traffic system. [5] Environmental index comprises an aggregated flight, ground and cabin index. 1996=100. [6] Of which 2,490 refers to SAS World Sales, which was integrated into Scandinavian Airlines in 2003. [7] The business area SAS Airline.



reports to the authorities. Infringements and incidents are reported in the Report of the Board of Directors, page 61.

Through the company SAS Oil AB, the SAS Group is a minority owner of a number of smaller companies that handle oil. The SAS Group is satisfied that these companies have the necessary permits, contingency plans and insurance. SAS Oil is purchasing company for jet fuel for several of the Group's airlines.

Cooperation

The SAS Group's airlines are active participants in a number of national and international forums where environmental issues linked to civil aviation are discussed. These include the UN's civil aviation body, ICAO, the airline organizations, IATA and AEA and the Nordic working group for civil aviation's environmental issues N-ALM. In 2003 N-ALM discussed and drafted a common Nordic line in advance of CAEP 6, which will discuss issues involving nitrogen oxides and civil aviation and emission trading.

Together with the leasing company GECAS, the engine manufacturer Pratt & Whitney and several suppliers, the SAS Group continued to investigate the possibility of modifying MD-80s so they can be recertified to Chapter 4, the most stringent noise category.

The cooperation with the aircraft manufacturer Boeing, among others, on the project Green Team continued in 2003, primarily focusing on developing more environmentally friendly paint.

In 2002 and 2003 the SAS Group participated in a working group along with Copenhagen Airport and the authorities to develop rules and means of control for limiting noise. The working group presented a report in mid-2003 containing recommendations for administrative changes and increased control and for additional information for all stakeholders on noise at the airport.

Social and society-related events and activities in 2003

To meet the competition from low-service airlines, several of the SAS Group's airlines adapted the level of service on board. Among other things, this affected the catering companies that the SAS Group has contracts with and in certain cases led to staff cutbacks. Other cost-cutting measures on the purchase side have also affected many suppliers.

For financial reasons, ticket revenue accounting has been outsourced to a company in India. This led to redundancy with subsequent dismissals of personnel in Revenue Accounting in Copenhagen. The measures led to a staff reduction of 150 and a saving of approximately MSEK 85 per year. The SAS Group's contract with the Indian subcontractor includes a demand that the subcontractor abide by the principles of the Global Compact.

Scandinavian Airlines

Scandinavian Airlines accounts for 56% of the Group's total passenger volume.

Results for the year

Scandinavian Airlines' total environmental index of 78 (78) is unchanged compared with the previous year. The outlook is relatively good for the company to reach its target of an average improvement of three points per year between 1996 and 2004, i.e. a total of 24 points.

There was a big setback during the first six months, but an equivalent recovery took place during the second half of the year.

The total index is an aggregate of the flight, cabin and ground indexes. The cabin index deteriorated by 5 points to 68 (63). The ground index improved by 10 points to 82 (92), owing to efficiency improvements at SGS, reduced glycol consumption and reduced fuel and resource consumption, caused by the decline in total passenger volume from 22 to 19 million.

The flight index deteriorated by one point, for which there are several reasons, most important among them a declining passenger base, resulting in the cabin factor falling by 2.3%. The biggest decline was noted on intercontinental routes, where the cabin factor fell by 7.7%, though from a record level of 83.3 in 2002. Behind the relatively big decline is the fact that the Iraq War and SARS epidemic coincided with Scandinavian Airlines' introduction of the new Airbus A330/340s, with their added capacity.

Another explanation for the deterioration of the flight index is that parts of the aircraft fleet were replaced, and Boeing 767s were replaced by Airbus A330/340s. Although the latter have more fuel-efficient engines, this led to higher NOx emissions. However, the aircraft replacement had a very positive impact on fuel consumption and thus on CO_2 emissions. Since 1990, when the measurements began, these have never been so low calculated per passenger kilometer as in 2003. The renewal of the aircraft fleet also reduced the airline's noise impact. Since 1996, Scandinavian Airlines' noise impact has fallen by 50%.

Scandinavian Airlines met the competition from low-fare airlines by establishing its own low-fare concept, snowflake, which flies from Stockholm and Copenhagen to popular destinations in Southern Europe. The snowflake venture contributed positively to the environmental result, since without snowflake, Scandinavian Airlines' cabin factor would have been lower. In 2004 a continued focus on snowflake is planned as well as an expansion of Scandinavian Airlines' own charter business.

Sharing expertise and technology

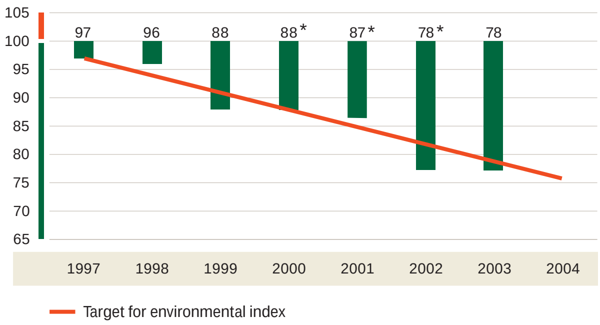
In various ways the SAS Group's companies have helped develop greener technology and shared their expertise and technology. Scandinavian Airlines has been a leader in setting environmental requirements when purchasing new aircraft, actively contributing to engine development, for example.

Together with suppliers, the SAS Group in Norway helped develop greener deicing fluids, subsequently made commercially available to other airlines.

Today, Scandinavian Airlines and STS are sharing expertise with Spanair, airBaltic and Estonian Air. SAS Flight Academy and SAS Maintenance Training are units whose business concept involves the transfer of expertise. For example, in 2003 SAS Flight Academy trained Chinese who in turn will manage flight training for the Chinese government.

When the SAS Group moves operations from Scandinavia to India or the Far East, it does so for business reasons. At the same time, it fosters social progress and a better working environment by requiring that the new service providers live up to the SAS Group's quality and social responsibility standards. This is wholly in keeping with the principles of the UN Global Compact.

Total environmental index - Scandinavian Airlines
1996=100



The figures in the index are corrected for errors in the underlying data.

Development of the aircraft fleet

At year-end 2003 Scandinavian Airlines' aircraft fleet comprised 181 aircraft, 149 of which are in service. During the year, the last Boeing 767 was taken out of service and a new Airbus A330 and one Boeing 737 were delivered.

Cabin

The new and reduced service concept Scandinavian Direct reduced the total environmental impact of cabin operations. On the other hand, its relative environmental impact rose, which is reflected in the five-point deterioration in the eco-efficiency index. The volume of waste decreased by 19%, but the waste still generated by serving beverages is to be divided among a smaller number of meals, which means that the relative volume of waste increased. On Scandinavian Direct flights, only beverages are served, except for breakfast. The number of meals served fell by 25% and is expected to fall further in 2004. Water consumption was reduced by 29%, while energy consumption was reduced by only 2%. The latter is explained by the fact that the catering supplier has the same premises as before and was thus unable to reduce energy consumption in step with the fall in production.

In Norway, beverage cans corresponding to 10.0 (25.1) tonnes of aluminum were loaded onboard aircraft. 8.9 tonnes were collected, corresponding to a collection ratio of 88%. The Norwegian recycling system is linked to an environmental charge. A company reaching a collection ratio of over 90% is exempted from the charge. In 2003 Scandinavian Airlines paid a recycling charge of about MSEK 1. This amount is expected to be reduced dramatically in 2004.

In 2003 Scandinavian Airlines made further efforts to increase the recycling of newspapers by asking passengers at Scandinavian destinations to place their newspapers in the first row of seats.

Environmental management and environmental program

Scandinavian Airlines has environmental key performance indicators in its Balanced Scorecards, which are used as part of business management. The airline's executives receive a monthly index that shows how the fleet is being utilized from an environmental point of view.

The environment is also part of the regular internal control audits. Planning, implementation and follow-up are done by the Health, Environment and Safety (HES) departments at Scandinavian Airlines.

Scandinavian Airlines' environmental program is reviewed and adopted once a year. Most of the 2003 environmental program was achieved. The main and intermediate objectives of the environmental program will be revised in 2004.

Employees and social involvement

Within the framework of the Turnaround 2005 efficiency-improvement program, issues of productivity, number of personnel, payroll expenses, collective agreements and work methods have been the subject of analysis and actions.

In 2003 salaries were frozen for most employees, and negotiations resulted in pilots being able to work up to the maximum daily and weekly duty periods set by government regulations.

In the fourth quarter of 2003, preparations began for 2004's labor negotiations. All 39 collective agreements at Scandinavian Airlines expire in 2004.

In 2003 several hundred managers at Scandinavian Airlines took various management courses, including introduction to leadership, project management, the employer's role, coaching employees and working with employee surveys (PULS).

Corporate image

Each year Scandinavian Airlines measures how the company is perceived by the public in a Customer Satisfaction Index (CSI). The CSI includes environmental awareness as a parameter. Historically, the environmental portion of the index has contributed positively to the development of Scandinavian Airlines' image. Due to technical problems, the environmental portion cannot be reported separately this year. Scandinavian Airlines supports culture and sports in Scandinavia.

SAS Commuter

SAS Commuter is a production company primarily for Scandinavian Airlines, but in 2003 also operated on commission from Braathens on short routes in Norway. The company has a fleet of 29 aircraft with an average age of 4.8 years.

SAS Commuter conducts maintenance operations in Copenhagen, Stockholm and Bergen. The operations in Copenhagen require a permit. All environmental data for SAS Commuter is integrated with the data reported by Scandinavian Airlines or Braathens, respectively.

Subsidiary & Affiliated Airlines

Spanair

Spanair, Spain's second-largest airline, accounts for 23% of the SAS Group's total passenger volume. Spanair has a cost structure and efficiency level on par with the most efficient low-cost airlines, but unlike them offers a network and full service.

Results for the year

Spanair's eco-efficiency index improved by one point to 100 (101). As of 2003 cabin data is reported as well. Ground data from 18 line stations, provided by the company jointly owned by SAS Group and Spanair, Newco, is partly included in Spanair's environmental data. The aim is to get all data for the 2004 report. Newco has a local environmental permit that concerns waste management. Owing to its relatively high proportion of charter flights, 30%, Spanair has the SAS Group's highest cabin factor, 70.2 (70). Spanair has also increased production in 2003.

Spanair currently has 51 (49) aircraft in its fleet, 16 Airbus A320/321s, 31 MD-80s, plus 4 Boeing 717s flown by Spanair's production company AeBal. In the coming year, Spanair intends to put into service the remaining five Airbus A320/321s on firm order and extend the leasing agreements for several of the MD-80s used today. Environmental and production data from Spanair's production company AeBal is included in Spanair's data

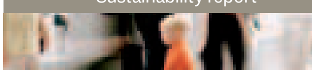
Environmental management

Spanair is the only Spanish airline with an ISO 9000:2000 certified quality management system. An environmental management system conforming to ISO 14001 is being set up. This is to be totally integrated with the airline's quality management system. No decision has been made on certification according to ISO 14001.

Spanair supports a number of sporting and cultural activities and cooperates with organizations for the disabled on integrating the physically and mentally disabled into the labor market.

Braathens

Braathens accounts for 13% of the Group's total passenger volume. With its 27 Boeing 737s, the airline primarily serves domestic routes in Norway, but also destinations in Southern Europe. After having implemented an action program, Braathens' cost level is beginning be competitive, even with low-cost airlines. Unlike them,



Braathens offers a network and transfer services. Braathens also operates charter flights.

Results for the year

After the substantial improvement in 2002, Braathens' environmental index remains unchanged at 86 (86). In 2003 the cabin factor fell slightly, and fuel consumption per revenue passenger kilometer (RPK) rose slightly. The latter is primarily because SAS Commuter flies Fokker F50s, under contract to Braathens, on a couple of new short routes. However, the F50s contribute positively to the flight index by having a smaller noise impact than Braathens' 737s.

Braathens increased its share of flights to Southern Europe.

The cabin index improved by one point to 99 (100). Water and energy consumption and the volume of waste were reduced owing to a simpler service concept onboard.

Beverage cans corresponding to 11.4 (14.0) tonnes were loaded onboard aircraft, of which 10.7 (10.2) tonnes were collected. This corresponds to a collection ratio of 94% (73%), which means that Braathens is expected to be exempt from the environmental charge beginning in 2004. The recycling system enables Braathens to save MSEK 5 per year in environmental charges.

The ground index improved by five points, primarily owing to reduced consumption of glycol and fuel. Some of this decrease meant an equivalent increase at SAS Ground Services, which took over parts of Braathens' earlier production of ground services.

The volume of waste decreased in 2003 by 32% to 223 tonnes, partly as a result of new purification plants going into operation. In 2003, methylene chloride was phased out as a paint remover, which resulted in environmental and working environment improvements.

Environmental management

Braathens' environmental work is linked to the company's quality organization. The head of Health, Environment and Safety (HES) reports directly to the CEO. There is also an HES coordinator and/or environmental coordinator at each of the air, ground and technical departments.

Braathens has an environmental management system that covers its entire operations. Environmental training is provided as part of HES work.

Braathens publishes a separate HES report, which can be downloaded from its website www.braathens.no. The HES report for 2002 won an honorable mention in the Norwegian competition for the best environmental report.

Social involvement

Together with Scandinavian Airlines, Braathens works with the environmental foundation Bellona on the so-called B7 program, which involves, among other things, the introduction of new environmental technology and the promotion of sustainable development. Braathens supports non-elite sports and holds a special Christmas auction to benefit children in the Murmansk region of northern Russia.

Widerøe´s Flyveselskap

Widerøe accounts for 5% of the Group's total passenger volume. In 2003 its total index improved by three points from 98 to 95. Both production and the cabin factor increased during the year. The still relatively low cabin factor, 52.3%, is explained by the fact that Widerøe flies a lot of contract routes especially in northern Norway with small passenger bases. Widerøe phased in a new Q400, which led to slightly higher NOx emissions.

Fuel consumption per revenue passenger kilometer (RPK) fell by 1.8%.

Aluminum beverage cans corresponding to 0.7 (1.3) tonnes were loaded, and 0.24 (0.44) tonnes was collected, corresponding to a collection ratio of 34% (32.7%).

Widerøe has parts of its environmental management system in place and follows up on its environmental key performance indicators.

In autumn 2003 Widerøe inaugurated an energy efficiency program, the goal of which is to cut energy consumption by 10% by 2005.

During 2003 Widerøe performed environment-related follow-ups of its largest suppliers. The company got rid of chemicals no longer being used and introduced stricter procedures for purchasing chemicals. Widerøe mainly sponsors local athletic organizations in the localities where the airline operates.

Blue1

In 2003 Air Botnia, which accounts for 2% of the Group's passenger volume, changed its name to Blue1. With its five SAAB 2000s, seven Avro RJ-85s and two Avro RJ-100s, the company operates feeder service from Finland to Stockholm, Copenhagen, Oslo, Gothenburg and Brussels. In 2003, services were expanded by two new non-stop routes from Helsinki to Düsseldorf and Geneva, respectively, and at the beginning of 2004, new routes are planned to Berlin and Hamburg.

Result for the year

The total index improved by two points from 77 to 75. In 2003, two new aircraft were put into service, and production increased substantially. Owing to the production increase, volumes of waste and resource consumption rose slightly for cabin and ground operations.

airBaltic

airBaltic is 47% owned by the SAS Group and is based in Latvia's capital, Riga. With its nine aircraft it serves a total of 15 destinations in the Nordic region and in Eastern and Western Europe. In 2003 the company began renewing its fleet, replacing Avro RJ-70s with Boeing 737s.

In 2003 a risk assessment of the working environment was performed. The airline sponsors Latvia's National Theater and a children's hospital. airBaltic has begun environmental work, including adopting an environmental policy in line with the other companies in the SAS Group. Today, airBaltic submits complete data for flight operations and a lot for cabin and ground, which means it will be possible to present a total eco-efficiency index in 2004.

airBaltic's production data is not consolidated with Group's data, but is reported here: cabin factor 61%, fuel consumption 0.075 kg/RPK, CO_2 and NOx emissions, 50,000 tonnes and 150 tonnes, respectively. Noise impact, km^2/85dB(A) at takeoff, was 0.95.

Estonian Air

Estonian Air, which is 49% owned by the SAS Group, serves 12 cities from Tallinn. In 2003 the airline phased out its Fokker F50s and operates with a single-aircraft fleet of four Boeing 737s of the same type that Braathens has in its fleet. Estonian Air's production data is not consolidated in the SAS Group's data, but is only reported here. In 2003 the cabin factor was 61.2%, fuel consumption 0.058 kg/RPK and CO_2 emissions were 90,000 tonnes. Estonian Air plans a substantial production increase in 2004.

Other operations

Facility Management, Airline Support Businesses/ Airline Related Businesses

KPIs Airline Support Businesses/Airline Related Businesses	2003	2002	2001
Energy consumption, GWh [1]	**200**	205	193
Water consumption, 1,000 m^3 [1]	**167**	162	187
Unsorted waste, tonnes [1]	**550**	786	3,034
Hazardous waste, tonnes [1]	**459**	532	1,429
Fuel consumption, vehicles, 1,000 liters	**3,553**[2]	6,315	6,139
Glycol consumption, m^3	**3,149**	4,516	2,751

[1] *Data from Facility Management*
[2] *Partly changed reporting method*

Facility Management

The SAS Group's buildings and properties are managed by the corporate function Facility Management. The building space for which Facility Management reports resource consumption and environmental impact amounts to 695,000 sq.m. Total building space is 750,000 sq.m. In 2003, the SAS Group's head office in Frösundavik outside Stockholm was sold to the property management company Nordisk Renting. The properties in Copenhagen were sold in 2003 to the property management company Keops. Thus, with some exceptions, the Group's entire property stock has been sold. The SAS Group has an option to buy back most of the properties in the period 2008 to 2012. Leases were signed, and SAS Facility Management continues to be responsible for overall operation and the environment as well. In agreements with the property owners, the Group undertakes to prevent any emissions hazardous to the environment. The SAS Group is financially liable for these measures and is also liable to the authorities, according to the polluter pays principle.

Some of the space that the SAS Group now leases is used by units mainly devoted to office operations. Their environmental impact primarily consists of energy consumption, generation of office waste and, to some extent, water consumption. Other space comprises workshops and hangars and is used by units of a more technical nature, such as SAS Technical Services' workshops. Impacts here include chemical use and hazardous waste generation.

Since many of the buildings are used by several different operations within the Group, only aggregate environmental data is reported from Facility Management in the table above. Where operations, such as in the cases of SAS Trading and SAS Ground Services, are conducted in premises owned and managed by the airport owner, resource consumption, waste and any emissions are reported by the owner of the premises. The airport owner is also responsible for waste management and waste reporting.

SAS Facility Management's resource and environmental targets for property management were reached in 2003. A detailed survey of energy utilization has begun in the three Nordic countries, purchasing contracts are to be reviewed and energy conservation plans have been formulated. The target is an 8% efficiency gain by 2007.

Facility Management negotiates with electricity and energy suppliers, purchases waste management services and specifies appropriate environmental requirements for its suppliers.

Airline Support Businesses

The employees of Airline Support Businesses were affected by the comprehensive efficiency-enhancement program Turnaround 2005, facing staff cutbacks, changed working methods and frozen salaries. In 2003 more than 100 managers in SAS Technical Services, SAS Ground Services and SAS Trading took various management training courses, including introduction to leadership, project management, the employer's role, coaching employees and working with employee surveys (PULS).

SAS Technical Services (STS)

STS provides technical maintenance of aircraft and engines. Scandinavian Airlines is the largest customer. STS accounts for most of the operations requiring a permit in the SAS Group. See also the Report by the Board of Directors, page 61. STS is also responsible for the greatest use of chemicals and is the business that generates the most hazardous waste. The hazardous waste is collected and destroyed by approved waste management firms.

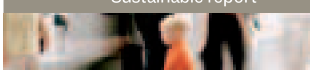
In 2003 STS had problems with excessive releases of cadmium into wastewater at Stockholm's Arlanda airport. See the Report by the Board of Directors, page 61. A purification plant for wastewater from the workshop at Gothenburg's Landvetter airport will be built in 2004 and is estimated to cost MSEK 1. At Copenhagen Airport a purification plant was completed at a cost of MSEK 6, which has reduced the heavy metal content of wastewater.

During the year, STS published environmental information about most chemicals on the STS intranet. In both Denmark and Sweden, STS environmental coordinators focused on improving routines for purchasing, handling and substitution of chemicals. There were campaigns for the proper handling of waste in 2003, in order to improve sorting. In Copenhagen a special assessment was done of all waste.

SAS Ground Services (SGS)

SAS Ground Services is responsible for the SAS Group's passenger and ramp services on the ground and operates at 74 airports. In Norway, SGS has taken over parts of Braathens' ground operations and all of the SAS Group's glycol handling.

SGS's greatest environmental impact consists of waste generation and vehicle traffic, primarily internal transport services at airports. SGS has several thousand vehicles. SGS also operates a bus service between Oslo and Gardermoen. At year-end 2003 SGS had 14 buses. In all, SGS's buses used 950,000 liters of environmental diesel during the year, corresponding to emissions of 2,364 tonnes of CO_2. Since SGS's employees provide customer service at check-in and all loading and unloading of baggage, their working environment can be both mentally and physically stressful. That is why SGS has long focused on working environment issues, developing the RampSnake baggage handling system, for example.



This system, which takes away much of the heavy work that baggage handlers perform, was sold in 2003 to the world's largest supplier of ground service equipment, making it available to airlines worldwide. In 2003 SGS changed over to electric baggage trucks at Copenhagen Airport, reducing noise and fuel consumption. A similar solution is being considered for Oslo and Stockholm.

SAS Cargo Group

SAS Cargo Group conducts air freight operations mainly in Scandinavian Airlines, Braathens, Blue1 and Lufthansa aircraft and provides land-based shipment via SAS Cargo Trucking.

Emission data for SAS Cargo Group's air transportation is reported on the Group company concerned. Similarly, the business's environmental impact from road transportation is reported by the operating company, Kim Johansen Transport A/S. In an agreement with SAS Cargo Group, this carrier has established an environmental and follow-up program aimed at reducing energy and resource consumption.

A growing number of SAS Cargo Group's large customers have ISO 14001 certified environmental management systems. These companies set environmental requirements for their suppliers and also need to be able to report the environmental impact of their shipments. Therefore, in June 2003 SAS Cargo Group was the first air freight company in the world to introduce a tool that enables freight customers to calculate the emissions from their specific shipments.

During the year, work intensified to certify SAS Cargo's environment management system according to ISO 14001 and extend its quality management system according to ISO 9001:2000. In November and December 2003, SAS Cargo received its quality and environmental certificates. These cover SAS Cargo's freight terminals in Scandinavia and the U.S.

As part of SAS Cargo Group's formulation of objectives and guidelines according to the SAS Group's Sustainability Policy, the Cargo Sustainability Group was formed in 2003 to deal with environmental and corporate social responsibility issues. SAS Cargo has ethical guidelines and does not ship items that are politically controversial. The company also sponsors an environmental project in Spitsbergen.

Employees and social involvement

The work at SAS Cargo's terminals is strenuous, often including heavy lifting. Training in ergonomics is therefore now obligatory for employees who physically handle freight.

SAS Cargo's aim is to reduce the number of work-related accidents and strain injuries. A project to reduce the number of workplace accidents was initiated at year-end 2003.

In 2003 SAS Cargo was in discussions with a number of large customers and with other airlines and stakeholders on calculation methods and registration of environmental data and on the possibilities for bringing about environmental improvements in the transportation area. More information is available in SAS Cargo's environmental report, which can be read at www.sascargo.com

Airline Related Businesses

Airline Related Business include operations that are primarily office-based, and their direct environmental impact is associated with energy and resource consumption in the offices, waste generation and transportation.

Scandinavian IT Group (SIG)

Scandinavian IT Group's operations are aimed at meeting the IT support needs of the airline industry. The company was sold in December to U.S. based Computer Sciences Corporation (CSC). At the same time, the SAS Group signed a five-year agreement for purchasing IT services from CSC and SIG. SIG had been focusing on the changeover and thus submitted a limited amount of data to the report. SIG's environmental impact comprises energy consumption and the generation of electrical and electronic waste. Such waste is collected and processed by approved electronics recyclers.

SAS Trading

SAS Trading is engaged in tax-free and other retailing in 38 stores at 21 airports in Scandinavia, Poland and the Baltic area. The SAS Trading stores that sell food are subject to local food regulations and are monitored by the environmental and health authorities. SAS Trading gives priority to suppliers that work according to an environmental management system and the Global Compact.

SAS Flight Academy (SFA)

SAS Flight Academy conducts training of pilots and others for the SAS Group and other airlines worldwide. In this way, SFA is engaged in the transfer of technology and expertise to countries in Asia and Eastern Europe. A vital element of pilot training is knowledge of optimizing flight procedures in order to utilize aircraft in an eco-efficient way. SFA sponsors the Red Cross, the Swedish Children's Cancer Foundation and SOS Children's Villages.

Jetpak

The Jetpak Group markets courier services and express deliveries with the Nordic countries as a home market. Operations comprise both ground and air-based services, which are mainly produced by suppliers that have franchise agreements with Jetpak/Adena Picko's. In all, there are about 55 franchisees with approximately 350 delivery vans. There are also agents at 35 airports in Sweden that produce for Jetpak. The environmental impact of the delivery vans is reported by the franchisee concerned.

Jetpak's environmental work is integrated into its operations. In the first quarter of 2004, a process began aimed at certifying the environmental management system according to ISO 14001. Jetpak participates in alternative fuels and logistics projects, has bicycle couriers in a number of Swedish cities and sponsors a school with shipments of packages to the Baltic region.

European Aeronautical Group (EAG)

Among European Aeronautical Group's products are route manuals for airlines. EAG's greatest environmental impact comprises extensive consumption of paper. In 2003, 155 (155) tonnes of paper was consumed. This quantity is expected to decline since the German civil aviation authorities, as the first in the world, approved in January 2004 a fully electronic route manual for use without a paper backup. This is a major advance for EAG, which has long worked to develop a paperless cockpit.

SAS Media

SAS Media's primary environmental impact comprises energy and paper consumption. In 2003 the office's energy consumption rose to 126 (118) MWh, and paper consumption in printed magazines fell to 424 (527) tonnes. SAS Media, which produces inflight magazines, has an environmental management system that covers both the environment and the working environment. In 2003, SAS Media evaluated its printing and graphic reproduction suppliers, new contracts were signed, and environmental aspects carried weight in the choice of supplier. To avoid the publication of editorial content or advertising that may offend the airlines' customers, SAS Media developed an ethics policy.

Hotel operations

KPIs Rezidor SAS Hospitality

	2003	2002	2001
Water consumption per guest night, liters	**473**	423	436
Energy consumption per sq. m, kWh	**276**	289	292
Renewable energy sources (electricity), %	**23**	26	25
Unsorted waste per guest night, kg	**1.85**	2.13	2.09
Carbon dioxide (CO_2) emissions, 1 000 ton	**6.86**	6.40	6.13
Environmental management system	●	●	●
Environmental policy/objectives	●	●	●
Average number of employees *	**3,474**	3,117	3,103

Data pertains to Radisson SAS hotels, excluding franchise.
** Owned and leased Rezidor SAS hotels only.*

● Yes

Accounting for 8% of the Group's environmental impact, Rezidor SAS Hospitality operates the Group's hotel business under the Radisson SAS, Country Inn, Park Inn, Cerruti and Regent brands. At the end of 2003, 162 hotels were in operation, of which 126 were Radisson SAS hotels, 23 were Park Inn hotels, 12 were Country Inn hotels and one was a Regent. Three Cerruti hotels are under construction, and a total of 35 hotels are under development for the other brands. Hotels are operated in 38 countries.

Rezidor SAS owns only one hotel in operation. Otherwise, the hotels are operated on a lease, management or franchise basis. Of Rezidor SAS's 162 hotels, 100 operate under lease or management contracts, and the data presented here represents these hotels. The other 62 hotels operate under franchise agreements.

Responsible Business

Within the framework of its Responsible Business program, Radisson SAS has the most structured program for sustainable development and corporate responsibility in the SAS Group. Evidence for this in 2003 was the fact that more and more hotels achieved environmental improvements and were involved in activities in their respective local communities, which in turn resulted in a large number of prizes and honors for contributing to their local communities.

The Country Inn chain decided to launch a pilot project at one of its Munich hotels for the Responsible Business program. An initial survey showed that the Country Inn hotels, most of which are in Germany, are relatively well positioned regarding the environment and social responsibility.

In 2003 Park Inn underwent a rapid expansion, and the focus this first year was on including the chain in Rezidor SAS's business systems.

Cerruti and Regent have yet to get started on any structured activity in the area of sustainability, since there is only one hotel in operation.

Park Inn and Country Inn

The 23 Park Inn hotels in Sweden, Norway, Denmark, Switzerland and South Africa are primarily franchise hotels, but in 2003 they participated in the annual survey of the hotels' environment and social responsibility work.

The Park Inn hotels that were converted from the Winn chain in Sweden have an established environmental program from before, but will, like the other Park Inn hotels, integrate Rezidor SAS's Responsible Business program into their operations. Park Inn hotels' energy consumption was 220 kWh/sq.m and water consumption 221 liters/guest night.

Country Inn, with 12 hotels primarily in Germany and Austria, had generally a good environmental performance, owing to new hotel buildings and strict environmental laws in the countries where the hotels operate. Country Inn's average energy consumption was 152 (166) kWh/sq.m, and water consumption was 222 (261) liters/guest night.

Environment

The environmental impact of the hotel operations mainly comprises consumption of energy and water and generation of waste. Use of materials and chemicals, primarily for washing and cleaning, is also significant.

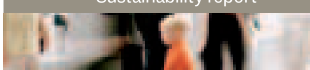
In 2003 energy and water consumption rose in absolute terms because the number of hotels increased. However, relative consumption, calculated per square meter and per guest night, respectively, fell at most hotels thanks to increased resource efficiency. Water consumption per guest night was pulled upward by five hotels in the Middle East, which are reporting for the first time. Unlike the other hotels, these hotels include water for outdoor pools and landscape watering in their reporting.

The hotels have individual action plans based on the SAS Group's and Rezidor SAS's environmental objectives. Most are working on energy conservation, but measures vary depending on where in the world the hotel operates. So, for example, economizing on water is a more acute matter in the Middle East than in Scandinavia. At the same time, environmental legislation is stricter and the public awareness is greater in Northern Europe, affecting the focus of the efforts.

In 2003 several hotels replaced old equipment containing ozone-depleting freon (CFCs) with new equipment containing HFCs. This effort continues within the framework of the hotels' investment plans. With regard to CFCs, the hotels follow national legislation, which largely requires that the hotel's equipment be replaced as it wears out. Freon is not refilled.

All hotels have environmental coordinators, whose work is supported by the Director of Responsible Business, who in turn reports to the CEO of Rezidor SAS. Environmental awareness and social responsibility training of hotel staff has been conducted, and in 2002 and 2003, 64% (33%) of the employees of Radisson SAS participated. In 2003 the training course was updated based on the evaluations of course leaders. The course has been consolidated and adapted to all of Rezidor SAS's brands. This training course will go out to all brands in 2004. Radisson SAS will primarily use it to train new hires, while the other brands will use it for their initial Responsible Business training.

In 2003 the cooperation with the chemical supplier Ecolab ran as eight pilot projects at Radisson SAS hotels throughout Europe. Representatives of Ecolab evaluated the cleaning and hygiene of hotel kitchens and so-called "back-of-house" areas. The pilot project resulted in a chemical program to be launched at all hotels in 2004. The program contains a minimum list of products to be used and training in hygiene and the environmental impact of chemicals.



Awards

During the year, several Radisson SAS hotels were honored for participating in local community projects. One was Radisson SAS St. Helen's Hotel in Dublin, which in December 2003 received a certificate from Guinness, the Dublin Chamber of Commerce and the mayor of Dublin for its contributions to the development of the city.

The Radisson SAS Hotel in Östersund was named "Diversity Enterprise of the Year 2003" for promoting diversity of nationalities and cultures and making it possible for occupationally disabled persons to work at the hotel. The award was created by the county government and the county labor board of Jämtland County and the Confederation of Swedish Enterprise.

In 2003 Radisson SAS Galway won the local Chamber of Commerce's environmental award, and the Radisson SAS hotels in Glasgow and Stirlingshire won the "Green Tourism Business Scheme" award.

The Radisson SAS Hotel in Malmö received an award for excellence in environmental management from its customer Tetra Pak. As part of a "Suppliers' Day" at Tetra Pak with an environmental focus, Radisson SAS presented its environmental program.

Corporate social responsibility

The SAS Group's hotel operations are expanding rapidly, also in countries that do not fully live up to the UN conventions on labor law and human rights. Matters of ethics, values and social responsibility are therefore a key part of Rezidor SAS's Responsible Business program. It contains objectives in such areas as employee well-being, children's rights, community involvement, cultural heritage and the environment.

Community involvement

All hotels in the three brands in operation are involved in at least one local charity project per year. For example, 89 Radisson SAS hotels took part in environmentally and socially related activities during the "Hotel Environment Action Month" campaign in September. 25 took part in "Car Free Day." Several of the chain's German hotels made presentations in schools about corporate social responsibility, and many hotels and employees participated in local clean-up projects. Other examples of activities are projects for smoke-free environments, collecting clothing and toys for the Red Cross and information campaigns about fair trade products served in hotel restaurants.

Rezidor SAS supports UNESCO's efforts to restore the world's cultural heritage. The most recent project involves developing a guided tour of the former South African prison complex on Robben Island, where Nelson Mandela, among others, was held for 20 years.

Employees

The average number of employees of Rezidor SAS rose to 3,474 (3,117) in 2003. This includes employees of owned as well as leased hotels. Of these, 46% (45%) are men and 54% (55%) are women. There were approximately 15,400 (13,500) full-time employees group-wide. During the year, there was a reorganization to adapt to prevailing economic realities.

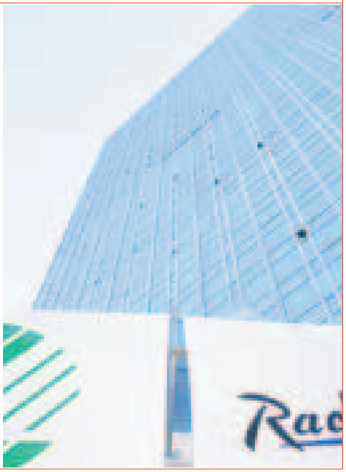
Each year, the so-called "Climate Analysis" measures employee satisfaction with job tasks and the working environment. In 2003, 10,664 (9,968) employees responded to the survey, and employee satisfaction was 81.4 (80.5) out of a possible 100.

Although Rezidor SAS has a goal of recruiting internally as much as possible, the rapid expansion in recent years has made this difficult. However, in 2003, 94% of the general managers hired at Radisson SAS were recruited internally.

Rezidor SAS operates a management school with job-specific training for hotel employees, focusing on sales support, business planning, effective communication and training techniques. In all, about 3,500 employees have attended the management school since its inception in 1996.

Eco-labeled hotels

In 2003 the Radisson SAS Plaza in Oslo and the Radisson SAS Airport Hotel at Oslo Airport qualified for the pan-Nordic Swan eco-label. Qualifying required, above all, investments in energy-saving equipment. The process of obtaining the Swan was made easier by the hotel's already having implemented Responsible Business action plans and the in-house environmental training the hotels' staff underwent. The label is valid for three years, and the hope is that it will attract conference organizers.



Cooperation and dialog with stakeholders

Rezidor SAS participates actively in an industry-wide effort aimed at publishing a common industry standard for sustainability-related requirements for hotel construction, "Sustainable Construction Guidelines," in 2004. This project is within the framework of the "International Hotels Environment Initiative" (IHEI).

In 2004, Rezidor SAS holds the presidency of the IHEI Executive, a forum for international hotel chains' environmental managers.

After concluding negotiations with labor organizations and employee representatives, Rezidor SAS will establish a European Works Council.

Only in exceptional cases does Rezidor SAS own hotel properties. By closely working with the property owners, the company hopes to live up to its responsible business principles, attaining a better environment and profitability for all parties.

Economy

Many of the Group's hotels are in regions where waste separation has been high on the agenda, mainly due to high disposal charges. The hotels have therefore invested in sorting equipment, waste compactors and glass crushers. Among them are the hotels in the U.K. and Ireland, where such investments have reduced waste disposal costs.

Energy costs have risen in most regions. This prompted especially the hotels in Europe to speed up investments in energy-saving technology, such as sensors, timers, new heat pumps and low-energy light bulbs. Some hotels also conducted energy-saving campaigns among employees. For instance, in Stavanger, two Radisson SAS and one Park Inn cut their total electricity consumption by 9% in one year. The hotels in Istanbul and Malta invested in solar panels to reduce their dependence on purchased electricity and to increase the share of renewable energy.

Sustainability information

For further information about the SAS Group's sustainability work, contact Environmental Director Niels Eirik Nertun: niels_eirik.nertun@sas.no

Statement of limited review

To the readers of the SAS Group's sustainability report for the financial year 2003

We have performed a limited review of the environmental information disclosed in the SAS Group's sustainability report for the 2003 financial year, and related accounting principles on the Internet (www.sasgroup.net/environment). The sustainability report consists of sustainability information provided in the SAS Group Annual Report 2003 & Sustainability Report.

Our engagement has consisted of performing a limited review of quantitative and qualitative environmental information in the sustainability report. The purpose of our limited review is to express whether we have found any indications that the sustainability report has not, in all material aspects, been performed in accordance with the criteria stated below. The limited review has been performed in accordance with FAR's draft standard on independent limited reviews of voluntary separate sustainability reports.

SAS Group Management approved the sustainability report in February 2004. The SAS Group Board of Directors submitted the annual report on March 23, 2004, and was informed of the sustainability report at the same time. SAS Group Management is responsible for organizing and integrating sustainability work with the operations of the Group. Our task is to express an opinion on the environmental information in the sustainability report based on our limited review.

The sustainability report has been prepared on the basis of the SAS Group's accounting principles for sustainability reporting (www.sasgroup.net/environment). These form the criteria used to evaluate our limited review.

The scope of our limited procedures included the following activities:

- Discussions with management on the environmentally related operational risks, and disclosures thereof.
- Review of information of the scope and limitations of the content of the sustainability report.
- Review of the company's principles for reporting of environmental information.
- Limited review of the Group's systems and routines for registration, accounting and reporting of environmental data.
- Interviews and visits to a number of units in order to ensure that material environmental conditions are disclosed in the sustainability report and that environmental data is reported on a, in all material aspects, standardized format and in accordance with the accounting principles.
- Review of the documentation, performed on a test basis, on which the information in the environmental report is based.
- Review of disclosures regarding environmental related taxes, charges and performed investments.
- Review of compliance with laws, permits and conditions.
- Review of whether the contents of the sustainability report contradict the information in other parts of the SAS Group's annual report for the financial year of 2003.

Based on our limited review procedures, nothing has come to our attention that causes us to believe that SAS Group's environmental information disclosed in the sustainability report for the financial year of 2003 has not, in all material aspects, been prepared in accordance with the above stated criteria.

Stockholm, March 23, 2004

Deloitte & Touche AB

Svante Forsberg	**Elisabeth Werneman**
Authorized Public Accountant	*Authorized Public Accountant*

Evolution of the share structure and ownership


SAS has a stock market history going back to 1920, when Det Danske Luftfartselskab A/S was listed on the Copenhagen Stock Exchange. The Consortium's two other owner companies were listed separately on the Oslo and Stockholm stock exchanges, respectively.

State holding ▪ 50%

Institutional investors ▪ 40-45%

Individual investors ▪ 5-10%

SAS AB

Listed on the

Stockholm Stock Exchange

Copenhagen Stock Exchange

Oslo Stock Exchange

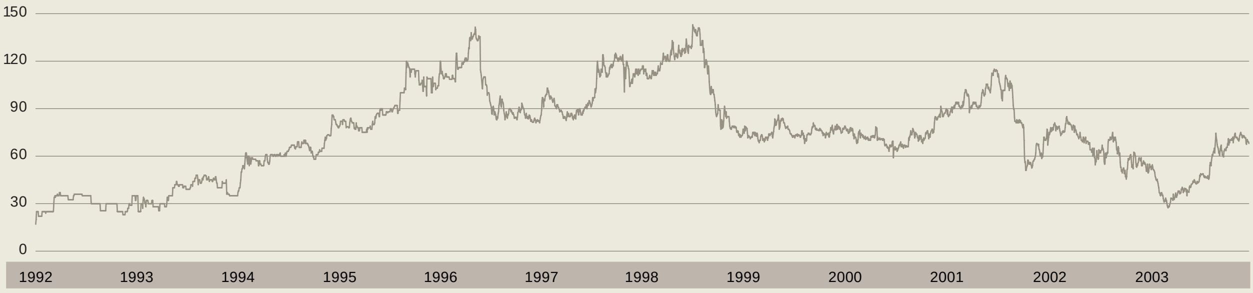
Scandinavian Airlines System (SAS) was formed in 1946 by Det Danske Luftfartselskab A/S (DDL), Det Norske Luftfartselskap A/S (DNL) and Svensk Interkontinental Lufttrafik AB (SILA). After the founding of the SAS Consortium in 1951, four years passed before SILA was listed on the "Stockbrokers' List" in Sweden. When SILA was listed, its ownership structure changed, and SILA owned 50% of ABA (AB Aerotransport). The Norwegian DNL was listed in 1967 on the Oslo Stock Exchange, and in 1980 SILA was listed on Stockholmsbörsen (Stockholm Stock Exchange).

In 1996 the SAS Consortium's parent companies (DDL, DNL and ABA) harmonized their operations and capital structure, changing their names to SAS Danmark A/S, SAS Norge ASA and SAS Sverige AB, respectively. The three parent companies were 50% owned by private interests and 50% by the respective states and were listed on the stock exchanges in Copenhagen, Oslo and Stockholm.

In May 2001 the shareholders of the listed parent companies were made an offer to exchange their shares for the same number of newly issued shares in SAS AB. The purpose of introducing a single SAS share was to gain better access to the capital markets, increase opportunities to participate in structural transactions and establish a more efficient decision-making structure. The offer was accepted, and on July 6, 2001, SAS AB was listed as a single share in Stockholm, Copenhagen and Oslo. SAS AB is 50% owned by private interests, and the entire state holding is 50%.

The SAS Group's share price performance, 1992-2003

Share price, SEK



In the period 1992-2003 the share price rose from SEK 17 to SEK 68, corresponding to an annual return of just over 12%. The share price showed a positive trend from 1992 to mid-1996, owing to positive earnings performance that resulted from cost-cutting at the beginning of the 1990s. In 1996 the share price fell after the record year 1995. After that the share price rose, but was adversely impacted by the financial crises in Asia and Russia in 1998-99. In the 2000s the share price was primarily affected by the external factors, such as the terrorist attacks on September 11, 2001, and SARS and the Iraq War in spring 2003, which adversely affected the airline industry. Beginning in June 2003, the share price performed positively.

SAS retrospective



SAS was formed from Det Danske Luftfartselskab A/S (DDL), Det Norske Luftfartselskap A/S (DNL) and Svensk Interkontinental Lufttrafik AB (SILA). The first intercontinental flight went between Stockholm and New York.



1918 ▪ Det Danske Luftfartselskab A/S (DDL), SAS's Danish parent company, is founded.

1920 ▪ DDL is listed on the Copenhagen Stock Exchange.

1924 ▪ AB Aerotransport (ABA), SAS's Swedish parent company, is founded.

1927 ▪ Det Norske Luftfartselskap A/S (DNL), SAS's Norwegian parent company, is founded.

1946 ▪ SAS is formed from Det Danske Luftfartselskab A/S (DDL), Det Norske Luftfartselskap A/S (DNL) and Svensk Interkontinental Lufttrafik AB (SILA).
The first intercontinental flight Stockholm - New York.

1951 ▪ DDL, DNL and ABA form the present SAS Consortium.

1954 ▪ SAS is the world's first airline to fly the Copenhagen - Los Angeles polar route in scheduled service.

1955 ▪ SILA (which owned 50% of ABA) was quoted on the "Stockbrokers' List" in Sweden.

1957 ▪ SAS is the first airline to offer "round the world service over the North Pole."
North Pole shortcut Copenhagen - Anchorage - Tokyo.

1959 ▪ SAS enters the jet age. The first jet aircraft, Caravelle, in service.

1960 ▪ SAS opens its first hotel, the SAS Royal Hotel Copenhagen.

1965 ▪ SAS is first to introduce an electronic reservation system.

1967 ▪ DNL is listed on the Oslo Stock Exchange.

1971 ▪ SAS puts its first Boeing 747 jumbo jet into service.

1980 ▪ SAS opens its first hotel outside of Scandinavia, the SAS Kuwait Hotel.
SILA is listed on the Stockholm Stock Exchange.

1981 ▪ SAS EuroClass is introduced on all European routes.

1982 ▪ SAS is the most punctual airline in Europe for the first time.

1984 ▪ SAS receives Air Transport World's distinction "Airline of the Year" for 1983.

1986 ▪ Spanair is founded.

1989 ▪ SAS International Hotels owns 40% of Intercontinental Hotels Group. This stake is sold in 1992.

1994 ▪ Focus on airline operations in the SAS Group - sale of a number of subsidiaries.

1996 ▪ SAS celebrates its 50th anniversary on August 1. Harmonization and name change of SAS parent company to SAS Danmark A/S, SAS Norge ASA and SAS Sverige AB.

1997 ▪ SAS is one of the founders of Star Alliance™.

1998 ▪ Air Botnia becomes a wholly owned subsidiary of the SAS Group.

1999 ▪ The SAS Group becomes a majority owner of Widerøe.

2001 ▪ A single SAS share is established. On July 6, SAS is listed on the stock exchanges in Stockholm, Copenhagen and Oslo.
Braathens is acquired by the SAS Group in December.

2002 ▪ Rezidor SAS Hospitality signed a master franchise agreement with Carlson Hotels Worldwide.

2003 ▪ Acquisition of 49% of the shares in Estonian Air.

Presidents of SAS beginning in 1946

1946-1948 ▪ Per A. Norlin

1949-1951 ▪ Per M Backe

1951-1954 ▪ Per A. Norlin

1955-1957 ▪ Henning Throne-Holst

1958-1961 ▪ Åke Rusck

1961-1962 ▪ Curt Nicolin

1962-1969 ▪ Karl Nilsson

1969-1978 ▪ Knut Hagrup

1978-1981 ▪ Carl-Olov Munkberg

1981-1993 ▪ Jan Carlzon

1993-1994 ▪ Jan Reinås

1994-2001 ▪ Jan Stenberg

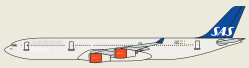
2001- ▪ Jørgen Lindegaard

Jan Stenberg, Jan Carlzon and Jørgen Lindegaard. June 2003.

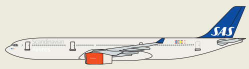
The SAS Group's aircraft fleet

(at January 1, 2004)

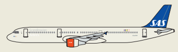
Scandinavian Airlines' aircraft fleet



Airbus A340-300
Number of aircraft: 7
Number of seats: 261
Max. takeoff weight: 275.0 tonnes
Max. load: 43.0 tonnes
Length: 63.7 m
Wingspan: 60.3 m
Cruising speed: 875 km/h/545 mph
Range: 12,800 km
Fuel consumption: 0.039 l/seat kilometer
Engine: CFM56-5C4



Airbus A330-300
Number of aircraft: 3
Number of seats: 261
Max. takeoff weight: 233.0 tonnes
Max. load: 43.0 tonnes
Length: 63.7 m
Wingspan: 60.3 m
Cruising speed: 875 km/h/545 mph
Range: 9,700 km
Fuel consumption: 0.035 l/seat kilometer
Engine: RR Trent 772B



Airbus A321-200
Number of aircraft: 8
Number of seats: 184
Max. takeoff weight: 85.0 tonnes
Max. load: 21.5 tonnes
Length: 44.5 m
Wingspan: 34.1 m
Cruising speed: 840 km/h/520 mph
Range: 3,000 km
Fuel consumption: 0.031 l/seat kilometer
Engine: IAE V2530-A5

Boeing 737-600/700/800
Number of aircraft: 30/6/20
Number of seats: 95-123/131/132-179
Max. takeoff weight: 57.6-59.9/61.7/70.5-75.1 tonnes
Max. load: 13.0/15.0/19.0 tonnes
Length: 31.2/33.6/39.5 m
Wingspan: 34.3 m
Cruising speed: 825 km/h/515 mph
Range: 1,900-2,900/2,200/2,000-3,700 km
Fuel consumption: 0.044/0.042/0.034 l/seat kilometer
Engine: CFM56-7B

MD-90-30
Number of aircraft: 8
Number of seats: 147
Max. takeoff weight: 70.8 tonnes
Max. load: 17.0 tonnes
Length: 46.5 m
Wingspan: 32.9 m
Cruising speed: 825 km/h/515 mph
Range: 2,800 km
Fuel consumption: 0.039 l/seat kilometer
Engine: IAE V2525-D5

MD-81/82/87
Number of aircraft: 12/34/15
Number of seats: 141-145/141-145/120
Max. takeoff weight: 63.5/67.8/63.5 tonnes
Max. load: 14.6/17.1/14.8 tonnes
Length: 45.1/45.1/39.8 m
Wingspan: 32.9 m
Cruising speed: 825 km/h/515 mph
Range: 2,600/2,700/3,500 km
Fuel consumption: 0.043/0.043/0.048 l/seat kilometer
Engine: P&WJT8D-217C/-217C -219/-217C

deHavilland Q400
Number of aircraft: 24
Number of seats: 58-72
Max. takeoff weight: 29.3 tonnes
Max. load: 7.5 tonnes
Length: 32.8 m
Wingspan: 28.4 m
Cruising speed: 660 km/h/410 mph
Range: 1,000-2,000 km
Fuel consumption: 0.039 l/seat kilometer
Engine: P&W 150A

Fokker F50
Number of aircraft: 7
Number of seats: 50
Max. takeoff weight: 20.8 tonnes
Max. load: 4.9 tonnes
Length: 25.3 m
Wingspan: 29.0 m
Cruising speed: 520 km/h/320 mph
Range: 1,400 km
Fuel consumption: 0.038 l/seat kilometer
Engine: P&W 125B

Spanair's aircraft fleet

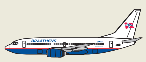
Airbus A321-200
Number of aircraft: 5
Number of seats: 200
Max. takeoff weight: 93 tonnes
Max. load: 25 tonnes
Length: 44.5 m
Wingspan: 34.1 m
Cruising speed: 840 km/h/520 mph
Range: 3,800 km
Fuel consumption: 0.024 l/seat kilometer
Engine: V2533-A5

Airbus A320-200
Number of aircraft: 11
Number of seats: 162
Max. takeoff weight: 77 tonnes
Max. load: 19 tonnes
Length: 37.6 m
Wingspan: 34.1 m
Cruising speed: 840 km/h/520 mph
Range: 3,500 km
Fuel consumption: 0.027 l/seat kilometer
Engine: V2527-A5

MD-82/83/87
Number of aircraft: 10/20/1
Number of seats: 155/170/120
Max. takeoff weight: 66.7/72.6/63.5 tonnes
Max. load: 19.1/17.7/15.4 tonnes
Length: 45.1/45.1/39.8 m
Wingspan: 32.9 m
Cruising speed: 815/825 km/h/505/510 mph
Range: 3,200/3,500/3,500 km
Fuel consumption: 0.043/0.040/0.047 l/seat kilometer
Engine: P&WJT8D-217C/-219/-219

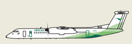
Boeing 717
Number of aircraft: 4
Number of seats: 115
Max. takeoff weight: 51.7 tonnes
Max. load: 12.9 tonnes
Length: 37.8 m
Wingspan: 28.5 m
Cruising speed: 825 km/h/515 mph
Range: 2,800 km
Fuel consumption: 0.037 l/seat kilometer
Engine: BR 715

Braathens' aircraft fleet



Boeing 737-300/500/700
Number of aircraft: 4/14/9
Number of seats: 150/120/134
Max. takeoff weight: 68/65.3/60.5 tonnes
Max. load: 17/13.9/15.6 tonnes
Length: 36.4/31/33.6 m
Wingspan: 28.9/29.9/33.6 m
Cruising speed: 800/800/850 km/h 500/500/530 mph
Range: 3,570/4,120/4,660 km
Fuel consumption: 0.031/0.033/0.029 l/seat kilometer
Engine: CFM 56-3/CFM 56-3/CFM 56-7B

Widerøe's aircraft fleet



deHavilland Q100/300/400
Number of aircraft: 17/9/3
Number of seats: 37-39/50/76
Max. takeoff weight: 15.6/19.5/29.3 tonnes
Max. load: 3.6/5.9/8.1 tonnes
Length: 22.3/25.7/32.8 m
Wingspan: 25.9/27.4/28.4
Cruising speed: 514/525/667 km/h 320/326/415 mph
Range: 1,400/1,500/1,800 km
Fuel consumption: 0.038/0.037/0.040 l/seat kilometer
Engine: PW121/123/150 Turboprop

Blue1's aircraft fleet

Avro RJ-85/100
Number of aircraft: 7/2
Number of seats: 84/99
Max. takeoff weight: 42.2/46.0 tonnes
Max. load: 11.3/12.1 tonnes
Length: 28.6/31.0 m
Wingspan: 26.3 m
Cruising speed: 780 km/h/485 mph
Range: 2,300/2,200 km
Fuel consumption: 0.053/0.046l/seat kilometer
Engine: Honeywell

SAAB 2000
Number of aircraft: 5
Number of seats: 47
Max. takeoff weight: 23.0 tonnes
Max. load: 5.4 tonnes
Length: 27.3 m
Wingspan: 24.8 m
Cruising speed: 685 km/h/425 mph
Range: 1,800 km
Fuel consumption: 0.042 l/seat kilometer
Engine: Rolls Royce AE 2100A

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“The SAS Group’s fleet numbers 302 aircraft. Of these, 120 are owned and 182 are leased on operating leases. The average age of the long-haul fleet was 1.6 years, the lowest in Europe. The overall average age has gradually fallen and was 8.3 years in 2003.”

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